

State of Florida



## Public Service Commission

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

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

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**DATE:** February 4, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 150209-WS  
Company Name: The Woods Utility Company  
Company Code: WS965  
Audit Purpose: Staff Assisted Rate Case  
Audit Control No.: 15-286-2-2

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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 is no confidential work papers associated with this audit.

LMD/cm

Attachment: Copy of Letter

cc: Office of Auditing and Performance Analysis File

State of Florida



**Public Service Commission**

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

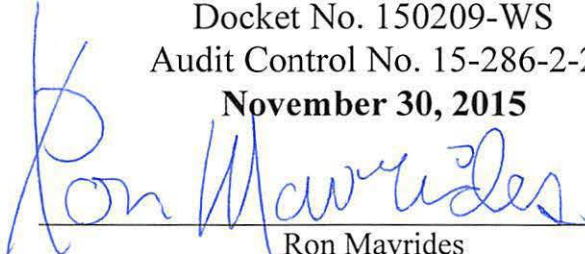
**Auditor's Report**

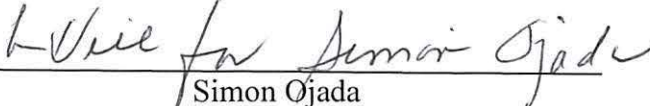
The Woods Utility Company  
Staff-Assisted Rate Case

**Twelve Months Ended July 31, 2015**

Docket No. 150209-WS  
Audit Control No. 15-286-2-2

**November 30, 2015**

  
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Ron Mavrides  
Audit Manager

  
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Linda Hill  
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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated October 13, 2015. We have applied these procedures to the attached schedules prepared by the audit staff in support of The Woods Utility Company's request for a Staff Assisted Rate Case in Docket No.150209-WS

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

## Objectives and Procedures

### **Background**

#### Definitions

The Woods or Utility refers to The Woods Utility Company.

Test year refers to the 12-months ended July 31, 2015.

#### Utility Information

The Woods Utility Company is a Class C water utility serving approximately 65 water and 53 wastewater customers in Sumter County. The Utility's rate base was last established March 28, 2013, by Order PSC-14-0300-PAA-WS, issued June 11, 2014, in Docket No. 130171-WS. The Utility files a U. S. Income Tax Return for an S Corporation.

### **General**

#### Utility Books and Records

**Objective:** The objective was to determine whether the Utility maintains its books and records in conformity with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA).

**Procedures:** We reviewed the Utility's books and records. The Utility's books and records are in compliance with the NARUC USOA.

### **Rate Base**

#### 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 determined the beginning balances of UPIS as of March 28, 2013, established in Order PSC-14-0300-PAA-WS and reconciled these amounts to the Utility's general ledger. We scheduled UPIS activities from that date through July 31, 2015. There have been several additions and one retirement since the transfer order which we traced to supporting documentation. We determined the year-end and average balances as of July 31, 2015. Our recommended adjustments to UPIS are discussed in Finding 1.

### Land & Land Rights

**Objectives:** The objectives were to determine whether utility land was: 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 determined the beginning balances of Land as of March 28, 2013, established in Order PSC-14-0300-PAA-WS and reconciled these amounts to the Utility's general ledger. There were no additions to or sale of land. We reviewed the Utility's annual report, general ledger, and searched the Sumter County Tax Collector's website for additional activity related to the Utility's land and determined that no additions were made. We also acquired the Quit Claim Deed granting exclusive interest of the land to the Utility. We determined the year-end and average balances as of July 31, 2015. 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, Florida Administrative Code (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 determined the beginning balances of Accumulated Depreciation as of March 28, 2013, established in Order PSC-14-0300-PAA-WS and reconciled these amounts to the Utility's general ledger. We depreciated the plant assets in compliance with Rule 25-30.140, F.A.C. We determined the year-end and average balances as of July 31, 2015. Our recommended adjustments to Accumulated Depreciation are discussed in Finding 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 4) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

**Procedures:** We determined the beginning balances of CIAC as of March 28, 2013, established in Order PSC-14-0300-PAA-WS and reconciled these amounts to the Utility's general ledger. We verified with the Utility that there were no additions to CIAC. We determined the year-end and average balances as of July 31, 2015. No exceptions were noted.

