

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-

DATE: June 29, 2016

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 150257-WS
Company Name: East Marion Utilities, LLC
Company Code: WS970
Audit Purpose: Staff Assisted Rate Case
Audit Control No.: 15-362-4-1

Attached is the final audit report for the utility stated above. I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of Commission Clerk. There are no confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing and Performance Analysis file

State of Florida



Public Service Commission

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

Auditor's Report

East Marion Utilities, LLC
Staff-Assisted Rate Case

12 Months Ended December 31, 2015

Docket No. 150257-WS
Audit Control No. 15-362-4-1
June 28, 2016

Handwritten signature of Yen Ngo in black ink.

Yen Ngo
Audit Manager

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Lynn M. Deamer
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report set forth by the Division of Accounting and Finance in its audit service request dated December 28, 2015. We have applied these procedures to the attached schedules prepared by the audit staff in support of East Marion Utilities, LLC's request for a Staff-Assisted Rate Case in Docket No. 150257-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

General

Definitions

EMU/Utility refers to East Marion Utilities, LLC.

FUS1 refers to Florida Utility Services 1, LLC.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts as adopted by Rule 25-30.115, Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code (F.A.C.).

The test year for the instant proceeding is the historical twelve months ended December 31, 2015.

Background

East Marion Utilities, LLC (Utility) is a Class C utility serving approximately 93 residential water and wastewater customers and 9 customers receive irrigation service in Lakeview Woods Subdivision, located in Marion County. The Utility was purchased on January 9, 2015. The transfer was approved by Order No. PSC-15-0576-PAA-WS, issued on December 21, 2015 at which time rate base was established as of December 31, 2014.

The owner, Mr. Smallridge, also owns Pinecrest Utilities, LLC; Holiday Gardens Utilities, LLC; Crestridge Utilities, LLC; and Charlie Creek Utilities, LLC. Mr. Smallridge also manages West Lakeland Wastewater, Inc., Four Points Utility Corporation, Bimini Bay Utilities Corporation, and Lake Forest Utility. As of January 1, 2015, Mr. Smallridge has been recording common costs on FUS1's books. Common costs include salaries, employee benefits, rent, electric, telephone, internet, transportation, material and supplies, office supplies, and postage. These costs were allocated among all the utilities based on customer count.

Mr. Smallridge files a Form 1040, which includes Schedule C-Profit or Loss from Business. One of these schedules represented East Marion Utilities, LLC.

Utility Books and Records

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

Procedure: We reviewed the Utility's accounting system by examining the records provided for this proceeding. No exceptions were noted.

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 transfer proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances for UPIS, as of December 31, 2014 from Order No. PSC-15-0576-PAA-WS to the general ledger. We reviewed the Utility's general ledger for asset additions, retirements and adjustments. We scheduled water and wastewater UPIS activity from January 1, 2015 to December 31, 2015. We sampled and traced asset additions to supporting documentation. We examined related party transactions with other utilities owned or managed by Mr. Smallridge; including the common plant for office furniture and equipment, transportation and tools, shop, and garage equipment. We determined the year-end and simple average UPIS balance as of December 31, 2015. Finding 3 discusses allocated common plant.

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 transfer proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances for Land, as of December 31, 2014 from Order No. PSC-15-0576-PAA-WS, and noted the balance was zero since the Utility leases the land from Lakeview Woods Property Owner Association (Lakeview). We verified that the land continues to be leased from Lakeview, and verified that there have been no changes since the Transfer. Our recommended adjustment to this amount is discussed in Finding 9.

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 transfer proceeding were recorded to its books and records.

Procedures: We reconciled the beginning balances for Accumulated Depreciation, as of December 31, 2014 from Order No. PSC-15-0576-PAA-WS to the general ledger. We calculated accumulated depreciation for both water and wastewater using the depreciation rates established by Rule 25-30.140(2), F.A.C - Depreciation. We determined the year-end and simple average accumulated depreciation balance as of December 31, 2015. Our recommended adjustments to accumulated depreciation are discussed in Findings 1 and 3.

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 reconciled the beginning balances for CIAC, as of December 31, 2014 from Order No. PSC-15-0576-PAA-WS to the general ledger. We reviewed the Utility's general ledger for cash contributions. We determined the year-end and simple average CIAC balances for both water and wastewater as of December 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 transfer proceeding were recorded to its books and records.

Procedures: We reconciled the beginning balances for Accumulated Amortization of CIAC, as of December 31, 2014 from Order No. PSC-15-0576-PAA-WS to the general ledger. We calculated CIAC amortization accruals using the depreciation rates established by Rule 25-30.140(2), F.A.C –Depreciation for both water and wastewater. We determined the year-end and simple average accumulated amortization of CIAC balances as of December 31, 2015. Our recommended adjustment to accumulated amortization of CIAC is discussed in Finding 2.

Working Capital

Objectives: The objective was to determine the working capital adjustment to be included in rate base per Rule 25-30.433- Rate Proceedings, F.A.C.

Procedures: We calculated the working capital adjustment for the test year using one-eighth of Operation and Maintenance (O&M) Expense as required by the Rule. Our recommended working capital adjustments are discussed in Findings 6 and 7.

Capital Structure

Objectives: The objectives were to determine the: 1) Components of the Utility's capital structure, 2) Cost rate for each class of capital, 3) Overall weighted cost of capital, and that 4) Components are properly recorded in compliance with the NARUC USOA.

Procedures: We reviewed the general ledger and determined that the Utility's Capital Structure is composed of common equity, long-term debt and customer deposits. We determined the year-end and simple average Capital Structure balances and its weighted average cost as of December 31, 2015. Our recommended capital structures adjustments are discussed in Finding 4.

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 NARUC USOA.

