

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for authority to transfer assets  
of exempt entity in Sumter County by the City of  
Wildwood to South Sumter Utility Company, LLC /

DOCKET NO.: 20190185-WS

**REDACTED**

**REQUEST FOR CONFIDENTIAL CLASSIFICATION**

SOUTH SUMTER UTILITY COMPANY, LLC ("*Applicant*"), by and through its undersigned attorneys and pursuant to Rule 25-22.006(4), Florida Administrative Code ("*FAC*") and Section 367.156, Florida Statutes, hereby requests confidential classification of certain financial information provided by the Applicant in connection with this Application, and in support shows as follows:

1. In Staff's Deficiency Letter it pointed out that no Financial Statements were filed verifying Applicant's financial ability. Included with the Deficiency Responses, pursuant to Rules 25-30.033(1)(s), FAC, the Applicant provided the Consolidated Balance Sheet ("*Confidential information*") of its parent, Holding Company of The Villages, Inc. ("*The Villages*").

2. The Applicant provided the Confidential Information for the specific and limited purposes of satisfying the requirements of Rule 25-30.033(1)(h), FAC, and to enable the Commission to determine the ability of The Villages to provide the necessary financial support to the Applicant.

3. The Applicant seeks to have the Confidential Information classified as confidential pursuant to Rule 25-22.006(3), FAC. Although the Commission Staff requires the Confidential Information for the specific and limited purposes set forth in Rule 25-30.033(1)(h), FAC, the Confidential Information should not be made available for inspection and examination by the public under Section 119.07(1), Florida Statutes, for the following reasons:

- A. The ownership interests in The Villages are closely held and not publicly traded and the Confidential Information is not available to the public.
- B. It is not necessary to make the Confidential Information available to the public, and the public will not be harmed in any way by withholding the Confidential Information from public disclosure.
- C. The Confidential Information includes financial and other information regarding

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other affiliates of The Villages which is irrelevant to the determinations to be made by the Commission Staff in connection with the Application and which the Commission does not require in order to discharge its duties and responsibilities.

D. The Confidential Information is not intended to be, nor is it, treated by The Villages as anything but private and confidential information, and has not been disclosed except pursuant to statutory provision, order of a court or administrative body or private agreement that provides that it will not be released to the public.

E. Disclosure of the Confidential Information would cause harm to the owners of The Villages and business operations of The Villages.

F. Disclosure of the Confidential Information would negatively affect the way The Villages' business plans and strategies are carried out.

4. Exhibit "A" to this Request is a "Justification Table" which specifies what information in the Confidential Information the Applicant asks the Commission to classify as confidential and the statutory justification for the request in compliance with Rule 25-22.006(4)(a), (b) and (c); one highlighted copy and one redacted copy of the Confidential Information. A redacted copy was filed with the Application.

WHEREFORE, SOUTH SUMTER UTILITY COMPANY, LLC respectfully requests that the Commission determine that the Confidential Information is entitled to confidential treatment pursuant to Section 367.156, Florida Statutes, and Rule 25-22.006, FAC, and exempt the Confidential Information from public inspection and examination.

Respectfully submitted on this 22<sup>nd</sup> day of  
November, 2019, by:

Dean Mead

420 S. Orange Ave., Suite 700

Orlando, Florida 32801

Direct Telephone: (407) 310-2077

Facsimile: (407) 423-1831

[mfriedman@deanmead.com](mailto:mfriedman@deanmead.com)



MARTIN S. FRIEDMAN

For the Firm

**Exhibit "A"**  
**JUSTIFICATION MATRIX**

Location (Document name and location of information)	Justification
<p><b><u>Consolidated Balance Sheet:</u></b> <b><u>2017-2018</u></b></p> <p><b><u>Location:</u></b> The amounts under columns headings, 2017 and 2018; The amounts immediately after "accounts and notes receivable" under Assets column; The language and amounts under Common stock; The amounts under Selling, operating and general expenses; All amounts under Common Stock; Notes: The amounts under Inventories, and Property, Plant and Equipment, column headings 2017 and 2018; All of 5. Community Development District Bonds; All of 6. Long-term obligations, and 7. Commitments, Contingencies and other matters;</p>	<p>§367.156(3)(a),(b),(d) &amp; (e): As set forth in the Request and the disclosure of the financial statements of Holding Company of The Villages, Inc., which is not a public company and is not subject to public disclosure of its financial statements would impair its competitive interests, could be used to discern trade secrets, or harm its ability to contract for goods and services on a favorable basis. Holding Company of The Villages, Inc., keeps this information strictly confidential also to prevent competitors and prospective counterparties from information which could be used in future negotiations to the disadvantage of Holding Company of The Villages, Inc. and its affiliates.</p>

