

M E M O R A N D U M

September 19, 1990

**ORIGINAL
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TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDIT AND FINANCE (DOUD)
RE: DOCKET NO. 900025-WS -- SHADY OAKS MOBILE MODULAR ESTATES, INC.
STAFF-ASSISTED RATE CASE
AUDIT CONTROL NO. 90-164-2-1

Forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit findings disclose information that may influence the decision process.

Audit was prepared using micro computer and has been recorded on two diskettes. The diskettes may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Shady Oaks Mobile-Modular Estates, Inc.
Attn: Mr. Richard Sims
38616 Shady Oaks Drive
Zephyrhills, FL 33540-6526

FD/sp

Attachment

cc: Chairman Wilson
Commissioner Beard
Commissioner Easley
Commissioner Gunter
Commissioner Messersmith
Bill Talbott, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin)
Division of Water and Sewer (Lester)
Tampa District Office (Bouckaert)

Mr. Don Hale
Office of Public Counsel
624 Fuller Warren Building
202 Blount Street
Tallahassee, FL 32301

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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ALBERT S.
FINANCIAL ANALYSIS DIV

AUDIT REPORT
12 MONTHS ENDED JUNE 30, 1990

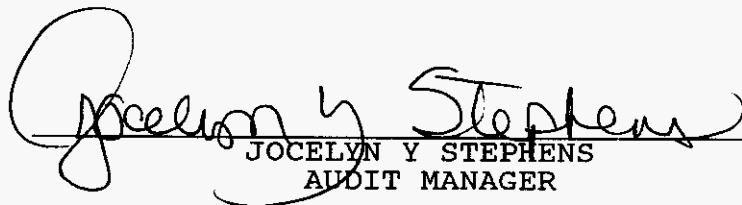
FIELD WORK COMPLETED
SEPTEMBER 7, 1990


SHADY OAKS MOBILE MODULAR ESTATES, INC
ZEPHYRHILLS, FLORIDA
PASCO COUNTY

STAFF ASSISTED RATE CASE

DOCKET NUMBER 900025-WS

AUDIT CONTROL NO. 90-164-2-1


JOCELYN Y STEPHENS
AUDIT MANAGER


ANN BOUCKAERT
REGULATORY AUDIT SUPERVISOR
TAMPA DISTRICT OFFICE

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to prepare the appended Shady Oaks Mobile-Modular Estates, Inc. average year-end Rate Base, Net Operating Income and Capital Structure Schedules for the 12 month period ending June 30, 1990 and to determine that company books and records are maintained in substantial compliance with Commission directives; and that facts which may influence the Commission decision process are disclosed.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted audit standards and produce audited financial statements for public use.

OPINION: Subject to the procedures described in Section II, Audit Exceptions 1-14 and Audit Disclosures 1-7, the appended exhibits represent utility books and records maintained in substantial compliance with Commission directives.

Subsequent to the test period, Company transferred the land upon which the water and sewer treatment plant sits from the company to its stockholders.

II. AUDIT SCOPE

This report is based on the audit work described below.

RATE BASE: Scheduled 100% plant in service using cost estimate sheets supplied by company and information supplied by Water and Sewer staff engineer assigned to staff assisted rate case. Determined plant in service balances (water and sewer) as of end of test period (6/30/90). Recomputed accumulated depreciation at 6/30/90 based upon staff computed plant in service balances. Determined existence of CIAC in company. Computed accumulated amortization CIAC based upon CIAC balance. Determined a cost for land (water, sewer) using estimated acreage and original purchase price. Also computed average year-end balances for plant, land, CIAC, accumulated depreciation and accumulated amortization. Computed working capital allowance using 1/8 of staff adjusted amounts for O & M expenses.

NET OPERATING INCOME: Computed 100% of company revenue using customer billing records. Scheduled 100% of O&M expense accounts and assigned NARUC account numbers, using a staff prepared cash disbursements schedule (derived from company cash disbursements journal), vendor invoices, cancelled checks and company representations. Determined and made reclassification adjustments and other adjustments necessary for O&M expenses to conform to requirements of NARUC chart of account instructions.

CAPITAL STRUCTURE: Reviewed debt instruments, calculated weighted average interest rate.

OTHER: Examined proposals supplied by company for effluent pond required by order of DER. Examined documentation transferring land from company to stockholders of company. Obtained and read documentation resulting from bankruptcy. Obtained and examined prior year tax returns.

