

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 ORIGINAL

DATE: July 5, 2007

TO: Shannon J. Hudson, Regulatory Analyst IV, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance

RE: **Docket No.** 070177-WU; **Company Name:** LWV Utilities, Inc.;
Audit Purpose: SARC; **Audit Control No:** 07-100-2-1

RECEIVED-FPSC
 07 JUL -5 AM 11:46
 COMMISSION CLERK

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 Commission Clerk. There are no confidential work papers associated with this audit.

DNV:bj
Attachments

- Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
 Division of Commission Clerk (2)
 Division of Competitive Markets and Enforcement (Harvey)
 General Counsel
 Office of Public Counsel

Mr. James C. Weeks, Trustee
 LWV Utilities, Inc. in Pasco Co.
 7552 Congress Street, Suite 4
 New Port Richey, FL 34653

DOCUMENT NUMBER-DATE

05595 JUL-5 07

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING*

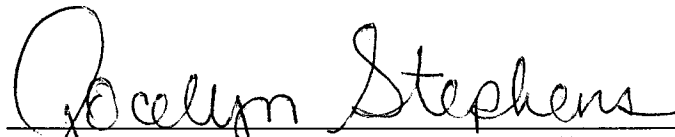
Tampa District Office

LWV UTILITIES, INC.

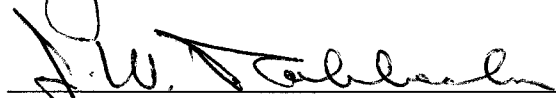
STAFF ASSISTED RATE CASE

HISTORICAL YEAR ENDED DECEMBER 31, 2006

DOCKET NO. 070177-WU
AUDIT CONTROL NO. 07-100-2-1



Jocelyn Stephens, Audit Staff



Joseph W. Rohrbacher, District Audit Supervisor

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**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
AUDITOR'S REPORT**

JUNE 27, 2007

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by the audit staff in support of LWV Utilities, Inc. petition for a Staff Assisted Rate Case in Docket No. 070177-WU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES

AUDIT PLANNING:

NARUC USOA

Objective: To determine that the utility maintains its accounts and records in conformity with the 1996 National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA).

Procedures: We reviewed the utility's chart of accounts and general ledger. We found that the utility does not maintain its accounts and records in conformity with the 1996 NARUC USOA. Audit Finding No.1 addresses this issue.

Related Companies

Objective: To note any related companies. To ensure that related party transactions are prudent, competitive and at "arms length".

Procedures: We reviewed transactions between related companies and verified that they were prudent and competitive and at "arms length". Audit Finding No. 2 addresses this issue.

RATE BASE:

Utility Plant In Service (UPIS)

Objective: To determine that property exists and is owned by the utility. To determine that additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission Rules and Uniform System of Accounts. To verify that the proper retirements were made when a replacement item was put in service.

Procedures: We tested all major plant additions and retirements for the period January 1, 2004 through December 31, 2006 for compliance with the objectives stated above. We prepared a schedule of UPIS, by account, from the last order with year to year additions and retirements. We verified that the utility did not record plant additions and retirements in the general ledger. Audit Finding No. 3 addresses this issue.

Land

Objective: To determine that land is owned by the utility and included in rate base at original cost.

Procedures: The land was owned at the time of the last rate proceeding. We verified that there have been no changes to utility land since its last rate proceeding.

Contributions In Aid Of Construction (CIAC)

Objective: To test CIAC additions and adjustments since January 1, 2004. To verify that CIAC additions are reflective of the utility's Commission approved service availability tariff.

Procedures: We verified 100% of all CIAC additions for the period January 1, 2004 through December 31, 2006 for compliance with the objectives stated above. We scanned the utility's 2004 – 2006 Federal Income Tax Returns for unrecorded cash and property. We found that the utility did not record new connections in 2006 and charged an amount higher than the Commission approved tariff. Audit Finding No. 5 addresses this issue.

Accumulated Depreciation

Objective: To verify that accumulated depreciation and depreciation expense are calculated using the Commission authorized rates and that the calculations are correct.

