

State of Florida



Public Service Commission
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DATE: March 18, 2011
TO: Bart Fletcher, Public Utilities Supervisor, Division of Economic Regulation
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*
RE: Docket No.: 100426-WS
Company Name: Lake Utility Services, Inc.
Company Code: WS641
Audit Purpose: Rate Case
Audit Control No: 11-004-4-1

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 a response to the Office of Commission Clerk. There were no confidential work papers associated with this audit.

CJP/ip
Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis
Office of Commission Clerk
Office of the General Counsel
Dale Mailhot, Office of Auditing and Performance Analysis
Clarence Prestwood, Office of Auditing Performance Analysis
Lisa Harvey, Office of Auditing and Performance Analysis
Lynn Deamer, Office of Auditing and Performance Analysis
Linda Hill-Slaughter, Office of Auditing and Performance Analysis

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State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Lake Utility Services, Inc.
Rate Case Audit

Twelve Months Ended June 30, 2010

Docket No. 100426-WS
Audit Control No. 11-004-4-1
March 17, 2011

A handwritten signature in cursive script, appearing to read "Kathy L. Welch".

Kathy L. Welch
Audit Manager

A handwritten signature in cursive script, appearing to read "Bety Maitre".

Bety Maitre
Audit Staff

A handwritten signature in cursive script, appearing to read "Yen Ngo".

Yen Ngo
Audit Staff

A handwritten signature in cursive script, appearing to read "Iliana Piedra".

Iliana Piedra
Reviewer

DOCUMENT NUMBER-DATE

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 5, 2011. We have applied these procedures to the attached exhibits submitted in support of Lake Utility Services, Inc.'s request for a Rate Case in Docket No. 100426-WS.

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. This report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

The term "Utility" used within this report refers to Lake Utility Services, Inc. The term "Company" refers to Utilities, Inc., the Utility's "parent" or holding company. The test year for this Utility is the 12-months ended June 30, 2010.

Utility Books and Records

Objective: To determine that the Utility maintains its accounts and records in conformity with the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts (USOA).

Procedures: We reviewed the Utility's accounting systems. The Utility does not use NARUC account numbers in its ledgers but maintains a conversion table and converts its filings into NARUC accounts.

Rate Base

Objectives: Our objective was to determine that the adjustments to rate base were correct and supported by adequate audit evidence.

Procedures: We obtained supporting documentation for the adjustments to rate base and verified the assumptions used. We traced any test year data used to the test year general ledger.

Utility Plant in Service

Objectives: Our objectives were to: 1) Determine that property exists and is owned by the Utility and that plant additions are authentic, recorded at original cost, and properly classified in compliance with Commission rules and the NARUC USOA, 2) Verify that the proper retirements of plants were made when a replacement item was put in service, and 3) Verify that the adjustments to plant in the Utility's last rate proceeding were recorded in its general ledger.

Procedures: We determined the water and wastewater plant balances as of June 30, 2007 that were established in Docket No. 070693-WS.¹ We reviewed and sampled additions to water and wastewater plant for the period July 1, 2007 through June 30, 2010, to verify the water and wastewater plant balances for this proceeding. We ensured that retirements were made when a capital item was removed or replaced. We toured the water and wastewater utility plant sites to observe whether plant additions were completed and in service, and to ascertain if a retirement was needed. Finding 1 discusses our findings and recommended adjustments to water and wastewater plant for items that were charged to plant that should have been expensed. Finding 2

¹ See Order No. PSC-09-0101-PAA-WS, issued February 16, 2009, Docket No.070693-WS, In Re: Application For Increase in Water and Wastewater Rates in Lake County by Lake Utility Services, Inc.

discusses our findings and recommended adjustments to water and wastewater plant for retirements that were not recorded. Finding 3 discusses the adjustments the Utility's books necessary for future filing periods. Finding 5 discusses errors in the proforma adjustment.

Land

Objectives: Our objectives were to: 1) Determine that utility land is recorded at original cost and is owned or secured under a long-term lease, and 2) Verify that the adjustments to land in the Utility's last rate proceeding were recorded in its general ledger.

Procedures: We determined the water and wastewater land balances as of June 30, 2007 that was established in Docket No. 070693-WS. We reviewed Utility documents for additions and a sale of land. Finding 4 discusses the land sale.

Contributions in Aid of Construction (CIAC)

Objectives: Our objectives were to: 1) Determine that additions to CIAC are properly recorded in compliance with Commission rules and the NARUC USOA, 2) Verify that donated property is properly accounted for and recorded as CIAC, and 3) Verify that the adjustments to CIAC in the Utility's last rate proceeding were recorded in its general ledger.

Procedures: We determined the water and wastewater CIAC balances as of June 30, 2007 that were established in Docket No. 070693-WS. We reviewed and sampled additions to water and wastewater CIAC for the period July 1, 2007 through June 30, 2010, to verify the Utility's CIAC balances for this rate case proceeding. We reviewed the Income Tax returns for unrecorded cash and property contributions. Finding 7 and 8 discuss our findings and recommended adjustments to water and wastewater CIAC.

Accumulated Depreciation

Objectives: Our objectives were to: 1) Verify that the adjustments to accumulated depreciation in the Utility's last rate proceeding were recorded in its general ledger, 2) Determine that accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC USOA, 3) Verify that depreciation expense accruals are calculated using the Commission's authorized rates, and 4) Verify that retirements are properly recorded.

Procedures: We determined the water and wastewater accumulated depreciation balances as of June 30, 2007 that was established in Docket No. 070693-WS. We reviewed and sampled additions to accumulated depreciation for the period July 1, 2007 through June 30, 2010, to verify the Utility's accumulated depreciation balances for this proceeding. We ensured that retirements to accumulated depreciation were made when a capital item was removed or replaced. Finding 1, 2, 3 and 6 discuss our findings and recommended adjustments for water and wastewater accumulated depreciation.

Accumulated Amortization of CIAC

Objectives: Our objectives were to: 1) Determine that accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules, and 2) Verify that the adjustments to accumulated amortization of CIAC in the Utility's last rate proceeding were recorded in its general ledger.

Procedures: We determined the water and wastewater accumulated amortization of CIAC balances as of June 30, 2007 that was established in Docket No. 070693-WS. We reviewed and sampled additions to accumulated amortization of CIAC for the period July 1, 2007 through June 30, 2010, to verify the Utility's accumulated amortization of CIAC balances for this proceeding. Finding 7 and 8 discuss our findings and recommended adjustments for accumulated amortization of CIAC.

Working Capital

Objective: Our objective was to determine that the Utility's working capital balance is properly calculated in compliance with Commission rules.

Procedure: We verified the Utility's calculation of the working capital balance as of June 30, 2010, using the balance sheet approach and traced the components to the general ledger.

Net Operating Income

Operating Revenue

Objective: Our objective was to determine that utility revenues are properly recorded in compliance with Commission rules and are based on the Utility's Commission approved tariff rates.

Procedures: We verified the Utility's revenues for the 12-month period ending June 30, 2010, by tracing them to the Utility's general ledger and billing register system. We verified that the Utility is using its Commission authorized tariff rates by recalculating a sample of residential and general service customers' bills in the test year period. Finding 9 discusses an overbilling to the customers. Finding 10 discusses the adjustments need to Other Revenues.

Operation and Maintenance Expense

Objective: Our objective was to determine that operation and maintenance expenses are properly recorded in compliance with NARUC USOA and Commission rules and are representative of ongoing utility operations.

Procedures: We verified water and wastewater operation and maintenance expenses for the 12-month period ending June 30, 2010, by tracing a sample of invoices to the original source documentation. We reviewed invoices for proper amount, period, classification, NARUC account, and recurring nature. Findings 11, 12, 13 and 14 discuss our findings and

recommended adjustments to water and wastewater operation and maintenance expenses for the 12-month period ending June 30, 2010.

We reviewed related party allocations from Utilities, Inc. for payroll and services provided from its headquarters in Northbrook, Illinois, its regional office, and its Altamonte Springs, Florida office in the separate affiliate audit (ACN 11-004-4-2) performed under this same docket.

Depreciation and CIAC Amortization Expense

Objective: Our objective was to determine that depreciation and CIAC amortization expenses are properly recorded in compliance with Commission Rule 25-30.140 and that they accurately represent the depreciation of plant assets and the amortization of CIAC from ongoing utility operations.

