



Public Service Commission

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DATE: October 24, 2011

TO: Office of Commission Clerk

FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*

RE: Docket No.: 120076-SU
 Company Name: Mid-County Services, Inc.
 Company Code: SU291
 Audit Purpose: Earnings Review
 Audit Control No: 11-230-4-1

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 were confidential work papers associated with this audit.

CJP/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

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FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

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

Auditor's Report

Mid-County Services, Inc.
Earnings Review

Twelve Months Ended December 31, 2010

UNDOCKETED
Audit Control No. 11-230-4-1
October 24, 2011

Handwritten signature of Kathy Welch in cursive script.

Kathy Welch
Audit Manager

Handwritten signature of Gabriela M. Leon in cursive script.

Gabriela M. Leon
Audit Staff

Handwritten signature of Iliana H. Piedra in cursive script.

Iliana H. Piedra
Reviewer

DOCUMENT NUMBER-DATE

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated August 18, 2011. We have applied these procedures to the attached schedules prepared by staff for Mid-County Services, Inc. as part of the undocketed investigation into possible overearnings.

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

Objectives and Procedures

General

Definitions

The term “Company” refers to Utilities, Inc., the parent or holding company of Mid-County Services, Inc. or Utility. Staff has initiated an investigation for possible overearnings of the Utility with a test year ended December 31, 2010. The Utility’s last rate case order PSC-09-0373-PAA-SU was issued May 27, 2009 in Docket No. 080250-SU.

Utility Books and Records

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

Procedures: We reviewed the Utility’s accounting systems. The Utility does not use NARUC account numbers in its ledgers but maintains a conversion table and converts its filings into NARUC accounts.

Rate Base

Objectives: Our objective was to determine that the adjustments from the last rate case order were made to rate base.

Procedures: We calculated the adjustments to rate base using the schedules provided to staff in the Utilities Inc. of Eagle Ridge rate case Docket 110153-SU. We used this case because it was the most recent of affiliate transactions. We reviewed related party allocations for plant and accumulated depreciation accounts from Utilities, Inc. from its headquarters in Northbrook, Illinois, and its regional office in Altamonte Springs, Florida office in the separate affiliate audit (ACN 11-192-4-2) performed under Docket 110153-SU. We revised the allocation percents in the Company schedules provided in support of Docket 110153-SU and updated them to the actual December 2010 allocation factors for Mid-County Services.

Utility Plant in Service

Objectives: Our objectives were to: 1) Determine that property exists and is owned by the Utility and that plant additions are authentic, recorded at cost, and properly classified in compliance with Commission rules and the NARUC USOA, 2) Verify that the proper retirements of plant were made when a replacement item was put in service, and 3) Verify that the adjustments to plant in the Utility’s last rate proceeding were recorded in its general ledger.

Procedures: We obtained the wastewater plant balances as of December 31, 2007 that were established in Docket 080250-SU. We reviewed and sampled additions to wastewater plant for the period December 1, 2008 through December 31, 2010, to verify the wastewater plant balances for this proceeding. We ensured that retirements were made when a capital item was removed or replaced.

Land & Land Rights

Objectives: Our objectives were to: 1) Determine that Utility land is recorded at original cost and is owned or secured under a long-term lease, and 2) Verify that the adjustments to land in the Utility's last rate proceeding were recorded in its general ledger.

Procedures: We obtained the wastewater land balances as of December 31, 2007 that were established in Docket 080250-SU and compared them to the ledger balances at December 31, 2010. We also performed a land search on the county website. No land was added since the last rate case.

Contributions-in-Aid-of-Construction (CIAC)

Objectives: Our objectives were to: 1) Determine that additions to CIAC are properly recorded in compliance with Commission rules and the NARUC USOA, 2) Verify that donated property is properly accounted for and recorded as CIAC, and 3) Verify that the adjustments to CIAC in the Utility's last rate proceeding were recorded in the general ledger.

Procedures: We obtained the wastewater CIAC balances as of December 31, 2007 that were established in Docket 080250-SU. We reviewed and sampled additions to wastewater CIAC for the period January 1, 2008 through December 31, 2010, to verify the Utility's CIAC balances for the rate case proceeding. We reviewed the Income Tax returns for unrecorded cash and property contributions.

Accumulated Depreciation

Objectives: Our objectives were to: 1) Verify that the adjustments to accumulated depreciation in the Utility's last rate proceeding were recorded in the general ledger, 2) Determine that accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC USOA, 3) Verify that depreciation expense accruals are calculated using the Commission's authorized rates, and 4) Verify that retirements are properly recorded.

Procedures: We obtained the wastewater accumulated depreciation balances as of December 31, 2007 that were established in Docket 080250-SU. We recalculated depreciation using the balances from the last case and the rates authorized in rule 25-30.140, F.A.C. We ensured that retirements to accumulated depreciation were made when a capital item was removed or replaced.

Accumulated Amortization of CIAC

Objectives: Our objectives were to: 1) Determine accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules, and 2) Verify that the adjustments to accumulated amortization of CIAC in the Utility's last rate proceeding were recorded in the general ledger.

Procedures: We obtained the wastewater accumulated amortization of CIAC balances as of December 31, 2007 that were established in Docket 080250-SU. We recalculated amortization using the balances from the last case and the rates authorized in rule 25-30.140, F.A.C.

Working Capital

Objectives: Our objective was to calculate working capital in compliance with Commission rules.

Procedures: We determined the components of working capital from general ledger at December 31, 2010 and verified the components to the prior case in Docket 080250-SU.

Net Operating Income

Operating Revenue

Objectives: Our objective was to determine that utility revenues are properly recorded in compliance with Commission rules and are based on the Utility's Commission approved tariff rates.

Procedures: We verified the Utility's revenues for the 12-month period ending December 31, 2010, by tracing them to the Utility's general ledger and billing register system. We verified that the Utility is using its Commission authorized tariff rates by recalculating a sample of residential and general service customers' bills in the test year period. We prepared a billing analysis of the consumption from the billing reports.

Operation and Maintenance Expense

Objectives: Our objective was to determine that operation and maintenance expenses are properly recorded in compliance with NARUC USOA and Commission rules and are representative of ongoing utility operations.

Procedures: We verified wastewater operating and maintenance expenses for the 12-month period ending December 31, 2010, by tracing a sample of invoices to the original source documentation. We reviewed invoices for proper amount, period, classification, NARUC account, and recurring nature.

We reviewed related party allocations from Utilities, Inc. for payroll and services provided from its headquarters in Northbrook, Illinois, and its regional office in Altamonte Springs, Florida office in the separate affiliate audit (ACN 11-192-4-2) performed under Docket 110153-SU. We revised the allocation percents in the Company schedules provided in support of Docket 110153-SU to the average of the 12 months allocation factors in 2010 for Mid-County to determine the reasonableness of the actual ledger charges.

Taxes Other than Income

Objectives: Our objective was to determine that taxes other than income expenses are properly recorded in compliance with Commission rules and are reasonable and prudent for ongoing utility operations.

Procedures: We verified wastewater taxes other than income tax expense expenses for the 12-month period ending December 31, 2010, by tracing invoiced taxes to original source documentation. We reviewed the 2010 regulatory assessment fee returns and no exceptions were noted.

Capital Structure

Objectives: Our objective was to determine the components of the Utility's capital structure and the respective cost rates used to arrive at the overall weighted cost of capital.

Procedures: We reviewed the cost of capital components allocated from Utilities, Inc. headquarters in Northbrook, Illinois in the separate affiliate audit (ACN 11-192-4-2) performed under Docket 110153-SU. We recalculated the components and cost rates using year end balances. We prepared a schedule to reconcile rate base to the capital structure. Customer deposits and deferred taxes were reconciled to the general ledger. We prepared a weighted cost capital structure schedule (Exhibit 3).

Audit Findings

Finding 1: Retirement of Telephone Equipment

Audit Analysis: In July 2010, the Company recorded additions for the new phone system of \$338,651.98 for Illinois (Division 102) and \$66,110.31 for Altamonte Springs (Division 855). In November 2010 the Company recorded retirement entries related to these additions. A summary of the entries follows:

Co. No.	Co. Acct.	NARUC Account	Account Description	Debit	Credit
102	1205	396	Communication Equipment		\$360,358.40
102	2000	108.1	Acc. Dep. - Comm Equipment	\$376,697.60	
102	7691		Net Book Value Disposal		\$16,339.20
			Total	\$376,697.60	\$376,697.60

Co. No.	Co. Acct.	NARUC Account	Account Description	Debit	Credit
855	1205	396	Communication Equipment		\$66,110.31
855	2000	108.1	Acc. Dep. - Comm Equipment	\$68,363.30	
855	7691		Net Book Value Disposal		\$2,252.99
			Total	\$68,363.30	\$68,363.30

During our audit of affiliated transactions in Docket 110153-SU, the Company explained the calculations for the retirement entries could not be located. Therefore, we could not determine if the appropriate amount was retired.

