

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: May 7, 2002
TO: Division of Economic Regulation (Fletcher/Greene)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: 011073-WS; Ferncrest Utilities, Inc.; Audit Purpose: audit rate base, capital structure and net operating income for the test year ending December 31, 2000; Audit Control No. 02-029-4-2

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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Mr. Robert V. Salerno, President
Ferncrest Utilities, Inc.
3015 S. W. 54th Avenue
Ft. Lauderdale, FL 33314-1950

DOCUMENT NUMBER - DATE

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FLORIDA PUBLIC SERVICE COMMISSION

*Division of Auditing and Safety
Bureau of Auditing*

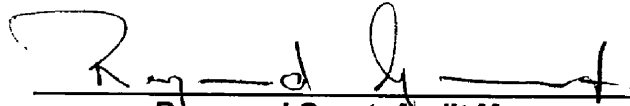
Miami District Office

FERNCREST UTILITY COMPANY

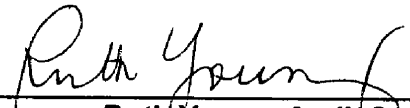
RATE CASE

PERIOD ENDED DECEMBER 31, 2000

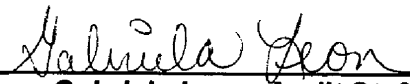
**DOCKET NO. 011073-WS
AUDIT CONTROL NO. 02-029-4-2**



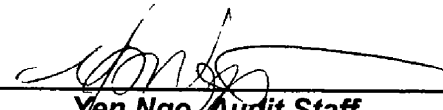
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**DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING**

May 1, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules of Rate Base , Net Operating Income, and Cost of Capital as of December 31, 2000, for Ferncrest Utility Company, as part of our work in Docket No. 011073-WS

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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 auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definition applies when used in this report.

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied and account balances were tested to the extent further described.

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

Verified - The items were tested for accuracy, and compared to the substantiating documentation.

RATE BASE: Verified account balances for utility plant-in-service, CIAC, accumulated depreciation, and accumulated amortization of CIAC from December 31, 1994 through December 31, 2000. Judgementally selected and tested plant additions for the proper amount, classification, and period. Verified CIAC additions by reviewing cash deposits, billing reports, maps, and tax returns. Calculated accumulated depreciation and accumulated amortization using the Commission rule.

NET OPERATING INCOME: Reconstructed revenues billed by the company using company billing reports, cash receipts journals and adjusting entries. Examined all expense invoices and reclassified expenses according to the NARUC chart of accounts. Calculated depreciation and amortization expense. Determined costs paid by the affiliate that related to the utility and allocated them.

COST OF CAPITAL: Debt instruments were reviewed. Interest rates were traced to appropriate documentation. Customer Deposits were traced to the general ledger and to cash receipts & billing summaries. Interest charged on customer deposits was compared to the Commission Rule. Components of cost of capital were reconciled to the requested rate base and the cost of capital schedule was recalculated.

OTHER: Verified the existing rates, miscellaneous service charges, late charges, service availability charges, and customer deposits charged by the utility.

EXCEPTIONS

Audit Exception No. 1

Exception No.

Subject: Rate Base Proforma Adjustments

Statement of Fact: In 1996, Palm Trace, an apartment development owned by an affiliate company, was connected to the system and lines and lift stations were contributed to the utility. According to the company, the cost of the lines and lift stations were \$444,542 (\$222,271 to account 341.4 Water Transmission and Distribution Mains, \$148,180 to account 361.2-Collection Sewer Gravity and \$74,090 to account 371.3-Pumping Equipment). The company was asked for the developer agreement and supporting documentation to show how the dollars were determined but it was never provided. The only documentation provided was a project cost report for Palm Trace Landings that showed a line called "Sitework/Utilities" that showed \$434,958 as the budgeted cost and the to date cost at \$356,541. There was no breakdown as to type of plant.

The revised schedule A-1 and A-2 make adjustments for this contribution. The following adjustments were made on A-3 relating to this contribution.

	WATER	WASTEWATER
Plant	\$111,136	\$ 111,135
Contributions In Aid of Construction	(111,136)	(111,135)
Accumulated Depreciation	(10,338)	(14,818)
Accumulated Amortization CIAC	22,227	22,227

The revised B-3 schedule contains the following adjustment related to this contribution:

Depreciation Expense	5,169	7,409
CIAC Amortization Expense	(11,114)	(11,114)

The other proforma adjustments relate to a proposed chlorine generator and used and useful adjustments. The chlorine generator was estimated in the filing at \$120,000 of which \$90,000 related to water and \$30,000 to wastewater. The depreciation expense related to the generator on B-3 was \$4,500 for water and \$1,500 for wastewater. The accumulated depreciation that relates is \$2,250 for water and \$750 for wastewater.

The accumulated depreciation on Schedule A-3 contains three adjustments. Two are shown above and the third relates to used and useful plant as follows:

	WATER	WASTEWATER
Contributed Lines	(10,338)	(14,818)
Chlorine Generator	(2,250)	(750)
Used and Useful Plant	1,202	1,026
Total to A-3	(11,386)	(14,542)

In preparing these filings, the company averaged all amounts related to the contributed lines and the chlorine generator. The chlorine generator is for future expansion and should have been averaged. The contributed assets are four years old. The company used a 20 year life for the of the chlorine generator, 43 years for the water lines, 45 years for the wastewater lines and 18 years for the lift station. They amortized CIAC using a composite rate.

Opinion: The assets contributed four years ago and the related CIAC should not have been averaged. Averaging is only for test year additions. The accumulated depreciation adjustment relates to four years of depreciation expense. The only portion that should be averaged is the amount related to the current year.

According to Rule 25-130.140 F.A.C., water treatment equipment should be amortized over 22 years for water and 18 years for wastewater. The rule also states that when contributions in aid of construction can be specifically identified as relating to a plant addition, it should be amortized at the same rates as the plant addition and not at the composite rate.

A schedule was prepared that follows this exception that shows the differences between the staff calculation of depreciation and amortization and the company amounts. The company should book the year end amounts and the total plant and CIAC to its books.

For purposes of the filing, the following adjustment needs to be made:

Water Plant	111,136	
Wastewater Plant	111,135	
CIAC Water		111,136
CIAC Wastewater		111,135

To record the entire amount of plant and CIAC without averaging.

Retained Earnings	9,768	
Amortization Expense Water	5,945	
Amortization Expense Wastewater	3,705	
Wastewater Depreciation Expense	167	
Accumulated Amortization Wastewater	3,705	
Accumulated Amortization Water		4,135
Water Depreciation Expense		409
Accumulated Depreciation Water		7,549
Accumulated Depreciation Wastewater		11,197

To remove effects of averaging prior 3 years of depreciation and amortization, correct depreciation rates and amortize CIAC for contributed plant at the same rates as the plant.

COMPANY: FERNCREST
 TITLE: RECALCULATION OF PROFORMA ADJ. ACCUM DEP & ACCUM AMORT CIAC
 PERIOD: TYE 2000
 AUDITOR: RAYMOND GRANT
 DATE: FEBRUARY 19, 2002

(A) UTILITY PROFORMA ADJUSTMENT TO INCLUDE CONTRIBUTED PLANT OF \$444,540 (\$222,711 FOR WATER & \$222,271 FOR WASTEWATER INSTALLED 4 YEARS AGO
 (B) CHLORINE GENERATOR ADDED \$120,000, 90,000 FOR WATER AND 30,000 FOR WASTEWATER

ACCT	ACT DESCRIPTION	(1) YEARS	(2) UTILITY PROFORMA ADJUSTMENT CONTRIBUTED PLANT	(3) STAFF DEPREC./YEAR	(4) PER COMPANY DEPREC./YEAR	(5) DIFFERENCE	(6) Y/E ACC. DEPREC. STAFF	(7) Y/E PER COMPANY ACC. DEPREC	(8) DIFFERENCE	(9) AVERAGE ACC DEP STAFF	(10) AVERAGE ACC. DEP COMPANY	(11) DIFFERENCE
				(2)/(1)		(4) - (3)						
320.3	WATER TREATMENT EQUIP	22.00	90,000.00	4,090.91	4,500.00	(409.09)	4,090.91	4,500.00	(409.09)	2,045.46	2250	(204.54)
331.4	TRANS & DISTRIBUTION MAINS	43.00	222,271.00	5,169.09	5,169.00	0.09	20,676.37	20,676.00	0.37	18,091.83	10338	7,753.83
WATER TOTAL			312,271.00	9,260.00	9,669.00	(409.00)	24,767.28	25,176.00	(408.72)	20,137.28	12,588.00	7,649.28
361.2	COLLECTION SEWER GRAVITY	45.00	148,180.00	3,292.89	3,293.00	(0.11)	13,171.56	13,172.00	(0.44)	11,525.11	6586	4,939.11
371.3	PUMPING EQUIPMENT	18.00	74,090.00	4,116.11	4,116.00	0.11	16,464.44	16,464.00	0.44	14,406.39	8232	6,174.39
380.4	TREATMENT & DISPOSAL EQUIP	18.00	30,000.00	1,666.67	1,500.00	166.67	1,666.67	1,800.00	166.67	833.33	750	83.33
WASTEWATER TOTAL			252,270.00	9,075.67	8,909.00	166.67	31,302.67	31,136.00	166.67	26,764.83	15,568.00	11,196.83

RECALCULATION OF PROFORMA ADJ. ACCUM DEP & ACCUM AMORT CIAC

ACCT	YEARS	(2) UTILITY PROFORMA ADJUSTMENT CONTRIBUTED PLANT	(3) STAFF AMORTIZ EXP YEAR (2)/(1)	(4) ACCUM. AMORT CIAC YEAR END (3) TIMES 4 YRS	(5) ACCUM. AMORTIZ CIAC BEGINING BALANCE (4) - (3)	(6) AVERAGE ACCUM AMORTIZ CIAC PER STAFF ((4)+(5))/2	(7) AVERAGE ACCUM. AMORTIZ CIAC ON SCH A-2	(8) DIFFERENCE
331.4	TRANS & DISTRIBUTION MAINS	43.00	222,271.00	5,169.09	20,676.37	15,507.28	18,091.83	
WATER TOTAL		222,271.00	5,169.09	20,676.37	15,507.28	18,091.83	22,227.00 (4,135.17)	
361.2	COLLECTION SEWER GRAVITY	45.00	148,180.00	3,292.89	13,171.56	9,876.67	11,525.11	
371.3	PUMPING EQUIPMENT	18.00	74,090.00	4,116.11	16,464.44	12,348.33	14,406.39	
WASTEWATER TOTAL		222,270.00	7,409.00	29,636.00	22,227.00	25,931.50	22,227.00 3,704.50	

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Exception No. 2

Subject: Plant Prior Year PSC Adjustments

Statement of Facts: The amounts that the company used as the beginning balance of plant in service, adjusted by the Commission, compared to the actual ledger balances are shown below:

	Water	Wastewater	Total
Schedule A-4 12/94 Plant Balance	\$1,230,742	\$1,889,518	\$3,120,260
Prior Year Adjustments per A-4	(98,767)	14,474	(84,293)
Total per A-4 Relating to 12/94	\$1,131,975	\$1,903,992	\$3,035,967

These numbers agree to the "Test Year per Utility" balances with land included in Commission Order PSC-95-1399-FOF-WS. In reviewing the supporting schedule A-3 Revised, "Utility Adjustments" from Docket 940765-WS, we determined that the schedule included prior rate case FPSC adjustments that are not included in the above balances and have not been booked to the general ledger or this new filing.

Opinion: The adjustments that were shown in the prior rate case under "Utility Adjustments" that were for prior Commission Orders, of \$(77,705) for water and \$9,191 for wastewater, need to be booked and adjusted to the filing along with the accumulated depreciation on them since 1994.

The schedule following this disclosure details the adjustments by account and the associated depreciation. Depreciation expense needs to be reduced by \$3,794.46 for water and \$422.72 for wastewater. Accumulated depreciation needs to be reduced by \$22,766.75 for water and \$2,536.33 for wastewater.

The following entry is needed to correct:

Retained Earnings	\$68,514.00	
Account 371.32	28,191.00	
Account 389.42	2,000.00	
Account 302.11		\$ 2,500.00
Account 304.31		42,745.00
Account 320.31		9,460.00
Account 344.51		2,000.00
Account 399.02		21,000.00
Account 399.01		21,000.00
Accumulated Depreciation Water	\$22,766.75	
Accumulated Depreciation Wastewater	2,536.33	
Retained Earnings		\$21,085.90
Depreciation Expense Water		3,794.46
Depreciation Expense Wastewater		422.72

FERNCREST UTILITIES
 PRIOR ORDER ADJUSTMENTS NOT POSTED TO THE BOOKS OR FILING
 TEST YEAR ENDED DECEMBER 31, 2000

ACCOUNT	PRIOR YEAR FPSC ADJUSTMENTS	DEPRECIATION RATE	DEPRECIATION EXPENSE	YEARS 1995-2000	ACCUMULATED DEPRECIATION
302.11	(2,500.00)	2.50%	(62.50)	X6	(375.00)
304.31	(42,745.00)	2.50%	(1,068.63)	X6	(6,411.75)
320.31	(9,460.00)	4.55%	(430.00)	X6	(2,580.00)
344.51	(2,000.00)	6.67%	(133.33)	X6	(800.00)
399.02	(21,000.00)	10.00%	(2,100.00)	X6	(12,600.00)
TOTAL WATER	(77,705.00)		(3,794.46)		(22,766.75)
371.32	28,191.00	5.56%	1,566.17	X6	9,397.00
389.42	2,000.00	5.56%	111.11	X6	666.67
399.01	(21,000.00)	10.00%	(2,100.00)	X6	(12,600.00)
TOTAL WASTEWATER	9,191.00		(422.72)		(2,536.33)

Exception No. 3

Subject: Capital Lease for Digester Tank

Statement of Facts: In 2000, the company recorded 11 months of lease payments of \$1,761.55 for a total of \$19,377.05 for a 100,000 gallon Model 3615 digester tank, split fifty/fifty to account 642.6010 Rental of Equipment Water and 742-6020 Rental of Equipment Wastewater. The company made an adjustment to its Net Operating Income filing to transfer the cost of the lease to account 742 so that it is entirely charged to wastewater.

In 1998 American Marketing Inc. (AMM Inc.) purchased the digester , including installation, for Ferncrest from Florida Aquastore for \$74,702. AMM Inc. subsequently entered into an agreement with General Electric (GE) through a GE Agent, CBT Leasing, where GE would purchase the digester from AMM Inc. and then lease the digester to Ferncrest Utility. CBT Leasing leased the digester tank to Ferncrest in October 1998 for 60 months at \$1,761.55 per month. The lease agreement had a purchase option for Ferncrest Utility Company to purchase the digester for \$1.00. In November 1998, CBT Leasing paid AMM Inc., an affiliate company, \$74,702 for the digester tank. The details of the lease follows:

Lease Payments (60 months At \$1,761.55)	\$105,693
AMM Inc. Paid	<u>74,702</u>
Difference	<u>\$ 30,991</u>

The generally accepted accounting principles guide states that a lessee should classify a lease as a capital lease if the lease contains a bargain purchase option.

Opinion: Because of the purchase option for \$1.00, this appears to be a capital lease. The company did not record this as a capital lease as required by GAAP. Also, according to the PSC staff engineer, the digester tank should be recorded in water plant account 304. The entries that should have been made are as follows:

	<u>Debit</u>	<u>Credit</u>
Plant - Account 354 Wastewater	74,702	
Deferred Interest	30,991	
Lease Payable		105,693
Adjustment to account for capital lease.		
Lease Payable (1,761.55*13)	22,900	
Retained Earnings		16,185
Deferred Interest		
((30,991/60)*13		6,715
To account for lease payments from December 1998 through December 1999.		

Lease Payable	19,377	
Interest Expense	5,682	
Equipment Rental Expense- WW		19,377
Deferred interest ((30,991/60)*11)		5,682
Adjustment to reverse rental expense for year end 2000 and account for lease payments.		
Depreciation Exp. for 12 months -Wastewater	2,334	
Retained Earnings	3,502	
Accumulated Depreciation - Wastewater (2 and ½ years)		5,836
To account for depreciation expense and accumulated depreciation from December 1998 through December 2000 at a rate of 32 years.		

Exception No. 4

Subject: Lime Room Renovation

Statement of Fact: On January 11, 2000, the company paid A1 Network Systems Inc. \$4,508.61 for labor and materials associated with renovating the Lime room. This expense was charged to account 620.4010 Maintenance Treatment Plant.

The invoice stated that A1 Network Systems Inc. provided new junction box switches, contactors and breakers for the control cabinet, built a new control cabinet, removed all old circuits and installed new circuits, removed all old raceways and installed new raceways for all the devices in the lime room.

OPINION: Rule 25-30.140 (g) , Florida Administrative Code, states that (1) The addition of any retirement unit, or (2) Any replacement with a retirement unit that materially enhances the value, use, life expectancy, strength or capacity of the asset prior to replacement shall be capitalized. The \$4,508.61 appears to be a capital expenditure that should have been booked to account 320 Water Treatment Equipment. We could not determine how much should be retired for the equipment removed. The entries to account for this as a capital item follow.

	<u>Debit</u>	<u>Credit</u>
Water Treatment Equipment - 320	4,508.61	
M&S Water -620.4010		4,508.61
To capitalize the Water Treatment Equipment		
Depreciation Expense Water	101.44	
Accumulated Depreciation		101.44
To depreciate water treatment equipment for the year end 2000 at 22 years using ½ year convention.		

Exception No. 5

Subject: Turbidity Analyzer and Calibration Meter

Statement of Fact: On January 1, 2000, the company paid AMJ Equipment Measuring Inc. \$2,481.94 for a turbidity analyzer and calibration meter. This amount was recorded in account 720.8020 Computer Expenses.

Opinion: This \$2,481.94 charged to account 720.8010 appears to be a capital expenditure. According to the PSC staff engineer this should have been recorded to account 364, flow measuring devices. The following entries are needed.

	<u>Debit</u>	<u>Credit</u>
Wastewater Plant - Account 364 Flow Measuring Devices	2,481.94	
Computer Exp - Account 720-8020		2,481.94
To account for the turbidity analyzer and calibration meter as capital items.		
Depreciation Expense- WW	248.19	
Accumulated Depreciation - WW		248.19
To depreciate the capital items at a rate of 5 years using a ½ year convention.		

Exception No. 6

Subject: Plant Cleanup

Statement of Facts: On January 17, 2000, the company paid A1 Network Systems Inc. \$4,944.14 for a plant clean-up project related to the pump room. The invoice stated that A1 Network Systems relocated electrical controls, transferred raceway wires from the old panel to the new panel for lighting receptacles, and transferred well no. 1 and well no.2 raceway wires and controls to a new junction. This invoice was charged to account 620.2010 Water Maintenance Pump Plant.