Procedure: We verified the calculation of water and wastewater depreciation expenses and CIAC amortization expense balances. Findings 1, 2, 7 and 8 discuss our findings and recommended adjustments to water and wastewater depreciation expenses and CIAC amortization expense balances for the 12-month period ending June 30, 2010.

Taxes Other than Income

Objective: Our objective was to determine that taxes other than income expenses are properly recorded in compliance with Commission rules and are reasonable and prudent for ongoing utility operations.

Procedures: We verified water and wastewater taxes other than income tax expense expenses for the 12-month period ending June 30, 2010, by tracing the invoiced taxes to original source documentation. We reviewed the 2009 regulatory assessment fee returns and no exceptions were noted. Finding 15 discusses our findings and recommended adjustments to water and wastewater taxes other than income tax expense for the 12-month period ending June 30, 2010.

Capital Structure

Objective: Our objective was 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 requirements.

Procedure: We verified customer deposits and deferred taxes to the general ledger. The Utility's capital structure components: long term debt, short term debt, and common equity were reviewed in the separate affiliate audit (ACN 11-004-4-2) performed under this same docket.

Audit Findings

Audit Finding 1

Subject: Expenses Recorded As Plant

Audit Analysis: The sample of plant additions contained some items that the Utility later determined should have been expensed. Because these items had been depreciated, accumulated depreciation and depreciation expense also needs to be adjusted. The schedule following this finding provides the amount of each invoice, the vendor, a description of the invoice and the depreciation calculation and account numbers affected.

Effect on the General Ledger: The following adjustment is needed to correct the ledger. Since the test year is already closed in the ledger, the depreciation expense should be recorded to retained earnings:

Company Account	NARUC Account	Account Title	Debit	Credit
1105	311.3	Electric Pumping Equipment		\$ 7,517.39
1165	339.3	Other Plant and Misc. Equipment		\$ 1,192.50
1380	371.3	Pumping Equipment		\$ 12,741.30
1390	371.6	Pumping Equipment Reclaimed		\$ 3,278.40
1400	380.4	Treatment and Disposal Equipment		\$ 385.00
1410	381.4	Plant Sewers Treatment Plant		\$ 1,270.00
1490	347.5	Misc. Equipment Sewer		\$ 1,500.00
1900	108.1	Acc. Dep. Pumping Equipment	\$ 717.47	
1960	108.1	Acc. Dep. Other Plant	\$ 161.87	
2140	108.1	Acc. Dep. Pumping Equipment	\$ 924.94	
2150	108.1	Acc. Dep. Pumping Eq. Reclaimed	\$ 303.56	
2160	108.1	Acc. Dep. Treatment & Disposal	\$ 24.95	
2170	108.1	Acc. Dep. Sewers Treatment Plant	\$ 54.43	
2250	108.1	Acc. Dep. Misc. Equipment Sewer	\$ 250.00	
4998		Retained Earnings	\$ 25,447.37	
			\$ 27,884.59	\$ 27,884.59

Effect on the Filing: 13-Month Average Water Plant in Service should be reduced by \$8,709. 13-Month Average Wastewater Plant in Service should be reduced by \$19,174.70. 13-Month Average Water Accumulated Depreciation should be reduced by \$658.28. 13-Month Average Wastewater Accumulated Depreciation should be reduced by \$1,034.05. Water depreciation expense should be reduced by \$442.12 and wastewater by \$1,047.66.

13-Month Average Computation

	Water	Wastewater	Water	Wastewater
	Plant	Plant	Acc. Dep.	Acc. Dep.
June 30, 2009	\$ (8,709.89)	\$ (19,174.70)	\$ 437.22	\$ 510.22
July 31, 2009	\$ (8,709.89)	\$ (19,174.70)	\$ 474.07	\$ 597.52
August 31, 2009	\$ (8,709.89)	\$ (19,174.70)	\$ 510.91	\$ 684.83
September 30, 2009	\$ (8,709.89)	\$ (19,174.70)	\$ 547.75	\$ 772.13
October 31, 2009	\$ (8,709.89)	\$ (19,174.70)	\$ 584.60	\$ 859.44
November 30, 2009	\$ (8,709.89)	\$ (19,174.70)	\$ 621.44	\$ 946.74
December 31, 2009	\$ (8,709.89)	\$ (19,174.70)	\$ 658.28	\$ 1,034.05
January 31, 2010	\$ (8,709.89)	\$ (19,174.70)	\$ 695.13	\$ 1,121.35
February 28, 2010	\$ (8,709.89)	\$ (19,174.70)	\$ 731.97	\$ 1,208.66
March 31, 2010	\$ (8,709.89)	\$ (19,174.70)	\$ 768.81	\$ 1,295.96
April 30, 2010	\$ (8,709.89)	\$ (19,174.70)	\$ 805.66	\$ 1,383.27
May 31, 2010	\$ (8,709.89)	\$ (19,174.70)	\$ 842.50	\$ 1,470.57
June 30, 2010	\$ (8,709.89)	\$ (19,174.70)	\$ 879.34	\$ 1,557.88
13-month Average	\$ (8,709.89)	\$ (19,174.70)	\$ 658.28	\$ 1,034.05

BU	Obj.	Description	Date	Net		Plant Adjustment	Acct.	Retained Earnings	Acct.	Yr.	Deprec.Ex./RE	Mths.	Acc. Dep.	Acct.
251	1105	Cummins SE Power	6/12/2008	1,463.90	Alarm Monitoring-Expense	(1,463.90)	311.3	1,463.90	4998	20	(73.20)	25	152.49	1900
251	1105	Locke Well & Pump	8/8/2008	2,418.09	Parts for Lake Ridge 75 HP Motor	(2,418.09)	311.3	2,418.09	4998	20	(120.90)	23	231.73	1900
251	1110	Locke Well & Pump	9/12/2008	3,635.40	Lake Louisa HSP Motor	(3,635.40)	311.4	3,635.40	4998	20	(181.77)	22	333.25	1900
251	1165	Thompson Electric	1/16/2008	382.50	High service pump motor short circuit	(382.50)	339.3	382.50	4998	18	(21.25)	30	53.13	1960
251	1165	C & A Systems	2/1/2008	1,500.00	Invoice provides was for \$810 and should have been expensed. Written down to this amount by adj. in ledger	(810.00)	339.3	810.00	4998	18	(45.00)	29	108.75	1960
						(8,709.89)		8,709.89			(442.12)		879.34	
BU	Obj.	Description	Date	Net		Plant Adjustment	Acct.	Retained Earnings	Acct.	Yr.	Deprec.Ex./RE	Mths.	Acc. Dep.	Acct.
251	1380	ITT Water & Wastewater	10/30/2008	2,430.90	Parts for Repairs-Rebuild Lake groves ls 3 pump 2.	(2,430.90)	371.3	2,430.90	4998	18	(135.05)	21	236.34	2140
251	1380	ITT Water & Wastewater	11/25/2008	2,100.40	Parts and Labor for Repair-LS 13 pump 2.	(2,100.40)	371.3	2,100.40	4998	18	(116.69)	20	194.48	2140
251	1380	Florida Armature Works	6/4/2009	4,494.00	15 hp flygt submersible pump at Lake County.	(4,494.00)	371.3	4,494.00	4998	18	(249.67)	13	270.47	2140
251	1380	ITT Water & Wastewater	6/15/2009	3,716.00	Rings, bearings, seal, stator.	(3,716.00)	371.3	3,716.00	4998	18	(206.44)	13	223.65	2140
251	1390	ITT Water & Wastewater	11/11/2008	3,278.40	Parts for Repairs-LS5 pump 2 Lake Groves.	(3,278.40)	371.6	3,278.40	4998	18	(182.13)	20	303.56	2150
251	1400	Paramount Power	5/5/2009	385.00	Service call annual	(385.00)	380.4	385.00	4998	18	(21.39)	14	24.95	2160
251	1410	Odyssyc Manufacturing	1/15/2009	1,270.00	Labor and parts for sodium hypochlorite system mtc.	(1,270.00)	381.4	1,270.00	4998	35	(36.29)	18	54.43	2170
251	1490	Vac & Jet Service	1/25/2008	1,500.00	Vac tract to empty lift station in Eagle Ridge off 27 that was down for repairs.	(1,500.00)	347.5	1,500.00	4998	15	(100.00)	30	250.00	2250
						(19,174.70)		19,174.70			(1,047.66)		1,557.88	

Audit Finding 2

Subject: Plant Retirements

Audit Analysis: As a result of our sample of plant additions, we determined that there were several retirements that were not recorded by the Utility. The Utility agreed that retirements should have been recorded when the new assets were installed and have used the Handy Whitman index to determine the retirement amount for the asset removed. The accumulated depreciation and depreciation expense related to these assets also need to be removed. The schedule following this finding details the accounts, the vendor for the addition, and the amounts with the associated depreciation for each item.