Procedures: We determined individual customer consumption for the test year using the Utility's monthly billing registers. We normalized the number of bills by adjusting for customers moving in or out to reflect 12 months of bills for each service address with the data obtained from the billing registers. We calculated test year revenues based on billing determinates and compared our calculated revenue amount to the revenues reflected in the general ledger. We determined whether the Utility is charging its authorized tariff rates. The miscellaneous revenues charged to the customers were agreed to the appropriate tariffs. Our recommended adjustment to operating revenue is discussed in Finding 5.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance Expense (O&M) 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 invoices for the Utility's direct O&M Expense for the test year. We ensured that expenses we reviewed were correctly classified, and verified that they were recurring in nature. We verified each expense against the invoice and supporting documentation. We examined related party transactions with other utilities owned or managed by Mr. Smallridge including the salaries from FUS1. We have determined the most recent costs that are common to all the utilities, and calculated an allocation percentage based on number of customers. Our recommended adjustments for O&M Expense for the test year are discussed in Findings 6, 7, and 8.

Depreciation and CIAC Amortization Expense

Objectives: The objectives were to determine whether depreciation and CIAC amortization expense are properly calculated and recorded in compliance with the NARUC USOA.

Procedures: We calculated the Utility's depreciation and CIAC amortization expenses for the test year ended December 31, 2015, using the rates established by Rule 25-30.140, F.A.C. Our recommended adjustments for depreciation and CIAC amortization expense are discussed in Findings 1, 2, and 3.

Taxes Other than Income

Objectives: The objectives were to determine whether taxes other than income expense (TOTI) 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 scheduled the Utility's TOTI Expense for the test year using the supporting documentation provided. We included tangible property taxes and regulatory assessment fees (RAF) for the test year and confirmed their utility classification. We recalculated RAF's based on test year revenues. In addition, we recalculated the allocated payroll taxes based on the employee salaries from FUS1 using the applicable social security rates and the Medicare rates. Our recommended adjustments for TOTI expense for the test year are discussed in Finding 10.

Other

Revenue Refund

Objectives: The objectives were to determine whether the refund of over-collecting rate case expenses to the customer as ordered by the Commission in Order PSC-02-1168-PAA-WS, Docket No. 010869-WS, from May through December 2015 was properly recorded and applied to the proper customers as a credit to their current month's utility bills.

Procedures: We obtained the Utility's monthly customer refund report, recalculated a sample of monthly refund, and compared to Rate Case Refund Schedule calculated by the PSC staffs Order PSC-02-1168-PAA-WS, Docket No. 010869-WS. We reconciled the Utility's total monthly refund to the PSC staff's refund calculation and prepared a schedule by month that disclosed and explained all differences. We also traced the Utility's rate case refunds to the monthly billing register. No exceptions were noted.

Audit Findings

Finding 1: Accumulated Depreciation and Depreciation Expense

Audit Analysis: We determined that the Utility's general ledger reflects the Commission ordered adjustments from the last order. No differences were noted.

We recalculated depreciation accruals for all water and wastewater accounts since the last transfer audit through December 31, 2015 using our audited UPIS balances and the depreciation rates established by Rule 25-30.140, F.A.C. The Utility did not depreciate the plant that was added during the year in Account 311-Pumping Equipment, and continued to depreciate the fully depreciated plant in Account 320-Water Treatment Equipment (resulted in an overstated amount of \$40). The total water accumulated depreciation and depreciation expense for year ended 2015 was overstated by \$26. The Utility applied the same calculation to accumulated depreciation and depreciation for wastewater, which was overstated by \$8,866 in Account 380-Pumping Equipment, and by \$2,921 in Account-389 Other Plant and Miscellaneous Equipment. The total wastewater accumulated depreciation and depreciation expense was overstated by \$11,787.

Tables 1-1 through 1-4 display the Accumulated Depreciation and Depreciation Expense sub-account balances with our adjustments.

Table 1-1

Account 108-Accumulated Depreciation

NARUC Sub-Accts	Account Description	Per Utility @12/31/2015	Adjustments	Per Audit @12/31/2015	Average Test Year
301.00	Organization	\$590	\$0	\$590	\$578
304.00	Structures & Improvements	\$5,669	\$0	\$5,669	\$5,545
307.00	Wells & Springs	\$3,065	\$0	\$3,065	\$2,989
309.00	Supply Mains	\$2,940	\$0	\$2,940	\$2,881
311.00	Pumping Equipment (SubPump)	\$3,631	\$12	\$3,643	\$3,426
311.00	Pumping Equipment (Electric)	\$1,532	\$2	\$1,534	\$1,426
320.00	Water Treatment Equipment	\$721	(\$40)	\$681	\$681
330.00	Distribution Reservoirs & Standpipes	\$20,813	\$0	\$20,813	\$20,397
331.00	Transmission & Distribution Mains	\$41,460	\$0	\$41,460	\$40,630
333.00	Services	\$13,627	\$0	\$13,627	\$13,355
334.00	Meters & Meter Installations	\$5,064	\$0	\$5,064	\$4,882
Total Water Accumulated Depreciation		\$99,112	(\$26)	\$99,086	\$96,791

Table 1-2

Account 108-Accumulated Depreciation

NARUC Sub-Acct	Account Description	Per Utility @12/31/2015	Adjustments	Per Audit @12/31/2015	Average Test Year
351.00	Organization	\$716	\$0	\$716	\$701
354.00	Structures & Improvements	\$14,443	\$0	\$14,443	\$14,120
360.00	Collection Sewers - Force	\$8,682	\$0	\$8,682	\$8,508
361.00	Collection Sewers - Gravity	\$120,239	\$0	\$120,239	\$117,810
362.00	Special Collection Structures	\$36,068	\$0	\$36,068	\$35,348
363.00	Services to Customers	\$18,508	\$0	\$18,508	\$18,138
380.00	Treatment and Disposal - Equipment	\$141,779	(\$8,866)	\$132,913	\$132,913
382.00	Outfall Sewer Lines	\$3,140	\$0	\$3,140	\$3,077
389.00	Other Plant & Miscellaneous Equipment	\$46,710	(\$2,921)	\$43,789	\$43,789
Total Wastewater Accumulated Depreciation		\$390,285	(\$11,787)	\$378,498	\$374,405

