

State of Florida



Public Service Commission

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

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**DATE:** March 19, 2001  
**TO:** Division of Economic Regulation (C. Walker)  
**FROM:** Division of Regulatory Oversight (Denise N. Vandiver) *DN*  
**RE:** Docket No. 001682-WU; Consolidated Water Works, Inc.; Staff-Assisted Rate Case; Audit Control No. 00-341-1-1

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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 the response to the Division of Records and Reporting. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, File Folder, District Offices)  
Division of Records and Reporting  
Division of Legal Services

Mr. Jack Espenship  
Consolidated Water Works, Inc.  
P.O. Box 191  
Lake City, FL 32056-0191

DOCUMENT NUMBER - DATE

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FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT  
BUREAU OF AUDITING SERVICES*


*Tallahassee District Office*

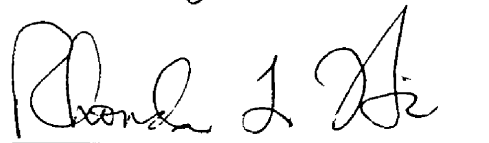
CONSOLIDATED WATER WORKS, INC.

STAFF-ASSISTED RATE CASE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2000

DOCKET NO. 001682-WU  
AUDIT CONTROL NO. 00-341-1-1

  
Chrissy Vendetti, Audit Manager

  
Rhonda Hicks, Audit Supervisor

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**DIVISION OF REGULATORY OVERSIGHT  
AUDITOR'S REPORT**

**February 9, 2001**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to prepare the accompanying schedules of Rate Base, Net Operating Income, and Capital Structure for the historical 12-month period ended December 31, 2000, for Consolidated Water Works, Inc. The attached schedules were prepared by the auditor as part of the utility's petition for a staff-assisted rate case in Docket No. 001682-WU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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 auditing standards and produce audited financial statements for public use.

## SUMMARY OF SIGNIFICANT FINDINGS

The utility does not use NARUC accounts. The utility does not follow accrual basis accounting. The utility owes \$4,934.80 in outstanding RAF and \$1,335.00 in outstanding annual report penalties. There is no tariff on file with the Commission establishing rates for 242 Village.

## SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Scanned** - The documents or accounts were read quickly looking for obvious errors.

**Verified** - The item was tested for accuracy, and substantiating documentation was examined.

**Assembled** - Presented in Commission-required format financial information that was provided to audit staff and is the representation of utility management.

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*15 series* **RATE BASE:** Assembled schedules for Utility-Plant-in-Service (UPIS), Accumulated Depreciation Contributions-in-Aid-of-Construction (CIAC), and Amortization of CIAC. Reconciled rate base account balances to audit findings. Calculated working capital using one-eighth of the utility's operation and maintenance expenses.

*40 series* **NET OPERATING INCOME:** Scanned and verified utility-provided documents used to assemble account balances for operating revenues, operations and maintenance expenses, and taxes other than income for the year ended December 31, 2000. Recomputed utility billing records to verify the existing rates charged by the utility. Recalculated test year depreciation and CIAC amortization expense.

*31 series* **CAPITAL STRUCTURE:** Scanned and verified utility-provided documents used to support components of capital structure as of December 31, 2000.

## EXCEPTIONS

### Exception No. 1

**Subject:** Uniform System of Accounts for Water

**Statement of Fact:** Consolidated Water Works, Inc. provides water services to 230 residential customers, all within the mobile home communities of Shady Oaks, Azalea Park, and 242 Village, located in Columbia County.

Rule 25-30.115, F.A.C. (1) states, "Water and Wastewater utilities shall, effective January 1, 1998, maintain its accounts and records in conformity with the 1996 NARUC Uniform System of Accounts (USoA) adopted by the National Association of Regulatory Utility Commissioners." The utility does not use the NARUC USoA for any of its accounts.

NARUC, Class C, Accounting Instruction 2. B. states, "All books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries." The utility does not maintain its books according to these NARUC Accounting Instructions.