AUDIT EXCEPTION NO. 1

SUBJECT: Non-Compliance with NARUC

STATEMENT OF FACT: Company (1) accounts for its expenses on the cash basis; and (2) does not maintain a separate checking account for water and sewer transactions. NARUC, Class C, Accounting Instructions require accrual basis of accounting.

OPINION: Company does not maintain its accounting records in accordance with the NARUC Chart of Accounts.

RECOMMENDATION: Utility should be ordered to separate its Water and Sewer activities from those of the mobile home park and to comply with NARUC Accounting Instructions when recording its water and sewer expenditures.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 2

SUBJECT: Out of Period Items

STATEMENT OF FACT: Company uses the cash basis of accounting instead of the accrual basis of accounting as required by NARUC Accounting Instruction No. 36. As a result, (1) expenses for water and sewer items which occurred outside of the test period are included in test period expenditures; and (2) expenses for items which were incurred and invoiced during the test period but not paid until subsequent to the test period are not included in company expenditures.

A schedule of the above noted items and the test period effect is presented below:

	WATER -----	SEWER -----
1) Power Purchased	(\$ 93.33)	1.16
3) Materials & Supplies	(4.99)	(4.40)
	10.14	10.14
		53.66
5) Contractual Services	(225.00)	(275.00)
	166.86	57.38
	57.38	441.51
	(186.49)	
7) Transportation Exp	(10.70)	(10.76)
9) Regulatory Comm Exp	(1770.42)	(1770.45)
11) Miscellaneous Exp	(3.50)	(3.50)
13) Office Expense	(35.48)	(35.55)
	-----	-----
TOTAL	(\$2095.53)	(\$1535.81)
	=====	=====

CONCLUSION: An adjustment for out of period items should be made to test period O&M expenditures in order for company accounting records to properly reflect the accrual basis of accounting.

RECOMMENDATION: Include the above listed staff adjustments to company expenditures in the rate making process.

COMPANY COMMENTS: Company may respond at a later date.

AUDIT EXCEPTION NO. 3

SUBJECT: Bankruptcy

STATEMENT OF FACT: Company filed for and was granted an order for relief under Chapter 11 of the Bankruptcy Code on 12/18/84. A final decree was entered into 8/2/88.

As a result of this bankruptcy petition, company incurred the expense of the attorney's fees of one of the claimant, in the amount of \$3,778.91 @ 12% interest payable in monthly installments of \$200.00 beginning 6/15/89.

Company's failure to record its expenditures on the accrual basis of accounting (Per NARUC Accounting Instruction No. 36) resulted in a prior period expense \$2,000 (\$1,000 - Water; \$1,000 - Sewer) being included in test period expenditures.

CONCLUSION: Because this expense is non-recurring in nature, it should be disallowed from rate case consideration.

RECOMMENDATION: Bankruptcy expense should be removed from rate case consideration.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 4

SUBJECT: CIAC

STATEMENT OF FACT: In response to Document Record Request No. 6, company states that they "do not charge to hook up to system, nor are they assessed cost for Water and Sewer Treatment Plant..." in the purchase of lots.

In the F.I.T. Return, Form 1120S, year ended 7/31/89, it was noted that company recorded (and listed as impact fees) \$2,085.

Mr. Sims, President of company, stated that this was the only monies ever received from a customer to connect to the Water and Sewer System.

An examination of tax returns for the years ended 7/31/72 and 7/31/75 - 7/31/89 showed no evidence of any other dollars for CIAC being collected.

CONCLUSION: An adjustment by staff is necessary to include CIAC in company's rate base. Because there were no additions to CIAC during the test period, an adjustment is not necessary to recognize the year-end averaging effect on CIAC.

The staff computed adjustment to record CIAC is \$1,042 (water); \$1,043 (sewer).

RECOMMENDATION: Company should be ordered to record CIAC on its books in the amount of \$2,085 (\$1,042 - Water; \$1,043 - Sewer).

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 5

SUBJECT: Expenses not recorded by utility

STATEMENT OF FACT: Company accounts for expenses on the cash basis of accounting. NARUC Accounting Instruction No. 36, required the accrual basis on accounting. Therefore, company did not record all of its expenses during the test period.

