

M E M O R A N D U M

April 14, 1994

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. ~~940103-15J~~ -- ST. GEORGE ISLAND UTILITY COMPANY, LTD.  
RATE CASE AUDIT REPORT AS OF 12/31/92  
AUDIT CONTROL NO. 93-264-1-1

-----

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are confidential working papers associated with this audit.

Please forward a complete copy of this report to:

St. George Island Utility Company, Ltd.  
Gene D. Brown  
3848 Killlearn Court  
Tallahassee, FL 32308-3428

DNV/sp

Attachment

cc: Chairman Deason  
Commissioner Clark  
Commissioner Johnson  
Commissioner Laredo  
Commissioner Kiesling  
Mary Andrews Bane, Deputy Executive Director/Technical  
Legal Services  
Division of Auditing and Financial Analysis (Devlin/Mailhot/Causseaux/  
File Folder)  
Division of Water and Wastewater (Moniz)  
Tallahassee District Office (Freeman)

Office of Public Counsel

DOCUMENT APPROVED DATE  
03517 APR 15 8  
FPSC-RECORDS/REPORTING

Florida Public Service Commission

Audit Report

As of December 31, 1992

Field Work Completed April 12, 1994

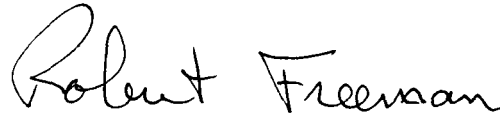
St. George Island Utility Company, Ltd.

Franklin County

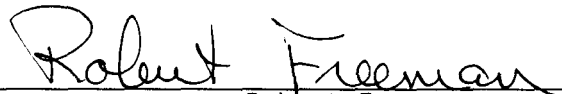
Rate Case

Docket Number 940109-WU

Audit Control Number 93-264-1-1



for Nancy Gaffney  
Audit Manager



Robert Freeman  
Regulatory Analyst Supervisor  
Tallahassee District Office

INDEX

I. Executive Summary.....	3
Audit Purpose.....	3
Disclaim public Use.....	3
Opinion.....	3
Summary Findings.....	4
II. Audit Scope.....	5
III. Audit Exceptions	
1 Monthly Booking of Accounts.....	6
2 Utility Records.....	7
3 Form 1099-MISC.....	8
4 Third Well Land.....	12
5 Lacking Invoice Support - Plant.....	14
6 Lacking Cancelled Check Support....	16
7 Adjustment to Plant.....	18
8 Plant Retirements.....	20
9 Adjustment to Third Well Proforma.....	22
10 Coloney Company Invoices Recorded to Plant....	24
11 Replaced Generator.....	26
12 Plant Associated with Cwip.....	27
13 Transfer of Contributed Property....	29
14 Capitalize Previously Unrecorded Engineering Design Fees	30
15 Error and Lack of Summary Records....	31
16 Error and Lack of Summary CIAC Amortization Records.....	32
17 Impute CIA .....	33
18 CIAC -- Fire Hydrants....	34
19 CIAC per Agreement.....	35
20 Advances for Construction.....	36
21 Adjustment to Chemicals .....	37
22 Adjustment to Material and Supplies .....	39
23 Insurance .....	41
24 Contractual Services - Other .....	42
25 Backhoe.....	44
26 Adjustment to Miscellaneous Expense .....	45
27 Per Book 1992 Depreciation Expense .....	47
28 Taxes Other Than Income .....	48
IV. Audit Disclosures	
1 Elevated land Purchase .....	49
2 Construction Work In Progress.....	50
3 Developer Agreement for prepaid CIAC.....	51
4 Salaries and Wages.....	53
5 Proforma Employee Pension and Benefits.....	54
6 Contractual Services - Engineering .....	55
7 Contractual Services - Legal.....	57
8 Contractual Services - Management Fees .....	60
9 Proforma Adjustment Contractual Service - Other.....	62
10 Tallahassee Office Rent.....	64
11 Transportation Expense.....	65
12 Bad Debt Expense.....	66
13 Proforma Miscellaneous Expense.....	67
14 Utility Office Location.....	68
15 Cost of Capital.....	69
16 Ken Gordon Developer Agreement.....	70
17 Confidential Working Papers.....	71
V. Exhibits	
a) Average 1992 Rate Base.....	72
b) 1992 Operating Income.....	73
c) Cost of Capital.....	74

I. Executive Summary

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to audit the schedules of Rate Base, Net Operating Income, and Capital Structure for the twelve month period ended December 31, 1992, prepared by St. George Island Utility Company, Ltd. for their petition for rate relief, FPSC Docket 940109-WU.

SCOPE LIMITATION: An audit exit conference was held on April 12, 1994. This report is partially based on confidential information which is separately filed with the Commission Clerk.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted audit standards and produce audited financial statements for public use.

OPINION: Subject to audit exceptions, audit disclosures and the audit scope described in Section II, the appended Rate Base, Net Operating Income and Capital Structure exhibits for the test year ended December 31, 1992, represent the utility books and records in substantial compliance with Florida Public Service Commission prescribed rules and procedures.

COMPANY COMMENTS: The Company will respond to this audit report at a later date.

St George Island

Summary Schedule of Findings

Estimated Impact

Item	Description		Rate Base	Net Operating Income
EX 1	Monthly Booking	Comment		
Ex 2	Utility Records	Comment		
Ex 3	Form 1099 MISC	Comment		
Ex 4	Third Well Land		Land Ownership	
Ex 5	Lacking Invoice Support - Plant		(11,009.00)	
Ex 6	Lacking Check Support - Plant		(31,183.00)	
Ex 7	Adjustment to Plant		(4,393.00)	200
Ex 8	Plant Retirements			Not Calculated
Ex 9	Adjustment to Third Well (Proforma)		(11,766.00)	
Ex 10	Coloney Invoices		(2,370.00)	
Ex 11	Replaced Generator		(4,265.00)	
Ex 12	Plant Associated with CWIP		(16,608.00)	
Ex 13	Transfer of Contributed Property		0.00	
Ex 14	Unrecorded Engineer's Fees(proforma)		(21,000.00)	
Ex 15	Lack of Summary Depreciation Records		(10,327.00)	
Ex 16	Lack of Summary CIAC Amort Records		10,635.00	
Ex 17	Input CIAC		(45,600.00)	
Ex 18	CIAC - Fire Hydrants		(50,572.00)	
Ex 19	CIAC per Agreement		(65,000.00)	
Ex 20	Advances for construction		9,257.00	
Ex 21	Adjustment to Chemicals		(657.00)	
Ex 22	Adjustment to Materials and Supplies		(5,384.00)	
Ex 23	Insurance	Comment		
Ex 24	Contractual Services -- Other		(4,373.00)	
Ex 25	Backhoe		(114.00)	
Ex 26	Adjustment to Miscellaneous Expense		(3,544.00)	
Ex 27	Per Book 1992 Deprecioation Expense		5,432.00	
Ex 28	Taxes Other Than Income		(3,101.00)	
DS 1	Elevated Land Purchase	Comment		
DS 2	CWIP		Pending	
DS 3	Developer Agreement -- Prepaid	Comment		
DS 4	Salaries and Wages	Comment		
DS 5	Proforma Pension		(7,200.00)	
DS 6	Services -- Engineering	Comment		
DS 7	Services -- Legal	Comment		
DS 8	Services -- Management Fees	Comment		
DS 9	Services -- Other Proforma		(2,131.00)	
DS 10	Tallahassee Office Rent	Comment		
DS 11	Transportation	Comment		
DS 12	Bad Debt Expense	Comment		
DS 13	Proforma Miscellaneous Expense	Comment		
DS 14	Utility Office Location	Comment		
DS 15	Cost of Capital	Comment		
DS 16	Ken Gordon Agreement	Comment		
DS 17	Confidential Documents	Comment		

Note: Disclosures and Exceptions may note reprt the impact of depreciation or CIAC amortization due to limited audit time.

## II. Audit Scope

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED means that the audit work includes:

COMPILED - Means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as otherwise noted performed no other audit work.

RATE BASE: Compiled Rate Base; Traced applicable rate base adjustments to company schedule; Reviewed invoices supporting plant additions subsequent to 12/31/87; Reviewed 100% of the supporting invoices/documentation for plant additions subsequent to 12/31/87; Reconciled CIAC since rate base was established by Order 21122 issued 4/24/89; Analyzed CWIP; Analyzed Advances For Construction; and Toured Franklin County plant facilities October 21, 1993.

CAPITAL STRUCTURE: Compiled common equity for St. George Island Utility Company, Ltd.; and Recomputed Cost of Debt for St. George Island Utility Company, Ltd.

NET INCOME: Compiled Net Operating Income for the test year. Scheduled revenues billed; Verified depreciation and CIAC amortization rates; Recompute Depreciation subsequent to 12/31/87; Reviewed chemical invoices; Traced operating expenses to source documentation; Traced applicable projected income statement adjustments to company schedules and source documentation; and Agreed test year salaries to supporting payroll journals, as well as Federal Forms 940 and 941.

Scheduled and reconciled the Company's Taxes Other Than Income Accounts.

OTHER: Read affiliate 1987 through 1992 Federal Income Tax Returns and analyzed tax years 1991 and 1992.

AUDIT EXCEPTION NO. 1

SUBJECT: MONTHLY BOOKING OF ACCOUNTS

STATEMENT OF FACT: Commission Order 24458 required the utility to file monthly general ledgers before the end of the following month. The last monthly ledger filed the utility was for August 1993. During fieldwork, it was observed the company was not posting its general ledger accounts monthly. Specifically the December 1993 general ledger was not completed during mid March.

The Commission in Order 92-0122, dated March 31, 1992, found that failure to update the utility's general ledger was not a substantial violation of Commission rules. This finding was despite the presence of the statement: "Each utility shall keep its books on a monthly basis" in the Uniform System of Accounts.

The Commission stated; "There is no evidence in the record to support a prohibition against such accumulation of data (slow booking to the general ledger).

OPINION: Section 674.406, F.S., provides the reason for keeping monthly books. This subsection is entitled; "Customer's Duty To Discover and Report Unauthorized Signature or Alteration" and provides statutory guidance as to what and what not a customer may recover from a bank in the event of a forgery or other fraudulent cash scheme perpetrated upon a utility.

There are more specific reasons to keep monthly books. These reasons involve audit techniques to detect errors and irregularities.

This utility as well as all utilities should be required to keep books on a monthly basis. The proper form also requires that a year to date listing also be prepared at the close of the year. The utility did not maintain a year to date listing during 1992 and 1993.

The Commission should take a strong stand supporting monthly record keeping as it is very necessary to protect resources which are the basis of the calculation of customer charges.

AUDIT EXCEPTION NO. 2

SUBJECT: UTILITY RECORDS

STATEMENT OF FACT: Uniform System of Accounts (USOA), Class B Water Utilities, p. 13, General - Records, reads in part, "Each Utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account."

USOA, p.15, General - Accounting Period, reads, "Each utility shall keep its books on a monthly basis so that for each accounting period all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the Utility. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission."

General Ledgers were readily available, while requested additional information needed to be retrieved by Utility employees. The Utility, during October 1993, created CPR records subsequent to 12/31/87.

OPINION: The books during 1988 through 1991 are not in as good a condition as in 1992. The Utility appears to have relatively inexperienced accounting staff and has recently added a CPA consultant. Books are recorded on a cash basis rather than an accrual basis. The accountant's journal entries are not supported. The utility could not locate certain checks or invoices. Some source documentation is still missing. On several occasions during the field work, the utility's accountant was not readily available. This caused undo delays. The burden was then transferred to the bookkeeper who had problems interpreting the accountant's work papers. The 1992 books were not closed until approximately September 1993. This is very apparent by the Utility's accountant's recording of CWIP for 1992.

During February and March of 1994 the accountant was only available on Fridays. The CPA consultant would try to fill in for the accountant. At times there were still undo delays when the CPA and Bookkeeper could not interpret certain entries.

As of March 25, 1994, the books for 1993 had not been closed. The 12/31/93 General Ledger obtained from the utility was not a final General Ledger. In addition, the utility had not closed its books for January and February of 1994. No General Ledger existed for those months.

Auditor did notice a better control of documents after the Bookkeeper obtained the additional office worker.



AUDIT EXCEPTION NO. 3

SUBJECT: FORM 1099-MISC

STATEMENT OF FACT: Armada Bay Company, a Florida corporation, (ABC) has a Management and Operating Agreement with St. George Island Utility, LTD., (Utility). The agreement states, "as full and adequate compensation for the management and operating agreement, the Utility will pay ABC an annual management fee of \$48,000....."

St. George Island Utility Company, Ltd recorded \$48,000 into its account 634, Contractual Services - Management Fee, during 1992. \$15,375 of the \$48,000 was disbursed by checks to Gene D. Brown, Cash (indorsed by Gene Brown) and Publix (written and cashed by Gene D. Brown).

In addition to the above \$15,375, Gene D. Brown received Transportation Allowance in the amount of \$1,050 and Medical Benefits in the amount of \$450 for a total of \$16,875. The utility reported medical and transportation payments are not subject to form 1099 disclosure.

St. George Island Utility Company, Ltd recorded \$31,436.45 into its account 632, Contractual Services - Accounting, during 1992. \$13,750 was disbursed to Jeanie Drawdy for Accounting Services during 1992.

Neither Jeanie Drawdy or Gene D. Brown are employees of the utility.

1992 Instructions for Form 1099-MISC, Department of the Treasury, Internal Revenue Service (IRS) states, "If the following four conditions are met, a payment is generally reportable as nonemployee compensation: (1) you made the payment to someone who is not your employee; (2) you made the payment for services rendered in the course of your trade or business (including government agencies and nonprofit organizations); (3) you made the payment to someone other than a corporation, e.g., an individual or a partnership; and (4) you made payments to the payee of at least \$600 during the year."

Examples of payments are:

A fee paid to a nonemployee and travel reimbursement for which the nonemployee did not account to the payer if the fee and reimbursement aggregate at least \$600.

Taxable fringe benefits for nonemployees.

The instructions also requires nonemployee compensation to include fees, commissions, prizes and awards for services rendered, or other forms of compensation for services rendered for your trade or business by an individual who is not your employee.

