

ORIGINAL

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

**DATE:** January 11, 2005

**TO:** Bart Fletcher, Division of Economic Regulation

**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing *DNV*  
Division of Regulatory Compliance and Consumer Assistance

**RE:** **Docket No.** 040450-WS ; **Company Name:** Indiantown Company, Inc. ;  
**Audit Purpose:** Rate Case ; **Audit Control No.** 04-281-4-1

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 no confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (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

Robert M. Post, Jr., President  
Indiantown Company, Inc.  
P. O. Box 397  
Indiantown, FL 34956-0397

CMP \_\_\_\_\_  
COM \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_

Jeffrey S. Leslie, Vice President  
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P. O. Box 397  
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MMS \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_

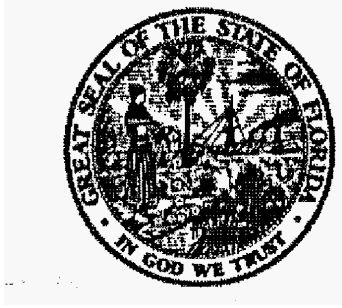
David B. Erwin, Esq.  
127 Riversink Road  
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## FLORIDA PUBLIC SERVICE COMMISSION

### *DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE*

*Miami District Office*

Indiantown Company, Inc.  
Rate Case Audit

YEAR ENDED DECEMBER 31, 2003

DOCKET #040450-WS  
AUDIT CONTROL NO. 04-281-4-1

Handwritten signature of Ruth K. Young in cursive script.

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*Ruth K. Young*  
*Audit Manager*

Handwritten signature of Iliana Piedra in cursive script.

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*Iliana Piedra*  
*Audit Staff*

Handwritten signature of Kathy Welch in cursive script.

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*Kathy Welch*  
*Public Utilities Supervisor*

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT**

**JANUARY 4, 2005**

**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 Capital Structure, for the historical 12-month period ended December 31, 2003 for Indiantown Company. These schedules were prepared by the company as part of its petition for rate relief in docket number 040450-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 definitions apply 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 amount 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 item was tested for accuracy and compared to the substantiating documentation.

**RATE BASE:** Traced components to filing schedules and to the general ledger. Plant additions since the last rate case were randomly tested to supporting documentation. Beginning balances for all components were traced to the last rate order. Verified the calculation of Allowance for Funds Used During Construction and determined compliance with the rules. Contracts and estimates for proforma adjustments were obtained for rate base items. Contributions in Aid of Construction additions were traced to contracts and new customers were determined. The plant was toured for unusual or retired items. Accumulated depreciation and amortization were recomputed.

**COST OF CAPITAL:** Traced components to General Ledger. Debt was traced to debt instruments. Company adjustments were traced to supporting documentation.

**NET OPERATING INCOME:** All revenue and expense accounts were traced to the general ledger. The billing analysis schedules were traced to monthly schedules and one month was traced back to the meter reading books. Expenses were randomly sampled and traced to invoices. Salaries were traced to W-2's. The management fee was recalculated using the three-factor method and expenses sampled to invoices. Affiliate billing was verified for the lower of cost or market. Taxes were traced to bills and tax returns. Adjustments to the filing were traced to supporting documentation.

**AUDIT EXCEPTION NO. 1**

**SUBJECT: ADDITIONS TO PLANT IN SERVICE**

**STATEMENT OF FACTS:**

2003 Additions

There was an addition for wireless equipment in account 340.05, Office Furniture and Equipment-Water, in the amount of \$3,119.94 on August 5, 2003. This amount was included in plant in service on plant schedule A-5, page 1 of 2. As of November 15, 2004 this equipment has not been hooked up and there are no plans at this time for hook up.

**OPINION:** The wireless equipment is not in use. Account 340.05-Water should be reduced by \$3,119.94. Accumulated depreciation and depreciation expense of 16.67% for ½ year should also be removed.

Journal Entry	<u>Debit</u>	<u>Credit</u>
Water Depreciation Expense		\$260
Water Accumulated Depreciation	\$260	

*Calculation of Expense at 16.67% for ½ Year*



## **AUDIT EXCEPTION NO. 2**

### **SUBJECT: PLANT RETIREMENTS**

**STATEMENT OF FACTS:** There were many replacements recorded in the plant in service accounts from June 30, 1999 through December 31, 2003 that were included in rate base in MFR Schedules A-1 and A-2. However, the company did not book any retirements for the majority of these items. A list of the items added to plant that did not have an associated retirement follows this exception. We could not calculate the amounts of the retirements, because the company could not determine either the original cost and/or when the items were put into service. NARUC Accounting Instruction 22.B(2) states that a retirement unit added to plant, when retired, should be credited to plant and debited to accumulated depreciation. **We have forwarded this list to the staff engineer for him to make a determination of original cost.**

**OPINION:** When an original cost is determined, journal entries need to be made to account for all the retirements.

**ADDITIONS TO PLANT WHERE ORIGINAL PLANT  
WAS NOT RETIRED**

<b>Date Acquired</b>	<b>Account</b>	<b>Water/WW</b>	<b>Description</b>	<b>Amount</b>	<b>Date Orig. In Service</b>	<b>Amount Orig. In Service</b>
<b>1999</b>						
08/01/99	370.0003	WW	Electric Pump Equipment  Replaced Pump 1 at Palm Beach Lift Station Hydromatic Pump with 30' Power Cord.	2,551.95	Late 60's	Unknown
<b>2000</b>						
07/17/00	371.0004	WW	Electric Pump Equipment Barney's Pump- upgrade from Original 1958 motors. 2 - 20 HP 3 Phase Motors and SS cable at Main gate lift station	1,357.78	1958	Unknown
03/07/00	380.0005	WW	Treatment Equipment Tripp Electric Motors-Blower #2 Motor replaced with 100 HP Blower Motor Replaced	3,858.80	Est 1982	Unknown
09/11/00	380.0005	WW	Treatment Equipment Chlorinators, Inc. Replaced chlorinator 100 PPD Capacity	1,842.98	Est 1980's	Unknown
10/24/00	371.0003	WW	Electric Pump Equipment Knights Construction New lift station for water plant replacing the septic tank which was abandoned. Needed per DEP Rules and Regs.	14,950.90	Septic Tank Unknown	Unknown
<b>2001</b>						
9/0/01	343.0005	WW	Transmission Mains Transfer from Construction Work in Process Replace Sewer Pipe with PVC	13,579.00	Est 1953	Unknown
12/0/01	331.0004	Water	Distribution Mains Transfer from Construction Work in Process New force main and water main crossing Rowland Canal. Replacement.	38,381.87	Est 1958	Unknown
12/0/01	361.0002	WW	Transmission Mains Transfer from Construction Work in Process New force main and water main crossing Rowland Canal. Replacement.	37,684.09	Est 1958	Unknown

Date Acquired	Account	Water/WW	Description	Amount	Date Orig. In Service	Amount Orig. In Service
12/0/01	335.0004	Water	Hydrants Semsco 5-1/4"Fire Hydrant with 60" bury plus 6" gate valve. 6" PVC and Megaloop and iron valve box. Replacement for one that was run over.	1,321.45	Unknown	Unknown
2/12/2001	371.0003	WW	Treatment Equipment Tampa Armature Works Inc New Stoddard air intake filter Replacement.	2,800.00	1982	Unknown
9/17/2001	371.0003	WW	Electric Pump Equipment Abor Casing Gaskets (bottom bowl of sewer pumps replaced)	4,382.45	Unknown	Unknown
<b>2002</b>						
12/0/02	371.0003	WW	Electric Pump Equipment Transfer from Construction Work in Process New Lift Station at Carrier Street	22,212.51	1969	5000.00
12/0/02	371.0003	WW	Electric Pump Equipment Transfer from Construction Work in Process Repairs and Additions to the 4th Street Lift Station	19,480.47	Unknown	Unknown

Detail of Items from CWIP for 4th Street Lift Station

4th St Lift Station	TLC Diversified Removing and Replacing Checks and plus valves \$4,935.00
	TLC Diversified Remounted plates for pump \$1,972
	Tripp Electric 15hP Submersible Motor Repair rather than replaced rewound motor" \$3,959.28

Date Acquired	Account	Water/WW	Description	Amount	Date Orig. In Service	Amount Orig. In Service
			Tripp Electric 15 HP Submersible Pump and Impeller - New No retirement	\$5,499.79		
			These items total \$16,366.07. The remainder of the \$19,480 are miscellaneous items.			
5/0/02	331.0004	Water	Distribution Mains Sheltra and Sons Remove Line and Route new Water with loop - Install new rather than replace old under the railroad tracks.	4,900.00	Unknown	Unknown
4/0/02	334.00	Water	Meter and Installation Master Meter Replace damaged meter	412.22	Unknown	Unknown
7/12/2002	380.00	WW	Treatment Equipment Avanti Company Water Specialties 8" digital vertical down flow meter	1,477.54	Unknown	Unknown
<b>2003</b>						
12/3/2003	354.00	Water	US Filter Treatment Structures Furnishing and installing new carbon steel influent box. Replace old one which was rusted out.	15,532.18	Unknown	Unknown
6/6/2003	304.00	Water	Structures New A/C unit - Cost net of insurance proceeds because of lightning strike. 1651.69-477.43=1174.26	1,174.26	Unknown	Unknown
8/3/2003	307.00	Water	Wells & Springs New Well Pump - Cost net of insurance proceeds because of lightening strike. 6412.19-1853.56=4558.63	4,558.63	Unknown	Unknown

Date Acquired	Account	Water/WW	Description	Amount	Date Orig. In Service	Amount Orig. In Service
9/9/2003	304.00	Water	Structures Blue Print Environmental Replace meter panel and valve injector	1,881.50	Unknown	Unknown
11/21/03	307.00	Water	Structures ITI Impulse, LLC Power Surge Replacement	1,047.47	Unknown	Unknown

### AUDIT EXCEPTION NO. 3

#### SUBJECT: COMPUTER PURCHASES

**STATEMENT OF FACTS:** From 1999 through the present there were additions to the computer account included in plant in service in rate base on MFR's A-1 and A-2, for computers that were replaced, but no retirements were booked. Also, some of these computers are used for the company's other divisions, Refuse and Roll-Off. 45% was allocated to water and wastewater each and 10% to the other two. This allocation is based on the percent of the administrative personnel salaries for water and wastewater to total salaries. The administrative personnel believe this is how they spend their time. There are no time sheets or calendars supporting this allocation. This allocation was also used in the prior rate case for the year ending June 30, 1999.

#### Computer Purchases

Date	Amount	Water	Wastewater	Refuse	Rolloff
2 Computers					
7/14/00	3,320.98	1,494.44	1,494.44	166.05	166.05

These were for two administrative employees whose time is allocated to the four divisions (45% Water, 45% Wastewater and 10% Other.) There were no retirements booked. The original cost on the company's 1998 depreciation schedule was \$3,520.79 for water and the same for wastewater.

#### 2 Computers

7/8/02	7,072.50	3,182.62	3,182.62	495.08	212.18
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The company states that these two computers for administrative employees replaced the ones purchased in 2000 above. There were no retirements booked.

#### 2 Computers

June 2003	\$7,127	7,127			
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The company had to purchase two new computers for the water and wastewater field staff in June 2003 for \$4,129 and a router for \$5,895.27 because of a lightning strike. Insurance proceeds of \$2,897 were received for the damaged computers. The company booked the net amount of \$7,127 in account 340.005, water only. These computers are for water and wastewater field staff only. The original cost is not known.

NARUC Accounting Instruction 22.B(2) states that if a retirement unit is added to plant, when retired, it should be credited to plant and debited to accumulated depreciation.

**OPINION:** The following retirements need to be booked:

Original Cost of Computers replaced in 2000

	<u>Debit</u>	<u>Credit</u>
Accumulated Depreciation Water	3,520.79	
Accumulated Depreciation Wastewater	3,520.79	
Plant in Service – Water		3,520.79
Plant in Service – Wastewater		3,520.79
Depreciation Expense Water @ 16.67		587.00
Depreciation Expense Wastewater		587.00
Retained Earnings	1,174.00	

Original Cost of Computers replaced in 2002

	<u>Debit</u>	<u>Credit</u>
Accumulated Depreciation Water	1,494.44	
Accumulated Depreciation Wastewater	1,494.44	
Plant in Service-Water		1,494.44
Plant in Service-Wastewater		1,494.44
Water Depreciation Expense @ 16.67		250.00
Wastewater Depreciation Expense @ 16.67		250.00
Retained Earnings	500.00	

Original Cost of Computers Replaced in 2003

The original cost of these computers and the router are unknown. The original cost needs to be determined and the items retired.

Entry for the Cost of New Computers and Router in 2003

Since these computers are also being used for wastewater a part of this should be allocated to wastewater.

	<u>Debit</u>	<u>Credit</u>
Computers-Wastewater	\$ 3,564	
Computers – Water		\$ 3,564
<i>Calculation of Expense at 16.67% for ½ Year</i>		
Accumulated Depreciation – Water	297	
Depreciation Expense – Water		297
Depreciation Expense – Wastewater	297	
Accumulated Depreciation – Wastewater		297

**AUDIT EXCEPTION NO. 4**

**SUBJECT: VEHICLE PLANT ACCOUNTS AND ACCUMULATED DEPRECIATION**

**STATEMENT OF FACTS:** There are vehicles included in the transportation accounts as of December 31, 2003, for water and wastewater that are no longer owned by the company.

	Water	Wastewater
Account 341/391 per General Ledger	\$ 84,104.51	\$ 23,194.05
According to Insurance Policy	<u>\$ 54,372.66</u>	<u>\$ 18,161.05</u>
Difference	\$ 29,731.85	\$ 4,943.00

Due to time limits we were not able to obtain the dates these vehicles were removed from service, and whether they were sold or scrapped. Therefore, we could not calculate the accumulated depreciation and depreciation expense entry necessary for year end December 31, 2003.

The balance in account 341.40, water transportation equipment, on December 31, 2003, was \$84,104.51. The accumulated balance was also \$84,104.51. The account became fully depreciated at the end of 2002. No expense was calculated for this account in 2003.

The balance in account 391.40, wastewater transportation equipment, on December 31, 2003, was \$23,104.05. On December 31, 2003, the accumulated balance was \$21,697. Depreciation expense recorded in 2003 was \$3,916.

The insurance expense is addressed in the audit exception regarding vehicle insurance.

**OPINION:** The utility should be required to submit the date sold, and amount of sale for each vehicle on the attached list that is no longer owned by the company. At that time an adjustment needs to be made to account for those vehicles no longer owned by the company.