Table 1-3**Account 403-Depreciation Expense**

NARUC Sub-Acct	Account Description	Per Utility @12/31/2015	Adjustments	Per Audit @12/31/2015
301.00	Organization	\$24	\$0	\$24
302.00	Franchises	\$0	\$0	\$0
304.00	Structures & Improvements	\$247	\$0	\$247
307.00	Wells & Springs	\$153	\$0	\$153
309.00	Supply Mains	\$118	\$0	\$118
311.00	Pumping Equipment (SubPump)	\$421	\$12	\$433
311.00	Pumping Equipment (Electric)	\$213	\$2	\$215
320.00	Water Treatment Equipment	\$40	(\$40)	\$0
330.00	Distribution Reservoirs & Standpipe	\$832	\$0	\$832
331.00	Transmission & Distribution Mains	\$1,659	\$0	\$1,659
333.00	Services	\$545	\$0	\$545
334.00	Meters & Meter Installations	\$364	\$0	\$364
Total Water Depreciation Expense		\$4,616	(\$26)	\$4,590

Table 1-4**Account 403-Depreciation Expense**

NARUC Sub-Acct	Account Description	Per @12/31/2015	Adjustments	Per @12/31/2015
351.00	Organization	\$29	\$0	\$29
354.00	Structures & Improvements	\$645	\$0	\$645
360.00	Collection Sewers - Force	\$347	\$0	\$347
361.00	Collection Sewers - Gravity	\$4,859	\$0	\$4,859
362.00	Special Collection Structures	\$1,442	\$0	\$1,442
363.00	Services to Customers	\$740	\$0	\$740
380.00	Treatment and Disposal - Equipment	\$8,866	(\$8,866)	\$0
382.00	Outfall Sewer Lines	\$126	\$0	\$126
389.00	Other Plant & Miscellaneous Equipment	\$2,921	(\$2,921)	\$0
Total Wastewater Depreciation Expense		\$19,975	(\$11,787)	\$8,188

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: The Utility average accumulated depreciation is \$96,791 for water and \$374,405 for wastewater.

The depreciation expense is \$4,591 for water and \$8,188 for wastewater.

Finding 2: Accumulated Amortization of CIAC and Amortization Expense

Audit Analysis: According to the Utility’s general ledger, the water accumulated amortization of CIAC balance was \$18,101 and water amortization expense was \$1,564 as of December 31, 2015. According to the Utility’s general ledger, the wastewater accumulated amortization of CIAC balance was \$29,279 and wastewater amortization expense was \$3,057 as of December 31, 2015. Audit staff recalculated accumulated amortization of CIAC and amortization expense using the CIAC balances and composite rates as per Rule 25-30.140(2), F.A.C. as shown in Table 2-1.

Table 2-1

NARUC	Account Description	Per Utility @12/31/15	Adjustments	Per Audit @12/31/15	Test Year Average
Water Accumulated Amortization					
271.00	CIAC	\$18,101	(\$286)	\$17,815	\$17,176
407.00	Water Amortization Expense	(\$1,564)	\$286	(\$1,278)	
Wastewater Accumulated					
272.00	Amortization CIAC	\$29,279	(\$421)	\$28,858	\$28,199
407.00	Wastewater Amortization Expense	(\$3,057)	\$1,739	(\$1,318)	

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined the average accumulated amortization of CIAC to be \$17,176 for water and \$28,199 for wastewater. We also determined amortization expense to be \$1,278 for water and \$1,318 for wastewater.

Finding 3: Allocated Common Plant

Audit Analysis: Mr. Smallridge owns Pinecrest Utilities, LLC; Holiday Gardens Utilities, LLC; Crestridge Utilities, LLC; Charlie Creek Utilities, LLC; and East Marion Utilities, LLC. He also manages West Lakeland Wastewater, Inc., Four Points Utility Corporation, Bimini Bay Utilities Corporation, and Lake Forest Utility. As of January 1, 2015, Mr. Smallridge has been recording common costs on Florida Utility Services 1, LLC's (FUS1) books. These costs were allocated among all the utilities based on customer count. Finding 8 discusses the current allocation methodology. Based on supporting invoices, audit staff has calculated allocated plant as shown in Table 3-1.

Table 3-1

Account - Description	Audit Balance	Simple	Accum Dep	Simple	Depreciation
	12/31/2015	Average	12/31/2015	Average	12/31/2015
340/390 Office Furniture & Equip.	\$ 1,349	\$ 1,349	\$ (173)	\$ (285)	\$ 225
341/391 Trans. Equip.	20,301	18,860	74	2	3,143
343/393 Tools, Shop and Garage Equip.	120	614	(696)	(222)	41
	<u>\$ 21,770</u>	<u>\$ 20,823</u>	<u>\$ (795)</u>	<u>\$ (505)</u>	<u>\$ 3,409</u>
East Marion Allocation at 5%	989	945	(36)	(23)	155
Total:	<u>\$ 989</u>	<u>\$ 945</u>	<u>\$ (36)</u>	<u>\$ (23)</u>	<u>\$ 155</u>
UPIS - Water:	\$ 495	\$ 473	\$ (18)	\$ (11)	\$ 77
Utility balance - 12/31/2015:	-	-	\$ -	-	\$ -
Audit Adjustment:	<u>\$ 495</u>	-	<u>\$ (18)</u>	-	<u>\$ 77</u>
UPIS - Wastewater:	\$ 495	\$ 473	\$ (18)	\$ (11)	\$ 77
Utility balance - 12/31/2015:	-	-	-	-	-
Audit Adjustment:	<u>\$ 495</u>	-	<u>\$ (18)</u>	-	<u>\$ 77</u>

It should be noted that the accumulated depreciation debit balances are due to retirements.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined UPIS to be \$495 for water and wastewater, and the simple average UPIS to be \$473 for water and wastewater as of December 31, 2015. We determined a debit balance of \$18 for water and wastewater accumulated depreciation for the test year ended December 31, 2015. We also determined the simple average debit balance of \$11 for accumulated depreciation. We determined depreciation expense to be \$77 for water and wastewater for the test year ended December 31, 2015.