The Utility's response to Document/Record Request No. 3 was, "St. George Island Utility did not provide 1099's for 1991 and 1992."

AUDIT EXCEPTION NO. 3 CONTINUED

OPINION: The auditor analyzed the payments Gene D. Brown and Jeanie Drawdy for Contractual Services on the following pages.

Armada Bay reported for tax purposes in 1992, income of \$48,000 from the Utility.

During the April 12, 1994 exit conference, the Utility presented copies of 1099's issued to Jeanie H. Drawdy and Barbara S. Withers for 1992 and Jeanie H. Drawdy for 1993. No Form 1099 was issued for Gene D. Brown. The 1099's were reportedly prepared and submitted April 11, 1994.

St. George Island Utility Co., LTD.  
 1099-MISC Payments received by Gene Brown  
 Test Year Ended 12/31/92

<u>Item</u>	<u>Date</u>	<u>Check</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>	<u>Management Fee</u>	<u>Transportation Allowance</u>	<u>Medical Benefit</u>
1	9/4/92	488	Gene D. Brown	494.10	Management Fees	494.10		
2	9/14/92	513	Gene D. Brown	750.00	Management Fees	750.00		
3	9/4/92	514	Gene D. Brown	105.90	Management Fees	105.90		
4	10/5/92	552	Gene D. Brown	750.00	Management Fees	750.00		
5	10/5/92	553	Gene D. Brown	750.00	Management Fees	750.00		
6	10/8/92	559	Gene D. Brown	750.00	Management Fees	750.00		
7	10/13/92	566	Gene D. Brown	750.00	Management Fees	750.00		
8	10/21/92	584	Gene D. Brown	750.00	Management Fees	750.00		
9	10/21/92	585	Gene D. Brown	750.00	Management Fees	750.00		
10	11/2/92	652	Gene D. Brown	1,500.00	Management Fees	1,500.00		
11	11/2/92	117	Gene D. Brown	750.00	Management Fees	750.00		
12	11/10/92	118	Gene D. Brown	750.00	Management Fees	750.00		
13	11/27/92	125	Gene Brown	750.00	Management Fees	750.00		
14	12/14/92	703	Gene D. Brown	1,850.00	Management Fees	1,850.00		
15	12/21/92	715	Gene Brown	500.00	Management Fees	500.00		
16	12/24/92	727	Gene D. Brown	750.00	Management Fees	750.00		
17	12/2/92	127	Gene D. Brown	1,300.00	Management Fees	1,300.00		
18	12/4/92	132	Gene Brown	500.00	Management Fees	500.00		
19	12/18/92	142	Cash	250.00	Management Fees	250.00		
20	12/22/92	143	Gene D. Brown	300.00	Management Fees	300.00		
21	12/27/92	145	Publix	75.00	Management Fees	75.00		
22	12/31/92	148	Gene D. Brown	250.00	Management Fees	250.00		
23	10/21/92	586	Gene D. Brown	300.00	Medical Benefit			300.00
24	10/27/92	115	Gene D. Brown	400.00	Transportation Allowance		400.00	
25	11/25/92	124	Gene D. Brown	200.00	Transportation Allowance		200.00	
26	11/30/92		Gene D. Brown	450.00	Transportation Allowance		450.00	
					Accure Monthly Expense- N/P Gene Brown 11/92; 12/92 Cash Receipts (Debit) N/P Gene Brown			
27	12/31/92	146	Gene D. Brown	150.00	Medical Benefit			150.00
				----- 16,875.00 =====		----- 15,375.00 =====	----- 1,050.00 =====	----- 450.00 =====

St. George Island Utility Co., LTD.  
 1099-Misc for Contractual Services-Accounting  
 Test Year Ended 12/31/92

Item	Date	Check	Payee	Amount	Description	Remarks
1	3/31/92	1732	Jeanie Drawdy	140.00	Accounting Services	No contract provided
2	3/31/92	1833	Jeanie Drawdy	160.00	Accounting Services	No contract provided
3	6/30/92	254	Jeanie Drawdy	170.00	Accounting Services	No contract provided
4	6/30/92	282	Jeanie Drawdy	380.00	Accounting Services	No contract provided
5	6/30/92	313	Jeanie Drawdy	250.00	Accounting Services	No contract provided
6	7/31/92	329	Jeanie Drawdy	240.00	Accounting Services	No contract provided
7	7/31/92	363	Jeanie Drawdy	550.00	Accounting Services	No contract provided
8	7/31/92	413	Jeanie Drawdy	320.00	Accounting Services	No contract provided
9	8/31/92	439	Jeanie Drawdy	520.00	Accounting Services	No contract provided
10	8/31/92	452	Jeanie Drawdy	700.00	Accounting Services	No contract provided
11	9/30/92	498	Jeanie Drawdy	720.00	Accounting Services	No contract provided
12	9/30/92	531	Jeanie Drawdy	800.00	Accounting Services	No contract provided
13	9/30/92	541	Jeanie Drawdy	800.00	Accounting Services	No contract provided
14	10/31/92	551	Jeanie Drawdy	800.00	Accounting Services	No contract provided
15	10/31/92	562	Jeanie Drawdy	800.00	Accounting Services	No contract provided
16	10/31/92	573	Jeanie Drawdy	800.00	Accounting Services	No contract provided
17	10/31/92	587	Jeanie Drawdy	800.00	Accounting Services	No contract provided
18	11/30/92	599	Jeanie Drawdy	800.00	Accounting Services	No contract provided
19	11/30/92	619	Jeanie Drawdy	800.00	Accounting Services	No contract provided
20	11/30/92	629	Jeanie Drawdy	400.00	Accounting Services	No contract provided
21	11/30/92	637	Jeanie Drawdy	500.00	Accounting Services	No contract provided
22	11/30/92	656	Jeanie Drawdy	460.00	Accounting Services	No contract provided
23	12/31/92	667	Jeanie Drawdy	500.00	Accounting Services	No contract provided
24	12/31/92	683	Jeanie Drawdy	500.00	Accounting Services	No contract provided
25	12/31/92	708	Jeanie Drawdy	500.00	Accounting Services	No contract provided
26	12/31/92	724	Jeanie Drawdy	<u>340.00</u>	Accounting Services	No contract provided
				<u>13,750.00</u>		

AUDIT EXCEPTION NO. 4

SUBJECT: THIRD WELL LAND

STATEMENT OF FACT: MFR Schedule A-5 page 1 reflects an Utility adjustment to Land and Land Rights to reclassify Land purchased in 1990 for the Third Well in the amount of \$23,276.00.

The Warranty Deed recorded 9/12/90, OFF REC 326 PAGE 035, shows the grantee of the above land (Lot 1, Block 9, David Brown Estates) as Armada Bay Company.

An Indenture (Mortgage Deed) recorded 9/12/90, OFF REC 326 PAGE 036 and 037, is between Armada Bay Company, called the Mortgagor, and Fleet Finance & Mortgage, Inc., called the Mortgagee. Witnesseth, That the said Mortgagor, for and in consideration of the sum of Ten Dollars to it in hand paid by the said Mortgagee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Mortgagee, the following described land, Lot 1, Block 9, David H. Brown Estates.

Armada Bay Company (Lessor) and St. George Island Utility Company, Ltd. (Lessee) has a Lease Purchase Agreement, dated 6/26/90 and an Amendment To Lease Purchase Agreement, dated 8/20/92, for Lot 1, Block 9, David H. Brown Estates.

The Land, Lot 1 BLOCK 9 David Brown Estates, was purchased with funds from the Barrier Island Escrow Account (an escrow account containing CIAC monies) for the benefit of St. George Island Utility Company, Ltd.

The Schedule on the following page presents the closing statement costs associated with the purchase of the Third Well Land.

OPINION: Since this property was purchased with Utility Escrow Funds, the property ownership should be in the name of the Utility.

In addition, the adjustment to Land and Land Rights should be reduced by \$570.00.

St. George Island Utility Co., LTD.  
 Third Well Land  
 Test Year Ended 12/31/92

Item	Description	Allowable Amount	Other Amounts
1	Purchased Price	22,500.00	
2	County Taxes		(36.28)
3	Per Diem MTG-Difference Tax Lien	-	242.83
4	Interest On Tax Lien		235.92
5	Doc Stamps 1st New Note		72.00
6	Int Tax On 1st New MTG		45.00
7	Record 1st New MTG		10.50
8	Record Deed	6.00	
9	Title Insurance	200.00	
		<u>22,706.00</u>	<u>569.97</u>
		=====	=====

Source: Buyer Closing Statement

AUDIT EXCEPTION NO. 5

SUBJECT: LACKING INVOICE SUPPORT - PLANT

STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Utility Plant In Service Account lacking the accompanying invoice. Expenditures noted were lacking either the invoice, other supporting documents or a cancelled check.

OPINION: Description and remarks are the opinions of the auditor and not the utility. The costs should be removed from plant.

St. George Island Utility Co., LTD.  
 Lack of Invoice Support for Plant  
 Test Year Ended 12/31/92

Item	Date	Check	Ref	Payee	Amount	Account	Description	Remarks
1	12/31/88		JE 24	Wallace Pump & Supply	111.71 55.44 9.75	333.4 333.4 333.4	Combination of various JE's/payments to Wallace Pump for 1988	\$111.71 of JE 24 Unsupported \$ 55.44 Duplicate adjustment for 4/88, JE 10, CK#2235 \$ 9.75 Unsupported amount CK#2660
2	6/30/89	2933	CD	Barrett Supply	2,944.68	320.3		Unsupported- No Invoice or Cancelled Check
3	9/14/89	CCK	JE 14	Cooper Fence Company	1,587.00	307.2		Unsupported- No Invoice
4	11/30/89	(*)	JE 14	Cobb/Colony	158.58	307.2	Survey/Consulting	Unsupported - No Invoice for \$158.58 of the \$10,733.45 JE. In Addition, No Cancelled Check Supporting the \$10,733.45 JE.
NOTE: See Exception No. 6 & 10								
5	12/22/89	241	CD	Wallace Pump & Supply	344.44	333.4		Unsupported- No Invoice
6	3/31/90		JE 3	Wallace Pump & Supply	307.11	333.4		Unsupported- No Invoice or Cancelled Check
7	3/31/90	CCK	JE 10	Wallace Pump & Supply	951.04 951.03	333.4 334.4		Unsupported- No Invoice Unsupported- No Invoice
8	3/31/90	CCK	JE 10	Wallace Pump & Supply	950.89 950.88	333.4 334.4		Unsupported- No Invoice Unsupported- No Invoice
9	4/30/90	CCK	JE 10	Wallace Pump & Supply	92.24	320.3		Unsupported- No Invoice or Cancelled Check
10	6/26/90	CCK	JE 10	Cash	200.00	334.4		Unsupported- No Invoice
11	7/25/90	CCK	JE 10	Cash	300.00	334.4		Unsupported- No Invoice
12	7/20/90	329	JE 10	Rowe Drilling	888.00	320.3		Unsupported- No Invoice
13	5/28/92	227		Hank Garrett	50.87	335.4	Reimbursement check	Unsupported- No Invoice
14	5/4/92	180		Wallace Pump	156.20	334.4	Supplies	Unsupported- No Invoice
					----- 11,009.86 =====			

(\*) Larry Cobb = \$ 4,862.00  
 Colony = \$ 5,871.45 (Invoices for \$5,712.87 plus \$158.58 unsupported)  
 -----  
 JE 10 \$10,733.45  
 =====

Note: CCK= Counter Check



AUDIT EXCEPTION NO. 6

SUBJECT: LACKING CANCELLED CHECK SUPPORT - PLANT

STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Utility Plant In Service Account without the accompanying cancelled check.

OPINION: Description and remarks are the opinions of the auditor and not the utility. Costs unsupported by cancelled checks should not be considered utility investment in rate base.

St. George Island Utility Co., LTD.  
 Lacking Cancelled Check for Documentation  
 Test Year Ended 12/31/92

Item	Date	Check	Ref	Payee	Amount	Description
1	7/26/88	2535	CDJ	Sunstate Meter	363.60	Meters & Supplies
2	2/6/89	21	JE 13	Rowe Drilling	12,020.00	Furnish & install 30h.p. Goulds Submersible Pump-Well #1
NOTE: See Exception No.8- Asso- ciated retirement not recorded						
3	5/289	2870	JE 14	Wallace Pump	2,519.54	Various
4	6/30/89		JE 12	Wallace Pump	3,011.67	Various
5	11/30/89	(*)	JE 10	Larry Cobb/Coloney Consulting	10,733.45	Survey data/Consulting
NOTE: See Exception No. 10 & 5						
6	5/14/90		CCK-JE 9	Wallace Pump	40.41	Various
7	10/2/91		JE 12	Ardaman & Associates, Inc.	2,493.78	Geotechnical Exploration & Finance charges- Final Judgment
NOTE: See Exception No. 7						
Total					31,182.45	=====

(\*) Larry Cobb = \$4,862.00  
 Coloney = \$5,871.45 (Invoices for \$5,712.87 plus \$158.58 unsupported)

-----  
 JE 10     \$10,733.45  
 =====

Note: CCK= Counter Check

AUDIT EXCEPTION NO. 7

SUBJECT: ADJUSTMENT TO PLANT

STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Utility Plant In Service Account.

OPINION: Description and remarks are the opinions of the auditor and not the utility.

These charges are largely transportation costs or finance charges, such costs are not readily plant according to the uniform system of accounts. The utility is separately requesting transportation charges for its employees in this filing.

The auditor also notes one reduction in cost granted by a vendor (2625) which was not reflected in the plant accounts.

The auditor also notes an adjustment to plant which involves leasehold improvements of \$1,295 which should first be allocated between the utility and the affiliates sharing the office space. The residual amount should then be amortized over the leasehold period and charged to income.