VEHICLES IN GENERAL LEDGER AT 12/31/03  
VEHICLE ACCOUNT

	Description	Date	Vehicles in 2004 Insurance	Amount WATER	Amount WASTEWATER
1986	Ads	7/1/1986		700.00	
1986	Chevy Pickup	5/21/1991		11,887.20	
1991	Ford F-15	9/22/1993		11,232.88	
1996	Chevy Pickup	12/16/1993		1,962.00	
1995	Ads	1/1/1995		915.19	
1993	Chevy C-15	1/22/1996	Included in 2004	8,622.03	
1997	Ford Ranger	12/12/1996	Included in 2004	12,734.44	
1995	Ford P/U	7/1/1997	Included in 2004	10,500.00	
1997	Ads	6/17/1901		534.58	
1998	1998 Mitsubishi	7/1/1998		2,500.00	
1999	Dodge P/U -50% Red	9/30/1999	Included in 2004	9,454.96	
2001	Dodge Ram P/U 50% White	7/16/2001	Included in 2004	8,435.09	
2001	Toolbox and Lines for 2001 Ram	7/20/2001	Included in 2004	271.00	
2001	New Engine for 1993 Chevy Truck	8/20/2001		4,355.14	
	Used Van	5/31/1991			3,033.00
1998	Ads	7/1/1998			2,000.00
1999	Dodge P/U -50% Red	9/30/1999	Included in 2004		9,454.96
2001	Dodge Ram P/U 50% White	7/16/2001	Included in 2004		8,435.09
2001	Toolbox and Lines for 2001 Ram	7/20/2001	Included in 2004		271.00

Vehicles added to Insurance in 2004

2004	2004 Dodge Ram -1500-White	1/28/2004	Included in 2004	8,806.50	8,806.50
2004	2004 Dodge Ram -1500-White	1/28/2004	Included in 2004	8,806.50	8,806.50
2004	<b>1997 FORD P/U – BOOM</b>		Included in 2004	1,875.00	5,625.00

**VEHICLES ON INSURANCE IN 2004**

Description	Date	Vehicles in 2004 Insurance	Amount WATER	Amount WASTEWATER
1993 Chevy C-15	1/22/1996	Included in 2004	8,622.03	
1997 Ford Ranger	12/12/1996	Included in 2004	12,734.44	
1995 Ford P/U	7/1/1997	Included in 2004	10,500.00	
1999 Dodge P/U -50% Red	9/30/1999	Included in 2004	9,454.96	
2001 Dodge Ram P/U 50% White	7/16/2001	Included in 2004	8,435.09	
2001 Toolbox and Lines for 2001 Ram	7/20/2001	Included in 2004	271.00	
2001 New Engine for 1993 Chevy Truck	8/20/2001	Included in 2004	4,355.14	
1999 Dodge P/U -50% Red	9/30/1999	Included in 2004		9,454.96
2001 Dodge Ram P/U 50% White	7/16/2001	Included in 2004		8,435.09
2001 Toolbox and Lines for 2001 Ram	7/20/2001	Included in 2004		271.00
Revised 12/31/03 Vehicle Balance			54,372.66	18,161.05

**Vehicles added to Insurance in  
2004**

2004	2004 Dodge Ram -1500-White	1/28/2004	Included in 2004	8,806.50	8,806.50
2004	2004 Dodge Ram -1500-White	1/28/2004	Included in 2004	8,806.50	8,806.50
2004	1997 FORD P/U – BOOM		Included in 2004	1,875.00	5,625.00

**AUDIT EXCEPTION NO. 5**

**SUBJECT: ADJUSTMENT TO AMORTIZATION OF CIAC YEAR END 2003**

**STATEMENT OF FACTS:** The utility made an adjustment to year end 2003 amortization expense in MFR B-13 Water to increase amortization expense for \$4,479, and in MFR B-14 Wastewater, to decrease amortization expense for \$19,065. This adjustment was made to account for the revised composite CIAC rate. The rate was revised because of the recalculation of depreciation expense discussed in the audit disclosure regarding accumulated depreciation.

In auditing the source documentation for the revised amortization recalculation, the \$19,065 was not on the recalculated schedule. The amount for wastewater was \$16,035, a difference of \$3,030.

	Water	Wastewater
Per Company Recalculation	52,319	55,498
Amortization Adjusted B-13 and B-14	52,319	52,468
Difference	0	3,030

**OPINION:** Amortization of wastewater CIAC should be increased by \$3,030. This has the effect of decreasing wastewater depreciation expense for 2003.

**AUDIT EXCEPTION NO. 6**

**SUBJECT: HEALTH, DENTAL & DISABILITY INSURANCE EXPENSE FOR 2003**

**STATEMENT OF FACTS:** Health, dental and disability insurance for 2003 included in filing schedule B-1 and B-2 were allocated based on a set percent for each employee. Salaries were allocated based on time sheets filled out for field employees and a set percent for administrative employees.

Also, included in year end 2003 are costs for employees who no longer work at the company.

We recalculated the expense for 2003 using the salary allocation percents and removed costs for the employees who were no longer employed by the company.

	W A T E R			
	Health	Dental	Disability	Total
Year End per General Ledger	\$75,776.54	\$5,329.93	\$2,485.22	\$83,591.60
Staff Adjustments	(14,031.35)	( 191.55)	( 269.45)	(14,492.35)
Year End with Staff Adjustment	\$61,745.19	\$5,138.38	\$2,215.77	\$69,099.25

	W A S T E W A T E R			
	Health	Dental	Disability	Total
Year End per General Ledger	\$79,474.93	\$5,555.59	\$2,678.54	\$87,709.06
Staff Adjustments	(21,515.50)	( 841.12)	( 471.31)	(22,827.93)
Year End with Staff Adjustments	\$57,959.43	\$4,714.47	\$2,207.23	\$64,881.13

A schedule detailing the above adjustment follows this exception.

The proforma adjustment for 2004 includes the new employees and is addressed in the audit disclosure regarding health, dental and disability proforma expense.

**OPINION:** The year end 2003 balances for health, dental and disability expenses should be adjusted to reflect the salary allocation basis and to remove expenses for those employees who no longer work for the company. The health, dental and disability expense proforma is addressed in a separate disclosure.

Adjusting Journal Entry at 12/31/03	Debit	Credit
Retained Earnings – Water	14,492.35	
Retained Earnings – Wastewater	22,827.93	
Health Insurance – Water		14,031.35
Health Insurance – Wastewater		21,515.50
Dental Insurance – Water		191.55
Dental Insurance – Wastewater		841.12
Disability Insurance – Water		269.45
Disability Insurance – Wastewater		471.31

## RECALCULATION OF HEALTH, DENTAL AND DISABILITY INSURANCE FOR 2003

2003 Employee	Health Ins Prem For Year	Percentage			Allocation			Total
		Water	Sewer	Other	Water	Sewer	Other	
J. Hewett	13,297.08	38.45%	61.55%		5,112.73	8,184.35	0.00	13,297.08
D Smiley	7,756.63	2.92%	97.08%		226.49	7,530.14	0.00	7,756.63
R Guerrero	11,138.40	90.54%	9.46%		10,084.71	1,053.69	0.00	11,138.40
R Maine	13,297.08	54.64%	45.36%		7,265.52	6,031.56	0.00	13,297.08
D Johnson	18,006.12	32.23%	67.77%		5,803.37	12,202.75	0.00	18,006.12
E Watson	11,138.40	63.43%	36.57%		7,065.09	4,073.31	0.00	11,138.40
R Butts	6,002.04	72.64%	27.36%		4,359.88	1,642.16	0.00	6,002.04
E Smith	0.00		100.00%		0.00	0.00	0.00	0.00
M Abramson	18,006.12	45.00%	45.00%	10.00%	8,102.75	8,102.75	1,800.61	18,006.12
E Gentry	13,297.08	45.00%	45.00%	10.00%	5,983.69	5,983.69	1,329.71	13,297.08
W Hannah	13,297.08	25.00%	25.00%	50.00%	3,324.27	3,324.27	6,648.54	13,297.08
M Hernandez	18,006.12	50.00%	50.00%	0.00%	9,003.06	9,003.06	0.00	18,006.12
T Higgins	13,297.08	20.00%	20.00%	60.00%	2,659.42	2,659.42	7,978.25	13,297.08
J Buchannan	0.00	20.00%	20.00%	60.00%	0.00	0.00	0.00	0.00
A Smith	<u>0.00</u>	50.00%	50.00%	0.00%	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	156,539.23				68,990.98	69,791.14	17,757.11	156,539.23
Less: No longer employed								
D Smiley	7,756.63	2.92%	97.08%		226.49	7,530.14	0.00	7,756.63
R Butts	6,002.04	72.64%	27.36%		4,359.88	1,642.16	0.00	6,002.04
T Higgins	<u>13,297.08</u>	<u>20.00%</u>	<u>20.00%</u>	<u>60.00%</u>	<u>2,659.42</u>	<u>2,659.42</u>	<u>7,978.25</u>	<u>13,297.08</u>
Sub Total	27,055.75				7,245.79	11,831.71	7,978.25	27,055.75
Actual 2003, Less no longer employed								
	129,483.48				61,745.19	57,959.43	9,778.86	129,483.48
General Ledger								
					<u>75,776.54</u>	<u>79,474.93</u>		
	<b>Adjustment</b>	<b>Health</b>			(14,031.35)	(21,515.50)		

	Year					Other			
J. Hewett	941.28	38.45%	61.55%			361.92	579.36	0.00	941.28
D Smiley	549.08	2.92%	97.08%			16.03	533.05	0.00	549.08
R Guerrero	1,033.80	90.54%	9.46%			936.00	97.80	0.00	1,033.80
R Maine	941.28	54.64%	45.36%			514.32	426.96	0.00	941.28
D Johnson	1,581.00	32.23%	67.77%			509.56	1,071.44	0.00	1,581.00
E Watson	1,033.80	63.43%	36.57%			655.74	378.06	0.00	1,033.80
R Butts	527.00	72.64%	27.36%			382.81	144.19	0.00	527.00
E Smith			100.00%			0.00	0.00	0.00	0.00
M Abramson	1,581.00	45.00%	45.00%	10.00%		711.45	711.45	158.10	1,581.00
E Gentry	941.28	45.00%	45.00%	10.00%		423.58	423.58	94.13	941.28
W Hannah	941.28	25.00%	25.00%	50.00%		235.32	235.32	470.64	941.28
M Hernandez	1,581.00	50.00%	50.00%	0.00%		790.50	790.50	0.00	1,581.00
T Higgins	941.28	20.00%	20.00%	60.00%		188.26	188.26	564.77	941.28
J Buchanan		20.00%	20.00%	60.00%		0.00	0.00	0.00	0.00
A Smith		50.00%	50.00%	0.00%		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	12,593.08					5,725.48	5,579.96	1,287.64	12,593.08
Less: No longer employed									
D Smiley	549.08	2.92%	97.08%			16.03	533.05	0.00	549.08
R Butts	527.00	72.64%	27.36%			382.81	144.19	0.00	527.00
T Higgins	<u>941.28</u>	<u>20.00%</u>	<u>20.00%</u>	<u>60.00%</u>		<u>188.26</u>	<u>188.26</u>	<u>564.77</u>	<u>941.28</u>
	2,017.36					587.10	865.49	564.77	2,017.36
Actual 2003 less no longer employed									
	10,575.72	0.00	0.00	0.00	0.00	5,138.38	4,714.47		
		2003				<u>5,329.93</u>	<u>5,555.59</u>		
		General							
		Ledger							
<b>Adjustment</b>		<b>Dental</b>	<b>Insurance</b>			<u>(191.55)</u>	<u>(841.12)</u>		

**DISABILITY INSURANCE**

2003 Employee	Disability Ins Premium for Year	Percentages			Allocation			Total
		Water	Sewer	Other	Water	Sewer	Other	
J. Hewett	800.04	38.45%	61.55%		307.62	492.42	0.00	800.04
D Smiley	370.72	2.92%	97.08%		10.83	359.89	0.00	370.72
R Guerrero	327.12	90.54%	9.46%		296.17	30.95	0.00	327.12
R Maine	340.92	54.64%	45.36%		186.28	154.64	0.00	340.92
D Johnson	594.72	32.23%	67.77%		191.68	403.04	0.00	594.72
E Watson	401.52	63.43%	36.57%		254.68	146.84	0.00	401.52
R Butts	90.48	72.64%	27.36%		65.72	24.76	0.00	90.48
E Smith			100.00%		0.00	0.00	0.00	0.00
M Abramson	694.20	45.00%	45.00%	10.00%	312.39	312.39	69.42	694.20
E Gentry	654.84	45.00%	45.00%	10.00%	294.68	294.68	65.48	654.84
W Hannah	765.72	25.00%	25.00%	50.00%	191.43	191.43	382.86	765.72
M Hernandez	361.68	50.00%	50.00%	0.00%	180.84	180.84	0.00	361.68
T Higgins	687.12	20.00%	20.00%	60.00%	137.42	137.42	412.27	687.12
J Buchannan		20.00%	20.00%	60.00%	0.00	0.00	0.00	0.00
A Smith		50.00%	50.00%	0.00%	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	6,089.08				2,429.74	2,729.30	930.04	6,089.08
Less: No longer employed								
D Smiley	370.72	2.92%	97.08%		10.83	359.89	0.00	370.72
R Butts	90.48	72.64%	27.36%		65.72	24.76	0.00	90.48
T Higgins	<u>687.12</u>	<u>20.00%</u>	<u>20.00%</u>	<u>60.00%</u>	<u>137.42</u>	<u>137.42</u>	<u>412.27</u>	<u>687.12</u>
	1,148.32				213.97	522.07	412.27	1,148.32
Actual 2003 less no longer employed								
	4,940.76				2,215.77	2,207.23	517.76	4,940.76
2003 General Ledger					<u>2,485.22</u>	<u>2,678.54</u>		
<b>Adjustment</b>		<b>Disability</b>	<b>Insurance</b>		<b><u>(269.45)</u></b>	<b><u>(471.31)</u></b>		

**AUDIT EXCEPTION NO. 7**

**SUBJECT: LIABILITY INSURANCE EXPENSE**

**STATEMENT OF FACTS:** The general liability insurance is allocated based on utility plant in service between the four divisions of Indiantown Company (water, wastewater, refuse and Rolloff). The amounts recorded for 2003 are 2-1/2 months for 2002 and 9-1/2 for 2003. Staff recalculated the allocations using the actual costs for all of 2003.

	<u>Water</u>	<u>Wastewater</u>
Recalculation using Actual insurance policies	\$17,865	\$27,050
Recorded in filing and General Ledger	<u>\$19,068</u>	<u>\$29,480</u>
Difference	\$ (1,381)	\$( 2,429)

A schedule detailing the difference follows this exception.

**OPINION:** The amounts recorded in the filing should be reduced by \$1,381 for water and \$2,429 for wastewater to reflect actual 2003 liability insurance expense.



## LIABILITY INSURANCE FOR 2003

### 10/15/02 to 10/15/03

	Premium (A)	Water**	WW**	Refuse	Roll-Off	NOTE A
		0.34	0.52	0.09	0.05	
Commercial General liability 10/15/02 to 10/15/03	23,729.36	8,067.98	12,339.27	2,135.64	1,186.47	Yes
Umbrella Policy 10/15/02 to 10/15/03	<u>26,361.86</u>	<u>8,963.03</u>	<u>13,708.17</u>	<u>2,372.57</u>	<u>1,318.09</u>	Yes
	50,091.22	17,031.01	26,047.43	4,508.21	2,504.56	
Less 2-1/2 Months in 02						
Commercial General	(4,943.62)	(1,680.83)	(2,570.68)	(444.93)	(247.18)	
Umbrella	<u>(5,492.05)</u>	<u>(1,867.30)</u>	<u>(2,855.87)</u>	<u>(494.28)</u>	<u>(274.60)</u>	
	39,655.55	13,482.89	20,620.89	3,569.00	1,982.78	

### 10/15/03 to 10/15/04

	Premium (A)	Water***	WW***	Refuse	Roll-Off	
		0.34	0.52	0.09	0.05	
Commercial General liability 10/15/03 to 10/15/04	29,831.00	10,142.54	15,512.12	2,684.79	1,491.55	yes
Umbrella Policy 10/15/03 to 10/15/04	<u>29,520.86</u>	<u>10,037.09</u>	<u>15,350.85</u>	<u>2,656.88</u>	<u>1,476.04</u>	yes
	59,351.86	20,179.63	30,862.97	5,341.67	2,967.59	
2-1/2 Months in 03						
Commercial General	6,214.79	2,113.03	3,231.69	559.33	310.74	
Umbrella	<u>6,150.18</u>	<u>2,091.06</u>	<u>3,198.09</u>	<u>553.52</u>	<u>307.51</u>	
2/12 months in 03	12,364.97	4,204.09	6,429.78	1,112.85	618.25	
9-1/2 Months in 03	<u>39,655.55</u>	<u>13,482.89</u>	<u>20,620.89</u>	<u>3,569.00</u>	<u>1,982.78</u>	
12 Months in 03	52,020.52	17,686.98	27,050.67	4,681.85	2,601.03	
Per General Ledger		<u>19,068.00</u>	<u>29,480.00</u>			
		(1,381.02)	(2,429.33)			

\*\* Allocation percents based on gross plant as of 10/31/02

\*\*\* Allocation percents based on gross plant as of 10/31/03

#### NOTE A

Premium column agrees with paid invoice. Time frame on invoice agrees with time frame on policy

**AUDIT EXCEPTION NO. 8**

**SUBJECT: WORKMEN'S COMPENSATION INSURANCE**

**STATEMENT OF FACTS:** The workmen's compensation insurance included in expenses in B-1 and B-2 is allocated based on salaries between the four divisions of Indiantown Company (water, wastewater, refuse and roll/off). The amounts recorded for 2003 are 2-1/2 months for 2002 and 9-1/2 for 2003. Staff recalculated the allocations using the actual costs for all of 2003.

	<u>Water</u>	<u>Wastewater</u>
Recalculation using Actual insurance policies	\$ 18,706	\$ 22,447
Recorded in filing and General Ledger	<u>\$ 18,311</u>	<u>\$ 25,313</u>
Difference	395	\$ ( 2,866)

A schedule detailing the difference follows this exception.