On April 3, 2000, the company paid A1 Network Systems Inc. \$835.55 to remove and install new wire for the switches in the pump room. This amount was recorded in account 620-8210 Maintenance General Plant.

Opinion: Rule 25-30.140 (g), Florida Administration Code, states that (1) The addition of any retirement unit, or (2) Any replacement with a retirement unit that materially enhances the value, use, life expectancy, strength or capacity of the asset prior to replacement shall be capitalized.

This \$4,944.14 charged to account 620.2010 and the \$835.00 charged to account 620-8210 appear to be capital expenditures. According to the NARUC Chart of Accounts for Class A companies, Balance Sheet Account 311, includes pumping equipment. The following entries need to be made.

	<u>Debit</u>	<u>Credit</u>
Water Pump Equipment - 311	5,779.69	
Maintenance Pump Plant - 620-2010		4,944.14
Maintenance General Plant - 620-8210		835.55
To capitalize the Water Pumping Equipment		
Depreciation Expense - Water	144.49	
Accumulated Depreciation - Water		144.49
To account for depreciation expense for the year 2000 at a rate of 20 years using ½ year convention.		

Exception No. 7

Subject: Duplex Control Panel

Statement of Facts: In 2000, the company purchased two duplex control panels from Acutech Control Systems for a total of \$6,400.00. The costs for these control panels were recorded in account 720-4020 Maintenance Pumping System. These control panels were purchased for lift-stations and are replaced every fifteen to twenty years. A description of the control panels that were purchased follows:

<u>Account</u>	<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
720-4020	02/22/00	Acutech	One 20 HP 230V 3PH Duplex Control Panel	\$3,450.00
720-4020	08/08/00	Acutech	One 5 HP 230V 3PH Duplex Control Panel	<u>\$2,950.00</u>
			Total	<u>\$6400.00</u>

Opinion: This \$6,400.00 charged to account 720.4020 appears to be capital expenditures and according to the NARUC Chart of Accounts for Class A companies, Account 371 should include pumping equipment for wastewater lift stations. The following journal entries need to be made.

Wastewater Plant - 371	<u>Debit</u>	<u>Credit</u>
Maint Pumping System -720-4020	6,400	6,400
To capitalize the wastewater pumping equipment.		
Depreciation Expense - WW	176	
Accumulated Depreciation - WW		176
To account for depreciation expense for the year 2000 at a rate of 18 years using ½ year convention.		

Exception No. 8

Subject: Building Materials for Office Construction

Statement of Facts: In 2000, the President of Ferncrest used his company issued American Express Card to purchase building materials and supplies totaling \$3,204.74 from Home Depot for the work done on the Ferncrest Utility office. Of the total amount, \$1,602.37 as recorded in account 620 and \$1,602.37 was recorded in account 720.

The company also paid \$1,106.24 for landscaping services and the installation of a new sprinkler system around the office. This was evenly split between water account 620 and wastewater account 720.

A breakdown of the charges to account 620 and 720 follows:

			<u>Water 620</u>	<u>WW 720</u>
			-----	-----
09/01/00	Home-Depot American X	Building Supplies	531.44	531.44
12/02/00	Home-Depot American X	Building Supplies	1,070.93	1,070.93
	Sub	Total	<u>1,602.37</u>	<u>1602.37</u>
	Sprinkler System		<u>553.12</u>	<u>553.12</u>
			2,155.49	2,155.49

Opinion: According to the NARUC Chart of Accounts for Class A companies, materials and supplies used to construct a new structures or additions to them should be included in account 304 for water and account 354 for wastewater. Sprinkler systems should also be in the same accounts. The following journal entries should be made.

	<u>Debit</u>	<u>Credit</u>
Account 304 - Water Structures and Improv.	2,155.49	
Account 354 - WW Structures and Improv.	2,155.49	
Account 620 - Materials and Supplies -W		2,155.49
Account 720 - Materials and Supplies -WW		2,155.49
To capitalize construction items		
Depreciation Expense - Water	26.94	
Depreciation Expense - WW	33.67	
Accumulated Depreciation - Water		26.94
Accumulated Depreciation - WW		33.67
To account for depreciation for year end 2000 at a rate of 40 years for water and 32 years for WW, using a ½ year convention.		

Exception No. 9

Subject: Accumulated Depreciation

Statement of Facts: On schedule A-8 Accumulated Depreciation, the company used as its accumulated depreciation balance at December 31, 1994, the Florida Public Service Commission (FPSC) adjusted balance of \$422,087 for water and \$840,264 for wastewater from Order PSC-95-1399-FOF-WS. The accumulated depreciation balance in the order included Commission adjustments and proforma adjustments.

The company then adjusted the accumulated depreciation balance at December 31, 1994 for the prior year adjustments that were not booked. The accumulated depreciation reconciliation follows:

	<u>Water</u>	<u>Wastewater</u>
Balance Per Prior Rate Case Y/E		
Includes Company Proforma Adjustments	(422,320)	(860,321)
Remove Company Proforma Adjustments Per prior Audit MFR's	10,865 (2,165)	9,202 (1,982)
Include Commission Adjustments to Actual from Docket No.940765-WS	(2,110)	20,461 (4,228)
Balance at 12/31/94 FPSC	----- (416,180)	----- (836,928)
Per Company A-8- MFR's	(422,087)	(840,264)
Prior Year Adjustment on A-8	(120,583)	40,004
Prior Year Adjustment on A-8		21,229
Total at 12/31/94 Per Company MFRs	----- (542,670)	----- (779,031)
Difference	----- 126,490	----- (57,897)

Opinion: The beginning balance at 12/31/94 in the MFR's should agree with the ending balance ordered by the Commission in Docket No. 940765-WS. The following entry need to made.

Water Accumulated Depreciation	126,490	
Wastewater Acc. Depreciation		57,897
Retained Earnings		68,593

To reflect the correct Accumulated Depreciation Balance.

Exception No. 10

Subject: Unrecorded CIAC

Statement of Fact: To review the reasonableness of CIAC, staff determined what customer additions were made by comparing the billing register from the last audit to the current one. Since the only CIAC that was recorded was for Palm Trace, the company was asked to determine where the CIAC was recorded for the other new customers.

The company booked some additions in 1996 for Palm Trace. According to the sheet prepared by Bob Salerno, president of the utility, water CIAC for Palm Trace was \$55,777 (\$50,680 plant availability and \$5,097 meter installations) and \$45,900 for wastewater. According to the general ledger, the addition for Palm Trace was \$62,720 for water and \$65,612 for wastewater. The company could not find the backup for the entry to determine why there was a difference. We did not make any adjustments to the booked amount.

A 5/8 x 3/4" water meter was added to the guard house at Silver Oaks in June of 1997 for water service. Silver Oaks, an affiliate company, should have been billed for a \$280 plant availability charge, a \$70 meter charge and a \$150 tap fee charge. There was no documentation to show this had been billed.

Eckerd Drug store paid for two meters. One was a 5/8 x 3/4" water and wastewater meter and one was a 2" water irrigation meter. Eckerd provided its own tap. It was charged \$70 for the 5/8" meter fee and \$296 for the 2". The tariff requires \$396 for a 2" meter. It was only charged \$65 for the water plant availability and \$60 for wastewater. The attached schedule used 1.5 ERC's which was what was used for the other new customers which comes to \$420 for water and \$382.50 for wastewater. The tariff requires \$280 per ERC for water and \$255 for wastewater. It was charged \$1,590 for water plant availability for the 2" meter. The CIAC of \$2,081 was charged \$1,957.62 to water revenue in 1999 and \$123.38 to wastewater revenue.

Kelly Tractor started service in May of 2000. They have a one inch water meter. It was never charged for any CIAC according to Bob Salerno. The contractor provided the tap in to the line. Kelly should have been charged \$112 for the meter and \$420 for the plant availability fee based on 1.5 ERC's, and \$70 for the meter fee.

Ryder Truck sales had two meters installed, a one inch water and wastewater for the office and a one and a half inch for irrigation. According to the tariff, they should have been charged \$112 for the 1" meter, \$279 for the 1 1/2" meter, \$176 for the 1" tap, \$238 for the 1 1/2" tap, \$420 for the plant availability fee for water for the 1" service (1.5 ERC's) and \$382.50 for the wastewater, and \$700 for the 1 1/2" service plant availability fee (2.5 ERC's). No record of any CIAC collection was found. According to Bob Salerno it was never billed.

In the year 2000, \$672 was received from Mastec for a service that hasn't been completed yet. \$420 was for a water plant availability charge (1.5 ERC's), \$176 was for a 1" water tap and \$76 was received for a meter fee. The tariff shows \$70 that should have been received for this charge. The amount was shown as water revenue on the books instead

of CIAC.

Opinion: The following adjustment is needed based on the attached schedule:

Accounts Receivable	\$3,364.50	
Water Revenue	666.00	
Retained Earnings	2,403.50	
Accounts Receivable Affiliate	500.00	
CIAC Water		\$6,169.00
CIAC Wastewater		765.00

Amortization also needs to be included on the above CIAC. A schedule of the amortization follows also. The adjustment needed is:

Accumulated Amortization Water	\$ 275.25	
Accumulated Amortization Wastewater	30.54	
Amortization Expense Water		\$ 179.59
Amortization Expense Wastewater		22.89
Retained Earnings		103.31

FERNCREST UTILITIES
 ADJUSTMENTS TO CIAC
 TEST YEAR ENDED DECEMBER 31, 2000

	WASTEWATER PLANT AVAILABILITY	PER STAFF WATER PLANT AVAILABILITY	WATER TAP FEE	WATER METER FEE	TOTAL CIAC	DEBIT SIDE OF ENTRIES:				TOTAL
						ACCOUNTS RECEIVABLE	WATER REVENUE	RETAINED EARNINGS	ACCOUNTS RECEIVABLE AFFILIATE CO.	
SILVER OAKS	5/8 X 3/4 WATER	280.00	150.00	70.00	500.00				500.00	500.00
ECKERD CORP	2" WATER	1,590.00		396.00	1,986.00	100.00		1,886.00		1,986.00
ECKERD CORP	5/8 X 3/4 WATER/WASTEWATER	382.50	420.00	70.00	872.50	355.00		517.50		872.50
KELLY TRACTOR	1" WATER	420.00	112.00	70.00	602.00	602.00				602.00
RYDER	1" WATER/WASTEWATER	382.50	420.00	176.00	1,090.50	1,090.50				1,090.50
RYDER	1 1/2" WATER	700.00	238.00	279.00	1,217.00	1,217.00				1,217.00
MASTEC	1" WATER	420.00	176.00	70.00	666.00		666.00			666.00
TOTAL	765.00	4,250.00	852.00	1,067.00	6,934.00	3,364.50	666.00	2,403.50	500.00	6,934.00

WATER ONLY 6,169.00

FERNCREST UTILITIES
 AMORTIZATION OF ADJUSTMENTS TO CIAC
 TEST YEAR ENDED DECEMBER 31, 2000

	1995	1996	1997	1998	1999	2000	TOTAL
ADJUSTMENTS TO CIAC							
WATER			500.00		2,476.00	3,193.00	6,169.00
WASTEWATER					382.50	382.50	765.00
CUMULATIVE BALANCE							
WATER			500.00	500.00	2,976.00	6,169.00	
WASTEWATER					382.50	765.00	
RATES PER STAFF EXCLUDING LAND:							
WATER	3.25%	3.40%	3.75%	3.73%	3.89%	3.93%	
WASTEWATER	3.73%	3.81%	3.94%	3.96%	4.00%	3.99%	
AMORTIZATION USING 1/2 YEAR CONVENTION:							
WATER			9.37	18.66	67.62	179.59	
WASTEWATER					7.65	22.89	
CUMULATIVE AMORTIZATION:							
WATER			9.37	28.03	95.65	275.25	
WASTEWATER					7.65	30.54	

Exception No. 11

Subject: Amortization CIAC

Statement of Fact: The company included proforma adjustments from its last rate case in its adjustment to arrive at the beginning balance used for amortization of Contributions in Aid of Construction (CIAC). The beginning balance from schedule A-13 of the filing was \$237,581 for water and \$545,725 for wastewater.

The company could only find backup for three years of amortization expense. In reviewing these calculations, it was determined that they included land in the calculation of the composite depreciation rate. Staff prepared a schedule to determine the difference in the calculations.

Opinion: According to prior period workpapers, the beginning balance of accumulated amortization of CIAC was \$234,421 for water and \$535,495 for wastewater. Since Accumulated Amortization has a debit balance, it is necessary to credit accumulated amortization by \$3,160 for water and \$10,230 for wastewater. The following adjustment is needed:

Retained Earnings	\$13,390	
Accumulated Amortization CIAC Water		\$ 3,160
Accumulated Amortization CIAC Wastewater		10,230

We have re-computed the amortization using the exhibit amounts for plant less land and depreciation by year. A schedule computing amortization follows. The adjustment needed to correct the amortization is:

Amortization Expense Water	\$ 73	
Retained Earnings	789	
Accumulated Amortization Wastewater	1,127	
Amortization Expense Wastewater		\$1,163
Accumulated Amortization Water		826

Company: Ferncrest Utility
 Title: Composite Rate
 Period: 1995 through 2000

	1995	1996	1997	1998	1999	2000	
Dep Exp-Water	\$44,556.23	\$54,230.74	\$60,974.86	\$61,413.64	\$65,381.14	\$66,070.82	
Plant Balance	\$1,369,526.00	\$1,594,427.00	\$1,626,044.00	\$1,645,957.00	\$1,680,379.00	\$1,682,178.00	
Composite Rate	3.25%	3.40%	3.75%	3.73%	3.89%	3.93%	
Average CIAC Balance	444,998	476,358	507,718	507,718	507,718	507,718	
Amortization per Staff	14,478	16,202	19,039	18,944	19,755	19,942	
Amortization per Company	14,774	17,221	19,070	18,983	19,122	20,015	
Difference	(296)	(1,019)	(31)	(39)	633	(73)	(826.26)
Dep Exp-Wastewater	\$71,303.02	\$75,664.03	\$79,066.36	\$79,631.43	\$82,017.57	\$82,868.41	
Plant Balance	\$1,910,817.00	\$1,985,895.00	\$2,005,226.00	\$2,010,574.00	\$2,050,227.00	\$2,078,933.00	
Composite Rate	3.73%	3.81%	3.94%	3.96%	4.00%	3.99%	
Average CIAC Balance	939,347	972,153	1,004,959	1,004,959	1,004,959	1,004,959	
Amortization per Staff	35,052	37,040	39,626	39,803	40,203	40,098	
Amortization per Company	34,850	37,385	39,506	39,726	40,291	38,935	
Difference	202	(345)	120	77	(88)	1,163	1,127.69
Total difference immaterial-relates to rounding							301.43

Exception No. 12

Subject: Short and Long Term Debt

Statement of Fact:

Short Term vs. Long Term

In MFR D-2 the company included four debt instruments as short term. These debts have been outstanding since the last rate case audit for the year ending December 31, 1994. See the attached schedule to this exception. For purposes of recalculating the effective cost for short and long term debt, all debts were considered long term.

Payment of Debt and Interest

No interest has been paid on any debt since the last rate case year ended December 31, 1994.

Interest on two notes (Silver Oaks and mortgage note) is added to the principal each year and expensed. On other debts the principal stays the same and the company accrues the interest by debiting interest expense and crediting interest payable. The attached schedule details each note.

Related Party Notes

MFR D-4 lists all debt incurred by the company. All the debt instruments except for one note in the amount of \$16,900 payable to Everglades Lakes MHP are related party instruments.

Interest Rates

In the last rate case order (PSC-95-1399-FOF-WS) the Commission concluded that "...all related party instruments shall be aggregated for the purpose of establishing a fair interest rate in this docket, and that a uniform interest rate of prime plus 2% is reasonable." Since the last rate case for the year ending December 31, 1994, the company has been applying prime plus 2% to all related party instruments. Prime plus 2% is also being applied to the Everglades Lakes note.

In some months in 2000 the incorrect prime rates were used. All loans except two were recalculated for the year end December 31, 2000. The reasons are:

1. The prime rate charged in the month of April 2000 (9.5%) was incorrect for most of the loans. The Federal Reserve Board web site showed the prime rate was 9%.
2. For one loan the prime rates for the May and June were lower than the Federal Reserve Board web site. This was recalculated.

For two loans the principal balance was increased every year for the interest accrued. These were recalculated from December 31, 1994 (the last rate case) through December 31, 2000. The reasons for recalculation are:

1. The interest was calculated based on 372 days a year rather than 365 in some years.
2. Prime rates used in some years did not agree with the Federal Reserve Board web site.

Opinion:

Adjustment 1

Interest on most of the loans was recalculated for the year end 2000 only. This reduced interest expense in the amount of \$602 which affects the effective cost rate of the notes.

	<u>Debit</u>	<u>Credit</u>
Accrued Interest	\$602	
Interest Expense year end 12/31/00		\$602

Adjustment 2

As stated above interest on two notes is added to the principal and expensed. However, it was not calculated correctly on these two notes. The note to Silver Oaks and the mortgage note to Hamilton and Charles Forman were calculated using simple interest each month applied to the year's beginning balance. However, each month was calculated using 31 days. This results in interest being accrued for 372 days each year instead of 365. A recalculation from the beginning of 1995 is included in a schedule following this disclosure and shows the reduction in the interest expense and the reduction in the notes payable. This recalculation also includes the correct prime rates for 1998, 1999 and 2000 for these two notes.

	Simple Avg. Per D-4 <u>at 12/31/00</u>	Simple Avg. Staff recalculation <u>at 12/31/00</u>	<u>Difference</u>
Silver Oaks Note Payable	\$ 232,794	\$ 228,766	(\$ 4,028)
Mortgage Note Payable	\$4,681,609	\$4,527,992	<u>(\$153,617)</u>
			(\$157,645)

	Year End Per G/L	Year End Staff recalculation <u>at 12/31/00</u>	<u>Difference</u>
Silver Oaks Note Payable	\$ 245,890	\$ 240,973	(\$ 4,916)
Mortgage Note Payable	\$4,943,142	\$4,769,614	<u>(\$164,528)</u>
			(\$169,444)

Year End Journal Entry:

	<u>Debit</u>	<u>Credit</u>
Notes Payable	\$169,444	
Retained Earnings 12/31/95 thru 12/31/99		\$ 145,842
Interest Expense year end 12/31/00		23,602

The weighted average cost for short and long term debt as calculated by the company in

D-1 and D-6 is 11.26%. The change in the interest expense and accrual revises this percent to 10.84%. The first attached schedule details the notes and effective interest rate as calculated by staff for December 31, 2000.

A revised cost of capital schedule was calculated including this adjustment along with adjustments in the audit exceptions regarding customer deposits and reconciliation of cost of capital to rate base. This is included as part of the audit exception regarding customer deposits.

