



# Public Service Commission

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

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

**DATE:** May 19, 2010  
**TO:** Rick Wright, Professional Accountant Specialist, Division of Economic Regulation  
**FROM:** Dale N. Mailhot, Director, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 090462-WS  
 Company Name: Utilities, Inc. of Florida  
 Company Code: SU640  
 Audit Purpose: Water and Wastewater Rate Case  
 Audit Control No: 10-040-1-1

RECEIVED - FPSC  
 10 MAY 20 PM 2: 25  
 COMMISSION  
 CLERK

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 a response to the Office of Commission Clerk. There were confidential work papers associated with this audit.

DNM/ip  
Attachment: Audit Report

cc: (With Attachment)  
Office of Auditing and Performance Analysis (Mailhot, File Folder)  
Office of Commission Clerk  
Office of the General Counsel

(Without Attachment)  
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

STATE OF FLORIDA



FLORIDA PUBLIC SERVICE COMMISSION

OFFICE OF AUDITING AND PERFORMANCE ANALYSIS  
BUREAU OF AUDITING

Tallahassee District Office

UTILITIES, INC. OF FLORIDA

FILE AND SUSPEND RATE CASE

TEST YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 090462-WS  
AUDIT CONTROL NO. 10-040-1-1

Handwritten signature of Debra M. Dobiak in black ink.

Debra M. Dobiak, Audit Manager

Handwritten signature of Donna D. Brown in black ink.

Donna D. Brown, Audit Staff

Handwritten signature of Kathy Welch in black ink.

Kathy Welch, Audit Staff

Handwritten signature of Hyma Vedula in black ink.

Hyma Vedula, Audit Staff

Handwritten signature of Intesar Terkawi in black ink.

Intesar Terkawi, Audit Staff

Handwritten signature of Lynn M. Deamer in black ink.

Lynn M. Deamer, District Audit Supervisor

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS  
AUDITOR'S REPORT**

**May 18, 2010**

**TO: FLORIDA PUBLIC SERVICE COMMISSION**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated February 9, 2010. We have applied these procedures to the Minimum Filing Requirements (MFRs) prepared by Utilities, Inc. of Florida in support for rate relief in Docket No. 090462-WS for the test period ending December 31, 2008.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use. There are confidential workpapers included in this audit.

## **II. OBJECTIVES AND PROCEDURES**

### **RATE BASE**

#### Utility Plant in Service (UPIS)

*Objectives:* To determine that property exists and is owned by the utility. To determine that additions to UPIS are authentic, recorded at original cost, and properly classified in compliance with Commission rules and the National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USoA). To verify that proper retirements of UPIS were made when a replacement item was put into service.

*Procedures:* We reconciled the beginning plant in service balance to FPSC Order No. PSC-07-0505-SC-WS, Docket No. 060253-WS, issued June 13, 2007. We tested additions and retirements from December 31, 2005 to December 31, 2008. We tested the plant in service additions for the following criteria: date acquired, original cost, account recorded, and appropriate retirements. We tested the retirements for the following criteria: cost retired, account number, date of retirement or disposition, amount of accumulated depreciation retired, amount of proceeds/cost of removal, and amount of gain/loss recorded in utility books after disposal. We also tested the allocations of plant from both the Illinois and Florida headquarters, and we tested the additions made since the allocations were reviewed in Docket No. 090381-SU. Audit Finding No. 2 discusses our findings.

#### Land and Land Rights

*Objective:* To determine that utility land is recorded at original cost, is used for utility operations, and is owned or secured under a long-term lease.

*Procedures:* We noted that the additions to land account since the prior rate case were due to legal fees and surveying costs. Audit Finding No. 1 discusses our findings.

#### Contributions in Aid of Construction (CIAC)

*Objectives:* To determine that utility CIAC balances are properly stated and are reflective of service availability charges authorized in the utility's Commission approved tariffs.

*Procedures:* We reconciled the beginning CIAC balance to FPSC Order No. PSC-07-0505-SC-WS, Docket No. 060253-WS, issued June 13, 2007. We tested additions and retirements from December 31, 2005 to December 31, 2008. The audit staff read the utility's authorized tariff to determine the type and amount, if any, of service availability fees for new customer additions, and inquired if the utility had any special agreements, developer agreements, and whether or not it has received any donated property as CIAC.

