

State of Florida



**Public Service Commission**

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

**Auditor's Report**

Aqua Utilities Florida, Inc./HC Waterworks, Inc.  
Application for Transfer of Certificate  
Certificate Nos. 422-W and 359-S

**As of March 28, 2013**

Docket No. 130175-WS  
Audit Control No. 13-199-2-3  
**September 18, 2013**

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Jeffery A. Small  
Audit Manager

A handwritten signature in black ink, appearing to read "Linda Hill-Slaughter".

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Linda Hill-Slaughter  
Reviewer

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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 Accounting and Finance in its audit service request dated July 12, 2013. We have applied these procedures to the attached schedules prepared by the audit staff in support of Aqua Utilities Florida, Inc./HC Waterworks, Inc.'s request for a Transfer of Certificate in Docket No. 130175-WS.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

## Objectives and Procedures

### **Background**

#### Definitions

Buyer/Utility refers to HC Waterworks Inc. (HCW).

Seller refers to Aqua Utilities Florida, Inc. (AUF).

NARUC refers to the National Association of Regulatory Commissioners.

USOA refers to the NARUC Uniform System of Accounts as adopted by Commission Rule 25-30.115 – Uniform System of Accounts for Water and Wastewater Utilities.

#### Utility Information

AUF is a wholly-owned subsidiary of Aqua America, Inc. AUF was a Class “A” utility that provided water and wastewater service to 85 service areas (58 water and 27 wastewater) within 17 counties under Commission jurisdiction in its last rate case proceeding in Docket No. 100330-WS. Since that proceeding, AUF has divested its Florida operations to nonrelated government and corporate entities. AUF is also a party in the following docketed proceedings before the Commission.

<u>Docket No.</u>	<u>Docket Detail</u>
130171-WS	Transfer of Certificate of certain AUF systems in Sumter County to The Woods Utility Company. (Certificate Nos. 507-W and 441-S)
130172-WS	Transfer of Certificate of certain AUF systems in Washington County to Sunny Hills Utility Company. (Certificate Nos. 501-W and 435-S)
130173-WU	Transfer of Certificate of certain AUF systems in Palm Beach County to Lake Osborne Waterworks, Inc. (Certificate Nos. 053-W)
130174-WU	Transfer of Certificate of certain AUF systems in Brevard County to The Brevard Waterworks, Inc. (Certificate No. 002-W)
130176-WS	Transfer of Certificate of certain AUF systems in Sumter County to Jumper Creek Utility Company. (Certificate Nos. 507-W and 441-S)

AUF and HCW executed an asset purchase agreement for the following AUF systems in Highlands County, Florida, on March 19, 2013, for \$1,363,188. The agreement was finalized in a “Bill of Sale” dated March 28, 2013, which is deemed the official date of transfer.

<u>System Name</u>	<u>Water Customers</u>	<u>Wastewater Customers</u>
Lake Josephine (LJ)	543	543
Leisure Lakes (LL)	293	0
Sebring Lakes (SL)	<u>73</u>	<u>0</u>
Total	909	543

## **General**

**Objectives:** The objectives were to establish a net book value for HCW water and wastewater systems for transfer purposes as of March 28, 2013, and verify that the Utility's books and records are maintained in compliance with NARUC USOA.

**Procedures:** We performed the following specific objectives and procedures to satisfy the overall objectives identified above.

## **Net Book Value**

### Utility Plant in Service

**Objectives:** The objectives were to determine whether Utility Plant in Service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are recorded at original cost, 3) Retirements are made when a replacement asset was put in service, and 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

**Procedures:** We reconciled the beginning balances for water and wastewater UPIS as of April 30, 2010, established in Docket No. 100330-WS, with the Seller's books and records. We scheduled water and wastewater UPIS activity from April 30, 2010 through March 28, 2013. We sampled and traced selected asset additions and retirements to supporting documentation. We determined the UPIS transfer balances for each system as of March 28, 2013. Our recommended adjustments to UPIS are discussed in Finding 1.