COMPANY
TITLE
PERIOD.
DATE

FERNCREST UTILITIES
LONG AND SHORT TERM DEBT
YEAR END 2000
FEBRUARY 5, 2001

	2000			SIMPLE	SIMPLE	ADJUSTMENT	2000			INTEREST	ADJUSTMENT	2000			LONG AND SHORT TERM
	12/31/00	ADJUSTMET	REVISED				REVISED	INTEREST	ADJUSTMENT			REVISED	INT EXP/	ADJ AVG=	
	YEAR END	TO YR END	YEAR END	AVERAGE	AVERAGE	TO AVG	AVERAGE	EXPENSE	TO INT EXP	EXPENSE	COST RATE	RATIO	COST RATE		
LONG TERM DEBT															
Page 1 of Schedule of Notes	**														
R	Silver Oaks - NOTE A	245,890	(4,916)	240,973	232,794	232,794	(4,028)	228,766	26,194	(1,779)	24,415	10.6724%	3.4886%	0.3723%	
R	Mortgage - HMF AND CF AND CANCO - NOTE A	4,934,142	(164,528)	4,769,614	4,681,609	4,681,609	(163,617)	4,527,992	505,066	(21,822)	483,244	10.6724%	69.0504%	7.3693%	
R	Land Trust Distributee				21,000										
R	Land Trust Distributee				10,000										
R	Total Land Trust Distributee	31,000		31,000		31,000		31,000	3,507	(12)	3,495	11.2739%	0.4727%	0.0533%	
R	HMF Distributee				10,000										
R	HMF Distributee				5,000										
R	HMF Distributee				10,000										
R	HMF Distributee				16,000										
R	Total HMF Distributee	41,000		41,000		41,000		41,000	4,839	(17)	4,822	11.2739%	0.6252%	0.0705%	
R	BCF Distributee				18,000										
R	BCF Distributee				24,000										
R	BCF Distributee				10,000										
R	Total BCF Distributee	62,000		62,000		62,000		62,000	7,015	(45)	6,970	11.2426%	0.9455%	0.1063%	
R	Charles Forman				25,000										
R	Charles Forman				27,235										
R	Total Charles Forman	52,235		52,235		52,235		52,235	5,910	(21)	5,889	11.2739%	0.7906%	0.0898%	
R	Charles & Hamilton Forman				20,000										
R	Charles & Hamilton Forman				104,119										
R	Total C & H Forman	124,119		124,119		124,119		124,119	13,889	104	13,993	11.2740%	1.8928%	0.2134%	

Exception No. 13

Subject: Common Equity and Pro-rata Adjustment to Reconcile With Requested Rate Base

Statement of Facts:

COMMON EQUITY

Common equity is not included in the company's filing in cost of capital. Common equity consists of Common Stock, Paid in Capital and Retained Earnings. The simple average total of these three items is:

Common Equity	(\$ 130,000) Credit balance
Retained Earnings	<u>\$ 6,281,966</u> Debit balance
Total Equity	\$ 6,151,966 Negative Equity

Commission policy omits negative equity from the cost of capital calculation. For information purposes, according to PSC-01-2514-FOF-WS, returns on common equity are capped at 11.34% for all water and wastewater utilities with equity ratios of less than 40 percent.

PRORATA ADJUSTMENT TO RECONCILE WITH REQUESTED RATE BASE

When the company revised its filings on 2/11/02, the requested rate base was revised. However, the reconciliation of the cost of capital to the requested rate base was not changed. The requested rate base changed as follows:

	<u>Original Filing</u>	<u>Revised Filing</u>	<u>Difference</u>
Water	759,385	759,878	493
Wastewater	<u>728,734</u>	<u>733,115</u>	<u>4,381</u>
	1,488,119	1,492,993	4,874

Opinion: Common Equity should not be included in calculating cost of capital. The pro-rata adjustment needs to be revised to agree with the revised requested rate base. A revised cost of capital schedule was calculated including the reconciliation of cost of capital to rate base along with any other recommended adjustments. The revised schedule is included as part of the audit exception regarding customer deposits.

Exception No. 14

Subject: Customer Deposits

Statement of Fact: The revised filing includes customer deposits as part of cost of capital. In MFR D-2, the company included \$51,924 as customer deposits at December 31, 2000. The trial balance also shows \$51,924.

Adjusting Journal Entries

In auditing the customer deposits account, it was determined that incorrect entries were posted, certain customer deposits were not included in the account, and deposit refunds were not posted to the account either. As explained in audit exception 15, the billing system does not account for deposit refunds separately. Also, the billing system reports for customer deposits received do not agree with the amounts in the general ledger. The following is a summary of the incorrect entries and items that are not included in the customer deposits account and are adjusted in audit exception 15.

General Ledger Balance at December 31, 2000		(\$51,924)
Reverse company adjustment to adjust customer deposits to agree with the billing register summary	(3,814)	
Agree customer deposits with cash receipts journal which is \$8,084 rather than \$7,391	(693)	
Correct misposting	573	
Customer deposits refunded	<u>6,754</u>	
		<u>2,080</u>
Adjusted Balance from Exception 15		(\$49,104)

Deposits and Refunds according to the Billing System

Since the deposits received and deposit refunds were not accounted for correctly, we decided to compare the year end 1999 deposit list with the year end 2000 deposit list to determine the deposits and refunds. This comparison showed the following:

Beginning Balance per Billing System and general ledger at 12/31/99	(\$47,570)
Deposits Received	(11,890)
Deposits Refunded	<u>(11,637)</u>
Ending Balance at 12/31/00 should be	(\$47,823)

Further general ledger errors

Also included as a debit to customer deposits was \$145 for an amount Ferncrest paid to the City of Davie. This is not a customer refund.

Customer Deposits	4,883	
Bad Debt Expense Water		2,338
Bad Debt Expense Wastewater		2,545
To account for the customer deposits refunded that were booked to bad debt expense instead of customer deposit refunds and correct water and wastewater allocation.		
Miscellaneous Expense	145	
Customer Deposits		145
To account for mis-posting.		

Recommendation: The cost of capital schedule as filed by the company should be revised to reflect average customer deposits of \$47,697 and the cost rate included in the Commission rules.

The cost of capital schedule should also be revised to reflect the correct balances for all the notes, the correct interest rates on all the notes, and the revised prorate reconciliation to rate base. Negative equity should not be included in the calculation. A revised schedule follows this exception. The overall weighted cost of capital is reduced from 11.18% to 10.8%.

COMPANY: FERNCREST UTILITIES
 PERIOD: YEAR END 12/31/02
 DATE: FEBRUARY 6, 2002

Exhibit 2 to Audit Exception re Cost of Capital

Recalculated Cost of Capital

Description	Per D-2 Total Capital Average	Staff Adjustments to D-2 Average (A) Aud Except	Staff Adjustments to D-2 Average (A) Aud Except	Adjusted Total Capital Average	Ratio	NOTE (B) Pro Rata Adjustments	NOTE (B) Capital Reconciled to Rate Base	Ratio	NOTE (C) Cost Rate	Weighted Cost
Long Term Debt	5,224,757	1,490,406 (A)	(157,645)	6,715,163	99.2969%	(5,232,668)	1,482,495	99.2969%	10.8373%	10.7611%
Short - Term Debt	1,490,406	(1,490,406) (A)		0	0.0000%	0	0	0.0000%		
Preferred Stock	0	0		0	0.0000%	0	0	0.0000%		
Common Equity	0	NOTE (D)		0	0.0000%	0	0	0.0000%		
Customer Deposits	51,924	(4,372) (E)		47,552	0.7031%	(37,054)	10,498	0.7031%	6.0000%	0.0422%
Deferred ITC's	0	0		0	0.0000%	0	0	0.0000%		
Deferred Income Taxes	0	0		0	0.0000%	0	0	0.0000%		
	6,767,087	(4,372)	(157,645)	6,762,715	100.0000%	(5,269,722)	1,492,993	100.0000%		10.8033%
									MFR D-1	11.1800%
									Difference	-0.3767%

NOTE (A) - To transfer STD to LTD and adjust for recalculation of notes.

NOTE (B) - Does not include other audit exceptions to rate base.

NOTE (C) - All notes are at prime plus 2%. The weighted costs of all notes is included here.

NOTE (D) - Common Equity consists of:

Retained Earnings	(6,281,966)
Common Stock	10,000
Paid in Capital	120,000
Negative Equity	(6,151,966)

In PSC-92-0633-FOF-WS, the commission stated that the "total common equity balance used for ratemaking purposes shall reflect its negative retained earnings..."

If the company had a positive equity, the cost of equity would be calculated on the leverage formula which is approved by the Commission annually. Order PSC-01-2514-FOF-WS details the current formula. For a company with less than 40% equity, the rate of return would be 11.34%.

NOTE (E) - To adjust for simple average and to adjust for incorrect journal entry.

Exception No. 15

Subject: Revenue and Accounts Receivable Entries

Statement of Fact: The company posts four types of recurring entries to accounts receivable and revenue each month. They record the billing report, the late fees charged, the accounts written off, and cash received.

The billing system used by the company does not provide a way for the company to break down various types of charges in the summary report. The report puts several different kinds of charges into a classification called Other 1 and Other 2. The company's accountant uses the summary report to book revenues and posts the net of several classifications to miscellaneous revenue.

The entries for the accounts written off contained a billing adjustment of \$5,512 for an improper meter reading. Another entry to record write off's of \$1,896.41, was posted as a debit to accounts receivable and a credit to the bad debt expense which is the opposite of how the entry should be posted.

The entries to record cash received posted \$1,500 of miscellaneous rent revenue to accounts receivable instead of rent revenue and customer deposits of \$693 to accounts receivable instead of customer deposits.

The company had customer checks returned for insufficient funds of \$7,617.22. Only \$6,824.31 were found to be recorded in the accounts receivable system causing accounts receivable to be understated by \$792.97.

Because the way the company recorded the billing system report caused errors to revenue, accounts receivable and customer deposits, the company made several entries to try to adjust accounts to the appropriate balances. They were:

Customer Deposits	\$ 3,813.50	
Accounts Receivable		\$3,813.50
To attempt to correct customer deposits to the correct balance.		

Accounts Receivable	\$ 2,434.90	
Cash		\$ 2,434.90
To adjust cash to the correct balance. However, all deposits and insufficient funds checks were traced to the bank statements and found to be correct. The difference in cash is probably related to a check not recorded or a bank charge.		

Bad Debt Expense	\$19,674.40	
Accounts Receivable		\$19,674.40

To adjust accounts receivable to the balance indicated by the billing system.

Accounts Receivable	\$ 1,323.00	
Cash		\$ 1,323.00

To remove a duplicate entry. However, the entry did not reverse the actual entries made.

Opinion: All four of the above entries need to be reversed. The company needs to determine the appropriate reason for the cash account being incorrect and post it accordingly. An analysis of the \$1,323 entry follows this exception.

In addition, entries to adjust cash receipts needs to be adjusted for the miscellaneous revenue and the customer deposits.

The actual amounts found in the billing register are very different than the way the company recorded them. An analysis of what the billing register actually contained and what the company actually booked follows this exception. The differences are being adjusted to the company balances.

When these adjustments are posted, the accounts receivable account still has \$2,668.74 more in the account than the detail provided by the billing system. \$792.91 of this is believed to be because the company did not post all the insufficient funds checks to the system. The remaining \$1,875.83 could not be explained and may be due to the beginning balance being incorrect or the deposit of \$1,867.52 being posted to the account detail in the prior year.

The customer deposit account does not agree with the detail provided from the system either. This is discussed in a separate exception.

The billing adjustments that the company did not book also effect the billing analysis and the proforma adjustment made for additional revenue based on current rates. This will be discussed in exception 16.

FERNCREST UTILITIES
 COMPARISON OF COMPANY ENTRIES TO STAFF ENTRIES
 DECEMBER 31, 2000

PER STAFF	ADJUSTMENT	ACCOUNT	NET STAFF	PER COMPANY	DIFFERENCE
ACCUMULATED DEPRECIATION	H	108	(225 00)		(225 00) A
CASH	B	131		(7,617.22)	7,617 22
CASH	H	131	(1,323 00)	(1,323 00)	0 00
CASH	G	131	(1,655 86)	(2,434.90)	779 04
CASH	D	131	1,183,934 84	1,184,713.88	(779.04)
RETURNED CHECKS	A	131	(6,824.31)		(6,824.31)
ADJ A/R LEDGER NSF	I	131	(792 91)		(792.91)
TOTAL CASH			1,173,338.76	1,173,338.76	0.00 A
NSF CHECKS-ACCOUNTS REC	B	141		7,617 22	(7,617.22)
ACCOUNTS RECEIVABLE	D	141	(1,170,889 76)	(1,173,841.80)	2,972 04
ACCOUNTS RECEIVABLE	H	141	225 00	1,323 00	(1,098.00)
ACCOUNTS RECEIVABLE	G	141		2,434 90	(2,434 90)
ACCOUNTS RECEIVABLE	F	141		(19,674 40)	19,674 40
ACCOUNTS RECEIVABLE	A	141	1,196,025.01	1,205,305.24	(9,280.23)
ACCOUNTS RECEIVABLE	E	141		(3,813.50)	3,813.50
ACCOUNTS RECEIVABLE	B	141	(32,651 47)	(28,858.75)	(3,792.72)
ACCOUNTS RECEIVABLE	C	141	15,795 43	15,795 43	(0.01)
ACCOUNTS RECEIVABLE	J	141		361.04	(361.04)
ACCOUNTS RECEIVABLE	I	141	792 91		792.91
TOTAL ACCOUNTS RECEIVABLE			9,317.12	6,648.38	2,668.74 A
CUSTOMER DEPOSITS	D	235	(8,084 00)	(7,391 00)	(693 00)
CUSTOMER DEPOSITS	E	235		3,813.50	(3,813 50)
CUSTOMER DEPOSITS REFUNDED	A	235	6,754.00		6,754.00
CUSTOMER DEPOSITS	H	235	573 00		573.00
TOTAL CUSTOMER DEPOSITS			(757 00)	(3,577.50)	2,820.50 A
RESIDENTIAL WATER	A	461-1010	(332,787.44)	(337,104.74)	4,307.30 A
COMMERCIAL WATER	A	461-2010	(195,710 97)	(200,186.00)	4,475 03
COMMERCIAL WATER REVENUE	B	461-2010	1,923 00		1,923 00
TOTAL COM. WATER REVENUE			(193,787.97)	(200,186.00)	6,398.03 A
MISC REVENUE WATER	C	471-0010	(7,897.72)	(8,550.23)	652.51
MISC REVENUE WATER	J	471-0010		(361.04)	361.04
PULL METER FEE	A	471-0010	(1,738 00)		(1,738.00)
RETURNED CHECK FEE	A	471-0010	(1,088.19)		(1,088.19)
DISCONNECT CHARGE	A	471-0010	(9,154.00)		(9,154.00)
LATE FEES REFUNDED	A	471-0010	132 00		132 00
CONNECTION FEES	A	471-0010	(2,630 00)	3,521.00	(6,151 00)
TOTAL WATER MISC.			(22,375.91)	(6,390.27)	(16,985.64) A
RESIDENTIAL WASTEWATER	A	522-1020	(422,649.68)	(426,561.97)	3,912.29 A
COMMERCIAL WASTEWATER	A	522-2020	(241,332.76)	(248,494.51)	7,161 76
COMMERCIAL WASTEWATER REV.	B	522-2020	3,589 00		3,589 00
TOTAL COMM. WASTEWATER			(237,743.76)	(248,494.51)	10,750.75 A
MISC REV. RENT	D	536	(4,500 00)	(3,000 00)	(1,500 00)
MISC RENT REVENUE	H	536	750 00		750 00
TOTAL RENT REVENUE			(3,750.00)	(3,000.00)	(750.00) A
MISC REVENUE WASTEWATER	C	536-0020	(7,897 71)	(7,245 20)	(652.51)
MISC REVENUE	A	536-0020		3,520.98	(3,520.98)
MISC REVENUE	B	536-0022		1,221 49	(1,221.49)
TOTAL MISC. WASTEWATER REVENUE			(7,897.71)	(2,502.73)	(5,394.98) A
BAD DEBT EXPENSE WATER	B	670	12,212 76		12,212.76
BAD DEBT	F	670-7010		19,674 40	(19,674 40)
TOTAL BAD DEBT EXP. WATER			12,212.76	19,674.40	(7,461.64) A
BAD DEBT EXPENSE WASTEWATER	B	770-7020	14,926.71	27,537.16	(12,710.45) A
EXPENSES	D	601/704	(20.16)	(20 16)	0 00
EXPENSES	D	620/720	(42.41)	(42 41)	0 00
EXPENSES	D	670/770	(182.36)	(182 36)	0 00
EXPENSES	D	675	(171.00)	(171 00)	0 00
MAINTENANCE EXPENSE	A	675	221.05		221.05 A
EXPENSES	D	921/650	(65.15)	(65.15)	0 00 A
INTEREST ON CUSTOMER DEPOSITS	A	INTEREST EXP.	2,468.56		2,468.56 A
NON-UTILITY	G	NON-UTILITY	1,655.86		1,655.86 A
RETAINED EARNINGS(PRIOR MTH)	A	RET. EARNINGS	8,324.73		8,324.73 A
SUM OF A					0 10