### 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 determined the beginning balances of UPIS as of March 28, 2013, established in Order PSC-14-0300-PAA-WS and reconciled these amounts to the Utility’s general ledger. We determined the year-end and average balances as of July 31, 2015. No exceptions were noted.

### Working Capital

**Objective:** The objective was to calculate the Utility’s Working Capital balance in compliance with Commission rules.

**Procedure:** We calculated Working Capital as of July 31, 2015, using one-eighth of Operation and Maintenance (O&M) Expense as required by Rule 25-30.433(2), F.A.C.

## **Capital Structure**

**Objective:** The objective was to determine the components of the Utility’s Capital Structure.

**Procedures:** We reviewed the Utility’s general ledger and determined the Utility’s Capital Structure as of July 31, 2015. We verified that customer deposits were in agreement with the Utility’s tariff. Our recommended adjustments to Capital Structure are discussed in Finding 3.

## **Net Operating Income**

### Operating Revenue

**Objectives:** The objectives were to determine whether Revenues are: 1) Representative of the Utility’s operations for the test year 2) Calculated using Commission approved tariff rates, and 3) Recorded in compliance with the NARUC USOA.

**Procedures:** We summarized the Utility’s gallonage by customer account for the test year using the Utility’s Billing Report. We normalized the number of bills issued by adjusting for customers moving in or out to reflect 12 months of bills for each property. We calculated Revenues for water using the number of bills and gallonages. We compared the calculated Revenues obtained with the water Revenues reported in the general ledger. We also verified several customers’ bills to determine if the correct tariff rates were used. We reviewed Miscellaneous Revenues to include late fee charges, returned check charges, and reconnect fees and compared to the tariffs. We verified that non-utility revenues were not included in Revenues. Our recommended adjustments to Revenues are discussed in Finding 4.

### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether O&M Expense is: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount, 3) Required for the provision of utility services, and 4) Recorded in compliance with the NARUC USOA.

**Procedures:** We reviewed all invoices for the Utility's O&M Expense for the test year. We ensured all expenses were correctly classified, and verified that they were recurring in nature. We verified each expense against the invoice and its supporting documentation. We verified that non-utility expenses were not included in the Utility's O&M accounts. Our recommended adjustments to O&M are discussed in Finding 5.

### Depreciation Expense and CIAC Amortization Expense

**Objectives:** The objectives were to determine whether Depreciation Expense and CIAC Amortization Expense are properly calculated and recorded in compliance with the NARUC USOA.

**Procedures:** We calculated the Utility's Depreciation Expense and CIAC Amortization Expense for the test year using the rates established by Rule 25-30.140, F.A.C. Our recommended adjustments to Depreciation Expense are discussed in Finding 6.

### Taxes Other than Income

**Objectives:** The objectives were to determine whether Taxes Other Than Income Expense (TOTI) are: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount, 3) Required for the provision of utility services, and 4) Recorded in compliance with the NARUC USOA.

**Procedures:** We developed a schedule for the Utility's TOTI Expense for the test year. We included Real Estate Taxes, Tangible Property Tax and Regulatory Assessment Fees (RAF) and confirmed the classification by the Utility. We recalculated RAFs based on test year Revenues. Our recommended adjustments to TOTI are discussed in Finding. 7.



## Audit Findings

### **Finding 1: Utility Plant in Service**

**Audit Analysis:** Order No. PSC-14-0300-PAA-WA, issued June 11, 2014, established UPIS balances of \$492,504 and \$185,484 for water and wastewater, respectively. The Utility’s balance as of July 31, 2015 was \$505,194 and \$187,817, respectively. Audit Staff compiled UPIS additions since the transfer proceeding as of March 28, 2013, through July 31, 2015, using invoices presented by the Utility to calculate UPIS balances that total \$501,014 for water and \$186,889 for wastewater. Audit staff’s adjustments are summarized in Tables 1-1 and 1-2.

