

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: January 29, 2019

TO: Office of Commission Clerk

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

RE: Docket No.: 20180202-SU
Company Name: West Lakeland Wastewater, LLC
Company Code: SU967
Audit Purpose: A1b: Staff Assisted Rate Case
Audit Control No.: 2018-319-2-1

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

LMD/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



Public Service Commission

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

Auditor's Report

West Lakeland Wastewater, LLC.
Staff-Assisted Rate Case

Twelve Months Ending October 31, 2018

Docket No. 20180202
Audit Control No. 2018-319-2-1
January 11, 2019

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated November 14, 2018. We have applied these procedures to the attached schedules prepared by the audit staff in support of West Lakeland Wastewater, LLC.'s request for a Staff Assisted Rate Case in Docket No.20180202-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Utility Information

West Lakeland Wastewater, LLC. (West Lakeland or Utility) is a Class C utility serving approximately 309 residential service wastewater customers in Polk County. West Lakeland is owned and managed by Florida Utility Services 1, LLC (FUS1). Certificate No. 515-S was transferred to the current owner by Order No. PSC-2018-0377-PAA-SU, issued July 30, 2018, in Docket 20170246-SU. A rate base was last established as of September 30, 2012, by Order No. PSC-2013-0327-PAA-SU. On October 30, 2018, the Utility filed for the current staff assisted rate case.

The owner, Mr. Mike Smallridge, in addition to this Utility owns another thirteen utilities for a total of fourteen utilities. Since, January 1, 2015, Mr. Smallridge has been recording common costs on FUS1's books. Common costs may include salaries, employee benefits, rent, electric, telephone, internet, transportation, material and supplies, office supplies, and postage. These costs were allocated among all the utilities based on customer count. Mr. Smallridge files a Form 1040, which includes Schedule C-Profit or Loss from Business. One of these schedules represented West Lakeland Wastewater, LLC.

Utility Books and Records

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

Procedure: We reviewed the Utility's books and records and determined that it is in compliance with the NARUC USOA.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether: 1) Property exists and is owned by the Utility, 2) Utility Plant in Service (UPIS) additions are authentic, recorded at original cost, and properly classified in compliance with Commission rules and the NARUC USOA, 3) Proper retirements of UPIS were made when a replacement item was put in service, and 4) Adjustments to UPIS in the Utility's last rate case proceeding were recorded in its general ledger.

Procedures: We reconciled the beginning balances for UPIS that were established in Docket No. 20120270-SU as of September 30, 2012, to the general ledger. We reviewed and sampled plant additions documentation for the period October 1, 2012, through October 31, 2018, to verify UPIS balance for this proceeding. We toured the utility plant site to observe whether plant additions were completed and in service and to ascertain if a retirement was needed. We determined the year-end and average balances as of October 31, 2018. Our recommended adjustments to UPIS balance are discussed in Finding 1.

Land & Land Rights

Objectives: The objectives were to determine whether utility land is: 1) Recorded at original cost, 2) Owned or secured under a long-term lease, and 3) Adjustments to land in the Utility's last rate case proceeding were recorded in its general ledger.

Procedures: We reconciled the beginning balance for land that was established in Docket No. 20120270-SU, as of September 30, 2012, to the general ledger. There was no change to utility land since the last rate case proceeding. No exceptions were noted.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether Contributions in Aid of Construction (CIAC) is properly recorded in compliance with Commission rules and the NARUC USOA, 2) Donated property is properly accounted for and recorded as CIAC, and 3) Adjustments to CIAC in the Utility's last rate case proceeding were recorded in its general ledger.

Procedures: We determined the balance for CIAC that was established in Docket No. 20120270-SU, as of September 30, 2012. We reviewed and sampled additions to CIAC for the period October 1, 2012, through October 31, 2018. We determined the year-end and average balance as of October 31, 2018. No exceptions were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether: 1) Adjustments to Accumulated Depreciation in the Utility's last rate case proceeding were recorded in its general ledger, 2) Accumulated Depreciation accruals are properly recorded in compliance with Commission Rule 25-30.140-Depreciation, Florida Administrative Code (F.A.C.) and the NARUC USOA, 3) Depreciation expense accruals are calculated using the Commission's authorized rates, and 4) Retirements are properly recorded when an asset was replaced.