**Holding Company of The Villages, Inc.**

**Consolidated Financial Statements**

**December 31, 2018 and 2017**

**UNAUDITED**

Holding Company of The Villages, Inc.  
Consolidated Balance Sheets  
December 31, 2018 and 2017

UNAUDITED

ASSETS

Current Assets:

Cash and cash equivalents

Accounts and notes receivable,

Inventories

Prepaid expenses

Total current assets

Property, plant and equipment, net of accumulated depreciation

Land held for future development and sale

Due from affiliates

Long-term investments

Other assets

Total PP&E and other assets

Total Assets

2018

\$

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Customer deposits

Accounts payable

Accrued expenses

Unearned revenues

Other current liabilities

Current portion long term obligations

Total current liabilities

Long-term obligations, less current installments

Commitments and contingencies

Shareholders' Equity:

Common stock:

Additional paid-in capital

Retained earnings

Total shareholders' equity

Total Liabilities & Shareholders' Equity

\$

See accompanying notes to consolidated financial statements.

Holding Company of The Villages, Inc.  
 Consolidated Statements of Operations  
 December 31, 2018 and 2017  
**UNAUDITED**

	<u>2018</u>	<u>2017</u>
<b>Revenues:</b>		
Developed lots and homes	\$ [REDACTED]	\$ [REDACTED]
Food and beverage services	[REDACTED]	[REDACTED]
Homeowner amenity fees	[REDACTED]	[REDACTED]
Retail store operations	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
<b>Total revenues</b>	[REDACTED]	[REDACTED]
<b>Cost of Revenues:</b>		
Developed lots and homes	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
<b>Total cost of revenues</b>	[REDACTED]	[REDACTED]
<b>Gross profit</b>	[REDACTED]	[REDACTED]
<b>Selling, operating and general and administrative expenses, including advertising expense of [REDACTED] in 2018 and [REDACTED] in 2017.</b>	[REDACTED]	[REDACTED]
<b>Operating profit</b>	[REDACTED]	[REDACTED]
<b>Other income (expense):</b>		
Other income	[REDACTED]	[REDACTED]
Interest income	[REDACTED]	[REDACTED]
Interest expense	[REDACTED]	[REDACTED]
<b>Total other income, net</b>	[REDACTED]	[REDACTED]
<b>Net income</b>	\$ [REDACTED]	\$ [REDACTED]

See accompanying notes to consolidated financial statements.

Holding Company of The Villages, Inc.  
 Consolidated Statements of Shareholders' Equity  
 Years Ended December 31, 2018 and 2017  
 UNAUDITED

	<u>Total</u>	<u>Common Stock</u>			<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>
		<u>Voting Shares</u>	<u>Amount</u>	<u>Non-Voting Shares</u>		
Balance December 31, 2016						
Net income						
Dividends						
Balance December 31, 2017						
Net income						
Dividends						
Balance December 31, 2018						

See accompanying notes to consolidated financial statements.

Holding Company of The Villages, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

**UNAUDITED**

1. Organization and Summary of Significant Accounting Policies

Operations

Holding Company of The Villages, Inc. and subsidiaries ("Holding Co."), formerly known as The Villages of Lake-Sumter, Inc., has developed a retirement community known as The Villages located in The Villages, Florida. Holding Co. constructs and sells single-family site built homes, including the related land. Sales are recorded at closing. Funds collected prior to closing are recorded as customer deposits, and are shown as a liability in the accompanying consolidated balance sheets.

Holding Co. also owns and operates recreational facilities, restaurants, retail stores, a TV station and a newspaper within the community. Revenues from these operations are recognized as services are provided.

Principles of Consolidation

The consolidated financial statements include the accounts of Holding Co., and its subsidiaries. All significant intercompany balances have been eliminated in consolidation.

The accompanying consolidated financial statements do not include the accounts of Central Sumter Utility Company, L.L.C. ("CSU") or Sumter Water Conservation Authority L.L.C. ("SWCA"), which are entities under common control by the owners of The Villages. CSU operates a potable water and wastewater facility and SWCA operates an irrigation water facility in a portion of The Villages.

Inventories

Inventories are stated at cost, which is not in excess of estimated net realizable value. Costs incurred to develop lots and construct homes are capitalized and charged to cost of sales when the lots and homes are sold. Cost of other inventories, consisting primarily of food and beverages and retail merchandise, is determined principally using the first-in, first-out method.



Holding Company of The Villages, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

**UNAUDITED**

1. Organization and Summary of Significant Accounting Policies,  
Continued

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Normal maintenance and repair costs are expensed as incurred. Depreciation is provided for property, plant and equipment by use of the straight-line method over the estimated useful lives of the assets, as follows:

	<u>YEARS</u>
Buildings and improvements	15 - 40
Machinery and equipment	3 - 10
Furniture and fixtures	3 - 10
Vehicles	3 - 5

Unearned Revenues

Unearned revenues primarily relate to annual golf membership agreements collected in advance related to golf course operations and unearned subscriptions in our media division. These fees are recognized as earned revenue evenly over the term of the agreements.

