



Public Service Commission

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RECORDS AND REPORTING

99 MAY 20 AM 11:58

RECEIVED-FPSC

DATE: May 20, 1999
TO: Division of Records and Reporting
FROM: Division of Water and Wastewater (Lingo) *JL*
RE: Docket No. 981147-WS, Investigation into possible overearnings of Highlands Ridge Associates, Inc. in Highlands County

Please place the attached correspondence into the above-referenced docket file. Thank you.

\FJL

Attach: Letter from Reed/Highlands Ridge 4/06/99

cc w/Attch: Division of Water and Wastewater (Chase)
Division of Legal Services (Brubaker)

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- MAS _____
- OPC _____
- RRR _____
- SEC _____
- WAW _____
- OTH _____

DOCUMENT NUMBER-DATE

06403 MAY 20 99

FPSC-RECORDS/REPORTING



Highlands Ridge

April 6, 1999

RECEIVED

APR - 9 1999

Ms. Jenni Lingo
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Florida Public Service Commission
Division of Water and Wastewater

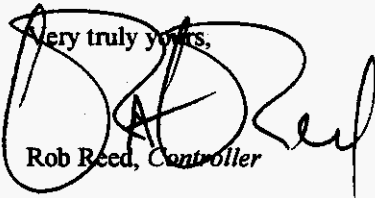
Re: *Audit Adjustment Request*

Dear Ms. Lingo,

I have set up a new set of books for keeping track of our Utility Books and Records. I established the general ledger and balance sheet from the Annual Report filed by the Utility for 1997 (the year under audit). As you know, the Utility did not keep a double entry set of books in accordance with PSC regulation. Therefore, in addition to the obvious errors in recording CIAC and resultant amortization thereof, the Utility did not account for the financing that was necessary to construct and operate both Utilities. The result of this error is that the Utility has not absorbed its proportionate share of interest expense from our First Union mortgage. Here is the proposed adjustment:

Pre-audit debt basis to First Union:	\$930,952.00
Adjustments from preliminary audit that would Affect the First Union debt basis during the year 1997 (or prior):	
1. No effect	0.00
2. Utility Plant in service	9,967.00
3. Adjusted Depreciation and Accum. Deprec.	(179,607.00)
4. Land Cost	4,877.00
5. CIAC and Accum. Amort.	(527,823.00)
6. Revenues & Reg Assessment Fees	0.00
7. Operation & Maintenance Fees	11,733.00
8. Taxes	0.00
Total debt basis effect	<u>(680,853.00)</u>
Debt basis for 1997	\$250,099.00
Interest Rate	8.5%
Interest Expense	<u>\$21,258.00</u>

Please review this information and let us know if you require further information or data to support our conclusion that an additional expense of \$21,258 should be recognized to the Utility. I did not allocate the expense to water or sewer as of this writing.

Very truly yours,

Rob Reed, Controller

enclosures

P.O. Box 768, Sebring, Florida 33871-0768
(941) 471-1117

04/06/99

Highlands Ridge Associates, Inc. "Utility Division"
Balance Sheet
 As of December 31, 1997

	<u>Dec 31, '97</u>
ASSETS	
Current Assets	
Other Current Assets	
Accts Recble	7,561.00
Total Other Current Assets	<u>7,561.00</u>
Total Current Assets	7,561.00
Fixed Assets	
Collection Sewers - Gravity	321,004.00
Dist. Reserv & Pipes	18,500.00
Meters w/ Installation	29,745.00
Organization	21,211.00
Power Generating Equip	46,715.00
Structures & Improvements	335,439.00
Trans & Distrib Lines	291,313.00
Water Treatment Equip	43,160.00
Wells & Springs	114,066.00
Total Fixed Assets	<u>1,221,153.00</u>
Other Assets	
Acc Depr Collection Sewers	-51,210.00
Acc Depr Dist. Reserv & Pipes	-4,884.00
Acc Depr Meters	-7,178.00
Acc Depr Structures & Impr	-82,079.00
Acc Depr Trans & Distr Mains	-38,741.00
Acc Depr Water Treatment Equip	-20,370.00
Acc Depr Wells & Springs	-33,762.00
Acc. Depr Power Gen Equip	-22,049.00
Total Other Assets	<u>-260,273.00</u>
TOTAL ASSETS	<u>968,441.00</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
CIAC	23,750.00
CIAC - Accum. Amort	-1,719.00
Reg. Assessment Fees Due	6,948.00
Total Other Current Liabilities	<u>28,979.00</u>
Total Current Liabilities	28,979.00
Long Term Liabilities	
Notes Payable - First Union	930,952.00
Total Long Term Liabilities	<u>930,952.00</u>
Total Liabilities	959,931.00
Equity	
Retained Earnings	-16,377.00
Net Income	24,887.00
Total Equity	<u>8,510.00</u>
TOTAL LIABILITIES & EQUITY	<u>968,441.00</u>