Procedures: We reconciled the beginning balances for Accumulated Depreciation that were established in Docket No. 20120270-SU as of September 30, 2012, to the general ledger. We calculated accumulated depreciation using the depreciation rates established by Rule 25-30.140(2), F.A.C - Depreciation. We determined the year-end and simple average accumulated depreciation balance as of October 31, 2018. Our recommended adjustments to accumulated depreciation are discussed in Finding 2.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether: 1) Accruals to Accumulated Amortization of CIAC are properly recorded in compliance with Commission Rule 25-30.140, F.A.C., 2) Retirements are recorded when a contributed asset was replaced, 3) Adjustments to Accumulated Amortization of CIAC in the Utility's last rate case proceeding were recorded in its general ledger.

Procedures: We reconciled the beginning balances for Accumulated Amortization of CIAC that were established in Docket No. 20120270-SU, September 30, 2012 to the general ledger. We reviewed additions to Accumulated Amortization of CIAC for the period October 1, 2012, through October 31, 2018, to verify the Utility's Accumulated Amortization of CIAC balances for this proceeding. We determined the year-end and average balances as of October 31, 2018. Our recommended adjustments to accumulated depreciation are discussed in Finding 3.

Pro forma UPIS

Objective: The objective was to document future additions to plant.

Procedures: We scheduled the pro forma items that the Utility requested in the application for this staff assisted rate case. We traced these items to supporting documentation provided by the Utility. Finding 4 further discusses this issue.

Working Capital

Objective: Our objective was to determine the working capital adjustment to be included in the Utility's rate base per Commission rule 25-30.433(2).

Procedures: We calculated the Utility's working capital adjustment as of October 31, 2018, using one-eighth of Operation and Maintenance (O&M) Expense as required by Commission Rule 25-30.433(2), F.A.C. Our recommended working capital is calculated in Finding 6.

Capital Structure

Objectives: The objectives were to determine: 1) Component balances for the Utility's capital structure, 2) Cost rates to be used to arrive at the overall weighted cost of capital and, if 3) Components are properly recorded in compliance with Commission requirements.

Procedures: We reviewed the general ledger and determined that the Utility's capital structure is composed of common equity, long-term debt and customer deposits. We determined the year-end and simple average capital structure balances and its weighted average cost as of October 31, 2018. Our recommended adjustments to capital structures are discussed in Finding 7.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether the Utility's test year revenues are recorded in compliance with Commission rules and calculated using Commission approved rates.

Procedures: We compiled the Utility's revenues for the test year ending October 31, 2018, by obtaining the monthly customer billing registers. We reconciled the billing registers to the general ledger. We recalculated revenues based on current tariffs in effect by class. We completed a billing analysis as requested by technical staff. Our recommended adjustments to revenue are discussed in Finding 5.

Operation and Maintenance Expense

Objectives: Our objectives were to determine whether O&M Expense is: 1) Representative of the Utility's ongoing operations for the test year, 2) Properly recorded in appropriate period for the correct amount, and 3) Recorded in compliance with NARUC USOA and Commission rules.

Procedures: We verified O&M Expense for the test year ended October 31, 2018, by tracing a sample of invoices to the original source documentation. We reviewed invoices for proper amount, period, classification, NARUC account, and whether recurring in nature. We determined the proper allocation of expenses between the Utility's related party operations and its operations. Our recommended adjustments to O&M Expenses are discussed in Finding 6.

Depreciation and CIAC Amortization Expense

Objectives: Our objectives were to determine whether depreciation and CIAC amortization expenses are properly recorded in compliance with Commission rules and that they accurately represent the depreciation of UPIS assets and the amortization of CIAC from ongoing utility operations.

Procedures: We recalculated depreciation expenses and CIAC amortization expenses for the test year ended October 31, 2018, by using the rates established by Commission Rule 25-30.140, F.A.C. Our recommended adjustments to depreciation expenses and CIAC amortization expenses are discussed in Findings 2 and 3.

Taxes Other Than Income

Objectives: Our objectives were to determine whether Taxes Other Than Income (TOTI) expenses are: 1) properly recorded in compliance with Commission rules, 2) Reasonable for ongoing utility operations, and 3) Recorded in compliance with the NARUC USOA.

Procedures: We verified TOTI expenses for the test year ended October 31, 2018, by tracing the taxes to original source documentation. We reviewed the 2017 regulatory assessment fee returns. Our recommended adjustments to TOTI Expenses are discussed in Finding 9.

Audit Findings

Finding 1: Utility Plant in Service

Audit Analysis: According to the Utility's general ledger, the UPIS balance was \$274,694 as of October 31, 2018. The Utility's wastewater UPIS balance is overstated by \$2,312 as outlined in Table 1 and the following audit adjustments.