#### Accumulated Depreciation

*Objectives:* To determine that accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC USoA. To verify that depreciation accruals are calculated using the Commission's authorized rates and that retirements are properly recorded.

*Procedures:* We reconciled the beginning accumulated depreciation balances to FPSC Order No. PSC-07-0505-SC-WS, Docket No. 060253-WS, issued June 13, 2007. We scheduled accumulated depreciation accruals through December 31, 2008. Our schedule includes: beginning and ending balances by UPIS sub-accounts, methodology for calculating annual accumulated depreciation accruals, service lives used to determine accrual multiplier, methodology for accounting for retirements and adjustments, and current period depreciation expense. We also tested the allocations of accumulated depreciation allocated from both the Illinois and Florida headquarters, and we tested the additions made since the allocations were reviewed in Docket No. 090381-SU. Audit Finding No. 2 discusses our findings.

#### Accumulated Amortization of CIAC

*Objectives:* To determine that accumulated amortization of CIAC balances are properly stated and that annual accruals are reflective of the depreciation rates and are in compliance with Commission rules and orders.

*Procedures:* We reconciled the beginning accumulated amortization of CIAC balance to FPSC Order No. PSC-07-0505-SC-WS, Docket No. 060253-WS, issued June 13, 2007. The audit staff scheduled accumulated amortization of CIAC accruals through December 31, 2008. Our schedule includes: beginning and ending balances, methodology for calculating annual accumulated depreciation accruals, service lives used to determine accrual multiplier, methodology for accounting for retirements and adjustments, and current period amortization expense.

#### Working Capital

*Objective:* To determine that the utility's working capital balance is properly calculated in compliance with Commission rules.

*Procedures:* We traced the components of working capital to the general ledger and recalculated the 13-month average working capital balances. We judgmentally sampled and tested the components of working capital for the proper amount, period, and classification. Audit Finding No. 3 discusses our findings.

## NET OPERATING INCOME

### Revenue

*Objectives:* To determine that utility charges are those approved by the Commission in the utility's current authorized tariff for both water and wastewater. To determine that revenue earned from utility property during the test year are recorded and are properly classified in compliance with Commission rules and the NARUC USoA.

*Procedures:* The audit staff reviewed the utility's Commission approved tariffs establishing rates and compiled water and wastewater utility revenue for the 12-month period ending December 31, 2008 from the utility's billing register. We tested the reasonableness of the utility revenues by multiplying the average consumption times the number of customers in each class of service and compared it to the amount recorded by the utility. We selected a judgmental sample of customer bills and recalculated the bills using the authorized rates.

### Operation and Maintenance Expense (O&M)

*Objective:* To determine that O&M expenses are properly recorded in compliance with Commission rules, and are reasonable and prudent for ongoing utility operations.

*Procedures:* We compiled O&M expense items from the utility's general ledger. We reviewed a judgmental sample of the utility's invoices for proper amount, period, classification, NARUC account, and recurring nature. We reviewed the utility's methodology for proper allocation of expenses for water and wastewater operations. We also reviewed the allocations of both the Illinois and Florida headquarters expenses and sampled the expenses charged through the allocations. Audit Findings No. 4 through No. 6 discuss our findings.

### Depreciation and Amortization Expense

*Objective:* To determine that depreciation is properly recorded in compliance with Commission rules and that it accurately represents the depreciation of utility plant in service assets and the amortization of utility CIAC assets for ongoing utility operations.

*Procedures:* The audit staff reviewed the utility's books and records for depreciation and amortization expense. We calculated depreciation on plant additions and amortization on CIAC additions. Audit Finding No. 2 discusses our findings.

### Taxes Other Than Income (TOTI)

*Objective:* To determine the appropriate amounts for TOTI for the test year ended December 31, 2008.

*Procedures:* We compiled TOTI expenses from the utility's general ledger. We reviewed the property tax invoices and Commission filed regulatory assessment fee forms for proper amount, period, classification, NARUC account, and recurring nature. We reviewed the utility's methodology for proper allocation of payroll tax expenses. Audit Finding No. 7 discusses our findings.