**Table 1-1  
Water**

Acct. No.	Description	Balance Per Utility as of 7/31/2015	Audit Adjs.	Audit Balance as of 7/31/2015
301	Organization	\$351	(\$296)	\$55
302.1	Franchise	\$535		\$535
304.2	Structures and Improv. -	\$1,081		\$1,081
304.3	Structures and Improv. - Supply/Pumping	\$23,837		\$23,837
309.2	Supply Mains	\$4,307	\$892	\$5,199
311.2	Pumping Equipment	\$0		\$0
311.4	Pumping Equipment	\$4,851		\$4,851
320.3	Water Treatment Equipment	\$256,982		\$256,982
330.4	Distribution Reservoirs & Standpoints	\$35,181		\$35,181
331.4	Transmission and Distribution Mains	\$19,790	(\$2,215)	\$17,575
333	Services	\$10,254	(\$4,874)	\$5,380
334.4	Meters & Meter Installations	\$19,887	\$2,313	\$22,200
339.1	Other Plant & Misc. Equipment	\$112,728		\$112,728
340.5	Office Furniture	\$121		\$121
343.5	Tools, Shop, and Garage Equipment	\$15,289		\$15,289
	<b>Total</b>	<b>\$505,194</b>	<b>(\$4,180)</b>	<b>\$501,014</b>

Acct. 301 – Organization Water Plant – Decrease account by \$296 for legal expenses relating to utility closing costs for the transfer from Aqua Utilities, Inc.

Acct. 309.2 - Supply Mains -Increase account by \$892 for an addition to plant that was expensed in December 2013.

Acct. – 331.4 - Transmission and Distribution Mains - Decrease account by \$2,215 for additions that were booked twice. The Utility booked it correctly in September 2014 and then again in January 2015. Audi staff removed the adjustment to January 2015.

**Finding 1 continued**

Acct. 333 – Services – Decrease account by \$4,874 to remove unsupported items.

Acct. 334.4 – Meters and Meter Installations – Increase account by \$2,313 to add back items reported as retired in the test year but still in service.

**Table 1-2  
Wastewater**

<b>Acct. No.</b>	<b>Description</b>	<b>Balance Per Utility as of 7/31/2015</b>	<b>Audit Adjs.</b>	<b>Audit Balance as of 7/31/2015</b>
351	Organization	\$1,556	(\$1,501)	\$55
352.1	Franchises	\$427		\$427
354.2	Structure and Improv	\$23,369		\$23,369
354.4	Structure and Improv. - Pumping	\$18,243		\$18,243
360.2	Collection-Force	\$9,697		\$9,697
361.2	Collection-Gravity	\$29,905	\$572	\$30,477
365.2	Flow Measuring Installations	\$1,061		\$1,061
371.3	Pumping Equipment	\$8,644		\$8,644
380	Treatment and Disposal Equip.	\$8,290		\$8,290
381.4	Plant Sewers	\$837		\$837
389.4	Other Plant & Misc. Equipment	\$81,665		\$81,665
390.7	Office Furniture & Equipment	\$100		\$100
398.7	Other Tangible Plant	\$4,024		\$4,024
	<b>Total</b>	<b>\$187,817</b>	<b>(\$928)</b>	<b>\$186,889</b>

Acct. 351 – Organization – Reduce account by \$1,501 for amount applicable to application fees for transfer application in 2013.

Acct. 361.2 – Collection Gravity - Increase account by \$572. A major repair was expensed in 2013 but should have been capitalized.

**Effect on the General Ledger:** The Utility should decrease water and wastewater UPIS balances by \$4,180 and \$928 as of July 31, 2015.

**Effect on Staff Prepared Exhibits:** Reduce Water UPIS by \$4,180 and Wastewater UPIS by \$928 and reflect simple average amounts of \$503,104 for water and \$187,353 for wastewater.

## Finding 2: Accumulated Depreciation

**Audit Analysis:** Order PSC-14-0300-PAA-WA, issued June 11, 2014, established Accumulated Depreciation balances for water of \$173,067 and \$101,620 for wastewater as of March 28, 2013. The Order had debit balances in the Accumulated Depreciation Accounts for Plant Accounts 304.2, 311.2, and 331.4. Audit staff brought these forward and request Technical staff to review and determine the appropriate regulatory treatment.

Audit Staff adjustments totaled \$753 for water and \$51 for wastewater. Balances for water and wastewater as of July 31, 2015, are \$219,145 and \$110,387, respectively. See Tables 2-1 and 2-2.