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

Effect on the Staff Prepared Schedules: This is provided for informational purposes.

Finding 2: Ordered Adjustments for Project Phoenix Not Booked

Audit Analysis: Project Phoenix is the Company's financial, customer care, and billing system, which became operational in December 2008. In Order PSC-10-0407-PAA-SU, the Commission established that the total cost for Project Phoenix at December 31, 2008 was \$21,617,487 and required the Company to deduct \$1,724,166 from the total cost of Project Phoenix, reducing it to \$19,893,321, before allocating costs to the remaining UI subsidiaries. In the Utilities Inc. of Eagle Ridge rate case, Docket 110153-SU, the Company provided a restatement schedule for all computer balances on its books to take into account the ordered adjustments of the past. The schedule showed that the Company did not make the adjustment ordered for Project Phoenix. The Company's restatement schedule shows the Project Phoenix balance at December 31, 2008 to be \$21,545,555. The difference between the Company's balance and the ordered amount is \$1,652,234.

The amount of allocated cost received by Mid-County Services, Inc. is based on its ERC ratio to the total ERCs at the corporate level. The allocation from the Illinois office (corporate level) is 1.24% for December 2010.

The schedule following this finding shows the calculation of the adjustment to plant, accumulated depreciation, and depreciation expense needed to comply with the Order and the adjustment to Mid-County Services, Inc. allocated rate base and expense accounts. In the Order stated above, Project Phoenix's depreciable life was changed from eight to 10 years. However, the Company has continued to depreciate the project over eight years. In Finding 3, we adjusted the accumulated depreciation and depreciation expense on Project Phoenix from eight to 10 years to comply with the Order. However, the schedule below removes depreciation for the reduction in plant using the 10 year depreciable life to avoid duplicating the adjustment.

Effect on the General Ledger: The following adjustment corrects the Company's ledger. Since the test year is already closed in the ledger, the depreciation expense should be recorded to retained earnings.

Co. No.	Co. Acct.	NARUC Acct.	Account Description	Debit	Credit
102	1590	340.5	Computer System Cost		\$ 1,652,234
102	2330	108.1	Computer System Acc. Dep.	\$ 330,447	
102	4998	215	Retained Earnings	\$ 1,321,787	
			Total	\$ 1,652,234	\$ 1,652,234

Effect on the Staff Prepared Schedules: The year end adjustment for Headquarters plant and accumulated depreciation should be reduced by \$1,652,234 and \$330,447, respectively. Depreciation Expense should be reduced by \$165,223. Mid-County Services, Inc. year-end decrease to wastewater plant and accumulated depreciation should be \$20,488 and \$4,098, respectively. Mid-County Services, Inc. decrease to depreciation expense should be \$2,049.

Project Phoenix Reconciliation

Description	Amount
Project Phoenix Total Cost Per Order	\$ 21,617,487
Ordered Adjustments Per Order	\$ (1,724,166)
Difference	\$ 19,893,321
Project Phoenix Total Cost Per Company	\$ (21,545,555)
Adjustment to Correct Beginning Balance	\$ (1,652,234)

Calculation of Depreciation

Co. Acct. No.	Date	Debit	Explanation	Beg. Bal. Adjustment	Life (Year)	Adjustment to Dep. Exp/RE	Depreciation Exp. Acct.	Months	Adjustment to Acc. Dep.	Acc. Dep. Acct.
1590	12/31/2008	1,724,166	^{Ordered} Adjustment	\$ (1,652,234)	10	\$ (165,223)	6920	24	\$ (330,447)	2330

Utility Allocation

Mid-County	Rate		Dep. Exp.
Illinois Allocation	1.24%		(\$2,048.77)

Finding 3: Depreciation Life of Project Phoenix

Audit Analysis: In Order PSC-10-0407-PAA-SU, the Company was directed to change the depreciation life for Project Phoenix from eight years to 10 years. During our audit of affiliate transactions in Docket 110153-SU, we determined that the Company is still using 8 years.

The Company has also overstated the depreciation expense for this account by \$3,527. This was included in the depreciation expense account in June, but it was not included in the accumulated depreciation account. The difference in the total depreciation expense amount for this account when compared to the total depreciation expense amount from the workpapers in the prior audit as of June 30, 2010 is \$3,527. The amount of allocated cost received by Mid-County Services, Inc. is based on its ERC ratio to the total ERCs at the corporate level. The allocation from the Illinois office is 1.24% for December 2010.

The schedule following this finding shows the calculation for accumulated depreciation and depreciation expense adjustments to correct the accrual balances for Headquarters and Mid-County Services, Inc.

Effect on the General Ledger: The following adjustment is recommended to correct the Illinois general ledger balance. Since the test year is already closed in the ledger, the depreciation expense should be recorded to retained earnings.

Co. No.	Co. Acct.	NARUC Acct.	Account Description	Debit	Credit
102	2330	108.1	Computer System Acc. Dep.	\$ 1,372,368	
102	4998	215	Retained Earnings		\$ 1,372,368
			Total	\$ 1,372,368	\$ 1,372,368

Effect on the Staff Prepared Schedules: The year-end Illinois accumulated depreciation should be reduced by \$1,372,368 and the depreciation expense should be reduced by \$555,330. The effect on Mid-County Services, Inc. is a decrease to accumulated depreciation of \$17,017 and a decrease to depreciation expense of \$6,886.

Recalculation of Accumulated Depreciation

Period	Additions	Staff Acc. Dep. At 12/08	Staff 2009 Dep. Exp.	Staff 2010 Dep. Exp.	Per Staff Acc. Dep. At 12/10	Company Acc. Dep. At 12/10	Difference
2002	\$ 5,912.31	\$ 3,843	\$ 591	\$ 591	\$ 5,025	5,912	(887)
2003	\$ 14,240.00	\$ 7,832	\$ 1,424	\$ 1,424	\$ 10,680	13,350	(2,670)
2004	\$ -	\$ -	\$ -	\$ -	\$ -		-
2005	\$ -	\$ -	\$ -	\$ -	\$ -		-
2006	\$ 508,722.09	\$ 127,181	\$ 50,872	\$ 50,872	\$ 228,925	(286,156)	515,081
2007	\$ (508,722.09)	\$ (127,181)	\$ (50,872)	\$ (50,872)	\$ (228,925)	286,156	(515,081)
2008	\$ 21,525,402.85	\$ 1,076,270	\$ 2,152,540	\$ 2,152,540	\$ 5,381,351	6,726,688	(1,345,338)
Jan - Dec 09	\$ 513,062.00	\$ -	\$ 25,653	\$ 51,306	\$ 76,959	96,199	(19,240)
Jan - Dec 10	\$ 338,666.00	\$ -	\$ -	\$ 16,933	\$ 16,933	21,167	(4,233)
		\$ -					
	\$ 22,397,283.16	\$ 1,087,945	\$ 2,180,209	\$ 2,222,795	\$ 5,490,949	\$ 6,863,316	(1,372,368)

Acc. Dep. 12/09

\$ 3,268,154

Depreciation at 10 Years Vs. 8 Years

Co. No.	Description	Plant Balance	Life (Year)	Dep. Exp./RE	Acct.	Acc. Dep.	Acct.
102	2008 Balance with Restated Dep. Per Staff	\$ 21,545,555	10	\$ 2,154,556	6920	\$ 5,397,056	2330
	2009	\$ 513,062		\$ 51,306		\$ 76,959	
	2010	\$ 338,666		\$ 16,933		\$ 16,933	
	Total @ 10 Yrs. Per Staff	\$ 22,397,283		\$ 2,222,795		\$ 5,490,949	
	2008 Balance Per Co.	\$ 21,545,555	8	\$ 2,692,825		\$ 6,745,951	
	2009	\$ 513,062		\$ 64,133		\$ 96,199	
	2010	\$ 338,666		\$ 21,167		\$ 21,167	
	Total @ 8 Yrs. Per Co.	\$ 22,397,283		\$ 2,778,125		\$ 6,863,316	
	Adjustments			\$ (555,330)		\$ (1,372,368)	

Utility Allocation

Mid-County	Rate	Year End Acc. Dep.	Dep. Exp.
Illinois Allocation	1.24%	\$ (17,017)	\$ (6,886)

Finding 4: Removal of Operating Expenses

Audit Analysis: In our audit of affiliate transactions, Docket 110153-SU, we determined that the Illinois Headquarters and Altamonte Springs Headquarters expensed certain charges incorrectly to expense accounts that are allocated to Mid-County Services, Inc.