**OPINION:** The amounts recorded in the MFR's should be increased by \$395 for water and reduced by \$2,866 for wastewater to reflect actual 2003 workmen's compensation insurance expense.

**WORKMEN'S COMPENSATION INSURANCE 2003**  
**10/15/02 to 10/15/03**

	<b>Premium (A)</b>	<b>Water**</b>	<b>WW**</b>	<b>Refuse</b>	<b>Roll-Off</b>
		25.00%	30.00%	29.00%	16.00%
Workmen's Comp 10/15/02 to 10/15/03	79,774.30	19,943.58	23,932.29	23,134.55	12,763.89
Less 2-1/2 Months in 02 Workmen's Comp 9-1/2 Months 03	<u>(16,619.65)</u>	<u>(4,154.91)</u>	<u>(4,985.89)</u>	<u>(4,819.70)</u>	<u>(2,659.14)</u>
	<u>63,154.65</u>	<u>15,788.66</u>	<u>18,946.40</u>	<u>18,314.85</u>	<u>10,104.74</u>

**10/15/03 to 10/15/04**

	<b>Premium (A)</b>	<b>Water***</b>	<b>WW***</b>	<b>Refuse</b>	<b>Roll-Off</b>
		25.00%	30.00%	29.00%	16.00%
Workmen's Comp 10/15/03 to 10/15/04	<u>84,359.28</u>	<u>21,089.82</u>	<u>25,307.78</u>	<u>24,464.19</u>	<u>13,497.48</u>
2-1/2 Months in 03 Workmen's Comp	17,574.85	4,393.71	5,272.46	5,096.71	2,811.98
Plus 9-1/2 03	<u>63,154.65</u>	<u>15,788.66</u>	<u>18,946.40</u>	<u>18,314.85</u>	<u>10,104.74</u>
12 Months in 03 Credit from Workmen's comp	80,729.50	20,182.38	24,218.85	23,411.56	12,916.72
	<u>(5,904.70)</u>	<u>(1,476.18)</u>	<u>(1,771.41)</u>	<u>(1,712.36)</u>	<u>(944.75)</u>
Net Cost in 2003	<u>74,824.80</u>	<u>18,706.20</u>	<u>22,447.44</u>	<u>21,699.19</u>	<u>11,971.97</u>
Per General Ledger		<u>18,310.82</u>	<u>25,312.78</u>		
		395.38	(2,865.34)		

\*\*\* Allocation percents based on salaries as of 10/31/03

Note A – Premium column agrees with paid invoice. Time frame on invoice agrees with time frame on policy.

**AUDIT EXCEPTION NO. 9**

**SUBJECT:           VEHICLE INSURANCE FOR 2003 AND PROFORMA FOR 2004**

**STATEMENT OF FACTS:** At year end December 31, 2003, the company recorded and included in the filing insurance expense of \$7,585 for water and \$11,760 for wastewater vehicles. These expenses are included in B-1 and B-2 Net Operating Income schedules. In the review of the insurance policies, it was determined that there were some vehicles that were not used for the water and wastewater divisions. Some of those expenses were allocated to the water and wastewater division. As we had the insurance policy for 2004, we recalculated the expense for the water and wastewater division based on the actual cost in the insurance policy. This includes the addition of three vehicles in 2004. Two of these vehicles were included in the company's proformas along with depreciation expense and accumulated depreciation. The third vehicle was purchased at the end of 2004 for \$7,500. This was a 1997 Ford pick up boom truck and according to the company is used 25% for water and 75% for wastewater. This vehicle was not included in the company's proforma adjustments.

	WATER	WASTEWATER
2004 Insurance Policy	7,485	4,924
General Ledger 2003	7,585	11,760
Difference	<u>(100)</u>	<u>(6,836)</u>

**OPINION:** Insurance expense should be reduced for the difference of the amounts in the general ledger and the autos covered in the 2004 insurance policy. Also, the third vehicle purchased on 2004 could be added to the transportation account along with the appropriate depreciation expense and accumulated depreciation.

**VEHICLES INCLUDED IN INSURANCE POLICY IN 2004**

Description		Date	Vehicles in 2004 Insurance	Amount	Amount WATER WASTEWATER	Cost of Insurance	
1993	Chevy C-15	1/22/1996	Included in 2004	8,622.03			
1997	Ford Ranger	12/12/1996	Included in 2004	12,734.44		1,775.00	
1995	Ford P/U	7/1/1997	Included in 2004	10,500.00		1,572.00	
1999	Dodge P/U -50% Red	9/30/1999	Included in 2004	9,454.96		903.50	
2001	Dodge Ram P/U 50% White	7/16/2001	Included in 2004	8,435.09		924.00	
2001	Toolbox and Lines for 2001 Ram	7/20/2001	Included in 2004	271.00			
2001	New Engine for 1993 Chevy Truck	8/20/2001	Included in 2004	4,355.14			
1999	Dodge P/U -50% Red	9/30/1999	Included in 2004		9,454.96	903.50	
2001	Dodge Ram P/U 50% White	7/16/2001	Included in 2004		8,435.09	924.00	
2001	Toolbox and Lines for 2001 Ram	7/20/2001	Included in 2004		271.00		
	Revised 12/31/03 Vehicle Balance			54,372.66	18,161.05		
	<b>VEHICLES</b>	<b>ADDED</b>	<b>IN 2004</b>				
2004	2004 Dodge Ram -1500-White	1/28/2004	Included in 2004	8,806.50		959.00	
2004	2004 Dodge Ram -1500-White	1/28/2004	Included in 2004	8,806.50		959.00	
2004	2004 Dodge Ram -1500-White	1/28/2004	Included in 2004		8,806.50	959.00	
2004	2004 Dodge Ram -1500-White	1/28/2004	Included in 2004		8,806.50	959.00	
1997	Ford P/U - Boom Truck		Included in 2004	1,875.00		393.00	
			Included in 2004		5,625.00	1,179.00	
						7,485.50	
						4,924.50	
	Vehicle Insurance	Included in	Expense in	Rate	Case	<u>7,585.00</u>	<u>11,760.00</u>
	Accounts 657/659/	759				(99.50)	(6,835.50)

**AUDIT EXCEPTION NO. 10**

**SUBJECT: ELECTRIC BILLS**

**STATEMENT OF FACT:** The National Association of Regulatory Utility Commissioners (NARUC) chart of accounts requires that utility companies use accrual accounting. In reviewing the utility invoices for electric expense that were included in expenses in the filing schedules B-1 and B-2, it was determined that the company had re-bills that resulted in credits on certain bills. The company booked the bills based on the balance due and paid, not the actual amount attributed to that months' service. The attached schedule details the bills by meter and compares these amounts to the general ledger charges.

In addition, the company allocates the water plant meter to various accounts. The meter covers both the plant and the administrative offices. The bill is allocated to the following accounts:

615.01 Supply	20%
615.03 Treatment	10%
615.05 Transmission and Distribution	50%
615.08 Administration Water	10%
715.08 Administration Wastewater	10%

No part of the electric for the administrative offices was allocated to Refuse/Rolloff operations. Four of the people that spend 10 to 20% of their time on these operations work in the administrative offices. These employees use about a fourth of the office.

**OPINION:** The utility overstated its water electric charges by \$207.41 and wastewater charges by \$218.93.

The engineer needs to review the reasonableness of the allocation of the water meter based on the equipment being serviced. Some of the administrative office should be allocated to Refuse and Rolloff.

INDIANTOWN COMPANY, INC.  
ANALYSIS OF FLORIDA POWER AND LIGHT

ACCOUNT	LOCATION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
6J04361	WEST FARMS RD. WELL PUMP #8	738.51	308.77	314.38	321.01	327.17	35.18	142.10	197.15	35.18	35.18	35.18	35.18	2,624.97
6J06642 NOTE B	W. FARMS ROAD WELLFIELD 5 & 6	18.94	16.14	304.11	448.39	412.50	154.00	384.35	313.55	389.86	361.80	405.01	448.91	3,637.68
4J43618	YORK STREET-WELL PUMP #7	481.79	482.98	588.99	413.61	520.89	484.39	485.42	330.64	582.00	471.41	447.64	588.43	5,866.38
	WATER PLANT-OUTDOOR LIGHT	18.38	18.38	18.38	19.21	19.21	19.21	19.21	20.14	20.14	20.14	20.14	20.14	232.82
6NL6468	WATER PLANT (NOTE A)	1,487.29	1,558.27	1,988.43	2,420.32	2,388.29	2,077.13	2,189.04	2,192.11	2,380.90	2,414.29	2,319.77	2,850.80	28,086.84
	TRANSFER 10% OF WATER PLANT BILL TO WASTEWATER OFFICE	(148.73)	(155.83)	(199.84)	(242.03)	(238.83)	(207.71)	(218.90)	(219.21)	(238.09)	(241.43)	(231.98)	(265.08)	(2,608.68)
	NET WATER ELECTRIC	2,688.16	2,228.88	3,004.41	3,383.51	3,428.23	2,682.20	3,011.22	2,834.38	3,168.99	3,061.38	2,986.98	3,478.38	35,741.62
PER G/L	ACCOUNT 615.01 SUPPLY	1,778.18	1,434.80	1,877.20	2,083.63	1,381.48	1,073.03	1,338.80	1,102.76	1,460.18	1,338.21	1,338.94	1,667.84	17,878.95
	ACCOUNT 615.03 TREATMENT	146.88	168.83	198.84	242.03	214.44	207.71	218.90	219.21	238.09	241.43	231.98	286.08	2,681.43
	ACCOUNT 615.05 TRANS. & DIST.	728.46	778.14	888.22	1,218.17	1,072.20	1,038.87	1,084.62	1,088.08	1,188.48	1,207.16	1,168.88	1,328.40	12,907.22
	ACCOUNT 615.08 ADMINISTRATION	146.88	168.83	198.84	242.03	214.44	207.71	218.90	219.21	238.09	241.43	231.98	286.08	2,681.43
		2,798.42	2,528.70	3,378.10	3,777.78	2,882.68	2,527.02	2,869.12	2,837.23	3,123.81	3,028.22	2,980.78	3,443.20	35,848.93
		203.28	287.01	371.88	387.28	(646.87)	(36.18)	(142.10)	(187.16)	(36.18)	(36.17)	(36.17)	(36.18)	207.41
6NL3180	SEWER PLANT-LIME SLURRY	4,160.34	3,280.58	3,571.56	3,782.82	3,792.88	3,503.85	3,733.93	3,588.08	3,338.65	3,387.28	3,191.54	3,894.11	43,213.78
6V38795/6V38351	SEWER PLANT-BOOKER PARK	35.18	9.08	9.08	9.08		828.93	182.18	377.72	301.81	298.38	283.88	298.38	2,408.84
5J46937	SEWER LIFT STATION NEW HOPE 1	28.78	27.25	28.93	27.04	25.94	28.11	28.17	28.21	28.75	28.88	27.58	31.38	333.78
6C11832	SEWER LIFT STATION NEW HOPE 2&3	27.01	28.88	28.38	28.57	28.85	28.22	28.53	24.85	24.14	25.58	19.17	17.92	306.78
5J84108	SEWER LIFT STATION INDIANWOOD	74.94	72.25	73.30	85.83	81.87	80.05	74.74	114.77	88.51	71.87	78.54	87.94	908.21
5J40384	SEWER LIFT STATION INDIANWOOD2	32.52	31.78	30.95	28.85	29.28	24.23	25.41	21.89	28.22	31.88	33.82	34.32	380.61
4J80023	4TH STREET LIFT STATION	273.07	250.00	290.40	275.80	308.64	330.88	338.58	888.10	438.45	375.99	388.78	347.84	4,462.14
8C13240	JEFFERSON STREET LIFT STATION	175.67	120.77	144.57	134.75	141.89	218.53	205.22	318.89	193.94	182.27	170.87	166.91	2,178.88
6J01808	170TH DRIVE LIFT STATION	28.83	24.94	28.52	25.75	28.11	27.88	27.55	27.58	25.04	28.08	24.05	28.13	314.44
6J77884	CARRIER STREET LIFT STATION IMS	21.41	20.54	21.27	18.82	21.11	22.38	21.02	39.78	24.58	22.81	20.41	22.16	278.08
8C33863	FAMEL BLVD. LIFT STATION	10.11	11.37	10.88	10.85	10.23	11.80	12.45	43.12	40.24	29.91	19.33	18.18	228.08
6C32831	WEST FARMS ROAD WESTBROOK LS	43.52	38.67	40.88	42.14	87.72	73.11	71.27	78.82	88.08	90.29	88.79	81.19	786.68
6N43617	14855 SW 188 AVE SURGE TANK	9.08	9.08	9.08	9.08	9.83	9.08	9.08	9.08	9.08	9.08	9.08	9.08	109.28
5J78144	184TH AND SW FARMS LIFT STATION	10.00	10.10	10.10	10.23	10.08	10.58	10.49	22.25	11.78	12.78	10.59	11.22	140.14
	TRANSFER 10% OF WATER PLANT TO WASTEWATER OFFICE	148.73	155.83	199.84	242.03	238.83	207.71	218.90	219.21	238.09	241.43	231.98	265.08	2,608.68
	NET WASTEWATER ELECTRIC	6,077.16	4,088.88	4,483.78	4,981.30	4,792.62	5,193.72	4,988.81	5,791.21	4,831.62	4,831.82	4,586.17	5,287.83	68,819.00
PER G/L	ACCOUNT 715.05	4,852.18	3,831.03	4,283.86	4,440.21	4,880.72	4,867.89	4,910.18	5,772.00	4,882.43	4,880.19	4,333.18	5,022.66	68,288.63
	ACCOUNT 715.08 ADMINISTRATIVE	146.88	168.83	198.84	242.03	214.44	207.71	218.90	219.21	238.09	241.42	231.97	286.08	2,681.40
		4,998.06	4,088.88	4,483.78	4,682.24	4,776.18	5,188.60	5,128.08	5,991.21	4,831.62	4,831.81	4,586.18	5,287.83	68,837.83
		(78.07)	(0.01)	(0.00)	(0.08)	(17.38)	(18.12)	142.67	200.00	0.00	(0.01)	(0.01)	0.00	218.83

NOTE A: THE WATER PLANT METER COVERS THE OFFICE USED BY THE ADMINISTRATIVE STAFF. THE BILL IS ALLOCATED TO WASTEWATER BUT NOT TO ROLLOFF OR REFUSE SINCE THEIR EMPLOYEES ARE IN ANOTHER BUILDING. HOWEVER, ELIZABETH, MIKE AND MARTA DO SOME WORK FOR ROLLOFF & REFUSE.

ACCOUNT 615.01 SUPPLY	20.00%
ACCOUNT 615.03 TREATMENT	10.00%
ACCOUNT 615.05 TRANS. & DIST.	50.00%
ACCOUNT 615.08 ADMINISTRATION	10.00%
ACCOUNT 715.08 ADMINISTRATION	10.00%

NOTE B

THIS BILL HAD A \$125.04 CREDIT AT THE BEGINNING OF THE YEAR SO NO CHARGE WAS BOOKED.

**AUDIT EXCEPTION NO. 11**

**SUBJECT: INTER-COMPANY TELEPHONE CHARGES**

**STATEMENT OF FACT:** Indiantown Company was billed a portion of two telephone bills that were for Tom Higgins at South Flora Development. The telephone charges were included in the expense in the Net Operating Income schedule on B-1 and B-2. The company has since cancelled these lines and cannot provide any reason that any portion of the bills should have been charged to water or wastewater. They would not be a recurring charge since the bills have been cancelled.

**OPINION:** Account 615.08 was charged \$171.88 for these two lines as was account 715.08. A detailed schedule follows this exception. Therefore, \$171.88 should be removed from account 615.08 and 715.08.