**Recommendation:** Utility records consist of several check registers and three billing registers which are used for all transactions involving Consolidated Water Works, Inc.

The utility was not able to provide sufficient historical records and supporting source documentation for audit staff to recognize any additions or retirements to UPIS relating to Shady Oak and Azalea Park for the period 08/31/84 - 12/31/99. The audit staff was able to determine additions for the 12-month period ended 12/31/00. An original cost study was done for 242 Village.

The utility should maintain its accounts and records in conformity with NARUC USoA and Commission rules cited above. One year after this docket is closed, the Commission staff should initiate an investigation of the utility's books and records to assess the utility's compliance with the Commission's rules.

## Exception No. 2

**Subject:**        **Accrual Accounting**

**Statement of Fact:**    Cash basis accounting recognizes revenues in the period in which the cash is collected, and it recognizes expenses in the period in which the costs are actually paid. Accrual basis accounting recognizes revenue in the period in which the service is provided, and it recognizes expenses in the period in which the expense is incurred. Accounting Instruction No. 2. - *General - Records*, of the NARUC USoA for Class C water utilities, requires accrual accounting. It states, “The books of accounts of all water utilities shall be kept by the double entry method, on an accrual basis.”

Consolidated Water Works, Inc. utilizes the cash basis of accounting. That is, revenues are recognized when they are received, and expenses are recognized when they are paid.

**Recommendation:**    The utility should use the accrual basis of accounting as required by the NARUC USoA.

**Exception No. 3**

**Subject: Regulatory Assessment Fees**

**Statement of Fact:** Rule 25-30.120, F.A.C. (1) states, "...each utility shall remit a fee based upon its gross operating revenue. This fee shall be referred to as a regulatory assessment fee. Each utility shall pay a regulatory assessment fee in the amount of 0.045 of its gross revenues derived from intrastate business."

Consolidated Water Works, Inc. owes Regulatory Assessment Fees (RAF) based on the following:

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series

<b>1998</b>		<b>1999</b>	
Revenues	\$50,774.85	Revenues	\$38,572.09
RAF factor	<u>0.045</u>	RAF factor	<u>0.045</u>
RAF	\$2,284.87	RAF	\$1,735.74
Amount Paid	(\$150.00)	Amount Paid	0
Penalties and Interest	<u>\$448.32</u>	Penalties and Interest	<u>\$624.87</u>
<b>RAF Due</b>	<b>\$2,583.19</b>	<b>RAF Due</b>	<b>\$2,360.61</b>

Consolidated owes total RAF of \$4,934.80 from 1998 and 1999 revenues.

**Recommendation:** The utility should pay RAF due from 1998 and 1999.



**Exception No. 4**

**Subject: Annual Report Penalties**

**Statement of Fact:** Rule 25-30.110, F.A.C. (7)(a) states, "Any utility that fails to file its annual report or extension on or before March 31, or within the time specified by any extension approved in writing by the Division of Water and Wastewater, shall be subject to a penalty. The penalty shall be based on the number of calendar days elapsed from March 31, or from an approved extended filing date, until the date of filing."

Consolidated Water Works, Inc. filed its 1998 Annual Report on May 31, 2000. They did not request an extension of time. Based on a due date of March 31, 1999, the report was 425 days late. In addition, its 1999 Annual Report was filed on May 31, 2000. A request for an extension to file its 1999 report was filed on April 20, 2000. Based on its filing date of May 31, 2000, the Annual Report request for an extension of time was 20 days late.

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**Recommendation:** Consolidated Water Works, Inc. owes 1998 and 1999 Annual Report Penalties based on the following:

Year of AR Penalty	Date AR Filed	No. Of Days AR Late	Number of Days Late to Request an Extension to File 1999 AR	Amount Charged Per Day	Amount Owed
1999	05/31/00		20 Days	\$3.00	\$60.00
1998	05/31/00	425		\$3.00	\$1,275.00
<b>TOTAL</b>					<b>\$1,335.00</b>

Based on the above, the utility should pay Annual Report Penalties of \$1,335.00 for 1998 and 1999 filings.