Item #	Company Account	NARUC Account	Amount	Allocation % to Mid-County	Allocation Amount to Mid-County
1	102.101.6010	732	\$29,000.00	1.21%	\$350.90
2	102.100.7535	408	\$16,928.46	1.21%	\$204.83
3	855.100.5810	775	\$1,000.00	4.92%	\$49.20
4	855.100.5890	775	\$1,000.00	4.92%	\$49.20
			\$47,928.46		\$654.13

Item 1 - The Company accrued monthly entries for their fees paid to Price Waterhouse Coopers. The accruals included an amount of \$29,000 for Utilities, Inc. of Georgia. This is a direct expense and should not be included in the Florida allocations.

Item 2 - The Company included payments totaling \$16,928.46 to the Nevada Department of Taxation. This is a direct expense and should not be included in the Florida allocations.

Items 3 and 4 - The Company included \$1,000 in account 5810 and \$1,000 in account 5890; however, they were ultimately removed during 2011. The Company explained these items should not have been recorded in this account.

The amount of allocated costs to Mid-County Services, Inc., is based on its ERC ratio to total ERCs at the corporate level. The average allocation from the Illinois office to Mid-County over the year 2010 was 1.21%. The 2010 average allocation from the Altamonte Springs office was 4.92%.

Effect on the General Ledger: No entry is made to the general ledger since this will not affect future rate cases.

Effect on the Staff Prepared Schedules: The Company operating expenses should be reduced by \$47,928.46. Mid-County Services, Inc.'s operating expenses should be reduced by \$449.30 and taxes other than income tax reduced by \$204.83.

Finding 5: Prepaid – Other Expenses

Audit Analysis: In our audit of affiliate transactions in Docket 110153-SU, we analyzed the Prepaid-Other expense adjustment schedule provided by the Company. Our test of the Company's support revealed the following discrepancies.

Item No.	Co. Acct.	Prepaid Per Company	Adj. Per Staff	Prepaid Per Staff	Amtz. Per Company	Months	Amtz. Per Staff	Adj. Per Staff
1	102.101.5735	\$25,900.13	(\$11,203.00)	\$14,697.13	\$19,425.10	9	\$11,022.85	(\$8,402.25)
2	102.101.5735	\$30,918.60	(\$30,918.60)	\$0.00	\$15,459.30	6	\$0.00	(\$15,459.30)
3	102.101.5735	\$30,796.49	\$0.00	\$30,796.49	\$2,566.37	1	\$1,283.19	(\$1,283.19)
		\$87,615.22	(\$42,121.60)	\$45,493.62	\$37,450.77		\$12,306.03	(25,144.74)
							Allocation %	1.21%
							NARUC Acct. 736	(\$304.25)

Item 1 - The Company included \$11,203 in items that were directly related to subsidiaries. This was reported in the last affiliate audit, Audit Control Number 11-004-4-2, of Lake Utility Services, Inc.

Item 2 – The Company included \$30,918.60 in July 2010 for an item related to a Carolina subsidiary.

Item 3 – The Company included \$30,796.49 in December 2010 for an item paid to Microsoft Licensing, LP. The Company amortized this item over 12 months; however, the invoice indicates the period should be 2 years or 24 months.

The amount of allocated costs to Mid-County Services, Inc. is based on its ratio of average 2010 ERCs to total ERCs at the corporate level. The average allocation from the Illinois office is 1.21%.

Effect on the General Ledger: The following entry is recommended to correct the Company's ledger.

NARUC Account	Account Description	Debit	Credit
186	Prepaid Expense -Other		\$42,121.60
215	Retained Earnings	\$42,121.60	

Effect on the Staff Prepared Schedules: The Company amortization expenses should be reduced by \$25,145. The Mid-County Services, Inc. amortization expenses should be reduced by \$304.

Finding 6: Ordered Adjustments and Rule Depreciation Rates

Audit Analysis: The Utility's last rate case order, PSC-09-0373-PAA-SU, contained adjustments to rate base accounts that the Utility was required to record in its general ledger. In addition, rule 25-30.140, F.A.C, requires certain depreciation rates be used. In preparing a rate case, the Utility usually prepares a restatement of plant, accumulated depreciation, contributions in aid of construction, and amortization of contributions in aid of construction which adjust for these items and adjusts the filing. Since this is an overearnings investigation, no filings were made. Therefore, we prepared a restatement similar to the one the Utility used in Docket 110153-SU. This restatement took the balances in the last filing, adjusted for the ordered adjustment and depreciated and amortized the balances using the rule rates. These revised amounts were compared to the Utility's ledger excluding allocations from headquarters. The differences are shown in the following section. The schedules following the report have been adjusted for these differences.

Effect on the General Ledger: The entry on the following page is needed to correct the ledger.

Effect on the Staff Prepared Schedules: Plant at December 31, 2010 should be reduced by \$500 and Accumulated Depreciation reduced by \$39,905. Contributions in Aid of Construction should be increased by \$1,647 and Accumulated Amortization increased by \$20,017. Depreciation expense should be reduced by \$19,297 and CIAC amortization expense should be increased by \$276.

Adjustment for Restatement

Co. Acct.	NARUC Acct.	Title	Amount
2105	108.1	Acc. Dep. Collection Sewers Force	\$ 2,366.47
2113	108.1	Acc. Dep. Manholes	\$ 37,412.14
2120	108.1	Acc. Dep. Services To Customers	\$ 6,364.94
2155	108.1	Acc. Dep. Treatment And Disposal Lagoons	\$ 11,714.33
2160	108.1	Acc. Dep. Treatment And Disposal Treatment	\$ 25,933.65
2215	108.1	Acc. Dep. Office Structures And Improvement	\$ 359.94
2220	108.1	Acc. Dep. Office Furniture And Equipment	\$ 66.00
2255	108.1	Acc. Dep. Desktop Computer	\$ 38.50
3550	271	Ciac Collection Sewers Force	\$ 41,114.00
3555	271	Ciac Collection Sewers Gravity	\$ 23,459.89
4050	272	Acc Amort Structures And Improvements Lift Static	\$ 494.24
4070	272	Acc Amort Structures And Improvements General	\$ 19,962.26
4100	272	Acc Amort Services To Customers	\$ 10,240.40
4105	272	Acc Amort Manholes	\$ 5,732.00
4150	272	Acc Amort Treatment And Disposal Lagoons	\$ 465.42
4155	272	Acc Amort Treatment And Disposal Treatment	\$ 8,931.53
4275	272	Acc Amort Tap Fee	\$ 671.84
4280	272	Acc Amort Sewer Plant Mod Fee	\$ 15.95
1285	353	Land And Land Rights Treatment	\$ 18,403.00
1360	363.2	Services To Customers	\$ 121,821.00
6665	403	Dep. Exp. Structures And Improvements Treatment	\$ 10.37
6717	403	Dep. Exp. Manholes	\$ 429.92
6725	403	Dep. Exp. Services To Customers	\$ 3,254.43
6760	403	Dep. Exp. Treatment And Disposal Lagoons	\$ 2,286.01
6775	403	Dep. Exp. Plant Sewers Treatment	\$ 411.40
6805	403	Dep. Exp. Other Plant Treatment	\$ 104.07
6835	403	Dep. Exp. Tools, Shop And Garage Equipment	\$ 12.74
6840	403	Dep. Exp. Laboratory Equipment	\$ 47.08
6850	403	Dep. Exp. Communication Equipment	\$ 55.00
7245	407.1	Ciac Amort. Expense Structures And Imp. General	\$ 130.15
7275	407.1	Ciac Amort. Expense Collection Sewers Force	\$ 1,370.52
7280	407.1	Ciac Amort. Expense collection Sewers Gravity	\$ 498.32
	403	Dep. Exp. Electric Pump Equipment Wtp	\$ 7.81
	403	Dep. Exp. Organization	\$ 58.75
	403	Dep. Exp. Miscellaneous Equipment Water	\$ 3,485.27
2030	108.1	Acc. Dep. Organization	\$ (2,380.25)
2055	108.1	Acc. Dep. Structures And Improvements Lift Static	\$ (2,411.25)
2060	108.1	Acc. Dep. Structures And Improvements Treatment	\$ (48.16)
2070	108.1	Acc. Dep. Structures And Imp. Reclaimed Water D	\$ (9.48)
2075	108.1	Acc. Dep. Structures And Improvements Treatment	\$ (972.86)
2110	108.1	Acc. Dep. Collection Sewers Gravity	\$ (22,385.24)
2140	108.1	Acc. Dep. Pumping Equipment Pump	\$ (675.31)
2165	108.1	Acc. Dep. Treatment And Disposal Reclaimed Tre	\$ (232.36)
2170	108.1	Acc. Dep. Plant Sewers Treatment	\$ (2,427.49)
2190	108.1	Acc. Dep. Other Plant Collection	\$ (426.78)
2195	108.1	Acc. Dep. Other Plant Pump	\$ (502.96)
2200	108.1	Acc. Dep. Other Plant Treatment	\$ (146.98)
2230	108.1	Acc. Dep. Tools, Shop And Garage Equipment	\$ (23.51)
2235	108.1	Acc. Dep. Laboratory Equipment	\$ (1,076.82)
2245	108.1	Acc. Dep. Communication Equipment	\$ (58.99)