	<b>Acct. 615.08 597-0244</b>	<b>Acct. 615.08 597-4420</b>	<b>Acct. 615.08 Total</b>
January	7.45	6.57	14.02
February	7.45	6.25	13.7
March	7.51	6.37	13.88
April	7.59	7.94	15.53
May	7.65	6.68	14.33
June	7.58	6.62	14.2
July	7.58	6.57	14.15
August	7.92	7.03	14.95
September	7.66	6.98	14.64
October	7.58	6.62	14.2
November	7.59	6.58	14.17
December	7.57	6.54	14.11
	<u>91.13</u>	<u>80.75</u>	<u>171.88</u>

	<b>Acct. 715.08 597-0244</b>	<b>Acct. 715.08 597-4420</b>	<b>Acct. 715.08 Total</b>
January	7.45	6.57	14.02
February	7.45	6.25	13.7
March	7.51	6.37	13.88
April	7.59	7.94	15.53
May	7.65	6.68	14.33
June	7.58	6.62	14.2
July	7.58	6.57	14.15
August	7.92	7.03	14.95
September	7.66	6.98	14.64
October	7.58	6.62	14.2
November	7.59	6.58	14.17
December	7.57	6.54	14.11
	<u>91.13</u>	<u>80.75</u>	<u>171.88</u>

**AUDIT EXCEPTION NO. 12**

**SUBJECT: INVENTORY ADJUSTMENT**

**STATEMENT OF FACT:** The utility took an inventory of materials and supplies on hand and determined the cost. They compared the cost to the beginning balance of account 151, Inventory, and expensed the difference between the inventory account and the ending balance based on actual inventory. The utility made an adjusting entry to increase water materials and supplies (620.0007.1) by \$15,648.44 and to increase wastewater expense (720.0007.2) by \$2,392.39. These accounts are included in the expenses in the Net Operating Income schedules on B-1 and B-2 of the filing. The company's accountant then made the following entry to transfer the majority of the inventory used from water to wastewater.

Supplies-Treatment and Maintenance	620.0004.01	1,970.06	
Supplies-Trans/Dist. Maintenance	620.0006.01	1,993.51	
Supplies- Pumping Maintenance	720.0004.02	11,753.60	
Supplies- Treatment Maintenance	720.0006.02	2,323.66	
Supplies-Treatment Maintenance	620.0007.01		15,648.44
Supplies-Customer Accounts	720.0007.02		2,392.39

**OPINION:** Based on review of the inventory and the additions made to the inventory account, the original entry appears to be correct and the second entry should be reversed, thus increasing water expense and reducing wastewater expense. However, in calculating the actual amount to be expensed, the beginning balance of the inventory account was higher than the actual December 31, 2002 inventory. This amount should have been adjusted in 2002. By comparing the ending inventory to the balance in the inventory account, the company expensed inventory that should have been removed from the account in 2002. After the above entry is reversed, water expense should be reduced by an additional \$6,526.94 based on the schedule on the following page.

**INVENTORY ANALYSIS**

	<b>WATER</b>	<b>WASTEWATER</b>	<b>TOTAL</b>
BEGINNING BALANCE 12/31/02	15,499.34	47.88	15,547.22
ADDITIONS 2003	4,660.00	2,344.51	7,004.51
BALANCE 12/31/03	20,159.34	2,392.39	22,551.73
ENDING BALANCE 12/31/03 PER INVENTORY			4,510.90
			18,040.83
ADJUSTMENT MADE BY COMPANY		WATER	15,648.44
		WASTEWATER	2,392.39
		TOTAL	18,040.83
BEGINNING BALANCE PER BOOKS			15,547.22
BEGINNING BALANCE PER INVENTORY			9,020.28
DIFFERENCE			6,526.94

## AUDIT EXCEPTION NO. 13

### SUBJECT: SLUDGE HAULING

**STATEMENT OF FACT:** The utility was paying an affiliate company for sludge hauling in 2003. Sweetwater Environmental was responsible for hauling up to 350 trips or 2,100,000 gallons, including lime, lime stabilization, pumping and hauling and land application. The utility was charged \$6,250 a month or \$75,000 for the year. This amount was expensed to account 704. This expense is included in expenses in the Net Operating Income schedule B-2 of the filing. Synagro provided the sludge hauling in 2003 and the company was asked to provide the gallons of sludge hauled and the current price. A schedule from Synagro showed 745,843 gallons were hauled in 2003. In 2003, they billed Sweetwater .040 cents per gallon until September and then .042 cents per gallon until the end of the year.

The company reduced the account in its proforma adjustments by \$10,318. This reduced the expense to \$64,682.

**OPINION:** Since the .042 cents per gallon is the most recent price, this amount was multiplied by the 745,843 gallons, to arrive at a cost of \$31,325.41. This would reduce the expense after the proforma by an additional \$33,356.59.

The company was asked to provide other costs that it is now paying itself that Sweetwater used to pay. The company could not determine any new costs. The contract mentions lime and lime stabilization. However, Synagro does not use lime. They dewater and dry to cake and take it to the landfill, which is included in the price.

**AUDIT EXCEPTION NO. 14**

**SUBJECT: WASTEWATER PERMIT**

**STATEMENT OF FACT:** In 2003, the utility expensed \$10,180.25 of payments to Lindahl Browning Engineering to account 734.0000.2 (transferred to 736 in adjustments to filing) for renewal of the wastewater treatment permit. This account is included in expenses in Net Operating Income schedule B-2. The invoice showed a total cost of \$10,530. They also paid Lindahl Browning an additional \$505 for modifications to the application which they charged to account 731. They paid the Department of Environmental Protection \$2,400 for the permit application. The total costs for renewing the permit were \$13,435. The permit is renewed every five years.

**OPINION:** The costs of the permit should be recorded in a deferred account and amortized over the life of the permit, or five years. This would require only \$2,687 being charged to expense in the test year. The entry needed to correct is as follows:

186 Deferred Account	\$10,398.25	
731 Engineering Fees		\$ 505.00
720 Supplies		2,400.00
736 Other Outside Services		7,493.25

**AUDIT EXCEPTION NO. 15**

**SUBJECT: TEST WELL**

**STATEMENT OF FACT:** In 2003, the utility spent \$5,261.03 for a test well at a property near the airport to determine if the quality of water was adequate for building a new water plant. The company is still negotiating the purchase of the land. The \$5,261.03 was expensed to water expense account 632.0008.1 in December 2003. The utility transferred this amount from account 632 to 636 in the adjustment to the filing. This account is included in expenses in Net Operating Income in B-2 of the filing.

**OPINION:** The costs should be recorded in a deferred account until the land is purchased. The costs are not a reoccurring expense and therefore, should not be included in the test year.

**AUDIT EXCEPTION NO. 16**

**SUBJECT: TESTING**

**STATEMENT OF FACT:** In 2003, the utility charged five quarterly monitoring charges to wastewater account 735. This account is included in expenses in the Net Operating Income schedule B-2 of the filing. The company charged \$870 in February, \$1,200 in June, \$1,200 in October and two payments of \$1,200 in December.

**OPINION:** Quarterly fees should only be paid for four times a year. Therefore, one of the quarterly charges should be removed. Since the company will be paying the \$1,200 the following year, the \$870 should be removed from account 735.

## **AUDIT EXCEPTION NO. 17**

### **SUBJECT: MANAGEMENT FEE**

**STATEMENT OF FACT:** The utility adjusted the management fee recorded in the ledger to the fee shown on B-12(a) page 6 of 14. This schedule allocated \$77,449 to each water and wastewater. The company then prepared schedule B-12(a) page 3 and 4 for 2004 expenses and increased the fee by \$32,192 each to \$109,641. The costs were based on costs in the POSTCO ledger and were allocated to Jeff Leslie (30% utility) and Bob Post (20% utility) based on their payroll. The 2004 expenses other than payroll, depreciation and benefits did not increase, but the company did change the allocation between the two employees because of Jeff Leslie's salary increase. The utility allocated the common costs based on the allocation rates in the last Commission rate order. It also allocated salaries, pension, benefits and taxes for four employees that perform data processing and provide administrative support for Leslie and Post. In the last rate order, only two employees were allocated. The Tallahassee analyst is determining if the salaries for Post and Leslie are comparable to other utility companies.

**OPINION:** The 2003 schedule on B-12(a) page 6, did not include total salaries for ITS employees in the "Total Test Year" column. The allocated portion was used by mistake. This understated the 2003 fee. The actual salaries are included in the attached schedule. The 2004 schedule, B-12(a) page 4, did not include the pension costs of \$24,115 in total expenses. These amounts are included in the attached schedules. In addition, depreciation was slightly different than the actual schedule. Employee benefits for ITS employees did not agree with the actual paid for insurance and pension and is adjusted on the attached schedules.

A separate disclosure has been made on the accounting fees.

The schedule does not include an adjustment to insurance. However, an invoice of \$692 was found to relate to vehicle insurance for a prior year. In addition, no adjustment was made on the schedule to telephone. However, the expense appears high and includes phone bills for Mr. Post's Georgia home, his five office lines and one fax line, his home phone here and three cell phones. The total cost in 2003 was \$9,672.

The time analysis provided by Jeff Leslie shows more than 30% of his time being spent on Indiantown Company, however, to verify reasonableness of the utility allocation, the costs were allocated using a three factor. The three factors were used because management usually perform functions related to the employees who work under them, plan and direct capital expenditure projects, and spend time related to the customers involved. Therefore, payroll, plant and number of customers were determined by company for the consolidated companies. The three percents were averaged and multiplied by the total costs. We then removed 5% of the costs for time spent related to the First Bank of Indiantown which is not part of the consolidated company and 5% for



work done for Mr. Post's personal investments. These percents were determined using an analysis of time from Jeff Leslie. The remaining costs were then allocated using the three factor method for Indiantown Company. If this methodology were used, there would be a decrease in water expenses by \$3,160.30 and an increase in wastewater by \$20,883.73.

If the actual allocation that was filed is used, it needs to be adjusted to include pension and correct benefits and pension for the ITS employees. The adjustment would be as follows:

	TO CORRECT EXISTING FILING		DIFFERENCE	EACH	ALLOCATED
	2004	PER B-12(a) P.3 & 4		WATER/WW ALLOCATION RATE	DIFFERENCE EACH
PENSION POST	11,942.00	0.00	11,942.00	10.00%	1,194.20
PENSION LESLIE	11,173.00	0.00	11,173.00	15.00%	1,675.95
BERMUDEZ INSURANCE & PENSION	20,660.48	22,088.00	(1,427.52)	10.00%	(142.75)
GOMEZ INSURANCE AND PENSION	20,040.64	22,007.00	(1,966.36)	20.00%	(393.27)
HOLT INSURANCE AND PENSION	20,650.32	11,421.00	9,229.32	10.00%	922.93
SHEVLIN INSURANCE AND PENSION	9,381.00	30,179.00	(20,798.00)	10.00%	(2,079.80)
TOTAL TO CORRECT EXISTING	93,847.44	85,695.00	8,152.44		1,177.26

Note: Further adjustments may be needed for contract services, telephone, and insurance.

The three factor method calculation follows:

	POSTCO	ITS	ARROW	PRINCESS	ICO	TOTAL
PAYROLL PER W-3'S	451,866.85	1,137,690.94	543,014.30	0.00	820,024.14	2,952,596.23
REMOVE POST	(202,026.92)					(202,026.92)
REMOVE LESLIE	(188,891.12)					(188,891.12)
ITS EMPLOYEES						0.00
DOING WORK FOR ICO		(145,128.00)				145,128.00
REMOVE ITS ALLOCATED						0.00
HOLT		(48,345.02)				(48,345.02)
DIAZ		(50,639.59)				(50,639.59)
SHEVLIN		(39,166.40)				(39,166.40)
GOMEZ		(24,835.20)				(24,835.20)
	60,948.81	829,576.73	543,014.30	0.00	820,024.14	2,543,819.98
	2.40%	32.61%	21.35%	0.00%	32.24%	88.59%
NUMBER OF CUSTOMERS		2,395.00	273.00		4,806.00	7,474.00
	0.00%	32.04%	3.65%	0.00%	64.30%	100.00%
PLANT	69,390.00	14,612,259.00	310,121.00	837,763.00	8,878,323.00	24,707,856.00
	0.28%	59.14%	1.26%	3.39%	35.93%	100.00%
THREE-FACTOR AVG.	0.89%	41.27%	8.75%	1.13%	44.16%	96.20%

The computation of the filing using the three-factor method is:

POSTCO BALANCES AUDITED

	2003	2004	
POST SALARY	202,026.92	207,488.00	
LESLIE SALARY	188,891.12	244,108.00	
HEALTH INSURANCE LESLIE	22,913.52	28,846.08	
HEALTH INSURANCE POST	13,538.52	16,892.88	
PENSION POST	11,942.00	11,942.00	COMPANY LEFT OUT
PENSION LESLIE	11,173.00	11,173.00	COMPANY LEFT OUT
TAXES POST	7,878.55	8,006.95	
TAXES LESLIE	7,786.62	8,386.32	
DEPRECIATION	13,063.85	5,516.29	CHANGED TO ACTUAL
LICENSE AND PERMITS	175.00	175.00	
PERSONAL PROPERTY TAX	1,917.89	2,075.00	
ACCOUNTING FEE	40,505.00	40,505.00	SEPARATE DISCLOSURE
LEGAL FEE	346.00	346.00	
OFFICE SUPPLIES	1,246.00	1,246.00	
DUES	1,623.00	1,623.00	
POSTAGE	1,222.00	1,223.00	
INSURANCE	4,269.03	4,269.00	DISCLOSE 2002 PAYMENT
AUTO POST	2,354.00	2,540.00	
TELEPHONE POST	9,672.00	7,444.00	DISCLOSE POST PHONES
AUTO LESLIE	2,351.30	1,996.00	
TRAINING	813.97	460.00	
PHONE LESLIE	3,621.09	5,849.00	
HOLT SALARY	48,345.02	48,345.02	
DIAZ/BERMUDEZ	50,639.59	54,636.35	
SHEVLIN	39,166.40	39,166.40	
GOMEZ	24,835.20	24,835.20	
HEALTH INSURANCE ON ITS	62,875.44	62,875.44	CORRECTED TO ACTUAL
PENSION ON ITS	7,857.00	7,857.00	
TAXES ON ITS	12,468.45	12,468.45	
TOTAL ALLOCABLE COSTS	<u>797,520.48</u>	<u>864,298.38</u>	
REMOVE TIME ON POST PERSONAL 5%	39,876.02	43,214.92	
REMOVE TIME ON BANK 5%	39,876.02	43,214.92	
NET ALLOCABLE COSTS	<u>717,768.43</u>	<u>777,868.54</u>	
TIMES THREE FACTOR METHOD	44.16%	44.16%	
ALLOCATED TO ICO	<u>316,947.52</u>	<u>343,486.13</u>	
TO WATER USING 3-FACTOR	98,253.73	106,480.70	
TO WASTEWATER USING 3-FACTOR	120,440.06	130,524.73	
PER FILING WATER	77,449.00	109,641.00	
PER FILING WASTEWATER	77,449.00	109,641.00	
DIFFERENCE WATER	20,804.73	(3,160.30)	
DIFFERENCE WASTEWATER	42,991.06	20,883.73	

**AUDIT EXCEPTION NO. 18**

**SUBJECT: CHARGE FROM AFFILIATE FOR BILLING FEES**

**STATEMENT OF FACT:** ITS Telecommunications Systems, Inc. (ITS) is an affiliate of Indiantown Company (ICO). ITS includes ICO's bills in the ITS bills. ITS processes and prints the bills for ICO, stuffs the envelopes, and pays for the postage. In 2003, ITS charged ICO \$23,021.70 each to water and wastewater as follows:

ACCOUNT	AMOUNT		TOTAL
	WATER	WASTEWATER	
615.0008/715.0008 Purchased Power	1,117.08	1,117.08	2,234.16
620.0007/720.0007 Materials & Supplies	19,720.28	22,660.82	42,381.10
LESS NON-ITS CH.	(583.38)	(756.20)	(1,339.58)
620.0008 Materials & Supplies	2,767.72		2,767.72
	<u>23,021.70</u>	<u>23,021.70</u>	<u>46,043.40</u>
PER b-12(a) P. 7	<u>22,931.00</u>	<u>22,931.00</u>	<u>45,862.00</u>
DIFFERENCE	<u>90.70</u>	<u>90.70</u>	<u>181.40</u>

The detail of the filing amount shown above: PER B-12(a) P. 7:	TOTAL			%	
	COMPANY	DIRECT			
HDWR/SOFTWR MTC.	11,005.00	11,005.00	22,010.00	147,215.31	14.95%
T-1	1,117.00	1,117.00	2,234.00		
\$1/BILL CHARGE	10,809.00	10,809.00	21,618.00	158,076.36	13.68%
	<u>22,931.00</u>	<u>22,931.00</u>	<u>45,862.00</u>		

ITS sends out 2,293 bills a month for ICO. The total average number of bills a month done by ITS is 5,384 or approximately 43%. Of those bills, approximately 32% of the actual bill relates to ICO charges or about 13.68% of overall costs. The rest of the bill contains local and long distance telephone service.