**Table 2-1  
Water**

<b>Acct. No.</b>	<b>Description</b>	<b>Accumulated Depreciation Per Utility 7/31/2015</b>	<b>Audit Adjs.</b>	<b>Accumulated Depreciation Per Audit 7/31/2015</b>
301	Intangible	\$16		\$16
302.1	Franchises	\$234		\$234
304.2	Structures and Improv. - PSC	(\$1,254)	(\$63)	(\$1,317)
304.3	Structures and Improv.- Supp/Plumb	\$6,262		\$6,262
309.2	Supply Mains	\$712	\$45	\$757
311.2	Pumping Equip.-Supply & Pump.	(\$1,856)		(\$1,856)
311.4	Pumping Equipment-Trans. & Distrb	\$2,181		\$2,181
320.3	Water Treatment Equipment	\$72,297		\$72,297
330.4	Distrib. Reservoirs & Standpipes	\$6,783		\$6,783
331.4	Trans. & Dist. Mains	(\$833)	(\$735)	(\$1,568)
333	Services	\$494		\$494
334.4	Meter & Meter Installation	\$5,332		\$5,332
339.1	Other Plant & Misc. Equipment	\$119,386		\$119,386
340.5	Office Furniture	\$121		\$121
343.5	Tools, Shop and Garage Equip.	\$10,023		\$10,023
	<b>Total</b>	<b>\$219,898</b>	<b>(\$753)</b>	<b>\$219,145</b>

**Finding 2 continued**

Acct. 304.2 – Structures and Improvements – Reduce account by \$63 to adjust it to the Order amount.

Acct. 309.2 - Supply Mains – Increase account by \$45 for depreciation related to a plant addition that audit staff added to UPIS.

Acct. 331.4 – Transmission and Distribution Mains - Reduce account by \$735 to adjust it to the Order amount.

**Table 2-2  
Wastewater**

<b>Acct. No.</b>	<b>Description</b>	<b>Accumulated Depreciation Per Utility 7/31/2015</b>	<b>Audit Adjs.</b>	<b>Accumulated Depreciation Per Audit 7/31/2015</b>
351	Organization	\$75	(\$73)	\$2
352.1	Franchises	\$212		\$212
354	Structures and Improvements	\$8,600		\$8,600
360.2	Collection - Force	\$2,171		\$2,171
361.2	Collection - Gravity	\$1,863	\$23	\$1,885
365.2	Flow Measuring Installations	\$246		\$246
371.3	Pumping Equipment	\$1,866		\$1,866
380	Treatment and Disposal Equipm	\$4,511		\$4,511
381.4	Plant Sewers	\$462		\$462
389.4	Other Plant and Miscellaneous	\$86,289		\$86,289
390.7	Office Furniture	\$100		\$100
398.7	Other Plant and Miscellaneous	\$4,043		\$4,043
	<b>Total</b>	<b>\$110,438</b>	<b>(\$51)</b>	<b>\$110,387</b>

**Finding 2 continued**

Acct. 351- Organization - Reduce account by \$73 for depreciation related to the organization costs removed by audit staff to UPIS.

Acct. 361.2 Collection - Gravity - Increase account by \$23 for depreciation related to the additions to plant that audit staff added to UPIS.

**Effect on the General Ledger:** Reduce Water Accumulated Depreciation by \$753 and decrease Wastewater Accumulated Depreciation by \$51 as of July 31, 2015.

**Effect on Staff Prepared Exhibits:** Increase Water Accumulated Depreciation by \$753 and decrease Wastewater Accumulated Depreciation by \$52 to reflect simple average amounts of \$219,522 for water and \$110,413 for wastewater.

### **Finding 3: Customer Deposits**

**Audit Analysis:** The Utility's general ledger as of July 31, 2015, indicates a balance in the Customer Deposits Account of \$4,924. The detailed schedule supporting Customer Deposits indicates a balance of \$4,698, a difference of \$227. The Utility could not provide an explanation. Audit Staff adjusted the exhibit to reflect the detail schedule.

**Effect on the General Ledger:** To be determined by the Utility.

**Effect on Staff Prepared Exhibits:** Reduce Customer Deposits by \$227.

## Finding 4: Operating Revenue

**Audit Analysis:** The Utility reported total Water and Miscellaneous Revenues of \$40,375 and Wastewater Revenues of \$39,031 for the 12-months ending July 31, 2015, on its general ledger.

In our analysis of the billing register, we calculated Water Revenues to be \$39,044 and Wastewater Revenues to be \$40,221 for the difference of \$1,217 for water and (\$1,353) for wastewater. We increased Water Revenues by \$1,217 and reduced Wastewater Revenues by \$1,353.