**Exception No. 5**

**Subject: Tariff - 242 Village**

**Statement of Fact:** Consolidated Water Works, Inc. purchased 242 Village in May of 1995. This system was not part of Consolidated Water Work's original territory. Rule 25-9.044, F.A.C. (1) states, "In cases of change of ownership or control of a utility which places the operation under a different or new utility... the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission)." Consolidated did not request to change the rates for 242 Village.

The rates for 242 Village are:

Per Month Charge (includes 8,000 gallons)	\$17.79
Consumption Charge per 1,000 gallons in excess of 8,000 gallons	\$ 2.00

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Florida Public Service Commission Order No. PSC-94-1357-FOF-WU ordered the utility to submit revised tariff sheets to reflect the above rates for 242 Village. The utility did not file a revised tariff as ordered. Rule 25-30.135, F.A.C. (1) states, "Each utility shall adopt and file tariffs in accordance with Chapter 25-9, Florida Administrative Code."

**Recommendation:** The utility should file revised tariffs to establish rates for the purchase of 242 Village.

**Exception No. 6**

**Subject: System Maps and Records**

**Statement of Fact:** Rule 25-30.125, F.A.C. states, “Each utility shall maintain on file at its principal office located within the State suitable maps, drawings and/or records of its system and facilities to show size, location, character, date of installation and installed cost of major items of plant and extension of facilities.”

The utility serves customers at three separate locations, Shady Oaks, Azalea Park, and 242 Village. The utility only maintains maps and drawings for 242 Village.

**Recommendation:** The utility should maintain maps, drawings, and/or records for Shady Oaks and Azalea Park.

**Exception No. 7**

**Subject: Customer Deposits**

**Statement of Fact:** The utility had the following number of customers at December 31, 2000: Azalea Park - 88, Shady Oaks - 102, and 242 Village - 40. Although Consolidated Water Works has 230 customers, the utility has maintained records of only three customer deposits for the test year. Customer deposits are deposited into the only bank account held by the utility. Customers receive their deposit upon disconnection of service without interest.

The utility's Commission approved tariff states, "The Company shall pay interest on customer deposits pursuant to Rule 25-30.311, F.A.C. (4) and (4a). The rate of interest is 8% per annum." In addition, Rule 25-30.311, F.A.C. (5) states, "After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility shall refund the residential customer's deposits... providing the customer has not, in the preceding 12 months, (a) made more than one late payment of a bill... (b) paid with check refused by a bank (c) been disconnected for nonpayment, or at anytime, (d) tampered with the meter (e) used service in a fraudulent or unauthorized manner."

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The following table reflects the Commission approved rates for customer deposits:

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Sub-Division	Tariff Rate
Azalea Park	\$22.50
Shady Oaks	\$22.50
242 Village	\$17.79

**Recommendation:** Historically, the utility has not maintained a record of customer deposits. The utility's manager asserts that customer deposits are collected at the time of connection and refunded when the customer disconnects service. As a result, the audit staff has imputed customer deposits. Customer deposits for Azalea Park and Shady Oaks have been calculated using the tariff rate of \$22.50 and total customers at December 31, 2000. Customer deposits for 242 Village have been calculated using the tariff rate of \$17.79 and the difference in the number of customers at the time of the 1995 purchase (30) and the number of customers at December 31, 2000 (40). This reflects 10 new customers for 242 Village.

The following table reflects the calculation of customer deposits:

<b>Sub-Division</b>	<b>Customers</b>	<b>Tariff Rate</b>	<b>Total</b>
Azalea Park	88	\$22.50	\$1,980.00
Shady Oaks	102	\$22.50	\$2,295.00
242 Village	10	\$17.79	\$177.90
			<b>\$4,452.90</b>

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The utility should maintain records to reflect total customer deposits of \$4,452.90. Any customer who meets the criteria stated in the above referenced Rule shall have their deposit refunded to include interest, calculated at 8% per annum. In addition, for any new customers, the Commission should require the utility to keep records as stated in Rule 25-30.311, F.A.C. (3) which states, "Each utility having on hand deposits from customers shall keep records to show: (a) the name of each customer making the deposit (b) the premises occupied by the customer when the deposit was made (c) the date and amount of deposit, and (d) a record of each transaction concerning such deposit."