Finding 4: Capital Structure

Audit Analysis: East Marion Utilities, LLC purchased East Marion Sanitary Systems, Inc. on January 9, 2015 for \$107,000 with a down payment of \$10,000. The remaining \$97,000 was financed by the Utility's prior owner, Herbert Heinz. A promissory note was executed and stated that the Utility would pay \$1,077 per month for 10 years with interest, compounded annually, at six percent.

The loan was never recorded in the Utility's general ledger. However, the monthly loan payments were recorded to Account 224 – Long-Term Debt and Account 427 – Interest Expense. Based on the promissory note, audit staff adjusted long-term debt as shown in Table 4-1.

Table 4-1

Long-Term Debt		Per Utility		Per Audit	
NARUC	Description	@12/31/2015	Adjustments	@12/31/2015	Average
224.00	L-T Debt/Promissory Note	6,675	(97,000)	(90,325)	(93,663)

According to the Utility's general ledger, the customer deposit balance was \$3,493 as of December 31, 2015. Audit staff determined the customer deposit balance to be \$3,625 by reviewing the customer deposit log. Customer deposits were understated by \$132 as shown in Table 4-2.

Table 4-2

Customer Deposits		Per Utility		Per Audit	
NARUC	Description	@12/31/2015	Adjustments	@12/31/2015	Average
235.00	Customer Deposits	\$3,493	\$132	\$3,625	\$3,868

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined the simple average Long-Term Debt balance to be \$93,663 and the simple average Customer Deposit to be \$3,868.

Finding 5: Operating Revenue

Audit Analysis: The Utility's water operating revenue amount was \$23,213 for the twelve months ended December 31, 2015. However, audit staff recalculated revenue by determining the number of bills and gallons consumed from the billing register times the Commission approved tariff rates. Audit staff determined water operating revenue to be \$23,593.

The Utility's wastewater operating revenue amount was \$34,144 for the twelve months ended December 31, 2015. However, audit staff recalculated revenue by determining the number of bills and gallons consumed from the billing register times the Commission approved tariff rates. Audit staff determined wastewater operating revenue to be \$35,572.

The Utility's miscellaneous service revenue was \$505 for the twelve months ended December 31, 2015. A review of the authorized tariff for the miscellaneous service fees agreed to the fees noted in the billing register. However, there was no approved charge for the credit card fee. The miscellaneous service charges in the billing register are shown in Table 5-1.

Table 5-1

Miscellaneous Service Revenues	Per Billing Register	Fee	Number
NSF Fee	\$75	Actual	1
Connection Fee	\$90	\$45.00	2
Credit Card Fee	\$20	\$2.50	8
Late Fee	\$455	\$5.00	91
Total	\$640		102

We calculated test year annualized revenues using the actual customer usage and the tariff rates approved in the transfer order. Our adjustments to operating revenue are shown in Table 5-2.

Table 5-2

Annualized Revenues	Per Audit Calculation	Per General Ledger	Difference
Water	\$23,593	\$23,213	\$380
Wastewater	\$35,572	\$34,144	\$1,428
Miscellaneous Service	\$620	\$505	\$115
Total	\$59,785	\$57,862	\$1,923

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Water revenues should be increased by \$495 (\$380 + \$115) and wastewater revenues should be increased by \$1,428.

Finding 6: Operations and Maintenance Expense

Audit Analysis: We obtained a utility trial balance for the twelve months ended December 31, 2015. The trial balance reflected Operations and Maintenance Expenses of \$43,843, which included \$21,446 for water and \$22,397 for wastewater operations. We noted that not all the expenses were consistently allocated appropriately between water and wastewater. Audit staff reviewed all expenses to determine if the transactions were made in the proper period, amount, classification, and whether the expenses were utility related. Audit staff determined O&M expenses to be \$10,811 and \$21,285 for water and wastewater, respectively, as shown in Tables 6-1 and 6-2.

Table 6-1

Acct. Nos.	Water Acct. Description	Per Utility 12/31/2015	Audit Adjustment	Per Audit 12/31/2015
603	Salaries & Wages - Officers	\$ 654	\$ (654)	\$ -
615	Purchased Power	1,267	(201)	1,066
618	Chemicals	1,189	(347)	841
620	Materials & Supplies	68	(68)	-
631	Contractual Services - Professional	263	(163)	100
635	Contractual Services - Testing	928	928	1,855
636	Contractual Services - Other	10,351	(4,689)	5,662
640	Rents	5,448	(5,448)	-
655	Insurance Expense	966	21	988
675.1	Bank Service Charge	83	(16)	67
675.4	CC Charges	231	-	231
Total		\$ 21,446	\$ (10,636)	\$ 10,811
Working Capital Adjustment				\$ 1,351

Based on the review of the supporting documentation, the adjustments that follow were made to the water test year expenses.