1. Acct. No. 354 - Structures and Improvements is reduced by \$4,798 for lack of supporting documentation.
2. Acct. No. 360 - Collection Sewers – Force is reduced by \$2,172 for lack of supporting documentation.
3. Acct. No. 361- Collection Sewer Gravity is reduced by \$2,600 lack of supporting documentation.
4. Acct. No. 371- is increased by \$8,333 since the Utility did not record the purchase of three pumps on its general ledger for the test year ended October 31, 2018.
5. Acct. No. 390 – Office Furniture and Equipment is reduced by \$631 for lack of supporting documents.
6. Acct. No. 391 – Transportation and Equipment is reduced by \$433 because of unsubstantiated document.

Table 1

		Utility Balance as of 10/31/2018	Audit Adjustment	Audit Balance as of 10/31/2018	Average Test Year
354	Structures & Improvements	\$7,406	(\$4,798)	\$2,608	\$2,608
355	Power Generation Equipment		-	-	-
360	Collection Sewers - Force	15,174	(2,172)	13,002	13,002
361	Collection Sewers - Gravity	99,941	(2,600)	97,341	97,341
362	Special Collecting Structures		-	-	-
363	Services to Customers	16,503	-	16,503	16,503
364	Flow Measuring Devices	2,161	(0)	2,161	2,161
365	Flow Measuring Installations	952	-	952	952
370	Receiving Wells	40,552	0	40,552	39,399
371	Pumping Equipment	5,988	8,333	14,320	12,112
380	Treatment and Disposal Equipment	78,952	(0)	78,952	78,952
382	Outfall Sewer Lines	5,990	-	5,990	5,990
389	Other Plant & Miscellaneous Equipment		-	-	-
390	Office Furniture & Equipment	631	(631)	-	-
391	Transportation Equipment	443	(443)	-	-
393	Tools, Shop, & Garage Equipment	-	-	-	-
395	Power Operated Equipment	-	-	-	-
398	Other Tangible Plant	-	-	-	-
	Total	\$274,694	(\$2,312)	\$272,381	\$269,020

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

Effect on Staff Prepared Exhibit: Audit staff determined the year-end and simple average balances of UPIS to be \$272,381 and \$269,020 as of October 31, 2018.

Finding 2: Accumulated Depreciation and Depreciation Expense

Audit Analysis: According to the Utility's general ledger, Accumulated Depreciation balance was \$249,723 as of October 31, 2018. Test year depreciation expense was not recorded in the general ledger because the Utility books depreciation expense once a year. Audit staff recalculated accumulated depreciation and depreciation expense using the audited UPIS balances and the depreciation rates established by Rule 25-30.140(2), F.A.C. Our calculation for accumulated depreciation, depreciation expense, and simple average are shown in Table 2.

Table-2

Acct #	Description	Acc, Dep Per Utility 10/31/18	Audit Adjustments	Acc, Dep Per Audit 10/31/18	Simple Average	Dep. Expense Per Audit
354	Structures and Improvements	(\$2,463)	\$1,192	(\$1,271)	(\$1,126)	(\$97)
360	Collection Sewers - Force	(8,250)	467	(7,783)	(7,060)	(482)
361	Collection Sewers - Gravity	(99,941)	2,795	(97,146)	(97,146)	0
363	Services to Customers	(16,503)	0	(16,503)	(16,503)	0
364	Flow Measuring Devices	(2,161)	758	(1,403)	(1,403)	0
365	Flow Measuring Installations	(3,109)	2,157	(952)	(952)	0
370	Lift Stations	(32,611)	(4,358)	(36,970)	(34,721)	(1,530)
371	Pumping Equipment	(1,032)	(563)	(1,595)	(824)	(589)
380	Treatment and Disposal Equip	(78,952)	2,129	(76,823)	(76,590)	(211)
382	Out fall Sewer Lines	(4,263)	(204)	(4,467)	(4,167)	(200)
390	Office Furniture and Equip.	(252)	252	0	0	0
391	Transportation Equip.	(185)	185	0	0	0
	Total	(\$249,723)	\$4,810	(\$244,912)	(\$240,491)	(\$3,108)

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

Effect on Staff Prepared Exhibit: Audit staff determined the year-end and simple average balances of the accumulated depreciation to be \$244,912 and \$240,491, respectively, as of October 31, 2018. Audit staff determined depreciation expense to be \$3,108 for the test year ended October 31, 2018.