## **DISCLOSURES**

### **Disclosure No. 1**

**Subject:**      **Pro-Forma Expenses**

**Statement of Fact:**    The utility has indicated to the audit staff its desire to purchase general liability and property insurance coverage. At this time the utility does not have any insurance. The utility received an estimate from a local insurance company which estimated \$3,873.78 per year for this type of coverage.

60 The utility has indicated its desire to purchase computer software that would enable it to establish a formal accounting system. The utility estimates this expense to cost a flat fee of \$200.00.

**Recommendation:**    Disclosure for information purposes only.

**Disclosure No. 2**

**Subject: Utility Plant In Service**

**Statement of Fact:** According to the application filed by the utility for a Staff-Assisted Rate Case, the utility has reported \$42,788.95 as the cost of plant in service. The utility's last rate case (Order No. 15124) established total plant in service at \$53,673.00. However, this amount was not separated into individual plant accounts. The utility maintained no records of plant, except for those noted in the test year.

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**Recommendation:** The audit staff has determined test year UPIS using a beginning balance of \$53,673.00, as prescribed by the last rate case (Order No. 15124). This amount represents plant for Shady Oaks and Azalea Park. Additions to the beginning UPIS balance were determined based on test year plant records and then allocated to the appropriate NARUC account. In addition, an original cost study was done for 242 Village. The balances determined by the engineer were added to the additions noted below.

This is an increase of \$73,241.49 over the utility's balance of \$42,788.95.

The utility should maintain books and records to reflect the following plant balances:

NARUC	Account	Balance
101 {1}	UPIS	\$53,673.00
303	Land and Land Rights	\$892.00
304	Structures and Improvements	\$463.01
307	Wells & Springs	\$4,616.96
309	Supply Mains	\$90.98
311	Pumping Equipment	\$4,471.73
320	Water Treatment Equipment	\$303.16
330	Distributions & Reservoirs & Standpipes	\$8,659.85
331	Transmission and Distribution Mains	\$29,645.03
333	Services	\$7,608.22
334	Meters and Meter Installations	\$5,606.50
101	<b>TOTAL UPIS</b>	<b>\$116,030.44</b>

{1} Prior Rate Case Order 15124 (This amount was not separated into individual plant accounts.)

**Disclosure No. 3**

**Subject: Depreciation Expense and Accumulated Depreciation**

**Statement of Fact:** The utility's SARC application reflects a zero balance for Depreciation Expense and Accumulated Depreciation.

**Recommendation:**

**Shady Oaks and Azalea Park:** For its depreciation beginning balances and rates, the audit staff used the plant balance of \$53,673, the Accumulated Depreciation balance of \$44,746, and depreciation rates as reflected in Order No. 15124. Plant was fully depreciated at 12/31/90. For the additions noted in Disclosure 2, the audit staff used depreciation rates prescribed by Rule 25-30.140, F.A.C. to calculate test year Depreciation Expense.

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**242 Village:** The utility's SARC application reflects a zero balance for Depreciation Expense and Accumulated Depreciation. An original cost study was done for the 1995 purchase of 242 Village. The audit staff used the plant balance of \$55,886.27, which was determined by the engineer. The audit staff used depreciation rates prescribed by Rule 25-30.140, F.A.C. to calculate Accumulated Depreciation and test year Depreciation Expense.

The utility should adjust its books and records to reflect the following account balances:

**SHADY OAKS AND AZALEA PARK**

Date	NARUC	Account	Balance
12/31/90	108	Accumulated Depreciation	\$53,673.00
12/31/00	403	Depreciation Expense	\$117.02
12/31/00	108	Accumulated Depreciation	\$53,790.02

**242 VILLAGE**

Date	NARUC	Account	Balance
12/31/00	403	Depreciation Expense	\$1,827.19
12/31/00	108	Accumulated Depreciation	\$23,753.43

Total adjustment for Depreciation Expense is \$1,944.21 (117.02 + 1,827.19). This is an increase of \$1,944.21 over the utility's balance of zero.