## **CAPITAL STRUCTURE**

### GENERAL

*Objective:* To determine that the components of the utility's capital structure and the respective cost rates used to arrive at the overall weighted cost of capital are properly recorded in compliance with Commission rules and that it accurately represents the ongoing utility operations.

*Procedures:* We reconciled the individual component capital structure balances to the parent company general ledger as of December 31, 2008. We verified debt to the notes and short term debt to bank statements.



**III. AUDIT FINDINGS**

**AUDIT FINDING NO. 1**

**SUBJECT: LAND**

**AUDIT ANALYSIS:** The utility included a total of \$6,711 in the MFR land balances which pertained to legal and engineering costs. The amounts were distributed in the utility’s general ledger as follows:

<u>County/System</u>	<u>2007</u>	<u>2008</u>
Pasco - Water	\$1,673	\$-0-
Seminole – Water	\$2,298	\$-0-
Seminole – Wastewater	\$-0-	\$2,740

These costs should be removed from the cost of land because they were not incurred during a purchase or sale transaction.

**EFFECT ON GENERAL LEDGER:** The following general ledger entries are needed to correct the utility general ledger balances as of December 31, 2008.

<u>NARUC Acct. No</u>	<u>Utility Acct. No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
731	6020	Contract Services-Engineering	\$2,740	
215	4998	Retained Earnings-Prior Years	\$3,971	
303	1045	Land and Land Rights-Gen Plt-W		\$3,971
353	1285	Land and Land Rights-Gen Plt-WW		\$2,740

**EFFECT ON THE FILING:** The Account 101 Plant in Service 13-month average balance should be reduced by \$1,673 for Pasco County Water and \$3,564 for Seminole County Water. Account 731 Contractual Services – Engineering should be increased by \$2,740 for Seminole County Wastewater.

**AUDIT FINDING NO. 2**

**SUBJECT: SAMPLE ERRORS FOR NORTHBROOK PLANT**

**AUDIT ANALYSIS:** The audit report of Utilities, Inc. of Longwood, Docket No. 090381-SU, noted two problems with the sample taken of the plant additions for the Northbrook plant which are allocated to each division. The first problem was due to the utility selling some systems. The second problem was that the Altamonte Springs division was recorded in Division 255 instead of Division 855 when the new ledger system was implemented. These two problems caused the ERC allocation rates to change. The following schedule displays the effect of the new ERC allocation rates on the current audit.

ACCT.	DATE	PAYEE	AMOUNT PLANT	13-MONTH AVERAGE	DEPRECIATION EXPENSE	ACC. DEP. YEAR END	13-MONTH AVERAGE
102.1175	2/08	REN. CONC.	\$ (1,060)	\$ (897)	\$ (97)	\$ 97	\$ 82
102.159	3/08	COMP SYST	(85,146)	(65,497)	(8,869)	8,869	6,823
			<u>\$ (86,206)</u>	<u>\$ (66,394)</u>	<u>\$ (8,967)</u>	<u>\$ 8,967</u>	<u>\$ 6,905</u>
MARION WATER		0.19%	\$ (126)	\$ (17)	\$ (17)	\$ 13	
MARION WASTEWATER		0.03%	\$ (20)	\$ (3)	\$ (3)	\$ 2	
ORANGE WATER		0.11%	\$ (73)	\$ (10)	\$ (10)	\$ 8	
PASCO WATER		1.06%	\$ (704)	\$ (95)	\$ (95)	\$ 73	
PASCO WASTEWATER		0.42%	\$ (279)	\$ (38)	\$ (38)	\$ 29	
PINELLAS WATER		0.15%	\$ (100)	\$ (13)	\$ (13)	\$ 10	
SEMINOLE WATER		0.92%	\$ (611)	\$ (82)	\$ (82)	\$ 64	
SEMINOLE WASTEWATER		0.05%	\$ (33)	\$ (4)	\$ (4)	\$ 3	

**EFFECT ON THE GENERAL LEDGER:** Division 102-Northbrook plant should be reduced for the \$86,206.

**EFFECT ON THE FILING:** Plant should be reduced by \$126 for Marion County Water, \$20 for Marion County Wastewater, \$73 for Orange County Water, \$704 for Pasco County Water, \$279 for Pasco County Wastewater, \$100 for Pinellas County Water, \$611 for Seminole County Water, and \$33 for Seminole County Wastewater.

