

ORIGINAL

State of Florida



Public Service Commission

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

DATE: December 20, 1999
TO: Division of Water and Wastewater (Chu)
FROM: Division of Auditing and Financial Analysis (Vandiver)
RE: Docket No. 990937-SU; ABCA, Inc.
 Audit Report; Staff-assisted Rate Case
 Audit Control No. 99-237-3-1

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, they should send it to the Division of Records and Reporting. There are no confidential work papers associated with this audit.

DNV/sp

Attachment

cc: Division of Auditing and Financial Analysis (Devlin/Causseaux/Harvey/File Folder)
 Orlando District Office (Winston)
 ✓ Division of Records and Reporting
 Division of Legal Services

Frank D. Tucker, Jr.
 ABCA, Inc.
 214 North Hogan Street, 6th Floor
 Jacksonville, FL 32202-4228

AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 MAS _____
 OPC _____
 RRR _____
 SEC _____
 WAW _____
 OTH _____

DOCUMENT NO.
 15569-99
 12-21-99



FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES***

Orlando District Office

**ABCA, INC.
D/B/A THE VILLAGE LAKELAND UTILITIES**

STAFF-ASSISTED RATE CASE

PERIOD ENDED JUNE 30, 1999


**DOCKET NO. 990937-SU
AUDIT CONTROL NO. 99-237-3-1**



Jeffery A. Small, Audit Manager



Misty B. Shepherd, Audit Staff



Charleston J. Winston, District Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

DECEMBER 15, 1999

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedule for Net Operating Income for the historical 12-month period ended June 30, 1999, for ABCA, Inc. The attached schedule was prepared by the audit staff as part of our work in the utility's application for a Staff-Assisted Rate Case in Docket No. 990937-SU. Schedules for Rate Base and Capital Structure were not prepared for the utility because of the lack of adequate supporting documentation.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT FINDINGS

The utility does not maintain its books and records as required by the Uniform System of Accounts and Commission rules.

The utility's beginning balances for utility-plant-in-service (UPIS) and accumulated depreciation of UPIS for the wastewater system could not be established because of inadequate supporting documentation. However, additions to UPIS and accumulated depreciation total \$21,678.17 and \$3,458.54, respectively, as of June 30, 1999.

The utility's land and land rights balance is \$58,136.75 for the period ended June 30, 1999.

The utility's contributions-in-aid-of-construction (CIAC) and accumulated amortization of CIAC balances are (\$163,400.00) and \$3,931.00, respectively, for the period ended June 30, 1999.

The utility's revenues from operations are overstated by \$17,475.29 for the 12-month period ended June 30, 1999.

The utility's operations and maintenance expenses (O&M) are overstated by \$6,373.81 for the 12-month period ended June 30, 1999. Additionally, the utility's working capital balance is \$3,834.00 for the period ended June 30, 1999.

The utility's depreciation expense on UPIS additions is \$1,258.11 for the 12-month period ended June 30, 1999.

The utility's taxes other than income (TOTI) are \$5,669.84 for the 12-month period ended June 30, 1999.

The utility's capital structure could not be determined.

Audit staff's review of the utility's 1996, 1997, and 1998 Regulatory Assessment Fee (RAF) returns indicates that it overpaid its RAFs by a combined total of \$1,574.98.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining the utility's books and records since its last rate proceeding before the Polk County Utilities Commission for the period ended May 29, 1990, which we believe are sufficient to base our opinion. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

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

Verified - The items were tested for accuracy, and substantiating documentation was examined.

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

RATE BASE: Scanned and verified 100 percent of utility-provided documents used to identify additions to utility-plant-in-service (UPIS) and accumulated depreciation as of June 30, 1999. Identified and established the original cost for the land that is occupied by the wastewater system. Imputed contributions-in-aid-of-construction (CIAC) and associated amortization of CIAC. Calculated working capital.

NET OPERATING INCOME: Scanned and verified 100 percent of utility-provided documents used to assemble account balances for utility revenues, operations and maintenance expenses, and taxes other than income for the 12-month period ended June 30, 1999.

OTHER: Audited the utility's 1996, 1997, and 1998 RAF returns filed with the Commission.