Total adjustment for Accumulated Depreciation is \$77,543.45 (53,790.02 + 23,753.43). This is an increase of \$77,543.45 over the utility's balance of zero.



**Disclosure No. 4**

**Subject: Working Capital**

**Statement of Fact:** The utility's SARC application reflects zero working capital. Rule 25-30.433, F.A.C. (2) states that working capital for Class C utilities shall be calculated using the formula method (one-eighth of operation and maintenance expenses.)

**Recommendation:** As noted in Disclosure 9, test year O & M expense is \$35,231.78. Utilizing one-eighth of Operation and Maintenance (O & M) expense, the audit staff has determined working capital allowance of \$4,403.97.

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<b>NARUC</b>	<b>Account</b>	<b>Balance</b>
218	Working Capital	\$4,403.97

**Disclosure No. 5**

**Subject: Long Term Debt**

**Statement of Fact:** On December 31, 1994, the utility acquired a loan from Columbia County Bank in the amount of \$79,927.88. The terms of this loan state the loan is to be repaid over 146 payments of \$851.45, at an interest rate of 7.980%, and ending on January 31, 2007. As of December 18, 2000, the principal balance of this loan is \$67,006.69. The audit staff was unable to obtain any documentation as to what this loan was for. The utility's manager asserts this loan was a utility related loan. However, no supporting documents were provided to the audit staff. This loan has been used in the capital structure calculations. However, we cannot provide any documentation as to whether this loan was for utility related purposes.

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series

**Recommendation:** This disclosure is for information purposes only.

**Disclosure No. 6**

**Subject: Contributions in Aid of Construction (CIAC)**

**Statement of Fact:** The utility maintains no records of CIAC. According to the application filed by the utility for a Staff-Assisted Rate Case, the utility has reported \$32,184.11 as CIAC. The utility's last rate proceeding, which was held in 1984, and culminated in Order No. 15124, established a CIAC balance of \$36,150. The customer connection charge as reflected on the tariff is \$75.00.

**Recommendation:** The audit staff imputed test year CIAC because of the lack of records. Our calculation begins with the CIAC balance (\$36,150.00) which was approved in the utility's last rate proceeding. Additional CIAC was determined based on the number of new customers added since 1984 for Shady Oaks and Azalea Park and the number of new customers added since 1995 for 242 Village.

The audit staff has imputed test year CIAC to be \$39,225.00. This is an increase of \$7,040.89 over the utility's balance of \$32,184.11. CIAC for Azalea Park and Shady Oaks has been calculated using the tariff rate of \$75.00 and the difference in the number of customers at the prior rate case (159) and the number of customers at December 31, 2000 (190). CIAC for 242 Village has been calculated using the tariff rate of \$75.00 and the difference in the number of customers at the time of the 1995 purchase (30) and the number of customers at December 31, 2000 (40). This reflects 10 new customers for 242 Village.

The following table shows how additional CIAC was determined:

Sub-Division	No. of New Customers	Tariff Rate	Total
Azalea Park	16	\$75.00	\$1,200.00
Shady Oaks	15	\$75.00	\$1,125.00
242 Village	10	\$75.00	\$750.00
			<b>\$3,075.00</b>

The utility should maintains its books and records to reflect the following account balance:

Date	NARUC	Account	Balance
08/31/84	271	Contributions in Aid of Construction	\$36,150.00
12/31/00	271	Additions to CIAC	\$3,075.00
<b>12/31/00</b>	<b>271</b>	<b>Contributions in Aid of Construction</b>	<b>\$39,225.00</b>

**Disclosure No. 7**

**Subject: Amortization Expense and Accumulated Amortization of Contributions in Aid of Construction (CIAC)**

**Statement of Fact:** The utility maintains no records of Amortization Expense and Accumulated Amortization of CIAC. According to the application filed by the utility for a Staff-Assisted Rate Case, the utility has reported zero for these accounts. The utility's last rate proceeding, which was held in 1984, and culminated in Order No. 15124, established a balance in Accumulated Amortization of CIAC in the amount of \$30,124.