### Land & Land Rights

**Objectives:** The objectives were to determine whether utility land is: 1) Recorded at original cost, 2) Owned or secured under a long-term lease agreement, and that 3) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

**Procedures:** We reconciled the beginning balances for water and wastewater land as of April 30, 2010, reaffirmed in Docket No. 100330-WS, with the Seller's books and records. We searched the Highlands County Clerk of the Courts' official records to verify the transfer of utility land from AUF to HCW. We inquired and searched for additional activity related to utility land and none was found. We determined the land transfer balances for each system as of March 28, 2013. No exceptions were noted.

### Accumulated Depreciation

**Objectives:** The objectives were to determine whether Accumulated Depreciation: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 – Depreciation, F.A.C., 2) Retirements are recorded when an asset was replaced, and 3) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

**Procedures:** We reconciled the beginning balances for water and wastewater Accumulated Depreciation as of April 30, 2010, established in Docket No. 100330-WS, with the Seller's books and records. We sampled and recalculated depreciation accruals for selected UPIS accounts to verify that the correct depreciation rates were used. We traced a sample of Accumulated Depreciation retirements to corresponding UPIS retirements and verified that retirements were made when a capital asset was removed or replaced. We determined the Accumulated Depreciation transfer balances for each system as of March 28, 2013. Our recommended adjustments to Accumulated Depreciation are discussed in Findings 1 and 2.

#### Contributions in Aid of Construction

**Objectives:** The objectives were to determine whether Contributions in Aid of Construction (CIAC): 1) Consist of cash or property contributions that exist and are owned by the Utility, 2) Additions are recorded using Commission approved tariffs, 3) Retirements are recorded when a contributed asset was replaced, and 3) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

**Procedures:** We reconciled the beginning balances for water and wastewater CIAC as of April 30, 2010, established in Docket No. 100330-WS, with the Seller's books and records. We scanned the sellers records and inquired about cash and property contributions since the last rate proceeding. We traced additions to CIAC to the specific system's approved tariff. We determined the CIAC transfer balances for each system as of March 28, 2013. Our recommended adjustments to CIAC are discussed in Finding 1.

#### Accumulated Amortization of CIAC

**Objectives:** The objectives were to determine whether Accumulated Amortization of CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 – Depreciation, F.A.C., 2) Retirements are recorded when a contributed asset was replaced, and 3) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

**Procedures:** We reconciled the beginning balances for water and wastewater Accumulated Amortization of CIAC as of April 30, 2010, established in Docket No. 100330-WS, with the Seller's books and records. We sampled and recalculated amortization accruals for selected CIAC accounts to verify that correct amortization rates were used. We determined the Accumulated Amortization of CIAC transfer balances for each system as of March 28, 2013. Our recommended adjustments to Accumulated Amortization of CIAC are discussed in Finding 1 and 2.

### **Other**

#### Rates and Charges

**Objective:** The objective was to determine whether the Utility is charging monthly service rates authorized by Commission tariffs.

**Procedures:** We obtained the Utility's June 2013 billing register. We recalculated a sample of the customer bills for each system using the approved water and wastewater tariffs. No exceptions were noted.

### Customer Deposits

**Objective:** The objective was to determine the transfer balance for customer deposits for each utility system.

**Procedures:** We inquired and verified that no customer deposits were transferred from AUF to HCW at closing. We verified that AUF refunded customer deposits prior to transfer per the terms of the asset purchase agreement. No exceptions were noted.

### Utility Books and Records

**Objective:** The objective was to determine whether the Utility maintains its books and records in conformity with NARUC USOA.

**Procedures:** We reviewed the Utility's books and records by obtaining a trial balance as of the transfer date. We determined that the Utility's books and records are in compliance with the NARUC USOA. No exceptions were noted.

## Audit Findings

### **Finding 1: Rate Base Adjustments**

**Audit Analysis:** AUF's general ledger reflects \$260,740 of water plant additions at Sebring Lakes for year 2012. Of this amount, \$255,247 was for a new water treatment system recorded in AUF Work Order No. 331069316. AUF installed three of these water treatment systems in Highlands County, at Sebring Lakes, Lake Josephine and Leisure Lakes.

Our review of supporting documents for this work order found two invoices totaling \$15,680 that were charged in total to the Sebring Lakes system. The invoices included information that indicated that the balance should have been split among the three Highlands County Systems. Our adjustment and its cumulative effect on accumulated depreciation are displayed in Table 1 that follows.