Finding 3: Accumulated Amortization of CIAC and Amortization

Audit Analysis: According to the general ledger, the accumulated amortization of CIAC balance was \$132,041 as of October 31, 2018. Audit staff determined the accumulated amortization of CIAC balance to be \$128,077 as of October 31, 2018. Audit staff recalculated accumulated amortization of CIAC using the audited CIAC balances and the depreciation rates established by Rule 25-30.140(2), F.A.C. as shown in Table 3.

Table 3

	CIAC	Composite Rate	Amortization Exp.
2012	(\$221,480)	0.50%	\$1,112
2013	(221,480)	0.68%	1,516
2014	(221,480)	1.63%	3,606
2015	(221,480)	0.76%	1,679
2016	(221,480)	0.76%	1,680
2017	(221,480)	1.08%	2,388
2018	(221,480)	1.14%	2,527
Total			\$14,508
Beginning Balance per Docket NO: 20120270-SU			\$113,569
Amort. Of CIAC			\$128,077
Utility's TB 10/31/2018			\$132,041
Difference			(\$3,964)

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

Effect on Staff Prepared Exhibit: Audit staff determined the year-end and simple average balances of accumulated amortization of CIAC to be \$126,814 and \$132,041, respectively, as of October 31, 2018. The Amortization of CIAC should be \$2,527.

Finding 4: Pro Forma UPIS

Audit Analysis: In its application for a staff assisted rate case for West Lakeland Wastewater, LLC the Utility is seeking approval of the following pro forma items: 1-Replace existing electrical and blower housing building. 2-Replace existing truck. 3-Replace existing effluent lift station electrical panel. 4-Install shut off valve.

Mike Smallridge provided documentation for item number 2 in the amount of \$37,436. The new truck went into service on December 6, 2018. We did not calculate depreciation since it was subsequent to the test year. According to Mike Smallridge, documentation for the remaining three items will be provided at a later date.

Effect on the General Ledger: None

Effect on Staff Prepared Exhibit: The information is provided for staff's consideration.

Finding 5: Operating Revenue

Audit Analysis: The Utility reported total revenues of \$126,092 and Late Fees of \$5,823 for the 12-months ending October 31, 2018, on its general ledger.

In our analysis of the billing register, we calculated revenues and reconnection fees to be \$131,915 for a difference of \$4,479. We increased revenues by \$4,479.

Table 5 summarizes adjustments that are needed to revenues for the test year. These adjustments resulted from audit staff's calculation of the billing registers for those customers for the test year using the latest tariff issued on October 5, 2018.

Table 5

Description	Tariff Rate	No. of Customers	Balance Per Utility 10/31/2018	Audit Adjustments	Balance Per Audit 10/31/2018
Revenues			\$126,092	\$3,924	\$130,016
Reconnection Fees	\$15	5	\$0	\$75	\$75
Violation Reconnection Fees	\$240	2	\$0	\$480	\$480
Late Fees	\$7	832	\$5,824	\$0	\$5,824
Total Revenues per Audit			\$131,916	\$4,479	\$136,395

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

Effect on Staff Prepared Exhibit: Operating revenues should be increased by \$4,479, the net effect of the above schedule.

Finding 6: Operation and Maintenance Expense

Audit Analysis: The Utility allocated most of the O&M expenses, although some were direct expense. The allocations were made among 14 affiliated utilities based on the customer count. The allocation rate for West Lakeland Wastewater LLC was 10%. Audit staff reviewed the allocation methods and all direct and allocated expenses to determine if the transactions were made in the proper period, amount, classification, and whether the expenses were Utility related. Audit staff determined O&M expenses to be \$104,878 as shown in Table 6.