Procedures: We recalculated annual accruals to accumulated depreciation based on adjusted plant, using rates prescribed by Rule 25-30.140, F.A.C. We prepared a schedule of accumulated depreciation balances by plant account from the last order to December 31, 2006. We verified that the utility did not record plant retirements in accumulated depreciation as required by NARUC USOA nor did the utility use Commission approved rates under the above rule. Additionally, it did not record accumulated depreciation or depreciation expense in its general ledger. Audit Finding No. 4 addresses this issue.

Accumulated Amortization of CIAC

Objective: To determine that accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules. To verify that CIAC amortization expense accruals are properly recorded and calculated by applying annual depreciation composite rates.

Procedures: We recalculated accumulated amortization of CIAC account balances for the period January 1, 2004 to December 31, 2006 applying annual composite depreciation rates. We found that the utility did not use composite rates. Audit Finding No. 5 addresses this issue.

Working Capital

Objective: To determine the working capital allowance.

Procedures: We determined the working capital allowance by using the 1/8 of operation and maintenance expenses methodology.

REVENUES AND EXPENSES

Revenues

Objectives: To verify that revenues earned during the test year are properly recorded. To perform billing analysis for the test year.

Procedures: We tested revenue transactions with tariffed rates and performed a simple estimation to determine what test year revenues should be. We compiled revenues following a billing report summary on a bi-monthly basis. We prepared a billing analysis schedule. Audit Finding No. 6 addresses this issue.

Expenses

Objectives: Sample test year operation and maintenance expense accounts. Examine the expense for the proper period, amount, classification, support documentation and whether non-utility related, non-recurring, unreasonable or imprudent.

Procedures: We tested all operation and maintenance accounts. We examined invoices and supporting documentation to determine if the above objectives were met. Included in the expense amount were invoices for items that should have been capitalized, as well as other adjustments. Audit Finding No. 7 addresses these adjustments.

Objectives: Review the prudence of any allocation methodology for O & M expenses used by the utility. Determine whether the original amounts to be allocated and the methodology are reasonable.

Procedures: We prepared a schedule of O & M expenses. The utility did not allocate O&M expenses between companies.

Objectives: To obtain or prepare a schedule of contracted services for the test year that separates engineering, accounting, legal, billing, testing, operating, and management. Test documentation for amounts paid, period of service, and that the service was related to utility operations.

Procedures: We prepared a schedule of all contractual services for the test year. We reviewed those accounts for proper period, amount, classification, and whether non-utility related, non-recurring, unreasonable or imprudent. We examined invoices and supporting documentation to determine if the above objectives were met. Audit Finding No. 7 addresses this issue.

Objectives: To provide the number of hours per month that employees and/or contracted vendors spend on operating, billing, testing, maintenance, and general management activities.

Procedures: We requested documentation that provided the information mentioned above. The utility owner did not provide this information.

Objectives: To note expense areas where the utility has no costs assigned, but where benefits to utility are evident.

Procedures: LWV paid the office rent. Office expenses, excluding office rent, were paid by a related utility, Advisor Enterprises, but not allocated to LWV.

Objectives: To review Taxes Other Than Income. (TOTI)

Procedures: We obtained the 2006 Regulatory Assessment Fee (RAF) filing and recomputed the RAF's based on test year revenues. We obtained and reviewed the property tax bills to determine if the amount booked reflects the discounted amount. Audit Finding No. 8 addresses this issue.

Audit Finding No. 1

Subject: Utility Books and Records

Audit Analysis: Commission Rule 25-30.115, F.A.C. states that water and wastewater utilities shall maintain their accounts and records in conformity with the NARUC Uniform System of Accounts (USOA). The NARUC USOA provides account numbers to be used for balance sheet and income statement accounts.

The utility does not use the NARUC USOA account numbers. The audit staff was provided a general ledger and was able to convert the account numbers to NARUC account numbers.

Effect on General Ledger: The utility should use the NARUC USOA account numbers in its General Ledger.

Effect on Rate Case: There is no effect on the rate case filing because the audit staff was able to convert the General Ledger account numbers to prepare the ratemaking schedules attached to this report..