1. For Account 603-Officer Salaries, we removed \$654 from the salary of the prior owner, Mr. Herbert Hein.
2. For Account 615-Purchased Power, we removed \$201 from the account. We removed \$121 for non-utility from October through December, and included \$240 to correct the bill for water from October through December. We removed \$406 to correct the allocation between water and wastewater, and included \$86 for the January bill.
3. For Account 618-Chemicals, we removed \$347 to correct the Utility's allocation between water and wastewater operations based on the allocation of the actual bill.
4. For Account 620-Materials and Supplies, we removed \$68 from the account. These purchases were made outside of the test year.
5. For Account 631-Contractual Services-Professional, we removed \$163 from the account. We included \$100 to correct the allocation to water and wastewater, and removed \$63 in

legal expenses related to a dismissed lawsuit. The Utility has requested \$500 a year for possible future legal fees. This matter is deferred to the analyst for further consideration.

6. For Account 635-Contractual Services testing, we increased this account by \$928. These services were allocated between water and wastewater operations. The testing services provided only pertained to water operations.
7. For Account 636-Contractual Services, we removed \$4,689 from the account. We removed \$98 for out of test year expenses, and \$225 for an additional bill for mowing services, along with \$1,779 to correct allocations between water and wastewater. We increased the account by \$230 for an unrecorded bill, and removed \$954 related to a rebuilt pump, which was related to wastewater only. We removed \$525 for non-recurring expenses related to tree trimming at the water plant. We removed \$1,800 for services related to the cleaning of a hydro pneumatic tank, which is performed every 5 years, and increased by \$465 for the amortization of non-recurring expenses and the tank cleaning (\$2,325/5 years). Commission Rule 25-30.433(8) states that non-recurring expenses should be amortized over 5 years.
8. For Account 640-Rent, we removed \$5,448. See finding 9 for more information.
9. For Account 655-Insurance Expenses, we increased this account by \$21 for the difference between the actual policy amount and what was included in this account.
10. For Account 675-Miscellaneous, we removed \$16 for overdraft fees.

Table 6-2

Acct. Nos.	Wastewater Acct. Description	Per Utility 12/31/2015	Audit Adjustment	Per Audit 12/31/2015
703	Salaries & Wages - Officers	\$ 654	\$ (654)	\$ -
711	Sludge Removal	2,859	-	2,859
715	Purchased Power	5,158	(348)	4,810
718	Chemicals	1,189	347	1,536
720	Materials & Supplies	68	(68)	-
731	Contractual Services - Professional	63	38	100
735	Contractual Services - Testing	928	(928)	-
736	Contractual Services - Other	8,416	2,538	10,954
740	Rents	2,043	(2,043)	-
755	Insurance Expense	966	21	987
775.1	Bank Service Charge	55	(16)	39
	Total	\$ 22,397	\$ (1,112)	\$ 21,285
Working Capital Adjustment				\$ 2,661

Based on the review of the supporting documentation, the adjustments that follow were made to the wastewater test year expenses.

1. For Account 703-Officer Salaries, we removed \$654 from the salary of the prior owner, Mr. Herbert Hein.

2. For Account 711-Sludge Removal, we increased this account by \$2,859 for pumping out the lift stations in January and June 2015.
3. For Account 715-Purchased Power, we removed a total of \$348. We removed \$828 for non-utility account, and removed \$376 to correct allocation between water and wastewater. We also removed \$28 for late fees, and increased \$884 for unrecorded bills.
4. For Account 718-Chemicals, we increased \$347 to correct the allocation between water and wastewater.
5. For Account 720-Materials and Supplies, we removed \$68 as these purchases were made out of the test year.
6. For Account 731-Contractual Services Professional, we increased the account by \$38. We increased \$100 for DEP report fees to correct allocation between water and wastewater, and decreased \$63 related to a dismissed lawsuit.
7. For Account 735-Contractual Services Testing, we removed \$928 to correct allocation between water and wastewater. The testing services only pertained to water operations.
8. For Account 736-Contractual Services, we increased the account by \$2,538. We removed \$98 for out of test year expenses. We increased \$1,757 to correct allocations between water and wastewater, and increased \$345 for an unrecorded bill related to the operations of the water and wastewater plants for March 2015. We increased the account by \$954 for a rebuilt pump that was only related to wastewater. The amount of the pump was \$1,908. We request that the analyst determine whether the rebuilt pump should be capitalized. We decreased \$525 for non-recurring expenses related to tree trimming at the wastewater plant, and increased \$105 (\$525/5 years) for this year's amortization expense.
9. For Account 740 Rent we removed \$2,043. See finding 9 for more information.
10. For Account 755-Insurance Expenses, we increased the account by \$21 for the difference between the actual policy amount and what was included in this account.
11. For Account 775 Miscellaneous we removed \$16 for overdraft fees.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Water O & M Expense for the twelve months ended December 31, 2015 is \$10,811 and Water Working Capital is \$1,351 (\$10,811/8). Wastewater O & M Expense for the twelve months ended December 31, 2015 is \$21,285, and Wastewater Working Capital is \$2,661 (\$21,285/8).

Finding 7: Allocated Common Operations and Maintenance Expense

Audit Analysis: The Utility's allocated O&M expense amounts were \$9,901 and \$9,567 for water and wastewater, respectively, for the twelve months ended December 31, 2015. We noted that not all the expenses were consistently allocated 50/50 between water and wastewater. Audit staff reviewed all expenses to determine if the transactions were made in the proper period, amount, classification, and whether the expenses were utility related. We also reviewed how the expenses were allocated from FUS1. Finding 8 discusses the applied allocation method. Audit staff determined allocated O&M expenses to be \$9,258 and \$9,281 for water and wastewater, respectively, as shown in Tables 7-1 and 7-2.

Table 7-1

Acct. Nos.	Water Acct. Description	Per Utility 12/31/2015	Audit Adjustment	Per Audit 12/31/2015
601	Salaries & Wages - Employees	\$ 4,246	\$ (150)	\$ 4,096
603	Salaries & Wages - Officers	1,500	-	1,500
604	Employee Pension & Benefits	-	512	512
620	Materials & Supplies	758	(175)	583
631	Contractual Services - Professional	3	(3)	-
636	Contractual Services - Other	404	(385)	19
640	Rent	409	(27)	382
650	Transportation Expense	512	24	536
655	Insurance Expense	705	(705)	-
675	Miscellaneous Expense	1,364	266	1,630
	Total	\$ 9,901	\$ (643)	\$ 9,258
	Working Capital (1/8th of O&M)			\$ 1,157

Based on the review of FUS1's allocation methodology and supporting documentation, the adjustments that follow were made to the water test year expenses.