Table 6

ACCOUNT	DESCRIPTION	GENERAL LEDGER	ADJUSTMENT	ALLOCATED	DIRECT	PER AUDIT
701	Salaries and Eages-Emp	\$21,934	-	\$21,934		\$21,934
703	Salaries and Eages-Officers	7,670	-	7,670		7,670
704	Emp. Pension & Benefits	1,034	-	1,034		1,034
711	Sludge Removal Exp	8,732	(92.00)		8,640	8,640
715	Purchased Power	10,930	1,108.00		12,038	12,038
716	Fuel for Power Prod.	105	(13.00)		91	91
718	Chemicals	1,721	(843.00)		879	879
720	Materials & Supplies	5,025	(153.00)	778	4,093	4,872
731	Contra. Services-Pro	504	-	480	24	504
736	Contra. Services-Other	25,007	912.00	106	25,813	25,919
740	Rents	2,087	-	2,087		2,087
750	Transp. Exp.	3,855	-	3,855		3,855
755	Ins. Exp.	5,153	-	5,153		5,153
765	Reg. Comm.	1,500	-		1,500	1,500
770	Bad Debt Exp	1,531	-		1,531	1,531
775	Misc. Exp.	7,633	(462.00)	5,953	1,219	7,172
Total		\$104,421	\$457	\$49,050	\$55,828	\$104,879
				Working Capital		\$13,110

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

1. For Account 711 – Sludge Removal Expense - We removed \$92 in late fees.
2. For Account 715 – Purchased Power – We added \$1,108 to adjust for previous credits and debits on provided bills to reflect proper periods, and to account for provided bills not yet booked during test year.
3. For Account 716 – Fuel for Power Production - We removed \$13 to adjust for three power production purchases that were not substantiated with invoices.
4. For Account 718 – Chemicals – We removed \$750 for professional testing services provided by the vendor that typically provides chemicals to the proper Account #736 Contractual Services, Other.

Finding 6 (Continued)

5. For Account 720 – Materials and Supplies – We removed \$153 to reflect the actual invoices and allocation details provided.
6. For Account 736 – Contractual Services - Other – We added \$912 to reflect provided invoices and allocation schedules, and to allocate \$750 that was mistakenly charged to Account #718 Chemicals.
7. Account 775 – Miscellaneous Expense - We removed \$462 to reflect the amount from provided invoices and allocation schedules.

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

Effect on Staff Prepared Exhibit: Operation and Maintenance expenses should be increased by \$457. Working Capital is calculated to be \$13,110 using 1/8 of O&M.

Finding 7: Capital Structure

Audit Analysis: The Utility's Capital Structure per the general ledger was \$150,019 as of the end of the test year October 31, 2018. There were several accounts comprising capital structure where transactions were unrecorded. Audit adjustments totaling \$36,335 are needed and are summarized in Table 7.

Table 7

Capital Component	Utility Balance 10/31/2017	As of 10/31/2018		Average Per Audit	Ratio	Average Cost Rate	Average Weighted Cost	
		Per Utility	Adjustments Per Audit					
Common Equity	\$129,023	\$137,436	\$35,295	\$102,141	\$115,582	91.07%	11.16%	10.163%
Long Term Debt	\$8,608	\$8,921	\$0	\$8,921	\$8,765	6.91%	6.62%	0.457%
Short Term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Accumulated Deferred Income Tax	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Investment Tax Credits	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Customer Deposits	\$446	\$3,662	\$1,040	\$4,702	\$2,574	2.03%	2.00%	0.041%
Total	\$138,077	\$150,019	\$36,335	\$115,764	\$126,921	100.00%		10.66%

Common Equity cost rate is from Order No. PSC-16-0254-PAA-WS.

Common Equity – The Members' Equity account per the general ledger indicates an opening balance of \$129,023 as of the beginning of the test year. Closing entries had not been made to reflect 12 months of customer deposits and Net Income as of the end of October 31, 2018 test year. Customer deposits totaled \$4,702, Net Income of \$22,179 and reversals of journal entries totaling \$8,414. Adjustments are needed of \$35,295.

Customer Deposits - The Utility's customer deposits per the general ledger indicates a balance of \$3,662 as of the end of the test year October 31, 2018. A review of the details to customer deposits indicates deposits totaled \$1,280 for the test year of which \$240 was booked to the general ledger. The general ledger is understated for customer deposits by \$1,040.

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

Effect on the Filing: Increase Capital Structure by \$36,335.

Finding 8: Allocation Methodology

Audit Analysis: We obtained the customer counts for each of the utilities that are owned or managed by Mr. Smallridge as of October 31, 2018. We reviewed the O&M transactions that were ultimately allocated to all fourteen utilities. Based on supporting documentation and using the ten percent for West Lakeland Wastewater, LLC, we made adjustments to allocated expenses as reported in Finding 6.

We compiled the allocation percentages used by the Utility in Table 8.