Audit Finding No. 2

Subject: Related Companies

Audit Analysis: Mr. James C. Weeks is the owner and manager of several companies:

LWV Utilities, Inc. (LWV) – A Class C water utility regulated by the FPSC serving approximately 350 customers. The utility was started in 1975 by a Mr. Cochran, now deceased.

Advisor Enterprises, Inc. (Advisor) – A water utility, which was not addressed in a previous rate case, serving approximately 87 customers. The lines were installed by LWV. Water is provided by LWV.

Barbara Ann Acres (BAA) – A water utility, **which is not regulated by the FPSC**, serving 29 customers. The water is supplied by the City of New Port Richey.

Silver Oak Hills (SOH) – A water utility, **which is not regulated by the FPSC**, serving 54 customers. The water is supplied by the City of New Port Richey.

Orangewood Lakes Billing Service (OWL) – Does customer billing for Orangewood Lakes Services, Inc., a non related water and wastewater utility.

Utility Billing Services, Inc. (UBS) – This is “umbrella” name for all companies.

The 2006 US Income Tax return, Form 1120-S, for Advisor showed ordinary business income from water sales and billing service, rental real estate income, interest income, and capital gain from the sale of a house. It also had a charge of \$58,739 for salaries, which is the net amount, less taxes and withholdings, for Mr. Weeks and an employee who performed maintenance work and meter reading for the utilities in 2006.

Advisor pays the overhead expenses: payroll, utilities, transportation, and office expenses for all the companies. The amounts are then to be allocated by the CPA (outside of Mr. Weeks salary, none shown for 2006 for LWV). In 2006 LWV paid Advisor \$39,000 for these expenses. The 2006 FPSC Annual Report and US Income Tax Return for LWV showed an expense of \$50,000, representing Mr. Weeks salary, in addition to its directly charged expenses.

Effect on General Ledger: Provided for information only.

Effect on Rate Case: Provided for information only.

Audit Finding No. 3

Subject: Utility Plant in Service (UPIS)

Summary: The utility UPIS is understated by \$3,048 as of December 31 2006.

Audit Analysis: UPIS and Rate Base were set by the Commission in Docket No. 040173-WU, by Order No. PSC-05-0424-PAA-WU, issued April 20, 2005. At this time audit staff did not know that LWV's wells and lines were supplying customers other than LWV customers. This was brought to our attention during the current audit.

Mr. James Cochran was the prior owner of LWV Utilities Inc. He also set up another company called Advisor, Inc. Residents in the Advisor and LWV service area, were having problems with their wells, and requested to be connected to the LWV water system. Mr. Cochran created this extension to the Advisor customers. He believed there was no problem with this extension as it was all in his service area.

The 2006 Annual Report reflects a balance of \$111,586 for Utility Plant in Service. Audit review of the utility plant balances found the following adjustments.

- 1) The utility did not record plant additions in the amount of \$8,181.
- 2) The utility did not record retirements for the existing plant in the amount of \$5,133.

Our adjustments, net of retirements, are attached

Additionally, the utility expensed Plant Materials and Supplies, Account No. 151, in the amount of \$1,130. The effect on expenses is addressed in Audit Finding No. 7.

Effect on General Ledger: The utility general ledger should reflect a plant balance of \$115,634 and a plant material and supplies balance of \$1,130 as of December 31, 2006.

Effect on Rate Case: The utility's plant in service balance reflected in the 2006 Annual Report should be increased by \$3,048 and the Balance Sheet, line Other Assets, increased by \$1,130 respectively.