Audit Exception No. 1

Subject: Noncompliance with the NARUC Uniform System of Accounts

Statement of Facts: ABCA, Inc. serves as the corporate entity for The Village Lakeland Utilities. It provides wastewater and electric streetlight services for The Village Lakeland mobile home community located in Polk County, Florida.

Utility records provided for this audit engagement consisted of one check register that is used for all utility and non-utility transactions and several summary reports generated by QuickBooks, a small business accounting program.

Rule 25-30.115 (1), F.A.C., requires all water and wastewater utilities to maintain their accounts and records in conformity with the NARUC Uniform System of Accounts (USoA).

NARUC, Class C, Accounting Instruction 2. A, requires all water and wastewater utilities to maintain their accounts on an accrual basis.

NARUC, Class C, Accounting Instruction 2. B, requires all water and wastewater utilities to maintain its books and records,

... so that all books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner to support fully the facts pertaining to such entries.

Recommendation: Utility records are compiled on a cash basis from its local check register by local management staff using QuickBooks.

The utility provided summary operating reports that were transactional in nature. Additionally, the reports included non-utility revenues and expenses. Attempts to reconcile the reports with the utility's FPSC annual reports were only partially successful.

Additionally, the utility's parent, ABCA, Inc., a subsidiary of First Union National Bank of Virginia, pays the property taxes, income taxes, regulatory assessment fees, and professional accounting fees for the utility. None of these expenses were included in the aforementioned local company records.

The utility does not maintain its books per the Commission rule cited above.

The Commission should require the utility to conform to the USoA and Commission rule cited above.

Audit Exception No. 2

Subject: Utility-Plant-In-Service (UPIS) and Associated Accumulated Depreciation of UPIS

Statement of Facts: Utility records do not identify UPIS and its associated accumulated depreciation balances for its utility operations.

On June 30, 1990, the Polk County Utilities Commission determined a net rate base of \$31,542.00 as of May 29, 1990.

Recommendation: The utility's UPIS and associated accumulated depreciation for the period ended June 30, 1999, are not properly recorded per the USoA and the Commission rule cited previously in this report.

Audit staff was unable to locate any records or supporting documents concerning the above-identified rate base balance established by Polk County.

The parent, ABCA, Inc., foreclosed on and took title of the utility on December 27, 1995. Utility officials could not provide any historical records to identify or support its utility plant assets.

The Commission should establish UPIS using an alternative method such as an Original Cost Study.

The utility was able to provide sufficient historical records and supporting source documentation for audit staff to prepare schedules that identify specific additions to UPIS and its associated accumulated depreciation for its utility operations as of June 30, 1999.

Audit staff has determined the following from the above information:

- 1) Additions to UPIS that can be verified total \$21,678.17 for the period ended June 30, 1999.
- 2) Additions to accumulated depreciation for the UPIS additions identified above total \$3,458.84 for the period ended June 30, 1999.

See the attached Schedule A for details.

Depreciation expense associated with the UPIS additions identified above total \$1,258.11 for the 12-month period ended June 30, 1999.

**Schedule A for
Audit Exception No. 2**

Utility-Plant-in-Service Additions Period Ended June 30, 1999			
<u>Acc. No.</u>	<u>Account Description</u>	<u>Plant</u>	<u>Acc/Dep(1)</u>
360	Collection-Sewers Forced	\$2,147.80	(\$158.03)
361	Collection-Sewers Gravity	2,012.93	(75.48)
363	Services to Customers	523.50	(21.50)
364	Flow Measuring Devices	1,402.78	(350.69)
380	Treatment & Disposal Equipment	9,600.89	(2,440.34)
382	Outfall Sewer Lines	<u>5,990.27</u>	<u>(412.80)</u>
	Total	\$21,678.17	(\$3,458.84)

- (1) Accumulated depreciation balances are calculated using a composite rate of 2.5 percent through June 30, 1998. The 12-month period ended June 30, 1999 accumulated depreciation balances were calculated using rates established in Rule 25-30.140(2)(a), F.A.C.