AUF's general ledger reflects \$3,566 of water CIAC additions at Leisure Lakes for year 2011. Our review of supporting documents for these additions found that \$1,210 were for a water line extension and meter installation for an AUF customer in Sarasota County which is outside the Florida Public Service Commission's jurisdiction. The addition was booked in error and should be removed. Our adjustment and its cumulative effect on Accumulated Amortization of CIAC are displayed in Table 2 that follows.

**Effect on the General Ledger:** The general ledger adjustments for each system is displayed below.

<b>Water System</b>	<b>Acct. No.</b>	<b>Acct. Description</b>	<b>Debit</b>	<b>Credit</b>
Lake Josephine	104.00	Utility Plant Purchased or Sold		\$4,602
	108.00	Accumulated Depreciation		\$238
	320.00	Water Treatment	\$4,840	
Leisure Lakes	104.00	Utility Plant Purchased or Sold		\$5,705
	108.00	Accumulated Depreciation		\$295
	320.00	Water Treatment	\$6,000	
Leisure Lakes	104.00	Utility Plant Purchased or Sold		\$1,148
	272.00	Accumulated Amortization of CIAC		\$62
	271.00	CIAC	\$1,210	
Sebring Lakes	104.00	Utility Plant Purchased or Sold	\$10,306	
	108.00	Accumulated Depreciation	\$534	
	320.00	Water Treatment		\$10,840

**Effect on the Filing:** None



**Table 1**

<b>Lake Josephine - Water</b>			<b>Utility Plant in Service</b>				<b>Accumulated Depreciation Adjustment Calculation</b>			
<b>Post Date</b>	<b>Acct.</b>	<b>Acct. Description</b>	<b>Per Utility</b>	<b>Adjustment</b>	<b>Per Audit</b>	<b>Dep. Rate</b>	<b>12/31/11</b>	<b>12/31/12</b>	<b>03/28/13</b>	<b>Total</b>
04/01/12	320	Treatment Equipment	\$0	\$2,904	\$2,904	4.55%	\$0	\$110	\$33	\$143
04/01/12	320	Treatment Equipment	-	1,936	1,936	4.55%	-	73	22	95
<b>Total</b>			<b>\$0</b>	<b>\$4,840</b>	<b>\$4,840</b>		<b>\$0</b>	<b>\$183</b>	<b>\$55</b>	<b>\$238</b>

<b>Leisure Lakes - Water</b>			<b>Utility Plant in Service</b>				<b>Accumulated Depreciation Adjustment Calculation</b>			
<b>Post Date</b>	<b>Acct.</b>	<b>Acct. Description</b>	<b>Per Utility</b>	<b>Adjustment</b>	<b>Per Audit</b>	<b>Dep. Rate</b>	<b>12/31/11</b>	<b>12/31/12</b>	<b>03/28/13</b>	<b>Total</b>
04/01/12	320	Treatment Equipment	\$0	\$3,600	\$3,600	4.55%	\$0	\$136	\$41	\$177
04/01/12	320	Treatment Equipment	-	2,400	2,400	4.55%	-	91	27	118
<b>Total</b>			<b>\$0</b>	<b>\$6,000</b>	<b>\$6,000</b>		<b>\$0</b>	<b>\$227</b>	<b>\$68</b>	<b>\$295</b>

<b>Sebring Lakes - Water</b>			<b>Utility Plant in Service</b>				<b>Accumulated Depreciation Adjustment Calculation</b>			
<b>Post Date</b>	<b>Acct.</b>	<b>Acct. Description</b>	<b>Per Utility</b>	<b>Adjustment</b>	<b>Per Audit</b>	<b>Dep. Rate</b>	<b>12/31/11</b>	<b>12/31/12</b>	<b>03/28/13</b>	<b>Total</b>
04/01/12	320	Treatment Equipment	\$9,408	(\$6,504)	\$2,904	4.55%	\$0	(\$246)	(\$74)	(\$320)
04/01/12	320	Treatment Equipment	6,272	(4,336)	1,936	4.55%	-	(164)	(49)	(214)
<b>Total</b>			<b>\$15,680</b>	<b>(\$10,840)</b>	<b>\$4,840</b>		<b>\$0</b>	<b>(\$411)</b>	<b>(\$123)</b>	<b>(\$534)</b>