Effect on the General Ledger: The following adjustment is needed to correct the ledger. Since the test year is already closed in the ledger, the depreciation expense should be recorded to retained earnings:

Company Account	NARUC Account	Account Title	Debit	Credit
1845	108.1	Acc. Dep. Structures Source	\$ 6,180.49	
1850	108.1	Acc. Dep. Structures WTP	\$ 6,574.93	
1900	108.1	Acc. Dep. Electric Pumping	\$ 44,181.58	
1905	108.1	Acc. Dep. Electric Pumping	\$ 4,738.52	
1910	108.1	Acc. Dep. Water Treatment Eq.	\$ 3,417.12	
1915	108.1	Acc. Dep. Dist. Reservoir	\$ 74,045.74	
2140	108.1	Acc. Dep. Pumping Equipment	\$ 19,071.85	
2145	108.1	Acc. Dep. Pumping Reclaimed	\$ 1,907.99	
2150	108.1	Acc. Dep. Pumping Reclaimed	\$ 1,925.36	
2160	108.1	Acc. Dep. Treatment & Disposal	\$ 12,870.31	
2230	108.1	Acc. Dep. Tools and Shop	\$ 448.95	
2235	108.1	Acc. Dep. Laboratory	\$ 704.89	
4998		Retained Earnings		\$ 9,758.33
1050	304.2	Structures Source		\$ 5,872.36
1090	303.3	Supply Mains		\$ 6,452.03
1105	311.3	Electric Pumping Equipment		\$ 40,997.46
1110	311.4	Electric Pumping Transmission		\$ 4,291.49
1115	320.3	Water Treatment Equipment		\$ 3,289.95
1120	330.4	Dist. Reservoir		\$ 70,685.39
1380	371.3	Pumping Equipment		\$ 17,746.03
1385	371.5	Pumping Reclaimed		\$ 1,717.19
1390	371.6	Pumping Reclaimed		\$ 1,732.82
1400	380.4	Treatment & Disposal Equipment		\$ 12,445.41
1470	354.2	Tools and Shop Equipment		\$ 418.44
1475	343.5	Laboratory Equipment		\$ 660.83
			\$ 176,067.73	\$ 176,067.73

Effect on the Filing: 13-Month Average Water Plant should be reduced by \$123,080.14 and Wastewater Plant by \$24,150.02. 13-Month Average Water Accumulated Depreciation should be reduced by \$129,015.87 and Wastewater by \$25,580.76. Water depreciation expense should be reduced by \$4,434.86 and wastewater by \$1,389.41.

13-Month Average Calculation

	Water Plant	Wastewater Plant	Water Acc. Dep.	Wastewater Acc. Dep.
June 30, 2009	\$ (104,608.28)	\$ (16,052.12)	\$ 107,723.10	\$ 16,871.35
July 31, 2009	\$ (104,608.28)	\$ (16,712.95)	\$ 108,016.90	\$ 17,610.41
August 31, 2009	\$ (106,348.01)	\$ (16,712.95)	\$ 110,054.97	\$ 17,688.64
September 30, 2009	\$ (120,694.03)	\$ (16,712.95)	\$ 124,759.10	\$ 17,766.87
October 31, 2009	\$ (122,599.69)	\$ (16,712.95)	\$ 127,030.81	\$ 17,845.10
November 30, 2009	\$ (122,599.69)	\$ (26,564.06)	\$ 133,864.25	\$ 27,820.04
December 31, 2009	\$ (129,051.72)	\$ (26,564.06)	\$ 136,792.24	\$ 27,943.88
January 31, 2010	\$ (131,588.69)	\$ (26,564.06)	\$ 137,183.26	\$ 28,067.71
February 28, 2010	\$ (131,588.69)	\$ (29,158.36)	\$ 137,574.29	\$ 30,797.86
March 31, 2010	\$ (131,588.69)	\$ (29,158.36)	\$ 137,965.31	\$ 30,933.71
April 30, 2010	\$ (131,588.69)	\$ (29,158.36)	\$ 138,356.33	\$ 31,069.55
May 31, 2010	\$ (131,588.69)	\$ (29,158.36)	\$ 138,747.35	\$ 31,205.40
June 30, 2010	\$ (131,588.69)	\$ (34,720.72)	\$ 139,138.37	\$ 36,929.36
Total	\$ (1,600,041.80)	\$ (313,950.26)	\$ 1,677,206.27	\$ 332,549.86
13-Month Average	\$ (123,080.14)	\$ (24,150.02)	\$ 129,015.87	\$ 25,580.76

Calculation of Water Depreciation

BU	Obj.	Vendor	Date	Amount	Description	Plant Adj.	Plant Acct.	Acc. Dep.	Acct. A/D	Year Life	Dep. Exp./RE	Mths.	Acc. Dep.	Acct.
251	1050	Locke Well & Pump	7/29/2008	6,279.83	Vistas#1 well pump meter.	(4,132.63)	304.2	4,132.63	1845	32	(129.14)	24	258.29	1845
251	1050	Thompson Electric	8/6/2009	2,868.00	Lake Ridge Club WTP Underground Conduit and Wire .	(1,739.73)	304.2	1,739.73	1845	32	(49.84)	11	49.84	1845
251	1090	Sunshine Building	11/5/2009	7,999.57	Excavate, furnish and replace 16" plug valve at US 27 and Lake Louisa.	(6,452.03)	303.3	6,452.03	1185	35	(122.90)	8	122.90	1850
251	1105	Locke Well & Pump	6/3/2008	29,602.96	Vistas #1 Well Pump.	(22,862.16)	311.3	22,862.16	1900	20	(1,143.11)	25	2,381.48	1900
251	1105	Locke Well & Pump	2/10/2009	3,250.00	Pump Replaced	(1,883.63)	311.3	1,883.63	1900	20	(94.18)	17	133.42	1900
251	1105	Locke Well & Pump	9/4/2009	15,680.00	Vistas # 3 Well pump new pump and motor.	(12,273.33)	311.3	12,273.33	1900	20	(511.39)	10	511.39	1900
251	1105	KW Controls	9/8/2009	2,763.59	Lake Louisa Booster Station	(2,072.69)	311.3	2,072.69	1900	20	(86.36)	10	86.36	1900
251	1105	PO Adjustment	10/1/2009	2,362.74	Dinner Brown Invoice overhall of Matic Control head.	(1,905.66)	311.3	1,905.66	1900	20	(71.46)	9	71.46	1900
251	1110	Thompson Electric	6/5/2008	4,936.00	Lake Louisa Booster Station GST new ground storage tank level transducer.	(4,291.49)	311.4	4,291.49	1905	20	(214.57)	25	447.03	1905
251	1115	Odyssey Man.	10/16/2008	950.00	Pump for Crescent Bay WTP.	(752.98)	320.3	752.98	1910	22	(34.23)	21	59.90	1910
251	1115	KW Controls	12/23/2009	3,355.35	Replace Analog Output Modules.	(2,536.97)	320.3	2,536.97	1910	22	(67.27)	7	67.27	1910
251	1120	Locke Well & Pump	3/24/2008	5,519.28	Parts for replacement of two hydro tanks.	(4,139.46)	330.4	4,139.46	1915	37	(111.88)	28	261.05	1915
251	1120	Locke Well & Pump	8/19/2008	8,923.80	Four Lakes Tank Replacement.	(6,692.85)	330.4	6,692.85	1915	37	(180.89)	23	346.70	1915
251	1120	Locke Well & Pump	11/24/2008	33,827.60	Four Lakes Tank Replacement.	(25,370.70)	330.4	25,370.70	1915	37	(685.69)	20	1,142.82	1915
251	1120	Locke Well & Pump	8/19/2008	12,578.39	Lake Saunders tank replacement.	(9,433.79)	330.4	9,433.79	1915	37	(254.97)	23	488.69	1915
251	1120	Locke Well & Pump	11/26/2008	29,125.27	Lake Saunders tank replacement.	(21,843.95)	330.4	21,843.95	1915	37	(590.38)	20	983.96	1915
251	1120	Locke well & Pump	12/17/2008	6,450.00	Lake Saundee Fos tank replacement.	(3,204.63)	330.4	3,204.63	1915	37	(86.61)	19	137.14	1915
						(131,588.69)		131,588.69			(4,434.86)		7,549.69	