St. George Island Utility Co., LTD.  
 Adjustment To Plant  
 Test Year Ended 12/31/92

Item	Date	Check	Ref	Payee	Amount	Account	Description	Remarks
1	4/05/90	CCK	JE 10	Cash	18.09	334.4	Gasoline	\$18.09 of the check for the amount of \$60 was for Gasoline - Proforma Adjustment for Transportation
2	4/19/90	CCK	JE 10	Cash	30.67	320.3	Gasoline/Toll/Hose/Clamp	\$30.67 of the check for the amount of \$58.85 was for Transportation Expense-Proforma Adjustment
3	8/27/90	CCK	JE 6	Cash	20.47	334.4	Gasoline/Toll/Unaccounted amount	\$20.47 of the check for the amount of \$150.00 was for Transportation Expense-Proforma Adjustment
4	10/2/91		JE 12	Ardaman & Associates	403.78	347.5	Geotechnical exploration for SGI water tank 5/28/88- Finance Charges assessed.	\$403.78 of the \$2,493.78 recorded to plant represents finance charges assessed. Original invoice amount was \$2,090. Final Judgement obtained by Plaintiff. Finance Charge below line expense.  NOTE: See Exception No. 6
5	12/31/92		JE 12	Accr Accounts Payable GAP Enterprises Inc.	2,625.00	309.2	Balance Due on invoice for installation of water lines Pebble Beach Village	Agreement with contractor reduced the invoice amount for the \$2,625 balance due. Total invoice amount paid was \$9,450. Remove the \$2,625.
6	1/8/92		1537	John Abbott	1,295.00	340.5	Construction work performed-3848 Killcam Court, Tallahassee	1) This is non-recurring expense 2) Office is not Utility owned 3) Location is shared by the law firm 4) Perhaps the leasehold improvement should be amortized as a charge to expense for its pro rata (1/6)
Total					----- 4,393.01 =====			

Note: CCK= Counter Check

AUDIT EXCEPTION NO. 8

SUBJECT: PLANT RETIREMENTS

STATEMENT OF FACT: The Schedule on the following page presents retirements recorded or not recorded to the utility Plant In Service Account.

OPINION: Description and remarks are the opinions of the auditor and not the utility.

The staff engineer should review this finding and direct the utility to adjust its accounts.

St. George Island Utility Co., LTD.  
 Adjustments To Plant Retirements  
 Test Year Ended 12/31/92

Item	Date	Check	Ref	Payee	Amount	Description	Remarks
1	12/31/88		JE 26	Retirement	1,675.00	1986 Copier (Island)	Per Order #21122- General Office Equipment Adjusted Per Book Balance was zero at 12/31/87 1986 Copier was not included in Plant in Service. JE should not have been made
2	2/6/89	21	JE 13	Rowe Drilling	12,020.00	** For Well #1 Furnish & install 30h.p. Goulds Submersible Pump, designed for 300 GPM @ 260' TDH: 30 h.p., 3 phase, 230V Motor-275H-6 Water End, 4" Riser Pipe Valve & etc.	Utility did not record a retirement for the old Pump System replaced.  NOTE: Original cost of this item was not supported by a check. See Exception No. 6
3	7/20/89	2987	CD	Perry Well Drilling	10,505.40	** For Well #2 Furnish & Install 30 HP Fairbanks Morse Submersible Pump, 126' 4" Drop Pipe, 130' #4/3 Submersible Cable, Labor and etc.	Utility did not record a retirement for the replaced Turbine Pump System
4	4/7/92	125		ABC/Service Merchan	213.97	*** Doctor Scale for Chlorine	Utility purchased 2 new mechanical scales 6/23/92 Doctor Scale had rusted and was nonfunctional. Utility did not retire the Doctor Scale
5	4/28/92			Harris 3 M Copier	3,654.00	*** Copier purchased 6/30/88	Utility purchased Copier & Attachments from Pitney Bowes 4/28/92. Utility did not record a retirement for the replaced 1988 Harris 3 M Copier

• ACTUAL RETIREMENT - To be reversed

\*\* Charge for new plant is presented.  
Retirement should be estimated and booked.

\*\*\* Asset should be retired

AUDIT EXCEPTION NO. 9

SUBJECT: ADJUSTMENT TO THIRD WELL PROFORMA

STATEMENT OF FACT: MFR Schedule A-3 page 2 of 2 reflects the cost of the third well as \$164,270 excluding Land. The Schedule on the following page presents costs provided the auditor to support the cost of the third well for the proposed adjustment to Plant In Service.

The Utility did not provide all the source documentation requested. At least three times the auditor requested the utility to fully support the proforma adjustments to plant for Coloney Company Consulting Engineers, Inc.

Also, the Utility did not fully support Rowe Drilling, Survey and DER requested amounts.

As of April 12, 1994, the utility reports the automatic swytem is not fully operational for the third well.

OPINION: The following description and remarks are the opinions of the auditor and not the utility. Any cost not supported should be removed from the utility's requested proforma investment.

St. George Island Utility Co., LTD.

Adjustments to Third Well Proforma

Test Year Ended 12/31/92

Item	Payee	Utility Requested Amount	Recommended Allowable Amount	Recommended Disallowed Amount	Invoice Description	Remarks
1	Rowe Drilling	120,194.00	119,668.00	526.00	Construction Of Well No. 3	Unsupported Amount
2	Graybar	317.00	317.00		1 Prk450 RTE DELTEC	
3	Hughes Supply, Inc.	294.00	294.00		Fed. Signal	
4	Survey - Edwin G. Brown	250.00	0.00	250.00		Unsupported- No Invoice
5	Baskerville- Donovan	19,268.00	19,268.00		For professional services in connection with well no. 3	
6	Luberto's	11,798.00	11,798.00		Limerock Roadbase and Shell	
7	Quality Grading	715.00	715.00		Equipment Rental	
8	DER	350.00	250.00	100.00	Permit for well no. 3	Unsupported Amount
9	Franklin County	195.00	195.00		Building Permit	
10	Coloney Engineering	10,890.00	0.00	10,890.00	Professional Services	Not supported by itemized invoices. Utility Could Not provide requested support documentation.
		<u>164,271.00</u>	<u>152,505.00</u>	<u>11,766.00</u>		



AUDIT EXCEPTION NO. 10

SUBJECT: COLONEY COMPANY INVOICES RECORDED TO PLANT

STATEMENT OF FACT: Invoices dated July 27, 1989 and October 4, 1989 were recorded to Plant Account # 307.2, JE 10, 11/30/89.

Invoice dated March 27, 1990 was recorded to Plant Account # 330.40, JE-7 ELE, 4/30/90.

The Schedule on the following page is an analysis of the associated itemized invoices for payment from Coloney Company Consulting Engineers, Inc.

OPINION: Description and remarks are the opinions of the auditor and not the utility.

Plant In Service should be reduced \$2,370 for the duplication of the invoices for payment.

St. George Island Utility Company, Ltd.  
 Re: The Coloney Company Consulting Engineers, Inc.  
 Test Year Ended 12/31/92

Date	Description	Engineer/			Allowable Expenses	Duplicated Expenses
		Technician	Hours	Rate		
(*) BILLING FOR PERIOD ENDING JULY 15, 1989 INVOICE DATED JULY 27, 1989						
03/27/89	PSC staff recommendations	WHC	2.5	\$100	\$250	
05/01/89	Well #2	WHC	2.6	\$100	\$260	
05/02/89	Elevated tank	WHC	1.6	\$100	\$160	
05/03/89	Relay details of May 2	WHC	0.7	\$100	\$70	
05/15/89	System costs	WHC	0.9	\$100	\$90	
05/16/89	Sanitary sewer system	WHC	2.3	\$100	\$230	
05/17/89	Elevated tank	WHC	2.5	\$100	\$250	
05/22/89	Rate case	WHC	0.3	\$100	\$30	
05/23/89	Booster chlorinator	WHC	0.6	\$100	\$60	
06/06/89	Implementation plan	WHC	0.5	\$100	\$50	
04/-/89	Administrative services & copies	---	---	---	\$237.87	
(*) BILLING FOR PERIOD ENDING SEPTEMBER 5, 1989 INVOICE DATED OCTOBER 04, 1989						
07/19/89	Elevated tank	WHC	1.0	\$100	\$100	
07/31/89	Water system components	WHC	2.8	\$100	\$280	
08/02/89	3rd Well	WHC	3.2	\$100	\$320	
08/03/89	3rd Well	WHC	2.3	\$100	\$230	
08/04/89	3rd Well	WHC	1.5	\$100	\$150	
08/07/89	3rd Well	WHC	3.5	\$100	\$350	
08/08/89	3rd Well	WHC	2.9	\$100	\$290	
08/09/89	Elevated tank	WHC	7.9	\$100	\$790	
08/10/89	3rd Well	WHC	2.3	\$100	\$230	
08/21/89	Improvements to water system	WHC	2.2	\$100	\$220	
08/23/89	Meeting at PSC	WHC	2.0	\$100	\$200	
08/28/89	With reference to meeting at PSC	WHC	1.1	\$100	\$110	
08/29/89	Hearing at PSC	WHC	1.9	\$100	\$190	
08/30/89	Re: option to purchase H2O system	WHC	3.3	\$100	\$330	
08/31/89	Consumptive Use Permit	WHC	0.5	\$100	\$50	
09/05/89	Surveys-extensions to water system	WHC	1.4	\$100	\$140	
08/--/89	Administrative services	---	---	---	\$45	
BILLING FOR PERIOD MAY 2, 1989 THROUGH JANUARY 4, 1990 INVOICE DATED MARCH 27, 1990						
05/02/89	Elevated tank	WHC	1.6	\$100		\$160
05/17/89	Elevated tank	WHC	2.5	\$100		\$250
07/19/89	Elevated tank	WHC	1.0	\$100		\$100
07/31/89	Water system components	WHC	2.8	\$100		\$280
08/03/89	3rd Well	WHC	2.3	\$100		\$230
08/09/89	Elevated tank	WHC	7.9	\$100		\$790
08/21/89	Improvements to water system	WHC	2.2	\$100		\$220
08/23/89	Meeting at PSC	WHC	2.0	\$100		\$200
09/05/89	Surveys-extensions to water system	WHC	1.4	\$100		\$140
12/19/89	Elevated tank	WHC	2.4	\$100	\$240	
12/19/89	Elevated tank	MCA	1.0	\$65	\$65	
12/20/89	Elevated tank	WHC	1.2	\$100	\$120	
12/20/89	Elevated tank	MCA	1.0	\$65	\$65	
12/27/89	Elevated tank	WHC	3.9	\$100	\$390	
12/29/89	Elevated tank	WHC	1.4	\$100	\$140	
12/30/89	Elevated tank	TAB	4.0	\$60	\$240	
01/25/90	Elevated tank	WHC	1.7	\$100	\$170	
12/--/89	Administrative services	---	---	---	\$200	
12/--/89	Mileage	---	---	---	\$3.48	
01/--/90	Administrative services	---	---	---	\$25	
01/04/90	Seminole Blueprinting	---	---	---	\$11.07	
TOTALS					\$7,382.42	\$2,370

WHC = Wayne H. Coloney  
 MCA = Merritt C. Atchley  
 TAB = Thomas A. Bryant

(\*) See Exception No. 5 & 6

AUDIT EXCEPTION NO. 11

SUBJECT: REPLACED GENERATOR

STATEMENT OF FACT: On September 9, 1993 the utility purchased a new Caterpillar diesel generator set, model No. 3208. The invoice price was \$28,836, Sales Tax of \$1,622.16 and recording fees of \$140.00 for a cost of \$30,598.66 (28,836 + 1,622.16 + 140.50). The utility received a \$1,800 trade in credit for the replaced Kohler 125 generator. In addition, the utility paid a cash down payment of \$2,883.60 and financed \$25,915.06.

MFR Schedule A-3, Page 1 of 2, denotes the cost of the new generator as \$28,658 net of the booked cost of the existing generator of \$14,406.

The utility's 11/30/93 journal entry is as follows:

Description	Account	Amount
Generator Ring Power	101310	\$ 35,004.95
Trade In - Kohler	101310	( 14,406.41)
Payable Ring Power	232065	( 28,658.16)
Accum Deprec	108310	8,059.62

Record Generator Purchase

OPINION: To record the New Generator is:

Invoice Price	\$ 28,836.00
Tax	1,622.16
Recording Fees	140.50
	-----
	\$ 30,598.66
	=====

	DR.	CR.
Accum. Deprec.	\$ 14,406.41	
Plant- Old Generator		\$ 14,406.41
To remove old generator		
Plant - New Generator	\$ 30,598.66	
Accum. Deprec - Trade In		\$ 1,800.00
Cash Down Payment		2,883.60
Note Payable		25,915.06
To record purchase of new generator		

The adjustment to plant for the recording of the new generator should be increased \$1,940.66 (\$30,598.66 - \$28,658.00).

In addition the related financing associated with the new generator should be included as Debt. Also, the WAW Analyst should consider the adjustment associated with Accumulated Depreciation.

AUDIT EXCEPTION NO. 12

SUBJECT: PLANT ASSOCIATED WITH CWIP

STATEMENT OF FACT: Uniform System Of Accounts (USOA), states for Account 105, Construction Work in Progress, "This account shall include the total of the balances of work orders for utility plant in process of construction but not ready for service at the date of the balance sheet."

The Schedule on the following page presents costs charged to Utility Plant In Service Account. The costs are associated with the third well or the 50,000 gallon steel ground storage tank. The 50,000 gallon storage tank is not in service or operational at present.

OPINION: Costs associated with the 50,000 gallon storage tank should be removed from plant and included in CWIP.

Costs associated with the third well should also be removed from the plant accounts and also recorded in CWIP. These third well charges in plant can then be considered as a proforma investment.

Description and remarks which follow are the opinions of the auditor and not the utility.