Adjustment for Restatement Con't.

Co. Acct.	NARUC Acct.	Title	Amount
2250	108.1	Acc. Dep. Miscellaneous Wastewater Equipment	\$ (19.91)
2285	108.1	Acc. Dep. Reuse Transmission And Equipment	\$ (89.22)
	108.1	Acc. Dep. Miscellaneous Wastewater Equipment	\$ (10,455.82)
	108.1	Acc. Dep. Electric Pump Equipment	\$ (7.81)
3550	271	Ciac Services To Customers	\$ (41,114.00)
3555	271	Ciac Manholes	\$ (23,460.00)
3701	271	Ciac Wastewater Tap	\$ (1,646.89)
4030	272	Acc Amort	\$ (6,885.35)
4100	272	Acc Amort Collection Sewers Force	\$ (10,240.48)
4105	272	Acc Amort Collection Sewers Gravity	\$ (4,881.38)
4265	272	Acc Amort Wastewater Tap	\$ (4,488.93)
1285	353	Land And Land Rights General	\$ (18,403.25)
1345	360.2	Collection Sewers Force	#####
1400	380.4	Treatment And Disposal	\$ (500.00)
6660	403	Dep. Exp. Structures And Improvements Lift Station	\$ (220.21)
6680	403	Dep. Exp. Structures And Improvements Treatment	\$ (486.13)
6695	403	Dep. Exp. Power Generation Equipment	\$ (3.55)
6710	403	Dep. Exp. Collection Sewers Force	\$ (6,590.66)
6715	403	Dep. Exp. Collection Sewers Gravity	\$ (5,378.12)
6745	403	Dep. Exp. Pumping Equipment Pump	\$ (215.72)
6765	403	Dep. Exp. Treatment And Disposal Treatment	\$ (16,391.16)
6820	403	Dep. Exp. Office Structures And Improvement	\$ (119.98)
6825	403	Dep. Exp. Office Furniture And Equipment	\$ (22.01)
6920	403	Dep. Exp. Desktop Computer	\$ (31.83)
7440	407.1	Ciac Amort. Expense Tap Fee	\$ (110.80)
7445	407.1	Ciac Amort. Expense Plant Mod Fee	\$ (11.84)
	407.1	Ciac Amort. Expense Services To Customers	\$ (1,370.47)
	407.1	Ciac Amort. Expense Manholes	\$ (782.00)
4998	215	Retained Earnings	\$ (38,202.38)

Finding 7: Capitalized Items

Audit Analysis: As a result of our sample of plant additions, we determined that there were several items that should have been expensed during 2008, 2009, and 2010 that were capitalized. The Utility agrees that they were incorrectly classified. The accumulated depreciation and depreciation expense related to these assets also need to be removed. The schedule on the following page details the invoices and the depreciation adjustments.

Effect on the General Ledger: The following entry is needed to correct the ledger:

Co. Acct.	NARUC Acct.	Title	Amount
1345	360.2	Sewer Force Main	\$ (9,159.87)
1380	371.3	Pumping Equipment	\$ (6,220.19)
2140	108.1	Acc. Dep. Force Main	\$ 647.33
2105	108.1	Acc. Dep. Pumping	\$ 411.51
6745	403	Dep. Exp. Force Main	\$ (280.11)
6710	403	Dep. Exp. Pumping	\$ (207.34)
6050	736	Contract Services Other	\$ 1,815.50
4998	215	Retained Earnings	\$ 12,993.17

Effect on the Staff Prepared Schedules: Plant at December 31, 2010 should be decreased by \$15,380. Accumulated Depreciation should be decreased by \$1,059. Depreciation expense should be decreased by \$487 and Operating Expense increased by \$1,815.

Items That Should Have Been Expensed

NARUC	Co. Acct.	DESCRIPTION	Date	Amount	Transfer to Expense	DESCRIPTION	Months Depreciated	Depreciation Rate	Accumulated Depreciation	Acc. Dep. Account	Test Year Depreciation	Depreciation Exp. Acct.	Retained Earnings
360.2	1345	FLORIDA DEPT OF TRANSPORTATION	5/5/2008	7,344.37	(7,344.37)	Work done was required because of an error in marking a pipe.	30	3.33%	612.03	2105	(244.81)	6710	6,977.15
371.3	1380	UTILEQUIP SERVICES, INC.	6/8/2008	3,015.00	(3,015.00)	Repaired Pump #3.	30	3.33%	251.25	2140	(100.50)	6745	2,864.25
371.3	1380	REXEL MADER DEPT-0765	10/7/2009	3,205.19	(3,205.19)	Vendor, REXEL, troubleshoot and inspect flygt sub pump 20HP	18	3.33%	160.26	2140	(106.84)	6745	3,151.77
		Total Adjustment to Retained Earnings			(13,564.56)				1,023.54		(452.15)		12,993.17
360.2	1345	KEN'S BUSH HOG SERVICE	2/13/2010	1,815.50	(1,815.50)	Replace valves on pump 2 in Oaks Lift Station	7	3.33%	35.30	2105	(35.30)	6710	1,815.50
		Total Adjustment to T/Y Expense Account 736			(1,815.50)				35.30		(35.30)		1,815.50
		Total Adjustment			(15,380.06)				1,058.84		(487.45)	Retained Earning	12,993.17

Contract Services \$ 1,815.50

Total by Account													
360.2	1345				(9,159.87)				647.33	2140	(280.11)	6745	
371.3	1380				(6,220.19)				411.51	2105	(207.34)	6710	
		Total Adjustment			(15,380.06)				1,058.84		(487.45)		

Finding 8: Retirements

Audit Analysis: As a result of our sample of plant additions, we determined that there were retirements that were not recorded by the Utility. The Utility agreed that retirements should have been recorded when the new assets were installed. The retirements were calculated using 75% of the new addition in accordance with Commission policy. The accumulated depreciation and depreciation expense related to these assets also need to be removed. The schedule following this finding details the accounts, the vendor for the new addition, and the amounts with the associated depreciation for each item.

Effect on the General Ledger: The following adjustment is needed to correct the ledger.

Co. Acct.	NARUC Acct.	Title	Amount
1400	380.4	Treatment and Disposal Equipment Plant	\$ (8,076.22)
1410	381.4	Plant Sewers	\$ (17,426.46)
1430	389.2	Other Plant Collection	\$ (3,884.67)
2160	108.1	Acc. Dep. Treatment and Disposal Equipm	\$ 9,189.42
2170	108.1	Acc. Dep. Plant Sewers	\$ 18,995.09
2190	108.1	Acc. Dep. Other Plant Collection	\$ 4,622.90
6765	403	Dep. Exp. Treatment and Disposal Equipm	\$ (598.24)
6775	403	Dep. Exp. Plant Sewers	\$ (629.54)
6795	403	Dep. Exp. Other Plant Collection	\$ (295.29)
4998	215	Retained Earnings	\$ (1,896.99)

Effect on the Staff Prepared Schedules: Plant and Accumulated Depreciation at December 31, 2010 should be reduced by \$29,387 and \$32,807.41, respectively. Depreciation Expense should be reduced by \$1,523.