Calculation of Wastewater Depreciation

BU	Obj.	Vendor	Date	Amount	Description	Plant Adj.	Plant Acct.	Acc. Dep.	Acct. A/D	Year Life	Dep. Exp./RE	Mths.	Acc. Dep.	Acct.
251	1380	Barney's Pumps	7/10/2008	4,482.35	Pump with shaft for Lake Groves WWTP Bio-Filter acid drain pump station.	(4,398.31)	371.3	4,398.31	2140	18	(244.35)	24	488.70	2140
251	1380	Thompson Electric	9/12/2008	4,588.00	Sawgrass Lift Station Starter replacement.	(3,806.61)	371.3	3,806.61	2140	18	(211.48)	22	387.71	2140
251	1380	P.J. Nugent	6/28/2010	7,241.76	Pump with cables.	(5,562.36)	371.3	5,562.36	2140	18	(25.75)	1	25.75	2140
251	1380	Thompson Electric	8/19/2008	5,305.00	New Transformer for LS l.	(3,978.75)	371.3	3,978.75	2230	18	(221.04)	23	423.66	2140
251	1385	Fl Environmental	7/16/2008	1,750.00	Demolished old WWTP office lift station at Lake Groves and installed new.	(1,717.19)	371.5	1,717.19	2145	18	(95.40)	24	190.80	2145
251	1390	HD Supply	7/28/2008	2,464.45	Check Valve for Lift Station 6 on Nectarine Trail in Lake Groves	(1,732.82)	371.6	1,732.82	2150	18	(96.27)	24	192.54	2150
251	1400	ITT Water and WW	11/10/2009	1,818.00	Impeller	(1,023.61)	380.4	1,023.61	2160	18	(37.91)	8	37.91	2160
251	1400	Randazza Enterprizes	11/25/2009	8,827.50	Material for Fontana Microscreen Filters at Lake Groves WWTP	(8,827.50)	380.4	8,827.50	2160	18	(326.94)	8	326.94	2160
251	1400	ECO-2000 Inc.	2/1/2010	3,975.00	Replace 12 3" air control valves on top of the Groves WWTP.	(2,594.30)	380.4	2,594.30	2160	18	(60.05)	5	60.05	2160
251	1470	Grainger	5/21/2009	557.92	Motor starter and thermal unit.	(418.44)	343.5	418.44	2230	16	(26.15)	14	30.51	2230
251	1475	Summa's Air Cond.	7/10/2009	910.00	instanter replacement compressor Lake Groves WWTP	(660.83)	344.5	660.83	2235	15	(44.06)	12	44.06	2235
						(34,720.72)		34,720.72			(1,389.41)		2,208.64	

Audit Finding 3

Subject: Adjustment to Filing Not Booked

Audit Analysis: The Utility made several adjustments to the filing that reclassified plant and contributions in aid of construction between accounts and to record additional allowance for funds during construction of \$1,165,109.33. They also changed the calculation of depreciation and amortization expense. The entries that affect rate base accounts need to be made in the general ledger before the next rate case. Most of these entries offset other rate base accounts except for the recalculation of depreciation and amortization, some revenue that was in contributions in aid of construction, and the additional allowance for funds used during construction. Since the ledger for the period will be closed by the time this order is issued, the expense items are being posted to retained earnings in the proposed entry.

Some errors were found in these reclassifications but they are adjusted in separate findings and will be adjusted to the revised numbers after this entry is posted. The filing has already been adjusted for this entry in the adjustments to rate base. Therefore, no further adjustment is needed to the filing for this finding.

Effect on the General Ledger: The following entry needs to be posted to the ledger:

Co. Acct.	NARUC	Description	Debit/(Credit)
1020	301.1	Organization	(16,209.22)
1030	303.2	Land & Land Rights Pump	349,935.25
1035	303.3	Land & Land Rights Wtr Trt	(327,313.00)
1045	302.5	Land & Land Rights Gen Plt	(22,841.00)
1050	304.2	Struct & Imprv Src Supply	(4,837.60)
1055	304.3	Struct & Imprv Wtr Trt Plt	504,071.48
1065	304.5	Struct & Imprv Gen Plt	(13,187,810.76)
1080	307.2	Wells & Springs	(68,507.95)
1090	303.3	Supply Mains	0.22
1095	310.2	Power Generation Equip	310,582.62
1105	311.3	Electric Pump Equip Wtp	357,691.77
1115	320.3	Water Treatment Eqpt	4,737,050.47
1120	330.4	Dist Resv & Standpipes	1,108.18
1125	331.4	Trans & Distr Mains	79,374.61
1130	333.4	Service Lines	256,927.40
1140	334.4	Meter Installations	575.00
1175	304.5/340.7	Office Struct & Imprv	651.00
1180	340.5/390.7	Office Furn & Eqpt	(1,226.00)
1215	348.5	Water Plant Allocated	2,722.00
1220	348.5	Other Tangible Plt Water	(2,722.00)
1270	353.5	Land & Land Rights Trtmnt Plt	826,452.88
1285	353.7	Land & Land Rights Gen Plt	(826,452.88)
1295	354.2	Struct/Imprv Pump Plt Ls	421.23
1300	354.4	Struct/Imprv Treat Plt	2,957,904.56
1315	354.7	Struct/Imprv Gen Plt	(2,647,586.88)
1345	360.2	Sewer Force Main	(518,402.46)
1350	361.2	Sewer Gravity Main	(767,040.87)
1353	361.2	Manholes	767,040.87
1360	363.2	Services To Customers	551,407.23
1400	380.4	Treat/Disp Equip Trt Plt	2,374,591.10
1405	380.5	Treat/Dis Eq. Recalimed Water	5,051,947.12
1495	398.7	Sewer Plant Allocated	(8,512.21)
1500	398.7	Other Tangible Wastewater	8,512.21
1525	366.6	Reuse Services	(87,674.60)
1535	374.5	Reuse Dist Reservoirs	(1,972.36)
1540	375.6	Reuse Transmission & Dist Sys	511,009.63