St. George Island Utility Co., LTD.  
 Capitalized Plant Associated With Third Well  
 Or 50,000 Ground Storage Tank  
 Test Year Ended 12/31/92

Item	Date	Check	Ref	Payee	Amount	Account	Description	Remarks
1	8/6/90	19209	JE 4	Coloney Co. Consulting	3,000.00	307.2	Preparation of DER permit application for Third Well installation	Associated with Third Well
2	9/17/90 9/24/90	CCK CCK	CD CD	Waddells Fill Dirt & Land Clearing	490.00 600.00	307.2 307.2	For Third Well- Site clearing/two loads lime rock	Associated with Third Well
3	7/31/91	19989	JE 1	Jack Ethridge Tank Co.	10,875.00	330.4	50,000 gal steel ground storage tank- 25 % upon delivery of tank	Associated with aluminum laying on the ground unused
4	10/31/91	21899	JE 12	Southern Earth Sciences, Inc.	1,642.50	347.5	Geotechnical investigation for 50,000 gal water tank, East Point, Florida	Associated with aluminum laying on the ground unused
					----- 16,607.50 =====			

Note: CCK= Counter Check

AUDIT EXCEPTION NO. 13

SUBJECT: TRANSFER OF CONTRIBUTED PROPERTY

STATEMENT OF FACT: The Utility's Tariff Original Sheet No. 33.0 (10.0) states, "Wherein the Utility agrees to accept systems built by others, each contributor (developer, builder, etc.) who has constructed portions of a water distribution system shall convey such component parts of the water distribution system to Utility by bill of sale, in form satisfactory to Utility's attorney, together with such evidence as may be required by Utility that the water system proposed to be transferred to Utility are free of all liens and encumbrances."

On or about 8/14/92, Keith McNeill Plumbing made \$20,240.00 of improvement to St. George Island Utility System as evidenced by the Keith McNeill Plumbing Proposal. \$10,000.00 of this amount was paid by the Utility. The remaining amount of \$10,240.00 was paid by a developer, Ben Johnson, (Doing Business As) Eagle Constructors, Inc.

OPINION: The Utility received \$10,240.00 in contributed property. This transaction was not recorded on the Utility's books. It should be.

AUDIT EXCEPTION NO. 14

SUBJECT: CAPITALIZE PREVIOUSLY UNRECORDED ENGINEERING DESIGN FEES

STATEMENT OF FACT: MFR Schedule A-3 Page 1 of 1, requested a \$21,000 adjustment to Plant in Service to capitalize previously unrecorded engineering design fees of Wayne Coloney for the elevated storage tank.

The Utility did not provide all the source documentation, requested at least three times by auditor, to fully support the requested proforma adjustment to plant for unrecorded engineering design fees of Wayne Coloney.

The auditor's requested information includes: dates, hours worked and projects worked upon. The utility was also to provide source invoices and report how much of the proforma is actually paid to date. The requested source documentation was not received.

OPINION: An analysis of payments and entries related Wayne Coloney was performed for 1987 to present.

From the analysis and a review of CWIP at 12/31/93, the auditor determined that the designed fees had been previously recorded as an expense or capitalized.

This proforma cost is not appropriate.

AUDIT EXCEPTION NO. 15

SUBJECT: ERROR AND LACK OF SUMMARY DEPRECIATION RECORDS

STATEMENT OF FACT: NARUC Uniform System of Accounts for Class B Water Utilities, Accounting instruction 2, provides; "Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto."....

The utility does not maintain summary accumulated depreciation records. The utility records its depreciation on monthly journal entries.

The utility's filing Schedule A-9, page 1 of 2, reported accumulated depreciation balances do not match the books. The utility is reporting \$3,748 more accumulated depreciation at average in its filing than the per book amount (\$ 736,847 versus \$ 733,099).

Audit staff has recalculated utility accumulated depreciation. A copy of this recalculation has been provided to the utility.

OPINION: For the auditor's recalculation, depreciation rates used were the last allowed. Plant balances used were the per book amounts after adjustment for inter period errors.

The auditor's accumulated depreciation amount per-books at average is \$ 747,174 (\$784,551 @ December 31, 1992). In plant categories where there was no previously allowed depreciable life, rates used by the auditor were: Office Equipment (15 years), Power Equipment (10 years), Miscellaneous Equipment (15 years), and Other Plant (20 years), the rates set out in Commission rule 25-30.140 FAC.

The auditor also made one major adjustment regarding assets depreciated. The utility reported a \$60,788 asset associated with its elevated tank coming into service in September 1992. The auditor began depreciating this asset in September 1991 to match the in service date of other elevated tank costs.

Utility has not followed the uniform system of accounts by failing to maintain depreciation records which allow ready verification of transaction balances. This is a strategy which can be used to improperly overstate rate base.

CONCLUSION: The utility has overstated its per book rate base by \$ 10,327 (\$747,174- \$736,847). This overstatement would be a permanent overcharge to the ratepayer. Failure to provide proper books and records reduces the effectiveness of Commission auditors.

RECOMMENDATION: Restate the books and the filing to the recalculated levels. Require the utility to file summary plant and depreciation records with subsequent annual reports.



AUDIT EXCEPTION NO. 16

SUBJECT: ERROR AND LACK OF SUMMARY CIAC AMORTIZATION RECORDS

STATEMENT OF FACT: NARUC Uniform System of Accounts for Class B Water Utilities, Accounting Instruction 2, provides; "Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto."....

The utility does not maintain summary accumulated CIAC Amortization records. The utility records its amortization using monthly journal entries.

Audit staff has recalculated accumulated amortization. A copy of this recalculation has been provided to the utility.

OPINION: For the auditor's recalculation, amortization rates used were the last allowed (3.10%). CIAC balances used were the per book amounts.

The auditor's per book average CIAC is \$142,912 (\$158,015 @ December 31,1992). This increases rate base by \$ 10,635.

Failure to provide summary CIAC amortization records does not permit ready verification of the stated account balance. Additional audit time must be spent in these instances to recalculate the reported value.

AUDIT EXCEPTION NO. 17

SUBJECT: IMPUTE CIAC

STATEMENT OF FACT: NARUC Uniform System of Accounts for Class B Water Utilities, Accounting instruction 2, provides; "Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto."....

A analysis of CIAC collected revealed the utility had 30 more connections listed at \$ 500 than were present in a prior audit. According to a reading of the utility 's ledgers the entry was made in October 1991. Since June 1989, the utility was required to charge \$2,020 for each connection.

Through audit request 16, dated December 3, 1993, the utility was asked to identify which 30 connections were brought on the books at this lower \$500 rate. Initially, the utility denied it had 30 connections brought on the books after June 19, 1989. After explanation of the audit finding, the utility now recognizes the presence of these 30 connections valued at \$500. These connections are imbedded in a \$20,000 entry entitled See customer list.

The utility reports these connections were imputed and come from several sources; i. e., an "in depth audit" was preformed to locate every customer of the utility, and the utility accepted connections authorized by John Stocks, a prior owner of the utility. The utility goes on to represent they know all connections to the utility that cost \$2,020 and this number is accurate, but the utility has not produced a listing of the lots in question. Despite an oral request by the audit supervisor, and two written requests by the audit manager.

OPINION: The utility is required to maintain support for its transactions. This utility has experienced difficulties in doing so (Order 23649 page 9). Failing to provide timely support for a transaction usually indicates the issue will be resolved against the party with the burden of support.

This utility's rate base was determined by an original cost study in its last case because the utility reported its records were lost. CIAC was set based upon the number of customers reported by the utility times the approved CIAC rate. The utility has now reports more customers from this time period, but provides no timely support for this statement during audit field work. CIAC should be imputed in the full amount for 30 lots; 30 times \$1,520 or \$45,600. In addition, all future connections should be recognized at the prevailing tariff rate.

The WAW Division may wish to consider the mitigating influence that new customers share the cost of service in any decision in this matter.

AUDIT EXCEPTION NO. 18

SUBJECT: CIAC -- FIRE HYDRANTS

STATEMENT OF FACT: In the utility's last rate case Audit Exception Number 7 stated:

"It was noted that the utility received \$9,250 in 1987 for fire hydrants installed for the local fire department. It is not known how much was received in prior years for this same item. Staff was unable to find any authorization for collecting this fee in the utility's tariff. Rule 25-135(2) X, states that no utility may modify or revise its rates and charges until it receives permission from the Commission."

The utility recorded the \$9,250 in 1987 as non utility revenue. In 1992 the utility received an additional \$4,000 in hydrant fees as utility revenues but removes this amount from its filing. Other years were not tested by the auditors. Prior to 1987 the records were reported as lost.

Commission Order 21122 setting rates in the last case does not resolve this reported audit exception.

The uniform system of accounts requires recording of hydrants as utility plant. As of December 31, 1987, the utility had recorded \$71,874 in its water plant hydrant account, in 1992 \$ 74,274 was recorded as hydrant plant.

On page 14 of utility witness Seidman's testimony in docket 930770 provides:

"I removed the \$ 4,000 that was improperly booked to other revenue.... The fee collected in 1992 was for fire hydrants that are not being installed and are not in use in 1993. In addition, the part of the fee related to installation of the hydrants should be booked as CIAC. Since the fee includes perpetual maintenance, the portion not booked to CIAC should be booked as deferred revenue and amortized over the life of the hydrants."

The utility has made no adjustment for hydrants to its CIAC in its filing.

OPINION: During field work (1987 and 1992), \$13,250 was reported associated with the acceptance of hydrants. Other years were not tested due to a limit on available staff audit time. It is the auditor's opinion that the utility has pursued a program of collecting fees for installing hydrants. The total amount of fees collected are unknown at this time.

The auditor found no provision in the utility's tariff to collect hydrant fees. Fees received in exchange for the installation of plant are considered CIAC. Commission Rule 25-30.570 provides for imputation if CIAC has not been recorded. It is very clear CIAC is present which is not reported.

RECOMMENDATION: Exclude the hydrant fee revenues as filed and impute CIAC for the cost of hydrants less the amount of appropriate CIAC amortization (\$50,572) at average and increase depreciation expense by \$1,838. Also the tariff rate for future hydrant CIAC should be set.

AUDIT EXCEPTION NO. 19

SUBJECT: CIAC PER AGREEMENT

STATEMENT OF FACT: Whereas, the Association has filed two lawsuits against Brown and Affiliates, Case Nos. 90-113 and 90-125, .....; and

Whereas, Brown and Affiliates have filled certain counterclaims against the association.....;

A Settlement Agreement made on September 3rd, 1992, by and between Gene D. Brown, Leisure Properties, Ltd., Leisure Development, G. Brown & Company, St. George's Plantation, Inc., Armada Bay Company, Plantation Properties, Ltd., St. George Properties, Inc. ("Brown and Affiliates") and St. George Plantation Owners' Association, Inc. ("Association") states, "6. The Association will pay Brown and affiliates the sum of \$100,000.00 as follows: .....

(a) \$35,000 will be paid to Stanley Bruce Powell for his legal fee in representing Brown and affiliates in the above-referenced litigation; and

(b) \$65,000 will be advanced to the St. George Island Utility Company, Ltd. to be used strictly for capital improvements to enhance and increase the flow and pressure of the St. George Island water system, including the installation of a new altitude valve and high speed turbine pump pursuant to the recommendations of Baskerville-Donovan, the utility's engineers."

(c) This CIAC is not recorded on the books of the utility.

OPINION: The \$65,000 is to be considered CIAC and should have been recorded as reflected.

CIAC should be increased \$65,000.

AUDIT EXCEPTION NO. 20

SUBJECT: ADVANCES FOR CONSTRUCTION

STATEMENT OF FACT: MFR Schedule A-16 reflects the 12/31/92 balance for Advances For Construction as \$76,987.

Auditor obtained a copy of the Department of Natural Resources (Department of Environmental Protection) payment log.

OPINION: Auditor reconciled the entries in the DNR payment log books to the entries in the utility's Advances For Construction Account. The 12/31/92 balance for Advances For Construction was determined to be \$67,730.

Advances for Construction should be reduced \$9,257.

AUDIT EXCEPTION NO. 21

SUBJECT: ADJUSTMENT TO CHEMICALS

STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Chemical Account No. 618.

OPINION: Description and remarks are the opinions of the auditor and not the utility.

Chemical Expense should be reduced \$657.24.

St. George Island Utility Co., LTD.  
 Chemical Analysis  
 Test Year Ended 12/31/92

Item	Date	Check	Payee	Check Amount	Invoice Amount	Adjustment Amount	Remarks
1	1/8/92	1534	Mobile Solvent	531.24	531.24	531.24	Prior year expenses
2	2/5/92	1640	Mobile Solvent	555.14	555.14	0	Payment
3	4/9/92	133	Mobile Solvent	770.85	770.85	0	
4	4/10/92		Mobile Solvent		(75.00)		Credit Memo-Returned Drums
5	6/23/92	306	Mobile Solvent	725.00	800.00	0	CM used towards payment
6	6/30/92		Mobile Solvent		(50.00)		Credit Memo-Returned Drums
7	9/3/92	477	Mobile Solvent	922.78	966.78	0	CM used towards payment-\$6 difference applied below
8	9/28/92		Mobile Solvent		(50.00)		Credit Memo-Returned Drums
9	11/19/92	641	Mobile Solvent	393.62	398.62	51.00	Credit Memo not used towards payment
10	11/25/92		Mobile Solvent		(75.00)	75.00	Credit Memo-Returned Drums
Total				3,898.63	3,772.63	657.24	

Source: General Ledger, Cancelled checks, Invoices & Statements

AUDIT EXCEPTION NO. 22

SUBJECT: ADJUSTMENT TO MATERIAL AND SUPPLIES

STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Material and Supplies Account No. 620.

OPINION: Description and remarks are the opinions of the auditor and not the utility. Amounts on the following page listed "adjusted expense" should be removed from the cost of service in this rate case.