Expenses incurred but not recorded by company are as follows:

	Water -----	Sewer -----
1) Salaries & Wages-Employees	\$ 1,500	\$ 1,500
2) Salaries & Wages-Officers	9,000	9,000
3) Rents	1,500	1,500
4) Insurance	722	766
	-----	-----
TOTAL	\$12,722	\$12,766
	=====	=====

RECOMMENDATION: An adjustment should be made to company's test period expenses to include the above listed amounts.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 6

SUBJECT: Non-utility items

STATEMENT OF FACT: Included in company's test period expenses are non-utility items. Per NARUC Accounting Instructions, non-utility items should be segregated from utility items.

A list of those non-utility items are recorded below:

- 1) A/C 630 - Contractual Services - \$ 125.00
- 2) A/C 730 - Contractual Services - \$ 125.00

RECOMMENDATION: The above listed non-utility items should be removed from rate case consideration.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 7

SUBJECT: PLANT IN SERVICE

STATEMENT OF FACT: Water and sewer plant balances recorded by company in its annual report at 12/31/89 are \$16,220 water and \$46,308 - sewer.

Based on cost estimate (proposal) sheets for Phase I and Phase II of the water and sewer treatment plants, and vendor invoices for expenditures during the test period, the Water and Sewer engineer, has determined plant in service at 6/30/90 to be \$ 38,723 (Water) and \$103,546 (Sewer).

The difference between amounts recorded by company at 12/31/89 and staff at 6/30/90 are \$22,503 (Water) and \$57,238 (Sewer).

CONCLUSION: An adjustment to necessary to recognize the difference between that amount recorded by company and that amount determined by the Water and Sewer engineer.

In addition, an adjustment is necessary to recognize the effect of year-end averaging. The staff computed amounts for averaging plant balances are \$76 (water) and \$0 (sewer).

Total staff adjustments for plant are \$22,579 (\$22,503 + \$76) - Water; \$57,238 - Sewer.

RECOMMENDATION: Company be ordered to adjust its accounting records to agree to staff computed test year-end balances for water and sewer plant.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 8

SUBJECT: ACCUMULATED DEPRECIATION

STATEMENT OF FACT: Accumulated depreciation balances recorded by company in its annual report at 12/31/89 are \$12,053 (water) and \$34,893 (sewer). The amounts for accumulated depreciation are computed using company recorded plant balances and depreciation rates of 5.88% (water) and 2.83% (sewer).

Staff computed accumulated depreciation using plant balances (and dates placed in service) as determined by water and sewer engineer. A 2.5% (40-year life) depreciation rate was then applied to the plant balances.

Staff computed balances for accumulated depreciation at 6/30/90 are \$9,487 (water) and \$37,465 (sewer).

The difference between company balances at 12/31/89 and staff balances at 6/30/90 are (\$2,566) water and \$2,572 (sewer).

CONCLUSION: An adjustment is necessary to recognize the difference between that amount recorded by company and that amount computed by staff.

In addition, an adjustment is necessary to recognize the effect of year-end averaging. Staff computed amounts for the year-end averaging of accumulated depreciation balances are (\$483) - water; (\$1,310) - sewer.

Total staff adjustments for accumulated depreciation are (\$3,049)-water; \$1,262-sewer.

RECOMMENDATION: Company be ordered to adjust its account records to agree to staff computed test year-end balances for water and sewer accumulated depreciation.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 9

SUBJECT: ACCUMULATED AMORTIZATION - CIAC

STATEMENT OF FACT: Company has no Accumulated Amortization - CIAC recorded on its accounting.

CONCLUSION: Staff computed balances for accumulated amortization - CIAC using staff computed CIAC balances.

Accumulated amortization per staff is \$39 (water); \$39 (sewer).

An adjustment is also necessary to recognize the effect of year-end averaging on accumulated amortization - CIAC. Staff computed adjustment for averaging is \$(13) - water; (\$13) - sewer.

Total staff adjustments for accumulated amortization are \$26 (\$39 - \$13) for both water and sewer.

RECOMMENDATION: Company should be ordered to adjust its account records to agree to staff computed test year-end balances for accumulated amortization - CIAC.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 10

SUBJECT: LAND

STATEMENT OF FACT: Company does not record a cost for land in its annual report or tax return.

CONCLUSION: An examination of company's prior year annual reports & tax returns, and a discussion with company's CPA, revealed that the cost of land is not recorded by company.