Accumulated Depreciation should be reduced (debited) by \$13 for Marion County Water, \$3 for Marion County Wastewater, \$8 for Orange County Water, \$73 for Pasco County Water, \$29 for Pasco County Wastewater, \$10 for Pinellas County Water, \$64 for Seminole County Water, and \$3 for Seminole County Wastewater.

Depreciation expense should be reduced by \$17 for Marion County Water, \$3 for Marion County Wastewater, \$10 for Orange County Water, \$95 for Pasco County Water, \$38 for Pasco County Wastewater, \$14 for Pinellas County Water, \$83 for Seminole County Water, and \$4 for Seminole County Wastewater.

### AUDIT FINDING NO. 3

#### SUBJECT: WORKING CAPITAL -CASH

**AUDIT ANALYSIS:** According to the MFR, Schedule A-17, the balance sheet approach to the working capital allowance is \$2,835,097 before the ERC allocations to the counties' systems. The utility included a 13-month average balance of \$2,364,377 for cash from a Chase Bank account in Florida. This account is used to transfer funds to the parent company. The actual balances from the bank statement are displayed on the schedule below.

	Chase Bank Account	
January 1,2008	\$	3,828,091
January 31,2008		(16,500)
February 28,2008		1,919,587
March 31,2008		656,144
April 30,2008		507,366
May 31,2008		1,438,106
June 30,2008		379,804
July 31,2008		115,309
August 31,2008		168,160
September 30,2008		1,928,625
October 31,2008		(45,287)
November 30,2008		(284,340)
December 31,2008		(43,109)
Total 13-months	\$	10,551,958
13-month average	\$	811,689
Per MFR A-17	\$	2,364,377
Difference Filing and Statements	\$	(1,552,688)

In the FPSC Order No. PSC-07-0505-SC-WS, Docket No. 060253-WS, issued June 13, 2007, the Commission reduced cash in the working capital allowance to the 13-month average of the month-end balances.

The 13-month average bank statement balance is \$1,552,688 less than the 13-month average general ledger balance. This is due to timing differences. If this utility were a Class B or Class C utility, the UIF working capital allowance before allocation would be limited to one-eighth of O&M expense, or \$299,714 (O&M expense of \$2,397,715/8). We find it reasonable to reduce cash in the working capital allowance by \$1,552,688 to \$811,689 for the following reasons:

1) the purpose of the working capital allowance is to give the utility enough current funds to cover its expenses, 2) the intercompany payable/receivable is excluded from both the capital structure and rate base, and 3) utilizing the methodology that the Commission ordered from the prior rate proceeding. This would reduce the working capital allowance to \$1,282,409. The distribution of this reduction to the cash balance by county and system is on the following schedule.

<b>Allocation Using Company provided percentages:</b>	<b>Amount</b>	<b>Percent Distribution</b>
Marion County Water	\$ (86,174)	5.55%
Marion County Wastewater	(12,732)	0.82%
Orange County Water	(49,220)	3.17%
Pasco County Water	(488,320)	31.45%
Pasco County Wastewater	(192,067)	12.37%
Pinellas County Water	(70,181)	4.52%
Seminole County Water	(426,213)	27.45%
Seminole County Wastewater	(227,779)	14.67%
	<u>\$ (1,552,688)</u>	<u>100.00%</u>

**EFFECT ON THE GENERAL LEDGER:** There is no effect on the general ledger.

**EFFECT ON THE FILING:** Working capital cash should be reduced to \$811,689. The working capital allowance should be reduced to \$1,282,409.

## AUDIT FINDING NO. 4

### SUBJECT: PAYROLL CHANGES

**AUDIT ANALYSIS:** The utility has made many changes to payroll since its calculation for the filing. They have provided a new file which eliminates several operators and increases the number of call center representatives but allocates the call center to all states. This reduces payroll. In addition, the original filing did not include the correct amount of booked payroll, vehicle cost, and accumulated depreciation. The schedule provided by the company was corrected for formula errors and compared to the original filing for differences. The differences follow:

**UTILITIES INC. OF FLORIDA  
2008 CORRECTIONS TO PAYROLL  
TEST YEAR ENDED DECEMBER 31, 2008**

		<u>U I F Marion</u>	<u>U I F - Orange</u>	<u>U I F- Pasco</u>	<u>U I F - Pinellas</u>	<u>U I F Seminole</u>
Operations (601/701):	DIFFERENCE W	\$264	(\$603)	(\$16,066)	\$385	(\$5,227)
	DIFFERENCE WW	\$39	\$0	(\$6,316)	\$0	(\$2,792)
Office (601/701):	DIFFERENCE W	(\$1,573)	(\$371)	(\$3,681)	(\$530)	(\$4,990)
	DIFFERENCE WW	(\$207)	\$0	(\$1,448)	\$0	(\$2,666)
Captive Adj. (601/701):	DIFFERENCE W	(\$151)	\$85	(\$453)	(\$78)	\$1,504
	DIFFERENCE WW	(\$22)	\$0	(\$178)	\$0	\$804
<b>TOTAL 601</b>		<b>(\$1,460)</b>	<b>(\$889)</b>	<b>(\$20,200)</b>	<b>(\$222)</b>	<b>(\$8,713)</b>
<b>TOTAL 701</b>		<b>(\$190)</b>	<b>\$0</b>	<b>(\$7,942)</b>	<b>\$0</b>	<b>(\$4,654)</b>
Officers (603/703):	DIFFERENCE W	(\$646)	(\$369)	(\$3,659)	(\$526)	(\$3,194)
	DIFFERENCE WW	(\$96)	\$0	(\$1,439)	\$0	(\$1,706)
Benefits (604/704):	DIFFERENCE W	(\$242)	(\$245)	(\$460)	(\$66)	(\$2,348)
	DIFFERENCE WW	(\$36)	\$0	(\$181)	\$0	(\$1,255)
Vehicle Exp. (650/750)	DIFFERENCE W	\$84	\$21	\$481	\$69	\$186
	DIFFERENCE WW	\$13	\$0	\$190	\$0	\$99
<b>TOTAL O &amp; M EXPENS</b>	<b>WATER</b>	<b>(\$2,263)</b>	<b>(\$1,480)</b>	<b>(\$23,838)</b>	<b>(\$745)</b>	<b>(\$14,068)</b>
	<b>WASTEWATER</b>	<b>(\$309)</b>	<b>\$0</b>	<b>(\$9,373)</b>	<b>\$0</b>	<b>(\$7,516)</b>
Payroll Taxes (408.12):	DIFFERENCE W	(\$94)	(\$72)	(\$20)	(\$3)	(\$767)
	DIFFERENCE WW	(\$14)	\$0	(\$7)	\$0	(\$410)
Vehicle Dep. Exp. (341.5/	DIFFERENCE W	\$53	(\$27)	\$316	\$46	(\$189)
	DIFFERENCE WW	\$7	\$0	\$124	\$0	(\$101)
Vehicles (341.5/391.7)	DIFFERENCE W	\$678	\$77	\$3,964	\$570	\$683
	DIFFERENCE WW	\$101	\$0	\$1,559	\$0	\$364
Vehicle A/D (108.1)	DIFFERENCE W	\$1,138	\$746	\$6,488	\$895	\$6,515
	DIFFERENCE WW	\$169	\$0	\$2,551	\$0	\$3,481
<b>TOTAL RATE BASE</b>	<b>WATER</b>	<b>\$1,816</b>	<b>\$823</b>	<b>\$10,452</b>	<b>\$1,464</b>	<b>\$7,197</b>
	<b>WASTEWATER</b>	<b>\$269</b>	<b>\$0</b>	<b>\$4,110</b>	<b>\$0</b>	<b>\$3,845</b>

**EFFECT ON THE GENERAL LEDGER:** The ledger is not affected because the depreciation calculations by the company are done only for the filing.

**EFFECT ON THE FILING:** Operating and Maintenance expense should be reduced by \$2,263 for Marion County Water, \$309 for Marion County Wastewater, \$1,480 for Orange County Water, \$23,828 for Pasco County Water, \$9,373 for Pasco County Wastewater, \$745 for Pinellas County Water, \$14,068 for Seminole County Water, and \$7,516 for Seminole County Wastewater.