<b>Highlands County - Water</b>			<b>Utility Plant in Service</b>				<b>Accumulated Depreciation Adjustment Calculation</b>			
<b>Post Date</b>	<b>Acct.</b>	<b>Acct. Description</b>	<b>Per Utility</b>	<b>Adjustment</b>	<b>Per Audit</b>	<b>Dep. Rate</b>	<b>12/31/11</b>	<b>12/31/12</b>	<b>03/28/13</b>	<b>Total</b>
04/01/12	320	Treatment Equipment	\$9,408	\$0	\$9,408	4.55%	\$0	\$0	\$0	\$0
04/01/12	320	Treatment Equipment	6,272	-	6,272	4.55%	-	-	-	-
<b>Total</b>			<b>\$15,680</b>	<b>\$0</b>	<b>\$15,680</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Table 2**

<b>Leisure Lakes - Water</b>			<b>Contributions in Aid of Construction</b>				<b>Accumulated Amortization of CIAC</b>			
<b>Post Date</b>	<b>Acct.</b>	<b>Acct. Description</b>	<b>Per Utility</b>	<b>Adjustment</b>	<b>Per Audit</b>	<b>Dep. Rate</b>	<b>Adjustment Calculation</b>			
							<b>12/31/11</b>	<b>12/31/12</b>	<b>03/28/13</b>	<b>Total</b>
05/31/11	271	CIAC - Services	(\$1,000)	\$1,000	\$0	2.50%	\$13	\$25	\$6	\$44
05/31/11	271	CIAC - Meters	(210)	210	-	5.00%	5	11	3	18
<b>Total</b>			<b>(\$1,210)</b>	<b>\$1,210</b>	<b>\$0</b>		<b>\$18</b>	<b>\$36</b>	<b>\$9</b>	<b>\$62</b>

## Finding 2: March Depreciation and Amortization Accrual

**Audit Analysis:** The transfer date for this proceeding is March 28, 2013. AUF records indicate that depreciation accruals for UPIS and amortization accruals for CIAC are posted to the general ledger on the first day of each month. The last date that either accruals were posted was February 1, 2013.

We reviewed AUF records and determined that there was no UPIS or CIAC activity for the three systems in March 2013. Therefore, we have included one month of accumulated depreciation and accumulated amortization of CIAC accruals for March 2013 for each system based on the corresponding accruals posted in February 2013.

Our summarized adjustment for accumulated depreciation and accumulated amortization of CIAC is displayed below. The detailed adjustments by NARUC account are included in Tables 3 and 4 that follow.

Water System	Accumulated Depreciation			Accumulated Amortization of CIAC		
	Per Utility	Adjustment	Per Audit	Per Utility	Adjustment	Per Audit
Lake Josephine	(\$277,624)	(\$5,727)	(\$283,351)	\$198,860	\$1,256	\$200,116
Leisure Lakes	(\$170,370)	(\$2,849)	(\$173,219)	\$101,931	\$345	\$102,276
Sebring Lakes	(\$137,775)	(\$2,337)	(\$140,112)	\$143,785	\$897	\$144,682

Wastewater System	Accumulated Depreciation			Accumulated Amortization of CIAC		
	Per Utility	Adjustment	Per Audit	Per Utility	Adjustment	Per Audit
Leisure Lakes	(\$274,502)	(\$782)	(\$275,284)	\$234,609	\$575	\$235,184

The above audit adjustment does not include the affect of Finding 1. Our calculations in that finding already take into account the missing depreciation and amortization accruals for March 2013.