COMPANY : L W V UTILITIES, INC.
 SUBJECT : RATE BASE ADJUSTMENTS
 PERIOD : 12-31-03 TO 12-31-06

Utility Plant in Service (UPIS)	NARUC Account Number 101-xxx											Total		
	303	304	307	310	311	320	330	331	333	334	340		341	348
Balance per Utility @ 12/31/06	\$1,000	\$0	\$8,186	\$0	\$10,022	\$2,975	\$7,818	\$59,130	\$6,113	\$17,342	\$0	\$0	\$0	\$112,586
Net Additions														
2004	0	0	0	0	1,259	0	0	0	0	0	0	0	0	1,259
2006	0	0	0	0	1,295	0	0	0	0	0	493	0	0	1,788
Balance per Audit	\$1,000	\$0	\$8,186	\$0	\$12,576	\$2,975	\$7,818	\$59,130	\$6,113	\$17,342	\$493	\$0	\$0	\$115,633
Accumulated Depreciation	NARUC Account Number 108-xxx											Total		
	303	304	307	310	311	320	330	331	333	334	340		341	348
Balance per Utility @ 12/31/06	\$0	\$0	\$7,133	\$0	\$1,490	\$2,664	\$5,505	\$47,662	\$5,442	\$12,812	\$0	\$0	\$0	\$82,708
Net Retirement					(2,730)									(2,730)
Adj for composite rate	0	0	295	0	1,240	300	125	220	65	1,758	0	0	0	4,003
Addition 2006	0	0	0	0	0	0	0	0	0	0	41	0	0	41
Balance per Audit	\$0	\$0	\$7,428	\$0	\$0	\$2,964	\$5,630	\$47,882	\$5,507	\$14,570	\$41	\$0	\$0	\$84,022
Contributions in Aid Construction (CIAC)		NARUC Account Number 271					Accumulated Amortization of CIAC					NARUC Account Number 272		
Balance per Utility @ 12/31/06		\$17,850											\$10,401	
Addition 2006		450											1,254	
Balance per Audit		\$18,300											\$11,655	

Audit Finding No. 4

Subject: Accumulated Depreciation

Summary: The utility's accumulated depreciation balance is understated by \$1,314. The 2006 Annual Report reflects a balance of \$82,708 as of December 31, 2006

Audit Analysis: Commission Order No. PSC-05-0424-PAA-WU required LWV to use depreciation rates as prescribed by Rule 25-30.140. The utility did not do this; it is using a 2.5% rate. Additionally, the utility did not record plant additions or retirements.

Our adjustments are shown on page 9 of this report.

Effect on General Ledger: The utility general ledger should reflect the audit balance of \$84,022 as of December 31, 2006.

Effect on Rate Case: The utility's accumulated depreciation as reflected in the 2006 Annual Report should be increased by \$1,314.

Audit Finding No. 5

Subject: CIAC and Accumulated Amortization

Summary: The utility's CIAC and accumulated amortization balances are understated by \$450 for CIAC and \$1,254 for accumulated amortization respectively. The 2006 Annual Report reflects a balance of \$17,850 and \$10,401 as of December 31, 2006 for CIAC and accumulated amortization respectively..

Audit Analysis: Commission Order No. PSC-05-0424-PAA-WU authorized a service availability charge of \$100 for new connections.

The auditor noted that new customers were charged \$450 and \$425 in the LWV and Advisor service areas respectively for initial connections.

The utility stated the additional amount was for providing lines from the street to the customers house. There was one new customer in the LWV utility and two new customers in the Advisor utility since CIAC was established in the last rate proceeding for the period ended December 31, 2003.

LWV did not record the new customer on its books. Also, it did not use the composite depreciation rate for amortization of CIAC.

Effect on General Ledger: The utility's general ledger should reflect the audit balance of \$18,300 for CIAC and \$11,655 for accumulated amortization respectively as of December 31, 2006.

Effect on Rate Case: The utility's CIAC and Accumulated amortization as reflected in the 2006 Annual Report should be increased by \$450 and \$1,254 respectively.

Audit Finding No. 6

Subject: Revenues

Summary: The utility recorded water sales revenues in the amount of \$70,796 and Advisor recorded \$107,815 as income, of which \$35,119 was for its water sales.

Audit Analysis: Commission Order No. PSC-05-0424-PAA-WU authorized Bi-Monthly water service rates, \$23.95 Base Facility Charge and \$1.88 per 1,000 gallons over 6,000 gallons.