Taxes Other Than Income Taxes should be reduced by \$94 for Marion County Water, \$14 for Marion County Wastewater, \$72 for Orange County Water, \$20 for Pasco County Water, \$7 for Pasco County Wastewater, \$3 for Pinellas County Water, \$767 for Seminole County Water, and \$410 for Seminole County Wastewater.

Depreciation Expense should be increased by \$53 for Marion Water, \$7 for Marion Wastewater, \$316 for Pasco Water, \$124 for Pasco Wastewater, \$46 for Pinellas Water and decreased by \$27 for Orange Water, \$189 for Seminole Water, and \$101 for Seminole Wastewater.

Rate Base should be increased by \$1,816 for Marion Water, \$269 for Marion Wastewater, \$823 for Orange Water, \$10,452 for Pasco Water, \$4,110 for Pasco Wastewater, \$1,464 for Pinellas Water, \$7,197 for Seminole Water, and \$3,845 for Seminole Wastewater.

**AUDIT FINDING NO. 5**

**SUBJECT: 401K COSTS**

**AUDIT ANALYSIS:** The utility added 4% of total projected salaries, revised in Audit Finding No. 4, to expenses for 401K costs. The actual contributions made to the 401K plan amounted to 2.73% of total Utilities, Inc. salaries.

The following schedule displays the reduction of 401K expense.

	SALARY	SALARY	401K	DIFFERENCE
		AT 2.73%	CHARGED	
MARION WATER	\$ 33,434	\$ 913	\$ 1,335	\$ (422)
MARION WASTEWATER	4,952	135	198	(63)
ORANGE	13,773	376	531	(155)
PASCO WATER	242,058	6,608	9,670	(3,061)
PASCO WASTEWATER	95,211	2,599	3,803	(1,204)
PINELLAS WATER	34,809	950	1,391	(441)
SEMINOLE WATER	121,506	3,317	4,680	(1,363)
SEMINOLE WASTEWATER	\$ 64,910	\$ 1,772	\$ 2,500	\$ (728)

**EFFECT ON THE GENERAL LEDGER:** This finding does not effect the ledger since the utility adjusted salaries and benefits for the filing only.

**EFFECT ON THE FILING:** Pension and Benefit expenses should be reduced by \$422 for Marion Water, \$63 for Marion Wastewater, \$155 for Orange Water, \$3,061 for Pasco Water, \$1,204 for Pasco Wastewater, \$441 for Pinellas Water, \$1,363 for Seminole Water, and \$728 for Seminole Wastewater.

**AUDIT FINDING NO. 6**

**SUBJECT: HEADQUARTERS SAMPLES**

**AUDIT ANALYSIS:** A sample of entries charged from the Northbrook Division 102 and the Altamonte Springs Division 855 were selected to be traced to supporting documentation. The utility implemented a new ledger and accounting system in December 2007. They were unable to obtain supporting documentation for many of the entries. In addition, some of the entries should have been capitalized or removed because they would not be re-occurring during the time period the rates would be implemented. A schedule of the entries and the reasons for their removal are on the following page. The allocation of those adjustments is shown in a schedule after the detail. The allocation rates used in the adjustments to the filing were used.

**EFFECT ON THE GENERAL LEDGER:** There is no effect since these entries are to expense and they do not get carried forward to future audits.

**EFFECT ON THE FILING:** Expenses should be reduced by \$1,359 for Marion Water, \$214 for Marion Wastewater, \$787 for Orange Water, \$1,074 for Pinellas Water, \$7,585 for Pasco Water, \$3,005 for Pasco Wastewater, \$6,654 for Seminole Water, and \$415 for Seminole Wastewater.