The water and sewer engineer determined a cost for land as follows:

Original purchase price	= \$ 92,000
Number of acres purchased	= 63
Average Cost per Acre	= \$ 1,460
Water @ .5 acre	= \$ 730
	=====
Sewer \$ 2.1 acres	= \$ 3,066
	=====

RECOMMENDATION: Company should be ordered to record a cost for land on its accounting books and records.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 11

SUBJECT: RECLASSIFICATION OF EXPENSES

STATEMENT OF FACT: In segregating water and sewer expenditures in its cash disbursements journal, company charged several sewer expenditures to water expenditures.

CONCLUSION: The accounts and related dollars that are affected and should be adjusted are as follows:

	WATER -----	SEWER -----
Contractual Services	(\$ 219)	
Office Expense		\$ 219
Other Regulatory Exp	(950)	
Other Regulatory Exp		950
	-----	-----
TOTAL	(\$1,169) =====	\$1,169 =====

RECOMMENDATION: The above expenditures should be reclassified for rate making purposes.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 12

SUBJECT: DEPRECIATION EXPENSE

STATEMENT OF FACT: Company has not computed or recorded depreciation expense for the 12-month test period ending 6/30/90.

Staff computed depreciation expense based upon its computation for plant upon the adjustments made to plant for the test period using a depreciation rate of 2.5%.

Staff computation for depreciation expense is \$966 (water) and \$2,621 (sewer).

RECOMMENDATION: Company should be ordered, in the future, to compute its depreciation expense based upon staff determined plant balance at 6/30/90 plus any additions to plant using the depreciation rates as included in Staff Advisory Bulletin No. 17.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 13

SUBJECT: AMORTIZATION EXPENSE - CIAC

STATEMENT OF FACT: Company has not recorded CIAC on its books and therefore has not computed accumulated amortization expense for the 12-month test period ending 6/30/90.

Staff computed amortization expense based upon its adjustment for CIAC made during the test period using a rate of 2.5%.

Staff computation for amortization expense is \$26 (water) and \$26 (sewer).

RECOMMENDATION: Company should be ordered, in the future, to compute its amortization expense based upon staff computed CIAC at 6/30/90 plus any additions made to CIAC using rates as included in Staff Advisory Bulletin No. 17.

COMPANY COMMENT: Company may respond at a later date.

AUDIT EXCEPTION NO. 14

SUBJECT: TAXES OTHER THAN INCOME

STATEMENT OF FACT: Company does not record its expenditures for taxes other than income in its expenditures classified (by company) as Water or Sewer.

CONCLUSION: Staff has determined that the following taxes other than income should be charged to utility operations. These taxes are based upon actual expenditures made by the company and adjustments determined by staff.

	WATER	SEWER
	-----	-----
Tangible Tax	\$ 93	\$ 253
Regulatory Assessment	724	725
Payroll Tax	883	883
	-----	-----
TOTAL	\$1,701	\$1,861
	=====	=====

Staff could not determine the amount of real estate taxes that should be charged to water and sewer expense.

RECOMMENDATION: Company should be ordered to record applicable taxes other than income to water and sewer expense.

COMPANY COMMENT: Company may respond at a later date.

AUDIT DISCLOSURE NO. 1

SUBJECT: Pro-Forma Adjustments - Expenses

STATEMENT OF FACT: Company President stated that it will incur expenditures subsequent to the test period for Water and Sewer operations that are greater than test period amounts and also expenditures that are included in test period amounts.

These expenditures are as follows:

- 1) An increase in hospitalization insurance in the amount of \$544.00 (Water = \$272.00; Sewer = \$272.00) per year.
- 2) Lawn mowing expenses at the proposed effluent pond site - \$2,295.00 per year.
- 3) Roof repair at pump house - \$1,745.00
- 4) Repair of leaks in pump house - (Cost has not been determined).

AUDIT OPINION: The above stated amounts were determined by source documentation, when available, and utility estimation.

These costs should be considered in the establishment of new water and sewer rates.

AUDIT DISCLOSURE NO. 2

SUBJECT: Revenues

STATEMENT OF FACT: According to its restrictions and covenants, Company is to collect \$300 a year for water, sewer and use of recreation facilities from each of the 179 residents of the subdivision.

A review of company billing records for the 12 month period 7/89 - 6/30 indicated that 155 residents are paying \$25; 1 is paying \$35; 23 are paying \$40, and 6 are not paying anything.

Per Mr. Sims, President of the Company, the payment amount of \$40 includes garbage collection for those residents requesting it; but this service will be discontinued. Also, per Mr. Sims, the residents that do not pay, do so as the result of agreements entered into between himself and the resident.