FERNCREST UTILITIES
COMPARISON OF COMPANY ENTRIES TO STAFF ENTRIES:
DECEMBER 31, 2000

PER STAFF		ACCOUNT	BILLED	PRORATED REVENUE	METER READ BILLING ADJUSTMENTS	NET	PER COMPANY	DIFFERENCE
ADJUSTMENT A	RETAINED EARNINGS(PRIOR MTH)	RET EARNINGS			8,324.73	8,324.73		8,324.73
	RESIDENTIAL WATER	461-1010	(337,075.82)	1,997.20	2,281.18	(332,797.44)	(337,104.74)	4,307.30
	RESIDENTIAL WASTEWATER	522-1020	(426,636.18)	2,441.03	1,545.47	(422,649.68)	(426,561.97)	3,912.29
	COMMERCIAL WATER	461-2010	(200,190.91)	62.94	4,417.00	(195,710.97)	(200,186.00)	4,475.03
	COMMERCIAL WASTEWATER	522-2020	(248,494.51)	76.93	7,084.82	(241,332.76)	(248,494.51)	7,161.75
	CONNECTION FEES	471-0010	(2,630.00)			(2,630.00)	3,521.00	(6,151.00)
	MISC REVENUE	536-0020					3,520.98	(3,520.98)
	LATE FEES REFUNDED	471-0010			132.00	132.00		132.00
	MAINTENANCE EXPENSE	675			221.05	221.05		221.05
	DISCONNECT CHARGE	471-0010	(9,394.00)		240.00	(9,154.00)		(9,154.00)
	RETURNED CHECK FEE	471-0010	(1,088.19)			(1,088.19)		(1,088.19)
	PULL METER FEE	471-0010	(1,738.00)			(1,738.00)		(1,738.00)
	INTEREST ON CUSTOMER DEPOSITS	INTEREST EXP				2,468.56		2,468.56
	CUSTOMER DEPOSITS REFUNDED	235				6,754.00		6,754.00
	RETURNED CHECKS	131				(6,824.31)		(6,824.31)
	ACCOUNTS RECEIVABLE	141	1,224,849.36	(4,578.10)	(24,246.25)	1,196,025.01	1,205,305.24	(9,280.23)
THIS ENTRY RECORDS THE BILLING REGISTER INFORMATION BASED ON THE BILLING SUMMARY AND OTHER CHARGES REPORT. THE COMPANY DID NOT GO TO THE DETAIL IN THE OTHER CHARGES REPORT BUT BOOKED EVERYTHING TO MISC. REVENUE.								
ADJUSTMENT B	NSF CHECKS-ACCOUNTS REC	141					7,617.22	(7,617.22)
	CASH	131					(7,617.22)	7,617.22
	TO RECORD NSF CHECKS BY COMPANY							
	MISC. REVENUE	536-0022					1,221.49	(1,221.49)
	BAD DEBT EXPENSE WATER	670				12,212.76		12,212.76
	BAD DEBT EXPENSE WASTEWATER	770-7020				14,926.71	27,637.16	(12,710.45)
	COMMERCIAL WATER REVENUE	461-2010				1,923.00		1,923.00
	COMMERCIAL WASTEWATER REV,	522-2020				3,589.00		3,589.00
	ACCOUNTS RECEIVABLE	141				(32,651.47)	(28,858.75)	(3,792.72)
THIS ENTRY WAS MADE USING THE COMPANY JOURNAL ENTRY TO RECORD BAD DEBT. TWO ERRORS WERE FOUND WHEN LOOKING AT THE DETAIL FOR THE ENTRIES. THE COMPANY DID NOT ALLOCATE BETWEEN WATER AND WASTEWATER.								
ADJUSTMENT C	MISC REVENUE WATER	471-0010				(7,897.72)	(8,550.23)	652.51
	MISC REVENUE WASTEWATER	536-0020				(7,897.71)	(7,245.20)	(652.51)
	ACCOUNTS RECEIVABLE	141				15,795.43	15,795.43	(0.01)
THIS ENTRY RECORDS LATE FEES USING THE COMPANY JOURNAL ENTRIES. STAFF ALLOCATED THEM AT 50/50 WATER AND WASTEWATER SINCE THEY ARE BOTH EQUAL IN THE TARIFF.								
ADJUSTMENT D	CASH	131				1,183,934.84	1,184,713.88	(779.04)
	CUSTOMER DEPOSITS	235				(8,084.00)	(7,391.00)	(693.00)
	ACCOUNTS RECEIVABLE	141				(1,170,869.76)	(1,173,841.80)	2,972.04
	MISC. REV. RENT	536				(4,500.00)	(3,000.00)	(1,500.00)
	EXPENSES	921/650				(65.15)	(65.15)	0.00
	EXPENSES	670/770				(182.36)	(182.36)	0.00
	EXPENSES	601/704				(20.16)	(20.16)	0.00
	EXPENSES	620/720				(42.41)	(42.41)	0.00
	EXPENSES	675				(171.00)	(171.00)	0.00
THIS ENTRY RECORDS CASH RECEIPT ENTRIES RELATED TO ACCOUNTS RECEIVABLE AND CUSTOMER DEPOSITS. THE COMPANY INCLUDED SOME DEPOSITS AS REDUCTIONS TO ACCOUNTS RECEIVABLE AND MISCLASSIFIED RENT REVENUE.								
ADJUSTMENT E	CUSTOMER DEPOSITS	235					3,813.50	(3,813.50)
	ACCOUNTS RECEIVABLE	141					(3,813.50)	3,813.50
COMPANY ADJUSTED CUSTOMER DEPOSITS TO ATTEMPT TO CORRECT THE BALANCE BECAUSE THEY DID NOT CORRECTLY CLASSIFY THE BILLING REGISTER AS DONE IN ADJUSTMENT A.								
ADJUSTMENT F	BAD DEBT	670-7010					19,674.40	(19,674.40)
	ACCOUNTS RECEIVABLE	141					(19,674.40)	19,674.40
COMPANY ADJUSTED ACCOUNTS RECEIVABLE BY PLUGGING THE DIFFERENCE BETWEEN THE KNOWN BALANCE AND BOOK BALANCE TO BAD DEBT. THIS IS BEING REVERSED SINCE ADJUSTMENT A CORRECTED MOST OF THE DIFFERENCE.								
ADJUSTMENT G	NON-UTILITY ACCOUNTS RECEIVABLE	NON-UTILITY 141				1,655.86	2,434.90	(779.04)
	CASH	131				(1,655.86)	(2,434.90)	779.04
THE COMPANY MADE AN ADJ. TO PLUG THE CASH BALANCE. A PORTION IS ADJUSTED IN THE CASH RECEIPTS ENTRY ABOVE. THE REST SHOULD BE NON-UTILITY UNLESS CO. CAN DETERMINE CHECK OR BANK CHARGE IT RELATES TO.								
ADJUSTMENT H	ACCOUNTS RECEIVABLE	141				225.00	1,323.00	(1,098.00)
	CUSTOMER DEPOSITS	235				573.00		573.00
	MISC. RENT REVENUE	536				750.00		750.00
	ACCUMULATED DEPRECIATION	108				(225.00)		(225.00)
	CASH	131				(1,323.00)	(1,323.00)	0.00
COMPANY ENTRY TO REMOVE DUPLICATE ENTRY. SEE SCHEDULE THAT FOLLOWS.								
ADJUSTMENT I	ACCOUNTS RECEIVABLE	141				792.91		792.91
	CASH	131				(792.91)		(792.91)
TO INCREASE NSF TO ACTUAL AMOUNT BASED ON BANK STATEMENTS. THESE ARE NOT IN THE BILLING REGISTER. THEY PROBABLY WERE NOT POSTED TO THE INDIVIDUAL ACCOUNTS RECEIVABLE RECORDS.								
ADJUSTMENT J	ACCOUNTS RECEIVABLE	141					361.04	(361.04)
	MISC. REVENUE WATER						(361.04)	361.04
TO SHOW THE COMPANY MISCELLANEOUS ENTRIES FOR BILLING ERRORS.								

SUMMARY OF ENTRIES MADE RELATED TO \$1,323 DEBIT TO ACCOUNTS RECEIVABLE:

ORIGINAL ENTRIES:

1/31/00	CASH	225.00	
	ACCOUNTS RECEIVABLE		225.00

TO RECORD RECEIPTS FROM SALE OF RADIOS

1/10/00	CASH	348.00	
	CUSTOMER DEPOSIT		348.00

TO RECORD CUSTOMER DEPOSITS

1/4/00	CASH	750.00	
	MISC. RENT REVENUE		750.00

TO RECORD CASH FROM SUBURBAN PROPANE FOR RENT

THE COMPANY THEN MADE A SECOND ENTRY TO RECORD THE SAME ITEMS:

1/31/00	CASH	1,323.00	
	MISC. RENT REVENUE		750.00
	CUSTOMER DEPOSITS		573.00

THE COMPANY MADE A CORRECTING ENTRY ON 9/30/00 (JE 9):

	ACCOUNTS RECEIVABLE	1,323.00	
	CASH		1,323.00

HOWEVER, THE ORIGINAL ENTRIES WERE NOT POSTED TO ACCOUNTS RECEIVABLE.

THE ENTRY SHOULD HAVE BEEN RECORDED AS:

	CASH	1,323.00	
	ACCUMULATED DEPRECIATION (SALVAGE)		225.00
	CUSTOMER DEPOSITS		348.00
	MISC. RENT REVENUES		751.00

NOTE: THE COMPANY DID NOT RETIRE THE RADIOS

THE ENTRY NEEDED TO CORRECT TO THE APPROPRIATE AMOUNTS IS:

	MISC. RENT REVENUE	750.00	
	CUSTOMER DEPOSITS	573.00	
	ACCUMULATED DEPRECIATION		225.00
	ACCOUNTS RECEIVABLE		1,098.00

Exception No. 16

Subject: Revenue Proforma Adjustment

Statement of Fact: To test the company's adjustment to revenue for current billing rates, we traced the rates used to the tariff. To test the number of bills and the usage, we took the January to June and the July to December number of bills and gallons from the filing schedules supporting E-2 and multiplied them by the rates in effect at the time the billing occurred. These amounts were then compared to the company's general ledger to determine that usage represented the billing registers which were booked to the ledgers. This analysis is attached. It shows that the usage provided on E-2 produces revenue that is less than the general ledger by \$13,506.76 for water residential and \$18,458.86 for wastewater residential. The schedule shows that E-2 produces revenue that is more than the general ledger by \$16,231.58 for water general service and \$49,969.97 for wastewater general service.

Opinion: In order to determine the correct usages, staff obtained a disk of the billing history file and sorted the data to prepare a new billing analysis. These amounts were then adjusted for billing adjustments found in other charges and discussed in the revenue exception for this report. A summary of the revised billing analysis schedules was made to determine if the revised schedule appropriately represented the staff adjusted revenue and how the company's adjustment to revenue for current rates needed to be adjusted. A copy of these schedules follows this exception.

The revenue arrived at by using the usage from the billing disk is different than staff adjusted revenue for water by \$16. The wastewater amount from the billing analysis is \$3,691.66 less than the general ledger.

We were unable to determine the reason for this difference. Since the difference was not material to total revenues, we used the billing analysis prepared by staff to determine what revenues would be at current rates.

Using current rates, revenue would be \$558,576.55 for water. The revenue account balance after staff adjustments for other audit exceptions is \$553,304.78 for a difference of \$5,271.77. The company made an adjustment of \$21,007.76. Therefore, water revenue is overstated by \$15,735.99.

Using current rates, revenue would be \$688,130.85 for wastewater. The revenue account balance after staff adjustments for other audit exceptions is \$669,844.47 for a difference of \$18,286.38. The company made an adjustment for \$56,011.85. Therefore, wastewater revenue is overstated by \$37,725.47.

These adjustments also effect gross receipts tax. Tax according to the filing with the adjustment to revenue is \$29,371 for water. Tax using the \$558,576.55 for water would be \$25,135.94 or a reduction of \$4,235. The tax according to the filing for wastewater is \$32,231. Using revenue from this exception of \$688,130.85 for wastewater, the tax would be \$30,965.88 or a reduction of \$1,265.12.

USAGE AND BILLS USING COMPANY FILED E-2 SCHEDULE TIMES RATES IN EFFECT

WATER

Class	Jan-June # of bills	Jan-June consumption	# of bills Jan-June Rate	Jan-June consumption Rate	Jan-June Revenue using the billing analysis	July-Dec. # of bills	July-Dec. Consumption	# of bills July-Dec Rate	consumption July-Dec Rate	July-Dec Revenue using the billing analysis	Total Jan-Dec using B/A	Company's General Ledger before staff Adjustments	DIFFERENCE
RESIDENTIAL													
5/8" x 3/4" 1"	8360	30,124,000	\$10.57	\$2.50	\$163,675.20	8169	29,121,000	\$10.66	\$2.50	\$159,884.04	\$323,559.24	\$337,066.00	(\$13,506.76)
COMMERCIAL													
5/8" x 3/4"	244	5,153,000	\$10.57	\$2.50	\$15,461.58	244	5,337,000	\$10.66	\$2.50	\$15,943.54	\$31,405.12		
1"	84	3,063,000	\$26.40	\$2.50	\$9,875.10	84	2,539,000	\$26.63	\$2.50	\$8,584.42	\$18,459.52		
1.5"	36	1,376,000	\$52.80	\$2.50	\$5,340.80	36	1,206,000	\$53.26	\$2.50	\$4,932.36	\$10,273.16		
2"	84	7,604,000	\$84.49	\$2.50	\$26,107.16	84	7,358,000	\$85.23	\$2.50	\$25,554.32	\$51,661.48		
3"	60	16,920,000	\$168.98	\$2.50	\$52,438.80	60	16,781,000	\$170.45	\$2.50	\$52,179.50	\$104,618.30		
6"											\$216,417.58	\$200,186.00	\$16,231.58
TOTAL WATER											\$539,976.82	\$537,252.00	\$2,724.82

WASTEWATER

Class	Jan-June # of bills	Jan-June consumption	# of bills Jan-June Rate	Consumption Jan-June Rate	Jan-June Revenue using the billing analysis	July-Dec. # of bills	July-Dec. Consumption	# of bills July-Dec Rate	Consumption July-Dec Rate	July-Dec Revenue using the billing analysis	Total Jan-Dec using B/A	Company's General Ledger before staff Adjustments	DIFFERENCE
RESIDENTIAL													
5/8" x 3/4" 1"	8360	23,971,000	\$13.22	\$4.06	\$207,841.46	8169	22,550,000	\$13.22	\$4.09	\$200,223.68	\$408,065.14	\$426,524.00	(\$18,458.86)
COMMERCIAL													
5/8" x 3/4"	36	314,000	\$13.22	\$4.85	\$1,998.82	36	395,000	\$13.22	\$4.88	\$2,403.52	\$4,402.34		
1"	24	284,000	\$33.07	\$4.85	\$2,171.08	24	284,000	\$33.32	\$4.88	\$2,185.60	\$4,356.68		
1.5"	12	278,000	\$66.13	\$4.85	\$2,141.86	12	511,000	\$66.63	\$4.88	\$3,293.24	\$5,435.10		
2"	54	6,214,000	\$105.78	\$4.85	\$35,850.02	54	6,171,000	\$106.58	\$4.88	\$35,869.80	\$71,719.82		
3"	60	16,920,000	\$211.57	\$4.85	\$94,756.20	60	16,781,000	\$213.18	\$4.88	\$94,682.08	\$189,438.28		
3"	6	1,583,000	\$661.15	\$4.85	\$11,644.45	6	1,531,000	\$666.17	\$4.88	\$11,468.30	\$23,112.75		
TOTAL WASTEWATER											\$706,530.11	\$675,019.00	\$31,511.11

FERNCREST UTILITIES
 STAFF REVISION OF SCHEDULE E-2
 TEST YEAR ENDED DECEMBER 31, 2000

CLASS/METER SIZE	NUMBER OF BILLS	CONSUMPTION IN MG	RATE JAN-JUNE	REVENUE JAN-JUNE	NUMBER OF BILLS	CONSUMPTION IN MG	RATE JULY-DEC	REVENUE JULY-DEC	TOTAL REVENUE 12-MONTHS	NUMBER OF BILLS	CONSUMPTION IN MG	CURRENT RATE	REVENUE AT CURRENT RATES
WATER	JAN-JUNE	JAN-JUNE	JUNE	JAN-JUNE	JULY-DEC	JULY-DEC	DEC	JULY-DEC	12-MONTHS	12-MONTHS	12-MONTHS		
RESIDENTIAL 5/8:													
BILLS	8,215		10.57	86,832.55	8,163		10.66	87,017.58	173,850.13	16,378	0	11.00	180,158.00
GALLONS		33,187	2.50	82,967.50		29,653	2.50	74,132.50	157,100.00	0	62,840	2.38	149,559.20
TOTAL RESIDENTIAL GENERAL SERVICE:				169,800.05				161,150.08	330,950.13				329,717.20
5/8 BILLS	246		10.57	2,600.22	246		10.66	2,622.36	5,222.58	492	0	11.00	5,412.00
5/8 GALLONS		5,915	2.50	14,787.50		4,783	2.50	11,957.50	26,745.00	0	10,698	2.58	27,600.84
1" BILLS	84		26.40	2,217.60	84		26.63	2,236.92	4,454.52	168	0	27.49	4,618.32
1" GALLONS		1,926	2.50	4,815.00		2,949	2.50	7,372.50	12,187.50	0	4,875	2.58	12,577.50
1 1/2" BILLS	36		52.80	1,900.80	36		53.26	1,917.36	3,818.16	72	0	54.98	3,958.56
1 1/2" GALLONS		1,255	2.50	3,137.50		1,229	2.50	3,072.50	6,210.00	0	2,484	2.58	6,408.72
2" BILLS	84		84.49	7,097.16	84		85.23	7,159.32	14,256.48	168	0	87.99	14,782.32
2" GALLONS		6,563	2.50	16,407.50		6,201	2.50	15,502.50	31,910.00	0	12,764	2.58	32,931.12
3" BILLS	60		168.98	10,138.80	60		170.45	10,227.00	20,365.80	120	0	175.96	21,115.20
3" GALLONS		15,769	2.50	39,422.50		12,408	2.50	31,020.00	70,442.50	0	28,177	2.58	72,696.66
TOTAL GENERAL SERVICE	510	31,428		102,524.58	510	27,570		93,087.96	195,612.54	1,020	58,998		202,101.24
MISCELLANEOUS REVENUE									26,758.11				26,758.11
TOTAL REVENUE PER STAFF									653,320.78				558,576.55
REVENUE PER STAFF ADJUSTED G/L									653,304.78				553,304.78
DIFFERENCE									16.00				
PROFORMA PER STAFF													5,271.77
PROFORMA PER COMPANY													21,007.76
DIFFERENCE -REVENUE OVERSTATED NEED TO DEBIT REVENUE													(15,735.99)

CLASS/METER SIZE	NUMBER OF BILLS	CONSUMPTION IN MG	RATE JAN-JUNE	REVENUE JAN-JUNE	NUMBER OF BILLS	CONSUMPTION IN MG	RATE JULY-DEC	REVENUE JULY-DEC	TOTAL REVENUE 12-MONTHS	NUMBER OF BILLS	CONSUMPTION IN MG	CURRENT RATE	REVENUE AT CURRENT RATES
WASTEWATER	JAN-JUNE	JAN-JUNE	JUNE	JAN-JUNE	JULY-DEC	JULY-DEC	DEC	JULY-DEC	12-MONTHS	12-MONTHS	12-MONTHS		
RESIDENTIAL 5/8:													
BILLS	8,215		13.22	108,602.30	8,163		13.32	108,731.16	217,333.46	16,378	0	13.71	224,542.38
GALLONS		26,322	4.06	106,867.32		23,689	4.09	96,888.01	203,755.33	0	50,011	4.21	210,546.31
TOTAL RESIDENTIAL GENERAL SERVICE:				215,469.62				205,619.17	421,088.79				435,088.69
5/8 BILLS	36		13.22	475.92	36		13.32	479.52	955.44	72	0	13.71	987.12
5/8 GALLONS		409	4.85	1,983.65		360	4.88	1,756.80	3,740.45	0	769	5.03	3,868.07
1" BILLS	24		33.07	793.68	24		33.32	799.68	1,593.36	48	0	34.30	1,646.40
1" GALLONS		299	4.85	1,450.15		1,576	4.88	7,690.88	9,141.03	0	1,875	5.03	9,431.25
1 1/2" BILLS	12		66.13	793.56	12		66.63	799.56	1,593.12	24	0	68.61	1,646.64
1 1/2" GALLONS		577	4.85	2,798.45		343	4.88	1,673.84	4,472.29	0	920	5.03	4,627.60
2" BILLS	48		105.78	5,077.44	48		106.58	5,115.84	10,193.28	96	0	109.73	10,534.08
2" GALLONS		3,058	4.85	14,831.30		2,561	4.88	12,497.68	27,328.98	0	5,619	5.03	28,263.57
3" BILLS	60		211.57	12,694.20	60		213.18	12,790.80	25,485.00	120	0	219.46	26,335.20
3" GALLONS		15,029	4.85	72,890.65		12,408	4.88	60,551.04	133,441.69	0	27,437	5.03	138,008.11
6" BILLS	6		661.15	0.00	6		666.17	0.00	0.00	12	0	685.88	0.00
6" GALLONS		1,723	4.85	8,356.55		1,764	4.88	8,608.32	16,964.87	0	3,487	5.03	17,539.61
TOTAL GENERAL SERVICE	186	21,095		122,145.55	186	19,012		112,763.96	234,909.51	372	40,107		242,887.65
MISCELLANEOUS REVENUE									10,154.51				10,154.51
TOTAL REVENUE PER STAFF									666,152.81				688,130.85
REVENUE PER STAFF ADJUSTED G/L									669,844.47				669,844.47
DIFFERENCE									(3,691.66)				
PROFORMA PER STAFF													18,286.38
PROFORMA PER COMPANY													56,011.85
DIFFERENCE -REVENUE OVERSTATED NEED TO DEBIT REVENUE													(37,725.47)

Exception No. 17

Subject: Payroll Expenses

Statement of Facts: Ferncrest Utility Company employees received three W-2's for the year 2000. The employees received W-2's from American Marketing Inc. (AMM), Total Source ADP, and Oasis.