**Effect on the General Ledger:** The adjustments for each system are displayed below.

Water System	Acct. No.	Description	Debit	Credit
Lake Josephine	104.00	Utility Plant Purchased or Sold	\$4,471	
	108.00	Accumulated Depreciation		\$5,727
	273.00	Accumulated Amortization of CIAC	\$1,256	
Leisure Lakes	104.00	Utility Plant Purchased or Sold	\$2,504	
	108.00	Accumulated Depreciation		\$2,849
	273.00	Accumulated Amortization of CIAC	\$345	
Sebring Lakes	104.00	Utility Plant Purchased or Sold	\$1,440	
	108.00	Accumulated Depreciation		\$2,337
	273.00	Accumulated Amortization of CIAC	\$897	
Wastewater System	Acct. No.	Description	Debit	Credit
Leisure Lakes	104.00	Utility Plant Purchased or Sold	\$207	
	108.00	Accumulated Depreciation		\$782
	273.00	Accumulated Amortization of CIAC	\$575	

**Effect on the Filing:** None

**Table 3**

Water System Acct. No Description	Lake Josephine		Leisure Lakes		Sebring Lakes	
	Acc. Dep.	Acc. Amort.	Acc. Dep.	Acc. Amort.	Acc. Dep.	Acc. Amort.
302.1 Franchise	\$0.00	\$0.00	(\$0.62)	\$0.00	\$0.00	\$0.00
304.2 Structures & Improvements	(58.45)	0.00	0.00	0.00	(45.75)	95.46 a
304.3 Structures & Improvements	(2,677.96)	229.44	(47.32)	7.14	(145.50)	0.00
307.2 Wells & Springs	(284.61)	0.00	(53.56)	0.00	(117.89)	116.78
309.2 Supply Mains	(148.43)	0.00	(9.56)	0.00	0.00	0.00
310.2 Power Generation Equipment	(203.91)	0.00	(112.89)	0.00	(196.21)	0.00
311.2 Pumping Equipment	(128.72)	0.00	(71.23)	0.00	(178.37)	186.91 a
311.3 Pumping Equipment	(5.48)	0.00	(188.50)	0.00	(64.67)	0.00
320.3 Water Treatment Equipment	(912.41)	706.46	(1,221.15)	36.86	(1,003.37)	19.41
330.4 Distribution Reservoirs	(29.92)	0.00	(373.09)	0.00	(82.68)	82.68
331.4 Transmission & Distribution	(732.68)	3.16	(170.25)	144.02	(277.59)	251.14
333.4 Services	(49.12)	7.08	(135.68)	92.04	(5.99)	18.67 a
334.4 Meters	(479.48)	72.82	(421.81)	30.90	(136.99)	125.93
335.4 Hydrants	0.00	0.00	(33.97)	33.97	0.00	0.00
336.4 Backflow Prevention	0.00	0.00	0.00	0.00	(3.04)	0.00
339.2 Other Plant	0.00	0.00	(9.47)	0.00	0.00	0.00
339.3 Other Plant	0.00	0.00	0.00	0.00	(2.78)	0.00
343.5 Tools, Shop & Garage	(15.79)	0.00	0.00	0.00	0.00	0.00
344.5 Laboratory Equipment	0.00	0.00	0.00	0.00	(75.69)	0.00
348.5 Other Tangible Plant	0.00	237.08 a	0.00	0.00	0.00	0.00
<b>Total</b>	<b>(\$5,726.96)</b>	<b>\$1,256.04</b>	<b>(\$2,849.10)</b>	<b>\$344.93</b>	<b>(\$2,336.52)</b>	<b>\$896.98</b>

(a) - CIAC amortization exceeds UPIS depreciation because UPIS account is fully depreciated while corresponding CIAC account is not.

**Table 4**

<b>Wastewater System</b>		<b>Lake Josephine</b>		<b>Leisure Lakes</b>		<b>Sebring Lakes</b>	
		<b>Acc. Dep.</b>	<b>Acc. Amor.</b>	<b>Acc. Dep.</b>	<b>Acc. Amor.</b>	<b>Acc. Dep.</b>	<b>Acc. Amor.</b>
352.1	Franchise			(\$0.62)	\$0.00		
354.4	Structures & Improvements			(11.93)	11.93		
355.4	Power Generation Equipment			(74.78)	0.00		
361.2	Collection - Gravity			(311.04)	308.88		
363.2	Services			(58.94)	69.16	a	
364.2	Flow Measuring Devices			(128.25)	0.00		
370.3	Receiving Wells			(32.88)	0.00		
341.3	Pumping Equipment			(12.59)	0.00		
371.3	Pumping Equipment			(20.47)	0.00		
371.5	Pumping Equipment			(104.01)	0.00		
380.4	Treatment & Disposal			0.00	0.00		
380.4	Treatment & Disposal			(8.92)	184.96	a	
382.4	Outfall Sewer Lines			(2.59)	0.00		
389.6	Other Plant			(9.84)	0.00		
393.7	Tools, Shop & Garage			(5.12)	0.00		
<b>Total</b>				<b>(\$781.98)</b>	<b>\$574.93</b>		

(a) - CIAC amortization exceeds UPIS depreciation because UPIS account is fully depreciated while corresponding CIAC account is not.