St. George Island Utilities  
 Materials and Supplies Expense Adjustments  
 Test Year Ended 12/31/92

Date	Check	Payee	Amount	Allowable Expense	Adjusted Expense	Comments
01/31/92	1538	S. Chase	51.42		51.42	No Invoice
01/09/92	1541	Office Depot	139.74		139.74	No Invoice
01/15/92	1562	Federal Express	122.00		122.00	Prior Year Expense
01/15/92	1564	Sam's	43.61		43.61	Coffee Maker For Office - Non-Recurring
01/14/92	1557	Quality Coffee	74.26		74.26	Prior Year Expense
01/16/92	1570	Federal Express	65.75		65.75	Prior Year Expense
01/20/92	1596	Federal Express	33.00		33.00	Prior Year Expense
01/21/92	1598	Cash	22.28		22.28	No Invoice- Check Noted Copies From Novey Mendelson- Attorneys
01/27/92	1609	PSC	201.00		201.00	201 PGS Copies Dkt#871177-WU - Copy Of Transcript Noted On Check-Legal Expense-Proforma Adjustment To Acct 633 Proforma Adjustment To Acct 633
01/27/92	1610	Cash	350.00	58.00	292.00	No Invoice- Recorded Payee As G. Brown
01/31/92	1620	Check Mark	31.90		31.90	No Invoice
01/31/92		SC	958.92	40.10	918.82	Internal Service Charge (\$785) Due To Excess Number Of Checks or Balance Falling Below Minimum And \$133.82 Unsupported
02/04/92	1628	Larry Brock	309.26	154.63	154.63	Sign Lettering For Utility and Law Firm, Allocate 1/2
02/05/92	1630	Federal Express	142.50		142.50	Prior Year Expense
02/28/92	1643	SC	3.00		3.00	Cashiers Check Charge-Non-Utility
02/28/92	1677	Sandra Chase	110.00		110.00	No Invoice
02/28/92	1679	SC	3.00		3.00	Cashiers Check Charge-Non-Utility
02/26/92	1715	Sandra Chase	96.41		96.41	No Invoice
02/28/92	323	PIP	25.43		25.43	No Support Documentation
02/28/92		SC	36.25		36.25	No Support Documentation- Utility Could Not Support Amount
02/28/92	1439	Federal Express	124.25		124.25	No Support Documentation
02/28/92	1478	Postmaster	(200.00)		(200.00)	Dishonored Check - Prior Year Expense
02/28/92		SC	6.40		6.40	No Support Documentation- Utility Could Not Support Amount
05/04/92	181	Sandra Chase	41.96		41.96	No Invoice
06/30/92	JE06-09	Expenses Pd. from Armada	70.78		70.78	No Support Documentation
06/30/92	JE06-10	SGIUC Exp. Pd. by ABC	265.40		265.40	No Support Documentation
07/10/92	368	Hank Garrett	195.18		195.18	No Invoice
07/22/92	388	Hank Garrett	145.11	115.25	29.86	Gas & Sunglasses, Proforma Adjustment To Acct 650
08/31/92	3	PIP Printing	1,000.00	194.21	805.79	Invoice and Check Amount for \$194.21
08/31/92	JE08-09	Gulf State Bank	30.00		30.00	Internal Service Charge Due To Excess Number Of Checks or Balance Falling Below Minimum On A MMA Account
09/30/92	486	Apalachicola State Bank	3.00		3.00	Cashiers Check Charge-Non-Utility
09/30/92	546	Gene D. Brown	29.00		29.00	No Invoice
09/30/92	JE09-06	Postmaster #402	200.00		200.00	No Support Documentation
09/30/92	JE09-07	Company Expenses ABC	54.98		54.98	No Support Documentation
09/30/92	JE09-17	Coding Correction	3.00		3.00	No Support Documentation
09/30/92	JE09-36	Adjust cash	286.60		286.60	No Support Documentation
09/30/92	JE09-37	Adjust cash	87.29		87.29	No Support Documentation
09/10/92	503	Hank Garrett	303.67	49.44	254.23	No Invoice
09/21/92	535	Kenneth Shiver	35.63	11.09	24.54	Gas- Proforma Adjustment To Acct 650
09/22/92	543	Hank Garrett	58.68	45.68	13.00	Gas- Proforma Adjustment To Acct 650
11/02/92	601	Hank Garrett	70.41	63.40	7.01	Gas- Proforma Adjustment To Acct 650
11/13/92	119	Hank Garrett	98.50		98.50	No Invoice
11/30/92	CR11-07	Cash Receipts	89.00		89.00	No Support Documentation
11/30/92	JE11-05	Andrew Jackson Activity	10.00		10.00	No Support Documentation
12/31/92	JE12-12	Accr. Accounts Payable	65.02		65.02	No Support Documentation
12/31/92	658	Hank Garrett	100.84	37.50	63.34	Gas (\$24.01)- Proforma Adjustment To Acct 650. Toy Truck, Car Mat & Various-(39.33)- Non-Utility
12/11/92	696	Sam's Club	149.78		149.78	Goldstar VCR Model 125 - Non-Recurring
12/31/92	JE12-06	Andrew Jackson Interest	10.00		10.00	No Support Documentation
			6,154.21	769.30	5,384.91	

AUDIT EXCEPTION NO. 23

SUBJECT: INSURANCE

STATEMENT OF FACT: MFR Schedule B-3 Page 7 of 8, Utility requested an adjustment to test year O & M expense for Insurance.

	Requested Adjustment
Account 657 - Insurance - General Liability	\$ 17,000
Account 658 - Insurance- Workmen's Compensation	4,000
Account 659 - Insurance (Property)	15,520

The Utility obtained only one proposal from Dodd-Jones Insurance, Inc.

The Limited Partnership Certificate and Agreement of St. George Island Utility Company, Ltd., ARTICLE XIII, No. 13.1, Insurance Coverage, states, "The Partnership shall maintain fire, casualty, liability and property damage insurance in amounts customary with the venture to be undertaken by the Partnership and consistent with sound business practice."

OPINION: As of April 1, 1994, the Utility has not implemented the above insurance.

The utility obtained only one proposal.

The Limited Partnership is in violation of its Article XIII, Insurance Coverage.

AUDIT EXCEPTION NO. 24

SUBJECT: CONTRACTUAL SERVICES - OTHER

STATEMENT OF FACT: The Schedule on the following page presents costs charged to the utility Contractual Service - Other Account.

OPINION: The costs reflects charges for subsequent and prior expenses, tolls, legal expenses, advances and unsupported charges. In addition, \$1,705 reflecting Scanning Services should be recorded to Unamortized System Map Expense.

Description and remarks are the opinions of the auditor and not the utility.

Amounts labeled adjusted expense should be removed from the utility's cost of service in this rate case.

St. George Island Utility Co., LTD.  
 Adjustment To Contractual Services-Other  
 Test Year Ended 12/31/92

Date	Check	Payee	Amount	Description	Allowable Expense	Adjusted Expense	Remarks
1/09/92	1540	So. Water Services	1,000.00	Water Sample Testing		1,000.00	Prior Period Services
2/07/92	1626	Hank Garrett	180.46	Tolls and Misc.	146.46	34.00	Toll Charges - \$34
2/14/92	1649	Hank Garrett	76.25	Tolls, postage & fittings	58.25	18.00	Toll Charges - \$18
2/26/92	1705	Cash	500.00	Eastpoint Workmen - Casual Labor		500.00	No Invoice- Check Noted Labor For E.P.
2/24/92	1711	Donaldson Electric	488.54	Transfer Switch & Labor		488.54	Prior Period Expense
5/30/92	219	Lori Dezel	71.00	Court Reporter-Transcript		71.00	DER vs SGIU-Case # 90-335; 4/92 Legal Expense-Proforma Adjustment To Acct 633
7/07/92	345	Diversified Design	1,705.00	Scanning Services: St. George Island Maps Scanning & Conversion Services		1,705.00	Should Be Recorded To Deferred System Map Expense Acct 186-Proforma Adjustment For Amortization Of Expenses
12/03/92	664	Shirley Hall	105.00	Office Cleaning plus Advancement	40.00	65.00	Out Of Period Expense - \$65
12/10/92	690	Peggy Owens & Associate	30.00	Court Reporter- Appearance Fee		30.00	PSC vs SGIUC case #92-0246-CA Legal Expense-Proforma Adjustment To Acct 633
12/10/92	691	Accurate Steno Reporter	47.00	Court Reporter- Transcript		47.00	PSC vs SGIUC case #92-0246-CA Legal Expense-Proforma Adjustment To Acct 633
12/31/92	697	ABC Management	47.30	ABC Ck# 2169-R. Darlene Pino	-	47.30	No Invoice-Check Noted Transcript PSC/SGIUCo
12/23/92	719	Shirley Hall	105.00	Office Cleaning- Advancement		105.00	Out of Period Expense
12/31/92		Year End Adjusting Entry	1,037.50	Contractual Services-Analysis-Water Spigot	775.00	262.50	Subsequent Period Expense-\$262.50
			<u>5,393.05</u>			<u>1,019.71</u> <u>4,373.34</u>	

Commissioners:  
J. TERRY DEASON, CHAIRMAN  
SUSAN F. CLARK  
LUIS J. LAUREDO  
JULIA L. JOHNSON  
DIANE K. KIESLING

State of Florida



Blanca S. Bayo, Director  
Division of Records and Reporting  
(904) 488-8371

## Public Service Commission

April 14, 1994

Mr. Gene D. Brown  
St. George Island Utility Company, Ltd.  
3848 Killearn Court  
Tallahassee, FL 32308-3428

Dear Mr. Brown:

RE: Docket No. 940109-WU - St. George Island Utility  
Company, Ltd.  
Rate Case Audit Report as of 12/31/92

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

*Blanca S. Bayo*  
Blanca S. Bayo

BSB/kes

Enclosure

cc: Public Counsel

AUDIT EXCEPTION NO. 25

SUBJECT: BACKHOE

STATEMENT OF FACT: On August 17, 1992, John Deere Backhoe was leased from Beard Equipment. The Beard Equipment lease stated that a portion of the payments will be applied towards the purchase if converted. On 2/22/93, the backhoe was purchased by Marvin Garrett. The \$5,587.00 down payment was the portion of the monthly lease payments to Beard applied towards the purchase.

A Lease Agreement was made and entered into as of the 25th day of February, 1993 between Marvin H. Garrett and St. George Island Utility Company, Ltd. The Lease Agreement states, 1) Garrett does lease to the Utility John Deere Backhoe/loader for a period of thirty six (36) months from date, or until the expiration of the installment purchase.

2) Upon the expiration of the lease agreement, Garrett will sell said backhoe/loader to the Utility for the sum of Ten Dollars (10.00).

3) As consideration for the lease, the Utility shall pay the following:

- (A) the down payment on the backhoe/loader;
- (B) all costs and expenses directly incurred by Garrett in purchasing said backhoe/loader;
- (C) all payments due from Garrett to Beard Equipment Company under the attached installment purchase agreement;
- (D) all insurance, maintenance or other expenses incurred by Garrett in purchasing or maintaining said backhoe/loader.

4) In addition, the Utility will pay all maintenance, fuel costs, and other expenses incurred by the Utility or Garrett.

The John Deere Credit finance agreement states that monthly installments are 12 payments at \$776.72 beginning 4/1/93 and 24 payments at \$748.35 beginning 4/1/94. Insurance is \$318.55.

Mid January, 1994, the utility began paying Mr. Garrett \$9,600 per year at the rate of \$200 per week and the \$318.55 Insurance.

The Utility requested the Lease/purchase and insurance expense of \$9,413, based on monthly installment payments of 4 months at \$776.72 and 8 months at \$748.35 plus \$318.55 for insurance.

The utility capitalized the backhoe in April 1993. In November 1993, the utility removed the backhoe for Plant In Service and recorded the installment payments to Rental Equipment Expense.

OPINION: Auditor calculated backhoe rental with lease/purchase expense and insurance expense of \$9,298.75 as \$748.35 per payment (beginning 4/1/94) times 12 months for \$8,980.20 plus \$318.55 physical damage insurance.

The adjustment to the requested Rental Equipment Expense should be reduced \$114.00.

AUDIT EXCEPTION NO. 26

SUBJECT: ADJUSTMENT TO MISCELLANEOUS EXPENSE

STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Miscellaneous Expense Account No. 675.

OPINION: Description and remarks are the opinions of the auditor and not the utility. The costs listed as "adjusted expense" on the following page should be removed from cost of service.

St. George Island Utilities  
 Adjustments To Miscellaneous Expense Excluding Telephone and Utilities  
 Test Year Ended 12/31/92

Date	Check	Payee	Amount	Allowable Expense	Adjusted Expense	Comments
01/06/92	1526	Ken Shiver	6.00		6.00	Tolls - Non-Recurring - Proforma
01/06/92	1527	Hank Garrett	25.61		25.61	Tolls - Non-Recurring & Prior Year Expense
01/10/92	1550	Tall. Democrat	86.40		86.40	Prior Year Expense, 1 Acre Lakefront Ad
01/17/92	1552	Hank Garrett	68.74		68.74	Tolls - Non-Recurring & Prior Year Expense
01/17/92	1554	Ken Shiver	14.00		14.00	Tolls - Non-Recurring - Proforma
01/14/92	1561	Rob's Moving	482.00		482.00	Move Office- Non-Recurring
01/16/92	1571	Tall. Democrat	88.29		88.29	Prior Year Expense
01/19/92	1592	Trio	32.94		32.94	Restaurant, Non-Utility Expense
01/22/92	1600	Comcast	27.06		27.06	Non-Utility Expense, Cable Serv
01/24/92	1604	Hank Garrett	99.37	62.37	37.00	Tolls - Non-Recurring - Proforma
01/27/92	1606	Bobby Tolkmitt	250.00	125.00	125.00	Trim Work Office-Casual Labor No Invoice-Allocate 1/2 to Law Firm
02/28/92	1638	Hank Garrett	30.00		30.00	No Invoice Support
02/21/92	1685	Ken Shiver	16.00		16.00	Tolls - Non-Recurring - Proforma
02/28/92	1723	Everything Photo	46.00		46.00	Necessity Could Not Be Determined
01/16/92	1574	Fl. PSC	25.00		25.00	Copies of 1988 Annual Report- Non-Recurring
03/30/92	105	Hank Garrett	37.90	11.90	26.00	Tolls - Non-Recurring - Proforma
03/03/92	1738	Hank Garrett	47.11		47.11	Tolls & Lunch For Eastpoint Men - Non-Recurring
03/03/92	1740	Kenneth Shiver	14.00		14.00	Tolls - Non-Recurring - Proforma
03/09/92	1773	Hank Garrett	32.58	6.58	26.00	Tolls - Non-Recurring - Proforma
03/09/92	1774	Kenneth Shiver	10.00		10.00	Tolls - Non-Recurring - Proforma
03/20/92	1811	Hank Garrett	24.90	2.90	22.00	Tolls - Non-Recurring - Proforma
03/17/92	1815	BP-Unglaub & Cloud	197.49		197.49	Repair 1989 Ford Truck- LC# IAN-83W Regst to Marilyn D. Brown. Non-Utility and Adjusted Due To Transportation Proforma Adjustment
03/31/92	JE03-13	Adjust Cash	163.37		163.37	Non-Utility - No Support
05/18/92	205	Mobile Solvent	16.50		16.50	To Bill NSF Bank Charge For Ck#1640
07/31/92	JE07-08	Adjust Cash	0.52		0.52	Non-Utility - No Support
03/05/92	1760	Federal Express	159.75		159.75	Prior Year Expenses
03/09/92	1771	Federal Express	339.00	183.00	156.00	Prior Year and Unsupported Expenses
04/13/92	137	NE-TTI	425.00		425.00	Education Expense- Utility's Proforma Adjustment Reclassified This Expense From Acct 675 To Acct 604
04/14/92	144	Hank Garrett	300.00		300.00	Educational Expense - Advance For NE-TTI Travel - \$82.94 Was Not Accounted For - Proforma Adjustment For Educational Expense To Acct. 604
06/30/92	JE06-21	Adjust to actual	74.85		74.85	No Document Support
07/07/92	337	Fort-Knox service	402.48		402.48	Utility's Proforma Adjustment To Acct 640 for Storage Rental. Check Amount Also Included a \$3 Cashier Check Fee
08/17/92	7	Clerk of Franklin Co.	21.00		21.00	Noted On Check- Recording Sat. Of Judgments DNR & Wallace - No Invoice
08/31/92	10	Franklin Co. Chronicle	40.00		40.00	Video Cassettes Of Multi-Agency Meeting- To Be Used As Evidence- Legal Expense- Proforma Adjustment To Acct 633
08/31/92	JE08-10	Adjust cash	(0.88)		(0.88)	No Document Support
09/29/92	106	Fl. Rural H2o Assoc.	55.00		55.00	Technical Conference - Education Expense-Should Be Included In The Proforma Adjustment To Acct 604
10/22/92	590	Hank Garrett	155.44		155.44	Bank Charges Due To Utility NSF Check
11/25/92	653	Rhema Business Services	62.00		62.00	Non-Recurring - Copie
12/31/92	JE12-09	Gene D. Brown	15.00		15.00	Gulf State Bank Internal Service Charge Due To Excess Number Of Checks Or Balance Falling Below Minimum Balance On A MMA Account
03/31/92	1826	US Postmaster	10.58		10.58	No Document Support
12/31/92	136	Federal Express	13.00		13.00	No Invoice Support
06/25/92	312	Hank Garrett	21.50		21.50	CK#283 Also Paid For The Same P.O. Box, Removed Duplicate
			3,935.50	391.75	3,543.75	