The Utility's general ledger indicated Water Reconnection Fees of \$2,925 and Late Fees of \$2,160. We reallocated the fees between water and wastewater on an equal basis of \$1,463 (\$2,925/2) for Reconnection Fees and \$1,080 (\$2,160/2) for Late Fees.

In our analysis of the billing register, we calculated Water and Wastewater Reconnection Fees to be \$1,458 and \$1,458, respectively for a difference of \$5 each. We reduced Miscellaneous Revenues by \$5 for water and \$5 for wastewater.

Table 4-1 and 4-2 summarizes adjustments that are needed to Water and Wastewater Revenues for the test year.

**Table 4-1 Water**

<u>Description</u>	<b>Balance Per Utility 7/31/2015</b>	<b>Audit Adjustments</b>	<b>Balance Per Audit 7/31/2015</b>
Revenues - Residential Svc	\$32,044	\$1,217	\$33,261
Revenues - General Svc	\$3,246	\$0	\$3,246
Reconnection Fees	\$2,925	(\$1,468)	\$1,457
Late Fees	\$2,160	(\$1,080)	\$1,080
Total Revenues per Audit	\$40,375	(\$1,331)	\$39,044

**Table 4-2 Wastewater**

<u>Description</u>	<b>Balance Per Utility 7/31/2015</b>	<b>Audit Adjustments</b>	<b>Balance Per Audit 7/31/2015</b>
Revenues - Residential Svc	\$39,031	(\$1,348)	\$37,683
Reconnection Fees	\$0	\$1,458	\$1,458
Late Fees	\$0	\$1,080	\$1,080
Total Revenues per Audit	\$39,031	\$1,190	\$40,221

**Effect on the General Ledger:** To be determined by the Utility.

**Effect on Staff Prepared Exhibits:** Adjust NOI by reducing Water Revenues by \$1,331 and increasing Wastewater Revenues by \$1,190, the net effects of the above schedules.



## Finding 5: Operation and Maintenance Expense

**Audit Analysis:** The Utility’s general ledger reflects Water O&M Expense of \$31,855 for water and \$36,586 for the wastewater for the test year. Audit staff made adjustments to test year expenses based on our review of the supporting documentation. A summary of the adjustments follows in Tables 5-1 and 5-2:

**Table 5-1**

**Water**

Acct. No.	Description	Balance per		Balance per
		Utility 7/31/15	Audit Adjustments	Audit 7/31/15
603	Salaries: Officers, Directors, Etc.	\$3,000	\$0	\$3,000
615	Purchased Power	\$2,128	\$0	\$2,128
618	Chemicals	\$585	\$0	\$585
631	Contractual Services - Acctg.	\$625	\$0	\$625
633	Contractual Services - Legal	\$248	\$0	\$248
636	Contractual Services - Other	\$17,693	\$0	\$17,693
657	Insurance-General Liability	\$984	(\$301)	\$683
670	Bad Debt Expense	\$4,338	\$0	\$4,338
675	Miscellaneous Expenses	\$2,254	(\$1,036)	\$1,218
	Total O&M Expense	\$31,855	(\$1,337)	\$30,518

Account 657 – Insurance General Liability –The water general liability policy is effective October 24, 2014 – October 24, 2015 at a total of \$1,366. The adjustment is to reflect one-half of this amount to water and wastewater.

Account 675 – Miscellaneous Expenses – We reduced this account by \$222 to remove late fees and interest expenses and by \$1,000 for a FL DEP permit renewal that belongs to wastewater expense. We increased this account by \$185 for an item that was capitalized during the test year but should be expensed.

**Finding 5 continued**

**Table 5-2  
Wastewater**

<b>Acct. No.</b>	<b>Description</b>	<b>Balance per Utility 7/31/15</b>	<b>Audit Adjustments</b>	<b>Balance per Audit 7/31/15</b>
703	Salaries: Officers, Directors, Etc.	\$3,000	\$0	\$3,000
711	Sludge Removal	\$3,090	\$0	\$3,090
715	Purchased Power	\$1,976	\$0	\$1,976
718	Chemicals	\$715	\$0	\$715
736	Contractual Services - Other	\$21,343	\$0	\$21,343
733	Contractual Services - Legal	\$248	\$0	\$248
757	Insurance-General Liability	\$188	\$496	\$683
770	Bad Debt Expense	\$6,025	\$0	\$6,025
775	Miscellaneous Expenses	\$0	\$200	\$200
	Total O&M Expense	\$36,586	\$696	\$37,281

Account 757 – Insurance General Liability – The water general liability policy is effective October 24, 2014 – October 24, 2015 at a total of \$1,366. The adjustment is to reflect one-half of this amount to water and wastewater.