While the "Advisor" utility customers are in the LWV service area, as described in the tariff, the utility did not record the revenues in the RAF or Annual Report. Additionally, the Advisor customers are being charged a higher service rate, \$40.37 Base Facility Charge and \$2.64 per 1,000 gallons over 4,000 gallons, than is allowed under LWV's tariff.

Effect On General Ledger: The utility should record the revenues of \$35,119 from the Advisor system.

Effect On Rate Case: The Advisor system should charge the tariffed rates and should be reflected in the Operating revenues.

Audit Finding No. 7

Subject: Operation And Maintenance Expenses

Summary: The utility operation and maintenance expense accounts are overstated by \$4,509 for LWV and \$4,936 for Advisor as of December 31, 2006, respectively.

Audit Analysis: LWV paid the following expenses in 2006: purchased water and power, chemicals, monthly operating service, testing, repairs and maintenance, office rent.

Advisor paid for purchased water, office electric, telephone, postage and office supplies, monthly computer service, transportation, payroll, health insurance.

All invoices were reviewed for the above expenses to ensure they met the following criteria:

- Proper period
- Proper amount
- Correct account classification
- Support documentation and approval
- Utility related and reasonable

Purchased Water – LWV and Advisor each paid the City of New Port Richey (NPR) for water availability, though neither company actually purchased water from NPR. Mr. Weeks stated NPR uses chloramines and LWV uses chlorine and the two are not compatible. He wants to continue paying NPR because he believes if he discontinued and needed to interconnect in the future, there may be costly impact fees.

LWV is interconnected to Orangewood Lake Services as a backup.

Payroll – The utility had two employees on the books in 2006: Jim Weeks at \$50,000 and S. Bauerbach at \$21,798. Mr. Bauerbach read the meters and performed repairs to the utility systems. His employment ceased at the end of 2006. Mr. Weeks is now doing those chores.

The 2006 Annual Report and US Income Tax Return for LWV reflect Mr. Weeks salary. The US Income Tax Return for Advisor reflects salaries of \$58,739, which is the net, after taxes and withholding, for Mr. Weeks and Mr. Bauerbach.

Additionally a person comes in two days a week for four hours each day to do bookkeeping and general office duties for all of the companies. Her salary is not reflected on the LWV or Advisor books.

Rent – Mr. Weeks owns the building that the UBS “companies” office are located in. The building contains six suites. Five suites are non related companies. Mr. Weeks provided the auditor the rents and square footage of all the suites.

The rents range from \$1.00 to \$3.30 per square foot monthly. LWV paid \$642 monthly (\$1.88 per square foot) in 2006. This amount was not allocated to the other companies.

Overhead Charges – As noted above, overhead charges were paid by Advisor. These charges included office electric, telephone, postage and office supplies, monthly computer service, transportation, payroll, health insurance. With the exception of Mr. Weeks salary being charged to LWV, these charges were not allocated to the other companies.

Our adjustments are attached.

Effect on General Ledger: The LWV and Advisor operation and maintenance expenses should be reduced by \$4,509 and \$4,936 respectively.

Effect on Rate Case: Provided to Staff for determination.

COMPANY: LWV Utilities, Inc.
SUBJECT: Summary of Expenses
PERIOD: 12 Months Ended 12-31-06

<u>LWV Utilities</u> Description	S&W Officer 603	Pur Water 610	Pur Power 615	Chemicals 618	M & S 620	Prof Fees 631	Contract Svc Testing 635	Other 636	Rents 640	Bank Chgs 670	Total
Per Trial Balance	\$0.00	\$2,354.92	\$4,633.77	\$1,201.67	\$2,272.87	\$1,113.56	\$4,500.00	\$4,847.50	\$7,704.00	\$262.95	\$28,891.24
Allocate from Advisor	<u>50,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>50,000.00</u>
Per Annual Report & 1120S	\$50,000.00	\$2,354.92	\$4,633.77	\$1,201.67	\$2,272.87	\$1,113.56	\$4,500.00	\$4,847.50	\$7,704.00	\$262.95	\$78,891.24
<u>Audit Adjustments</u>											
Remove 2005 expense		(357.00)	(315.37)	(65.00)	(14.48)						(751.85)
Add 2006 expense		185.64	380.39								566.03
Remove non-utility							(70.00)	(284.18)			(354.18)
Capital item					(333.84)			(3,845.12)			(4,178.96)
Paid by Advisor								210.00			210.00
Reclass							(1,955.00)	1,955.00			0.00
Reclass						(107.00)		107.00			0.00
Audit Balance	\$50,000.00	\$2,183.56	\$4,698.79	\$1,136.67	\$1,924.55	\$1,006.56	\$2,475.00	\$2,990.20	\$7,704.00	\$262.95	\$74,382.28