Co. Acct.	NARUC	Description	Debit/(Credit)
1835	108.1	Acc Depr-Organization	(34,376.54)
1840	108.1	Acc Depr-Franchises	(359.98)
1845	108.1	Acc Depr-Struct&Imprv Src Sply	1,927.52
1850	108.1	Acc Depr-Struct&Imprv Wtp	(24,932.44)
1855	108.1	Acc Depr-Struct&Imprv Trns Dst	(1.72)
1860	108.1	Acc Depr-Struct&Imprv Gen Plt	857,434.39
1875	108.1	Acc Depr-Wells & Springs	14,816.75
1885	108.1	Acc Depr-Supply Mains	(6,588.00)
1890	108.1	Acc Depr-Power Generation Equip	(47,221.21)
1895	108.1	Acc Depr-Elect Pump Equip Src Pump	(16,346.32)
1900	108.1	Acc Depr-Elect Pump Equip Wtp	(5,674.38)
1905	108.1	Acc Depr-Elect Pump Equip Tran	12.08
1910	108.1	Acc Depr-Water Treatment Eqpt	(575,398.95)
1915	108.1	Acc Depr-Dist Resv & Standpipe	7,212.97
1920	108.1	Acc Depr-Trans & Distr Mains	21,476.75
1925	108.1	Acc Depr-Service Lines	(15,109.21)
1930	108.1	Acc Depr-Meters	423.74
1935	108.1	Acc Depr-Meter Installs	1,067.75
1940	108.1	Acc Depr-Hydrants	16,789.08
1945	108.1	Acc Depr-Backflow Prevent Devc	(49.16)
1960	108.1	Acc Depr-Oth Plant&Misc Wtp	(153.57)
1970	108.1	Acc Depr-Office Structure	(237.49)
1975	108.1	Acc Depr-Office Furn/Eqpt	374.28
1985	108.1	Acc Depr-Tool Shop & Misc Eqpt	1,090.27
1990	108.1	Acc Depr-Laboratory Equipment	(1,189.71)
1995	108.1	Acc Depr-Power Operated Equip	(233.75)
2000	108.1	Acc Depr-Communication Eqpt	669.32
2010	108.1	Acc Depr-Other Tang Plt Water	228.08
	108.1	Acc Depr-Misc Equip	(129.81)
	108.1	Acc Depr Water Plant Allocated	(168,449.41)
2030	108.1	Acc Depr-Organization	254,946.70
2035	108.1	Acc Depr-Organization	(4.21)
2040	108.1	Acc Depr Franchises Intang Plt	23.16
2055	108.1	Acc Depr-Struct/Imprv Pump Plt Ls	(8,628.68)
2060	108.1	Acc Depr-Struct/Imprv Treat Plt	(827,955.22)
2075	108.1	Acc Depr-Struct/Imprv Gen Plt	826,229.79
2090	108.1	Acc Depr-Pwr Gen Eqp Trt Plt	(26.47)
2105	108.1	Acc Depr-Sewer Force Main	98,358.14
2110	108.1	Acc Depr-Sewer Gravity Main	105,312.34
2113	108.1	Acc Depr-Manholes	(131,298.08)
2120	108.1	Acc Depr-Services To Customers	(81,189.44)
2140	108.1	Acc Depr-Pump Eqp Pump Plt	(1,183.28)
2145	108.1	Acc Depr-Pump Eqp Rclm Wtp	(73.01)
2150	108.1	Acc Depr-Pump Eqp Rclm Dist	(114.42)
2155	108.1	Acc Depr-Treat/Disp Eqp Lagoon	(5,057.05)
2160	108.1	Acc Depr-Treat/Disp Eqp Trt Plt	(101,745.74)
	108.1	Acc Depr-Treat/Disp Eq. Reclaimed	(163,720.51)
2170	108.1	Acc Depr-Plant Sewers Trt Plt	(28.70)
2180	108.1	Acc Depr-Outfall Lines	2,509.08
2195	108.1	Acc Depr-Other Plt Pump	(659.59)
2220	108.1	Acc Depr-Office Furn/Eqpt	1.14
2230	108.1	Acc Depr-Tool Shop & Misc Eqpt	121.89
2235	108.1	Acc Depr-Laboratory Eqpt	(8.45)
2240	108.1	Acc Depr-Power Operated Equip	(411.27)
2245	108.1	Acc Depr-Communication Eqpt	6.47
2250	108.1	Acc Depr-Misc Equip Sewer	(363.63)
2255	108.1	Acc Depr-Other Tang Plt Sewer	(1,135.92)
2270	108.1	Acc Depr-Reuse Services	4,940.87
2275	108.1	Acc Depr-Reuse Mtr/Installs	0.12
2280	108.1	Acc Depr-Reuse Dist Reservoirs	63.10
2285	108.1	Acc Depr-Reuse Trans/Dist Sys	34,824.93

Co. Acct.	NARUC	Description	Debit/(Credit)
3270	271	Ciac-Struct & Imprv Wtp	(2,673,510.73)
3315	271	Ciac-Elec Pump Eqp Src Pump	159.21
3320	271	Ciac-Elec Pump Eqp Wtp	(159.21)
3430	271	Ciac-Other Tangible Plt Water	2,673,510.82
3435	271	Ciac-Water-Tap	154,608.96
3445	271	Ciac-Wtr Res Cap Fee	(92,994.46)
3450	271	Ciac-Wtr Plt Mod Fee	(22,170.76)
3455	271	Ciac-Wtr Plt Mtr Fee	(30,677.74)
3500	271	Ciac-Struct/Imprv Pump Plt Ls	653.70
3505	271	Ciac-Struct/Imprv Wastewater Plant	(2,221,622.80)
3520	271	Ciac-Struct/Imprv Gen Plt	1,241,845.49
3530	271	Ciac-Power Gen Equip Pump Plt	(653.70)
3535	271	Ciac-Power Gen Equip Treat Plt	(222.69)
3550	271	Ciac-Sewer Force Main	428,851.24
3555	271	Ciac-Sewer Gravity Main	873,064.40
3557	271	Ciac-Manholes	(873,064.40)
3565	271	Ciac-Services To Customers	(467,251.24)
3705	271	Ciac-Sewer-Tap	9,282.93
3715	271	Ciac-Swr Res Cap Fee	(3,528.80)
3720	271	Ciac-Swr Plt Mod Fee	(625.00)
3750	271	Ciac-Reuse Services	216.62
3775	271	Ciac-Reuse Mgmt Fee	980,000.00
3800	272	Acc Amort Organization	103,077.14
3810	272	Acc Amort Struct & Imprv Src	(9.48)
3815	272	Acc Amort Struct & Imprv Wtp	1,630,869.90
3840	272	Acc Amort Wells & Springs	(85.24)
3860	272	Acc Amort Elec Pump Eqp Src	928.32
3870	272	Acc Amort Elec Pump Eqp Trans Dist	(952.15)
3875	272	Acc Amort Water Treatment Eqpt	1,240.28
3880	272	Acc Amort Dist Resv & Standpip	(3,695.43)
3885	272	Acc Amort Trans & Distr Mains	(68,631.03)
3890	272	Acc Amort Service Lines	(1,498.67)
3895	272	Acc Amort Meters	(27.12)
3900	272	Acc Amort Meter Installs	(0.84)
3905	272	Acc Amort Hydrants	15,135.00
3975	272	Acc Amort Other Tang Plt Water	(1,886,298.81)
3980	272	Acc Amort Water-Ciac Tap	(42,313.91)
3995	272	Acc Amort Wtr Res Cap Fee-Nc	(11,646.95)
4000	272	Acc Amort Wtr Plt Mod Fee-Nc	1,200.51
4005	272	Acc Amort Wtr Plt Mtr Fee-Nc	2,595.46
4030	272	Acc Amort Organization	61,818.03
4050	272	Acc Amortstruct/Imprv Pump Plt Ls	36,085.00
	272	Acc Amort Struct/Imp Wwtp	307,581.98
4070	272	Acc Amortstruct/Imprv Gen Plt	(602,891.65)
4075	272	Acc Amort Pwr Gen Eqp Coll	(14,417.95)
4085	272	Acc Amort Pwr Gen Eqp Treat	(4,911.59)

Object	NARUC	Description	Debit/(Credit)
4100	272	Acc Amort Sewer Force Main	(79,471.38)
4105	272	Acc Amort Sewer Gravity Main	(113,466.83)
4107	272	Acc Amort Manholes	145,616.35
4115	272	Acc Amort Services To Customers	64,895.28
4150	272	Acc Amort Treat/Disp Equip Lagoon	738.85
4155	272	Acc Amort Treat/Disp Equip Trt Plt	3,234.99
4175	272	Acc Amort Outfall Lines	(31.41)
4265	272	Acc Amort Sewer-Tap	412,653.25
4275	272	Acc Amort Swr Res Cap Fee-Nc	61.02
4280	272	Acc Amort Swr Plt Mod Fee-Nc	44.29
4310	272	Acc Amort-Reuse Services	16,212.33
4330	272	Acc Amort Reuse-Tap	(4,777.65)
4335	272	Acc Amort Reuse Mgmt Fee-Nc	(63,291.69)
4998		Retained Earnings	(1,072,952.48)

Effect on the Filing: There is no effect on the filing.

Audit Finding 4

Subject: Land Sale

Audit Analysis: The Utility sold approximately five acres of its 180 acre parcel at the Lake Groves Water and Wastewater plant treatment site recorded in December 2009. The Utility recorded \$220,355.54 profit in its account 7690 which is below the line and not included in the filing.

Effect on the General Ledger: This finding is provided for informational purposes only.

Effect on the Filing: This finding is provided for informational purposes only.

Audit Finding 5

Subject: Plant Error in Depreciation Restatement

Audit Analysis: In the adjustment to Accumulated Depreciation in the filing on Schedule A-3 line A (c), the Utility left off an original balance of \$218.75 from account 303.3 (Utility Account 1035).

Effect on the General Ledger: The following entry should be made to the ledger since finding 3 adjusted the ledger to the restated depreciation schedules and this amount was not included in those schedules.

Company Account	NARUC Account	Account Title	Debit	Credit
1035	303.3	Land & Land Rights Water Treatment	\$ 218.75	
4998		Retained Earnings		\$ 218.75

Effect on the Filing: 13-Month Average Water Plant should be increased by \$218.75.

Audit Finding 6

Subject: Accumulated Depreciation Error in Depreciation Restatement Adjustment

Audit Analysis: Included in the adjustment to Accumulated Depreciation in the filing on Schedule A-3 line B (c) were two items that were done incorrectly.