Account 775 – Miscellaneous Expense – Increase the account by \$200 to include a Florida DEP Permit Renewal that is being amortized over five years.

**Effect on the General Ledger:** To be determined by the Utility

**Effect on Staff Prepared Exhibits:** Reduce O&M Expense for Water by \$1,337. Increase O&M Expense for Wastewater by \$696.

Based on the total O&M Expense of \$30,518 for water and \$37,281 for wastewater, we calculated working capital to be \$3,814 for water and \$4,660 for wastewater for the test year in accordance with Rule 25-30.433, F.A.C.

## Finding 6: Depreciation Expense

**Audit Analysis:** Based on Audit staff's UPIS balances for Water and Wastewater, we calculate the depreciation expense to be \$20,396 for Water and \$4,273 for Wastewater. Tables 6-1 and 6-2 summarize the adjustments to these accounts.

**Table 6-1**  
**Water**

<b>Acct. No.</b>	<b>Description</b>	<b>Utility as of 7/31/2015</b>	<b>Audit Adjs.</b>	<b>as of 7/31/2015</b>
403	Depreciation Expense-Water	\$20,361	\$35	\$20,396

**Table 6-2**  
**Wastewater**

<b>Acct. No.</b>	<b>Description</b>	<b>Utility as of 7/31/2015</b>	<b>Audit Adjs.</b>	<b>as of 7/31/2015</b>
403	Depreciation Expense-Wastewater	\$4,017	\$256	\$4,273

**Effect on the General Ledger:** To be determined by the Utility.

**Effect on Staff Prepared Exhibits:** Increase Depreciation Expense for water by \$35 and for wastewater by \$256.

## Finding 7: Taxes Other than Income

**Audit Analysis:** Revenue adjustments by Audit staff in Finding 4 for water and wastewater results in the following adjustments shown in Table 7-1 and 7-2.

Table 7-1

<b>Water Description</b>	<b>Utility Balance</b>	<b>Audit Adjustment</b>	<b>Audit Balance</b>
	<b>12 Mos. Ended 7/31/2015</b>		<b>12 Mos. Ended 7/31/2015</b>
Real Property Taxes	\$93	\$0	\$93
Tangible Property Taxes	\$501	\$0	\$501
Regulatory Assessment Fee	\$1,817	(\$60)	\$1,757
Other Taxes	\$0	\$0	\$0
<b>Total</b>	<b>\$2,410</b>	<b>(\$60)</b>	<b>\$2,351</b>

Table 7-2

<b>Wastewater Description</b>	<b>Utility Balance</b>	<b>Audit Adjustment</b>	<b>Audit Balance</b>
	<b>12 Mos. Ended 7/31/2015</b>		<b>12 Mos. Ended 7/31/2015</b>
Real Property Taxes	\$81	\$0	\$81
Tangible Property Taxes	\$501	\$0	\$501
Regulatory Assessment Fee	\$1,756	\$54	\$1,810
Other Taxes	\$0	\$0	\$0
<b>Total</b>	<b>\$2,338</b>	<b>\$54</b>	<b>\$2,392</b>

**Effect on the General Ledger:** To be determined by the Utility.

**Effect on Staff Prepared Exhibits:** Decrease TOTI for water by \$60 and increase TOTI for wastewater by \$54.

## Exhibits

### Exhibit 1: Rate Base

**The Woods Utility Company  
Rate Base  
As of July 31, 2015**

#### Water

Description	Balance Per Utility as of 7/31/15	Adjustments	Balance Per Audit as of 7/31/15	Simple Average Per Audit
Utility Plant in Service	\$505,194	(\$4,180)	\$501,014	\$497,519
Land	\$3,500	\$0	\$3,500	\$3,500
Accumulated Depreciation	(\$219,898)	(\$45)	(\$219,145)	(\$216,566)
CIAC	(\$90,583)	\$0	(\$90,583)	(\$90,583)
Amortization of CIAC	\$91,634	\$0	\$91,634	\$91,634
Working Capital	\$0	\$3,792	\$3,792	\$3,792
<b>Total Rate Base</b>	<b>\$289,847</b>	<b>(\$433)</b>	<b>\$290,212</b>	<b>\$289,296</b>