<u>Advisor Enterprises</u> Description	S&W Officer 603	Pur Water 610	M & S 620	Telephone	Office Expense Electric	Postg&Supl	Contract Svc Prof Fees 631	Other 636	Transp Exp 650	Insurance 655	Bank Chgs 670	Misc 675	Total
Per Trial Balance	\$58,739.84	\$7,718.62	\$1,231.95	\$3,123.47	\$2,287.04	\$2,824.29	\$1,189.65	\$1,538.50	\$2,027.97	\$10,410.00	\$750.19	\$374.02	\$92,215.54
<u>Audit Adjustments</u>													
Remove 2005 expense		(894.54)			(71.27)	(108.00)	(125.00)	(106.00)	(152.96)				(1,457.77)
Add 2006 expense		474.00											474.00
Remove non-utility		(139.43)			(1,228.46)	(982.62)		(53.50)			(134.86)		(2,538.87)
Capital item			(1,129.65)			(493.40)							(1,623.05)
Paid by J. Weeks					419.65								419.65
Reclass							(184.65)					184.65	0.00
												(210.00)	(210.00)
Audit Balance	\$58,739.84	\$7,158.65	\$102.30	\$3,123.47	\$1,406.96	\$1,240.27	\$880.00	\$1,379.00	\$1,875.01	\$10,410.00	\$615.33	\$348.67	\$87,279.50

NOTES: Net amount after taxes for J. Weeks and S. Bauerbach (employee)
Utility does not use; per J. Weeks; fears there may be a huge fee if need to hookup at a later time.
Medical insurance includes S. Bauerbach, not employee in 2007 (\$3,576)

Audit Finding No. 8

Subject: Taxes Other Than Income (TOTI)

Summary: The utility TOTI are understated by \$227 for LVW and overstated by \$13,193 for Advisor respectively.

Audit Analysis: The utilities' general ledger reflects Taxes Other Than Income (TOTI) of \$3,828 for LVW and \$18,947 for Advisor for the 12-month period ended December 31 2006. The Regulatory Assessment Fee (RAF) for LVW reflects an amount of \$2,959. This is the amount of the 2005 RAF.

The amount for Advisor reflects payroll taxes of \$18,715, which include \$13,179 for employees withholding, and Tangible Personal property tax of \$81, which includes \$14 for a non utility company.

Paid by LVW	Per General Ledger	Per Audit	Adjustment	
RAF	\$ 2,959.20	\$3,185.78	\$ 226.58	2005 RAF
Real Estate Tax	220.53	220.53	0.00	
Personal Property	498.57	498.57	0.00	
Payroll Taxes	0.00	0.00	0.00	
Dept of State	<u>150.00</u>	<u>150.00</u>	<u>0.00</u>	
	\$ 3,828.30	\$4,054.88	\$ 226.58	
Paid by Advisor				
Personal Property	\$ 81.25	\$ 66.95	\$ (14.30)	Non utility
Payroll Taxes	18,715.52	5,537.08	(13,178.44)	Employee withholding
Dept of State	<u>150.00</u>	<u>150.00</u>	<u>0.00</u>	
	\$18,946.77	\$5,754.03	\$(13,192.94)	

Effect On General Ledger: The utility general ledgers should reflect the audit balance of \$4,055 for LVW and \$5,754 for Advisor for the 12 month period ended December 31, 2006.

Effect On Rate Case: Taxes Other Than Income are understated by \$227 for LVW and overstated by \$13,193 for Advisor respectively.

