



ORIGINAL

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COMMISSION
CLERK

July 9, 2004

Blanca S. Bayo, Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Building, Room 110
Tallahassee, Florida 32399-0850

Via hand delivery

Re: Docket No. 030998-WS: Joint Application for Approval of the Transfer of Majority Organizational Control of Del Tura Phase I, LLC and CWS Communities LP as the Result of the Acquisition by Hometown America, L.L.C. of the Stock of Chateau Communities, Inc.

Dear Ms. Bayo:

This letter is the response **to the** following final audit reports prepared in this docket:

1. Final audit report for CWS Communities, LP as of October 16, 2003, audit control No. 03-353-3-1 (Orlando District Office).
2. Final audit report for CWS Communities, LP d/b/a Palm Valley as of October 16, 2003, audit control No. 03-353-3-2 (Orlando District Office).
3. Final audit report for Del Tura Phase I, LLC as of October 16, 2003, audit control No. 03-353-3-3 (Miami District Office).

CMP _____ The audit reports were reviewed **by** the company's rate consultant, *Gary Morse*, and the
COM _____ undersigned on behalf of Hometown America.

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CTR _____ CWS Communities LP (serving the Haselton community).
ECR _____

Mas
FPSC-BUREAU OF RECORDS

a _____ Please note that although the title page to the audit report identifies the Utility with a
OPC _____ d/b/a of "Haselton Village," the certificated **name** of the utility is "CWS Communities LP" with
MMS _____ no d/b/a.

RCA _____ Exception No. 1: The Utility is currently in the process of assuring that its records are
SCR _____ maintained in compliance with the NARUC Uniform System of Accounts as required **by** Rule
SEC 1 _____ 25-30.115, Florida Administrative Code. The Utility believes that it **has** established a correct
OTH _____ TAL:49389:1

07486 9 90

RUDEN, McCLOSKEY, SMITH, SCHUSTER & RUSSELL, P.A.

FPSC-COMMISSION CLERK

Letter to Blanca Bayo

July 9, 2004

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cross reference to the Hometown America Corporate accounts, **and** now has a general ledger set **up** according to the **NARUC** system of accounts and is using it for monthly expenses and utility assets. The accounting headquarters in Chicago has been provided with written **procedures** to assure this compliance. General Ledger books and copies of all supporting invoices will be maintained in Florida at the Utility's local office within the next **30 days**. **The** Utility has a meeting scheduled for July **14**, 2004 with the Orlando District auditing staff to review the written procedures **and books in order** to verify this compliance.

Exception No. 2: The **audit** staff could not document utility plant in service at March, **1999**. However, plant additions from March 1999 through October **2003** were documented. **The** Utility will perform an original cost study to support **the** investment in plant and lines. It is anticipated that **the** study will **be** completed prior to any application for rate increase.

Exception No. 3: The Utility is researching facts relevant to this exception and will discuss **this** exception with the Orlando District auditing staff during the July 14, 2004 scheduled meeting.

Exception No. 4: The Utility accepts the staff's analysis. However, **when** the Utility conducts **the** original cost study referred to **above**, it will perform an analysis of **CIAC** and related amortization.

Del Tura Phase I, LLC

Exception 1: Del Tura Phase I, LLC is the certificated utility. Therefore the deed showing that Del Tura Phase I, LLC owns the land upon which the utility is located meets the requirements of Rule 25-30.037(3), Florida Administrative Code. No additional deed is required or necessary.

Exception 2: The Utility has no objection to the recommended adjustments of \$237,646 to various plant accounts and **\$43,073** to accumulated depreciation. **The** Utility believes that it is **proper** to use the prescribed depreciation rates set forth in Rule 25-30.140 for **Class B** utilities.

Exception 3: The field audit staff **was** provided with numerous contractor invoices in support of annual plant additions as shown in **the** respective **annual** reports. However, the audit **staff** could not match the invoice amounts to the amounts shown in the annual reports for the years **1996**, 1999, **and** 2000 amounting to \$60,120 in total. The Utility believes that **the** documentation provided to the audit staff was sufficient to justify the plant additions. The documentation provided to the audit staff was sufficient to justify the \$60,120 in plant additions. To the extent the annual reports **have** not in the past accurately reflected this amount, it will be corrected in the 2004 annual report.

Exception No. 4: The Utility has no objection **to** this calculation.

Exception No. 5: Same response **as** that given **by** CWS Communities LP, Exception No. 1, above.