#### Wastewater

Description	Balance Per Utility as of 7/31/15	Adjustments	Balance Per Audit as of 7/31/15	Simple Average Per Audit
Utility Plant in Service	\$187,817	(\$928)	\$186,889	\$186,965
Land	\$7,500	\$0	\$7,500	\$7,500
Accumulated Depreciation	(\$110,439)	\$52	(\$110,387)	(\$110,057)
CIAC	(\$65,285)	\$0	(\$65,285)	(\$65,285)
Amortization of CIAC	\$65,285	\$0	\$65,285	\$65,285
Working Capital	\$0	\$4,660	\$4,660	\$4,660
<b>Total Rate Base</b>	<b>\$84,878</b>	<b>\$3,784</b>	<b>\$88,662</b>	<b>\$89,068</b>

## Exhibit 2: Capital Structure

### The Woods Utility Company Capital Structure As of July 31, 2015

<b>Capital Components</b>	<b>7/31/2015 Utility Balance</b>	<b>Staff Adjs.</b>	<b>7/31/2015 Staff Balance</b>	<b>7/31/2014 Balance</b>	<b>Simple Average</b>	<b>% of Comp.</b>	<b>Rate Base</b>	<b>% of Rate Base</b>	<b>Rate</b>	<b>Composite Rate</b>
Long Term Debt	\$12,198	\$0	\$12,198	\$0	\$6,099	84.72%	\$6,099	46.93%	4.00%	1.88%
Equity	\$2,200	\$0	\$2,200	\$2,200	\$2,200	15.28%	\$2,200	16.93%	11.16%	1.89%
<b>Total Equity and Debt</b>	<b>\$14,398</b>	<b>\$0</b>	<b>\$14,398</b>	<b>\$2,200</b>	<b>\$8,299</b>	<b>100.00%</b>	<b>\$8,299</b>			
Customer Deposits	\$4,924	(\$227)	\$4,698	\$4,659	\$4,792		\$4,698	36.14%	2.00%	0.72%
<b>Total</b>	<b>\$19,322</b>	<b>(\$227)</b>	<b>\$19,095</b>	<b>\$6,859</b>	<b>\$12,977</b>		<b>\$12,996</b>	<b>100.00%</b>		<b>4.49%</b>

Equity cost based on FPSC Order No. 15-0259-PAA-WS issued 7/2/15.

### Exhibit 3: Net Operating Income

**The Woods Utility Company  
Net Operating Income  
12 Months Ended July 31, 2015**

**Water**

Description	Utility Amount	Audit Adjs.	Audit Amount
<b>Operating Revenues</b>	\$40,375	(\$1,331)	\$39,044
Operation & Maintenance	\$31,855	(\$1,337)	\$30,518
Depreciation Expense	\$20,361	\$35	\$20,396
Amortization Expense (CIAC)	\$1,051	\$0	\$1,051
Taxes Other Than Income	\$2,410	(\$60)	\$2,351
<b>Total Operating Expenses</b>	<b>\$55,677</b>	<b>(\$1,362)</b>	<b>\$54,315</b>
<b>Operating Income</b>	<b>(\$15,302)</b>	<b>\$31</b>	<b>(\$15,271)</b>

**Wastewater**

Description	Utility Amount	Audit Adjs.	Audit Amount
<b>Operating Revenues</b>	\$39,031	\$1,190	\$40,221
Operation & Maintenance	\$36,586	\$696	\$37,282
Depreciation Expense	\$4,017	\$256	\$4,273
Amortization Expense (CIAC)	(\$1,262)	(\$0)	(\$1,262)
Taxes Other Than Income	\$2,338	\$54	\$2,392
<b>Total Operating Expenses</b>	<b>\$41,680</b>	<b>\$1,005</b>	<b>\$42,685</b>
<b>Operating Income</b>	<b>(\$2,649)</b>	<b>\$185</b>	<b>(\$2,464)</b>