### **Finding 3: Accumulated Depreciation**

**Audit Analysis:** The three systems transferred in this proceeding were included in the following AUF utility rate bands for rate base purposes. Water Rate Band 4 originally contained 35 AUF systems and Wastewater Rate Band 1 originally contained 4 AUF systems.

**Water Rate Band 4**

Lake Josephine  
Leisure Lakes  
Sebring Lakes

**Wastewater Rate Band 1**

Leisure Lakes

Order No. PSC-11-0256-PAA-WS, issued June 13, 2011, established accumulated depreciation balances of \$2,475,042 and \$932,462, for these two water and wastewater rate bands as of April 30, 2010, respectively. AUF provided system specific balances for accumulated depreciation by utility account number for each water and wastewater system in the respective rate bands.

The Lake Josephine water accumulated depreciation balance totaled \$128,451 on April 30, 2010, and included two accounts with a negative accumulated depreciation balance. The corresponding plant asset balances for Account Nos. 341.50 - Transportation Equipment and 343.50 - Tools, Shop and Garage Equipment were \$0 and \$3,031, respectively, for the same two time periods.

<u>Acct. No.</u>	<u>Acct. Description</u>	<u>Balance @04/30/2010</u>	<u>Balance @03/28/2013</u>
341.50	Transportation Equipment	(\$20,000)	(\$20,000)
343.50	Tools, Shop & Garage Equipment	(\$20,952)	(\$20,399)

The Leisure Lakes wastewater accumulated depreciation balance totaled \$255,333 on April 30, 2010' and included one account with a negative accumulated depreciation balance. The corresponding plant asset balance for Acct. No. 382.40 - Outfall Sewer Lines was \$934 for the same two time periods.

<u>Acct. No.</u>	<u>Acct. Description</u>	<u>Balance @04/30/2010</u>	<u>Balance @03/28/2013</u>
382.40	Outfall Sewer Lines	(\$6,139)	(\$6,048)

Negative balances for accumulated depreciation are not a normal occurrence and in this case was not an issue until the Lake Josephine and Leisure Lakes systems were divested from the AUF water and wastewater rate band groupings. Such negative balances create a stranded asset with an indeterminable life on the utility's books and effectively overstates a utility system's net book value.

NARUC USOA Accounting Instruction No. 5 E - Utility Plant Depreciation provides for alternative treatments such as writing off the balance to current year operating expense or amortizing the balance over a prescribed future period.

**Effect on the General Ledger:** None

**Effect on the Filing:** None

Exhibits

**Exhibit 1: Net Book Value – Highlands County**

**Highlands County Systems  
As of March 28, 2013**

<b>Water</b>	<b>Utility Balance</b>	<b>Adjustment</b>	<b>Audit Balance Balance</b>
Utility Plant in Service	\$3,686,016	\$0	\$3,686,016
Land & Land Rights	25,450	-	25,450
Accumulated Depreciation	(585,769)	(10,912)	(596,681)
Contributions in Aid of Construction (CIAC)	(838,480)	1,210	(837,270)
Accumulated Amortization of CIAC	444,576	2,436	447,012
<b>Net Book Value</b>	<b>\$2,731,793</b>	<b>(\$7,266)</b>	<b>\$2,724,527</b>

<b>Wastewater</b>	<b>Utility Balance</b>	<b>Adjustment</b>	<b>Audit Balance Balance</b>
Utility Plant in Service	\$384,456	\$0	\$384,456
Land & Land Rights	2,200	-	2,200
Accumulated Depreciation	(274,502)	(782)	(275,284)
Contributions in Aid of Construction (CIAC)	(278,950)	-	(278,950)
Accumulated Amortization of CIAC	234,609	575	235,184
<b>Net Book Value</b>	<b>\$67,813</b>	<b>(\$207)</b>	<b>\$67,606</b>

Small differences due to rounding.