Audit Disclosure No. 2: The company has made an attempt to research why the Wayne's Diversified invoices did not get booked to the Utility Business Unit. According to the GL's for 2000 through 2003 for the parent company which are in the possession of Hometown **and** attached hereto, several of these invoices were in fact booked as capital additions to the parent business unit **and** for some unexplained reason were never picked up **and** booked to the utility business unit as capital additions. As such, these would not have been recognized as plant additions in the respective annual reports filed with the Commission. As these are proper capital additions for the utility, the utility, with the Commission's permission, should make the necessary entries moving forward to recognize same. As seen on the attached pages, nine capital items are cross referenced with check marks and identified totaling some \$130,638. At a minimum, the utility should be afforded **an** opportunity to have this amount reflected in its rate base. The utility will conduct further research to identify the remaining items and will make every effort to insure that contractors provide full **and** detailed descriptions of all work performed.

CWS Communities LP, d/b/a Palm Valley

Exception No. 1: *See* response to CWS Communities LP Exception No. 1, above.

Exception No. 2: The Utility has no objection to this exception.

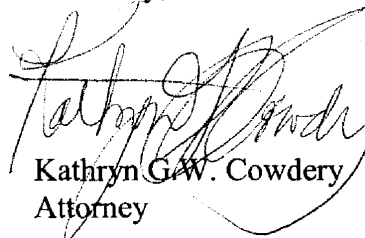
Exception No. 3: The Utility has no objection to this exception.

Exception No. 4: The Utility has no objection to this exception.

Exception No. 5: The Utility has no objection to this exception.

Please contact me if you have any questions.

Sincerely,



Kathryn G.W. Cowdery
Attorney

Encs.

Cc (w/encs.): Stephanie Clapp (via hand delivery)
Denise Vandiver (via hand delivery)
Patti Daniel (via hand delivery)

Hometown America
G/L by Object Account

G/L Account	Account Description Explanation	Do Ty	Document	G/L		Amount		Current Balance	P		
				Date	Co	Debit	Credit		LT	C	Batch
	Hometown America LLC				00100						
5.1128.3080	Land Improvements-Well Hou				00100						
	EXCEL ENGINEERING CONSULTANT/DV		79893	9/30/2003		2,573.00			AA	P	1073340
	WAYNE'S DIVERSIFIED SERVICES	OV	78238	8/4/2003		13,300.00 ✓			AA	P	1056889
	Period Total					15,873.00		15,873.00			
	EXCEL ENGINEERING CONSULTANT/DV		77966	8/29/2003		685.00			AA	P	1052598
	Period Total					685.00		685.00			
	EXCEL ENGINEERING CONSULTANT/DV		70100	4/10/2003		335.00			AA	P	953025
	EXCEL ENGINEERING CONSULTANT/DV		70098	4/10/2003		559.00			AA	P	953004
	Period Total					894.00		894.00			
	WAYNE'S DIVERSIFIED SERVICES	OV	89199	3/28/2003		14,200.00 ✓			AA	P	939587
	WAYNE'S DIVERSIFIED SERVICES	OV	89201	3/28/2003		9,338.00 ✓			AA	P	939601
	WAYNE'S DIVERSIFIED SERVICES	OV	89203	3/28/2003		2,600.00 ✓			AA	P	939604
	Period Total					26,138.00		26,138.00			
	WAYNE'S DIVERSIFIED SERVICES	OV	65958	1/16/2003		21,300.00			AA	P	888164
	Period Total					21,300.00		21,300.00			

AUDIT DISCLOSURE NO. 2

SUBJECT: PLANT IN SERVICE INVOICES NOT INCLUDED IN ANNUAL REPORTS

STATEMENT OF FACTS: The company provided various invoices for the years 1998 through October 2003 which total \$439,464 .

AUDIT OPINION: Of this amount \$4,400 appear to be related to repairs which would have been expensed. Also, \$168,000 relate to contract payments for which no detail description was received, we tried to contact the vendor and to date we did not receive a response. Approximately \$48,110 are related to work performed at the irrigation station. The remaining balance is \$218,954. See the attached schedule.

These invoices were not capitalized in the annual report as utility plant in service. We cannot determine if they were capitalized by the development due to the condition of the books discussed in exception number 5. If they were expensed by the developer, they may be considered contributed property.

Depreciation was calculated for the these invoices in the event that the company is able to provide proof of payment by the utility. The accumulated depreciation for the \$218,954 as of October 31, 2003 is \$37,695 if the company's rates are used and \$42,169 if Rule 25-30.140, Florida Administrative Code is used. See the attached depreciation schedules.