1. For Account 601 – Salaries & Wages-Employees, we removed \$60 because the January 2015 payroll allocation included a 20 percent mark-up. We increased this account by \$225 for additional salary expense paid to an employee, which had originally been recorded in Accounts 636 – Contractual Services-Other. We also removed \$315 from this account for payroll taxes recorded incorrectly to salaries & wages. This represents a decrease of \$150 (\$225 - \$60 - \$315) to Accounts 601 – Salaries & Wages-Employees.
2. For Account 604– Employee Benefits, we increased this account by \$512. After the review of the policies and payments made for current employees, we noted that the health insurance premiums had not been offset by one employee's reimbursement for his spouse's coverage. We also removed the health insurance premiums of \$705 recorded in Account 655 – Insurance Expense.
3. For Account 620 – Material & Supplies, we removed \$43 and reclassified this amount to Account 650 – Transportation Expense. We also removed \$132 for items that were not related to East Marion's water system. This represents a decrease of \$175 (\$43 + \$132) to Account 620 – Material & Supplies.

4. For Account 631 – Contractual Services-Professional, we removed \$3 of legal expense incurred for a lawsuit related to Four Points Utility Corporation.
5. For Account 636 – Contractual Services-Other, we removed \$225 paid to an employee and reclassified the amount to Account 601 – Salaries & Wages-Employees. We also removed \$160 for items that were not related to East Marion’s water system. This represents a decrease of \$385 (\$225 + \$160) to Account 636 – Contractual Services-Other.
6. For Account 640 – Rent, we removed \$27 to reflect the annualized rent expense for FUS1’s current lease agreement.
7. For Account 650 – Transportation expense, we removed \$33 from this account and reclassified it to Account 750 – Transportation Expense. We removed \$100 because FUS1 had been allocating a truck loan payment to all of the utilities owned or managed by Mr. Smallridge. We increased transportation expense by \$114, which reflects the allocated portion of the vehicle insurance on the two trucks owned by FUS1. We also increased this account by \$43 for transportation expense that was recorded in Account 620 – Material and Supplies. The net effect of these adjustments is an increase of \$24 (-\$33 - \$100 + \$114 + \$43) to Account 650 – Transportation Expense.
8. For Account 675 – Miscellaneous Expenses, we removed \$70 from this account and reclassified it to Account 775 – Miscellaneous Expense. We increased this account by \$338 for office expenses relating only to East Marion’s water system. The net effect of these adjustments is an increase of \$266 (-\$70 + \$338) to Account 675 – Miscellaneous Expenses.

Table 7-2

Wastewater	Per Utility	Audit	Per Audit
Acct. Nos. Acct. Description	12/31/2015	Adjustment	12/31/2015
701 Salaries & Wages - Employees	\$ 4,246	\$ (150)	\$ 4,096
703 Salaries & Wages - Officers	1,500	-	1,500
704 Employee Pension & Benefits	-	512	512
720 Materials & Supplies	740	(134)	606
731 Contractual Services - Professional	3	(3)	-
736 Contractual Services - Other	385	(366)	19
740 Rent	352	30	382
750 Transportation Expense	446	90	536
755 Insurance Expense	673	(673)	-
775 Miscellaneous Expense	1,222	408	1,630
Total	\$ 9,567	\$ (286)	\$ 9,281

Working Capital (1/8th of O&M) \$ 1,160

Based on the review of FUS1’s allocation methodology and supporting documentation, the adjustments that follow were made to the wastewater test year expenses.

1. For Account 701 – Salaries & Wages-Employees, we removed \$60 because the January 2015 payroll allocation included a 20 percent mark-up. We increased this account by \$225 for additional salary expense paid to an employee, which had originally been

recorded in Accounts 736 – Contractual Services-Other. We also removed \$315 from this account for payroll taxes recorded incorrectly to salaries & wages. This represents a decrease of \$150 ($\$225 - \$60 - \315) to Account 701 – Salaries & Wages-Employees.

2. For Account 704 – Employee Benefits, we determined that this account should be increased by \$512. After the review of the policies and payments made for current employees, we noted that the health insurance premiums had not been offset by one employee’s reimbursement for his spouse’s coverage. We also removed the health insurance premiums of \$673 recorded in Account 755 – Insurance Expense.
3. For Account 720 – Material & Supplies, we removed \$43 and reclassified this amount to Account 750 – Transportation Expense. We also removed \$91 for items that were not related to East Marion’s wastewater system. This represents a decrease of \$134 ($\$43 + \91) to Account 720 – Material & Supplies.
4. For Account 731 – Contractual Services-Professional, we removed \$3 of legal expense incurred for a lawsuit related to Four Points Utility Corporation.
5. For Account 736 – Contractual Services-Other, we removed \$225 paid to an employee and reclassified this amount to Account 701 – Salaries & Wages-Employees. We also removed \$141 for items that were not related to East Marion’s wastewater system. This represents a decrease of \$366 ($\$225 + \141) to Account 736 – Contractual Services-Other.
6. For Account 740 – Rent, we increased the account by \$30 to reflect the annualized rent expense for FUS1’s current lease agreement.
7. For Account 750 – Transportation Expense, we increased this account by \$33, which was reclassified from Account 650 – Transportation Expense. We removed \$100 because FUS1 had been allocating a truck loan payment to all of the utilities owned or managed by Mr. Smallridge. We increased transportation expense by \$114, which reflects the allocated portion of the vehicle insurance on the two trucks owned by FUS1. We also increased this account by \$43 for transportation expense that was recorded in Account 720 – Material and Supplies. The net effect of these adjustments is an increase of \$90 ($\$33 - \$100 + \$114 + \43) to Account 750 – Transportation Expense.
8. For Account 775 – Miscellaneous Expenses, we increased this account \$70, which was reclassified from Account 675 – Miscellaneous Expense. We increased this account by \$338 for office expenses relating only to East Marion’s wastewater system. The net effect of these adjustments is an increase of \$408 ($\$70 + \338) to Account 775 – Miscellaneous Expenses.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined that allocated O&M expense for water to be \$9,258, and water working capital to be \$1,157 for the test year ended December 31, 2015.

