

July 28, 2015

Ms. Amber Norris  
Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

**Re: Docket No. 140239-WS; Final Audit Report Findings**

Dear Ms. Norris:

Orchid Spring Development Corporation (Orchid) respectfully submits this response for the data request dated July 13, 2015. This response specifically addresses item #2.

After review of the Auditor's Report dated February 23, 2015, Orchid agrees with all findings with the exception of Finding #7: Capital Structure. In addition, while Orchid concurs with the reconciliation of expenses referenced in Finding #4, additional clarification of preliminary Staff recommendations regarding this audit finding is requested.

Specific to Finding #7, Orchid is attaching additional documentation to support the determination of equity for the purpose of reflecting the appropriate Capital Structure for the utility. Orchid financial statements indicate an additional \$505,438.13 (principal only) note payable due from the utility to the parent company (see attached). No principal or interest payments have been made to date. This current note payable represents a cumulative liability of the utility originating from an executed promissory note dated January 1, 2004 (see attached). Finding #7 of the final audit report currently recognizes only \$16,000 in equity. Orchid is currently in the process of producing detailed documentation of the accumulation of the liability of the utility to the parent company.

Please let me know if you have any questions or comments.

Respectfully submitted,

**GAI Consultants, Inc.**



Steven R. McDonald, MAE  
Senior Economist

**Attachments:**

Orchid Springs Development Corp 2004 Promissory Note  
2014 Orchid Springs Development Corp 2014 Financial Statements

# Demand Promissory Note

U.S. \$97,219.60

Due: On Demand

FOR VALUE RECEIVED, the undersigned, Orchid Springs Development Corp. "W&S" (the "Borrower"), hereby acknowledges itself indebted to Orchid Springs Development Corp. "General", a Florida Limited Liability Corporation (the "Lender") and promises to pay on demand to or to the order of the Lender at 700 Overlook Drive, Winter Haven, FL 33884, USA, or as otherwise directed in writing by the Lender, the principal sum of \$97,219.60 with interest accrued thereon at the rate of 3.50% per annum, calculated monthly, not in advance, both before and after demand, maturity, default and judgment until paid. Accrued interest will be paid with principal upon demand, with all future loans carrying the same terms as the original loan.

The Lender may assign all of its right, title, and interest in, to and under this promissory note. All payments required to be made hereunder shall be made by the Borrower without any right of set off or counterclaim.

DATED: 1/01/2004 \_\_\_\_\_

Borrower

Witness

  
\_\_\_\_\_

  
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Orchid Springs Development Corp  
Albert B. Cassidy  
President

**Orchid Springs Development Corp**  
**Balance Sheet - Water & Sewer**  
**December 31, 2014**

**Assets**

CenterState Bank - W & S	\$ 660.72
Deposits - City of Winter Haven	15,000.00
Customer Accounts Receivable	21,795.36
Net Amortized Loan Cost	1,530.00
Utility Plant in Service (101-105)	976,682.66
Accumulated Depreciation (108)	<u>(702,693.99)</u>
Net Utility Plant	\$ 273,988.67
Total Assets	<u><u>\$ 312,974.75</u></u>

**Liabilities and Capital**

Customer Deposits	\$ 14,990.00
County Tax	1,433.42
Notes Payable - OSDC	505,438.13
N/P - Cassidy Properties, Inc.	16,000.00
N/P - Community Southern Bank	188,439.49
Accounts Payable	28,700.81
CIAC - Net (271-272)	<u>263.60</u>
Total Liabilities	\$ 755,265.45
Retained Earnings	\$ (402,202.87)
Current Year Income (Loss)	<u>(40,087.83)</u>
Total Capital	\$ (442,290.70)
Total Liabilities & Capital	<u><u>\$ 312,974.75</u></u>