AUDIT EXCEPTION NO. 27

SUBJECT: PER BOOK 1992 DEPRECIATION EXPENSE

STATEMENT OF FACT: In previous exceptions, the auditor recalculated utility 1992 balances for depreciation and CIAC amortization.

The utility reported its per book depreciation expense in MFR B-1 schedule 1 of 1 as \$39,026. According to the utility general ledger, 1992 depreciation expense was \$40,276.

OPINION: The utility failed to report its per book depreciation expense in its filing.

Also the auditor contends the utility's per book depreciation expense is incorrect. The auditor's recalculated 1992 depreciation expense is \$44,548.

Also the WAW staff will need to adjust the filing depreciation expense to match the allowed lives stated in Rule 25.30.140, Florida Administrative Code.

See also Exception No. 15,

AUDIT EXCEPTION NO. 28

SUBJECT: TAXES OTHER THAN INCOME

STATEMENT OF FACT: The utility requested an adjusted test year for taxes other than income in the amount of \$14,153 for Regulatory Assessment Fees, \$12,719 for Payroll Taxes and \$7,204 for Real Estate Taxes.

OPINION: Auditor calculated Payroll Taxes based on the Utility's requested test year salaries of \$123,120. Payroll taxes associated with the requested payroll is \$9,838.68 or a difference of (\$2,880.32).

Property Taxes were determined to be \$6,982.68 or a difference of (\$221.46).

Adjusted test year Taxes Other Than Income should be reduced by \$3,101.78.

AUDIT DISCLOSURE NO. 1

SUBJECT: ELEVATED LAND PURCHASE

STATEMENT OF FACT: The Closing Statement, dated 5/29/92, related to the purchase of the elevated tank lots denotes the purchase price of \$22,000, recording fees of 172.50, and an additional amount due from buyer for past due interest and costs and fees incurred of \$58,680.29. The total amount due from buyer was \$80,852.79. A portion of the amount due from buyer was paid with a \$30,852.79 SGIU check paid to Capital City Bank for a cashier's check.

Per response to Request No. 16, "The \$58,580.29, was paid to Regional Land Corporation on May 29, 1992. These costs breakdown as follows:

\$52,929.95	Interest on original debt to Regional in the amount of
	\$203,278.51
2,400.00	Lease Payment to Brinkley Brothers
1,144.78	Interest on Brinkley Lease
508.06	Taxes on Elevated Tank Site
1,697.50	Attorneys' and Misc. Closing Costs "
-----	
\$58,680.29	
=====	

The Journal Entry associated with the purchase was as follows:

Land - Lots 21 & 22	101303	\$22,172.50
Regional Interest	237.03	58,680.29
Loan Gene Brown	233.01	(50,000.00)
CCFNB - SGIU Cashier Check	131.07	(30,852.79)
	CK # 238	

OPINION: This is for informational purposes for the W & W Analyst.

AUDIT DISCLOSURE NO. 2

SUBJECT: CONSTRUCTION WORK IN PROGRESS (CWIP)

STATEMENT OF FACT: The Utility's 12/31/92 Final General Ledger has a balance for CWIP as \$211,556.

MFR Schedule A-18 reflects a CWIP 12/31/92 balance as \$211,556.

The utility was requested to provide a listing of invoices and projects which make up its CWIP balance as of December 31, 1992. This listing will be matched up against the current listings provided to the auditor (through August 31, 1993).

OPINION: The listing that the utility accountant provided does not support the 12/31/92 CWIP Balance. Various Amounts recorded were for invoices or payments made/received subsequent to 12/31/92.

AUDIT DISCLOSURE NO. 3

SUBJECT: DEVELOPER AGREEMENT FOR PREPAID CIAC

STATEMENT OF FACT: The utility received \$161,600 in prepaid CIAC on March 1990 from the Developer Andrew Jackson. The outstanding balance for this agreement as on December 31, 1992 was \$145,440 (of the 80 prepaid connections, 8 connections were reported connected and receiving billings).

The utility received \$ 40,040 in prepaid CIAC on August 1990 from the Developer Wilder Properties. The outstanding balance for this agreement as on December 31, 1992 was \$8,080 (of the 20 prepaid connections, 16 connections were reported connected and receiving billings).

OPINION: The WAW Division has requested the balance of prepaid CIAC and the amount of accumulated amortization accrued thereon. The attached page calculates that amount.

ST. George Island  
Amortization of Developer Agreements

O. ENDED					CIAC	CIAC	AMORTIZATION RATE= 3.10%		CIAC
	Begin Bal	Additions	AJ Reductions	Wilder Reductions	ENDING BALANCE	BEGINNING BALANCE	ADDITIO	ADJUST	ENDING BALANCE
Dec-87					0.00	Dec-87			0.00
Jan-88					0.00	Jan-88	0.00	0.00	0.00
Feb-88					0.00	Feb-88	0.00	0.00	0.00
Mar-88					0.00	Mar-88	0.00	0.00	0.00
Apr-88					0.00	Apr-88	0.00	0.00	0.00
May-88					0.00	May-88	0.00	0.00	0.00
Jun-88					0.00	Jun-88	0.00	0.00	0.00
Jul-88					0.00	Jul-88	0.00	0.00	0.00
Aug-88					0.00	Aug-88	0.00	0.00	0.00
Sep-88					0.00	Sep-88	0.00	0.00	0.00
Oct-88					0.00	Oct-88	0.00	0.00	0.00
Nov-88					0.00	Nov-88	0.00	0.00	0.00
Dec-88					0.00	Dec-88	0.00	0.00	0.00
Jan-89					0.00	Jan-89	0.00	0.00	0.00
Feb-89					0.00	Feb-89	0.00	0.00	0.00
Mar-89					0.00	Mar-89	0.00	0.00	0.00
Apr-89					0.00	Apr-89	0.00	0.00	0.00
May-89					0.00	May-89	0.00	0.00	0.00
Jun-89					0.00	Jun-89	0.00	0.00	0.00
Jul-89					0.00	Jul-89	0.00	0.00	0.00
Aug-89					0.00	Aug-89	0.00	0.00	0.00
Sep-89					0.00	Sep-89	0.00	0.00	0.00
Oct-89					0.00	Oct-89	0.00	0.00	0.00
Nov-89					0.00	Nov-89	0.00	0.00	0.00
Dec-89					0.00	Dec-89	0.00	0.00	0.00
Jan-90					0.00	Jan-90	0.00	0.00	0.00
Feb-90					0.00	Feb-90	0.00	0.00	0.00
Mar-90		161,600.00			161,600.00	Mar-90	0.00	208.73	208.73
Apr-90	161,600.00				161,600.00	Apr-90	208.73	417.47	626.20
May-90	161,600.00				161,600.00	May-90	626.20	417.47	1,043.67
Jun-90	161,600.00				161,600.00	Jun-90	1,043.67	417.47	1,461.13
Jul-90	161,600.00				161,600.00	Jul-90	1,461.13	417.47	1,878.60
Aug-90	161,600.00	40,400.00		(8,080.00)	193,920.00	Aug-90	1,878.60	459.21	2,337.81
Sep-90	193,920.00				193,920.00	Sep-90	2,337.81	500.96	2,838.77
Oct-90	193,920.00				193,920.00	Oct-90	2,838.77	500.96	3,339.73
Nov-90	193,920.00				193,920.00	Nov-90	3,339.73	500.96	3,840.69
Dec-90	193,920.00				193,920.00	Dec-90	3,840.69	500.96	4,341.65
Jan-91	193,920.00				193,920.00	Jan-91	4,341.65	500.96	4,842.61
Feb-91	193,920.00				193,920.00	Feb-91	4,842.61	500.96	5,343.57
Mar-91	193,920.00				193,920.00	Mar-91	5,343.57	500.96	5,844.53
Apr-91	193,920.00				193,920.00	Apr-91	5,844.53	500.96	6,345.49
May-91	193,920.00				193,920.00	May-91	6,345.49	500.96	6,846.45
Jun-91	193,920.00				193,920.00	Jun-91	6,846.45	500.96	7,347.41
Jul-91	193,920.00				193,920.00	Jul-91	7,347.41	500.96	7,848.37
Aug-91	193,920.00				193,920.00	Aug-91	7,848.37	500.96	8,349.33
Sep-91	193,920.00				193,920.00	Sep-91	8,349.33	500.96	8,850.29
Oct-91	193,920.00				193,920.00	Oct-91	8,850.29	500.96	9,351.25
Nov-91	193,920.00				193,920.00	Nov-91	9,351.25	500.96	9,852.21
Dec-91	193,920.00				193,920.00	Dec-91	9,852.21	500.96	10,353.17
Jan-92	193,920.00				193,920.00	Jan-92	10,353.17	500.96	10,854.13
Feb-92	193,920.00				193,920.00	Feb-92	10,854.13	500.96	11,355.09
Mar-92	193,920.00				193,920.00	Mar-92	11,355.09	500.96	11,856.05
Apr-92	193,920.00			(2,020.00)	191,900.00	Apr-92	11,856.05	498.35	12,354.40
May-92	191,900.00				191,900.00	May-92	12,354.40	495.74	12,850.15
Jun-92	191,900.00		(4,040.00)	(2,020.00)	185,840.00	Jun-92	12,850.15	487.91	13,338.06
Jul-92	185,840.00		(6,060.00)	(12,120.00)	167,660.00	Jul-92	13,338.06	456.60	13,794.66
Aug-92	167,660.00		(4,040.00)	(4,040.00)	159,580.00	Aug-92	13,794.66	422.69	14,217.35
Sep-92	159,580.00		(2,020.00)	(2,020.00)	155,540.00	Sep-92	14,217.35	407.03	14,624.38
Oct-92	155,540.00				155,540.00	Oct-92	14,624.38	401.81	15,026.19
Nov-92	155,540.00				155,540.00	Nov-92	15,026.19	401.81	15,428.00
Dec-92	155,540.00			(2,020.00)	153,520.00	Dec-92	15,428.00	399.20	15,827.20

AUDIT DISCLOSURE NO. 4

SUBJECT: SALARIES AND WAGES

STATEMENT OF FACT: MFR Schedule B-3, Page 2 of 8, requested test year salaries and wages expense of \$123,120. The request amount was for current salary level effective 12/1/93, an additional office worker and an additional field assistant.

In addition to the office worker, the utility has hired an additional field assistant. However, generally the number of hours worked per week by the field assistant is 8 to 16.

Per a discussion with Gene Brown on 2/18/94, effective 12/1/93, Sandra Chase's payroll is 3/4 paid by the utility and 1/4 paid by the Law Firm. Sandra Chase's total payroll income for 1993 was \$32,240.

The utility, in addition, is paying 100% of Sandra Chase's Health Insurance Benefit of \$300 per month and Transportation Benefit of \$50 per week.

Affiliate transportation expense is reported in Disclosure No. 11. .

OPINION: The analyst may want consider the additional field assistant position as a "seasonal need" position. At present it does not appear that this full time position is needed.

In addition, an allocation may need to be considered for Sandra Chase's Health Benefit Insurance and Transportation Expense.

AUDIT DISCLOSURE NO. 5

SUBJECT: PROFORMA EMPLOYEE PENSION AND BENEFITS

STATEMENT OF FACT: MFR Schedule B-3 Page 2 of 8 reflects a utility requested adjustment for \$29,997. The requested adjustment is for Health Insurance payment for all salaried employees and the contract manager, Gene D. Brown; a pension program for all utility employees; and an allowance for education and training.

As of 12/1/93, the utility paid Health Insurance Benefit payments of \$300 per month to each salaried employee plus the contract manager. The filing requested a Health Insurance Proforma adjustment of \$25,200. However, schedules provided the auditor and utility memo denotes a requested adjustment amount of \$18,000 for four salaried employees plus the contract manager.