ACCOUNT DIVISION 102	PAYEE	DATE	AMOUNT	DESCRIPTION	ADJUSTMENT
				accrued General Liability insurance.	
1 102100.5715	INSURANCE ACCRUALS	12/31/2008	\$ 111,077	Should have gone to prepaid account	\$ (111,077)
2 102100.5735	ASHWOOD COMPUTER CO INC	3/7/2008	8,215	53 hours at \$155 for Oracle installation - Software for pro desktop -300 licenses, 25 windows sver st, 8 windows svr ent listed. Actual invoice \$159077.56 with tax	(8,215)
3 102100.5735	DEC 2008 RECLASS ASSETS	12/31/2008	149,720	2007 audit of Utilities Inc. of Georgia.	9,357
4 102100.6010	PRICEWATERHOUSECOOPERS L.L.P	6/17/2008	18,500	Why not charged directly?	(18,500)
5 102100.6015	MV PREPAID TO EXP	11/30/2008	125,857	Mostly Oracle License and support see 57-6/1 p 27 overstated by \$4671.55	(4,672)
6 102100.6025	ACCRUE 2008 LEGAL FEES	12/31/2008	7,273	Reversed 1/1/99	(7,273)
7 102100.6050	Haynes Jr, John S	1/17/2008	7,200	Assistance on PWC audit before hired full time. -since salary is annualized, non-recurring	(7,200)
8 102100.6050	DELGADO, DANIEL	4/4/2008	5,000	consultant fee final implementation project Phoenix Capital?	(5,000)
9 102100.6190	Schumacher, Lawrence N	3/7/2008	2,470	two coach air tickets from Chicago to New York-for CEO and wife for meeting with Highstar	(1,235)
10 102101.6050	MALCOLM PIRNIE, INC	3/25/2008	49,956	financial model services through Jan. 08. Developed a model that helps in strategic planning and forecasting	(49,956)
11 102101.6050	Haynes Jr, John S	5/2/2008	11,700	Recurring? No per co. Assistance on PWC audit before hired full time. -since salary is annualized, non-recurring	(11,700)
12 102102.6070	HUNTON & WILLIAMS	12/31/2008	4,725	Carolina Water Service General Rep. Why not charged directly to the division?	(4,725)
13 102104.5735	IP SOFT	5/6/2008	425,476	PO was never vouchered. Remove	(425,476)
14 102104.5735	RCM DATA CORPORATION	12/4/2008	6,449		(6,449)
15 102000.5745				Co. agrees to remove entire acct. Deployment solutions foundations	(35,548)
16 102104.5820	ARLINGTON COMPUTER PRODUCTS,	7/28/2008	2,395	training aug. 4-8 Not Recurring Consent orders mid county and	(2,395)
17 102106.6025	SQUIRE, SANDERS & DEMPSEY LLP	8/20/2008	6,069	Labrador. Why not charged directly? Consent orders mid county and	(6,069)
18 102106.6025	SQUIRE, SANDERS & DEMPSEY LLP	8/20/2008	2,891	Labrador. Why not charged directly? Consent orders mid county and	(2,891)
19 102106.6025	SQUIRE, SANDERS & DEMPSEY LLP	3/18/2008	2,272	Labrador. Why not charged directly?	(2,272)
20 102106.6025	LAW OFFICE OF DAVID BEERS P.A.	8/20/2008	1,331	Cannot tell what utility this relates to.	(1,331)
			<u>\$ 948,575</u>		<u>\$ (702,625)</u>
<b>DIVISION 855</b>					
21 855100.5970	SE 90 BU 252104 JUNE RECLASS	6/30/2008	7,050	office cleaning service missing \$1,800 P.O. was never vouchered and should	(1,800)
22 855100.5880	TRICOMM BUSINESS PRODUCTS INC	11/20/2008	1,279	be removed Embarq and Progress Energy bills but Progress bills are for Lift Staton, not	(1,279)
23 855100.5965	SE 90 BU 252104 JUNE RECLASS	6/30/2008	3,436	office.	(1,196)
			<u>\$ 11,765</u>		<u>(4,275)</u>
					<u>\$ (706,900)</u>