**Exhibit 2: Net Book Value – Leisure Lakes**

**Leisure Lakes Systems  
As of March 28, 2013**

<b>Water</b>	<b>Utility Balance</b>	<b>Adjustment</b>	<b>Audit Balance Balance</b>
Utility Plant in Service	\$894,466	\$6,000	\$900,466
Land & Land Rights	550	-	550
Accumulated Depreciation	(170,370)	(3,144)	(173,514)
Contributions in Aid of Construction (CIAC)	(156,728)	1,210	(155,518)
Accumulated Amortization of CIAC	101,931	283	102,214
<b>Net Book Value</b>	<b>\$669,849</b>	<b>\$4,349</b>	<b>\$674,198</b>

Accumulated Depreciation Adjustment (-\$295 - \$2,849)  
Accumulated Amortization of CIAC Adjustment (\$345-\$62)

<b>Wastewater</b>	<b>Utility Balance</b>	<b>Adjustment</b>	<b>Audit Balance Balance</b>
Utility Plant in Service	\$384,456	\$0	\$384,456
Land & Land Rights	2,200	-	2,200
Accumulated Depreciation	(274,502)	(782)	(275,284)
Contributions in Aid of Construction (CIAC)	(278,950)	-	(278,950)
Accumulated Amortization of CIAC	234,609	575	235,184
<b>Net Book Value</b>	<b>\$67,813</b>	<b>(\$207)</b>	<b>\$67,606</b>

Small differences due to rounding.



### Exhibit 3: Net Book Value – Lake Josephine

#### Lake Josephine Systems As of March 28, 2013

<b>Water</b>	<b>Utility Balance</b>	<b>Adjustment</b>	<b>Audit Balance Balance</b>
Utility Plant in Service	\$2,074,883	\$4,840	\$2,079,723
Land & Land Rights	20,100	-	20,100
Accumulated Depreciation	(277,624)	(5,965)	(283,589)
Contributions in Aid of Construction (CIAC)	(347,588)	-	(347,588)
Accumulated Amortization of CIAC	198,860	1,256	200,116
<b>Net Book Value</b>	<b>\$1,668,631</b>	<b>\$131</b>	<b>\$1,668,762</b>

Accumulated Depreciation Adjustment (\$5,727+\$238)

<b>Wastewater</b>	<b>Utility Balance</b>	<b>Adjustment</b>	<b>Audit Balance Balance</b>
Utility Plant in Service	\$0	\$0	\$0
Land & Land Rights	-	-	-
Accumulated Depreciation	-	-	-
Contributions in Aid of Construction (CIAC)	-	-	-
Accumulated Amortization of CIAC	-	-	-
<b>Net Book Value</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Small differences due to rounding.

**Exhibit 4: Net Book Value – Sebring Lakes Systems**

**Sebring Lakes Systems  
As of March 28, 2013**

<b>Water</b>	<b>Utility Balance</b>	<b>Adjustment</b>	<b>Audit Balance Balance</b>
Utility Plant in Service	\$716,667	(\$10,840)	\$705,827
Land & Land Rights	4,800	-	4,800
Accumulated Depreciation	(137,775)	(1,803)	(139,578)
Contributions in Aid of Construction (CIAC)	(334,164)	-	(334,164)
Accumulated Amortization of CIAC	143,785	897	144,682
<b>Net Book Value</b>	<b>\$393,313</b>	<b>(\$11,746)</b>	<b>\$381,567</b>

Accumulated Depreciation Adjustment (\$534 - \$2,337)

<b>Wastewater</b>	<b>Utility Balance</b>	<b>Adjustment</b>	<b>Audit Balance Balance</b>
Utility Plant in Service	\$0	\$0	\$0
Land & Land Rights	-	-	-
Accumulated Depreciation	-	-	-
Contributions in Aid of Construction (CIAC)	-	-	-
Accumulated Amortization of CIAC	-	-	-
<b>Net Book Value</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Small differences due to rounding.