Audit Exception No. 3

Subject: Utility Land and Land Rights

Statement of Facts: Per NARUC USoA Water and Wastewater Utilities, Definition No. 9, *“Original Cost, as applied to utility plant, means the cost of such property to the person first devoting it to public service.”*

On February 21, 1972, Sam R. Rodgers sold a 180-acre parcel for a calculated cost of \$215,000.00 by warranty deed to Sam’s Leisure Lake Estates. This transaction established an original cost of \$1,195.00 per acre as calculated below.

Documentary stamps of \$645.00 divided by a tax rate of \$.30 per \$100 of sales price equals \$215,000.00. The total cost of \$215,000.00 divided by 180 acres equals \$1,195.00.

On March 28, 1973, Sam’s Leisure Lake Estates sold the same subject property by warranty deed to Berknor, Inc., a related party. On June 11, 1974, Maurice H. Berk, president of Berknor, Inc., was granted a plat for The Village Lakeland mobile home community as recorded in Plat Book 62, page 14 of Polk County records. The wastewater plant site is located within the plat and was dedicated to public service at this time.

The parent, ABCA, Inc., foreclosed on and took title of the utility on December 27, 1995.

Recommendation: Audit staff used the date of March 28, 1973, as the date that the property was devoted to public service as required by the USoA referenced above.

Audit staff used the above-mentioned plat and other site plans provided by utility management to calculate the approximate area of land used for utility purposes.

Audit staff has determined the original cost of utility site land used for rate base purposes as indicated below.

Treatment plant site:	0.298	acres	@	\$1,195.00	=	\$ 356.11
Holding ponds:	1.033	acres	@	\$1,195.00	=	1,234.44
Sprayfields:	47.319	acres	@	\$1,195.00	=	<u>56,546.21</u>
Total land value:	48.650	acres	@	\$1,195.00	=	\$58,136.75

Audit Exception No. 4

Subject: Contributions-In-Aid-of-Construction (CIAC) and Associated Accumulated Amortization of CIAC

Statement of Facts: On January 9, 1990, Ameribanc Investors Group, previous owners of the utility, were granted a franchise to operate the existing wastewater utility for The Village Lakeland mobile home community by the Polk County Utilities Commission.

On June 26, 1990, Polk County approved a residential and commercial sewer connection fee of \$880.00 for each equivalent residential connection (ERC) as of May 29, 1990. Records indicate that prior to that date the utility was collecting \$600.00 per ERC.

Order No. PSC-98-0752-FOF-SU, issued on June 1, 1998, granted ABCA, Inc. a Grandfather Certificate and incorporated the rate base and rate structure established by the Polk County Utilities Commission for The Village Lakeland Utilities.

Utility records do not include any balances for CIAC or amortization of CIAC. Its records do include tap fees of \$4,000.00, \$8,800.00, and \$10,760.00 reported as revenues in the respective reporting periods for 1996, 1997, and 1998.

Recommendation: The utility's CIAC and associated accumulated amortization of CIAC for the period ended June 30, 1999, are not properly recorded per the USoA and the Commission rule cited previously in this report.

The franchise agreement, referenced above, specifically states that the area was under no prior franchise or municipal authority prior to the Polk County Utilities Commission action.

A report by the rate analyst to the Polk County Utilities Commission indicates that the utility was presently serving 172 customers with 128 future connections committed to the sewer plant, and that the uncollected connection fees for the 128 customers totaled \$76,800.00 ($\600.00×128). A total of \$180,000.00 in connection fees would have been collected if the connection fee had remained at \$600.00 ($300 \text{ customers} \times \$600.00 = \$180,000.00$).

The utility provided audit staff with an appraisal, performed by Hayes Appraisal Group, Inc., that estimates the original cost of the sewer plant, exclusive of land, as \$180,000.00.

Audit staff maintains that the original developers of the mobile home community instituted a \$600.00 customer connection fee that would pay for the original cost of the sewer treatment plant to serve 300 residential connections. Using the above assumptions, auditor has calculated CIAC and amortization of CIAC for the utility at period ended June 30, 1999, to be \$163,400.00 and \$55,826.50, respectively.

See the attached Schedule B for details.

