

Cheryl M. Martin
Certified Public Accountant
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ORIGINAL

Docket No. 980778-SU

RECEIVED

SEP 01 1999

Florida Public Service Commission
Division of Utility Regulation

August 18, 1999

Crooked Lake Park Sewerage Company
227 Caloosa Lake Circle North
Lake Wales, FL 33853

*Please place in Docket file
No. 980778-SU*

Attn: Kenneth Knowlton, President

*Shanks
Pauetto*

Dear Mr. Knowlton:

As we discussed, I would be happy to serve your accounting service needs.

In accordance with standards established by the American Institute of Certified Public Accountants, an engagement letter is necessary to set forth our understanding of the terms and objectives of our relationship, and the nature and limitations of the services to be provided.

I will perform the following services:

- 1) A one-time fee for start-up costs associated with converting Crooked Lake Park Sewerage Company's books and records to the accounting system used by our firm. This will include converting all assets, liabilities, revenues and expenses over to National Association of Regulatory Utility Commissioners (NARUC) chart of accounts, and converting from cash to accrual method of accounting for the balance sheet and income statement. \$1,200.00
- 2) Reconciling the books and records to the anticipated Florida Public Service Commission (FPSC) final rate order. \$1,600.00
- 3) Preparation of the annual report to the FPSC. \$1,200.00
- 4) Preparation of the annual regulatory assessment fee liability to the FPSC. \$150.00
- 5) Preparation of annual federal and state corporate income tax returns and property tax returns; preparation of quarterly payroll returns, 941's and UCT-6's; preparation of annual payroll returns, W-3, W-2's, 940; and monthly accounting \$1,500.00

AFA _____
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG _____
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SEC 1 _____
WAW _____
OTH _____

DOCUMENT NUMBER-DATE

10684 SEP-7 99

FPSC-RECORDS/REPORTING

Crooked Lake Park Sewerage Company
August 18, 1999
Page 2

I will compile, from information you provide, the annual balance sheet, statement of income, retained earnings, and cash flows of Crooked Lake Park Sewerage Company for the year ended December 31, 1999. I will not audit or review such financial statements. My report on the annual financial statements of Crooked Lake Park Sewerage Company is presently expected to read as follows:

I have compiled the accompanying balance sheet of Crooked Lake Park Sewerage Company as of December 31, 1999, and the related statements of income, retained earnings, and cash flows for the year then ended, in accordance with Statements on Standards for Account and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

If management elects to omit substantially all disclosures, we will include an additional paragraph that will read as follows:

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Beginning with the month of November 1999, I will prepare, from the information you provide, a monthly balance sheet and statement of income on the accrual basis of accounting. You agree to provide me with the following documents on a timely basis at an agreed upon location:

October 31, 1999, financial statement, detailed schedule of beginning balances of accounts receivable, accounts payable; bank statements; payroll records; documents concerning asset acquisitions and dispositions; liabilities and other relevant documents.

Crooked Lake Park Sewerage Company
August 18, 1999
Page 3

I will record all income and expenses, on a monthly basis, in accordance with NARUC guidelines, from the above documents you provide, in a computerized general ledger system. Each month I will provide you with a copy of the general ledger account listing, which shows each check, deposit, and adjustment affecting each account during the month. You agree to review this general ledger report each month and notify me of any changes necessary in the classification or distribution of expense. Unless you notify me of a change, I will assume that all transactions have been properly coded and have been posted to the correct accounts. These ledgers will record, on a monthly basis, all cash receipts and all cash disbursements (identified by you as to expense category). The ledgers will also include adjusting journal entries made by me in accordance with generally accepted accounting principles. These ledgers will be used in the preparation of the monthly financial statements.

Each month I will reconcile your checking accounts with your bank statement.

This engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations, that may exist. However, I will inform you of any material errors that come to my attention and any irregularities or illegal acts that come to my attention, unless they are clearly inconsequential.

My fee for Items 1) and 2) will be a one-time charge of \$2,800.00. My annual accounting and tax preparation fees for Items 3) through 5) will be a total of \$2,850.00. Because of the complexities in setting up the NARUC accounting system it is difficult to estimate actual hours. I will evaluate the time actually spent on the work in relation to this fixed fee arrangement. In the event actual hours exceed the ninety hours I have budgeted for Items 1) through 5), the excess hours will be billed at \$50.00 per hour.

If you would like me to perform additional services, such as management advisory services, I would be pleased to do so. This type of work will be billed separately. I will always be willing to estimate the fee for any special service in advance of the service and will give you a fixed-fee quote if at all possible.

I look forward to working with you and will be happy to discuss this letter and our arrangements with you at any time.

Crooked Lake Park Sewerage Company

August 18, 1999

Page 4

If the foregoing is in accordance with your understanding, please sign this letter in the space provided and return it to me in the enclosed envelope. The second copy is for your files.

Sincerely,

Cheryl M. Martin - CPA

Cheryl M. Martin

Certified Public Accountant

Acknowledged:

Crooked Lake Park Sewerage Company

Kenneth Knowlton

Kenneth Knowlton, President

8-26-99

Date

KENNETH R. KNOWLTON, TRUST
1305 Murdock Blvd.
Orlando, FL 32825
(407) 277-2422

August 13, 1999

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SEP 01 1999

Florida Public Service Commission
Division of Water and Wastewater

"COMMITMENT OF LOAN"

Kenneth R. Knowlton Trust and Kenneth R. Knowlton Trustee does hereby agree to loan to Crooked Lake Park Sewerage Company the sum of \$ 200,000.00 (TWO HUNDRED THOUSAND AND 00/100 DOLLARS).

The interest rate will be 11% annual simple interest with 2 points loan origination fee with terms of 5 year balloon with 15 year amortization plus the closing cost.

Sincerely,



Kenneth R. Knowlton, Trustee
Kenneth R. Knowlton Trust