Audit staff determined that allocated O&M expense for wastewater to be \$9,281, and wastewater working capital to be \$1,160 for the test year ended December 31, 2015.

Finding 8: Allocation Methodology

Audit Analysis: During the review of FUS1's allocation schedules, audit staff noted that there were inconsistencies in the allocation method applied from month to month. We obtained the customer counts for each of the utilities that are owned or managed by Mr. Smallridge as of December 31, 2015. We compiled the allocation percentages used by the Utility in Table 8-1.

Table 8-1

Utility	Salary allocations -12/31/2015		Rent allocations - 12/31/2015	
	Number of Customers	All Employees	Number of Customers	Allocated Expenses
Holiday Gardens	446	20%	446	20%
Crestridge	597	26%	597	26%
West Lakeland	307	14%	307	14%
Pinecrest Utilities	128	6%	128	6%
Lake Forest Utilities	61	3%	61	3%
Charlie Creek Utilities	152	7%	152	7%
East Marion Utilites	103	5%	103	5%
Four Points Utilities	276	12%	276	12%
Bimini Bay Utilities	197	9%	197	9%
	2267	100%	2267	100%

Audit staff reviewed all of the transactions that were ultimately allocated to all nine utilities. Based on supporting documentation and using the five percent for East Marion, we made adjustments to allocated expenses as reported in Finding 7.

We also performed an analysis to determine whether using Equivalent Residential Connections (ERCs) as an allocation methodology would be more useful as more systems are acquired. As Mr. Smallridge purchases more systems, we believe that the use of ERCs as the primary factor in allocating costs would be spread more equitably across the Utilities.

However, audit staff used the customer counts in this proceeding.

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

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

Finding 9: Land Lease

Audit Analysis: Commission Order PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket 010869-WS, which was the last rate proceeding that set rates, states that the maximum lease amount should be the annual rate of return, based on the utility's current capital structure times the original cost of the land when placed in service. According to the Marion County Appraiser, the original cost of the land per acre when the utility was constructed was \$1,600. The approved rate at the time of the Order was 10%. Because the utility did not own the land or a capital lease, the land costs was removed from rate base. For rate setting purposes the utility was allowed an annual rent amount of \$405 ($\$1,600 \times 2.53 \text{ acres} \times 10\%$) for Water and \$582 ($\$1,600 \times 3.64 \text{ acres} \times 10\%$) for Wastewater.

The Utility has a lease agreement dated February 3, 2003. This lease agreement was transferred with the sale to East Marion Utilities, LLC, on January 9, 2015. The lease allocated 42% to Water and 58% to Wastewater.

The Utility included in its 2015 General Ledger land lease payments totaling \$7,491, \$5,448 for Water and \$2,043 for Wastewater calculated according to the lease agreement. For February through July, the Utility split a payment of \$681 equally between Water and Wastewater. The entire monthly amount of \$681 was recorded in Water for the months of August through December. No amount was recorded in Wastewater for these months. The \$681 represents the \$600 initial payment adjusted for the Consumer Price Index which is required by the lease to be made every two years since inception of the lease in 2003. The calculation adjustment for the Consumer Price Index was not provided by the Utility.

Lease payments were not booked in January of 2015. Therefore, to annualize the lease payments to account for a 12th bill, we determined the annual amount to be \$8,172 ($\$7,491 + \681) that should be allocated between Water and Wastewater.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: We request the analyst to determine the amount appropriate for recovery. See Finding 6 for the adjustment to Account 640 and 740.

Finding 10: Taxes Other than Income

Audit Analysis: The Utility has not recorded payments for the Regulatory Assessment Fees (RAF) or the Tangible Property Taxes that it incurred for the year ended December 31, 2015.

The RAF for water and wastewater was calculated based on the audited revenues in Finding 5. The search for the property taxes from the Marion County Property Appraisal indicated that the Tangible Property Taxes for year ended 2015 is \$1,568, which is allocated 50% to water and wastewater. We noted that the taxes had not been paid by the Utility. Table 10-1 shows the audit adjustments for TOTI.

Table 10-1

Taxes Other Than Income

		For the 12-Months Ended 12/31/2015		
NARUC	Water System	Per Utility	Adjustments	Per Audit
408.30	Tangible Property Tax	\$0	\$784	\$784
408.50	Regulatory Assessment Fees (RAF)	\$0	\$1,090	\$1,090
	Total	\$0	\$1,874	\$1,874

		For the 12-Months Ended 12/31/2014		
NARUC	Wastewater System	Per Utility	Adjustments	Per Audit
408.30	Tangible Property Tax	\$0	\$784	\$784
408.50	Regulatory Assessment Fees (RAF)	\$0	\$1,601	\$1,601
	Total	\$0	\$2,385	\$2,385

For water and wastewater payroll taxes, we reclassified \$315 from Accounts 601 and 701 – Salaries & Wages-Employees. We also increased payroll taxes by \$132 relating to Mr. Smallridge’s salary and to the one employee’s additional salary. We determined that allocated payroll taxes to be \$447 (\$315 + \$132) for water and wastewater as shown in Table 10-2.