1. The Utility recorded an increase to Accumulated Depreciation water for \$168,090. This number was not associated with any plant balance in the ledger but, in the filing it is shown to be associated with 348.5 Other Tangible Plant. We reviewed the formula used to generate the number and found the Utility had totaled balances for several months for other accounts and recorded them in this account in error. It was used for both year end and 13-month average.
2. The Utility included a Commission adjustment of \$1,033.43 from the last case as a credit instead of a debit. This error was related to plant in account 330.4 (Utility Account 1120). The depreciation account in the filing is 108.1 (Utility depreciation 1915). This error caused both year end and 13-month average accumulated depreciation to be overstated by \$2,066.86. These amount needs to be removed from the filing and the adjusting entries shown in finding 3.

Effect on the General Ledger: The following entry should be made:

Account	Account Title	Debit	Credit
108.1	Acc. Dep. Water Plant Allocated	\$ 168,449.41	
108.1(1195)	Acc. Dep. Reservoir and Standpipe	\$ 2,066.00	
	Retained Earnings		\$ 170,515.41

Effect on the Filing: 13-Month Accumulated Depreciation for water should be decreased by \$170,515.41.

Audit Finding 7

Subject: Contributions in Aid of Construction (CIAC) and Accumulated Amortization Errors

Audit Analysis: In the adjustments to Rate Base in schedule A-3 of the MFR's, adjustment D (1) and E (1), the Utility adjusted its booked CIAC and Accumulated Amortization based on a restated depreciation schedule. The books were adjusted to this schedule in Finding 3 of this report. However, in reviewing all the formulas in the schedules, we determined that some errors were made.

1. In account 271.1 (Utility account 3445 CIAC Capacity Fee), the Utility included a contribution of a meter for \$1,200 in two accounts. It should not have been included in this account. In addition, a cash contribution of \$1,080 should have been included but wasn't. Therefore, there needs to be a \$120 debit or reduction to CIAC. The 13-month average effect and the amortization are shown below.
2. The Utility included a credit (increase) in account 3550 CIAC Force Mains for \$38,400 in 2008. No supporting documentation could be found for this amount and the Utility claims it was included in the schedule in error. CIAC needs to be debited (decreased) by \$38,400. The 13-month average effect and the amortization are shown below.
3. The Utility did not include an addition of \$5,820.75 (credit) in account 3715 CIAC Reservation of Capacity Fees that was included in its general ledger. CIAC needs to be credited (increased) by \$5,820.75. The 13-month average effect and the amortization are shown below.
4. Meter Connection Fees of \$19,750 were charged to revenue (account 5285). They were removed from the revenue account in the filing but not included in the CIAC account (account 3455). The 13-month average effect and the amortization are shown below.
5. Capacity Fees of \$450 were charged to revenue (account 5270). They were removed from the revenue account in the filing but not included in the CIAC account (account 5270). The 13-month average effect and the amortization are shown below.

Amortization was computed on the above findings and the 13-month average effect determined. The amounts are as follows:

Summary of Differences

Description		Account Number	CIAC Filing	Accumulated Amortization Per Filing	13-Month Average CIAC	13-Month Average Acc. Amt.
Meter included twice and \$1,080 left out	Water	3445	\$120.00	(\$52.75)	(\$618.46)	\$48.86
Credit of \$38400 in error	Wastewater	3550	\$38,400.00	(\$3,200.00)	\$38,400.00	(\$2,560.00)
Addition of \$5,820.75 left off	Wastewater	3715	(\$5,820.75)	\$230.40	(\$5,820.75)	\$157.64
CIAC charged to revenue 5285	Water	3455	(\$19,750.00)	\$279.90	(\$10,334.62)	\$100.60
CIAC charged to revenue 5270	Water	3445	(\$450.00)	\$8.44	(\$311.54)	\$3.25
			\$12,499.25	(\$2,734.01)	\$21,314.63	(\$2,249.65)

Effect on the General Ledger: The following entries are needed to correct the general ledger:

Utility Account	NARUC Account	Account Title	Debit	Credit
3715	271	Acc. Amort. Capacity Fee Water	\$ 8.44	
3445	271.1	Capacity Fees Water	\$ 120.00	
4275	271	Acc. Amort. Capacity Fee Wastewater	\$ 230.40	
4005	271	Acc. Amort. Meter Fee	\$ 279.90	
3550	271.1	Collection Sewers Force	\$ 38,400.00	
3715	271	Acc. Amort. Capacity Fee Water		\$ 52.75
4100	271	Acc. Amort. Collection Sewer Force		\$ 3,200.00
3445	271.1	Capacity Fees Water		\$ 450.00
3455	271.1	Plant Meter Fee Water		\$ 19,750.00
3715	271.1	Reservation of Capacity Fee Wastewater		\$ 5,820.75
4998		Retained Earnings		\$ 9,765.24
			\$ 39,038.74	\$ 39,038.74

Effect on the Filing: 13-Month Average Water CIAC should be increased by \$11,264.62 (credits of \$618.46+\$10,334.62+311.54) and Wastewater decreased by \$32,579.25 (\$38,400-\$5,820.75). 13-Month Average Water CIAC Amortization should be increased by \$152.71 (debits of \$48.86+\$100.60+3.25) and Wastewater should be decreased by \$2,402.36 (\$157.64-\$2,560). Water Amortization Expense should be increased by \$302.83 (credits of \$14.50+279.89+8.44) and Wastewater should be decreased by \$1,134.48 (\$1,280-145.52).

Audit Finding 8

Subject: Contributed Water Property Not Recorded

Audit Analysis: From reviewing the developer agreements, we determined that the Utility did not record the property contributed by Barrington Estates. We obtained the invoice paid by Barrington Estates for the property and determined that \$183,905 of property needs to be recorded. The Accumulated Depreciation and Amortization was calculated to be \$12,593 and the depreciation and amortization expense \$4,317.60. The schedule on the following page details the plant and depreciation calculations.

Effect on the General Ledger: The following entry is needed to correct the general ledger. Depreciation expense is not booked since the ledger for this period will be closed when the entry is posted.

Utility Account	NARUC Account	Account Title	Debit	Credit
1125	331.4	Transmission Distribution Mains	\$ 130,225.00	
1130	333.4	Service Lines	\$ 34,640.00	
1145	335.4	Hydrants	\$ 19,040.00	
3340	271.1	CIAC T & D Mains		\$ 130,225.00
3345	271.1	CIAC Service Lines		\$ 34,640.00
3360	271.1	CIAC Hydrants		\$ 19,040.00
3885	271.0	Acc. Amort. T & D Mains	\$ 8,833.09	
3890	271.0	Acc. Amort. Service Lines	\$ 2,525.83	
3905	271.0	Acc. Amort. Hydrants	\$ 1,234.07	
1920	108.1	Acc. Dep. T & D Mains		\$ 8,833.09
1925	108.1	Acc. Dep. Service Lines		\$ 2,525.83
1940	108.1	Acc. Dep. Hydrants		\$ 1,234.07

Effect on the Filing: There is no effect on the filing since the plant and CIAC and the Accumulated Depreciation and Amortization offset.

Calculation of Depreciation

Account	NARUC Account	Amount Plant/ CIAC	Months In Service	Years	Accumulated Depreciation/ Amortization	Account Depreciation/ Amortization	NARUC Account	R/E Depreciation Amortization Expense	Retained Earnings 4998
1125	331.4	130,225.00	35.00	43.00	(8,833.09)	1920	108	3,028.49	5,804.60
1130	333.4	34,640.00	35.00	40.00	(2,525.83)	1925	108	866.00	1,659.83
1145	335.4	19,040.00	35.00	45.00	(1,234.07)	1940	108	423.11	810.96
Plant		183,905.00			(12,593.00)			4,317.60	8,275.40
3340	271.1	(130,225.00)	35.00	43.00	8,833.09	3885	272	(3,028.49)	(5,804.60)
3345	271.1	(34,640.00)	35.00	40.00	2,525.83	3890	272	(866.00)	(1,659.83)
3360	271.1	(19,040.00)	35.00	45.00	1,234.07	3905	272	(423.11)	(810.96)
CIAC		(183,905.00)			12,593.00			(4,317.60)	(8,275.40)
Total		0.00			0.00			0.00	0.00

Audit Finding 9

Subject: Over Billing of Revenues

Audit Analysis: The Utility provided the billing registers for the test year. From July through October 2009 various residential wastewater accounts that had gallonage usage in excess of 10,000 were overbilled by \$.40. The utility explained this was done inadvertently. The total estimated amount of over billings is \$2,110.40. Since these tariff rates began in May 2009, May and June 2009 may also be affected. However, since it was outside of the test year we did not have the billing registers for these two months. The Utility should refund these amounts including any overbillings outside the test year.