**Recommendation:**

**Shady Oaks and Azalea Park:** For its amortization beginning balances and rates, the audit staff used the Accumulated Amortization balance of \$30,124 and rates as reflected in Order No. 15124. For the test year additions to CIAC noted in Disclosure 6, the audit staff used a composite rate of 3.10%. This was calculated based on test year Depreciation Expense of \$1,663.86 divided by test year UPIS of \$53,673.00.

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**242 Village:** For the test year additions to CIAC noted in Disclosure 6, the audit staff used a composite rate of 3.27%. This was calculated based on 1988 Depreciation Expense of \$1,827.19 divided by 12/31/88 UPIS of \$55,886.27.

Total adjustment for Amortization Expense is \$1,146.00 (1,121.00 + 25.00). This is an increase of \$1,146.00 over the utility's balance of zero.

Total adjustment for Accumulated Amortization of CIAC is \$37,296.00 (37,271.00 + 25.00). This is an increase of \$37,296.00 over the utility's balance of zero.

**SHADY OAKS AND AZALEA PARK**

Date	NARUC	Account	Balance
12/31/99	272	Accumulated Amortization of CIAC	\$36,150.00
12/31/00	403	Amortization Expense	\$1,121.00
12/31/00	272	Accumulated Amortization of CIAC	\$37,271.00

**242 VILLAGE**

Date	NARUC	Account	Balance
12/31/00	403	Amortization Expense	\$25.00
12/31/00	272	Accumulated Amortization of CIAC	\$25.00

**Disclosure No. 8**

**Subject: Operating Revenues**

**Statement of Fact:** According to the application filed by the utility for a Staff-Assisted Rate Case, the utility has reported \$32,184.11 as operating revenues for the test year. The utility maintains a detail record of gallons sold for each sub-division on a monthly basis.

**Recommendation:** The audit staff has determined test year revenues to be \$42,344.52. We obtained detailed billing records from the company. These records included customer name, gallons sold, and amount billed. Revenues for the test year were recalculated based on these records. However, Shady Oak records have only been maintained since April 2000. Revenues for the nine month period for Shady Oaks were \$13,505.42. Revenues for the 10 month period for Azalea Park were \$11,758.16 and \$8,522.92 for 242 Village. We annualized the data because of incomplete records. The following information reflects annualized revenues for the test year:

11 series

*Shady Oaks* - \$18,007.23  
*Azalea Park* - \$14,109.79  
*242 Village* - \$10,227.50

The following schedule shows the difference in the recalculated revenues and the annualized revenues:

	<b>Recalculated</b>	<b>Annualized</b>	<b>Difference</b>
<i>Shady Oaks</i>	\$13,505.42	\$18,007.23	\$4,501.81
<i>Azalea Park</i>	\$11,758.16	\$14,109.79	\$2,351.63
<i>242 Village</i>	\$8,522.92	\$10,227.50	\$1,704.58
	<b>\$33,786.50</b>	<b>\$42,344.52</b>	<b>\$8,558.02</b>

This is an increase of \$10,160.41 over the utility's balance of \$32,184.11. The audit staff believes the difference between the utility's reported revenues (\$32,184.11) and the audit staff's recalculated revenues (\$33,786.50) of \$1,602.39 is a result of timing differences due to the utility's use of the cash basis of accounting.

**Disclosure No. 9**

**Subject: Operating Expenses**

**Statement of Fact:** According to the application filed by the utility for a Staff-Assisted Rate Case, the utility has reported \$40,991.99 as operating expenses for the test year. This amount included the following amounts:

Salaries & Wages-Employee	\$ 9,326.70
Purchased Power	\$ 2,910.86
Chemicals	\$ 4,975.38
Materials & Supplies	\$ 5,286.10
Contractual Services	\$ 1,400.00
<u>Miscellaneous Expense</u>	<u>\$17,092.95</u>
	<b>\$40,991.99</b>

The utility maintains a record of expenses.