Table 10-2

Water		Per Utility	Audit	Per Audit
Acct. Nos.	Acct. Description	12/31/2015	Adjustment	12/31/2015
408.6	Payroll Taxes	\$ -	\$ 447	\$ 447

Wastewater		Per Utility	Audit	Per Audit
Acct. Nos.	Acct. Description	12/31/2015	Adjustment	12/31/2015
408.6	Payroll Taxes	\$ -	\$ 447	\$ 447

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Water and wastewater TOTI Expenses are \$2,321 (\$1,874 + \$447) and \$2,832 (\$2,385 + \$447), respectively, for the test year.

Exhibits

Exhibit 1: Water Rate Base

**East Marion Utilities, LLC
Docket No.150257-WS
As of December 31, 2015**

Description	Per Utility	Adjustments	Per Audit	Test Year Average
Plant in Service (Direct)	\$142,734	\$0	\$142,734	\$142,535
Plant in Service (Allocated)	\$0	\$495	\$495	\$473
Land and Land Rights	\$0	\$0	\$0	\$0
Accumulated Depreciation (Direct)	(\$99,112)	\$26	(\$99,086)	(\$96,791)
Accumulated Depreciation (Allocated)	\$0	\$18	\$18	\$11
Contribution in Aid of Construction (CIAC)	(\$39,700)	\$0	(\$39,700)	(\$39,700)
Amortization of CIAC	\$18,101	(\$286)	\$17,815	\$17,176
Working Capital Allowance (Direct)	\$0	\$1,351	\$1,351	\$1,351
Working Capital Allowance (Allocated)	\$0	\$1,157	\$1,157	\$1,157
Water Rate Base	\$22,023	\$2,761	\$24,784	\$26,212

Exhibit 2: Wastewater Rate Base

East Marion Utilities, LLC
Docket No.150257-WS
As of December 31, 2015

Description	Per Utility	Adjustments	Per Audit	Test Year Average
Plant in Service (Direct)	\$482,102	\$0	\$482,102	\$482,102
Plant in Service (Allocated)	\$0	\$495	\$495	\$473
Land and Land Rights	\$0	\$0	\$0	\$0
Accumulated Depreciation (Direct)	(\$390,285)	\$11,787	(\$378,498)	(\$374,405)
Accumulated Depreciation (Allocated)	\$0	\$18	\$18	\$11
Contribution in Aid of Construction (CIAC)	(\$77,600)	\$0	(\$77,600)	(\$77,600)
Amortization of CIAC	\$29,279	(\$421)	\$28,858	\$28,199
Working Capital Allowance (Direct)	\$0	\$2,661	\$2,661	\$2,661
Working Capital Allowance (Allocated)	\$0	\$1,160	\$1,160	\$1,160
Wastewater Rate Base	\$43,496	\$15,700	\$59,196	\$62,601

Exhibit 3: Capital Structure

East Marion Utilities, LLC
Docket No.150257-WS
As of December 31, 2015

Capital Component	As of 12/31/2015			Average		Cost	Weighted
	Per Utility	Adjustments	Per Audit	Per Audit	Ratio	Rate	Average
							Cost
Common Equity	(\$172,102)	\$0	\$0	\$0	0.00%	11.16%	0.000%
Long Term Debt	(\$6,675)	\$97,000	\$90,325	\$93,663	96.03%	6.00%	5.762%
Short Term Debt	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Accumulated Deferred Income Tax	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Investment Tax Credits	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Customer Deposits	\$3,493	\$132	\$3,625	\$3,868	3.97%	2.00%	0.079%
Total	(\$175,284)	\$97,132	\$93,950	\$97,531	100.00%		5.84%

Common Equity cost rate is from Order No. PSC-15-0259-PAA-WS. P. 3

Exhibit 4: Water Net Operating Income

East Marion Utilities, LLC
Docket No.150257-WS
As of December 31, 2015

Description	Per Utility Adjustments		Per Audit
Operating Revenues	\$23,718	\$495	\$24,213
Operating Expenses			
Operation & Maintenance Expense (Direct)	\$21,446	(\$10,635)	\$10,811
Operation & Maintenance Expense (Allocated)	\$9,901	(\$643)	\$9,258
Depreciation Expense (Direct)	\$4,616	(\$26)	\$4,590
Depreciation Expense (Allocated))	\$0	\$77	\$77
Amortization Expense (Direct)	(\$1,564)	\$286	(\$1,278)
Taxes Other Than Income (Direct)	\$0	\$1,874	\$1,874
Taxes Other Than Income (Allocated)	\$0	\$447	\$447
Income Taxes	\$0	\$0	\$0
Total Operating Expenses	\$34,399	(\$8,620)	\$25,779
Water Net Operating Income	(\$10,681)	\$9,115	(\$1,566)

Exhibit 5: Wastewater Net Operating Income

East Marion Utilities, LLC
Docket No.150257-WS
As of December 31, 2015

Description	Per Utility	Adjustments	Per Audit
Operating Revenues	\$34,144	\$1,428	\$35,572
Operating Expenses			
Operation & Maintenance Expense (Direct)	\$22,397	(\$1,112)	\$21,285
Operation & Maintenance Expense (Allocated)	\$9,567	(\$286)	\$9,281
Depreciation Expense (Direct)	\$19,975	(\$11,787)	\$8,188
Depreciation Expense (Allocated))	\$0	\$77	\$77
Amortization Expense (Direct)	(\$3,057)	\$1,739	(\$1,318)
Taxes Other Than Income (Direct)	\$0	\$2,385	\$2,385
Taxes Other Than Income (Allocated)	\$0	\$447	\$447
Income Taxes	\$0	\$0	\$0
Total Operating Expenses	\$48,882	(\$8,537)	\$40,345
Wastewater Net Operating Income	(\$14,738)	\$9,965	(\$4,773)