ITS charges the utility \$1 per bill for the processing, in addition to the hardware and software maintenance.

**OPINION:** The company was asked to provide actual costs incurred by ITS to perform the billing and the market rate to have the service performed by an outside party.

The costs incurred by ITS follow and were traced to supporting documentation.

	Monthly Labor Jan. 04 rate	FICA	Insurance	Total	Monthly Time Spent On Billing	Annual Insurance	Hourly Insurance
<b>Billing employees:</b>							
Ruth Peeples	4,583.33	350.63	783.71	5,717.67	100%	9,404.52	
Merribeth Manning	2,660.83	203.55	2,030.44	4,894.82	100%	24,365.28	
<b>Labor to stuff envelopes:</b>							
Tassie Aguirre	393.36	30.09	281.04	704.49	24 Hours	24,365.28	11.71
Donna Marreel	102.44	7.84	34.24	144.52	4 Hours	17,798.16	8.56
Jackie Hayes	393.36	30.09	107.76	531.21	24 Hours	9,333.48	4.49
Karen Freeman	65.88	5.04	30.96	101.88	4 Hours	16,090.80	7.74
<b>Supplies</b>							
Bills and Envelopes				405.56		4,866.76	Annually
Postage Meter Costs				672.87			
<b>Total Cost</b>	<b>8,199.21</b>	<b>627.24</b>	<b>3,268.15</b>	<b>13,173.03</b>			
Average Bills per month				5,384			
Avg. Cost w/o postage				2.45			
Postage (Pre-Sorted)				0.36			
Average cost per bill / postage				2.81			
Convergent bills				2,293			
Convergent bills X average				6,435.76			
% of cost based on pages	32.29%			2,078.21			
Cost per Convergent Bill				0.91			
Cost per bill times average bills/month				2,078.21			
Annual cost				24,938.52			
Allocated 50% water/50% wastewater				12,469.26			
Billed by company				10,809.00			
Difference-Understated-Each				1,660.26			
Market rate	1.25		2,293.00	34,395.00			

<b>Postage Meter Costs:</b>			
Quarterly Payment	Monthly Payment	Supplies	Monthly Total
1,413.64		470.62	
1,413.64		245.29	
1,413.64			
1,413.64			
471.21	142.00	59.66	672.87

The cost per bill was allocated at 32.29% based on an analysis of several bills. The bills include ITS, Water and Wastewater, and Interexchange Carrier charges.

The cost of producing the bills, \$24,938, is less than the market cost of \$34,395. The Commission has usually allowed the lower of cost or market in determining the reasonableness of affiliate transactions. The cost amounts to 91 cents per bill.

The hardware and software maintenance appears to be allocated at a rate higher than the percent of bill determined through this analysis. The company charged 14.95% of the costs for the maintenance but show 13.68% of the costs related to ICO using the above analysis. Using the 13.68% instead of the 14.95%, would reduce the cost to \$20,132.98 for water and wastewater combined. This is an overstatement of \$1,877.32 or \$938.66 each for water and wastewater.

The net adjustment needed, to correct the charges to actual cost, is computed as follows:

ADJUSTMENT:	WATER	WASTEWATER
OVERSTATED LEDGER	(90.70)	(90.70)
OVERSTATED MTC.	(938.66)	(938.66)
UNDERSTATED 91 CENT CHARGE	1,660.26	1,660.26
INCREASE NEEDED	<u>630.90</u>	<u>630.90</u>

**AUDIT EXCEPTION NO. 19**

**SUBJECT: PAYROLL TAXES**

**STATEMENT OF FACTS:** The utility has recorded \$13,725.27 in Account 408.0002-1 and \$19,372.53 in Account 408.0002-2 for payroll taxes for the actual test year ended December 31, 2003. This is reflected in the per books amounts shown in Payroll taxes in MFR B-15.

A recalculation of payroll taxes was made using the salaries per books and the applicable payroll rates. The following shows a recap of the calculation:

	Water	Wastewater
Social Security and Medicare	\$14,725.61	\$16,982.11
Federal Unemployment	\$ 297.71	\$ 297.55
State Unemployment	\$ <u>390.75</u>	\$ <u>390.54</u>
Total	\$15,414.07	\$17,670.20
Per books	<u>\$13,725.27</u>	<u>\$19,372.52</u>
Difference	<u>\$ 1,688.80</u>	<u>(\$ 1,702.32)</u>

See attached schedules for these calculations

**AUDIT OPINION:** Payroll taxes should be increased by \$1,688.80 for water and decreased by \$1,702.32 for wastewater. Payroll taxes related to the payroll proforma are adjusted in the disclosure regarding proforma salary.

FEDERAL UNEMPLOYMENT – FUTA

	GROSS SALARIES	TAXABLE WAGES	WATER	SEWER	WATER	SEWER
J. HEWITT	69,572.98	7,000.00	38.45%	61.55%	2,691.50	4,308.50
D. SMILEY	30,694.53	7,000.00	2.92%	97.08%	204.40	6,795.60
R. GUERRERO	24,502.83	7,000.00	90.54%	9.46%	6,337.80	662.20
R. MAINE	25,599.00	7,000.00	54.64%	45.36%	3,824.80	3,175.20
D. JOHNSON	52,492.83	7,000.00	32.23%	67.77%	2,256.10	4,743.90
E. WATSON	34,918.18	7,000.00	63.43%	36.57%	4,440.10	2,559.90
R. BUTTS	6,208.13	6,208.13	72.64%	27.36%	4,509.59	1,698.54
E. SMITH	300.00	300.00		100.00%	-	300.00
M. ABRAMSON	57,706.72	7,000.00	45.00%	45.00%	3,150.00	3,150.00
E. GENTRY	57,032.50	7,000.00	45.00%	45.00%	3,150.00	3,150.00
W. HANNAH	41,885.99	7,000.00	25.00%	25.00%	1,750.00	1,750.00
M. HERNANDEZ	24,565.14	7,000.00	50.00%	50.00%	3,500.00	3,500.00
T. HIGGINS	<u>53,545.20</u>	7,000.00	20.00%	20.00%	1,400.00	1,400.00
	<b>479,024.03</b>				37,214.29	37,193.84
					<u>0.008</u>	<u>0.008</u>
					297.71	297.55

Per the 940-EZ – Employer's Annual Federal Unemployment Tax Return (FUTA)  
 Line 6- FUTA Tax is .008.



UNEMPLOYMENT COMPENSATION - STATE

	GROSS SALARIES	TAXABLE WAGES	WATER	SEWER	WATER	SEWER
J. HEWITT	69,572.98	7,000.00	38.45%	61.55%	2,691.50	4,308.50
D. SMILEY	30,694.53	7,000.00	2.92%	97.08%	204.40	6,795.60
R. GUERRERO	24,502.83	7,000.00	90.54%	9.46%	6,337.80	662.20
R. MAINE	25,599.00	7,000.00	54.64%	45.36%	3,824.80	3,175.20
D. JOHNSON	52,492.83	7,000.00	32.23%	67.77%	2,256.10	4,743.90
E. WATSON	34,918.18	7,000.00	63.43%	36.57%	4,440.10	2,559.90
R. BUTTS	6,208.13	6,208.13	72.64%	27.36%	4,509.59	1,698.54
E. SMITH	300.00	300.00		100.00%		300.00
M. ABRAMSON	57,706.72	7,000.00	45.00%	45.00%	3,150.00	3,150.00
E. GENTRY	57,032.50	7,000.00	45.00%	45.00%	3,150.00	3,150.00
W. HANNAH	41,885.99	7,000.00	25.00%	25.00%	1,750.00	1,750.00
M. HERNANDEZ	24,565.14	7,000.00	50.00%	50.00%	3,500.00	3,500.00
T. HIGGINS	<u>53,545.20</u>	7,000.00	20.00%	20.00%	1,400.00	1,400.00
	<b>479,024.03</b>				37,214.29	37,193.84
					<u>0.0105</u>	<u>0.0105</u>
					390.75	390.54

Per the State of Fl – DOR Filing – Rate .0105

PAYROLL TAXES CALCULATION  
SOCIAL SECURITY AND MEDICARE

SS & Med

PER BOOKS

	SALARIES	WATER	SEWER	WATER	SEWER
J. HEWITT	69,572.98	38.45%	61.55%	26,750.81	42,822.17
D. SMILEY	30,694.53	2.92%	97.08%	896.28	29,798.25
R. GUERRERO	24,502.83	90.54%	9.46%	22,184.86	2,317.97
R. MAINE	25,599.00	54.64%	45.36%	13,987.29	11,611.71
D. JOHNSON	52,492.83	32.23%	67.77%	16,918.44	35,574.39
E. WATSON	34,918.18	63.43%	36.57%	22,148.60	12,769.58
R. BUTTS	6,208.13	72.64%	27.36%	4,509.59	1,698.54
E. SMITH	300.00		100.00%		300.00
M. ABRAMSON	57,706.72	45.00%	45.00%	25,968.02	25,968.02
E. GENTRY	57,032.50	45.00%	45.00%	25,664.63	25,664.63
W. HANNAH	41,885.99	25.00%	25.00%	10,471.50	10,471.50
M. HERNANDEZ	24,565.14	50.00%	50.00%	12,282.57	12,282.57
T. HIGGINS	<u>53,545.20</u>	20.00%	20.00%	10,709.04	10,709.04
	<b>479,024.03</b>			192,491.63	221,988.36
				<u>0.153</u>	<u>0.153</u>
				<b>29,451.22</b>	<b>33,964.22</b>

Represents .0765 For Employee And Employer

**14,725.61 16,982.11**

Per the employer's quarterly federal tax return taxable social security wages – 12/4%, Medicare Wages – 2.9%. Per Instructions Line 6a – Employee's wages are not reported after reaching \$87,000 for social security tax only.

**AUDIT EXCEPTION NO. 20**

**SUBJECT: MOWING SERVICE**

**STATEMENT OF FACT:** The utility paid an affiliate, Sweetwater Environmental for mowing services in 2003. Water account 634 was charged \$215 a month and wastewater account 734 was charged \$370 a month for a total of \$585 a month. These expenses were included in the Net Operating Income schedule B-1 and B-2. The company now pays Cordell E. Wiley for this service. The company was asked to provide the square footage of space mowed. A description follows on the next page.

**OPINION:** Based on the 407,500 square feet of water land mowed (17.38%) and the 1,937,500 of wastewater square feet mowed (82.62%), water expense is overstated by \$1,360.11 and wastewater understated by the same amount.

**MOWING SERVICES**

	<u>Square Feet</u>	<u>Mowed</u>	<u>Per Plant</u>	<u>Manager</u>
	<b>SQUARE FEET</b>			
WELL 8	7,500.00			
WATER PLANT	240,000.00			
WELLFIELD	160,000.00			
	<u>407,500.00</u>	17.38%		
4TH STREET LIFT STATION	7,500.00			
SEWER PLANT	1,820,000.00			
OFF SITE PONDS	110,000.00			
	<u>1,937,500.00</u>	82.62%		
<b>TOTAL</b>	<u>2,345,000.00</u>	100.00%		

	<b>PER STAFF</b>	<b>PER LEDGER DIFFERENCE</b>	
TOTAL BILL PER MONTH	585.00		
TOTAL BILL PER YEAR	7,020.00		
ALLOCATED TO WATER	17.38%		
	1,219.89	2,580.00	(1,360.11)
ALLOCATED TO WASTEWATER	82.62%		
	5,800.11	4,440.00	1,360.11
COST PER SQUARE FOOT	.003		

NOTE; CO. CHARGED \$215 TO WATER EACH MONTH AND \$370 TO WASTEWATER THROUGH SWEETWATER ENVIRONMENTAL, AN AFFILIATE

## **AUDIT DISCLOSURE 1**

**SUBJECT: CAPITALIZED SALARIES**

**STATEMENT OF FACTS:** The salaries of field technicians working on a capitalized project were charged to construction work in process. However, when transferred out of construction work in process, some of these salaries were debited to expense rather than the capitalized project. The amounts are \$457.60 for 2001, \$499.35 for 2002 and \$154.42 for 2003. NARUC Accounting Instruction 15 regarding Overhead Construction Costs, states that costs such as engineering, supervision, and general office salaries shall be charged to particular jobs.

**OPINION:** Overhead salaries should be charged to the particular jobs. As these amounts are immaterial and we cannot easily determine which projects are involved, we are not recommending an adjustment. However, the company should be aware that these types of salaries should be capitalized.

**AUDIT DISCLOSURE NO. 2**

**SUBJECT: PROFORMA PLANT**

**STATEMENT OF FACTS:** In MFR A-3 the company included a proforma adjustment for additions to plant in service after year end December 31, 2003. Of those submitted, five projects were completed in 2004 and three have not been started as of November 15, 2004. The company provided estimates for those not started.

<u>Account</u>	<u>Amount</u>	<u>Description</u>
Water – 304.4	\$ 6,000	Security Camera

We were provided with an estimate dated 12/22/03 from SVI systems in the amount of \$9,080.

WW – 355.4	\$69,093	Generator for Sewer Plant
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The company provided us with an estimate dated 12/4/03 from Dietz Enterprises for \$68,447.38.

The need for this, as explained by the company, is because there is no generator for the sewage tank, the lime stabilization plant and the reuse pump at this time. The one generator that is in place runs one blower, the lights on the plant and the office light.

WW 370.3	\$75,000	Relocate Jefferson Street Lift Station
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The company provided us with estimates dated 6/20/2003 from Southeastern Pump for \$14,013 for pump station equipment and valve pit equipment, and \$68,000 for installation. This totals \$82,013.

Accumulated depreciation for all plant proformas is included in MFR A-3 using the half year convention. The depreciation expense for all plant proformas is included in MFR B-13 and B-14 for an entire year instead of the half year convention.

**OPINION:**

The MFR's do not include a proforma retirement for the generator or the Jefferson Street lift station. If the estimate is accepted, the items on the books need to be retired. If these estimates are not accepted, then the proforma accumulated depreciation and depreciation expense needs to be removed from the rate case calculation.

**AUDIT DISCLOSURE NO. 3**

**SUBJECT: PLANT IN SERVICE PRIOR TO 1975**

**STATEMENT OF FACTS:** The balances in accounts 348.50, Other Tangible Plant Water, and 398.70, Other Tangible Plant Wastewater, include utility plant in service prior to 1975. No detail is available detailing what types of plant are in this account. According to Rule 25-30.140 F.A.C., the rate of depreciation for these two accounts is 10 years. The company is using a 2.5% depreciation rate for each of these accounts. The plant balances and accumulated depreciation recorded in the general ledger as of December 31, 2003 and accumulated balance that was recalculated by the company for its group depreciation adjustment included in MFR's A-9 and A-10 are noted below.

	<u>Water</u>	<u>Wastewater</u>
Plant Account	\$ 706,235	\$ 709,350
Accumulated Depreciation Recalculated	\$ 696,499	\$ 709,350
Accumulated Depreciation Per General Ledger	\$ 672,740	\$ 670,950

## AUDIT DISCLOSURE NO. 4

### SUBJECT: RECLACULATION OF ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

**STATEMENT OF FACTS:** The company did not use group depreciation to calculate its expense from the last rate case to the present. Instead, when an individual asset was fully depreciated, expense was no longer calculated. The company prepared a recalculation using group depreciation from December 31, 1998 through December 31, 2004 and included an adjustment in MFR's A-3, A-9, A-10, B-13 and B-14.

In this calculation it was noted that expense was not calculated when the asset account was fully depreciated for one water account and two wastewater accounts. Also, an incorrect rate was applied to one water account, and another account was calculated incorrectly. Below is a summary of the different accounts.

Account 341.40, Water Transportation Equipment, had a balance of \$84,105 at December 31, 2001. The accumulated balance at that time was \$72,615. The company did not apply the full rate of 16.67% for 2002, rather it expensed the remainder of the plant balance of \$11,490. No expense was calculated in 2003 for this account. No adjustment is recommended in this disclosure because some of the vehicles in the plant balance are no longer owned by the company. See the audit exception regarding the vehicle plant accounts.