RECAP OF INVOICES NOT ON ANNUAL REPORT

ALL INVOICES - VENDOR WAYNE'S DIVERSIFIED SERVICES		
1998		
11/3/98	One previously operated lamson regen blower Price to be deducted from cost of new units	\$1,400.00
5/29/98	Build two aluminum screen boxes and installed on plant	\$1,812.00
5/29/98	Removed, rewound and reinstalled 20 hp pump, replaced breaker. Damage by unknown power surge.	\$572.00 APPEARS TO BE RE IRRIGATION STATIK
4/10/98	Furnish and deliver 1 4003 M.D. blower	\$1,060.00
4/10/98	Furnish and install 1 15 hp previously used pump. all wiring, control devices, piping, valves and check valves. Replace broken 150 Amp, 600 volt main breaker	\$2,700.00 GOLF COURSE IRR
Total 1998		\$7,544.00
1999		
11/20/99	Modify lift stations as required. Add baffles to chlorine contact tank. Replace automatic three way valve.	\$41,000.00 ✓
10/1/99	Removed existing air diffusers, header and blowers. Installed new air system complete per contract	\$51,200.00
5/23/99	Installed 2 blowers at lift stations. Includes all breakers and starters.	\$4,000.00 ✓
4/26/99	same as 10/01	\$12,800.00 ✓
Total 1999		\$109,000.00
2000		
5/19/00	Furnish 2 - 1/2 hp Stainless steel Ebara pumps	\$782.00
5/15/00	Spare parts for sewer system, furnish and deliver	\$1,800.00 APPEARS TO BE RE
5/21/00	Furnish and install new lift station pumps and controls	\$27,000.00
8/13/00	Furnish and install new lift station pumps and controls	\$27,000.00
10/1/00	Remove existing surge pump control panel and install new; install new 2 hp Ebara pumps in surge	\$14,700.00 ✓
Total 2000		\$71,282.00
2001		
8/26/01	Furnish 2 -2hp pumps and 2 1hp pumps	\$4,200.00
2002		
12/18/02	Install new irrigation pumps and control panel	\$21,300.00 IRRIGATION STATI
4/12/02	Completion of mandated rehab and modifications added 1 new blower; added 2 new blower motors; replaced and rewired blower control panel so that all blowers are controlled from 1 source.	\$18,700.00 ✓
2/22/02	Mandated repairs (Needs more information from contractor)	\$85,000.00
12/17/02	Modify and renovate per specs and DEP instructions to conform to new permit limitations (Needs more information- from contractor)	\$83,000.00

\$208,000.00

2003

2/22/03	Install new pumps in backwash of filter Install new meter on mud well return Install new meters on irrigation effluent Install new pressure tank on irrigation	\$14,200.00	IRRIGATION STATION ✓
3/10/03	Removed and replaced burned out 200 amp 3 pole main breaker, removed and cleaned all diffuser drops, replaced 3 heads.	\$2,600.00	APPEARS TO BE REPAIR
3/10/03	Removed existing 75 hp split phase motor. Replaced with new 75 hp inverter duty motor. Removed step start split phase starter system and replaced with new soft start system. Had motor shaft cut down and rethreaded to fit new style motor	\$9,338.00	IRRIGATION PUMP ✓
6/14/03	Cleaned holding pond with track backhoe, installed pump station, pumps, controls installed new compressor	\$13,300.00	✓

Total 2003 through October \$39,438.00

Total \$439,464.00

\$4,400.00 Repair related
\$48,110.00 Irrigation station related
\$188,000.00 Contract related, not enough

Total used in report \$218,964.00

Using 10/31/03 as audit date - transfer 10/16/03

This invoice was recorded after transfer date

11/06/03	Installed new mag meter on back wash line. Installed controls on diverter valve to DEP specs Installed cross over valve and piping on surge tank air. Installed new gates on surge box, and new airlift pipes in clarifiers Removed 12" cross over pipe from air bay #1 to #2	\$14,200.00	
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From Date - 10/1/2000
 Thru Date - 12/30/2000

Account Description Explanation	Do Ty	Document	G/L Date	Co	Amount		Current Balance	P		Batch
					Debit	Credit		LT	C	
Shelton America LLC				00100						
Land Improvements-Undergro				00100						
C Capital/Fixed Assets	JE	843157	11/20/2000			18,930.00-		AA	P	83351
AYNE'S DIVERSIFIED SERVICES	OV	8791	11/6/2000-		14,700.00 ✓			AA	P	73085
Period Total					14,700.00	18,930.00-	4,230.00-			
Account Total					14,700.00	18,930.00-	4,230.00-			
Object Account Total					14,700.00	18,930.00-	4,230.00-			
Company Total			Posted		14,700.00	18,930.00-	4,230.00-			