In relationship to the pension benefit requested proforma amount, the utility provided a signed service agreement between Universal Pensions, Inc. and St. George Island Utility Company, Ltd. The effective date of the plan is 1/1/94. The utility provided a non-cancelled copy of a check for the amount of \$500. A memo from the utility denotes that the profit sharing plan will result in an utility contribution equal to 5% of each employee's base salary.

The filing request an allowance for employees for education and training in the amount of \$3,000. Utility response to Document Request No. 20, states that the \$3,000 adjustment for education expense was an estimate base on past seminars attended by two employees. However, the Utility did provide a list of projected employee educational expenses which the Utility would incur during 1994 if funds were available. Order No. 21122 Issued 4/24/89 allowed training cost of \$963.

Opinion: The requested proforma adjustment for Employee Pensions and Benefits should be reduced for the difference in the Health Insurance calculation of \$7,200. The utility apparently does not plan to provide health benefits to its employees receiving hourly wages.

As of April 1, 1994, the pension plan program had not been implemented. The \$500 check was for pension plan administration fee.



AUDIT DISCLOSURE NO. 6

SUBJECT: CONTRACTUAL SERVICES - ENGINEERING

STATEMENT OF FACT: The Utility has a Retainer Agreement with The Coloney Company Consulting Engineers, Inc.

The Retainer Agreement is entered into as of this 1st day of January, 1992.

"Engineer shall provide engineering consulting advisory services to Utility on an "as needed" on going basis."

"In consideration of the services to be rendered by Engineer pursuant to this agreement, Utility shall pay engineer a fee of five hundred dollars (\$500) per month."

The Retainer Agreement contains an effective date, however, no signature date.

MFR Schedule B-3 page 4 of 8, removed all per books account expenses as adjusted to recognize the \$6,000 per year retainer agreement with Coloney Engineering.

The Schedule on the following page presents costs charged to the Utility Contractual Service - Engineering.

OPINION: Description and remarks are the opinion of the auditor and not the utility.

St. George Island Utility Co., LTD.  
 Contractual Services-Engineering  
 Test Year Ended 12/31/92

Item	Date	Check	Payee	Amount	Description	Baskerville Donovan	Edwin Brown	W Coloney	Southern Water	Remarks
1	3/31/92	1755	CCFNB/ Southern Water	2,312.38	Engineering Services				2,312.38	No invoice
2	5/30/92	195	Baskerville-Donovan	3,150.00	Engineering Services	3,150.00				
3	6/30/92	294	Edwin G. Brown	228.38	Engineering Services		228.38			No invoice
4	8/31/92	JE08-06	Baskerville-Donovan(Accrual)	37,015.66	Engineering Services	37,015.66				
5	9/30/92	530	Baskerville-Donovan	6,119.73	Engineering Services	6,119.73				
6	9/30/92	JE09-42	Baskerville-Donovan(Reclass)	(46,285.39)	Reclass Engineering Serv.	(46,285.39)				
7	12/10/92	JE09-41	Record W Coloney Serv.	1,500.00	Engineering Services			1,500.00		No cancelled check & No invoice Accrue retainer agreement
8	12/31/92	AJE	Baskerville-Donovan(Interest)	110.75	Interest on past due	110.75				Not a prudent business expense
				<u>4,151.51</u>		<u>110.75</u>	<u>228.38</u>	<u>1,500.00</u>	<u>2,312.38</u>	

AUDIT DISCLOSURE NO. 7

SUBJECT: CONTRACTUAL SERVICES - LEGAL

STATEMENT OF FACT: The Utility has a Retainer Agreement with Gene D. Brown, P.A.

The Retainer Agreement is entered into as of the 1st day of January, 1992.

"In consideration of the services to be provided by the attorney pursuant to this agreement, Utility shall pay Attorney a fee of \$1,000 per month. The retainer of \$1,000 per month shall cover all incidental expenses incurred by attorney, such as travel, telephone charges, copying costs, and other similar expenses".

Response to Audit Request No. 6 dated October 18, 1993 for the test year, "Attorney Gene D. Brown did not maintain time records for work performed for the Utility and no invoices were submitted".

The Addendum To Retainer Agreement is entered into as of the 1st day of January, 1993.

The Addendum states "Utility shall pay the attorney a fee of \$150 per hour, with a maximum of \$24,000 per year, including incidental expenses such as telephone charges, copying costs and other similar expenses. The Utility will pay the Attorney at the rate of \$2,000 per month".

The Addendum also states "The attorney shall maintain detailed time records showing the specific work performed by the Attorney, the date such work was performed, and the time expended by the Attorney on each separate item of work. These detailed time records shall be maintained on a daily basis, and shall be available for review by the Utility at any time".

Response to Document Request No. 20 item No. 17, "Time records were not kept through calendar year 1993".

Both the Retainer Agreement and the Addendum To Retainer Agreement contains an effective date, however, no signature date.

The Schedule on the following page presents costs charged to the utility Contractual Service - Legal Account.

OPINION: Description and remarks are the opinions of the auditor and not the utility.

The Attorney was in violation of the Addendum To Retainer Agreement by not maintaining the required detailed time records in 1993.

AUDIT DISCLOSURE NO. 7 CONTINUED

Auditor believes that the retainer agreement reflecting the 1992 legal expenses was retroactively created. This document was not readily available.

Auditor also believes the Addendum To Retainer Agreement reflecting the 1993 legal expenses was retroactively created. This document was not provided to the auditor during October and November 1993.

Agreements should have a signature date. This generally prevents retroactively creating documents.

St. George Island Utility Co., LTD.  
 Contractual Services-Legal  
 Test Year Ended 12/31/92

Item	Date	Check	Payee	Amount	Description	Gene			Other	Remarks
						Brown Retainer	Outside Legal	Transcript and Court Reporter		
1	1/31/92			1,000.00	Accrual-legal services	1,000.00				No statement for services or invoice
2	2/28/92			1,000.00	Accrual-legal services	1,000.00				No statement for services or invoice
3	4/14/92	142	ABC Management	1,000.00	Legal Services	1,000.00				No statement for services or invoice
4	4/29/92	177	ABC Management	1,000.00	Reimbursement for attorney retainer DER Case	1,000.00				No statement for services or invoice
5	5/28/92	237	Gene Brown	1,000.00	Legal Services	1,000.00				No statement for services or invoice
6	6/19/92	291	Associated Court Reporters	193.15	Court Reporter & Transcription			193.15		4/30/92 motions hearing-DER vs Gene Brown, d/b/a SGIU Co. No cancelled check
7	6/19/92	292	Lori Dezell	28.00	Court Reporter & Transcription			28.00		5/15/92 motions hearing-DER vs Gene Brown, d/b/a SGIU Co.
8	6/22/92	296	Peggy Weaver	33.90	Copy of Transcript			33.90		5/22/92 hearing-DER v. Gene Brown, d/b/a SGIU Co.
9	6/22/92	304	Gene D. Brown	1,000.00	Legal Services	1,000.00				No statement for services or invoice
10	6/24/92	310	Christine Wheeler	130.00	Court Reporter			130.00		6/18/92 hearing-DER v. Gene D. Brown, ET AL.
11	6/17/92	390	Ron Colson	69.00	Service-Witness subpoenas			69.00		Armada Bay Co Check- No Invoice
12	6/4/92	2005	Fleet Finance (Dale Westling)	1,128.50	Paid by ABC				1,128.50	No Check- Memo-attorney's fees for representing Fleet Finance
13	7/9/92	358	Pete Dunbar	2,000.00	Attorney Retainer to represent the utility		2,000.00			7/14/92 Settlement Conference w/PSC
14	7/16/92	372	Gene Brown	1,000.00	Legal Services	1,000.00				No statement for services or invoice
15	8/17/92	450	Gene Brown	1,000.00	Legal Services	1,000.00				No statement for services or invoice
16	8/21/92	09	Don Caparello	1,000.00	Legal Services		1,000.00			FPSC v. SGIU Representing Alice B. Melton Hearing RE Injunction and Damages to Client
17	9/4/92	485	Lance Langston	1,000.00	Legal Services		1,000.00			FPSC v. SGIU Preparation for and attendance at hearing on motion for preliminary injunction;
18	9/9/92	495	Fred Johnson	2,500.00	Legal Services		2,500.00			FPSC v. SGIU and Gene D. Brown Hearing on FPSC motin for preliminary injunction
19	10/15/92	111	Fred Johnson	1,000.00	Legal Services		1,000.00			FPSC v. SGIU and Gene D. Brown Hearing on order to show cause 10/20/92
20	10/19/92	112	James Shelfer	650.00	Expert Witness Testimony				650.00	Order No. PSC-93-0511-FOF-WU Issued: 4/5/93 Ownership in land on which elevated storage tank is located
21	10/21/92	114	Gene Brown	2,000.00	Legal Services	2,000.00				No statement for services or invoice
22	11/6/92	617	Don Caparello	85.00	Legal Services		85.00			FPSC v. SGIU Representing Alice B. Melton Hearing RE Injunction and Damages to Client
23	11/18/92	121	Gene Brown	500.00	Legal Services	500.00				No statement for services or invoice
24	12/2/92	128	Gene Brown Law Firm	1,000.00	Legal Services	1,000.00				No statement for services or invoice
25	12/4/92	132	Gene Brown	500.00	Legal Services--accrued 11/92	500.00				No statement for services or invoice
				21,817.55		12,000.00	7,585.00	454.05	1,778.50	

AUDIT DISCLOSURE NO. 8

SUBJECT: CONTRACTUAL SERVICES - MANAGEMENT FEES

STATEMENT OF FACT: The Utility has an Agreement with Armada Bay Company (ABC).

The agreement was made and entered into as of the 1st day of January, 1992.

As full and adequate compensation for this management and operating agreement, the Utility will pay ABC an annual management fee of \$48,000.

Response to Document Request No. 16 item No. 5, denotes an estimated 1560 hours in 1992, of Gene Brown's time to provide management services through Armada Bay Company.

The Management And Operating Agreement contains an effective date, however, no signature date.

The Schedule on the following page presents costs charged to the utility Contractual Service - Management Fees Account.

OPINION: Description and remarks are the opinions of the auditor and not the utility.

The auditor believes that the Management And Operating Agreement reflecting the 1992 management expenses was retroactively created. This document was not readily available.

Agreements should have a signature date. This generally prevents retroactively creating documents.

St. George Island Utility Co., LTD.  
 Contractual Services-Management Fees  
 Test Year Ended 12/31/92

Item	Date	Check	Payee	Amount	Description	ABC Management	Gene Brown	Sandra Chase	IRS	Gene Brown Law Firm	Cash	Publix	Journal Entry	Remarks
1	1/31/92			4,000.00	Accrual- management fee	4,000.00								No statement for services or invoice
2	2/28/92			4,000.00	Accrual- management fee	4,000.00								No statement for services or invoice
3	3/6/92	1767	Sandra Chase	537.64	Salary for ABC Management			537.64						No statement for services or invoice
4	3/13/92	1796	Sandra Chase	537.64	Salary for ABC Management			537.64						No statement for services or invoice
5	3/13/92	1798	CCFNB	166.74	For FICA & Withholding Tax				166.74					Sandra Chase Payroll Tax for 2/21/92
6	3/13/92	1800	CCFNB	166.74	For FICA & Withholding Tax				166.74					Sandra Chase Payroll Tax for 2/28/92
7	3/13/92	1802	CCFNB	166.74	For FICA & Withholding Tax				166.74					Sandra Chase Payroll Tax for 3/6/92
8	3/13/92	1804	CCFNB	166.74	For FICA & Withholding Tax				166.74					Sandra Chase Payroll Tax for 3/13/92
9	3/20/92	1830	Sandra Chase	537.64	Salary for ABC Management			537.64						No statement for services or invoice
10	3/20/92	1831	CCFNB	166.74	For FICA & Withholding Tax				166.74					Sandra Chase Payroll Tax for 3/20/92
11	3/27/92	1842	CCFNB	166.74	For FICA & Withholding Tax				166.74					Sandra Chase Payroll Tax for 3/27/92
12	3/27/92	1843	Sandra Chase	216.08	Salary for ABC Management			216.00						No statement for services or invoice Total Check amount was \$537.64
13	3/27/92	1844	Internal Revenue Service	170.56	For FICA & Withholding Tax				170.56					Payroll Tax
14	4/10/92	135	ABC Management	3,000.00	Management Fees	3,000.00								No statement for services or invoice
15	4/14/92	142	ABC Management	1,000.00	Management Fees	1,000.00								No statement for services or invoice
16	5/28/92	236	ABC Management	4,000.00	Management Fees	4,000.00								No statement for services or invoice
17	6/22/92	305	ABC Management	4,000.00	Management Fees	4,000.00								No statement for services or invoice
18	7/9/92	357	ABC Management	4,000.00	Management Fees	4,000.00								No statement for services or invoice
19	8/14/92	440	ABC Management	2,000.00	Management Fees	2,000.00								No statement for services or invoice
20	8/17/93	451	ABC Management	2,000.00	Management Fees	2,000.00								No statement for services or invoice
21	9/4/92	488	Gene D. Brown	494.10	Management Fees		494.10							No statement for services or invoice- PPE 9/4/92
22	9/14/92	513	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice- PPE 9/11/92
23	9/4/92	514	Gene D. Brown	105.90	Management Fees		105.90							No statement for services or invoice- PPE 9/4/92
24	10/5/92	552	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice- Wk ending 9/18/92
25	10/5/92	553	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice- Wk ending 9/25/92
26	10/8/92	559	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice- Wk ending 10/2/92
27	10/13/92	566	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice- Wk ending 10/13/92
28	10/21/92	584	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice
29	10/21/92	585	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice
30	11/2/92	652	Gene D. Brown	1,500.00	Management Fees		1,500.00							No statement for services or invoice- 11/6/92 & 11/13/92
31	11/2/92	117	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice- 10/30/92
32	11/10/92	118	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice
33	11/27/92	125	Gene Brown	750.00	Management Fees		750.00							No statement for services or invoice
34	12/xx/92	702	Gene D. Brown Law Firm	1,000.00	Management Fees-check reflects legal fees					1,000.00				No statement for services or invoice Check Noted for Legal Fee
35	12/14/92	703	Gene D. Brown	1,850.00	Management Fees		1,850.00							No statement for services or invoice
36	12/21/92	715	Gene Brown	500.00	Management Fees		500.00							No statement for services or invoice
37	12/24/92	727	Gene D. Brown	750.00	Management Fees		750.00							No statement for services or invoice
38	12/2/92	127	Gene D. Brown	1,300.00	Management Fees		1,300.00							No statement for services or invoice
39	12/4/92	132	Gene Brown	500.00	Management Fees		500.00							No statement for services or invoice
40	12/18/92	142	Cash	250.00	Management Fees						250.00			No Check-traced to bank statement
41	12/22/92	143	Gene D. Brown	300.00	Management Fees		300.00							Check endorsed by Gene D. Brown
42	12/27/92	145	Publix	75.00	Management Fees							75.00		No statement for services or invoice
43	12/31/92	148	Gene D. Brown	250.00	Management Fees		250.00							Gene D. Brown's Driver License used as ID to cash check- No Invoice
44	12/31/92			625.00	Journal Entry								625.00	No statement for services or invoice Journal Entry to record Management Fee payable
				48,000.00		28,000.00	15,050.00	1,828.92	1,171.00	1,000.00	250.00	75.00	625.00	

AUDIT DISCLOSURE NO. 9

SUBJECT: PROFORMA ADJUSTMENT CONTRACTUAL SERVICE - OTHER

STATEMENT OF FACT: MFR Schedule B-3 Page 5 of 8, the utility requested a test year adjustment for a storage tank maintenance program, distribution piping cleanout program, increase in testing requirements and uniform rental contract.