Account 391.70, Wastewater Transportation Equipment, had a balance of \$23,788 at December 31, 2000. The expense for 2001 at the rate of 16.67% should be \$3,965. The amount expensed was \$3,552, a difference of \$413. No adjustment is recommended in this exception because some of the vehicles in the plant balance are no longer owned by the company. See the audit disclosure regarding the vehicle plant accounts.

Account 393.70, Wastewater Tools, Show and Garage Equipment had a balance of \$2,514 at December 31, 1999. The accumulated balance at that time was \$2,460. The company did not apply the full rate of 6.25% for 2000, rather it expensed the remainder of the plant balance of \$54. No expense was calculated from 2001 through 2003 for this account.

Account 398.70, Wastewater Other Tangible Plant, had a balance of \$709,350 at December 31, 2002. The accumulated balance at that time was \$699,533. The company did not apply the full rate of 2.50% for 2003, rather it expensed the remainder of the plant balance of \$9,817. Also, according to Rule 25-30.140 F.A.C. the rate of depreciation should be 10 years. However, the company says that this account includes all plant prior to 1975 and is depreciating it over 40 years. See the audit disclosure regarding plant in service prior to 1975.



Account 304.20, Water Structures and Improvements, was depreciated using a 33 year rate. According to Rule 25-30.140 F.A.C., this account should be depreciated at 32 years.

**OPINION:** This disclosure is for the analyst's information. A possible journal entry to correct the 33 years to 32 follows.

**Calculation of Possible Adjustment  
to Accumulated Depreciation and  
Expense**

<b>Account</b>	<b>Water Structures and Improvements</b>		
<b>304.2</b>	Balance at 12/31/98	93,795.00	
	Additions 2002	3,883.00	
	Balance at 12/31/02		97,678.00
	Additions 2003	5,075.00	
	Balance at 12/31/03		102,753.00

Depreciation Expense and  
Accumulated Depreciation  
included on the books and  
adjustment to rate case.

	At 33 years	At 32 Years	Difference
1999	2,842.00	2,935.78	93.78
2000	2,842.00	2,935.78	93.78
2001	2,842.00	2,935.78	93.78
2002	2,901.00	2,996.55	95.55
2003	3,036.00	3,136.75	100.75
Total Expense at 33 years	14,463.00		
Total Expense at 32 years		14,940.65	477.65

**Entry**

Deprec Exp 2003 Water	100.75	
Retained Earnings	376.9	
Accum Deprec Water		477.65

*To account for correct depreciation  
Rate*

**AUDIT DISCLOSURE NO. 5**

**SUBJECT: CONTRIBUTIONS IN AID OF CONSTRUCTION CONTRIBUTED TAXES**

**STATEMENT OF FACTS:** Prior to June 30, 1999, the contributed taxes paid by customers and the amortization of the contributed taxes were included in accounts 253.002 and 253.003 respectively, Contributions in Aid of Construction - Taxes. At the end of December 1999, the taxes paid by the customers were transferred to account 271, Contributions in Aid of Construction; and the amortization to 272, accumulated amortization of contributions in aid of construction. The amounts transferred are shown below. By transferring the contributed taxes and the amortization to accounts 271 and 272 these amounts were included in the calculation of yearly amortization expense at each year's composite rate.

	<u>Water</u>	<u>Wastewater</u>
Taxes on Contributed Property Balances Transferred	<u>\$ 98,271.35</u>	<u>\$ 56,445.34</u>
Accumulated Amortization of Taxes on Contributed Property Transferred	<u>\$ 14,840.00</u>	<u>\$ 10,304.00</u>

## AUDIT DISCLOSURE NO. 6

### SUBJECT: NON-UTILITY ADJUSTMENTS TO CAPITAL STRUCTURE

**STATEMENT OF FACTS:** The company made specific adjustments to the per books amounts on MRF schedule D-2. These adjustments represent amounts for non-utility operations.

Long Term Debt	(\$ 5,002)
Short Term Debt	(\$ 15,732)
Common Equity	(\$2,099,432)
Accum. Def. Income Tax	\$ 93,020

The long term debt adjustment represents the debt for the Rolloff Truck. The short term debt adjustment represents \$7,968 and \$4,586 of debt for vehicle insurance for Refuse and Rolloff operations and \$3,178 to remove the non-utility portion of the debt for the liability insurance.

The common equity adjustment represents all net non-utility property, accounts receivable and notes receivable. The accumulated deferred income tax amount consists of \$1,645 to adjust the per books amounts to the company's calculations on MFR schedule C-6 and \$91,375 to remove the non-utility deferred taxes.

**AUDIT OPINION:** This is included per Tallahassee staff's request in order to aid them to determine their treatment of the non-utility adjustments.

The adjustment of \$3,178 for short term debt to remove the non-utility portion of the debt for liability insurance was calculated using the non-utility percentages for Refuse and Rolloff and applying the percentage to the amount financed on 10/15/03 which is \$45,404.17. If the percentages are applied to the amount outstanding as of 12/15/03, the amount of the adjustment would be \$2,494.

<u>Adjustment for Non-Utility Liability Insurance Debt</u>	
Amount Financed	\$45,404.17
Non-Utility % for Refuse and Rolloff	<u>14%</u>
	\$ 6,356.58
Divided by 2 to Determine Average	\$ 3,178.29
Amount Outstanding 12/15/03	\$35,625.42
Non-Utility % for Refuse And Rolloff	<u>14%</u>
	\$ 4,987.56
Divide by 2 to Determine Average	\$ 2,493.78

## AUDIT DISCLOSURE NO. 7

### SUBJECT: SALARY PROFORMA

**STATEMENT OF FACTS:** Included in MFR B-3, page 2 of 4, are proforma adjustments to reduce salaries and wages for \$9,946 for water and \$8,893 for wastewater. The proforma was based on an estimated total 2004 salary expense. One employee's salary of \$15,134.18 was inadvertently left out in calculating the proforma. Also, the proforma was mainly based on a 50/50 allocation for field employees. In the general ledger for 2003, the field employees salaries were allocated to water and wastewater based on their time sheets. We recalculated the salary proforma for 2004 using the actual 2003 allocations to water and wastewater for all employees and including the salary of the employee left out. **This shows that the proforma adjustment should increase water salaries by \$3,539.11 instead of a \$9,926 decrease, and decrease wastewater salaries by \$7,624.52 instead of a \$8,893 decrease.** The schedule following this disclosure details the calculation.

Also the related payroll tax proforma was recalculated with the above information. The proforma prepared by the company decreases water by \$760 and wastewater by \$687. The recalculation increased water by \$336 and decreases wastewater \$724. The schedule following this disclosure details the calculation.

**OPINION:** Year end water and wastewater salaries should be adjusted for staff's recalculation which includes the one employee's salary omitted and the allocation of field staff salaries according to the time spent in 2003. Remove the company's decreases of \$9,945 and \$8,893 for water and wastewater respectively and include staff's increase of \$3,539 for water and decrease of \$7,625 for wastewater. This increases water expense by a total of \$13,475.11 and increases wastewater expense by a total of \$1,358.48.

Year end water and wastewater payroll taxes should be adjusted for staff's recalculation which includes the one employee's salary omitted and the allocation of field staff salaries according to the time spent in 2003. Remove the company's decreases of \$760 and \$687 for water and wastewater respectively and include staff's increase of \$271 for water and decrease of \$583 for wastewater. This increases water expense by a total of \$1,031 and increases wastewater expense by a total of \$104.

## SALARY AND PAYROLL TAX PROFORMA

2003 Employee	Salary	Percentages			Allocated Salary			Total
		Water	Sewer	Other	Water	Sewer	Other	
J. Hewett	69,572.98	38.45%	61.55%		26,750.81	42,822.17		69,572.98
D Smiley	30,694.53	2.92%	97.08%		896.28	29,798.25		30,694.53
R Guerrero	24,502.83	90.54%	9.46%		22,184.86	2,317.97		24,502.83
R Maine	25,599.00	54.64%	45.36%		13,987.29	11,611.71		25,599.00
D Johnson	52,492.83	32.23%	67.77%		16,918.44	35,574.39		52,492.83
E Watson	34,918.18	63.43%	36.57%		22,148.60	12,769.58		34,918.18
R Butts	6,208.13	72.64%	27.36%		4,509.59	1,698.54		6,208.13
E Smith	300		100.00%		0	300		300
M Abramson	57,706.72	45.00%	45.00%	10.00%	25,968.02	25,968.02	5,770.67	57,706.72
E Gentry	57,032.50	45.00%	45.00%	10.00%	25,664.63	25,664.63	5,703.25	57,032.50
W Hannah	41,885.99	25.00%	25.00%	50.00%	10,471.50	10,471.50	20,943.00	41,885.99
M Hernandez	24,565.14	50.00%	50.00%	0.00%	12,282.57	12,282.57	0	24,565.14
T Higgins	53,545.20	20.00%	20.00%	60.00%	10,709.04	10,709.04	32,127.12	53,545.20
J Buchanan	0	20.00%	20.00%	60.00%	0	0	0	0
A Smith	0	50.00%	50.00%	0.00%	0	0	0	0
	479,024.03				192,491.63	221,988.36	64,544.04	479,024.03

**SALARY AND PAYROLL TAX PROFORMA 2004 USING THE SAME PERCENTS AS 2003**

2004 Employee	Salary	Percentages			Allocated Salary			Total
		Water	Sewer	Other	Water	Sewer	Other	
J. Hewett	71,660.17	38.45%	61.55%		27,553.34	44,106.83	0	71,660.17
D Smiley		2.92%	97.08%		0	0	0	0
R Guerrero	25,237.91	90.54%	9.46%		22,850.40	2,387.51	0	25,237.91
R Maine	26,366.97	54.64%	45.36%		14,406.91	11,960.06	0	26,366.97
D Johnson	54,067.61	32.23%	67.77%		17,425.99	36,641.62	0	54,067.61
E Watson	35,965.73	63.43%	36.57%		22,813.06	13,152.67	0	35,965.73
R Butts		72.64%	27.36%		0	0	0	0
E Smith	15,134.13		100.00%		0	15,134.13	0	15,134.13
M Abramson	60,592.06	45.00%	45.00%	10.00%	27,266.43	27,266.43	6,059.21	60,592.06
E Gentry	58,173.15	45.00%	45.00%	10.00%	26,177.92	26,177.92	5,817.32	58,173.15
W Hannah	43,142.57	25.00%	25.00%	50.00%	10,785.64	10,785.64	21,571.29	43,142.57
M Hernandez	25,302.09	50.00%	50.00%	0.00%	12,651.05	12,651.05	0	25,302.09
T Higgins		20.00%	20.00%	60.00%	0	0	0	0
J Buchanan	31,500.00	20.00%	20.00%	60.00%	6,300.00	6,300.00	18,900.00	31,500.00
A Smith	15,600.00	50.00%	50.00%	0.00%	7,800.00	7,800.00	0	15,600.00
	462,742.39				196,030.74	214,363.85	52,347.81	462,742.39
	2003 Difference	Amounts 2003 and	Above 2004 by	Staff	192,491.63 3,539.11	221,988.36 (7,624.52)		
	Proforma by Further	Company Proforma	In MFR's MFR		(9,936.00) 13,475.11	(8,983.00) 1,358.48		

**TAXES**

Salary	Increase	Above		3,539.11	(7,624.52)
				<u>7.6500%</u>	<u>7.6500%</u>
				270.76	(583.28)
Difference Staff	between Proforma	Co and Net	Increase	1,030.76	103.72

**AUDIT DISCLOSURE NO. 8**

**SUBJECT: HEALTH, DENTAL AND DISABILITY INSURANCE PROFORMA ADJUSTMENTS**

**STATEMENT OF FACTS:** Included in MFR B-3, page 2 of 4, are proforma adjustments to increase health insurance for both water and wastewater, to increase dental and disability insurance for water, and decrease dental and disability insurance for wastewater for 2004. The proformas were based on an estimated total 2004 premium expense. One employee's benefits were inadvertently left out in calculating the proforma. Also, the proforma was mainly based on a 50/50 allocation for field employees. In the general ledger for 2003, the field employees salaries were allocated to water and wastewater based on their time sheets. We recalculated the health, dental and disability proforma for 2004 using the actual 2003 allocations to water and wastewater for all employees and including the salary of the employee left out.

The differences between the company calculations and our calculations follow:

	W A T E R		
	Health	Dental	Disability
Staff Calculated Proforma	\$36,292	\$1,145	\$511
Company Proforma	<u>\$28,964</u>	<u>\$ 620</u>	<u>\$152</u>
Difference	7,328	525	359

	W A S T E W A T E R		
	Health	Dental	Disability
Staff Calculated Proforma	\$31,738	304	49
Company Proforma	<u>\$21,298</u>	<u>(\$115)</u>	<u>(\$263)</u>
Difference	10,440	419	312

Schedules detailing the above follow this disclosure.

**OPINION:** Year end water and wastewater health, dental and disability insurance should be adjusted for staff's recalculation which includes the one employee's salary omitted and the allocation of field staff salaries according to the time spent in 2003. Remove the company's proforma amounts above and include staff calculations. This increases water health, dental and disability insurance by \$7,238, \$525 and \$359 respectively, and increases wastewater health, dental and disability insurance by \$10,440, \$419 and \$312 respectively.

**RECALCULATION OF 2004 USING PERCENTS ACTUAL 2003 INCLUDING ALL STAFF**

Employee	2004	Health Ins.	Percents			Allocated			Total
	Prem for Yr		Water	Sewer	Other	Water	Sewer	Other	
J. Hewett	17,769.24	38.45%	61.55%			6,832.27	10,936.97	0.00	17,769.24
D Smiley	0.00	2.92%	97.08%			0.00	0.00	0.00	0.00
R Guerrero	14,610.36	90.54%	9.46%			13,228.22	1,382.14	0.00	14,610.36
R Maine	17,769.24	54.64%	45.36%			9,709.11	8,060.13	0.00	17,769.24
D Johnson	23,666.64	32.23%	67.77%			7,627.76	16,038.88	0.00	23,666.64
E Watson	14,610.36	63.43%	36.57%			9,267.35	5,343.01	0.00	14,610.36
R Butts	0.00	72.64%	27.36%			0.00	0.00	0.00	0.00
E Smith	17,769.24		100.00%			0.00	17,769.24	0.00	17,769.24
M Abramson	23,666.64	45.00%	45.00%	10.00%		10,649.99	10,649.99	2,366.66	23,666.64
E Gentry	17,769.24	45.00%	45.00%	10.00%		7,996.16	7,996.16	1,776.92	17,769.24
W Hannah	17,769.24	25.00%	25.00%	50.00%		4,442.31	4,442.31	8,884.62	17,769.24
M Hernandez	23,666.64	50.00%	50.00%	0.00%		11,833.32	11,833.32	0.00	23,666.64
T Higgins	0.00	20.00%	20.00%	60.00%		0.00	0.00	0.00	0.00
J Buchanan	17,769.24	20.00%	20.00%	60.00%		3,553.85	3,553.85	10,661.54	17,769.24
A Smith	<u>23,666.64</u>	50.00%	50.00%	0.00%		<u>11,833.32</u>	<u>11,833.32</u>	<u>0.00</u>	<u>23,666.64</u>
	230,502.72					96,973.66	109,839.31	23,689.75	230,502.72
	<u>2004 Per Company</u>					<u>89,645.18</u>	<u>99,398.56</u>	<u>23,689.74</u>	<u>212,733.48</u>
	<u>Diff Co 2004 and Staff</u>					<u>7,328.48</u>	<u>10,440.75</u>	<u>0.01</u>	<u>17,769.24</u>
	<u>2004 Calculation</u>								
	Proforma in MFR's					28,963.62	21,297.98		
	Additional Proforma					<u>7,328.48</u>	<u>10,440.75</u>		
	<b>Total Increase</b>	<b>Health Ins</b>				36,292.10	31,738.73		