For the pay-period January 1 through 31, 2000, the employees were paid by AMM Inc., and FICA medicare taxes were calculated and posted to account 908.1410/1420 -FICA Water and Wastewater and account 908.1310/1320 Medicare Taxes Water and Wastewater.

For the pay-period February 1, through July 31, 2000, total payroll expense for Ferncrest employees which includes 10% of the courier salary, all payroll taxes and workmen's comp insurance costs were paid to Total Source ADP and recorded as salary expense. Health insurance was still paid by the company. At the end of July 2000, AMM Inc. terminated their contract with Total Source and started using Oasis to process Ferncrest payroll. Oasis paid for health insurance, total source ADP did not. Therefore, until July health insurance was appropriately charged to employee benefits.

Because the payroll taxes and workers compensation insurance were included in the amount paid to Total Source ADP and Oasis and recorded as salary expenses, staff recalculated the journal entries that should be made to reclassify FICA, FUTA, SUTA, workers compensation insurance, health insurance, and administrative payroll costs to the correct accounts. The entries are on the schedule following this exception.

**FERNCREST UTILITY COMPANY
 PAYROLL EXPENSE ADJUSTMENTS
 TEST YEAR ENDED DECEMBER 31, 2000**

ACCOUNT	DESCRIPTION	DEBIT	CREDIT
908.141	FICA Taxes Water	13,530.50	
908.142	FICA Taxes Wastewater	13,530.50	
908.151	FUTA and SUTA Taxes Water	2,155.00	
908.152	FUTA and SUTA Taxes Wastewater	2,155.00	
658.801	Workmen's Compensation Insurance Water	5,414.63	
758.802	Workmen's Compensation Insurance Wastewater	5,414.63	
635.801	Contractual Services Water	3,826.59	
735.802	Contractual Services Wastewater	3,826.59	
604.801	Employee Benefits Health Insurance Water	3,452.08	
704.802	Employee Benefits Health Insurance Wastewater	3,452.08	
601.000	Salary Expense Water		23,838.20
603.000	Salary Expense Officers Water		4,540.60
701.000	Salary Expense Wastewater		23,838.20
703.000	Salary Expense Officers Wastewater		4,540.60

To reclassify payroll expenses to the correct accounts.

Exception No. 18

Subject: Workers Compensation

Statement of Fact: In 2000, the company recorded workers compensation insurance costs of \$1,806.50 in account 658-8010 Worker Compensation Water and \$1,806.50 in account 758-8020 Workers Compensation Wastewater. A breakdown of the amounts posted follows:

Date	Acct 658-8010	Acct 758-8020	Total
1/10/00	\$478.88	\$478.88	\$956.16
1/17/00	\$848.74	\$848.74	\$1,697.48
2/10/00	\$478.88	\$478.88	\$956.16
Total	\$1806.50	\$1806.50	\$3,613.00

Workers compensation insurance costs of \$1,806.50 recorded in January and February 2000 were for the policy for worker's compensation insurance for the January 1, 1999 through January 1, 2000 policy.

Opinion: Workers compensation insurance costs totaling \$3,613, (\$1,806.50 for water and \$1,806.50 for wastewater) are out of period and should be removed from test year expenses. Workmen's compensation insurance for the year 2000 was paid by the company's payroll vendor and included in payroll expense. It has been adjusted in exception 17.

Exception No. 19

Subject: Electric Expense

Statement of Fact: The company did not include 12 months of electric expense for all meters and included deposit refunds which will not be recurring in future periods. A schedule of electricity by meter is attached.

Opinion: According to the schedule, water purchased power is understated by \$7,686.34 and wastewater by \$1,882.84.

SUMMARY OF WATER:		PER STAFF	PER COMPANY	DIFFERENCE
02317-63848	3015 SW 54TH AVE.	65,569.91	PLANT	
30217-06332	2931 SW 53RD TERR	2,839.38	OFFICE	
TOTAL		68,409.29		
50/50 WATER/WASTEWATER		50.00%		
ALLOCATED TOTAL WATER EXPENSE		34,204.65	26,518.31	7,686.34
DEPOSIT REFUND ON 2317-63848 50%		(5,100.89)		
		29,103.76		

SUMMARY OF WASTEWATER:		PER STAFF	PER COMPANY	DIFFERENCE
02317-63848	3015 SW 54TH AVE.	65,569.91	PLANT	
30217-06332	2931 SW 53RD TERR	2,839.38	OFFICE	
TOTAL		68,409.29		
50/50 WATER/WASTEWATER		50.00%		
ALLOCATED		34,204.65	23,888.64	10,316.01

82421-67842	3111 SW 60TH AVE.	2,626.01	LIFT STATION	
72698-60859	3345 SW 58TH AVE.	1,074.63	LIFT STATION	
92260-60847	3501 SW 61 AVE. LS	661.22	LIFT STATION	
12261-68860	2992 SW 60TH AVE.	549.93	LIFT STATION	
92606-64843	2691 REESE RD #LS	514.33	LIFT STATION	
82361-67121	5071 SW 36 ST LS	247.66	LIFT STATION	
TOTAL LIFT STATION PURCHASED POWER		5,673.78		14,106.95
TOTAL WASTEWATER		39,878.43	37,995.59	1,882.84

DEPOSIT REFUND 02317-63848 50%	(5,100.89)
DEPOSIT ON 82361-67121	125.00
DEPOSIT REFUND 82421-67842	(414.47)
DEPOSIT REFUND 72698-60859	(173.98)
DEPOSIT REFUND 92260-60847	(107.46)
	34,206.63

TOTAL PAID	68,411.27
LESS PAID IN JAN. AND NOT ACCRUED	(6,488.81)
NET PAID IN 2000	61,922.46

FERNCREST UTILITIES
ANALYSIS OF PURCHASED POWER
TEST YEAR ENDED 12/31/00

AMOUNTS:															
ACCOUNT	ADDRESS	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL	
82421-67842	3111 SW 60TH AVE	248 71	221 50	258 54	216 61	182 36	161 04	205 77	235 27	201 20	207 68	295 08	192 25	2,626 01	
30217-06332	2931 SW 53RD TERR	145 95	127 27	133 50	161 72	172 32	266 76	308 17	370 73	376 28	303 57	204 77	268 34	2,839 38	
72698-60859	3345 SW 58TH AVE.	90 07	94 63	83 47	87 84	72 60	76 90	94 00	100 91	97 93	0 14	151 03	125 11	1,074 63	
02317-63848	3015 SW 54TH AVE	5,113.31	5,157 89	5,387 50	5,119 91	4,854 54	4,983 26	5,384 16	5,622 50	5,414 06	5,463 66	7,453 13	5,615 99	65,569 91	
92260-60847	3501 SW 61 AVE. LS	52 69	52 78	51 03	51 87	50 33	51 22	63 45	62 55	53 99	33 58	70 00	67 73	661 22	
12261-68860	2992 SW 60TH AVE	76 44	42 35	36 56	39 96	41 78	40 49	49 08	48 66	37 95	45 92	39 63	51 11	549 93	
92606-64843	2691 REESE RD #LS	42 83	48 24	43 67	48 48	34 96	37 60	36 55	39 63	36 29	61 34	40 83	43 91	514 33	
82361-67121	5071 SW 36 ST LS											123 29	124 37	247 66	
DEPOSIT REFUND 02317-63848									(10,201.78)					(10,201 78)	
DEPOSIT ON 82361-67121											125 00			125 00	
DEPOSIT REFUND 82421-67842											(414 47)			(414 47)	
DEPOSIT REFUND 72698-60859											(173 98)			(173 98)	
DEPOSIT REFUND 92260-60847											(107 46)			(107 46)	
		5,770.00	5,744.66	5,994.27	5,726.39	5,408.89	5,617.27	6,141.18	(3,721.53)	6,217.70	5,544.98	8,377.76	6,488.81	63,310.38	

KWH:															
ACCOUNT	ADDRESS	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL	
82421-67842	3111 SW 60TH AVE.	2,871	2,542	2,990	2,483	2,072	1,814	2,221	2,558	2,169	2,243	3,185	2,067	29,215	
30217-06332	2931 SW 53RD TERR	1,802	1,575	1,651	1,994	2,126	3,277	3,578	4,299	4,363	3,525	2,386	3,128	33,704	
72698-60859	3345 SW 58TH AVE.	953	1,008	873	926	743	795	945	1,024	990	1,015	1,596	1,253	12,121	
02317-63848	3015 SW 54TH AVE.	85,415	86,453	88,016	83,677	77,665	82,559	82,746	84,759	82,947	81,865	111,013	84,623	1,031,738	
92260-60847	3501 SW 61 AVE. LS	501	502	481	491	473	484	596	586	488	255	671	598	6,126	
12261-68860	2992 SW 60TH AVE.	788	376	306	347	370	354	432	427	305	396	324	408	4,833	
92606-64843	2691 REESE RD #LS	382	423	392	450	287	319	289	324	286	572	338	326	4,388	
82361-67121	5071 SW 36 ST LS											1,050	765	1,815	
		92,712.00	92,879.00	94,709.00	90,368.00	83,736.00	89,802.00	90,807.00	93,977.00	91,548.00	89,871.00	120,563.00	93,168.00	1,123,940.00	

Exception No. 20

Subject: Purchased Water

Statement of Fact: The Town of Davie provides water service for some of Ferncrest's customers. Ferncrest reads the meters and reports the usage to Davie. Davie then bills Ferncrest at \$1.12 per thousand gallons. Account 610, purchased water, which is included in operating and maintenance expense on Schedule B-1, is not based on accrual accounting. The account contains the following:

\$ 5,596.64	Usage 9/22/99 to 12/10/99
\$21,598.08	Usage 12/10/99 to 4/17/00
\$ 7,890.40	Usage 4/17/00 to 9/20/00
\$35,085.12	Total

The bill for 9/20/00 to 12/18/00 was for 7,065,000 gallons at 1.12 or \$7,912.80.

Opinion: Since the revenues reflect billing for 12/10/99 to 12/18/00, the expenses should be the same for proper matching. Removing the \$5,596.64 and adding the \$7,912.80 would increase the account to \$37,401.28 or an additional \$2,316.16.

The following adjustment is necessary for accrual accounting:

Retained Earnings	\$5,596.64	
610-Purchased Water	2,316.16	
Accounts Payable		\$7,912.80

Exception No. 21

Subject: Uniforms

Statement of Fact: The company included 14 months of uniform rental. Two invoices that were charged to 675 and 775 were for 1999 expenses. These invoices charged \$189.64 and \$213.10 or \$401.74 to each water and wastewater.

Opinion: Operation and maintenance expense should be reduced by \$401.74 for water and \$401.74 for wastewater to reflect proper accrual accounting.

The following entry should be made:

Retained Earnings	\$805.48	
675-Miscellaneous		\$402.74
775-Miscellaneous		402.74

Exception No. 22

Subject: Contributions

Statement of Fact: Two contributions were charged to accounts 675 and 775, miscellaneous expenses and thus included in operating and maintenance costs. These invoices charged \$175 and \$250 to each water and wastewater:

Opinion: According to the NARUC Chart of Accounts, Account 426-Miscellaneous Non-Utility Expense should include donations for charitable, social or community welfare purposes. \$425 should be removed from each water and wastewater operating and maintenance expense.

The following entry should be made:

426-Non-Utility Expense	\$850	
675-Miscellaneous Expense		\$425
775-Miscellaneous Expense		425

Exception No. 23

Subject: 1999 Christmas Party

Statement of Fact: Miscellaneous expense accounts 675 and 775 were charged for four charges for the 1999 Halloween Party and 1999 Christmas party given by Austin Forman. The first charge was for \$333.22 to each water and wastewater and did not provide any receipts except one generated by Mr. Forman. The others showed detail and were for \$145.30, \$36.27 and \$303.88 to each water and wastewater.

Opinion: The first invoice is believed to be a duplicate of the others. However, they are all out of period and there are some costs included for the 2000 Christmas party. A total of \$818.77 should be removed from operating and maintenance expense for each water and wastewater.

The following entry is needed to correct:

145-Accounts Receivable Affiliate Co.	\$1,637.54	
675-Miscellaneous Expense		\$818.77
775-Miscellaneous Expense		818.77

Exception No. 24

Subject: Wastewater License Renewal

Statement of Fact: The wastewater license was renewed in 2000 and Ferncrest paid \$8,620 and charged it to account 775, miscellaneous expense. According to the invoice, the amount consisted of license fees for the past five years. The only portion that related to 2000 was \$2,000.

Opinion: \$6,620 should be removed from wastewater operating and maintenance expenses for out of period costs.

Retained Earnings	\$6,620	
775-Miscellaneous Expense		\$6,620

Audit Exception No. 25

Subject: Lake Rental Expenses

Statement of Fact: The company recorded \$38,475.58 in Account 741 for Lake Rental Expenses. This amount is accrued on the books in order to reflect the charges for discharging the effluent into the rock-pit, a privately owned affiliate property. The utility has an agreement with Welcom H. Watson dated 7/15/82, which states that the rent payment should be \$1,500.00 per month or (26 cents) per thousand gallons of wastewater discharged, whichever is more. Mr. Watson is the agent for the Foreman Family trust. In 1999, the company started making payments to the individuals who owned the rock-pit. Monthly payments were made to Hamilton C. Foreman Children Trust, Miles Austin Foreman Children Trust, Eric Foreman, Jill Lezcano, Brandy Foreman and Andrew Foreman.

The company stated that in 1982, DER required them to stop discharging effluent into the north river canal, and suggested the rock-pit as an alternative. The company also stated that they will be incurring this expense as long as they are discharging effluent into the rock pit.

Opinion: This expense was allowed in the prior rate case. The current lake rental expense of \$38,475.58 is overstated by \$253.65. Staff recalculated the total lake rental expense for the test year by multiplying the monthly wastewater flow from the company's spread sheet times the (26 cents) rate in the agreement.

Annual Lake Rent Expense-Per Company	\$38,475.58
Annual Lake Rent Expense-Per Staff	<u>\$38,221.93</u>
Difference	<u><u>\$253.65</u></u>

The company's spreadsheets used to calculate the daily wastewater flow had the incorrect readings on day 12 in August and September 2000. In November, the company had the correct readings but, calculated the rent expense incorrectly.

Staff requested the actual sheets used to record the water flow for August 2000, the company stated that the actual meter sheets are discarded after the amounts are input in the spreadsheet. The daily flow calculation on the meter reading spreadsheets for January 2001 through January 2001 were reviewed for accuracy and tested for reasonableness.

Recommendation: All original meter sheets showing the meter readings for wastewater flow should be retained along with computer spreadsheet to support the lake rent expense calculations. The following adjustment should be made:

145-Account Receivable Affiliate	253.65	
741 Lake Rent		253.65

Exception No. 26

Subject: Laboratory Testing For Wastewater

Statement of Facts: Account 736-8020, Water Testing for Wastewater, for year end December 31, 2000 includes certain items that are for 1999 and certain items that are misclassified as follows:

Detail of Account 736-8020	General Ledger	
Year End 2000 Balance	\$14,346.71	
Lake Testing	(1,715.40)	Should be Account 0736-8120 which is Water Lake Testing
Chemicals	(272.71)	\$72.71 to 718-5220 Chemicals -WW \$200 to 618-5220 Chemicals-Water
Out of Period	(1,133.10)	to Retained Earnings
Lab Testing for Water	(28.00)	To Account 636-8010
Wastewater Testing not included in 2000	194.30	to Accounts Payable
	<u>\$11,391.80</u>	

Opinion: The following journal entries should be made to the year end 2000 to reclassify 2000 expenses and delete the 1999 expenses.

	<u>Debit</u>	<u>Credit</u>
Retained Earnings (99 expense)	1,133.10	
736-8120 - Lake Testing	1,715.40	
718-5220 Chemicals WW	72.70	
618-5220 Chemicals Water	200.00	
636-8010 Lab Testing for Water	28.00	
736-8020 Lab Testing WW		2,954.91
Accounts Payable		194.30

To reclassify expenses included in Lab Testing for Wastewater to correct accounts and to remove out of period expenses.

Exception No. 27

Subject: Property Taxes

Statement of Facts: According to the invoices from the revenue collection division of Broward County, the total property tax expense for the year end December 31, 2000 should be \$44,164.25. The amount included in the MFR's is \$44,424. This amount includes penalties for late payment for \$260.00. The company divided the total property taxes in half to allocate to water and wastewater in the MFR's (\$22,212 each).