**Schedule B for
Audit Exception No. 4**

<u>Period Ended(1)</u>	<u>Beginning CIAC</u>	<u>Beginning Amortz.</u>	<u>CIAC Additions(2)</u>	<u>Ending CIAC</u>	<u>Amortz. Rate(3)</u>	<u>Amortz. Expense(4)</u>	<u>Ending Amortz.</u>
12/31/71				\$0.00			\$0.00
12/31/72	0.00	0.00	6,000.00	6,000.00	2.500%	75.00	75.00
12/31/73	6,000.00	75.00	5,400.00	11,400.00	2.500%	217.50	292.50
12/31/74	11,400.00	292.50	6,000.00	17,400.00	2.500%	360.00	652.50
12/31/75	17,400.00	652.50	5,400.00	22,800.00	2.500%	502.50	1,155.00
12/31/76	22,800.00	1,155.00	6,000.00	28,800.00	2.500%	645.00	1,800.00
12/31/77	28,800.00	1,800.00	5,400.00	34,200.00	2.500%	787.50	2,587.50
12/31/78	34,200.00	2,587.50	6,000.00	40,200.00	2.500%	930.00	3,517.50
12/31/79	40,200.00	3,517.50	5,400.00	45,600.00	2.500%	1,072.50	4,590.00
12/31/80	45,600.00	4,590.00	6,000.00	51,600.00	2.500%	1,215.00	5,805.00
12/31/81	51,600.00	5,805.00	5,400.00	57,000.00	2.500%	1,357.50	7,162.50
12/31/82	57,000.00	7,162.50	6,000.00	63,000.00	2.500%	1,500.00	8,662.50
12/31/83	63,000.00	8,662.50	5,400.00	68,400.00	2.500%	1,642.50	10,305.00
12/31/84	68,400.00	10,305.00	6,000.00	74,400.00	2.500%	1,785.00	12,090.00
12/31/85	74,400.00	12,090.00	5,400.00	79,800.00	2.500%	1,927.50	14,017.50
12/31/86	79,800.00	14,017.50	6,000.00	85,800.00	2.500%	2,070.00	16,087.50
12/31/87	85,800.00	16,087.50	5,400.00	91,200.00	2.500%	2,212.50	18,300.00
12/31/88	91,200.00	18,300.00	6,000.00	97,200.00	2.500%	2,355.00	20,655.00
12/31/89	97,200.00	20,655.00	5,400.00	102,600.00	2.500%	2,497.50	23,152.50
12/31/90	102,600.00	23,152.50	23,840.00	126,440.00	2.500%	2,863.00	26,015.50
12/31/91	126,440.00	26,015.50	5,280.00	131,720.00	2.500%	3,227.00	29,242.50
12/31/92	131,720.00	29,242.50	4,400.00	136,120.00	2.500%	3,348.00	32,590.50
12/31/93	136,120.00	32,590.50	880.00	137,000.00	2.500%	3,414.00	36,004.50
12/31/94	137,000.00	36,004.50	0.00	137,000.00	2.500%	3,425.00	39,429.50
12/31/95	137,000.00	39,429.50	1,760.00	138,760.00	2.500%	3,447.00	42,876.50
12/31/96	138,760.00	42,876.50	3,520.00	142,280.00	2.500%	3,513.00	46,389.50
12/31/97	142,280.00	46,389.50	6,160.00	148,440.00	2.500%	3,634.00	50,023.50
6/30/98	148,440.00	50,023.50	2,640.00	151,080.00	2.500%	1,872.00	51,895.50
6/30/99	\$151,080.00	\$51,895.50	\$12,320.00	\$163,400.00	2.500%	\$3,931.00	\$55,826.50

- 1) The utility began operations in 1971-1972 per information provided in FPSC Docket No. 971531-WU and Order No. PSC-98-0752-FOF.
- 2) Customer additions between 1972 and 1989 totaled 172 per information provided in the Polk County Utilities Commission meeting minutes. Audit staff distributed customer additions evenly over the stated time period. (10 x \$600.00=\$6,000.00 and 9 x \$600.00=\$5,400.00) Additions for the period 01/01/90 to 06/30/99, are based on actual customer connections per utility records.
- 3) Audit staff used the composite rate 2.5 percent to calculate CIAC amortization.
- 4) CIAC amortization expense is calculated as follows. (((Beg. CIAC + End. CIAC) divided by 2) times 2.5 percent)

Audit Exception No. 5

Subject: Revenues

Statement of Facts: The utility reported revenues of \$48,973.54 for its wastewater operations for the 12-month period ended June 30, 1999. This amount included monies received for tap fees (new customer connections) and streetlights.