2004 Employee	Dental Ins Prem for Yr	Percents			Allocated			Total
		Water	Sewer	Other	Water	Sewer	Other	
J. Hewett	941.28	38.45%	61.55%		361.92	579.36	0.00	941.28
D Smiley		2.92%	97.08%		0.00	0.00	0.00	0.00
R Guerrero	1,036.80	90.54%	9.46%		938.72	98.08	0.00	1,036.80
R Maine	941.28	54.64%	45.36%		514.32	426.96	0.00	941.28
D Johnson	1,581.00	32.23%	67.77%		509.56	1,071.44	0.00	1,581.00
E Watson	1,033.80	63.43%	36.57%		655.74	378.06	0.00	1,033.80
R Butts		72.64%	27.36%		0.00	0.00	0.00	0.00
E Smith	941.28		100.00%		0.00	941.28	0.00	941.28
M Abramson	1,581.00	45.00%	45.00%	10.00%	711.45	711.45	158.10	1,581.00
E Gentry	941.28	45.00%	45.00%	10.00%	423.58	423.58	94.13	941.28
W Hannah	941.28	25.00%	25.00%	50.00%	235.32	235.32	470.64	941.28
M Hernandez	1,581.00	50.00%	50.00%	0.00%	790.50	790.50	0.00	1,581.00
T Higgins		20.00%	20.00%	60.00%	0.00	0.00	0.00	0.00
J Buchannan	941.28	20.00%	20.00%	60.00%	188.26	188.26	564.77	941.28
A Smith	<u>1,581.00</u>	50.00%	50.00%	0.00%	<u>790.50</u>	<u>790.50</u>	<u>0.00</u>	<u>1,581.00</u>
	14,042.28				6,119.85	6,634.79	1,287.64	14,042.28
	<u>2004 Per Company</u>				<u>5,594.89</u>	<u>6,215.49</u>	<u>1,287.64</u>	<u>13,098.02</u>
	Diff Co 2004 and Staff				<u>524.96</u>	<u>419.30</u>	<u>(0.00)</u>	<u>944.26</u>
	<u>2004 Calculation</u>							
	Proforma in MFR's				619.97	(115.05)		
	Additional Proforma				<u>524.96</u>	<u>419.30</u>		
	<b>Total Increase</b>	<b>Dental Ins</b>			1,144.93	304.25		

2004 Employee	Disability Ins Prem for Yr	Percents			Allocated			Total
		Water	Sewer	Other	Water	Sewer	Other	
J. Hewett	891.72	38.45%	61.55%		342.87	548.85	0.00	891.72
D Smiley	0.00	2.92%	97.08%		0.00	0.00	0.00	0.00
R Guerrero	389.64	90.54%	9.46%		352.78	36.86	0.00	389.64
R Maine	404.64	54.64%	45.36%		221.10	183.54	0.00	404.64
D Johnson	696.96	32.23%	67.77%		224.63	472.33	0.00	696.96
E Watson	419.52	63.43%	36.57%		266.10	153.42	0.00	419.52
R Butts		72.64%	27.36%		0.00	0.00	0.00	0.00
E Smith	312.84		100.00%		0.00	312.84	0.00	312.84
M Abramson	807.36	45.00%	45.00%	10.00%	363.31	363.31	80.74	807.36
E Gentry	739.92	45.00%	45.00%	10.00%	332.96	332.96	73.99	739.92
W Hannah	559.32	25.00%	25.00%	50.00%	139.83	139.83	279.66	559.32
M Hernandez	427.56	50.00%	50.00%	0.00%	213.78	213.78	0.00	427.56
T Higgins		20.00%	20.00%	60.00%	0.00	0.00	0.00	0.00
J Buchannan	477.12	20.00%	20.00%	60.00%	95.42	95.42	286.27	477.12
A Smith	<u>312.84</u>	50.00%	50.00%	0.00%	<u>156.42</u>	<u>156.42</u>	<u>0.00</u>	<u>312.84</u>
	6,439.44				2,709.20	3,009.58	720.66	6,439.44
	<u>2004 Per Company</u>				<u>2,350.21</u>	<u>2,697.97</u>	<u>812.13</u>	<u>5,860.31</u>
	Diff Co 2004 and Staff				<u>358.99</u>	<u>311.61</u>	<u>(91.47)</u>	<u>579.13</u>
	<u>2004 Calculation</u>							
	Proforma in MFR's Additional Proforma				151.87	(262.73)		
	<b>Total Increase</b>	<b>Disability</b>			<u>358.99</u>	<u>311.61</u>		
					510.86	48.88		

## AUDIT DISCLOSURE NO. 9

### SUBJECT: CONTRACTUAL ACCOUNTING FEES

**STATEMENT OF FACT:** The utility paid Bono, Chazotte, and Dallemolle, P.A.'s \$5,338.75 each for water and wastewater for review of the annual report, quarterly ledgers and preparation of financial statements. These costs were included in expenses in Net Operating Income in schedule B-1 and B-2 of the filing. Order PSC-00-2054-PAA-WS reduced contract service accounting to \$3,000 each for water and wastewater. The order discussed that Indiantown now has full-time positions for a controller and bookkeeper and its vice-president is a CPA. The annual report was charged 50/50 to water and wastewater. Other charges were allocated 45% to each water and wastewater.

In addition to the charges to contractual accounting, the utility also charges the utility for accounting fees for Postco through the management fee. Which are also included in the expenses in Net Operating Income schedule B-1 and B-2.

The breakdown of fees follows:

Review of 2002 Trial Balance-Bono	\$ 2,430
Update and Adjust 2002 General Ledger-Bono	4,000
Review 2002 Financial Statements-Bono	18,500
Review 2002 Tax Return-Bono	12,250
Review 2003 Trial Balance-Bono	2,615
Annual Fee-Pension Source-Review of Pension	3,310
Total paid by Postco	\$ 43,105
Charged in Management fee per filing B-12(a):	
Post Accounting	\$ 20,568
Post Contract Services	1,300
Leslie Accounting	19,937
Leslie Contract Services	1,300
Total Charged in Management Fee	\$ 43,105
Portion to Water Accounting Post at 10%	
Portion to Water Contract Services Post	0
Portion to Water Accounting Leslie at 15%	2,991
Portion to Water Contract Services Leslie	0
Total Charged to Water in B-12(a)	\$ 5,038
Same Charged to Wastewater in B-12(a)	\$ 5,038

**OPINION:** If the same \$3,000 was allowed, water and wastewater expenses would be reduced, by \$2,338.75 each.

By not allocating the \$1,300, the company has removed the charge for \$2,615 from the management fee which duplicates the 2002 charges. The \$5,038 charged through the management fee for each, water and wastewater, needs to be reviewed to determine if the order should also apply to charges for accounting through this fee.

**AUDIT DISCLOSURE NO. 10**

**SUBJECT: LIGHTNING DAMAGE**

**STATEMENT OF FACT:** In 2003, the plants had damage from lightning that was not fully reimbursed from insurance. The company recorded \$26,428.32 in account 141.0011.1, Due from Insurance. The company credited the account with \$7,639.24 of insurance proceeds. This left \$18,789.08 of replacements or expenses that were not covered by insurance. The company charged this amount as follows:

Account Title	Account Number	Amount
Computers	340	\$7,127.27
Air conditioner	304	1,174.26
Well pump	307	4,558.93
Other Outside Services	636	5,217.67
Water Analysis	635	710.94

The amounts charged to outside services were for the phone line repairs (\$962.48), replacement of the T-1 line to do billing (\$1,095.50), repair of the generator (\$1,710.01), repair of a control panel (\$400), and repair of the tank and breakers (\$3,071.08). Insurance received was deducted from these amounts. The water analysis was done to determine if the water contained bacteria due to the equipment problems.

Additional expenses were recorded in expenses in the Net Operating Income schedule B-2 in the filing as being caused by lightening strikes. They are as follows:

Account	Date	Payee	Amount
720.04	9/23/03	Tripp Electric	\$ 683.25
720.04	9/29/03	Southeastern Pump	106.00
720.04	10/13/03	Rexel Construction	153.02
720.04	10/13/03	Rexel Construction	642.12
720.04	10/13/03	Rexel Construction	356.16
	Total		\$ 1,940.55

**OPINION:** The costs related to lightening strikes may not be recurring. The engineer should review these costs to determine if this is a normal occurrence.

## **AUDIT DISCLOSURE NO. 11**

### **SUBJECT: ITEMS REFERRED TO THE ENGINEER**

**STATEMENT OF FACT:** The utility has booked several high dollar items to expense accounts in the test year. These items are included in expenses in Net Operating Income in schedule B-1 and B-2 of the filing. The detail for these expenses can be found on the two pages following this disclosure.

**OPINION:** Some of the entries to expense that were traced to invoices, appeared to be for capital additions or replacements of existing additions. No retirements for existing equipment were booked. Some of the expenses may not be the type of expense that occurs every year and may need to be amortized over the years before the expense would occur again. The company also had repairs to its spray irrigation system. Some companies require the company receiving the irrigation to be responsible for the repairs. All of the items found in the expense accounts were reviewed with the engineer assigned to this case for him to determine whether the items should be capitalized, amortized or are properly expensed. These items are shown on two lists following this disclosure. The first is for items that may need to be capitalized and the second for review to determine if the items occur on a regular basis and are the responsibility of the utility.

ACCOUNT NUMBER	PAYEE	DESCRIPTION	AMOUNT WATER	AMOUNT WASTEWATER
620.03	CC CONTROL	MERCOID LEVEL CONTROLLER ON WATER STORAGE TANK	1,232.94	
620.06	MASTER METER	6" BRONZE TURBINE WATER METER FOR SPRAY IRRIGATION(WHY WATER?)	1,934.45	
620.07	KNIGHT CONSTRUCTION	FIRE LINE AT INDIANWOOD	5,050.00	
634.00	KNIGHT CONSTRUCTION	REPLACE 12" WATER MAIN OVER COUNTY'S NEW BRIDGE AT ROWLAND CANAL	3,000.00	
720.04	USA BLUE BOOK	MICROSCOPE SETTLEOMETER KIT		733.10
720.04	COLE PALMER	PH METER		419.85
			11,217.39	1,152.95

ACCOUNT NUMBER	PAYEE	DESCRIPTION	AMOUNT WATER	AMOUNT WASTEWATER
	CONTROLS			
620.04	CHLOROTECH SYSTEM	SCALETRON INDICATOR LEAD CELL AND LEVELING FOOT TO FIX CL2 SCALE AT WTP	1,973.43	
632.00	MARTIN COUNTY	MC WELLFIELD PROTECTIVE ORDER (CHARGE \$460 FOR EACH OF 8 WELLS)	3,680.00	
720.04	TRIPP ELECTRIC	REPAIR HYDRO SUB PUMP AT PALM BEACH LIFT STATION		1,964.78
720.04	SE PUMP	SE PUMP 4 HP AT MARINA LIFT STATION		1,055.76
720.04	TRIPP ELECTRIC	REBUILT 5HP SUB GRINDER PUMP		1,772.16
720.04	TRIPP ELECTRIC	NEW MOTOR MARINA LIFT STATION		1,611.32
720.04	TRIPP ELECTRIC	REWIND PUMP MARINA LIFT STATION		967.05
720.04	ABCOR	CASING FOR CRANE DEMING PUMP 4TH ST. LIFT STATION		2,480.32
720.04	TRIPP ELECTRIC	REPAIR IRRIGATION PUMP AT WASTEWATER PLANT		694.38
720.04	MILLER BEARINGS	REPAIR IRRIGATION PUMP AT WASTEWATER PLANT		285.04
720.04	TRIPP ELECTRIC	REBUILT 15 HP PUMP AT 4TH ST. LIFT STATION		1,915.10
720.04	TRIPP ELECTRIC	REWIND BLOWER MOTOR AT AERATION TANK		1,840.76
736.00	KNIGHT CONSTRUCTION	GROVE ROAD REPAIRS (ROAD TO OFF-SITE PONDS)		780.00
736.00	KNIGHT CONSTRUCTION	GROVE ROAD REPAIRS (ROAD TO OFF-SITE PONDS)		140.00
736.00	KNIGHT CONSTRUCTION	GROVE ROAD REPAIRS (ROAD TO OFF-SITE PONDS)		405.00
736.00	BUDS TRACTOR SERVICE	GROVE ROAD REPAIRS (ROAD TO OFF-SITE PONDS)		360.00
735.06	KNIGHT CONSTRUCTION	YEARLY POND CLEANING		16,000.00
			<u>7,431.54</u>	<u>32,271.67</u>



**AUDIT DISCLOSURE NO. 12**

**SUBJECT:           RATE CASE EXPENSE**

**STATEMENT OF FACTS:** In MFR B-3, page 3 of 4, the company included a proforma to reduce actual 2003 rate case expense for actual amortization of the prior rate case, and increased the rate case expense for the estimated expenses in the present case. The company estimated by \$94,000 and allocated it to water and wastewater based on the percent of ECR's at 12/31/03. The company then amortized it over four years. Included in the \$94,000 is an estimate for \$5,000 for Indiantown Telephone System employees. The company stated that these employees worked on the billing analysis, the first draft of the MFR's and account analysis. Indiantown Water and Wastewater to date was billed \$4,178.69 for these employees, but has not yet been paid.

Through October 31, 2004, the company spent \$72, 267.26. A list of the actual expenditures is detailed on the schedule following this disclosure.

## RATE CASE EXPENSE

Date	Payee	Total Amount	Water	Wastewater	
<b>Accounting</b>					
May-04	CJNW*	7,457.42	3,728.71	3,728.71	
4-Jun-04	CJNW*	8,599.33	4,299.67	4,299.66	
July, 2004	CJNW*	22,839.14	11,419.57	11,419.57	
Jul-04	Bono	1,850.00	925.00	925.00	
Aug-04	CJNW*	10,438.25	5,219.13	5,219.12	
Sep-04	CJNW*	4,367.38	2,183.69	2,183.69	
Oct-04	CJNW*	<u>6,043.29</u>	<u>3,021.60</u>	<u>3,021.69</u>	
	<b>General Ledger</b>	61,594.81	30,797.37	30,797.44	
	<b>MFR Proforma</b>	<u>60,000.00</u>	<u>30,474.00</u>	<u>29,526.00</u>	(A)
		1,594.81	323.37	1,271.44	
<b>Legal</b>					
June, 2004	Dave Erwin	40.50	20.25	20.25	
July 9, 2004	Dave Erwin	513.00	256.50	256.50	
Jul-04	Dave Erwin	891.84	445.92	445.92	
Aug-04	Dave Erwin	1,101.15	550.58	550.57	
Sep-04	Dave Erwin	<u>190.38</u>	<u>95.19</u>	<u>95.19</u>	
	<b>General Ledger</b>	2,736.87	1,368.44	1,368.43	
	<b>MFR Proforma</b>	<u>20,000.00</u>	<u>10,158.00</u>	<u>9,842.00</u>	(A)
		(17,263.13)	(8,789.56)	(8,473.57)	
<b>Filings, Fees and Notices</b>					
21-Jul-04		7,000.00	3,500.00	3,500.00	
	<b>General Ledger</b>	7,000.00	3,500.00	3,500.00	
	<b>MFR Proforma</b>	<u>9,000.00</u>	<u>4,571.10</u>	<u>4,428.90</u>	(A)
		(2,000.00)	(1,071.10)	(928.90)	
<b>Engineering</b>					
Oct-04	LBFH				
	<b>General Ledger</b>	691.33	345.67	345.66	
	<b>MFR Profroma</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
		691.33	345.67	345.66	
<b>Indiantown Telephone</b>					
	Company				
	<b>General Ledger</b>	0.00	0.00	0.00	
	<b>MFR Profroma</b>	<u>5,000.00</u>	<u>2,539.50</u>	<u>2,460.50</u>	
A= See next page		(5,000.00)	(2,539.50)	(2,460.50)	

**Miscellaneous**

Jun-04		42.35	21.18	21.17	
Jul-04		5.84	2.92	2.92	
4-Aug		48.40	24.21	24.19	
Sep-04		5.84	2.92	2.92	
Sep-04		68.34	34.18	34.16	
Oct-04		<u>73.48</u>	<u>36.74</u>	<u>36.74</u>	
	<b>General Ledger</b>	244.25	122.15	122.10	(B)
	<b>MFR Proforma</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
		244.25	122.15	122.10	
<b>Total Exp in G/L in 2004</b>		<u>72,267.26</u>	<u>36,133.63</u>	<u>36,133.63</u>	
<b>If allocated to Water &amp; WW</b>			0.51	0.49	
<b>using ERC's at 12/31/03</b>			36,704.54	35,562.72	
<b>MFR Total Proforma</b>		<u>94,000.00</u>	<u>47,742.60</u>	<u>46,257.40</u>	
<b>Amount Not Expensed</b>	<b>as of Nov 2004</b>	(21,732.74)	(11,038.06)	(10,694.68)	

\*Cronin, Jackson, Nixon and  
Wilson

**A:** In the MFR's the company allocated the amounts to water and wastewater based on the percent of total ERC's at 12/31/03. Water .5079, Wastewater .4921  
**B:** Meals for company personnel while discussing rate case and meeting with outside contractors.