**Recommendation:** The utility's record of expenses, invoices, and canceled checks were used to recalculate test year expenses. The audit staff has determined test year operating expenses to be \$35,231.78. The audit staff believes the difference of \$15,619.89 in Miscellaneous Expense is due to the company attributing most of its expenses to this account. The audit staff has allocated many of these expenses to specific expense accounts as noted below. The utility has recorded \$4,975.38 as Chemicals Expense, however the audit staff was unable to attribute any of the expenses directly to Chemicals. Therefore, chemical expenses were allocated to Contractual Services accounts. The following schedule shows the differences in the recalculated revenues and the annualized revenues:

*13 series*

	Per Audit	Per Utility	Adjustment
Salaries & Wages- Employee	\$10,906.00	\$9,326.70	\$1,579.30
Purchased Power	\$3,920.52	\$2,910.86	\$1,009.66
Chemicals	\$0.00	\$4,975.38	(\$4,975.38)
Materials & Supplies	\$1,711.71	\$5,286.10	(\$3,574.39)
Contractual Services- Billing	\$1,910.00	\$1,400.00	\$510.00
Contractual Services- Professional	\$4,689.65	\$0.00	\$4,689.65
Contractual Services- Testing	\$6,127.74	\$0.00	\$6,127.74
Contractual Services- Other	\$3,223.30	\$0.00	\$3,223.30
Rents	\$269.80	\$0.00	\$269.80
Regulatory Commission Expenses	\$1,000.00	\$0.00	\$1,000.00
Miscellaneous Expenses	\$1,473.06	\$17,092.95	(\$15,619.89)
<b>TOTAL</b>	<b>\$35,231.78</b>	<b>\$40,991.99</b>	<b>(\$5,760.21)</b>

**Disclosure No. 10**

**Subject: Taxes Other Than Income**

**Statement of Fact:** The utility reported \$405.95 in property taxes for the test year. Additional amounts which could be included in Taxes Other Than Income were not reported.

**Recommendation:** The audit staff obtained property tax information from the Columbia County Tax Collector. Based on these records the audit staff has determined the utility has incurred \$1,099.53 in property taxes for the test year.

The audit staff has determined Regulatory Assessment Fees (RAF) for the test year to be \$1,905.50.

The following table represents the RAF calculation:

<b>2000 Revenues</b>	\$42,344.52
<b>RAF factor</b>	.045
<b>Test Year RAF</b>	<b>\$1,905.50</b>

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DMS

Total Taxes Other Than Income have been calculated as follows:

Test Year Property Taxes	\$1,099.53
Test Year RAF	\$1,905.50
<b>Total Taxes Other Than Income</b>	<b><u>\$3,005.03</u></b>

This is an increase of \$2,599.08 over the utility's balance of \$405.95.