The utility provided one quote from Savannah Laboratories for \$26,765 which includes pick up of water samples and testing. Also, the proposal amount was adjusted for (\$2,813) to remove test year lab fees and sample transport costs. Additional quotes were not provided. Also, a signed contract was not provided.

The utility provided a signed service agreement for uniform rental and states that the uniforms have been ordered. The utility's estimate based on two employees is \$1,065. The MFR request an adjustment of \$1,280.

The utility provided one quote from Professional Piping Services, Inc. to clean the distribution piping. Additional quotes were not provided. A signed contract was not provided. The amount including utility adjustment for line across the bridge was \$37,492.80.

The utility requested an adjustment for the annual cost of a six year maintenance contract of \$22,409 for tank maintenance.

The utility provided two quotes for the storage tank maintenance. Eagle Tank Technology Corp. proposal was for the maintenance of the elevated water tank and the ground storage tank. The total per year amount was \$20,493 for a six year contract.

The other maintenance proposal was from Jack Ethridge Tank Company, for the elevated tank only. The proposed amount was \$45,000 in total.

A signed contract for the tank maintenance was not provided.



AUDIT DISCLOSURE NO. 9 CONTINUED

OPINION: As of March 25, 1994, the storage tank maintenance program, the distribution piping cleanout program and the increase in testing requirements had not been implemented.

In addition the estimated/proposed amounts provided the auditor were \$2,131 less than the requested proforma expense.

	MFR	Proposal	Difference
Storage Tank	\$ 22,409	\$ 20,493	\$ 1,916
Distribution Piping	37,493	37,493	0
Testing Services	26,765	26,765	
less	<u>2,813</u>	less <u>2,813</u>	
	23,909	23,909	0
Uniform Rental	<u>1,280</u>	<u>1,065</u>	<u>215</u>
Total	<u>\$ 85,091</u>	<u>\$ 82,960</u>	<u>\$ 2,131</u>

AUDIT DISCLOSURE NO. 10

CONFIDENTIAL

SUBJECT: TALLAHASSEE OFFICE RENT

This disclosure is considered confidential. For further information, see confidential document separately filed with the Commission Clerk.

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AUDIT DISCLOSURE NO. 11

CONFIDENTIAL

SUBJECT: TRANSPORTATION EXPENSE

This disclosure is considered confidential. For further  
information, see confidential  
document separately filed  
with the Commission Clerk.

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AUDIT DISCLOSURE NO. 12

SUBJECT: BAD DEBT EXPENSE

STATEMENT OF FACT: MFR Schedule B-3, Page 7 of 8, the Utility is requesting a proforma adjustment of \$6,276 for Bad Debt Expense. In the MFR, the utility states that there is no allowance for bad debt expense on the books for the test year.

The Annual Report for the last three years reports bad debt expense as:

1992	\$0
1991	\$0
1990	\$50

The (Final Billed) Customers outstanding balance as of 12/31/1991 was \$585.78, as of 12/31/1992 was \$6,276.13 and as of 12/31/1993 was \$6,276.13.

The Utility's Customer Deposit Balance is \$13,860 at 12/31/92.

OPINION: The Utility based the Bad Debt adjustment on non-payments by Final Billed Customers.

The Utility has not attempted collecting the outstanding balance. No liens were provided. In addition, the utility does not use a collection agency for the outstanding accounts.

The bad debt allowance should be reduced to a reasonable level.

AUDIT DISCLOSURE NO. 13

SUBJECT: PROFORMA MISCELLANEOUS EXPENSE

STATEMENT OF FACT: MFR Schedule B-3 Page 8 of 8 reflects a request for an adjusted test year amount of \$24,422.

Audit Exception No. 26 reflects an adjustment to the books.

The Utility is requesting an increase to miscellaneous expense for cellular phone service for Gene Brown and Hank Garrett. The utility states, "Both Hank Garrett and Gene Brown have cellular phones which are necessary to properly manage the utility. It is estimated that the phone bills for each cellular phone will be approximately \$200 per month. One half of Gene Brown's bill (\$100) will be allocated to the utility." In total the utility estimated \$3,600 per year for cellular phone. The adjustment reflects the removal of the test year recorded cellular phone expense of \$1,376. The cellular phone that Gene Brown uses is in the name of Sandra Chase.

The utility is also requesting an increase to miscellaneous expense to lease a copier and fax machine for the island office. Per utility memo, "In order to properly do their job with the constant flow of detailed information and written documentation between the two offices, the personnel on the Island must have a fax and copy machine." A quote provided by the utility, reflects a 60 month lease at \$145.95 per year.

The utility is also requesting an increase to miscellaneous expense for corporate filing fee. The utility states, "In prior years, the filing fees to the Secretary of State for Leisure Properties, Ltd. which is necessary to keep the utility company qualified to do business have not been charged to the utility." The filing fee for Leisure Properties, Ltd. is \$576.25.

OPINION: The analyst made want to consider whether these expenses are prudent and necessary.

AUDIT DISCLOSURE NO. 14

SUBJECT: UTILITY OFFICE LOCATION

STATEMENT OF FACT: The Utility maintains its main office at 3848 Killearn Court, Tallahassee, Florida.

The Utility maintains an office for its operators on St. George Island.

Response to Audit Request No. 20 states, the utility's business office is located in Tallahassee because it is the most logical and efficient location to conduct its business. The utility's office on St. George Island is not in physical condition to accommodate a billing office for a business that is dependent on its computer.

OPINION: Generally, the utility's main office is located near its system, when the utility has only one system.

Although the utility has an operators office on St. George Island, this does not negate that its business office be more strategically located such as in East Point.

The Analyst may want to carefully consider expenses for the long distance telephone calls between St. George Island operators' office and the Tallahassee office, transportation allowance for Gene D. Brown and Sandra Chase, and overnight postage of payroll or emergency payments.

AUDIT DISCLOSURE NO. 15

SUBJECT: COST OF CAPITAL

STATEMENT OF FACT: Issued 4/24/89, Order No. 21122, Application of ST. GEORGE ISLAND UTILITY COMPANY, LTD., for an increase in water rates in Franklin County, held the cost of Customer Deposits constant for Cost of Capital determination.

Commission Order 94-0394 issued in docket 930385 proposes reducing the rate paid for customer deposits.

OPINION: The WAW Division may want to consider adjusting the cost rate for Customer Deposits to represent the most recent Commission Rate.

AUDIT DISCLOSURE NO. 16

SUBJECT: KEN GORDON DEVELOPER AGREEMENT

STATEMENT OF FACT: Developer Agreement with Ken Gordon is dated February 25, 1993, and revised August 19, 1993.

The total commitment from Ken Gordon to the utility is \$77,817.25 to be paid as follows:

- (A) \$10,000 paid at the time of the agreement
- (B) \$50,132.25 in a letter of credit
- (C) \$17,685 which will be paid at the time of development via main extensions

The \$10,000 was deposited on July 27, 1993. On September 2, 1993 an additional \$132.25 was deposited.

OPINION: The utility reported at the exit conference that the Ken Gordon Developer agreement has been cancelled and the payment of \$10,000 has been returned to the developer. The utility further states the \$10,000 repayment was the repayment of a loan. The auditor has not verified this claim.

This disclosure has been provided for information only.



AUDIT DISCLOSURE NO. 17

SUBJECT: CONFIDENTIAL DOCUMENTS

STATEMENT OF FACT: The following documents were requested to be treated confidential. These documents are on file with the Commission Clerk.

Federal Tax Forms for the period 1987 to 1992 (37 Pages)

Auditor notes from review of the affiliate records (3 pages)

Audit Disclosure Number 10 entitled Tallahassee Office Rent (2 page)

Audit Disclosure Number 11 entitled Transportation Expense (2 page)

Company: St. George Island Utility Co., Ltd  
 Docket No.:  
 Test Year Ended: 12/31/92  
 Interim [ ] Final [X]  
 Historic [X] Projected [ ]

Schedule: A-1  
 Page 1 of 1  
 Preparer: Seidman, F.

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use. If method other than formula approach (1/8 O&M) is used to determine working capital, provide additional schedule showing detail calculation.

(1)	(2)	(3)	(4)	(5)	
	Average 1992 Rate Base				
Line No.	Description	Balance per Book	Utility Adjustments	Adjusted Utility Balance	Supporting Schedule(s)
1	Utility Plant in Service	2,475,081	110,261	2,585,342	A-5
2	Utility Land & Land Rights	31,542	23,276	54,818	A-5
3	Less: Non-Used & Useful Plant	0	0	0	A-7
4	Construction Work in Progress	105,828	( 105,828)	0	A-18
5	Less: Accumulated Depreciation	( 736,847)	223	( 736,624)	A-9
6	Less: CIAC	( 988,742)	( 11,110)	( 999,852)	A-12
7	Accumulated Amortization of CIAC	132,277	6,556	138,833	A-14
8	Acquisition Adjustments	0	0	0	-
9	Accum. Amort. of Acq. Adjustments	0	0	0	-
10	Advances for Construction	( 78,862)	0	( 78,862)	A-16
11	Working Capital Allowance	35,113	30,508	65,622	A-17
12	Total Water Rate Base	975,390	53,886	1,029,277	

Company: St. George Island Utility Co., Ltd  
 Docket No.:  
 Test Year Ended: 12/31/92  
 Interim [ ] Final [X]  
 Historic [X] or Projected [ ]

Schedule S-1  
 Page 1 of 1  
 Preparer: Seidman, F.

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) 1992 Present Operating Income		(5) 1992 Required Operating Income			(8) Supporting Schedules
		(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Yr	(5) Required Revenue Adjustment	(6) Required Revenues	(7) Required Revenue Increase %	
1	OPERATING REVENUES						
2	Water Sales	307,089	674	307,763	428,201	735,964	139.13%
3	Other Revenue	10,754	( 4,000)	6,754		6,754	.00%
4	Total	317,843	( 3,326)	314,517	428,201	742,718	136.15%
5	Operation & Maintenance	280,907	217,806	498,713	26,260	524,973	
6	Depr, net of CIAC Amort.	39,026	( 398)	39,874	0	39,874	
7	Amortization	0	41,452	41,452	0	41,452	
8	Taxes Other Than Income	29,326	4,751	34,077	19,269	53,346	
9	Provision for Income Taxes	0	0	0	0	0	--
10	OPERATING EXPENSES	349,259	263,611	614,115	45,529	659,644	
11	NET OPERATING INCOME	( 31,416)	( 266,936)	( 299,598)	382,672	83,074	
12	RATE BASE	975,390	53,886	1,029,277		1,029,277	A-1
13	RATE OF RETURN	( 3.22%)		( 29.11%)		8.07%	D-1

Company: St. George Island Utility Co., Ltd  
Docket No.:  
Test Year Ended: 12/31/92  
Schedule Year Ended: 12/31/92  
Historic [X] or Projected [ ]

Schedule: D-2  
Page 1 of 1  
Preparer: Seidman, F.

Explanation: Provide a reconciliation of the simple average capital structure to requested rate base.  
Explain all adjustments. Submit an additional schedule if a year-end basis is used.

Line No.	(1) Class of Capital	(2) Test Year Average \$(000)	(3) Reconciliation Adjustments			(6) Reconciled To Requested Rate Base
			(4) Specific \$(000)	(5) (Explain)	(6) Prorata * (actual cust. deposits)	
1	Long Term Debt	3,940,451	( 3,015,118)	Sch A-1, A-2	89.90%	925,333
2	Short Term Debt	377,116	( 288,558)	Sch A-1, A-2	8.60%	88,558
3	Preferred Stock	0	0	Sch A-1, A-2	.00%	
4	Common Equity	(4,628,066)	4,628,066	Sch A-1, A-2	.00%	
5	Customer Deposits	15,386	0	Sch A-1, A-2	1.49%	15,386
6	Tax Credits - Zero Cost	0	0	Sch A-1, A-2	.00%	
7	Tax Credits - Wtd. Cost	0	0	Sch A-1, A-2	.00%	
8	Accum. Deferred Income Tax	0	0	Sch A-1, A-2	.00%	
9	Other: Add back negative equity	4,628,066	( 4,628,066)	Sch A-1, A-2	.00%	
10	Total	4,332,953	( 3,303,676)		100.00%	1,029,277

• List corresponding adjustments to rate base below:

Description	Amount
Line 9 - Other: Consistent with Order No. 21122, the negative equity balance is added back, and the capital structure is considered 100% debt.	

Supporting Schedules: A-19,D-3,D-4,D-5,D-7  
Recap Schedules: D-1