Opinion: We believe that allocating the property tax based on the ratio of utility plant in service to total utility plant would be a more reasonable allocation. The allocation is below:

	<u>% of Plant</u>	<u>Total</u>	<u>Property Tax without Penalty</u>	<u>Year End 2000 Expense</u>
Water at 12/31/00	1,598,642	42.77%	44,164.25	18,890
Wastewater at 12/31/00	<u>2,138,932</u>	57.23%	44,164.25	<u>25,274</u>
	3,737,574			44,164

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Property Taxes per MFR	22,212	22,212	44,424
Per Staff	<u>18,890</u>	<u>25,274</u>	<u>44,164</u>
Difference	(3,322)	3,062	260

Recommendation: The following journal entry should be made at year end in order to allocate property taxes based on utility plant in service and to remove penalties.

	<u>Dr.</u>	<u>(Cr.)</u>
Property Taxes- WW	3,062	
Interest Expense	260	
Property Taxes -Water		(3,322)

AUDIT DISCLOSURES

Disclosure No. 1

Subject: Deferred Maintenance Capitalized

Statement of Fact: Plant in Service reflected in the company's filing (Schedule A-4) does not agree to the ledger. Additions in the general ledger in 1997 were \$21,389.50 and additions per the company's filing Schedule A-4 are \$50,948.00, a difference of \$29,558.50. The additions in the general ledger in 1998 amounts to \$15,451.87 and the additions on the A-4 schedule is \$25,261.00 a difference of \$9,809.13. The difference relates to two deferred maintenance accounts (account 186-3000 and 186-4000) which were capitalized for purposes of the filing. The additions to these accounts were tested in the year they were added. The maintenance related to painting done in 1997 and well repairs in 1998. If the 1997 amount charged to deferred maintenance for the painting had been left in the deferred accounts and amortized over 5 years, the \$29,558.40 would have been fully amortized in the year 2001. The \$9,809.13 booked to deferred in 1998 was for a well pump and was, therefore, appropriately capitalized. The old pump was not retired.

Disclosure No. 2

Subject: Forklift Repair

Statement of Fact: In January 2000, the company paid KAM Machine Shop \$3,095.07 for repairing the clutch and hydraulic pump & pressure plate on a forklift. In April 2000, the company paid A1 Network System an additional \$358.82 for repairing the fork-lift hydraulic cylinder. These expenses were charged 50/50 to account 620 Materials & Supplies-Water and account 720-Materials & Supplies-Wastewater. A breakdown of the amounts charged to account 620 and 720 follows:

<u>Date</u>	<u>Description</u>	<u>Account 620</u>	<u>Account 720</u>	<u>Total</u>
01/01/00	Repair Clutch & Hydraulic Pump	\$1,547.53	\$1,547.54	\$3,095.07
04/10/00	Remove Hydraulic Cylinder	\$179.41	\$179.41	\$358.82

On February 13, 2001, American Marketing & Management (AM&M) purchased a used forklift on for \$18,885 to replaced the old forklift.

Opinion: The forklift was replaced in 2001. Expense in 2001 are not as high as the year 2000 and therefore most of these \$3,453.79 costs may not be recurring. No adjustment has been made to the attached schedule. The company should have included the cost of the forklift in their pro-forma adjustment.

Disclosure No. 3

Subject: Materials and Supplies Charges

Statement of Fact: Account 620- Materials and Supplies decreased from \$86,460.77 in 2000 to \$69,758.68 in 2001, a decrease of \$16,702.09. The difference between 2000 and 2001 is mainly because invoices disclosed in other parts of this audit.

Account 620-Materials and Supplies

620-2010	03/24/00	A Network Systems	Plant Clean-up	\$4,944.14	Exc. 6
620-4010	03/24/00	A Network Systems	Lime Room	\$4,508.61	Exc. 4
620-8210	01/01/00	Kam Machine Shop.	Repair Clutch & Hydraulic Pump on Fork Lift	\$1,547.54	Disc. 2
620-8210	04/10/00	A Network Systems	Repair Forklift Remove Hydraulic Cylinder	\$179.41	Disc. 2
620-8210	09/01/00	Home-Depot American X	Building Supplies	\$531.44	Exc. 8
620-8210	04/03/00	A Network Systems	Plant Clean-up & remove Old Wiring	\$835.55	Exc. 6
620-8210	11/13/00	Mal	New Sprinkler System & landscaping Exp.	\$553.13	Exc. 8
620-8210	12/02/00	Home-Depot American X	Building Supplies	<u>\$1,070.93</u>	Exc. 8
Total				<u>\$14,169.82</u>	

Other large dollar charges to the account are:

620-2010	01/20/00	Save On Utility Supplies	One 8" Matco Flange Gate Valve & Misc. Items	\$2,559.50	
620-6210	08/30/00	Save On Utility Supplies	Dual MB Body & H4t cover for meter box	\$1,373.76	
620-6210	11/16/00	Semco	Tubing, Junction , Valves	\$930.01	
620-6310	06/16/00	Senus Technologies Inc	18 Meters 5/8 * 3/4 Sr11 Dr"	\$667.87	
620-6310	06/16/00	Senus Technologies Inc	2 Meters 1 1/2 "	\$538.18	
620-6310	08/09/00	Invensys Metering Sys	2 Meters 1"	\$233.33	
620-6310	10/02/00	Invensys Metering Sys	1 Meters 3" W350 Turbo	\$570.42	
620-6310	10/10/00	Invensys Metering Sys.	2 Meters 1" & 24 Meters 5/8 *3/4	\$1,125.46	
620-8210	07/18/00	Growers Ford	Repair Stearing Box & Clutch	\$763.11	
620-8210	07/26/00	Certified Laboratories	Liquid Certi -Zyme	\$935.20	
620-8210	10/03/00	A Network Systems	Reimbursement for Old Tractor Repair	<u>\$650.00</u>	
Total from other vendors				\$9,776.42	
620-6110	03/15/00	American Land Dev.	Water break repair, Excavate & Compact	\$1,935.00	
620-6110	07/12/00	American Land Dev.	Locate & repair water main under mobile home	\$2,935.00	
620-6110	08/17/00	American Land Dev.	Silver Oaks Water break repair	\$1,274.00	
620-6210	09/20/00	American Land Dev.	Water break repairs at Silver Oaks	\$540.00	
620-6210	10/09/00	American Land Dev.	Water break repair at Everglades	\$270.00	
620-6210	05/30/00	American Land Dev.	Repair water line, Remove tree	\$630.00	
620-6210	10/23/00	American Land Dev.	Water break repairs at Silver Oaks	\$1,065.70	
620-6210	11/17/00	American Land Dev.	Water break repairs at Silver Oaks	\$880.00	
620-6210	11/30/00	American Land Dev.	Water break repairs at Silver Oaks	<u>\$4,390.00</u>	
Total Affiliate				\$13,919.70	
Total Affiliate and Non-Affiliate				\$23,696.12	

Opinion: The difference between 2000 and 2001 is due primarily to the company recording certain charges in 2000 to account 620 that should have been capitalized, or were non-recurring and, therefore should have been amortized as reported in other exceptions and disclosures. The other charges above be reviewed further by the Staff Analyst and Engineer to determine proper regulatory treatment. The affiliate company transactions need to be reviewed for reasonableness by our staff engineer.

Disclosure No. 4

Subject: Materials and Supplies Charges

Statement of Fact: Account 720- Materials and Supplies-Wastewater decreased from \$88,315.00 in 2000 to \$77,045.50 in 2001, a difference of \$11,269.50. In 2000, the company recorded the following charges in account 720.

Account 720-Material & Supplies

720-4020	02/22/00	Acutech	One 20 HP 230V 3PH Control Panel	\$3,450.00	Exc. 7
720-4020	08/08/00	Acutech	One 5 HP 230V 3PH Control Panel	\$2,950.00	Exc. 7
720-4020	11/28/00	Acutech	Electronic Relay for Control Panel	\$2,081.17	Disc. 6
720-6020	01/01/00	AMJ Measuring	Turbidity Analyzer, Sensor & Calibration	\$2,481.94	Exc. 5
720-8220	01/01/00	Kam Machine Shop.	Repair Clutch & Hydraulic Pump on Fork Lift	\$1,547.54	Disc. 2
720-8220	04/10/00	A Network Systems	Repair Forklift Remove Hydraulic Cylinder	\$179.41	Disc. 2
720-8220	09/01/00	Home-Depot American X	Building Supplies	\$531.44	Exc. 8
720-8220	11/13/00	Mal	New Sprinkler System & landscaping Exp.	\$553.13	Exc. 8
720-8220	12/02/00	Home-Depot American X	Building Supplies	\$1,070.93	Exc. 8
			Total	\$14,845.56	

Other large dollar charges to the account are:

720-2020	08/21/00	American Land Dev	12 Hrs working & laying new sewer line	\$540.00
720-2020	09/08/00	American Land Dev.	Asphalt repair -New Sewer Lateral	\$1,492.75
720-2020	10/03/00	American Land Dev.	Repair Sewer break caused by FPL	\$585.00
720-2020	10/03/00	American Land Dev.	Asphalt repairs - Sewer break caused by FPL	\$1,000.00
Total Affiliate				\$3,617.75

720-2020	10/19/00	Shenandoah Contractor	Clear lines using Hydraulic Vector Trucks	\$720.00
720-4020	01/01/00	Kam Machine Shop	Maile Repairs	\$984.43
720-4020	01/01/00	Kam Machine Shop	Fabricate & Install Motor Base	\$767.81
720-4020	01/01/00	Kam Machine Shop	Fabricate & Install Motor Base	\$767.00
720-4020	06/22/00	Miami Pump & Supply	6 Seal Plate, 6 Impeller & 6 Liner	\$2,813.67
720-6020	01/05/00	Semco Inc.	One 10" MJ Plug Valve With Gear	\$1,492.93
720-6020	06/01/00	Kam Machine Shop	Fabricate Bar Screen for Sewage Tank	\$1,146.83
720-6020	07/20/00	Tri Pump	Weg 75 HP Motor For Sewer Plant	\$2,875.00
720-6020	08/02/00	Tri Pump	Install Weg 75 HP Motor	\$490.00
720-6020	08/04/00	Tri Pump	Weg 75 HP Motor For Sewer Plant Blower	\$2,875.00
720-6020	10/18/00	AMJ Equip Corp	Purchased parts for Gas Chlorinator	\$585.25
720-6020	10/18/00	AMJ Equip Corp	Purchased parts for Gas Chlorinator	\$1,580.00
720-8220	10/03/00	A Network Systems	Old Tractor Repair Reimbursement	\$650.00
720-8220	07/18/00	Growers Ford	Repair Stearing Box & Clutch	\$763.11
720-822	07/26/00	Certified Laboratories	Liquid Certi -Zyme	\$935.20
720-8220	10/03/00	A Network Systems	Reimbursement for Old Tractor Repair	\$650.00
Total non-affiliate				\$20,095.23
Total affiliate and non-affiliate				\$23,713.89

Opinion: The difference between 2000 and 2001 is due primarily to the exceptions and disclosures. The other charges should be reviewed further by the Staff Analyst and

Engineer to determine proper regulatory treatment. The affiliate costs should be reviewed by the staff engineer for reasonableness.

Disclosure No. 5

Subject: General Liability Insurance

Statement of Fact: The company recorded total general liability insurance expense of \$12,194.58 on their books in 2000 (\$ 7,184.34 in account 657.8010 Ins. General Liability-Water and \$5,010.24 in account 757.8020 Insurance Gen. Liability-wastewater).

The total premium for January 16, 2000 through January 16, 2001 was \$11,242.57. This amount included finances charges of \$341.44 and a document stamp charge of \$30.80.

Total Premium	\$10,870.33
Finance Charge @ 8.45%	\$341.44
Doc. Stamps	\$30.80
Total	<u>\$11,242.57</u>

The premium for 1/16/01 through January 16, 2002 from the current insurance policy is \$17,912. The company did not make a proforma adjustment to increase general liability insurance expense on the filing to reflect the new premium for 2002.

	WATER	WASTE- WATER	TOTAL
Current Premium	\$8,956.00	\$8,956.00	\$17,912.00
Premium Per 2000 Gen Ledger	\$7,184.00	\$5,010.24	\$12,194.58
Difference	<u>\$1,777.66</u>	<u>\$ 3,945.76</u>	<u>\$5,717.42</u>

Opinion: The general liability insurance is overstated using actual test year expenses but understated by \$1,777.66 for water and \$3,945.76 for wastewater using current rates. The company did not make a proforma adjustment. We did not reduce expenses to match the actual test year invoice.

Disclosure No. 6

Subject: Electronic Relay

Statement of Fact: On November 28, 2000, the company paid A1 Network Systems Inc. \$2,081.17 for a electronic relay for a control panel. This amount was recorded in account 720.4020 Maintenance Pump System.

Opinion: This should be reviewed by the staff engineer to determine if ths relay is a recurring or non-recurring for proper classification.

Disclosure No. 7

Subject: Settlement with Broward County

Statement of Fact: Ferncrest had a problem with a lift station that overflowed and the overflow ran into the storm sewers. Ferncrest paid \$5,100 as a settlement for this case and recorded the amount in account 775, miscellaneous expenses wastewater.

Opinion: The amount is probably not a recurring expense and should be removed from wastewater operating and maintenance expense. It may be considered a penalty or fine and classified as account 426-Non-utility expense.

CONFIDENTIAL

COMPANY EXHIBITS

Schedule of Water Rate Base

Florida Public Service Commission

Company: Ferncrest Utilities
 Docket No.: 011073-WS
 Schedule Year Ended: December 2000
 Interim [] Final [X]
 Historical [X] Projected []

Schedule: A-1 Revised
 Page 1 of _1_
 Preparer: Robert V Salerno

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.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	1,681,279	156,136	1,837,415	A-5
2	Utility Land & Land Rights	20,000		20,000	A-5
3	Less: Non-Used & Useful Plant	0	(22,063)	(22,063)	A-7
4	Construction Work in Progress	0	0	0	-
5	Less: Accumulated Depreciation	(864,960)	(11,386)	(876,346)	A-9
6	Less: CIAC	(507,718)	(111,136)	(618,854)	A-12
7	Accumulated Amortization of CIAC	336,749	22,227	358,976	A-14
8	Acquisition Adjustments	0	0	0	
9	Accum. Amort. of Acq. Adjustments	0	0	0	-
10	Advances For Construction	0	0	0	A-16
11	Working Capital Allowance	64,148	(3,398)	60,750	A-17
12	Total Rate Base	729,498	30,380	759,878	

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2/11/02

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: Femcrest Utilities
 Docket No.: 011073-WS
 Schedule Year Ended: December 2000
 Interim [] Final [X]
 Historical [X] Projected []

Schedule: A-2 Revised
 Page 1 of _1_
 Preparer: Robert V Salerno

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.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	2,064,580	126,135	2,190,715	A-6
2	Utility Land & Land Rights	60,000	0	60,000	A-6
3	Less: Non-Used & Useful Plant	0	(32,439)	(32,439)	A-7
4	Construction Work in Progress	0	0	0	-
5	Less: Accumulated Depreciation	(1,208,284)	(14,542)	(1,222,826)	A-10
6	Less: CIAC	(1,004,959)	(111,135)	(1,116,094)	A-12
7	Accumulated Amortization of CIAC	756,951	22,227	779,178	A-14
8	Acquisition Adjustments	0	0	0	-
9	Accum. Amort. of Acq. Adjustments	0	0	0	-
10	Advances For Construction	0	0	0	A-16
11	Working Capital Allowance	75,608	(1,027)	74,581	A-17
12	Total Rate Base	<u>743,896</u>	<u>(10,781)</u>	<u>733,115</u>	

000015R

2/11/02

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Ferncrest Utilities Inc
 Schedule Year Ended: December 31, 2000
 Actual Final
 Historic or Projected

Revised

Schedule: B-1 Final
 Page _1_ of _1_
 Docket No.: 011073-WS
 Preparer: Robert V Salerno

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) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedules
1	OPERATING REVENUES	542,282	21,008	563,290	103,350	666,640	B-4
2	Operation & Maintenance	512,478	(26,479)	485,999	0	485,999	B-5
3	Depreciation, net of CIAC Amort.	46,056	(3,068)	42,988		42,988	B-13
4	Amortization			0		0	
5	Taxes Other Than Income	48,075		48,075	4,651	52,726	B-15
6	Provision for Income Taxes	0		0	0	0	C-1
7	OPERATING EXPENSES	606,609	(29,547)	577,062	4,651	581,713	
8	NET OPERATING INCOME	(64,327)	50,555	(13,772)	98,699	84,927	
9	RATE BASE	729,498	29,887	759,385		759,385	
10	RATE OF RETURN	-8.8%		-1.8%		11.18%	

Company: Ferncrest Utilities Inc.
Schedule Year Ended: December 31, 2000
Historic [] Final [X]
Historic [X] or Projected []

Revised

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) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedules
1	OPERATING REVENUES	683,771	49,762	733,533	38,900	772,433	B-4
2	Operation & Maintenance	604,157	(7,507)	596,650	0	596,650	B-6
3	Depreciation, net of CIAC Amort.	43,934	(5,176)	38,758		38,758	B-14
4	Amortization			0		0	
5	Taxes Other Than Income	53,835		53,835	1,751	55,586	B-15
6	Provision for Income Taxes	0		0	0	0	C-1
7	OPERATING EXPENSES	701,926	(12,683)	689,243	1,751	690,994	
8	NET OPERATING INCOME	(18,155)	62,445	44,290	37,150	81,440	
9	RATE BASE	743,896	(15,162)	728,734		728,734	
10	RATE OF RETURN	-2.4%		6.1%		11.18%	

Schedule of Requested Cost of Capital
Beginning and End of Year Average

Florida Public Service Commission

Company: Ferncrest Utilities
Docket No.: 011073-WS
Test Year Ended: December 31, 2000
Schedule Year Ended:
Historic [X] or Projected []

Schedule: D-1 Revised
Page _1_ of _1_
Preparer: Robert V Salerno

Subsidiary [] or Consolidated []

Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
	Long-Term Debt	1,148,977	77.21%	11.26%	8.69%
	Short-Term Debt	327,684	22.02%	11.30%	2.49%
	Customer Deposits	11,458	0.77%	6.50%	0.05%
	Total	1,488,119	100%		11.18%
	Supporting Schedules: D-2				
	Recap Schedules: A-1,A-2				

000061R 02/11/02

Reconciliation of Capital Structure to Requested Rate Base
Beginning and End of Year Average

Florida Public Service Commission

Company: Ferncrest Utilities
Docket No.: 011073-WS
Test Year Ended: December 31, 2000
Schedule Year Ended:
Historic [X] or Projected []

Schedule: D-2 Revised
Page 1 of 1
Preparer: Robert V Salerno

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 Per Books	(4) Reconciliation Adjustments			(6) Reconciled To Requested Rate Base
			(3) Specific	(4) (Explain)	(5) Prorata *	
	Long-Term Debt	5,224,757	77.21%		4,066,853	1,148,977
	Short-Term Debt	1,490,406	22.02%		1,160,191	327,684
	Customer Deposits	51,924	0.77%		40,466	11,458
	Total	6,767,087	100.00%		5,267,510	1,488,119