	Number of Bills
July 2009	1,251
August 2009	1,267
September 2009	1,172
October 2009	1,586
	5,276
Rate Difference	\$0.40
	\$2,110.40

Effect on the General Ledger: The following entry needs to be recorded in the ledger:

Company Account Number	Naruc Account Number	Account Title	Debit	Credit
5140	522.1	Sewer Revenue - Residential	\$2,110.40	
2685	142.0	AR Customer Refunds		\$2,110.40

Effect on the Filing: Since revenues are adjusted through a proforma adjustment, there is no effect on the filing.

Audit Finding 10

Subject: Revenue Adjustments

Audit Analysis: In the adjustments to Net Operating Income in schedule B-3 of the MFR's, adjustment A (1), the Utility removed \$21,246 of revenues from account 474 (Utility account 5285) and reclassified it to CIAC. However, only \$19,750.00 should have been removed from revenues, see Finding No. 7. The difference of \$1,496.00 was revenue and needs to be included in other water revenues, account 474.

In addition, included in the adjustments to Rate Base in schedule A-3 of the MFR's, adjustment D (1), the Utility removed \$450.00 of CIAC from account 271.1 (Utility account 3450). However, the utility did not increase the revenues in the filing by the same amount. This amount needs to be included in other water revenues.

Effect on the General Ledger: No entry is needed to the ledger since this will not affect future rate cases.

Effect on the Filing: Other water revenues should be increased by \$1,946.00. The Utility's CIAC adjustment was made after the proforma adjustment to increase revenue for the proposed rates. Therefore, this adjustment still needs to be made.

Audit Finding 11

Subject: Proforma Adjustment for Deferred Maintenance Expense

Audit Analysis: In schedule B-3 of the Utility filing, adjustments 3(b) thru (d) adjust the deferred maintenance accounts to a three year amortization and increase expense. However, in its proforma adjustment 6, the Utility annualizes the amortization of Other Deferred Charges of \$3,271 (Utility Account 3000). In its support for adjustments 3(b) thru (d), the Deferred Tank Maintenance was fully amortized during the test year. Therefore, on a proforma basis, the \$8,732.68 they expensed for this item will not be incurred in the next year and an adjustment offsetting the proforma made of \$3,271 needs to be included.

In addition, in the Utilities supporting schedule, they did not begin amortizing its account 3005 for VOC testing until April 2009. The actual expenses were incurred in February 2007 and therefore, would also be fully amortized during the test year. The expense of \$1,698.33 in the filing should also be removed.

Effect on the General Ledger: Since these expenses will be fully amortized, no adjustment is needed to the ledger.

Effect on the Filing: Operating expenses should be reduced by \$10,431.01 (\$8,732.68+\$1,698.33).

Audit Finding 12

Subject: Adjustment for Commission Order

Audit Analysis: The Utility recorded two Commission Ordered Adjustments from Docket No. 070693-WS to the Operation and Maintenance expense accounts during the test year. These adjustments related to the expenses for the year ended July 2006 to June 2007. By recording the adjustments in December 2009, the Utility booked out of period expenses in the test year and overstated expenses. The adjustments are shown below:

Utilities Acc't	NARUC Acc't	Date	Vendor	Amount	Description
6310	675	12/31/2009	RCL Cap Exp & Roll Fwd Accum	\$ 104,983.54	Commission Ordered Adjustment
6345	775	12/31/2009	RCL Cap Exp & Roll Fwd Accum	\$ 62,290.31	Commission Ordered Adjustment

Effect on the General Ledger: No entry is needed to the ledger since this will not affect future rate cases.

Effect on the Filing: Water Operating Expenses are reduced by \$104,983.53 and Wastewater by \$62,290.31.

Audit Finding 13

Subject: Capital Projects Expensed

Audit Analysis: The Utility incorrectly recorded a capital project to Operation and Maintenance expense. This capital project is shown below:

Utility Acc't.	NARUC ACC'T	Vendor	Date	Amount	Description
Plant					
62 95	67 5	Shafer Development Corp	2/15/20 10	\$ 2,450 .00	water main replacement.
		Total		\$ 2,450 .00	

Depreciation expense is calculated on the following page. The retirement is calculated at 75% of the replacement cost or \$1,837.50 (\$2,450.00 * 75%).

Effect on the General Ledger: The following adjusting entries should be made for the capital projects:

Utility Acc't .	NARUC Acc't	Description	Debit	Credit
11 25	331 .4	Trans & Distr Mains	\$ 2,450.00	
62 95	675	Water - Maintenance Repairs		\$ 2,450 .00
18 85	108 .1	Accumulated Depreciation		\$ 594
65 30	403	Depreciation Expense	\$ 5.94	
11 25	331 .4	Transmission & Distribution Mains		\$ 1,837 .50
18 85	108 .1	Accumulated Depreciation	\$ 1,837.50	

Effect on the Filing: The 13-month average water plant should be increased by \$235.58. The 13-month water accumulated depreciation should be decreased by \$705.36 (debit). Water operating expense should be decreased by \$2,450. Water depreciation expense should be increased by \$5.94.

Calculation of 13-Month Average

	Water Plant	Water Acc. Dep.
February 28, 2010	612.50	1,836.31
March 31, 2010	612.50	1,835.12
April 30, 2010	612.50	1,833.93
May 31, 2010	612.50	1,832.74
June 30, 2010	612.50	1,831.55
13-month Average	235.58	705.36

Calculation of Depreciation

BU	OBJ	Vendor	Date	Amount		Plant Adj.	Plant Acct.	Year Life	Dep. Exp/Re	Mths.	Acc. Dep.	Acct./108.1	Acct.
251	1125	Shafer Development Corp	2/15/2010	\$ 2,450.00	Water main replacement	\$ 2,450.00	331.4	43	\$ 23.74	5	\$ 23.74	1885	1885
		Retirement		\$ (1,837.50)		\$ (1,837.50)	331.4	43	\$ (17.81)	5	\$ (17.81)		
				\$ 612.50		\$ 612.50					\$ 5.94		

Audit Finding 14

Subject: Lobbying Expenses

Audit Analysis: The Utility paid \$4,730.93 for dues in the test year to the National Association of Water Companies to the Operation and Maintenance expense account. Based on the invoice, 16% of the membership fee was considered lobbying expenses. In Commission Order No. 10449², lobbying expenses were excluded as there was no evidence that the ratepayers received any benefit from these expenditures. The Commission has continued to maintain this position in later orders. Based on the Utility allocation, 86.35% of the lobbying expenses are allocated to water and 13.65% to wastewater. Below is the calculation of the lobbying expenses with the allocation to water and wastewater.

Utility Acc't	NARUC Acc't	Vendor	Date	Amount	Description
		NAWC	1/14/2010	\$ 4,730.93	National Association of Water Companies (NAWC) Membership due for 2010.
		16% Lobbying Exp		\$ 756.95	
581 0	675	Water Allocation (86.35%)		\$ 653.63	
581 0	775	Wastewater Allocation (13.65%)		\$ 103.32	

Effect on the General Ledger: No entry is needed to the ledger since this will not affect future rate cases.

Effect on the Filing: Water Operating Expenses should be reduced by \$653.63 and wastewater by \$103.32.

² See Order No. 10449, issued December 15, 1981, Docket No.810035-TP, In Re: Petition of Southern Bell Telephone and Telegraph Company for Rate Increase.

Audit Finding 15

Subject: Personal Property

Audit Analysis: The Utility's basis for its Personal Property tax allocation between water and wastewater is their Book's 13-Month Average Net Plant balance. The Utility has made numerous adjustments to the 13-Month Average Net balance of plant to restate balances and correct allocations. Because of the dollar effect of adjustments made, we believe a more appropriate basis for allocating Personal Property tax between water and wastewater would be the Adjusted 13-Month Average Net Plant balance. The schedule that follows shows the calculation to adjust the allocation of Personal Property tax to the adjusted 13-Month Average Net Plant balance.