Hometown America
G/L by Object Account

7/8/2004 8:53:24
Page 1
From Date 5/1/2000
Thru Date 6/30/2002

Account Description Explanation	Do Ty	Document	G/L Date	Co	Amount Debit	Credit	Current Balance	P LT	C C	Batch
Hometown America LLC				00100						
Land Improvement-Abovegrou				00100						
EXCEL ENGINEERING CONSULTANTPV	PV	290472	6/28/2002			.50-		AA	P	727185
EXCEL ENGINEERING CONSULTANTDV	DV	48772	6/19/2002		83.00			AA	P	723772
Period Total					83.00	.50-	92.50			
AQUASOURCE SVCS & TECH	PV	274530	5/15/2002			.10-		AA	P	701081
AQUASOURCE SVCS & TECH	PV	274547	5/15/2002			.40-		AA	P	701081
WAYNE'S DIVERSIFIED SERVICES	OV	45802	5/9/2002		18,700.00			AA	P	591368
AQUASOURCE SVCS & TECH	OV	45804	5/9/2002		11,802.00			AA	P	591369
AQUASOURCE SVCS & TECH	OV	45806	5/9/2002		1,567.00			AA	P	591370
Period Total					32,469.00	.50-	32,468.50			
WAYNE'S DIVERSIFIED SERVICES	OV	44947	4/29/2002		2,100.00			AA	P	583285
WAYNE'S DIVERSIFIED SERVICES	PV	255145	4/2/2002		1,000.00			AA	P	658301
Period Total					3,100.00		3,100.00			
WAYNE'S DIVERSIFIED SERVICES	OV	42580	3/28/2002		41,500.00			AA	P	655997
Period Total					41,500.00		41,500.00			
WAYNE'S DIVERSIFIED SERVICES	OV	38397	2/1/2002		41,500.00			AA	P	608697
Period Total					41,500.00		41,500.00			
Bank Deposit 1/11/02	JE	2061201	1/11/2002			131.65-		AA	P	586595
Period Total						131.65-	131.65-			
U S TENNIS & FITNESS	OV	35768	12/5/2001		631.06			AA	P	553209
INTERNATIONAL GOLF MAINTENANCE		207764	12/5/2001			199.70-		AA	P	553406
Period Total					631.06	199.70-	431.36			
MADER ELECTRIC MOTORS	OV	34448	11/29/2001		1,027.06			AA	P	549786
COAST PUMP & SUPPLY CO INC	OV	34634	11/15/2001		1,460.27			AA	P	541752
COAST PUMP & SUPPLY CO INC	OV	33675	11/7/2001		321.41			AA	P	527151
FURSLEY INC	OV	33671	11/7/2001		614.98			AA	P	527134
MK EXCAVATING & GRADING	OV	33669	11/7/2001		485.00			AA	P	527132
COAST PUMP & SUPPLY CO INC	OV	33677	11/7/2001		32.90			AA	P	527155
TAYLOR RENTAL	OV	33673	11/7/2001		131.85			AA	P	527147
Period Total					4,292.37		4,292.37			
HOME DEPOT	PV	189086	8/7/2001			.01-		AA	P	423387
Period Total						.01-	.01-			
HOME DEPOT	OV	28732	8/21/2001		3,804.56			AA	P	338539
CONNIE'S PLACE OF CERAMICS	OV	28740	8/21/2001		2,946.80			AA	P	339969

G/L by Object Account

Page -
 From Date - 1/1/1998
 Thru Date - 12/1/1998

Account Description Explanation	Do Ty	Document	G/L Co	Amount		Current Balance	P LT C	Batch
				Debit	Credit			
Hometown America LLC Land Improve-Underground			00100 00100					
AP8164	AP	41735	12/1/1999	41,000.00	✓		AA P	7676
Period Total				41,000.00		41,000.00		
AP6933	AP	29799	9/1/1999	4,000.00	✓		AA P	6623
Period Total				4,000.00		4,000.00		
AP5935	AP	109631	6/1/1999	40,000.00			AA P	9896
AP5935	AP	109631	6/1/1999	12,800.00	✓		AA P	9896
Period Total				52,800.00		52,800.00		
AP5214	AP	16385	4/1/1999	1,400.00			AA P	5444
Period Total				1,400.00		1,400.00		
AP2972	AP	94954	10/1/1998	16,320.00			AA P	10274
AP2968	AP	94950	10/1/1998	3,000.00			AA P	10273
Period Total				19,320.00		19,320.00		
AP2621	AP	91194	9/1/1998	1,210.00			AA P	9707
Period Total				1,210.00		1,210.00		