Income Taxes

Holding Co. and its shareholders have elected under Subchapter S of the Internal Revenue Code to have Holding Co.'s taxable income or loss reported by its shareholders. Because of this election, Federal and state income taxes have not been provided for in the accompanying consolidated financial statements. Holding Co. provides the funds, in the form of cash dividends, for its shareholders to pay income taxes on their portion of Holding Co. taxable income.

Advertising

Holding Co. expenses advertising costs as incurred.

Use of Estimates

Management of Holding Co. has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements. Actual results could differ from those estimates.

Holding Company of The Villages, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

UNAUDITED

1. Organization and Summary of Significant Accounting Policies,  
Continued

Cash and Cash Equivalents

Holding Co. considers all cash in banks and highly liquid cash investments to be cash equivalents.

Financial Instruments Fair Value

The carrying amounts reported in the accompanying consolidated balance sheets for cash, restricted cash, accounts and notes receivable, due from affiliates, net, other assets, other current liabilities, customer deposits, accounts payable, and accrued expenses approximate fair value due to the short term nature of these financial accounts.

2. Inventories

Inventories at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Developed lots and lots under construction	\$ [REDACTED]	\$ [REDACTED]
Lot development costs provided by Community Development Districts (see note 4)	[REDACTED]	[REDACTED]
Homes under construction	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]

The inventory includes developed lots and land actively held for sale as a component of inventory. Land held for future development and sale is excluded from inventory, as it will not be available for sale during Holding Co.'s upcoming fiscal year.

Holding Company of The Villages, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

**UNAUDITED**

**3. Property, Plant and Equipment**

Property, plant and equipment at December 31, 2018 and 2017  
consists of the following:

	<u>2018</u>	<u>2017</u>
Retail facilities	\$ [REDACTED]	\$ [REDACTED]
Recreational facilities, restaurants and common areas	[REDACTED]	[REDACTED]
Construction and related equipment	[REDACTED]	[REDACTED]
Sales and administration	[REDACTED]	[REDACTED]
Construction in progress	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Less accumulated depreciation	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
	[REDACTED]	[REDACTED]

**4. Village Community Development Districts**

Holding Co. is utilizing Community Development Districts ("CDDs") to plan, finance and construct major infrastructure and lot improvements including roads and drainage. The following CDDs have been formed.

<u>Name</u>	<u>Date Formed</u>
Village Community Development District No. 1 ("District 1")	1992
Village Community Development District No. 2 ("District 2")	1996
Village Community Development District No. 3 ("District 3")	1998
Village Community Development District No. 4 ("District 4")	2000
Village Community Development District No. 5 ("District 5")	2002
Village Community Development District No. 6 ("District 6")	2004
Village Community Development District No. 7 ("District 7")	2004
Village Community Development District No. 8 ("District 8")	2004
Village Community Development District No. 9 ("District 9")	2004
Village Community Development District No. 10 ("District 10")	2004
Village Community Development District No. 11 ("District 11")	2014
Village Community Development District No. 12 (PHII) ("District 12 PHII")	2017

The CDDs can issue Bonds to finance major infrastructure improvements ("Infrastructure Debt"). The interest on the bonds issued by the CDDs is exempt from income taxes. Holding Co. has capitalized the Infrastructure Debt related to unsold lots in the accompanying consolidated balance sheets.

Holding Company of The Villages, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

UNAUDITED

4. Village Community Development Districts, Continued

Holding Co. is required to pay annual assessments for maintenance and debt service related to Infrastructure Debt. These assessments for maintenance and debt service are billed to the lot owners by the County and are included on the property owners' annual property tax bill. The Counties remit the assessments collected, net of a collection fee, to the Districts. This obligation for maintenance and debt service becomes the obligation of the purchaser when a home and lot are sold. Holding Co.'s payments to the Counties are expensed during the year incurred. The Infrastructure Debt is included in the accompanying consolidated balance sheets as Other current liabilities and the related costs are included in inventory. The Infrastructure Debt and the related inventory amount are reduced as lots are sold and the Infrastructure Debt becomes the obligation of the lot purchaser.

5. [REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Holding Company of The Villages, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

UNAUDITED

6. Long-term obligations

Long-term obligations at December 31, 2018 and 2017 consist of the following:

	2018	2017
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

7. Commitments, Contingencies and other matters

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

8. Concentration of Assets

All of Holding Co. land and inventory assets are located in Central Florida in Lake, Sumter and Marion Counties.

Significant cash balances are held at one bank, a related entity.