Retirements That Should Have Been Made

NARUC Acct.	Co. Acct.	Vendor	Date	Amount	Retirement Amt. Cr. Plant	Retirement Amt. Db. A/D	Description	Months Dep.	Dep. Rate	Acc. Dep. related To Ex	Acc. Dep. Account	Test Year Depreciation	Depreciation Exp. Acct.	Retained Earnings
380.4	1400	BARNEY'S PUMPS INC.	6/18/2008	3,885.00	(2,913.75)	2,913.75	Hydromatic submersible non-clog pump	30	5.56%	539.58	2160	(215.83)	6765	(323.75)
381.4	1410	ALPHA VALVE & CONTROLS, INC.	6/23/2008	13,043.30	(9,782.48)	9,782.48	(3) Dezurik Actuators for the Mid-County WWTP in Tampa, FL.	30	2.86%	931.66	2170	(372.67)	6775	(559.00)
381.4	1410	JANUARY CLOSING ENTRY	1/31/2008	8,868.93	(6,549.94)	6,549.94	Actual valves were \$8733.25	30	2.86%	633.50	2170	(253.40)	6775	(380.10)
389.2	1430	JANUARY CLOSING ENTRY	1/31/2008	5,315.24	(3,884.67)	3,884.67	Actual parts were \$3,179.56.	30	5.56%	738.23	2190	(295.29)	6795	(442.94)
380.4	1400	ITT WATER & WASTEWATER USA	5/14/2009	4,154.81	(3,116.11)	3,116.11	Replacement Pump	18	5.56%	346.23	2160	(230.82)	6765	(115.41)
380.4	1400	BOB DEAN SUPPLY, INC.	12/2/2009	2,728.50	(2,046.38)	2,046.38	Goulds pump	18	5.56%	227.38	2160	(151.58)	6765	(75.79)
381.4	1410	PARAMOUNT POWER INC.	12/19/2010	1,458.73	(1,094.05)	1,094.05	FM1D20A-120x clock, H3CR H8L time delay, batteries.	1	2.86%	3.47	2170	(3.47)	6775	
					(29,387.36)	29,387.36				3,420.05		(1,523.07)		(1,896.99)
Total by Account														
380.4	1400				(8,076.23)	8,076.23				1,113.19		(598.24)		(514.95)
381.4	1410				(17,426.46)	17,426.46				1,568.63		(629.54)		(939.10)
389.2	1430				(3,884.67)	3,884.67				738.23		(295.29)		(442.94)
					(29,387.36)	29,387.36				3,420.05		(1,523.07)		(1,896.99)

Finding 9: Expenses for Other Utilities

Audit Analysis: The Utility expenses included items that related to other utility divisions.

As a result of our sample of expenses, we determined that four invoices related to other utility divisions. The descriptions of the invoices follow:

Co. Acct.	NARUC Acct.	Vendor	Date	Amount	Staff's Description
5470	720	PROGRESS ENERGY FLORIDA.	12/15/2010	90.08	Utilities Inc of Longwood Electric Bill (11/05/10 - 12/07/10)
5470	720	PROGRESS ENERGY FLORIDA.	12/15/2010	269.54	Utilities Inc of Longwood Electric Bill (11/05/10 - 12/07/10)
6025	733	ROSE,SUNDSTROM & BENTLE	1/21/2010	2,345.00	LUSI property sale - Sumter Electric Coop
6025	733	BEERS & GORDON, P.A.	3/3/2010	2,264.00	Various legal services

Effect on the General Ledger: The following entry is needed to correct the ledger:

Co. Acct.	NARUC Acct.	Title	Amount
2710	146	Account Receivable Associated Companies	\$ 4,968.62
5740	720	Computer Supplies	\$ (359.62)
6025	733	Legal Fees	\$ (4,609.00)

Effect on the Staff Prepared Schedules: Operating expense should be reduced by \$4,968.62.

Finding 10: Permit Fees

Audit Analysis: During 2010 the Utility renewed its wastewater permit. The permit lasts five years and the costs associated should have been deferred and amortized over the five years. The Utility paid Excel Engineering \$5,523.90 and the Department of Environmental Protection \$5,000 for a total of \$10,523.90. If amortized over five years, \$8,419.12 should be transferred to the deferred account and \$2,104.78 should remain in expense.

Effect on the General Ledger: The following entry should be made to the general ledger:

Co. Acct.	NARUC Acct	Title	Amount
	186	Deferred Permit Costs	\$ 8,419.12
6020	731	Engineering Fees	\$ (4,419.12)
6340	775	Misc. Expense	\$ (4,000.00)

Effect on the Staff Prepared Schedules: Expenses should be reduced by \$8,419 and working capital increased by \$8,419.

Finding 11: Penalties

Audit Analysis: The Utility paid the Pinellas Board of County Commissioners \$4,000 in October 2010 and the Florida Department of Environmental Protection \$5,800 in December 2010. These payments were for penalties incurred. According to the NARUC chart of accounts, penalties or fines for violations should be recorded in account 426-Miscellaneous Nonutility Expense and therefore, should be recorded below the line.

Effect on the General Ledger: The following entry should be made to the ledger:

Co. Acct.	NARUC Acct.	Title	Amount
	426	Miscellaneous Non-Utility Expense	\$ 9,800.00
5815	775	Penalties/Fines	\$ (9,800.00)

Effect on the Staff Prepared Schedules: Operating expenses should be reduced by \$9,800.

Finding 12: Rate Case Expense

Audit Analysis: The Utility recorded \$46,935.25 for rate case expense amortization in the ledger. The Utility's last rate case order, PSC-09-0373-PAA-SU, allowed \$26,992 for amortization each year for the four years beginning June 2009. The difference of \$19,943.25 should be removed from expenses.

Effect on the General Ledger: The following entry should be made to the ledger:

Co. Acct.	NARUC Acct	Title	Amount
	426	Miscellaneous Non-Utility Expense	\$ 19,943.25
6065	766	Rate Case Expense Amortization	\$(19,943.25)

Effect on the Staff Prepared Schedules: Operating expenses should be reduced by \$19,943.

Finding 13: Salaries

Audit Analysis: When the Utility files a rate case, salaries are adjusted based on the annualized salaries at the most current allocation rate. Payroll taxes, transportation expense and vehicles are also adjusted in this process. These schedules are compared to expenses in the ledger and the difference is adjusted. We used the schedules provided in Docket 110153-SU and adjusted them to include the actual W-2 wages for 2010 instead of the annualized wages. Because this is an overearnings investigation, we are attempting to determine actual costs in 2010 instead of future costs. The amount of allocated costs to Mid-County Services, Inc. was based on the ratio of average 2010 ERCs to total ERCs at the corporate level, the regional level, or the state level depending on the employee. The percents for field employees were based on the allocation percents by field employee filed in Docket 110153-SU. The vehicles used by each employee were allocated using the same allocation percents as the employee. The differences found when compared to the general ledger are as detailed in the next section.

Effect on the General Ledger: The following entry should be made:

Co. Acct.	NARUC Acct	Title	Amount
6110	701	Salary	\$ (1,477)
6115	701	Salary	\$ 371
6120	701	Salary	\$ 2,205
6125	701	Salary	\$ (419)
6130	701	Salary	\$ (282)
6130	701	Salary	\$ (3,137)
6140	701	Salary	\$ 6,939
6145	701	Salary	\$ (2,836)
6146	701	Salary	\$ (2,791)
6147	701	Salary	\$ 526
6150	701	Salary	\$ 64,939
6155	701	Salary	\$ 1,376
6165	701	Salary	\$ (2,168)
7510-7520	408	Payroll Tax	\$ (435)
5625-5690	704	Benefits	\$ 596
1555	392	Transportation Eq.	\$ (20,397)
2300	108	Acc. Dep. Transportation	\$ 27,524
6905	403	Depreciation Exp.	\$ 5,570
6215-6230	750	Transportation Expense	\$ (74)
2710	146	Account Receivable Associated Companies	\$ (76,028.99)

Effect on the Staff Prepared Schedules: Plant at December 31, 2010 should be reduced by \$20,397 and accumulated depreciation decreased by \$27,524. Operating expenses should be increased by \$63,766, payroll taxes decreased by \$435, and depreciation expense increased by \$5,570.