* List corresponding adjustments to rate base below:

Description	Amount
-------------	--------

Reconciliation adjustments were calculated by deducting the difference between the requested rate base on schedules A-1 and A-2 and the simple average capital structure

Supporting Schedules: A-19,C-7,C-8,D-3,D-4,D-5,D-7
Recap Schedules: D-1

000062R 2/11/02

STAFF EXHIBITS

**FERNCREST UTILITIES
RATE BASE
TEST YEAR ENDED DECEMBER 31, 2000**

	ADJUSTED BALANCE COMPANY	STAFF ADJUSTMENTS	STAFF ADJUSTED BALANCE
WATER			0
PLANT IN SERVICE	1,837,415	45,875	1,883,290
LAND	20,000		20,000
NON-USED AND USEFUL ACCUMULATED DEPRECIATION	(22,063)		(22,063)
CIAC	(876,346)	141,435	(734,911)
ACCUMULATED AMORTIZATION OF CIAC	(618,854)	(117,305)	(736,159)
WORKING CAPITAL	358,976	(7,846)	351,130
	60,750	(3,848)	56,902
TOTAL RATE BASE	759,878	58,311	818,189

	ADJUSTED BALANCE COMPANY	STAFF ADJUSTMENTS	STAFF ADJUSTED BALANCE
WASTEWATER			
PLANT IN SERVICE	2,190,715	206,065	2,396,780
LAND	60,000		60,000
NON-USED AND USEFUL ACCUMULATED DEPRECIATION	(32,439)		(32,439)
CIAC	(1,222,826)	(73,077)	(1,295,903)
ACCUMULATED AMORTIZATION OF CIAC	(1,116,094)	(111,900)	(1,227,994)
WORKING CAPITAL	779,178	(5,367)	773,811
	74,581	(8,871)	65,711
TOTAL RATE BASE	733,115	6,851	739,966

COMPANY:
TITLE:
PERIOD:

FERNCREST UTILITY

NET OPERATING INCOME WATER
TEST YEAR END 12/31/00

Description	Balance Per Books	Staff Adjustments	Staff Adjusted Books	Utility Test Year Adjustments	Staff Adjustments To Co. Adj. s	Staff Adjusted Test Year
OPERATING REVENUES	542,282	11,023	553,305	21,008	(15,736)	558,577
EXPENSES						
Operation and Maintenance	512,478	(30,785)	481,693	(26,479)		455,214
Depreciation, Net of CIAC Amortization	46,056	1,908	47,964	(3,068)		44,896
Taxes Other Than Income	48,075	12,364	60,439	0	(4,235)	56,204
Provision for Income Taxes	0		0	0		0
OPERATING EXPENSES	606,609	(16,514)	590,095	(29,547)	(4,235)	556,313
NET OPERATING INCOME	(64,327)	27,537	(36,790)	50,555	(11,501)	2,264

COMPANY:
TITLE:
PERIOD:

FERNCREST UTILITY

NET OPERATING INCOME - WASTEWATER
TEST YEAR END 12/31/00

Description	Balance Per Books	Staff Adjustments	Staff Adjusted Books	Utility Test Year Adjustments	Staff Adjustments To Co. Adjs.	Staff Adjusted Test Year
OPERATING REVENUES	683,771	(13,927)	669,844	49,762	(37,725)	681,881
EXPENSES						
Operation and Maintenance	604,157	(70,966)	533,191	(7,507)		525,684
Depreciation, Net of CIAC Amortization	43,934	5,055	48,989	(5,176)		43,813
Taxes Other Than Income	53,835	18,748	72,583	0	(1,265)	71,317
Provision for Income Taxes	0		0	0		0
OPERATING EXPENSES	<u>701,926</u>	<u>(47,163)</u>	<u>654,763</u>	<u>(12,683)</u>	<u>(1,265)</u>	<u>640,815</u>
NET OPERATING INCOME	<u>(18,155)</u>	<u>33,237</u>	<u>15,082</u>	<u>62,445</u>	<u>(36,460)</u>	<u>41,066</u>

COMPANY: FERNCREST UTILITIES
 PERIOD: YEAR END 12/31/02
 DATE: FEBRUARY 6, 2002

Exhibit 2 to Audit Exception re Cost of Capital

Recalculated Cost of Capital

Description	Per D-2 Total Capital Average	Staff Adjustments to D-2 Average (A) Aud. Except.	Staff Adjustments to D-2 Average (A) Aud. Except.	Adjusted Total Capital Average	Ratio	NOTE (B) Pro Rata Adjustments	NOTE (B) Capital Reconciled to Rate Base	Ratio	NOTE (C) Cost Rate	Weighted Cost
Long Term Debt	5,224,757	1,490,406 (A)	(157,645)	6,715,163	99.2969%	(5,232,668)	1,482,495	99.2969%	10.8373%	10.7611%
Short - Term Debt	1,490,406	(1,490,406) (A)		0	0.0000%	0	0	0.0000%		
Preferred Stock	0	0		0	0.0000%	0	0	0.0000%		
Common Equity	0	NOTE (D)		0	0.0000%	0	0	0.0000%		
Customer Deposits	51,924	(4,372) (E)		47,552	0.7031%	(37,054)	10,498	0.7031%	6.0000%	0.0422%
Deferred ITC's	0	0		0	0.0000%	0	0	0.0000%		
Deferred Income Taxes	0	0		0	0.0000%	0	0	0.0000%		
	6,767,087	(4,372)	(157,645)	6,762,715	100.0000%	(5,269,722)	1,492,993	100.0000%		10.8033%
									MFR D-1	11.1800%
									Difference	-0.3767%

NOTE (A) - To transfer STD to LTD and adjust for recalculation of notes.
 NOTE (B) - Does not include other audit exceptions to rate base.
 NOTE (C) - All notes are at prime plus 2%. The weighted costs of all notes is included here.
 NOTE (D) - Common Equity consists of :

Retained Earnings	(6,281,966)
Common Stock	10,000
Paid in Capital	120,000
Negative Equity	(6,151,966)

In PSC-92-0633-FOF-WS, the commission stated that the "total common equity balance used for ratemaking purposes shall reflect its negative retained earnings..."
 If the company had a positive equity, the cost of equity would be calculated on the leverage formula which is approved by the Commission annually. Order PSC-01-2514-FOF-WS details the current formula. For a company with less than 40% equity, the rate of return would be 11.34%.
 NOTE (E) - To adjust for simple average and to adjust for incorrect journal entry.

**FERNCREST UTILITIES
STAFF PREPARED ADJUSTING JOURNAL ENTRIES
TEST YEAR ENDED DECEMBER 31, 2000**

	DEBITS	CREDITS	EXCEPTION
1			
WATER PLANT	111,136.00		1
WASTEWATER PLANT	111,135.00		1
CIAC WATER		111,136.00	1
CIAC WASTEWATER		111,135.00	1
TO RECORD THE ENTIRE AMOUNT OF PLANT AND CIAC CONTRIBUTED BY PALM TRACE WITHOUT AVERAGING. SEE EXCEPTION 1			
RETAINED EARNINGS	9,768.00		1
AMORTIZATION EXPENSE WATER	5,945.00		1
AMORTIZATION EXPENSE WASTEWATER	3,705.00		1
WASTEWATER DEPRECIATION EXPENSE	167.00		1
ACCUMULATED AMORTIZATION WASTEWATER	3,705.00		1
ACCUMULATED AMORTIZATION WATER		4,135.00	1
WATER DEPRECIATION EXPENSE		409.00	1
ACCUMULATED DEPRECIATION WATER		7,549.00	1
ACCUMULATED DEPRECIATION WASTEWATER		11,197.00	1
TO REMOVE THE EFFECTS OF AVERAGING PRIOR 3 YEARS OF DEPRECIATION AND AMORTIZATION, CORRECT DEPRECIATION RATES AND AMORTIZE CIAC FOR CONTRIBUTED PLANT AT THE SAME RATES AS THE PLANT SEE EXCEPTION 1. THIS ENTRY IS TO THE AVERAGED MFR'S ONLY A DIFFERENT ENTRY IS NEEDED TO CORRECT THE ACTUAL BOOKS AND RECORDS OF THE COMPANY			
2			
RETAINED EARNINGS	68,514.00		2
PLANT ACCOUNT 371.32 WASTEWATER PLANT	28,191.00		2
PLANT ACCOUNT 389.42 WASTEWATER PLANT	2,000.00		2
PLANT ACCOUNT 302.11 WATER PLANT		2,500.00	2
PLANT ACCOUNT 304.31 WATER PLANT		42,745.00	2
PLANT ACCOUNT 320.31 WATER PLANT		9,460.00	2
PLANT ACCOUNT 344.51 WATER PLANT		2,000.00	2
PLANT ACCOUNT 399.02 WASTEWATER PLANT		21,000.00	2
PLANT ACCOUNT 399.01 WATER PLANT		21,000.00	2
TO BOOK PSC ADJUSTMENTS FROM PRIOR ORDERS THAT WERE NEVER BOOKED ON UTILITIES BOOKS AND NOT INCLUDED IN BEGINNING BALANCES USED BY THE COMPANY. SEE EXCEPTION 2.			
ACCUMULATED DEPRECIATION WATER	22,766.75		2
ACCUMULATED DEPRECIATION WASTEWATER	2,536.33		2
RETAINED EARNINGS		21,085.90	2
DEPRECIATION EXPENSE WATER		3,794.46	2
DEPRECIATION EXPENSE WASTEWATER		422.72	2
TO RECORD DEPRECIATION ON PRIOR ORDER ADJUSTMENTS SEE EXCEPTION 2			
3			
PLANT ACCOUNT 354 WASTEWATER	74,702.00		3
DEFERRED INTEREST	30,991.00		3
LEASE PAYABLE		105,693.00	3
TO ACCOUNT FOR A CAPITAL LEASE SEE EXCEPTION NO 3			
LEASE PAYABLE	22,900.00		3
RETAINED EARNINGS		16,185.00	3
DEFERRED INTEREST		6,715.00	3
TO ACCOUNT FOR LEASE PAYMENTS FROM DECEMBER 1998 THROUGH DECEMBER 1999			
LEASE PAYABLE	19,377.00		3
INTEREST EXPENSE	5,682.00		3
EQUIPMENT RENTAL EXPENSE		19,377.00	3
DEFERRED INTEREST		5,682.00	3
REVERSE RENTAL EXPENSE FOR THE YEAR 2000 AND ACCOUNT FOR LEASE PAYMENTS			
DEPRECIATION EXPENSE WASTEWATER	2,334.00		3
RETAINED EARNINGS	3,502.00		3
ACCUMULATED DEPRECIATION WASTEWATER		5,836.00	3
TO ACCRUE DEPRECIATION EXPENSE FOR 2 1/2 YEARS USING A 32 YEAR LIFE			

4			
PLANT ACCOUNT 320 WATER TREATMENT EQUIPMENT	4,508.61		4
620-MATERIAL AND SUPPLIES WATER		4,508.61	4
TO CAPITALIZE THE LIME ROOM RENOVATIONS. SEE EXCEPTION NO 4			
DEPRECIATION EXPENSE WATER	101.44		4
ACCUMULATED DEPRECIATION WATER		101.44	4
DEPRECIATION ON LIME ROOM RENOVATIONS USING 22 YEAR LIFE AT 1/2 YEAR			
5			
PLANT ACCOUNT 364 WASTEWATER FLOW MEASURING	2,481.94		5
720-COMPUTER EXPENSES		2,481.94	5
TO CAPITALIZE THE TURBIDITY ANALYZER AND CALIBRATION METER. SEE EXCEPTION NO. 5			
DEPRECIATION EXPENSE WASTEWATER	248.19		5
ACCUMULATED DEPRECIATION WASTEWATER		248.19	5
TO DEPRECIATE THE TURBIDITY ANALYZER OVER 5 YEARS AT 1/2 YEAR			
6			
PLANT ACCOUNT 311 WATER PUMP EQUIPMENT	5,779.69		6
620 MATENANCE PUMP PLANT WATER		4,944.14	6
620 MAINTENANCE GENERAL PLANT WATER		835.55	6
TO CAPITALIZE PUMP ROOM PROJECT SEE EXCEPTION NO 6			
DEPRECIATION EXPENSE WATER	144.49		6
ACCUMULATED DEPRECIATION WATER		144.49	6
DEPRECIATION ON PUMP ROOM USING 20 YEARS AND 1/2 YEAR			
7			
PLANT ACCOUNT 371 WASTEWATER PUMPING	6,400.00		7
720 MAINTENANCE PUMPING SYSTEM		6,400.00	7
TO CAPITALIZE THE CONTROL PANELS SEE EXCEPTION NO 7			
DEPRECIATION EXPENSE WASTEWATER	176.00		7
ACCUMULATED DEPRECIATION WASTEWATER		176.00	7
DEPRECIATION USING 18 YEAR LIFE AND 1/2 YEAR			
8			
PLANT ACCOUNT 304 WATER STRUCTURES AND IMPROVEMENT	2,155.49		8
PLANT ACCOUNT 354-WASTEWATER STRUCTURES AND IMPROV.	2,155.49		8
620 MATERIALS AND SUPPLIES WATER		2,155.49	8
720 MATERIALS AND SUPPLIES WASTEWATER		2,155.49	8
TO CAPITALIZE OFFICE IMPROVEMENTS. SEE EXCEPTION NO 8			
DEPRECIATION EXPENSE WATER	26.94		8
DEPRECIATION EXPENSE WASTEWATER	33.67		8
ACCUMULATED DEPRECIATION WATER		26.94	8
ACCUMULATED DEPRECIATION WASTEWATER		33.67	8
TO DEPRECIATE USING 40 YEARS WATER AND 32 YEARS WWATER FOR 1/2 YEAR			
	553,269.03	553,269.03	
9			
ACCUMULATED DEPRECIATION WATER	126,490.00		9
ACCUMULATED DEPRECIATION WASTEWATER		57,897.00	9
RETAINED EARNINGS		68,593.00	9
TO CORRECT THE BEGINNING BALANCE OF ACCUMULATED DEPRECIATION PER THE PRIOR ORDER. SEE EXC 9			

10

ACCOUNTS RECEIVABLE	3,364.50		10
REVENUE WATER	666.00		10
RETAINED EARNINGS	2,403.50		10
ACCOUNTS RECEIVABLE AFFILIATE	500.00		10
CIAC WATER		6,169.00	10
CIAC WASTEWATER		765.00	10
TO INCREASE CIAC FOR AMOUNTS NOT COLLECTED SEE EXCEPTION NO 10			

ACCUMULATED AMORTIZATION WATER	275.25		10
ACCUMULATED AMORTIZATION WASTEWATER	30.54		10
AMORTIZATION EXPENSE WATER		179.59	10
AMORTIZATION EXPENSE WASTEWATER		22.89	10
RETAINED EARNINGS		103.31	10
TO AMORTIZE ABOVE AMOUNTS			

11

RETAINED EARNINGS	13,390.00		11
ACCUMULATED AMORTIZATION CIAC WATER		3,160.00	11
ACCUMULATED AMORTIZATION CIAC WASTEWATER		10,230.00	11
TO CORRECT BEGINNING BALANCE OF AMORTIZATION TO THE LAST CASE SEE EXCEPTION NO 11			

AMORTIZATION EXPENSE WATER	73.00		11
RETAINED EARNINGS	789.00		11
ACCUMULATED AMORTIZATION WASTEWATER	1,127.00		11
AMORTIZATION EXPENSE WASTEWATER		1,163.00	11
ACCUMULATED AMORTIZATION WATER		826.00	11
TO CORRECT AMORTIZATION EXPENSE 95-2000			

12

RETAINED EARNINGS	8,324.73		15
REVENUE WATER RESIDENTIAL	4,307.30		15
REVENUE WASTEWATER RESIDENTIAL	3,912.29		15
REVENUE GENERAL SERVICE WATER	4,475.03		15
REVENUE GENERAL SERVICE WASTEWATER	7,161.75		15
MISCELLANEOUS REVENUE LATE FEES	132.00		15
675 MAINTENANCE EXPENSE	221.05		15
INTEREST EXPENSE CUSTOMER DEPOSITS	2,468.56		15
CUSTOMER DEPOSITS	6,754.00		15
MISCELLANEOUS REVENUE CONNECTION FEES		6,151.00	15
MISCELLANEOUS REVENUE		3,520.98	15
MISCELLANEOUS REVENUE DISCONNECT		9,154.00	15
MISCELLANEOUS REVENUE RETURNED CHECK		1,088.19	15
MISCELLANEOUS REVENUE PULL METER		1,738.00	15
CASH		6,824.31	15
ACCOUNTS RECEIVABLE		9,280.23	15
CORRECT RECORDING OF THE BILLING REGISTER SEE EXCEPTION NO 15			

CASH	7,617.22		15
ACCOUNTS RECEIVABLE		7,617.22	15
TO RECORD NSF CHECKS			

BAD DEBT EXPENSE WATER	12,212.76		15
REVENUE GENERAL SERVICE WATER	1,923.00		15
REVENUE GENERAL SERVICE WASTEWATER	3,589.00		15
ACCOUNTS RECIEVABLE		3,792.72	15
MISCELLANEOUS REVENUE		1,221.49	15
BAD DEBT EXPENSE WASTEWATER		12,710.55	15
TO CORRECT COMPANY BAD DEBT RECORDING ERRORS			

MISCELLANEOUS REVENUE WATER	652.51		15
MISCELLANEOUS REVENUE WASTEWATER		652.51	15
TO RECORD LATE FEES 50/50			

ACCOUNTS RECEIVABLE	2,972.04		15
CASH		779.04	15
CUSTOMER DEPOSITS		693.00	15
MISCELLANEOUS RENT REVENUE		1,500.00	15
TO CORRECT CASH RECEIPTS POSTINGS			

ACCOUNTS RECIEVABLE	3,813.50		15
CUSTOMER DEPOSITS		3,813.50	15
TO CORRECT CUSTOMER DEPOSITS ENTRY TO PLUG			

ACCOUNTS RECEIVABLE	19,674.40		15
BAD DEBT EXPENSE WATER		19,674.40	15
REVERSE COMPANY BAD DEBT ENTRY TO PLUG			
NON-UTILITY EXPENSE	1,655.86		15
CASH	779.04		15
ACCOUNTS RECEIVABLE		2,434.90	15
TO REVERSE CO PLUG TO CASH			
CUSTOMER DEPOSITS	573.00		15
MISCELLANEOUS RENT REVENUE	750.00		15
ACCOUNTS RECEIVABLE		1,098.00	15
ACCUMULATED DEPRECIATION		225.00	15
TO CORRECT DUPLICATE ENTRY			
ACCOUNTS RECEIVABLE	792.91		15
CASH		792.91	15
TO CORRECT NSF CHECKS			
MISCELLANEOUS REVENUE WATER	361.04		15
ACCOUNTS RECEIVABLE		361.04	15
GROSS RECEIPTS TAX WATER			15
GROSS RECEIPTS TAX WATER			15
TAXES PAYABLE			15

13

FICA TAXES WATER	13,530.50		17
FICA TAXES WASTEWATER	13,530.50		17
FUTA AND SUTA TAXES WATER	2,155.00		17
FUTA AND SUTA TAXES WASTEWATER	2,155.00		17
658 WORKMEN'S COMP INSURANCE WATER	5,414.63		17
758 WORKMEN'S COMP INSURANCE WASTEWATER	5,414.63		17
635 CONTRACT SERVICES WATER	3,826.59		17
735 CONTRACT SERVICES WASTEWATER	3,826.59		17
604 EMPLOYEE BENEFITS WATER	3,452.08		17
704 EMPLOYEE BENEFITS WASTEWATER	3,452.08		17
601 SALARIES WATER		23,838.20	17
603 SALARIES OFFICERS WATER		4,540.60	17
701 SALARIES WASTEWATER		23,838.20	17
703 SALARIES OFFICERS WASTEWATER		4,540.60	17
TO CORRECT POSTING OF PAYROLL EXPENSES. SEE EXCEPTION NO. 17			

14

RETAINED EARNINGS	3,613.00		18
658 WORKMEN'S COMP INSURANCE WATER		1,806.50	18
758 WORKMEN'S COMP INSURANCE WASTEWATER		1,806.50	18
REMOVE 1999 WORKMEN'S COMP INSURANCE. SEE EXCEPTION NO. 18			

15

RETAINED EARNINGS	1,203.51		19
ELECTRIC EXPENSE WATER	7,686.34		19
ELECTRIC EXPENSE WASTEWATER	1,882.84		19
ELECTRIC DEPOSITS		10,772.69	19
TO CORRECT ELECTRIC EXPENSE TO ACTUAL INVOICES SEE EXCEPTION NO. 19			

16

RETAINED EARNINGS	5,596.64		20
610 PURCHASED WATER	2,316.16		20
ACCOUNTS PAYABLE		7,912.80	20
TO ACCRUE PURCHASED WATER. SEE EXCEPTION NO. 20.			