	WATER PASCO	WWATER PASCO	WATER SEMINOLE	WWATER SEMINOLE	WATER ORANGE	WATER PINELLAS	WATER MARION	WWATER MARION
	106	107	110,113-118	111	123,124	128	129	130
	125	126	121-122	119				
ACCOUNT	1.06%	0.42%	0.93%	0.05%	0.11%	0.15%	0.19%	0.03%
<b>DIVISION 102</b>								
1 102100.5715	\$ (1,177)	\$ (467)	\$ (1,033)	\$ (56)	\$ (122)	\$ (167)	\$ (211)	\$ (33)
2 102100.5735	(87)	(35)	(76)	(4)	(9)	(12)	(16)	(2)
3 102100.5735	99	39	87	5	10	14	18	3
4 102100.6010	(196)	(78)	(172)	(9)	(20)	(28)	(35)	(6)
5 102100.6015	(50)	(20)	(43)	(2)	(5)	(7)	(9)	(1)
6 102100.6025	(77)	(31)	(68)	(4)	(8)	(11)	(14)	(2)
7 102100.6050	(76)	(30)	(67)	(4)	(8)	(11)	(14)	(2)
8 102100.6050	(53)	(21)	(47)	(3)	(6)	(8)	(10)	(2)
9 102100.6190	(13)	(5)	(11)	(1)	(1)	(2)	(2)	(0)
10 102101.6050	(530)	(210)	(465)	(25)	(55)	(75)	(95)	(15)
11 102101.6050	(124)	(49)	(109)	(6)	(13)	(18)	(22)	(4)
12 102102.6070	(50)	(20)	(44)	(2)	(5)	(7)	(9)	(1)
13 102104.5735	(4,510)	(1,787)	(3,957)	(213)	(468)	(638)	(808)	(128)
14 102104.5735	(68)	(27)	(60)	(3)	(7)	(10)	(12)	(2)
15 102000.5745	(377)	(149)	(331)	(18)	(39)	(53)	(68)	(11)
16 102104.5820	(25)	(10)	(22)	(1)	(3)	(4)	(5)	(1)
17 102106.6025	(64)	(25)	(56)	(3)	(7)	(9)	(12)	(2)
18 102106.6025	(31)	(12)	(27)	(1)	(3)	(4)	(5)	(1)
19 102106.6025	(24)	(10)	(21)	(1)	(2)	(3)	(4)	(1)
20 102106.6025	(14)	(6)	(12)	(1)	(1)	(2)	(3)	(0)
	\$ (7,448)	\$ (2,951)	\$ (6,534)	\$ (351)	\$ (773)	\$ (1,054)	\$ (1,335)	\$ (211)
<b>DIVISION 855</b>								
21 855100.5970	(58)	(23)	(50)	(27)	(6)	(8)	(10)	(1)
22 855100.5880	(41)	(16)	(36)	(19)	(4)	(6)	(7)	(1)
23 855100.5965	(38)	(15)	(33)	(18)	(4)	(5)	(7)	(1)
	(137)	(54)	(120)	(64)	(14)	(20)	(24)	(3)
<b>TOTAL</b>	\$ (7,585)	\$ (3,005)	\$ (6,654)	\$ (415)	\$ (787)	\$ (1,074)	\$ (1,359)	\$ (214)

**AUDIT FINDING NO. 7**

**SUBJECT: SEMINOLE REAL ESTATE TAX**

**AUDIT ANALYSIS:** The utility allocated Franchise, Personal Property and Real Estate Taxes from Northbrook Headquarters (Division 102) and Altamonte Headquarters (Division 802, 855, and 252109) using the new ERC allocation rates, as described in Audit Finding No. 2, and compared this amount to the ledger amounts. The utility then made an adjustment of \$(26,354) on MFR Schedule B-3. The correct adjustment should have been \$(27,294). Therefore an additional adjustment of \$(940) is needed to correct the MFR Balances.

The following are the allocations from these divisions.

UTILITY ACCOUNT	NORTHBROOK	ALTAMONTE	TOTAL ALLOCATED based on ERC	TOTAL BOOKED	AUDIT CALCULATED ADJUSTMENT	B-3 ADJUSTMENTS	DIFFERENCE
7535	\$ 2	\$ 11	\$ 13	\$ 197	\$ (184)		
7550	(46)	1,218	1,172	28,289	(27,117)		
7555	898	0	899	891	8		
<b>\$</b>	<b>854</b>	<b>\$ 1,229</b>	<b>\$ 2,084</b>	<b>\$ 29,377</b>	<b>\$ (27,294)</b>	<b>\$ (26,354)</b>	<b>\$ (940)</b>
				<b>WATER</b>		0.6053	\$ (569)
				<b>WASTEWATER</b>		0.3947	\$ (371)

**EFFECT ON THE GENERAL LEDGER:** The ledger is not affected because the re-allocations are done only for the filing.

**EFFECT ON THE FILING:** Water Taxes Other Than Income for Seminole should be reduced by \$569 and for wastewater by \$371.