**RATE BASE SCHEDULE FOR  
CONSOLIDATED WATER WORKS, INC.**

TYE 12/31/00

DOCKET NO.: 001682-WU    AUDIT CONTROL NO.: 00-341-1-1

Description	Balance Per Company	Adjustment	Refer to	Balance Per Audit 12-31-00
<b>Land</b>	\$0.00	\$892.00	D-2	892.00
<b>Utility Plant In Service</b>	\$42,788.95	\$72,349.49	{1}	\$115,138.44
<b>Total Plant In Service</b>	\$42,788.95	\$73,241.49	D-2	\$116,030.44
Less:				
<b>Accumulated Depreciation</b>	\$0.00	(\$77,543.45)	D-3    {2}	(\$77,543.45)
<b>C.I.A.C.</b>	(\$32,184.11)	(\$7,040.89)	D-6    {3}	(\$39,225.00)
<b>Amortization of C.I.A.C.</b>	\$0.00	\$37,296.00	D-7    {4}	\$37,296.00
<b>Net Plant in Service</b>	\$10,604.84			\$36,557.99
{6} <b>Working Capital</b>	\$0.00	\$4,403.97	D-4    {5}	\$4,403.97
<b>TOTAL RATE BASE</b>	<b>\$10,604.84</b>			<b>\$40,961.96</b>
{1} Shady Oaks & Azalea Park	\$59,252.17			
242 Village	\$55,886.27			
<b>TOTAL</b>	<b>\$115,138.44</b>			
{2} Shady Oaks & Azalea Park	\$53,790.02			
242 Village	\$23,753.43			
<b>TOTAL</b>	<b>\$77,543.45</b>			
{3} Shady Oaks & Azalea Park	\$38,475.00			
242 Village	\$750.00			
<b>TOTAL</b>	<b>\$39,225.00</b>			
{4} Shady Oaks & Azalea Park	\$37,271.00			
242 Village	\$25.00			
<b>TOTAL</b>	<b>\$37,296.00</b>			
{5} Shady Oaks & Azalea Park	\$3,637.68			
242 Village	\$766.29			
<b>TOTAL</b>	<b>\$4,403.97</b>			

{6} Working Capital was calculated using 1 / 8 of O & M expenses (\$35,231.78)

Utility's figures represent amounts reported on SARC application.



**CAPITAL STRUCTURE SCHEDULE FOR  
CONSOLIDATED WATER WORKS, INC.  
TYE 12/31/00**

**DOCKET NO.: 001682-WU    AUDIT CONTROL NO.: 00-341-1-1**

Description	Balance Per Utility @ 12/31/00	Audit Adjustments	Refer to	Pro Rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Long - Term Debt	\$67,006.69	\$0.00		(\$29,850.90)	\$37,155.79	93.77%	11.50%	10.78%
Customer Deposits	\$0.00	\$4,452.90	E-7	(\$1,983.73)	\$2,469.17	6.23%	8.00%	0.50%
<b>TOTAL CAPITAL</b>	<u>\$67,006.69</u>	<u>\$4,452.90</u>		<u>(\$31,834.63)</u>	<u>\$39,624.96</u>	<u>100.00%</u>	<u>19.50%</u>	<u>11.28%</u>

*{1} - There is no equity associated with this utility.*

**NET OPERATING INCOME SCHEDULE FOR  
CONSOLIDATED WATER WORKS, INC.**

TYE 12/31/00

DOCKET NO.: 001682-WU    AUDIT CONTROL NO.: 00-341-1-1

Description	Balance Per Company	Adjustment	Refer to	Balance Per Audit 12-31-00
<b>Operating Revenues:</b>				
<b>Metered</b>	\$32,184.11	\$10,160.41	D-8	\$42,344.52
<b>Other</b>	\$0.00			\$0.00
<b>Total Revenues</b>	<u>\$32,184.11</u>			<u>\$42,344.52</u>
<b>Operating Expenses:</b>				
<b>O &amp; M Expense</b>	\$40,991.99	(\$5,760.21)	D-9	\$35,231.78
{1} <b>Depreciation Expense</b>	\$0.00	\$1,944.21	D-3	\$1,944.21
<b>Taxes Other Than Income</b>	\$405.95	\$2,599.08	D-10	\$3,005.03
{2} <b>CIAC Amortization Expense</b>	\$0.00	\$1,146.00	D-7	\$1,146.00
<b>Total Expenses</b>	<u>\$41,397.94</u>			<u>\$41,327.02</u>
<b>Net Operating Income (Loss)</b>	<u>(\$9,213.83)</u>			<u>\$1,017.50</u>
<b>RATE BASE</b>				<u>\$40,961.96</u>
<b>RATE OF RETURN</b>				<u>2.48%</u>
{1} Shady Oaks & Azalea Park				\$117.02
242 Village				\$1,827.19
<i>Total Plant Depreciation Expense</i>				<u>\$1,944.21</u>
{2} Shady Oaks & Azalea Park				\$1,121.00
242 Village				\$25.00
<i>Total Plant CIAC Amortization Expense</i>				<u>\$1,146.00</u>

Utility's figures represent amounts reported on SARC application.