	17			
RETAINED EARNINGS		805.48		21
675 MISCELLANEOUS EXPENSE WATER			402.74	21
775 MISCELLANEOUS EXPENSE WASTEWATER			402.74	21
TO REMOVE 1999 EXPENSES FOR UNIFORMS SEE EXCEPTION NO. 21				
	18			
428 NON-UTILITY EXPENSE		850.00		22
675 MISCELLANEOUS EXPENSE WATER			425.00	22
775 MISCELLANEOUS EXPENSE WASTEWATER			425.00	22
TO REMOVE CONTRIBUTIONS SEE EXCEPTION NO 22				
	19			
ACCOUNTS RECEIVABLE AFFILIATE COMPANY		1,637.54		23
675 MISCELLANEOUS EXPENSE WATER			818.77	23
775 MISCELLANEOUS EXPENSE WASTEWATER			818.77	23
TO REMOVE DUPLICATE PARTY EXPENSES SEE EXCEPTION NO 23				
	20			
RETAINED EARNINGS		6,620.00		24
775 MISCELLANEOUS EXPENSE WASTEWATER			6,620.00	24
REMOVE OUT OF PERIOD LICENCE RENEWAL. SEE EXCEPTION NO. 24.				
	21			
ACCOUNTS RECEIVABLE AFFILIATE COMPANY		253.65		25
741 LAKE RENTAL			253.65	25
TO CORRECT LAKE RENTAL EXPENSE METER READINGS SEE EXCEPTION NO. 25				
	22			
RETAINED EARNINGS		1,133.11		26
736 LAKE TESTING		1,715.40		26
718 CHEMICALS WASTEWATER		72.70		26
618 CHEMICALS WATER		200.00		26
636 LAB TESTING WATER		28.00		26
736 LAB TESTING WASTEWATER			2,954.91	26
ACCOUNTS PAYABLE			194.30	26
TO CORRECT LAB TESTING ACCOUNT SEE EXCEPTION NO. 26				
	23			
PROPERTY TAXES WASTEWATER		3,062.00		27
INTEREST EXPENSE		260.00		27
PROPERTY TAXES WATER			3,322.00	27
	24			
ACCOUNTS RECIEVABLE		3,458.00		24
CUSTOMER DEPOSITS			3,458.00	24
TO CORRECT CASH RECEIVED FOR DEPOSITS SEE EXCEPTION NO 14				
CUSTOMER DEPOSITS		4,883.00		24
BAD DEBT EXPENSE WATER			2,338.00	24
BAD DEBT EXPENSE WASTEWATER			2,545.00	24
TO CORRECT CUSTOMER DEPOSITS FOR ACCOUNTS WRITTEN OFF. SEE EXCEPTION NO 14				
MISCELLANEOUS EXPENSE		145.00		24
CUSTOMER DEPOSITS			145.00	24
TO CORRECT AMOUNT PAID PER EXCEPTION 14 TO THE TOWN OF DAVIE.				
	25			
REVENUE WATER		15,735.99		16
REVENUE WASTEWATER		37,725.47		16
REGULATORY ASSESMENT FEES WATER			4,235.00	16
REGULATORY ASSESMENT FEES WASTEWATER			1,265.12	16
PROFORMA REVENUE			47,961.34	16
TO CORRECT PROFORMA REVENUE FOR BILLING ANALYSIS ERRORS SEE EXCEPTION NO 16				
		1,508,411.27	1,508,411.27	

FERNCREST UTILITIES
JOURNAL ENTRIES SORTED BY RATE BASE AND NOI CLASSIFICATION
TEST YEAR ENDED DECEMBER 31, 2000

	ADJUSTMENT	EXCEPTION
REVENUE WATER RESIDENTIAL	4,307.30	15
	4,307.30	
REVENUE GENERAL SERVICE WATER	4,475.03	15
REVENUE GENERAL SERVICE WATER	1,923.00	15
	6,398.03	
MISCELLANEOUS REVENUE	(3,520.98)	15
MISCELLANEOUS REVENUE	(1,221.49)	15
MISCELLANEOUS REVENUE DISCONNECT	(9,154.00)	15
MISCELLANEOUS REVENUE CONNECTION FEES	(6,151.00)	15
MISCELLANEOUS REVENUE LATE FEES	132.00	15
MISCELLANEOUS REVENUE PULL METER	(1,738.00)	15
MISCELLANEOUS REVENUE RETURNED CHECK	(1,088.19)	15
MISCELLANEOUS REVENUE WATER	361.04	15
MISCELLANEOUS REVENUE WATER	652.51	15
	(21,728.11)	
TOTAL ALL WATER REVENUE	(11,022.78)	
601 SALARIES WATER	(23,838.20)	17
603 SALARIES OFFICERS WATER	(4,540.60)	17
604 EMPLOYEE BENEFITS WATER	3,452.08	17
610 PURCHASED WATER	2,316.16	20
618 CHEMICALS WATER	200.00	26
620-MATERIAL AND SUPPLIES WATER	(4,508.61)	4
620 MAINTENANCE GENERAL PLANT WATER	(835.55)	6
620 MATENANCE PUMP PLANT WATER	(4,944.14)	6
620 MATERIALS AND SUPPLIES WATER	(2,155.49)	8
635 CONTRACT SERVICES WATER	3,826.59	17
636 LAB TESTING WATER	28.00	26
658 WORKMEN'S COMP INSURANCE WATER	5,414.63	17
658 WORKMEN'S COMP INSURANCE WATER	(1,806.50)	18
675 MAINTENANCE EXPENSE	221.05	15
675 MISCELLANEOUS EXPENSE WATER	(402.74)	21
675 MISCELLANEOUS EXPENSE WATER	(425.00)	22
675 MISCELLANEOUS EXPENSE WATER	(818.77)	23
675 MISCELLANEOUS EXPENSE WATER	145.00	14
BAD DEBT EXPENSE WATER	(2,338.00)	14
BAD DEBT EXPENSE WATER	(19,674.40)	15
BAD DEBT EXPENSE WATER	12,212.76	15
ELECTRIC EXPENSE WATER	7,686.34	19
	(30,785.39)	
AMORTIZATION EXPENSE WATER	73.00	11
AMORTIZATION EXPENSE WATER	(179.59)	10
AMORTIZATION EXPENSE WATER	5,945.00	1
	5,838.41	
DEPRECIATION EXPENSE WATER	101.44	4
DEPRECIATION EXPENSE WATER	26.94	8
DEPRECIATION EXPENSE WATER	144.49	6
DEPRECIATION EXPENSE WATER	(3,794.46)	2
WATER DEPRECIATION EXPENSE	(409.00)	1
	(3,930.59)	
TOTAL DEPRECIATION AND AMORTIZATION	1,907.82	

FICA TAXES WATER	13,530.50	17
FUTA AND SUTA TAXES WATER	2,155.00	17
PROPERTY TAXES WATER	(3,322.00)	27
	12,363.50	
REVENUE WASTEWATER RESIDENTIAL	3,912.29	15
REVENUE WATER	666.00	10
	4,578.29	
REVENUE GENERAL SERVICE WASTEWATER	7,161.75	15
REVENUE GENERAL SERVICE WASTEWATER	3,589.00	15
	10,750.75	
MISCELLANEOUS REVENUE WASTEWATER	(652.51)	15
MISCELLANEOUS RENT REVENUE	(1,500.00)	15
MISCELLANEOUS RENT REVENUE	750.00	15
	(750.00)	
TOTAL ALL WASTEWATER REVENUE	13,926.53	
701 SALARIES WASTEWATER	(23,838.20)	17
703 SALARIES OFFICERS WASTEWATER	(4,540.60)	17
704 EMPLOYEE BENEFITS WASTEWATER	3,452.08	17
718 CHEMICALS WASTEWATER	72.70	26
720-COMPUTER EXPENSES	(2,481.94)	5
720 MAINTENANCE PUMPING SYSTEM	(6,400.00)	7
720 MATERIALS AND SUPPLIES WASTEWATER	(2,155.49)	8
735 CONTRACT SERVICES WASTEWATER	3,826.59	17
736 LAB TESTING WASTEWATER	(2,954.91)	26
736 LAKE TESTING	1,715.40	26
741 LAKE RENTAL	(253.65)	25
758 WORKMEN'S COMP INSURANCE WASTEWATER	5,414.63	17
758 WORKMEN'S COMP INSURANCE WASTEWATER	(1,806.50)	18
775 MISCELLANEOUS EXPENSE WASTEWATER	(425.00)	22
775 MISCELLANEOUS EXPENSE WASTEWATER	(818.77)	23
775 MISCELLANEOUS EXPENSE WASTEWATER	(6,620.00)	24
775 MISCELLANEOUS EXPENSE WASTEWATER	(402.74)	21
BAD DEBT EXPENSE WASTEWATER	(2,545.00)	14
BAD DEBT EXPENSE WASTEWATER	(12,710.55)	15
ELECTRIC EXPENSE WASTEWATER	1,882.84	19
EQUIPMENT RENTAL EXPENSE	(19,377.00)	3
	(70,966.11)	
AMORTIZATION EXPENSE WASTEWATER	(22.89)	10
AMORTIZATION EXPENSE WASTEWATER	(1,163.00)	11
AMORTIZATION EXPENSE WASTEWATER	3,705.00	1
	2,519.11	
DEPRECIATION EXPENSE WASTEWATER	(422.72)	2
DEPRECIATION EXPENSE WASTEWATER	176.00	7
DEPRECIATION EXPENSE WASTEWATER	248.19	5
DEPRECIATION EXPENSE WASTEWATER	2,334.00	3
DEPRECIATION EXPENSE WASTEWATER	33.67	8
WASTEWATER DEPRECIATION EXPENSE	167.00	1
	2,536.14	
TOTAL DEPRECIATION AND AMORTIZATION	5,055.25	
FUTA AND SUTA TAXES WASTEWATER	2,155.00	17
FICA TAXES WASTEWATER	13,530.50	17
PROPERTY TAXES WASTEWATER	3,062.00	27
	18,747.50	

428 NON-UTILITY EXPENSE	850.00	22
NON-UTILITY EXPENSE	1,655.86	15
	2,505.86	
PLANT ACCOUNT 302.11 WATER PLANT	(2,500.00)	2
PLANT ACCOUNT 304 WATER STRUCTURES AND IMPROVEMENTS	2,155.49	8
PLANT ACCOUNT 304.31 WATER PLANT	(42,745.00)	2
PLANT ACCOUNT 311 WATER PUMP EQUIPMENT	5,779.69	6
PLANT ACCOUNT 320 WATER TREATMENT EQUIPMENT	4,508.61	4
PLANT ACCOUNT 320.31 WATER PLANT	(9,460.00)	2
PLANT ACCOUNT 344.51 WATER PLANT	(2,000.00)	2
PLANT ACCOUNT 399.01 WATER PLANT	(21,000.00)	2
WATER PLANT	111,136.00	1
	45,874.79	
ACCUMULATED DEPRECIATION WATER	(101.44)	4
ACCUMULATED DEPRECIATION WATER	(7,549.00)	1
ACCUMULATED DEPRECIATION WATER	22,766.75	2
ACCUMULATED DEPRECIATION WATER	126,490.00	9
ACCUMULATED DEPRECIATION WATER	(26.94)	8
ACCUMULATED DEPRECIATION WATER	(144.49)	6
	141,434.88	
CIAC WATER	(6,169.00)	10
CIAC WATER	(111,136.00)	1
	(117,305.00)	
ACCUMULATED AMORTIZATION CIAC WATER	(3,160.00)	11
ACCUMULATED AMORTIZATION WATER	(4,135.00)	1
ACCUMULATED AMORTIZATION WATER	(826.00)	11
ACCUMULATED AMORTIZATION WATER	275.25	10
	(7,845.75)	
PLANT ACCOUNT 354-WASTEWATER STRUCTURES AND IMPROV.	2,155.49	8
PLANT ACCOUNT 354 WASTEWATER	74,702.00	3
PLANT ACCOUNT 364 WASTEWATER FLOW MEASURING	2,481.94	5
PLANT ACCOUNT 371 WASTEWATER PUMPING	6,400.00	7
PLANT ACCOUNT 371.32 WASTEWATER PLANT	28,191.00	2
PLANT ACCOUNT 389.42 WASTEWATER PLANT	2,000.00	2
PLANT ACCOUNT 399.02 WASTEWATER PLANT	(21,000.00)	2
WASTEWATER PLANT	111,135.00	1
	206,065.43	
ACCUMULATED DEPRECIATION	(225.00)	15
ACCUMULATED DEPRECIATION WASTEWATER	(5,836.00)	3
ACCUMULATED DEPRECIATION WASTEWATER	(176.00)	7
ACCUMULATED DEPRECIATION WASTEWATER	2,536.33	2
ACCUMULATED DEPRECIATION WASTEWATER	(33.67)	8
ACCUMULATED DEPRECIATION WASTEWATER	(57,897.00)	9
ACCUMULATED DEPRECIATION WASTEWATER	(11,197.00)	1
ACCUMULATED DEPRECIATION WASTEWATER	(248.19)	5
	(73,076.53)	
CIAC WASTEWATER	(765.00)	10
CIAC WASTEWATER	(111,135.00)	1
	(111,900.00)	
ACCUMULATED AMORTIZATION CIAC WASTEWATER	(10,230.00)	11
ACCUMULATED AMORTIZATION WASTEWATER	30.54	10
ACCUMULATED AMORTIZATION WASTEWATER	1,127.00	11
ACCUMULATED AMORTIZATION WASTEWATER	3,705.00	1
	(5,367.46)	

CUSTOMER DEPOSITS	(3,813.50)	15
CUSTOMER DEPOSITS	(3,458.00)	14
CUSTOMER DEPOSITS	4,883.00	14
CUSTOMER DEPOSITS	(145.00)	14
CUSTOMER DEPOSITS	573.00	15
CUSTOMER DEPOSITS	(693.00)	15
CUSTOMER DEPOSITS	6,754.00	15
	4,100.50	

RETAINED EARNINGS	(16,185.00)	3
RETAINED EARNINGS	(21,085.90)	2
RETAINED EARNINGS	6,620.00	24
RETAINED EARNINGS	9,768.00	1
RETAINED EARNINGS	1,133.11	26
RETAINED EARNINGS	3,502.00	3
RETAINED EARNINGS	(103.31)	10
RETAINED EARNINGS	805.48	21
RETAINED EARNINGS	5,596.64	20
RETAINED EARNINGS	68,514.00	2
RETAINED EARNINGS	789.00	11
RETAINED EARNINGS	13,390.00	11
RETAINED EARNINGS	3,613.00	18
RETAINED EARNINGS	1,203.51	19
RETAINED EARNINGS	2,403.50	10
RETAINED EARNINGS	(68,593.00)	9
RETAINED EARNINGS	8,324.73	15
	19,695.76	

ACCOUNTS PAYABLE	(194.30)	26
ACCOUNTS PAYABLE	(7,912.80)	20
ACCOUNTS RECEIVABLE	(9,280.23)	15
ACCOUNTS RECEIVABLE	2,972.04	15
ACCOUNTS RECEIVABLE	3,364.50	10
ACCOUNTS RECEIVABLE	(2,434.90)	15
ACCOUNTS RECEIVABLE	792.91	15
ACCOUNTS RECEIVABLE	19,674.40	15
ACCOUNTS RECEIVABLE	3,458.00	14
ACCOUNTS RECEIVABLE	(7,617.22)	15
ACCOUNTS RECEIVABLE	(1,098.00)	15
ACCOUNTS RECEIVABLE	(361.04)	15
ACCOUNTS RECEIVABLE AFFILIATE	500.00	10
ACCOUNTS RECEIVABLE AFFILIATE COMPANY	1,637.54	23
ACCOUNTS RECEIVABLE AFFILIATE COMPANY	253.65	25
ACCOUNTS RECIEVABLE	(3,792.72)	15
ACCOUNTS RECIEVABLE	3,813.50	15
CASH	(6,824.31)	15
CASH	779.04	15
CASH	(779.04)	15
CASH	7,617.22	15
CASH	(792.91)	15
DEFERRED INTEREST	30,991.00	3
DEFERRED INTEREST	(6,715.00)	3
DEFERRED INTEREST	(5,682.00)	3
ELECTRIC DEPOSITS	(10,772.69)	19
INTEREST EXPENSE	5,682.00	3
INTEREST EXPENSE	260.00	27
INTEREST EXPENSE CUSTOMER DEPOSITS	2,468.56	15
LEASE PAYABLE	(105,693.00)	3
LEASE PAYABLE	22,900.00	3
LEASE PAYABLE	19,377.00	3