**AUDIT DISCLOSURE NO. 13**

**SUBJECT: PROPERTY TAXES**

**STATEMENT OF FACTS:**

Personal Property Tax: The utility recorded \$29,269.28 in Account 408.0004-1-water and \$37,923.62 in Account 408.0004-2-wastewater for personal property tax. This is reflected in the per books numbers shown in Real Estate and Personal Property taxes in MFR B-15. The company could not explain how this was allocated. The total bill if the company took advantage of the total discount for early payment was \$67,763.23.

If the personal property tax were allocated based on the cost of plant in service for water, wastewater, refuse and Rolloff, the following amounts would be charged to water and wastewater.

Water	36.25%	\$24,564
Waste water	57.59%	39,025
Non-utility	6.16%	<u>4,174</u>
		\$67,763

Real Estate Tax: In addition to the personal property tax, the real estate tax bill for the water plant was \$6,258.24. This amount was recorded in account 408.0003-1 water and is reflected in the per books total for Real Estate and Personal Property taxes in MFR Schedule B-15.

**OPINION:** Using the plant in service allocation would decrease water expense in the amount of \$4,705.11 (29,269.28-24,564) and increase wastewater expense in the amount of \$1,101.22 (37,923.62-39,025).

The Tallahassee engineer will review the water plant location to determine if an allocation is necessary. The last rate order allocated the bill 85% to water, 5% to wastewater and 15% to non utility.

**AUDIT DISCLOSURE NO. 14**

**SUBJECT: WASTEWATER PROFORMA EXPENSES**

**STATEMENT OF FACTS:** On MFR B-3, page 2 of 4, the company included \$3,720 for the annual cost of weed control and \$14,000 for the amortization of painting inside the sewer tanks.

For the weed control the company supplied us with a signed contract with Aquagenix for this service at \$310 per month which amounts to \$3720 a year.

A proposal for painting the inside of the sewer tank was received by the company from US Filter dated April 27, 2003 in the amount of \$63,502. This amortized over five years is \$12,700 per year. If the company decided to paint the inside of the clarifier weir trough and replace the aluminum weir plates, the price would be increased by \$7,350 and \$7,875 respectively for a total of \$15,225. Over five years this would be an additional \$3,045 per year for a total of \$15,745.

**AUDIT DISCLOSURE NO. 15**

**SUBJECT: ALLOWANCE FOR DOUBTFUL ACCOUNTS**

**STATEMENT OF FACTS:** The company records "allowance for doubtful accounts" and "bad debt expense" as follows. At year end a percent of past due accounts to accounts receivable is determined. In 2003 the percent was 2.5%. That percent is applied to the ending balance of accounts receivable at 12/31/03 the accounts receivable were \$50,679 for water and \$96,656 for wastewater. At 12/31/03 2.5% of these balances were \$1,266.98 and \$2,416.40 respectively. In order to bring the allowance for doubtful accounts back to this estimate, certain journal entries were made.

	Water Account 143	Wastewater Account 143	Water 670	Wastewater 770
Balance 12/31/02	(1,163.49)	(1,811.67)	0.00	0.00
Monthly Entries during 2003				
Actual Amounts written off			2,252.17	2,096.29
Actual amounts collected that were written off			(254.99)	(281.46)
Sub - Total	(1,163.49)	(1,811.67)	1,997.18	1,814.83

Company  
AJE 6  
To book actual write offs  
during  
the year to the uncollectible balance  
sheet account instead of the expense.

	1,997.18	1,814.83	(1,997.18)	(1,814.83)
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Company  
AJE 8  
To estimate 2003 bad  
debts  
and bring allowance  
account to  
2.5% of A/R at 12/31/03.

	(2,100.00)	(2,400.00)	2,100.00	2,400.00
Balance at 12/31/03	(1,266.31)	(2,396.84)	2,100.00	2,400.00
Estimate Above	<u>1,266.31</u>	<u>2,416.40</u>		
	0.00	19.56		
Difference between actual write offs and estimated bad debts for 2003	(102.82)	(585.17)	102.82	585.17

The actual bad debts are reclassified to the allowance for doubtful accounts because the charges to the bad debt expense account in 2003 may be write offs in 2002.

This disclosure is prepared for the analyst's review.

**AUDIT DISCLOSURE NO. 16**

**SUBJECT: PROPOSED RATE CALCULATION**

**STATEMENT OF FACTS:** In MFR E-2(a), pages 1 and 2, the company reported total gallons used. There were differences in the gallons reported in the MFR's and the gallons included in the billing summary reports. The differences are described below:

The company could not explain the differences in the residential gallons for both water and wastewater. For commercial gallons, the billing summary reports did not include a commercial over billing adjustment which was included in the filing. However, there was still a difference between the billing summary reports and the filing after the over billing adjustment was accounted for which could not be explained.

<b>WATER</b>			<b>2003</b>		
	Gallons (000) MFR	Gallons(000) Billing Reports	Gallons(000) Difference	Adjustment Not in Reports	Unaccounted For Difference
Residential	160,975	161,758	(783)	0	(783)
Commercial	82,782	56,837	25,945	24,916	1,029

<b>WASTEWATER</b>					
	Gallons MFR	Gallons Billing Report	Gallons (000) Difference	Adjustments Not in Report	Unaccounted for Difference
Residential	87,169	87,289	(120)	0	
Commercial	61,035	42,336	18,699	20,313	(1,614)

For commercial gallons, we determined that for general service meter size 5/8 x 3/4, the gallons on the MFR were included twice. The effect these differences would have on commercial revenue has been calculated as follows:

	<i>Water Total</i>	<i>Wastewater Total</i>
Total MFR	82,782	61,035
Less Unadjusted 2003 gallons Gallons	<u>29,410</u>	<u>23,651</u>
	53,372	37,384
Billing Summary	56,837	42,336
Less Adjustment in 2004 for 2003 Gallons	<u>4,494</u>	<u>3,338</u>
	52,343	38,998
Difference MFR And Billing Summary At Proposed Rates	1,029	(1,614)
	<u>1.89</u>	<u>5.91</u>
	1,945	(9,539)

According to these calculations, the proposed water revenue is overstated by \$1,945 and wastewater revenue understated by \$9,539.

In addition to the above difference between the billing summaries and the filing, the company adjustment for the refund of the over billed gallons on MFR E-2(a) does not agree with the source documents. The dollar value of the gallon adjustments on MFR E-2(a) shows a total reduction of \$6,876 for water and \$14,657 for wastewater. These total \$21,533. The source documents show that \$7,683.66 was for water and \$17,560 was for wastewater for a total of \$25,243.66 refund. At \$1.53 per gallon for water and \$4.39 for wastewater this would be 5,022 gallons and 4,000 gallons respectively. Time limits precluded us from further investigation.

**OPINION:** The company should follow be asked to resolve the above discrepancies.



**AUDIT DISCLOSURE NO. 17**

**SUBJECT: OTHER WATER AND WASTEWATER REVENUES**

**STATEMENT OF FACTS:** In MFR B-4, the company included forfeited discounts in the amount of \$2,763 and miscellaneous service revenues in the amount of \$10,291 under other water revenues only. Both the water and wastewater tariffs specify charges for the miscellaneous service revenues. We were unable to review each and every service charge to determine whether it related to water or wastewater customers and unable to review the forfeited discounts. However, the company has been asked for this information through an interrogatory.

**AUDIT DISCLOSURE NO. 18**

**SUBJECT: BILLING ANALYSIS DIFFERENCES**

**STATEMENT OF FACT:** The E-2 and E-2(a) schedules were traced to the company provided billing analysis. The billing analysis were traced back to the computerized detail provided from the billing system. The detail from the billing system did not agree to the billing analysis for the following meter and usage types:

	<b>BILLS PER BILLING DETAIL</b>	<b>BILLS PER BILLING ANALYSIS</b>	<b>DIFFERENCE</b>
WATER 5/8 RESIDENTIAL ZERO USAGE	1,042.00	666.00	376.00
WATER 5/8 COMMERCIAL ZERO USAGE	204.00	127.00	77.00
WATER 2" METER ZERO USAGE	1,271.00	800.00	471.00
WASTEWATER 5/8 RESIDENTIAL ZERO USAGE	1,035.00	645.00	390.00
WASTEWATER 5/8 RESIDENTIAL OVER 6000	10,307.00	10,326.00	(19.00)
WASTEWATER 5/8 COMMERCIAL ZERO USAGE	134.00	5.00	129.00
WASTEWATER 2" METER ZERO USAGE	2.00	18.00	(16.00)

The company was asked to provide the reason for the differences and proof that the zero customers that were not included were not billed. The company representative responded that the company reduced the zero usage number of customers in the billing analysis to reconcile the billing analysis to the billing summary used to book revenues in the general ledger.

**OPINION:** When the response was received, there was no time left to follow up to determine if the zero usage number of customers in the billing analysis is correct.

## **EXHIBITS**

Rate Base  
Net Operating Income  
Cost of Capital

Company: Indiantown Company, Inc.  
 Docket No.: 040450-WS  
 Schedule Year Ended: December 31, 2003  
 Interim [ ] Final [X]  
 Historic [X] Projected [ ]

Schedule: A-1  
 Page 1 of 1  
 Preparer: CJN & W

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

Line No.	(1) Description	(2) Balance Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	\$ 2,955,679	\$ 37,603 (A)	\$ 2,993,282	A-5
2	Utility Land & Land Rights	5,319		5,319	A-5
3	Less: Non-Used & Useful Plant				A-7
4	Construction Work in Progress				
5	Less: Accumulated Depreciation	(1,513,279)	(34,997) (B)	(1,548,276)	A-9
6	Less: CIAC	(1,825,903)		(1,825,903)	A-12
7	Accumulated Amortization of CIAC	730,676	(43,080) (C)	687,596	A-14
8	Acquisition Adjustments				
9	Accum. Amort. of Acq. Adjustments				-
10	Advances For Construction				A-16
11	Working Capital Allowance	75,984	1,969 (D)	77,953	A-17
12	Total Rate Base	\$ 428,476	\$ (38,505)	\$ 389,971	

Company: Indiantown Company, Inc.  
 Docket No.: 040450-WS  
 Schedule Year Ended: December 31, 2003  
 Interim [ ] Final [X]  
 Historic [X] Projected [ ]

Schedule: A-2  
 Page 1 of 1  
 Preparer: CJN & W

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

Line No.	(1) Description	(2) Balance Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	\$ 4,532,950	\$ 179,781 (A)	\$ 4,712,731	A-6
2	Utility Land & Land Rights	383		383	A-6
3	Less: Non-Used & Useful Plant			-	A-7
4	Construction Work in Progress				
5	Less: Accumulated Depreciation	(2,306,374)	(60,128) (B)	(2,366,502)	A-10
6	Less: CIAC	(2,055,280)		(2,055,280)	A-12
7	Accumulated Amortization of CIAC	954,488	(74,913) (C)	879,575	A-14
8	Acquisition Adjustments				
9	Accum. Amort. of Acq. Adjustments				-
10	Advances For Construction				A-16
11	Working Capital Allowance	<u>104,166</u>	<u>(598)</u> (D)	<u>103,568</u>	A-17
12	Total Rate Base	<u>\$ 1,230,333</u>	<u>\$ 44,142</u>	<u>\$ 1,274,475</u>	

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: Indiantown Company, Inc.  
 Docket No.: 040450-WS  
 Test Year Ended: December 31, 2003  
 Interim [ ] Final [X]  
 Historic [X] or Projected [ ]

Schedule: B-2  
 Page 1 of 1  
 Preparer: C/JN & W

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 Schedule(s)
1	OPERATING REVENUES	\$ 885,706	\$ (14,654) (A)	\$ 871,052	\$ 338,771 (E)	\$ 1,209,823	B-4, E-13
2	Operation & Maintenance	833,329	(4,782) (B)	828,547		828,547	B-6, B-3
3	Depreciation, net of CIAC Amort.	91,263	30,786 (C)	122,049		122,049	B-14, B-3
4	Amortization						B-3
5	Taxes Other Than Income	103,570	539 (D)	104,109	15,270 (F)	119,379	B-15, B-3
6	Provision for Income Taxes	4,276		4,276	21,252 (G)	25,528	C-1, B-3
7	OPERATING EXPENSES	1,032,438	26,543	1,058,981	36,522	1,095,503	
8	NET OPERATING INCOME	\$ (146,732)	\$ (41,197)	\$ (187,929)	\$ 302,249	\$ 114,320	
9	RATE BASE	\$ 1,230,333		\$ 1,274,475		\$ 1,274,475	
10	RATE OF RETURN	-	%	-	%	8.97	%

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Indiantown Company, Inc.  
 Docket No.: 040450-WS  
 Test Year Ended: December 31, 2003  
 Interim [ ] Final [X]  
 Historic [X] or Projected [ ]

Schedule: B-1  
 Page 1 of 1  
 Preparer: C.J.N & W

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 Schedule(s)
1	OPERATING REVENUES	\$ 618,125	\$ (6,876) (A)	\$ 611,249	\$ 189,765 (E)	\$ 801,014	B-4, E-13
2	Operation & Maintenance	607,870	15,750 (B)	623,620		623,620	B-5, B-3
3	Depreciation, net of CIAC Amort.	31,006	8,871 (C)	39,877		39,877	B-13, B-3
4	Amortization						B-3
5	Taxes Other Than Income	76,969	(1,331) (D)	75,638	8,639 (F)	84,277	B-15, B-3
6	Provision for Income Taxes (1)	18,223	-	18,223	37 (G)	18,260	C-1, B-3
7	OPERATING EXPENSES	734,068	23,290	757,358	8,676	766,034	
8	NET OPERATING INCOME	\$ (115,943)	\$ (30,166)	\$ (146,109)	\$ 181,089	\$ 34,980	
9	RATE BASE	\$ 428,476		\$ 389,971		\$ 389,971	
10	RATE OF RETURN	-	%	-	%	8.97	%
11	Note (1): The book provision for income taxes consists solely of deferred income taxes required by Internal Revenue Code (IRC) Section 168						

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

Florida Public Service Commission

Company: Indiantown Company, Inc.  
Docket No.: 040450-WS  
Test Year Ended: December 31, 2003  
Schedule Year Ended: December 31, 2003  
Historic [X] Projected [ ]

Schedule: D-2  
Page 1 of 1  
Preparer: C/JN & W

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	(3) Reconciliation Adjustments			(5) Prorata Amount	(6) Reconciled To Requested Rate Base
			(3) Specific	(4) Prorata %	(5) Prorata Amount		
1	Long-Term Debt	308,216	(5,002) (1)	9.65 %	(147,111)	156,103	
2	Short-Term Debt	30,367	(15,732) (2)	0.47	(7,032)	7,603	
3	Preferred Stock						
4	Common Equity	4,813,931	(2,099,432) (3)	86.44	(1,316,201)	1,398,298	
5	Customer Deposits	46,795				46,795	
6	Tax Credits - Zero Cost						
7	Tax Credits - Wtd. Cost						
8	Accum. Deferred Income Tax	15,135	93,020 (4)	3.44	(52,508)	55,647	
11	<b>Total</b>	<b>\$ 5,214,444</b>	<b>\$ (2,027,146)</b>	<b>100.00 %</b>	<b>\$ (1,522,852)</b>	<b>\$ 1,664,446</b>	

12 • List corresponding adjustments to rate base below:

13	Description	Amount
14	(1) Remove non-utility debt for Nonutility (Rolloff) Operations	\$ (5,002)
15	(2) Remove insurance for nonutility operations	
16	Remove debt for portion of Liability insurance for nonutility operations	\$ (3,178)
17	Remove debt for Vehicle insurance for nonutility (refuse) operations	(7,968)
18	Remove debt for Vehicle insurance for nonutility (rolloff) operations	(4,586)
19	Adjustment	\$ (15,732)
20	(3) Eliminates the equity of all non-utility operations	\$ (2,099,432)
21	(4) Average net accumulated deferred income taxes per C-6	\$ 16,780
22	Remove average net non-utility deferred taxes	91,375
23	Average amount per books	(15,135)
24	Adjustment	\$ 93,020

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