Finding 14: Headquarter Allocations

Audit Analysis: In Docket 110153-SU, the Company made adjustments to the Eagle Ridge filing for corrections to the rate base accounts, prior Commission adjustments, Commission ordered depreciation rates and the most recent ERC allocation factors. We used the Company schedules and changed them for the Mid-County percents. Since this is an overearnings investigation and based on the test year, we have changed the allocation factors to year-end for rate base accounts and an average of the 2010 monthly allocation factors for expense. The results were compared to the allocations in the Utility's allocation ledger. The differences are shown in the schedule on the following page. In addition, the expense allocations included an allocation of Chlorine which does not relate to the Utility and it is also removed.

Effect on the General Ledger: Since the adjustments relate to the headquarters account, the differences are not recorded in the ledger.

Effect on the Staff Prepared Schedules: Plant and Accumulated Depreciation at December 31, 2010 should be reduced by \$72,430 and \$45,153, respectively. Depreciation expense should be increased by \$1,733.72. Operating expense should be reduced by \$807.68.

Revised Allocation Schedule

Co. Acct.	NARUC Acct.	Title	Amount
1025	302.1	Franchise	\$ (107.85)
1495	398.7	Sewer Plant Allocated	\$ (48,532.00)
1580	340.5	Mainframe Computer	\$ (10,972.95)
1585	340.5	Mini Computers	\$ (6,887.66)
1590	340.5	Computer System Cost	\$ (4,707.81)
1595	340.5	Micro System Cost	\$ (1,221.67)
1840	108.1	Acc. Dep. Franchise	\$ 4.50
1970	108.1	Acc. Dep. Office Structure	\$ (1,666.41)
1975	108.1	Acc. Dep. Office Equipment	\$ (678.44)
1985	108.1	Acc. Dep. Tool, Shop and Misc.	\$ 5.65
2000	108.1	Acc. Dep. Communication Equipment	\$ 319.22
2075	108.1	Acc. Dep. Structures and Improvement	\$ 13,042.00
2230	108.1	Acc. Dep. Tools, Shop, and Misc.	\$ 4.26
2320	108.1	Acc. Dep. Mainframe Computer	\$ 6,028.68
2325	108.1	Acc. Dep. Mini Computer	\$ 4,047.88
2330	108.1	Acc. Dep. Computer System Amortiza	\$ 22,681.86
2335	108.1	Micro System Amortization	\$ 1,363.89
6580	403	Depreciation Expense Office Structure	\$ 1,952.48
6585	403	Depreciation Expense Office Furniture	\$ 1,002.05
6595	403	Depreciation Expense Tools, Shop, and	\$ 673.55
6600	403	Depreciation Expense Lab Equipment	\$ 9.40
6610	403	Depreciation Expense Communication	\$ 257.63
6835	403	Depreciation Expense-Tools, Shop and	\$ (2.43)
6920	403	Depreciation Expense Computer	\$ (2,158.96)
5480	718	Chlorine	\$ (807.68)

Finding 15: Sludge Equipment

Audit Analysis: In 2009, Bio-Tech, Inc., a subsidiary of Utilities, Inc. purchased five “Sludge Mate Roll Off’s” (Sluice Box) which cost \$187,028. Capitalized labor associated with the pilot study of this equipment was \$2,579.27 making the total cost \$189,607.27. These boxes appear to have been installed in 2009 although the cost was not transferred to the individual utilities until July 2010. Based on the invoices and capitalized labor, the cost of each box was \$37,921. Mid-County was charged \$42,591.45, or \$4,670 more than the cost. Depreciation recorded on this additional amount was \$108.20. ($\$4,670 * 5.56\%/12*5$)

The Sluice Box has reduced sludge hauling expenses from \$408,840 in the last test year to \$309,128 in 2009 and to \$171,407 in 2010. This addition has probably contributed to an increase in net income for the Utility.

Effect on the General Ledger: The following entry should be made to the ledger:

Utility Account	NARUC Account	Title	Adjustment
4100	380.4	Treatment and Disposal Equipment Plant	\$ (4,670.00)
2160	108.1	Acc. Dep. Treatment and Disposal Eq.	\$ 108.00
6765	403	Depreciation Expense Treatment and Disposal	\$ (108.00)
2710	146	Account Receivable Associated Companies	\$ 4,670.00

Effect on the Staff Prepared Schedules: December 2010 plant and accumulated depreciation should be reduced by \$4,670 and \$108, respectively. Depreciation expense should be reduced by \$108.

Exhibits

Exhibit 1: Rate Base

Mid-County Services, Inc.
 Year End Rate Base
 Test Year Ended December 31, 2010

Description	December 31, 2010 Per Ledger	Staff Adjustments	Exhibit Four	Staff Adjusted Balance
Plant In Service	\$ 7,260,156.76	\$ (500.25)	Entry 1	\$ 7,096,944.16
		\$ (15,380.06)	Entry 2	
		\$ (29,387.35)	Entry 3	
		\$ (72,429.94)	Entry 8	
		\$ (20,448.00)	Entry 11	
		\$ (20,397.00)	Entry 10	
		\$ (4,670.00)	Entry 15	
		\$ (163,212.60)		
Accumulated Depreciation	\$ (3,040,595.51)	\$ 39,904.77	Entry 1	\$ (2,872,924.40)
		\$ 1,058.84	Entry 2	
		\$ 32,807.41	Entry 3	
		\$ 45,153.09	Entry 8	
		\$ 4,098.00	Entry 11	
		\$ 17,017.00	Entry 12	
		\$ 27,524.00	Entry 10	
		\$ 108.00	Entry 15	
		\$ 167,671.11		
Contributions In Aid of Construction	\$ (3,043,017.68)	\$ (1,647.00)	Entry 1	\$ (3,044,664.68)
Accumulated Amortization of CIAC	\$ 1,927,001.74	\$ 20,017.50	Entry 1	\$ 1,947,019.24
Working Capital		\$ 112,309.61		\$ 120,728.73
		\$ 8,419.12	Entry 5	
		\$ 120,728.73		
Rate Base	\$ 3,103,545.31	\$ 135,138.62		\$ 3,247,103.05

Exhibit 2: Net Operating Income

Description	Year End December 31, 2010	Staff Adjustments	Exhibit Four	Staff Adjusted Balances
Revenue	\$ 2,004,555.71			\$ 2,004,555.71
Operating Expense	\$ 1,056,315.87	\$ (4,968.62)	Entry 4	\$ 1,077,205.15
		\$ 1,815.50	Entry 2	
		\$ (8,419.12)	Entry 5	
		\$ (9,800.00)	Entry 6	
		\$ (19,943.25)	Entry 7	
		\$ (807.68)	Entry 9	
		\$ (449.30)	Entry 13	
		\$ (304.25)	Entry 14	
		\$ 63,244.00	Entry 10	
		\$ (74.00)	Entry 10	
		\$ 596.00	Entry 10	
		\$ 20,889.28		
Depreciation Expense	\$ 281,205.77	\$ (19,296.52)	Entry 1	\$ 258,159.45
		\$ (487.45)	Entry 2	
		\$ (1,523.07)	Entry 3	
		\$ 1,733.72	Entry 8	
		\$ (6,886.00)	Entry 12	
		\$ 5,570.00	Entry 10	
		\$ (2,049.00)	Entry 11	
		\$ (108.00)	Entry 15	
		\$ (23,046.32)		
Amortization Expense	\$ (94,548.92)	\$ (276.12)	Entry 1	\$ (94,825.04)
Taxes Other Than Income Tax	\$ 118,663.50	\$ (204.83)	Entry 13	\$ 118,023.67
		\$ (435.00)	Entry 10	
		\$ (639.83)		
Income Tax Expense	\$ 216,466.00	\$ 1,213.83		\$ 217,679.83
Total Expenses	\$ 1,578,102.22	\$ (1,859.16)		\$ 1,576,243.06
Net Operating Income	\$ 426,453.49	\$ (1,859.16)		\$ 428,312.65

Exhibit 3: Capital Structure

CLASS OF CAPITAL	RECONCILED TO RATE BASE	RATIO	COST RATE RATE	WEIGHTED COST
Long Term Debt	\$ 1,629,063	50.17%	6.64%	3.33%
Short Term Debt	\$ -	0.00%		0.00%
Common Equity	\$ 1,608,987	49.55%	10.37%	5.14%
Customer Deposits	\$ -	0.00%		0.00%
Accumulated Deferred I	\$ 9,053	0.28%	0.00%	0.00%
TOTAL	\$ 3,247,103	100.00%		8.47%

Exhibit 4: Adjustments

COMPANY: Mid-County Services, Inc.
 TITLE: Adjusting Journal Entries
 PERIOD: Test Year Ended December 31, 2010