The utility's tariff currently authorizes flat rates of \$10.25 per month for its utility services.

Prior Commission Order No. 11604, issued February 11, 1983, classified tap fees as contributions-in-aid-of-construction.

Recommendation: The utility provided audit staff with access to its customers' utility records to calculate its revenues for the 12-month period ended June 30, 1999.

Audit staff has recalculated and imputed actual utility revenues of \$31,498.25 for its operations during the 12-month period ended June 30, 1999.

The utility's revenues are overstated by \$17,475.29 (\$48,973.54 - \$31,498.25).

Audit Exception No. 6

Subject: Operations and Maintenance Expenses

Statement of Facts: Utility records indicate balances totaling \$37,048.39 for operations and maintenance (O&M) expenses for the 12-month period ended June 30, 1999.

Rule 25-30.115, F.A.C., requires utilities to maintain their accounts and records in conformity with the 1996 NARUC Uniform System of Accounts.

Rule 25-30.433(8), F.A.C., requires non-recurring expenses to be amortized over a five-year period unless a shorter or longer period of time can be justified.

NARUC, Class C, Accounting Instruction 2. General - Records, B., requires that all books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries.

Recommendation: The utility's O&M expenses are overstated by \$6,373.81 because of the following auditor-determined errors and Commission rule violations.

- 1) The utility misclassified \$2,442.70 of expenses within its O&M accounts.
- 2) The utility misclassified \$1,000.00 of expenses to its O&M accounts that should have been recorded in Account No. 408, Taxes Other Than Income.
- 3) The utility misclassified \$2,536.43 of expenses to its O&M accounts that should have been recorded in Utility-Plant-in-Service accounts.
- 4) The utility misclassified \$301.10 of expenses to its O&M accounts that should have been recorded in Account No. 186, Non-Recurring Expenses.
- 5) The utility provided adequate support for \$602.42 of expenses that were not included in its O&M accounts.
- 6) The utility included \$3,138.70 of expenses in its O&M accounts that were for non-utility expenditures.

See Schedule C on the following page for details and sub-account balances.

Additionally, per Rule 25-30.433 (4), F.A.C., the utility's working capital balance for rate base purposes was calculated as one-eighth of the audit-determined O&M expenses which amounts to \$3,834.32 for period ended June 30, 1999.

Schedule C
Audit Exception No. 6

	Per Utility @06/30/99	Reclassify within Wastewater	Reclassify (to)from Acc. 408	Reclassify (to)from UPIS	Reclassify (to) from Acc. 186	Per Audit Additions	Per Audit Deletions	Per Audit @06/30/99
701 Salaries & Wages - Employees	\$7,200.00	\$460.24				\$140.00		\$7,800.24
703 Salaries & Wages - Officers	0.00							0.00
711 Sludge Hauling	1,500.00							1,500.00
715 Purchased Power	13,088.11						(2,027.70)	11,060.41
716 Fuel for Power Production	0.00							0.00
718 Chemicals	750.00							750.00
720 Materials & Supplies	82.00	31.46						113.46
730 Contractual Services - Billing	0.00							0.00
731 Contractual Services - Professional	0.00	70.00						70.00
735 Contractual Services - Testing	1,188.00						(1.00)	1,187.00
736 Contractual Services - Other	6,642.33	1,869.00			(301.10)	212.42	(750.00)	7,672.65
740 Rents	0.00	12.00						12.00
750 Transportation Expense	0.00							0.00
755 Insurnee Expense	0.00							0.00
765 Regulatory Commission Expense	0.00					250.00		250.00
770 Bad Debt Expense	0.00							0.00
775 Miscellaneous Expense	<u>6,597.95</u>	<u>(2,442.70)</u>	<u>(1,000.00)</u>	<u>(2,536.43)</u>			<u>(360.00)</u>	<u>258.82</u>
		0.00	(1,000.00)	(2,536.43)	(301.10)	602.42	(3,138.70)	
	\$37,048.39				(\$6,373.81)			\$30,674.58

Audit Exception No. 7

Subject: Taxes Other Than Income

Statement of Facts: The utility did not record any amount for taxes other than income (TOTI) for the 12-month period ended June 30, 1999, in its present accounting system.