Audit Finding No. 9

Subject: Pro Forma

Audit Analysis: The owner, Mr. Weeks, stated that the following expenses, not incurred in 2006, will be incurred in 2007:

Consulting fee on the rate case - \$1,200

Meter reader to start June 2007. Will read meters for all utilities, including Orangewood Lakes, at \$.25 per meter. There are six billing cycles per year for LWV and Advisor.

Need additional testing and plant improvements for SWIFTMUD. Flow meter to tell where water is going from LWV to Owl. Back up in case of emergency. LWV and OWL are interconnected. - \$2458

Effect on General Ledger: There is no effect on the general ledger.

Effect on Rate Case: Provided as information for Staff.

EXHIBIT 1

LWV UTILITIES, Inc.
DOCKET: 070177 - WU
RATE BASE - WATER
AS OF DECEMBER 31, 2006

DESCRIPTION	(a)	(b)	©
	BALANCE PER BOOKS @12/31/06	AUDIT ADJUSTMENT REF	AUDITED BALANCE @12/31/06
UTILITY PLANT IN SERVICE	111,586	3,048	114,634
LAND	1,000	0	1,000
PLANT HELD FOR FUTURE USE			
CIAC	(17,850)	(450)	(18,300)
ACCUMULATED DEPRECIATION	(82,708)	(1,314)	(84,022)
AMORTIZATION-CIAC	10,401	1,254	11,655
WORKING CAPITAL		9,298	9,298
PLANT MATERIAL & SUPPLIES		1,130	1,130
TOTAL	22,429	12,966	35,395

Note: Utility balance from 2006 Annual Report
Working Capital based on 1/8 O&M Expense (74,382 / 8)
Includes material and supplies paid by Advisor Enterprises

EXHIBIT II

LWV UTILITIES, INC.
 DOCKET: 070177 - WU
 NET OPERATING INCOME
 AS OF DECEMBER 31, 2006

DESCRIPTION	(a) BALANCE PER BOOKS @12/31/06 (A)	(b) AUDIT ADJUSTMENTS REF	(c) BALANCE PER AUDIT @12/31/06
OPERATING REVENUES:	73,716		70,795
Audit Adjustments - Customer Deposit		(2,880)	
CIAC		(450)	
Adj to GL		409	
OPERATING EXPENSES:			
O&M EXPENSE	78,893	(4,509)	74,384
DEPRECIATION EXPENSE	2,791	1,418	4,209
AMORTIZATION - CIAC	(446)	(223)	(669)
TAXES-OTHER	3,956	(128) 227	4,055
INTEREST EXPENSE			0
OTHER UTILITY			0
TOTAL PROFIT (LOSS)	(11,478)	294	(11,184)

Note (A) - Balance from 2006 Annual Report

EXHIBIT III

LWV UTILITIES, INC.
 DOCKET: 070177 - WU
 CAPITAL STRUCTURE
 AS OF DECEMBER 31, 2006

DESCRIPTION	(a) BALANCE PER BOOKS @ 12/31/06	(b) AUDIT ADJUSTMENTS	(c) AUDITED PER BOOKS @ 12/31/06	(d) RATIO	(e) COST RATE (1)	(f) WEIGHTED COST OF CAPITAL
COMMON EQUITY (A)	0	0	0	0.00%	12.09%	0.00%
Common Stock	500		500			
Paid in Capital	11,890		11,890			
Retained Earnings	(121,143)		(121,143)			
NOTES PAYABLE (C)			0	0.00%		0.00%
Loan From Stockholder (now deceased)	119,185		119,185	93.53%	0.00%	0.00%
			0	0.00%		0.00%
			0	0.00%		0.00%
CUSTOMER DEPOSITS	8,250		8,250	6.47%	8.00%	0.52%
ITC			0	0.00%		0.00%
OTHER			0	0.00%		0.00%
TOTAL	127,435	0	127,435	100.00%		0.52%

- (A) Common Equity cannot be less than zero
- (B) Book balance is per 2006 Annual report
- (C) Do not have documentation on loan from stockholder

NOTE: (1) Equity cost based on leverage formula in Order No. PSC-06-0476-PAA-WS