Utility Account	NARUC Account		Adjustment	Total by Category
		Entry 1		
2105	108.1	Acc. Dep. Collection Sewers Force	\$ 2,366.47	
2113	108.1	Acc. Dep. Manholes	\$ 37,412.14	
2120	108.1	Acc. Dep. Services To Customers	\$ 6,364.94	
2155	108.1	Acc. Dep. Treatment And Disposal Lagoons	\$ 11,714.33	
2160	108.1	Acc. Dep. Treatment And Disposal Treatment	\$ 25,933.65	
2215	108.1	Acc. Dep. Office Structures And Improvement	\$ 359.94	
2220	108.1	Acc. Dep. Office Furniture And Equipment	\$ 66.00	
2255	108.1	Acc. Dep. Desktop Computer	\$ 38.50	\$ 84,255.97
3550	271	Ciac Collection Sewers Force	\$ 41,114.00	
3555	271	Ciac Collection Sewers Gravity	\$ 23,459.89	\$ 64,573.89
4050	272	Acc Amort Structures And Improvements Lift Station	\$ 494.24	
4070	272	Acc Amort Structures And Improvements General	\$ 19,962.26	
4100	272	Acc Amort Services To Customers	\$ 10,240.40	
4105	272	Acc Amort Manholes	\$ 5,732.00	
4150	272	Acc Amort Treatment And Disposal Lagoons	\$ 465.42	
4155	272	Acc Amort Treatment And Disposal Treatment	\$ 8,931.53	
4275	272	Acc Amort Tap Fee	\$ 671.84	
4280	272	Acc Amort Sewer Plant Mod Fee	\$ 15.95	\$ 46,513.64
1285	353	Land And Land Rights Treatment	\$ 18,403.00	
1360	363.2	Services To Customers	\$ 121,821.00	\$ 140,224.00
6665	403	Dep. Exp. Structures And Improvements Treatment	\$ 10.37	
6717	403	Dep. Exp. Manholes	\$ 429.92	
6725	403	Dep. Exp. Services To Customers	\$ 3,254.43	
6760	403	Dep. Exp. Treatment And Disposal Lagoons	\$ 2,286.01	
6775	403	Dep. Exp. Plant Sewers Treatment	\$ 411.40	
6805	403	Dep. Exp. Other Plant Treatment	\$ 104.07	
6835	403	Dep. Exp. Tools, Shop And Garage Equipment	\$ 12.74	
6840	403	Dep. Exp. Laboratory Equipment	\$ 47.08	
6850	403	Dep. Exp. Communication Equipment	\$ 55.00	\$ 6,611.02
7245	407.1	Ciac Amort. Expense Structures And Imp. General	\$ 130.15	
7275	407.1	Ciac Amort. Expense Collection Sewers Force	\$ 1,370.52	
7280	407.1	Ciac Amort. Expense Collection Sewers Gravity	\$ 498.32	\$ 1,998.99

COMPANY: Mid-County Services, Inc.
 TITLE: Adjusting Journal Entries Con't.
 PERIOD: Test Year Ended December 31, 2010

Utility Account	NARUC Account		Adjustment	Total by Category
	403	Dep. Exp. Electric Pump Equipment Wtp	\$ 7.81	
	403	Dep. Exp. Organization	\$ 58.75	
	403	Dep. Exp. Miscellaneous Equipment Water	\$ 3,485.27	\$ 3,551.83
2030	108.1	Acc. Dep. Organization	\$ (2,380.25)	
2055	108.1	Acc. Dep. Structures And Improvements Lift Station	\$ (2,411.25)	
2060	108.1	Acc. Dep. Structures And Improvements Treatment	\$ (48.16)	
2070	108.1	Acc. Dep. Structures And Imp. Reclaimed Water Distributi	\$ (9.48)	
2075	108.1	Acc. Dep. Structures And Improvements Treatment Hant	\$ (972.86)	
2110	108.1	Acc. Dep. Collection Sewers Gravity	\$ (22,385.24)	
2140	108.1	Acc. Dep. Pumping Equipment Pump	\$ (675.31)	
2165	108.1	Acc. Dep. Treatment And Disposal Reclaimed Treatment	\$ (232.36)	
2170	108.1	Acc. Dep. Plant Sewers Treatment	\$ (2,427.49)	
2190	108.1	Acc. Dep. Other Plant Collection	\$ (426.78)	
2195	108.1	Acc. Dep. Other Plant Pump	\$ (502.96)	
2200	108.1	Acc. Dep. Other Plant Treatment	\$ (146.98)	
2230	108.1	Acc. Dep. Tools, Shop And Garage Equipment	\$ (23.51)	
2235	108.1	Acc. Dep. Laboratory Equipment	\$ (1,076.82)	
2245	108.1	Acc. Dep. Communication Equipment	\$ (58.99)	
2250	108.1	Acc. Dep. Miscellaneous Wastewater Equipment	\$ (19.91)	
2285	108.1	Acc. Dep. Reuse Transmission And Equipment	\$ (89.22)	
	108.1	Acc. Dep. Miscellaneous Wastewater Equipment	\$ (10,455.82)	
	108.1	Acc. Dep. Electric Pump Equipment	\$ (7.81)	\$ (44,351.20)
3550	271	Ciac Services To Customers	\$ (41,114.00)	
3555	271	Ciac Manholes	\$ (23,460.00)	
3701	271	Ciac Wastewater Tap	\$ (1,646.89)	\$ (66,220.89)
4030	272	Acc Amort	\$ (6,885.35)	
4100	272	Acc Amort Collection Sewers Force	\$ (10,240.48)	
4105	272	Acc Amort Collection Sewers Gravity	\$ (4,881.38)	
4265	272	Acc Amort Wastewater Tap	\$ (4,488.93)	\$ (26,496.14)
1285	353	Land And Land Rights General	\$ (18,403.25)	
1345	360.2	Collection Sewers Force	#####	
1400	380.4	Treatment And Disposal	\$ (500.00)	\$ (140,724.25)
6660	403	Dep. Exp. Structures And Improvements Lift Station	\$ (220.21)	
6680	403	Dep. Exp. Structures And Improvements Treatment Plant	\$ (486.13)	
6695	403	Dep. Exp. Power Generation Equipment	\$ (3.55)	
6710	403	Dep. Exp. Collection Sewers Force	\$ (6,590.66)	
6715	403	Dep. Exp. Collection Sewers Gravity	\$ (5,378.12)	
6745	403	Dep. Exp. Pumping Equipment Pump	\$ (215.72)	
6765	403	Dep. Exp. Treatment And Disposal Treatment	\$ (16,391.16)	
6820	403	Dep. Exp. Office Structures And Improvement	\$ (119.98)	
6825	403	Dep. Exp. Office Furniture And Equipment	\$ (22.01)	
6920	403	Dep. Exp. Desktop Computer	\$ (31.83)	\$ (29,459.37)

COMPANY: Mid-County Services, Inc.
 TITLE: Adjusting Journal Entries Con't.
 PERIOD: Test Year Ended December 31, 2010