OPINION: It is not possible to determine how much of the annual fee, (which is paid monthly, bi-monthly, quarterly or semi-annually) is for water or sewer usage. As a result, the entire amount is shown as revenues.

AUDIT DISCLOSURE NO. 3

SUBJECT: Allocation of Expenses

STATEMENT OF FACT: Company allocates its common expenses between Water, Sewer and Recreation Center using different rates for different types of expenses. Per Mr. Sims, these rates were established based upon a documentation of actual time and cost for a three month period (January thru March, 1989).

The allocations are for:	<u>W/S*</u>	<u>Park</u>
1. Gas & Auto Repairs	65%	35%
2. Telephone	85%	15%
3. Garbage	10%	90%

CONCLUSION: Staff accepted these allocations.

*W/S are split 50/50

AUDIT DISCLOSURE NO. 4

SUBJECT: DER Violations

STATEMENT OF FACT: In an order dated March 7, 1989, State of Florida Department of Environmental Regulation (DER) vs. Shady Oaks Mobile Modular Estates, Inc., company was ordered to pay \$200 a month for 12 months from date of order, \$4,000 within 395 days of order and \$6,000 within 760 days of order to the Pollution Recovery Fund.

CONCLUSION: The above order was filed by DER to "resolve all matters arising out of the petition for enforcement..." regarding violations of the operation company's sewage treatment plant.

As a result of this order, the company is required to construct an additional effluent disposal system to eliminate the discharge from this plant.

AUDIT DISCLOSURE NO. 5

SUBJECT: Land

STATEMENT OF FACT: Because company is required to construct an additional effluent disposal system (Per DER order dated 3/7/89) company must use or acquire an additional land site for such construction.

CONCLUSION: Company's effluent pond is currently located on 2.1 acres. The original purchase price was \$92,000 for 63 acres. This averages to \$1,460 per acre or a total \$3,066 for sewer land.

The new pond site will be approximately 7.83 acres. It is located on property that (1) as of 6/30/90, has not been dedicated to utility service; and (2) is zoned commercial.

Also DER is requiring company to construct the new pond because the old pond no longer operates effectively. The new pond site, even though it was included in the original 62 acre purchase, will be on improved property rather than unimproved property.

As a result, cost of land for the new pond will be significantly higher than land at the current pond site.

AUDIT DISCLOSURE NO. 6

SUBJECT: Pro-Forma Adjustments - Plant

STATEMENT OF FACT: Company President stated that it will incur expenditures subsequent to the test period for Water and Sewer plant items and also have to dedicate commercial property to utility use, as required by DER.

The effect upon company's accounting records will be as follows:

- 1) LAND - 7.83 acres at market value of \$68,817 per acre. Market value was determined by a sales contract on similar property owned by company, dated 5/22/85.
- 2) Construction of an effluent pond. Proposals acquired by company are \$129,444; \$113,726; and \$140,815.

AUDIT OPINION: The above stated amounts were determined by source documentation, when available, and utility estimation.

These costs should be considered in the establishment of new water and sewer rates.

AUDIT DISCLOSURE NO. 7

SUBJECT: Transfer of utility land

STATEMENT OF FACT: On August 23, 1990, Mr. Sims, President of Shady Oaks Mobile-Modular Estates, Inc., transferred the land upon which the sewer plant and water plant sits from the company to himself.

Mr. Sims stated that this was done to avoid possibly losing the land due to back taxes. With the transfer, he stated that he would be able to get a tax certificate for only those sites and would be able to pay the taxes.

CONCLUSION: The impact on the utility operations, as a result of transaction needs to be determined.

 EXHIBIT NO. 1

SHADY OAKS MOBILE-MODULAR ESTATES, INC
 YEAR-END AVERAGE RATE BASE - WATER
 AT JUNE 30, 1990

	Balance per Company at 12/31/89(1)	Staff Adjustments Debit	Credit	Staff Adjusted Balance
Plant in Service	\$ 16,220	\$ 22,579 E-7		\$ 38,799
Land	-0-	730 E-10		730
CIAC	-0-		\$ 1,042 E-4	(1,042)
Accumulated Depreciation	(12,053)	3,049 E-8		(9,004)
Accumulated Amortization	-0-	26 E-9		26
Working Capital Allowance(2)		3,200		3,200
RATE BASE - WATER	<u>\$ 4,167</u>	<u>\$ 29,584</u>	<u>\$ 1,042</u>	<u>\$ 32,709</u>