The utility is required to pay annual tax assessments to the following governmental entities during the course of its operations.

Polk County

- + Real estate property tax on utility property based on an assessed value

State of Florida

- + DEP licensing fees to the Department of Environmental Protection
- + Regulatory Assessment Fee (RAF) to the Florida Public Service Commission

The utility's \$1,000 DEP licensing fee was paid on April 4, 1999, and was recorded as an operating expense. See Audit Exception No. 6.

Recommendation: The utility's TOTI for the 12-month period ended June 30, 1999, were not properly recorded per the USoA and the Commission rule cited previously in this report.

The parent, ABCA, Inc. pays all property taxes assessed by Polk County on utility property. Using information determined in Audit Exception No. 3 of this report and the property tax information provided by the parent, staff has calculated property taxes of \$3,252.42 on utility-occupied land for the 12-month period ended June 30, 1999.

The utility's \$1,000 DEP licensing should be recorded as TOTI.

Audit staff calculated regulatory assessment fees of \$1,417.42 for the 12-month period ended June 30, 1999.

The utility's TOTI for the 12-month period ended June 30, 1999, are \$5,669.84 as calculated by staff below.

<u>Authority</u>	<u>Assessment</u>	<u>Per Utility</u>	<u>Adjustment</u>	<u>Per Audit</u>
Polk County	Real property tax	\$0.00	\$3,252.42	\$3,252.42
Dept. Environmental Protection	License Fee	0.00	1,000.00	1,000.00
FPSC	RAF	<u>0.00</u>	<u>1,417.42</u>	<u>1,417.42</u>
	Totals	\$0.00	\$5,669.84	\$5,669.84

Audit Exception No. 8

Subject: Capital Structure

Statement of Facts: Utility records do not identify the components of its capital structure.

The parent's, ABCA, Inc., capital structure was requested in FPSC Document Request No. One.

Recommendation: The utility's capital structure is not properly stated per the USoA and the Commission rule cited previously in this report.

ABCA, Inc.'s response to staff inquiries indicates the following:

1. There is no debt associated with utility operations.
2. There are no customer deposits associated with utility operations.

Given the above information, ABCA, Inc.'s interest in utility operations could be considered as 100 percent equity. Staff could not determine an equity balance from the information presently available.

Staff defers the issue of determining the utility's capital structure to the analyst in Tallahassee.

Audit Exception No. 9

Subject: Regulatory Assessment Fees

Statement of Facts: Utility regulatory assessment fee (RAF) returns filed with the Commission for calendar years 1996, 1997, and 1998 indicate revenues of \$31,078.00, \$34,454.00, and \$47,984.00, respectively.

The utility remitted RAFs of \$1,398.51, \$1,829.50, and \$2,191.67 to the Commission based on the above-reported revenues in each respective year.

Recommendation: The utility's revenues, as stated above, include amounts collected for tap-in fees and streetlight fees of \$2.50 per customer per month.

Audit staff has recalculated the utility's wastewater revenues and applicable RAFs for the calendar periods 1996, 1997, and 1998 using utility-provided billing information.

The utility has overpaid the Commission \$1,574.98 in RAFs.

See the attached Schedule D for details.