Description	Amount	13-Month Average Water	13-Month Average Wastewater	Total
Net Plant Recalculation				
Utility Plant In Service		\$ 36,429,295.00	\$ 18,089,482.00	
Accumulated Depreciation		\$ (6,047,755.00)	\$ (2,841,808.00)	
Net Plant In Service		\$ 30,381,540.00	\$ 15,247,674.00	\$ 45,629,214.00
Net Plant Percentage Per Staff		\$ 0.67	\$ 0.33	\$ 1.00
Personal Property Taxes	\$ 437,608.00	\$ 291,374.84	\$ 146,233.16	
Per Filing		\$ 338,402.00	\$ 99,206.00	\$ 437,608.00
Difference		\$ (47,027.16)	\$ 47,027.16	
Proforma Personal Property Tax Adj.				
2009 Nov Balance	\$ 437,608.00			
2010 Nov Balance	\$ 423,864.98			
Proforma Personal Property Tax Adj.	\$ (13,743.02)	\$ (9,150.59)	\$ (4,592.43)	
Filing		\$ (10,627.00)	\$ (3,116.00)	\$ (13,743.00)
Difference		\$ 1,476.41	\$ (1,476.43)	
Total Adjustment		\$ (45,550.75)	\$ 45,550.73	

Effect on the General Ledger: There are no entries needed to correct the ledger because the Utility has only one account for water and wastewater. It is only allocated in the filing.

Effect on the Filing: Water expenses would be reduced by \$45,551 and Wastewater expenses would be increased by the same amount.

Schedule of Water Rate Base

Florida Public Service Commission

Company: Lake Utility Services, Inc.
 Docket No.: 100428-WB
 Schedule Year Ended: June 30, 2010
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-1
 Page 1 of 1
 Preparer: Kirsten Weeks

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Average Balance Per Books	(3) Utility Adjustments	Ref.	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant In Service	43,784,217	(7,354,822)	(A)	36,429,295	A-5, A-3
2						
3	Utility Land & Land Rights	117,081	(975)	(A)	116,106	A-5
4						
5	Less: Non-Used & Useful Plant	-	-	(G)	-	A-7
6						
7	Construction Work in Progress	838,275	(838,275)	(C)	-	A-3
8						
9	Less: Accumulated Depreciation	(8,467,866)	410,111	(B)	(8,047,755)	A-8, A-3
10						
11	Less: CIAC	(17,058,144)	17,845	(D)	(17,040,299)	A-12, A-3
12						
13	Accumulated Amortization of CIAC	3,883,888	(3,161)	(E)	3,883,517	A-14, A-3
14						
15	Acquisition Adjustments	-	-		-	-
16						
17	Accum. Amort. of Acq. Adjustments	-	-		-	-
18						
19	Advances For Construction	-	-	(F)	-	A-18
20						
21	Working Capital Allowance	-	819,748	(H)	819,748	A-17, A-3
22						
23	Total Rate Base	24,888,231	(8,747,620)		18,140,610	

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: Lake Utility Services, Inc.
 Docket No.: 100426-WS
 Schedule Year Ended: June 30, 2010
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-2
 Page 1 of 1
 Preparer: Kirsten Weeks

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Average Balance Per Books	(3) Utility Adjustments	Ref.	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant In Service	13,650,545	4,438,937	(A)	18,089,482	A-6, A-3
2						
3	Utility Land & Land Rights	387,641	(371,398)	(A)	26,245	A-6, A-3
4						
5	Less: Non-Used & Useful Plant (net)	-	(343,828)	(G)	(343,828)	A-7
6						
7	Construction Work In Progress	(388,327)	388,327	(C)	0	A-3
8						
9	Less: Accumulated Depreciation	(2,707,904)	(133,904)	(B)	(2,841,808)	A-10, A-3
10						
11	Less: CIAC	(10,894,397)	(45,295)	(D)	(10,939,692)	A-12, A-3
12						
13	Accumulated Amortization of CIAC	1,787,524	194,418	(E)	1,981,942	A-14, A-3
14						
15	Acquisition Adjustments	-	-		-	-
16						
17	Accum. Amort. of Acq. Adjustments	-	-		-	-
18						
19	Advances For Construction	(38,400)	38,400	(F)	-	A-16
20						
21	Working Capital Allowance	-	270,487	(H)	270,487	A-17, A-3
22						
23	Total Rate Base	1,778,882	4,448,358		6,223,040	

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Lake Utility Services, Inc.
 Docket No.: 100428-WS
 Test Year Ended: June 30, 2010
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-1
 Page 1 of 1
 Preparer: Kirsten Weeks

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	4,185,151	48,608	4,233,759	1,808,873 (A)	5,840,432	B-4, B-3
2							
3	Operation & Maintenance	2,583,589	(384,235)	2,199,334	207,558 (B)	2,406,892	B-5, B-3
4							
5	Depreciation, net of CIAC Amort.	705,108	65,982	771,090	13,491 (C), (D)	784,581	B-13, B-3
6							
7	Amortization	-	-	-	-	-	
8							
9	Taxes Other Than Income	845,845	(242,596)	603,049	70,397 (E)	873,448	B-15, B-3
10							
11	Provision for Income Taxes	(7,906)	15,414	7,508	494,822 (F)	502,430	C-1, C-2, B-3
12							
13	OPERATING EXPENSES	4,126,418	(545,435)	3,580,981	788,388	4,387,349	
14							
15	NET OPERATING INCOME	58,735	694,043	652,778	820,305	1,473,083	
16							
17							
18	RATE BASE	24,888,231	(6,747,820)	18,140,810		18,140,810	
19							
20							
21	RATE OF RETURN			0.24 %	3.80 %	8.12 %	

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: Lake Utility Services, Inc.
 Docket No.: 100428-WS
 Test Year Ended: June 30, 2010
 Interim Final
 Historic or Projected

Schedule: B-2
 Page 1 of 1
 Preparer: Kirsten Weeks

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	2,059,060	37,904	2,096,964	247,262 (A)	2,344,226	B-4, B-3
2							
3	Operation & Maintenance	358,331	510,134	868,465	35,748 (B)	904,211	B-6, B-3
4	Depreciation, net of CIAC Amort.	617,123	(258,768)	360,354	180,491 (C), (D)	540,845	B-14, B-3
5							
6	Amortization	-	-	-	-	-	
7							
8	Taxes Other Than Income	-	212,841	212,841	8,840 (E)	221,481	B-15, B-3
9							
10	Provision for Income Taxes	(2,609)	168,551	163,942	8,423 (F)	172,365	C-1, C-2, B-3
11							
12	OPERATING EXPENSES	972,844	632,768	1,605,602	233,300	1,838,903	
13							
14	NET OPERATING INCOME	1,086,216	(594,654)	491,382	13,962	505,323	
15							
16							
17	RATE BASE	1,776,882	4,448,358	6,223,040		8,223,040	
18							
19							
20							
21	RATE OF RETURN	61.14 %		7.90 %		6.12 %	

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Schedule of Requested Cost of Capital
13-Month Average Balance

Florida Public Service Commission

Company: Lake Utility Services, Inc.
Docket No.: 100426-WS
Schedule Year Ended: June 30, 2010
Interim [] Final [x]
Historical [x] Projected []

Schedule D-1
Page 1 of 1
Preparer: Kirsten E. Weeks

Explanation: Provide a schedule which calculates the requested cost of capital on a thirteen month average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	(1) Class of Capital	(2) Reconciled to Requested Rate Base AYE 06/60/10	(3) Ratio	(4) Cost Rate	(5) Weighted Cost
1	Long Term Debt	11,601,255	47.62%	6.65%	3.17%
2	Short Term Debt	1,910,653	7.84%	4.28%	0.34%
3	Preferred Stock	-			
4	Common Equity	10,582,079	43.43%	10.55%	4.58%
5	Customer Deposits	111,811	0.46%	6.00%	0.03%
6	Tax Credits - Zero Cost	-			
7	Tax Credits - Weighted Cost	-			
8	Accumulated Deferred Income Tax	157,852	0.65%		
9	Other (Explain)	-			
10					
11	Total	<u>24,361,650</u>	<u>100.00%</u>		<u>8.12%</u>
12					
13					

Notes:

- The cost of equity is based on the leverage formula in effect pursuant to Order No. PSC-10-0401-PAA-WS.
- Long term debt, short term debt, preferred stock, and common equity are actual for Lake Utility Services, Inc.'s parent company, Utilities, Inc.

Supporting Schedules: D-2
Recap Schedules: A-1, A-2