Table 8

Utility	# Cust	%	% Alloc
Alturas Water LLC	55	1.77%	2%
Charlie Creek Utilities LLC	163	5.24%	5%
College Manor Utilities LLC	55	1.77%	2%
Crestridge Utilities LLC	619	19.90%	20%
East Marion Utilities LLC	105	3.38%	3%
Holiday Gardens Utilities LLC	458	14.73%	15%
Heather Hills Utilities LLC	353	11.35%	11%
Lake Yale Utilities LLC	406	13.12%	13%
McLeod Gardens Utilities LLC	95	3.06%	3%
Orange Land Utilities LLC	74	2.38%	2%
Pinecrest Utilities LLC	142	4.57%	5%
Sunrise Water LLC	250	7.85%	8%
Suwannee Valley Utilities LLC	23	0.74%	1%
West Lakeland Wastewater LLC	316	10.16%	10%
	3,114	100%	100%

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

Effect on Staff Prepared Exhibit: This is for informational purposes only.

Finding 9: Taxes Other than Income

Audit Analysis: Taxes other than Income (TOTI) per the general ledger for the test year ending October 31, 2018 totaled \$8,490. Adjustments of \$266 are needed and are detailed in Table 9.

Table 9

Description	Per Utility	Adjustments	Per Audit	Comments
	10/31/2018		10/31/2018	
Real Estate Property Tax	\$188	(\$59)	\$129	1
Tangible Personal Property Tax	\$693	(\$6)	\$687	2
Payroll Taxes	\$1,738	\$0	\$1,738	
Local Business Tax Receipt	\$0	\$58	\$58	
Parent Allocation	\$7	\$0	\$7	
Regulatory Assessment Fee	\$5,865	\$273	\$6,138	3
Total	\$8,490	\$266	\$8,756	

Comments

1 Reclassed \$58 to Business Tax Receipt; over payment property tax by \$1.

2 Reduced property tax by \$6; pd in Dec, due 11/17.

3 RAF recalculated based on test year revenues of \$136,394. RAF totaled \$6,138 requiring an adjustment of \$273.

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

Effect on Staff Prepared Exhibits: Increase TOTI by \$266.

Exhibits

Exhibit 1: Rate Base

WEST LAKELAND WASTEWATER, LLC.
As of October 31, 2018

Description	Per Utility 10/31/18	Adjustments	Per Audit 10/31/18	Test YearAverage
Plant in Service	\$274,694	(\$2,313)	\$272,381	\$269,020
Land and Land Rights	356	-	356	356
Contribution in Aid of Construction (CIAC)	(221,480)	-	(221,480)	(221,480)
Accumulated Depreciation	(249,723)	4,810	(244,912)	(240,491)
Accum. Amortization of CIAC	132,041	(3,964)	128,077	\$126,814
Working Capital Allowance			13,110	13,110
WWater Rate Base	(\$64,111)	(\$1,467)	(\$52,468)	(\$52,672)

Exhibit 2: Capital Structure

WEST LAKELAND WASTEWATER, LLC.
As of October 31, 2018

Capital Component	Utility Balance 10/31/2017	As of 10/31/2018			Average Per Audit	Ratio	Cost Rate	Average Weighted Cost
		Per Utility	Adjustments	Per Audit				
Common Equity	\$129,023	\$137,436	\$35,295	\$102,141	\$115,582	91.07%	11.16%	10.163%
Long Term Debt	\$8,608	\$8,921	\$0	\$8,921	\$8,765	6.91%	6.62%	0.457%
Short Term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Accumulated Deferred Income Tax	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Investment Tax Credits	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.000%
Customer Deposits	\$446	\$3,662	\$1,040	\$4,702	\$2,574	2.03%	2.00%	0.041%
Total	\$138,077	\$150,019	\$36,335	\$115,764	\$126,921	100.00%		10.66%

Common Equity cost rate is from Order No. PSC-16-0254-PAA-WS.

Exhibit 3: Net Operating Income

WEST LAKELAND WWATER, LLC.
12 Months Ending October31, 2018

	Balance		Balance
	per Utility	Audit	per Audit
Description	10/31/2018	Adjustments	10/31/2018
Operating Revenues	\$131,915	\$4,479	\$136,394
Operation & Maintenance Expenses	55,371	457	\$55,828
Operation & Maintenance Expenses Allocated	49,050		49,050
Depreciation Expense	4,484	(1,376)	3,108
Amortization Expense	(3,672)	1,145	(2,527)
Taxes Other Than Income	\$8,490	266	\$8,756
Total Operating Expenses:	113,723	492	\$114,215
Net Operating Income (Loss)	\$18,192	\$3,987	\$22,179