Schedule D
Audit Exception No. 9

<u>Period 01/01/96 to 12/31/96</u>	<u>Per Utility</u>	<u>Adjustment</u>	<u>Per Audit</u>
Net Wastewater Revenues	\$31,708.00	(\$12,997.84)	\$18,710.16
RAF(a)	1,398.51	(556.55)	841.96
Penalty for late payment(b)	0.00	0.00	0.00
Interest on late payments(c)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
RAF Due (Overpaid)	\$1,398.51	(\$556.55)	\$841.96
<u>Period 01/01/97 to 12/31/97</u>	<u>Per Utility</u>	<u>Adjustment</u>	<u>Per Audit</u>
Net Wastewater Revenues	\$34,454.00	(\$4,513.75)	\$29,940.25
RAF(a)	1,550.43	(203.12)	1,347.31
Penalty for late payment(b)	232.56	(30.46)	202.10
Interest on late payments(c)	<u>46.51</u>	<u>(6.09)</u>	<u>40.42</u>
RAF Due (Overpaid)	\$1,829.50	(\$239.67)	\$1,589.83
<u>Period 01/01/98 to 12/31/98</u>	<u>Per Utility</u>	<u>Adjustment</u>	<u>Per Audit</u>
Net Wastewater Revenues	\$47,984.00	(\$17,305.75)	\$30,678.25
RAF(a)	2,159.28	(778.76)	1,380.52
Penalty for late payment(b)	0.00	0.00	0.00
Interest on late payments(d)	<u>32.39</u>	<u>0.30</u>	<u>32.69</u>
RAF Due (Overpaid)	\$2,191.67	(\$778.46)	\$1,413.21
<u>Period 01/01/96 to 12/31/98</u>	<u>Per Utility</u>	<u>Adjustment</u>	<u>Per Audit</u>
Total RAF Due (Overpaid)	<u>\$5,419.68</u>	<u>(\$1,574.98)</u>	<u>\$3,844.70</u>

Per Rule 25-30.120, F.A.C.

(a) 4.5% of revenues (b) 5.0% per 30-day period late (c) 1.0% per 30-day period late (d) filing extension charge

Audit Disclosure No. 1

Subject: Salaries and Wages - Employees

Statement of Facts: The utility recorded \$7,200.00 for salaries and wages for the 12-month period ended June 30, 1999, for Mr. and Mrs. Paul Lowery who work as the utility's management and maintenance employees.

Audit Exception No. 6 of this report increased the above utility salaries by \$600.24 to \$7,800.24 for maintenance work that was improperly charged to the incorrect O&M accounts.

Mr. and Mrs. Paul Lowery estimate that they spend approximately 112 hours per month providing management and utility services.

Recommendation: The annual salary of \$7,800.24 for management and maintenance services equates to an hourly rate of \$5.80 before Social Security and federal taxes are withdrawn. $((\$7,800.24 / 12 \text{ months}) / 112 \text{ hours})$

Audit staff forwards this information to the analyst in Tallahassee.

EXHIBIT I

**ABCA, INC.
D/B/A/ THE VILLAGE LAKELAND UTILITIES
DOCKET NO. 990937-SU
NET OPERATING INCOME
TWELVE-MONTH PERIOD ENDED 06/30/99**

(a) DESCRIPTION	(b) PER UTILITY 12/31/98(1)	(c) AUDIT EXCEPTION	(d) REFER TO(2)	(e) PER AUDIT 12/31/98
OPERATING REVENUES	\$48,973.54	(\$17,475.29)	E-5	\$31,498.25
	-----	-----		-----
OPERATING EXPENSES:				
O&M EXPENSE	\$37,048.39	(\$6,373.81)	E-6	\$30,674.58
DEPRECIATION EXPENSE (3)	\$0.00	\$1,258.11	E-2	\$1,258.11
CIAC AMORTIZATION	\$0.00	(\$3,931.00)	E-4	(\$3,931.00)
TAXES OTHER THAN INCOME	\$0.00	\$5,669.81	E-7	\$5,669.81
INCOME TAX EXPENSE (4)	\$0.00	\$0.00		\$0.00
	-----	-----		-----
TOTAL OPERATING EXPENSE	\$37,048.39	(\$3,376.89)		\$33,671.50
	=====	=====		=====
NET OPERATING INCOME (LOSS)	\$11,925.15	(\$14,098.40)		(\$2,173.25)

REQUIRED FOOTNOTES:

- (1) Where utility balance is set to zero, see audit exception indicated for details.
- (2) Audit adjustments do not include audit disclosures.
- (3) Depreciation expense is calculated only on verifiable UPIS additions.
- (4) The utility is under receivership of First Union National Bank of Virginia.
No income tax information was provided.