Utility Account	NARUC Account		Adjustment	Total by Category
7440	407.1	Ciac Amort . Expense Tap Fee	\$ (110.80)	
7445	407.1	Ciac Amort. Expense Plant Mod Fee	\$ (11.84)	
	407.1	Ciac Amort. Expense Services To Customers	\$ (1,370.47)	
	407.1	Ciac Amort. Expense Manholes	\$ (782.00)	\$ (2,275.11)
4998	215	Retained Earnings	\$ (38,202.38)	\$ (38,202.38)
To adjust for the prior order adjustments which were never posted and to correct depreciation and amortization to proper rates using the depreciation restatement.				
Entry 2				
1345	360.2	Sewer Force Main	\$ (9,159.87)	
1380	371.3	Pumping Equipment	\$ (6,220.19)	\$ (15,380.06)
2140	108.1	Acc. Dep. Force Main	\$ 647.33	
2105	108.1	Acc. Dep. Pumping	\$ 411.51	\$ 1,058.84
6745	403	Dep. Exp. Force Main	\$ (280.11)	
6710	403	Dep. Exp. Pumping	\$ (207.34)	\$ (487.45)
6050	736	Contract Services Other	\$ 1,815.50	\$ 1,815.50
4998	215	Retained Earnings	\$ 12,993.17	\$ 12,993.17
To remove items the Utility agreed should have been expensed from plant accounts along with the associated accumulated depreciation and depreciation expense.				
Entry 3				
1400	380.4	Treatment and Disposal Equipment Plant	\$ (8,076.22)	
1410	381.4	Plant Sewers	\$ (17,426.46)	
1430	389.2	Other Plant Collection	\$ (3,884.67)	\$ (29,387.35)
2160	108.1	Acc. Dep. Treatment and Disposal Equipment Plant	\$ 9,189.42	
2170	108.1	Acc. Dep. Plant Sewers	\$ 18,995.09	
2190	108.1	Acc. Dep. Other Plant Collection	\$ 4,622.90	\$ 32,807.41
6765	403	Dep. Exp. Treatment and Disposal Equipment Plant	\$ (598.24)	
6775	403	Dep. Exp. Plant Sewers	\$ (629.54)	
6795	403	Dep. Exp. Other Plant Collection	\$ (295.29)	\$ (1,523.07)
4998	215	Retained Earnings	\$ (1,896.99)	\$ (1,896.99)
To retire items associated with capital additions along with the associated accumulated depreciation and depreciation expense.				
Entry 4				
2710	146	Account Receivable Associated Companies	\$ 4,968.62	\$ 4,968.62
5740	720	Computer Supplies	\$ (359.62)	
6025	733	Legal Fees	\$ (4,609.00)	\$ (4,968.62)
To remove expense items that related to other utilities.				
Entry 5				
	186	Deferred Permit Costs	\$ 8,419.12	\$ 8,419.12
6020	731	Engineering Fees	\$ (4,419.12)	
6340	775	Misc. Expense	\$ (4,000.00)	\$ (8,419.12)
To defer permit fees over the five years of the permit				

COMPANY: Mid-County Services, Inc.
 TITLE: Adjusting Journal Entries Con't.
 PERIOD: Test Year Ended December 31, 2010

Utility Account	NARUC Account		Adjustment	Total by Category
		Entry 6		
	426	Miscellaneous Non-Utility Expense	\$ 9,800.00	\$ 9,800.00
5815	775	Penalties/Fines	\$ (9,800.00)	\$ (9,800.00)
To remove penalties to a below the line account according to the NARUC chart of accounts.				
		Entry 7		
	426	Miscellaneous Non-Utility Expense	\$ 19,943.25	\$ 19,943.25
6065	766	Rate Case Expense Amortization	\$ (19,943.25)	\$ (19,943.25)
To remove portion of rate case amortization expense that was disallowed during the last proceeding. Company booked \$46,935.25. Order allowed \$26,992.				
		Entry 8		
1025	302.1	Franchise	\$ (107.85)	
1495	398.7	Sewer Plant Allocated	\$ (48,532.00)	
1580	340.5	Mainframe Computer	\$ (10,972.95)	
1585	340.5	Mini Computers	\$ (6,887.66)	
1590	340.5	Computer System Cost	\$ (4,707.81)	
1595	340.5	Micro System Cost	\$ (1,221.67)	\$ (72,429.94)
1840	108.1	Acc. Dep. Franchise	\$ 4.50	
1970	108.1	Acc. Dep. Office Structure	\$ (1,666.41)	
1975	108.1	Acc. Dep. Office Equipment	\$ (678.44)	
1985	108.1	Acc. Dep. Tool, Shop and Misc.	\$ 5.65	
2000	108.1	Acc. Dep. Communication Equipment	\$ 319.22	
2075	108.1	Acc. Dep. Structures and Improvements General	\$ 13,042.00	
2230	108.1	Acc. Dep. Tools, Shop, and Misc.	\$ 4.26	
2320	108.1	Acc. Dep. Mainframe Computer	\$ 6,028.68	
2325	108.1	Acc. Dep. Mini Computer	\$ 4,047.88	
2330	108.1	Acc. Dep. Computer System Amortization	\$ 22,681.86	
2335	108.1	Micro System Amortization	\$ 1,363.89	\$ 45,153.09
6580	403	Depreciation Expense Office Structure	\$ 1,952.48	
6585	403	Depreciation Expense Office Furniture	\$ 1,002.05	
6595	403	Depreciation Expense Tools, Shop, and Misc. Eq.	\$ 673.55	
6600	403	Depreciation Expense Lab Equipment	\$ 9.40	
6610	403	Depreciation Expense Communication Equipment	\$ 257.63	
6835	403	Depreciation Expense-Tools, Shop and Misc.	\$ (2.43)	
6920	403	Depreciation Expense Computer	\$ (2,158.96)	\$ 1,733.72
2710	146	Account Receivable Associated Companies	\$ 25,543.13	\$ 25,543.13
To correct common plant allocated and accumulated depreciation allocated based on prior case restatements.				
		Entry 9		
5480	718	Chlorine	\$ (807.68)	\$ (807.68)
2710	146	Account Receivable Associated Companies	\$ 807.68	\$ 807.68
To remove allocated expense not related to Mid-County.				

COMPANY: Mid-County Services, Inc.
TITLE: Adjusting Journal Entries Con't
PERIOD: Test Year Ended December 31, 2010

Utility Account	NARUC Account		Adjustment	Total by Category
Entry 10				
6110	701	Salary	\$ (1,477)	\$ 63,244
6115	701	Salary	\$ 371	
6120	701	Salary	\$ 2,205	
6125	701	Salary	\$ (419)	
6130	701	Salary	\$ (282)	
6130	701	Salary	\$ (3,137)	
6140	701	Salary	\$ 6,939	
6145	701	Salary	\$ (2,836)	
6146	701	Salary	\$ (2,791)	
6147	701	Salary	\$ 526	
6150	701	Salary	\$ 64,939	
6155	701	Salary	\$ 1,376	
6165	701	Salary	\$ (2,168)	
7510-7520	408	Payroll Tax	\$ (435)	\$ (435)
5625-5690	704	Benefits	\$ 596	\$ 596
1555	392	Transportation Eq.	\$ (20,397)	\$ (20,397)
2300	108	Acc. Dep. Transportation	\$ 27,524	\$ 27,524
6905	403	Depreciation Exp.	\$ 5,570	\$ 5,570
6215-6230	750	Transportation Expense	\$ (74)	\$ (74)
2710	146	Account Receivable Associated Companies	\$ (76,028.99)	\$ (76,028.99)
To adjust salaries based on the Utility allocation schedules from the affiliate audit but using actual W-2 wages for 2010 instead of the annualized amounts.				
Entry 11				
1590	340.5	Computer System Cost	\$ (20,488.00)	\$ (20,488.00)
2330	108.1	Computer System Acc. Dep.	\$ 4,098.00	\$ 4,098.00
4998	215	Retained Earnings	\$ 18,439.00	\$ 18,439.00
	403	Depreciation Expense	\$ (2,049.00)	\$ (2,049.00)
To adjust Project Phoenix costs based on Order PSC-10-0407-PAA-SU and the most recent LUSI decision.				
Entry 12				
2330	108.1	Computer System Acc. Dep.	\$ 17,017.00	\$ 17,017.00
4998	215	Retained Earnings	\$ (10,131.00)	\$ (10,131.00)
	403	Depreciation Expense	\$ (6,886.00)	\$ (6,886.00)
To change project Phoenix life to 10 years				
Entry 13				
6010	732	Contract Services Legal	\$ (350.90)	\$ (449.30)
7535	408	Taxes Other Than Income Taxes	\$ (204.83)	\$ (204.83)
5810	775	Misc. Expense	\$ (49.20)	
5890	775	Misc. Expense	\$ (49.20)	
2710	146	Account Receivable Associated Companies	\$ 654.13	\$ 654.13
To remove expenses found in the affiliate audit that related to other companies.				

COMPANY: Mid-County Services, Inc.
TITLE: Adjusting Journal Entries Con't
PERIOD: Test Year Ended December 31, 2010

Utility Account	NARUC Account		Adjustment	Total by Category
		Entry 14		
5735	736	Computer Maintenance	\$ (304.25)	\$ (304.25)
2710	146	Account Receivable Associated Companies	\$ 304.25	\$ 304.25
To remove errors in affiliate allocation based on audit 11-004-4-2 for prepaid computer expenses.				
		Entry 15		
4100	380.4	Treatment and Disposal Equipment Plant	\$ (4,670.00)	\$ (4,670.00)
2160	108.1	Acc. Dep. Treatment and Disposal Eq.	\$ 108.00	\$ 108.00
6765	403	Depreciation Expense Treatment and Disposal	\$ (108.00)	\$ (108.00)
2710	146	Account Receivable Associated Companies	\$ 4,670.00	\$ 4,670.00