NOTES:

- (1) PER 1989 ANNUAL REPORT
- (2) Working Capital Allowance was computed using 1/8 of O & M expense

 EXHIBIT NO. 2

SHADY OAKS MOBILE-MODULAR ESTATES, INC
 YEAR-END AVERAGE RATE BASE - SEWER
 AT JUNE 30, 1990

	Balance per Company at 12/31/89(1)	Audit Exceptions Debit	Credit	Staff Adjusted Balance
Plant in Service	\$ 46,308	\$ 57,238 E-7		\$ 103,546
Land	-0-	3,066 E-10		3,066
CIAC	-0-		\$ 1,043 E-4	(1,043)
Accumulated Depreciation	(34,893)		1,262 E-8	(36,155)
Accumulated Amortization	-0-	26 E-9		26
Working Capital Allowance(2)		3,662		3,662
RATE BASE - SEWER	<u>\$ 11,415</u>	<u>\$ 63,992</u>	<u>\$ 2,305</u>	<u>\$ 73,102</u>

NOTES:

- (1) PER 1989 ANNUAL REPORT
- (2) Working Capital Allowance was computed using 1/8 of O & M expense

 EXHIBIT NO. 3

SHADY OAKS MOBILE-MODULAR ESTATES, INC
 NET OPERATING INCOME - WATER
 AT JUNE 30, 1990

	Balance per Company 12/31/89(1)	Staff Adjustments Debit	Credit	Staff Adjusted Balance
OPERATING REVENUES			\$ 28,980	\$(28,980)
O & M EXPENSE	\$ 17,268	\$ 12,722 E-5	\$ 2,096 E-2 1,000 E-3 125 E-6 1,169 E-11	25,600
DEPRECIATION EXPENSE		966 E-12		966
AMORTIZATION EXPENSE			26 E-13	(26)
TAXES OTHER THAN INCOME		1,701 E-14		1,701
NET OPERATING INCOME	<u>\$ 17,268</u>	<u>\$ 15,389</u>	<u>\$ 33,396</u>	<u>\$(739)</u>

NOTES:

(1) PER CASH DISBURSEMENTS JOURNAL
 FOR THE 12 MONTHS ENDING 6/30/90

 EXHIBIT NO. 4

SHADY OAKS MOBILE-MODULAR ESTATES, INC
 NET OPERATING INCOME - SEWER
 AT JUNE 30, 1990

	Balance per Company at 12/31/89 (1)	Staff Adjustments		Staff Adjusted Balance
		Debit	Credit	
OPERATING REVENUES			\$ 28,980	\$(28,980)
O & M EXPENSES	\$ 18,022		1,536 E-2 1,000 E-3	29,296
		12,766 E-5		
		1,169 E-11	125 E-6	
DEPRECIATION EXPENSE		2,621 E-12		2,621
AMORTIZATION EXPENSE			26 E-13	(26)
TAXES OTHER THAN INCOME		1,861 E-14		1,861
NET OPERATING INCOME	\$ 18,022	\$ 18,417	\$ 37,792	\$ (4,772)

NOTES:

(1) PER CASH DISBURSEMENTS JOURNAL
 FOR THE 12 MONTHS ENDING 6/30/90

 EXHIBIT NO. 5

SHADY OAKS MOBILE MODULAR ESTATES, INC.
 CAPITAL STRUCTURE
 AT JUNE 30, 1990

	BALANCE PER SHARE	% OF TOTAL	COST RATE	WEIGHTED COST OF CAPITAL
	-----	-----	-----	-----
COMMON STOCK	5,000	2.72	10.16 (4)	.28
PAID IN CAPITAL	1,785	.97	10.16 (4)	.10
LONG-TERM DEBT (2)	177,034	96.31	17.253 (3)	16.62
	-----	-----		-----
	183,819	100.00		17.00
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NOTES:

- (1) RETAINED EARNINGS HAS A BALANCE LESS THAN ZERO AND THEREFORE IS NOT INCLUDED IN CAPITAL STRUCTURE.
- (2) \$172,541.74 OR 97.46% OF DEBT IS OWED TO THE PRESIDENT OF THE COMPANY.
- (3) INTEREST RATE FOR LONG-TERM DEBT IS A WEIGHTED AVERAGE AMOUNT.
- (4) PER FPSC ORDER NO. 900006-WS.