

MEMORANDUM

June 7, 1996

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 960040-SU -- WATER OAK UTILITIES COMPANY, INC.
TRANSFER AUDIT REPORT
AUDIT CONTROL NO. 96-040-3-2

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Water Oak Utilities Company, Inc.
Larry Ullery
105 Evergreen Lane
Lady Lake, FL 32159-3293

DNV/sp

Attachment

cc: Chairman Clark
Commissioner Deason
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Water and Wastewater (Tomlinson)
Orlando District Office (Forbes)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE
06209 JUN-7 88
FPSC-RECORDS/REPORTING

Florida Public Service Commission

Audit Report

As of November 30, 1993

Field Work Completed

May 23, 1996

Water Oak Utility Company, Incorporated

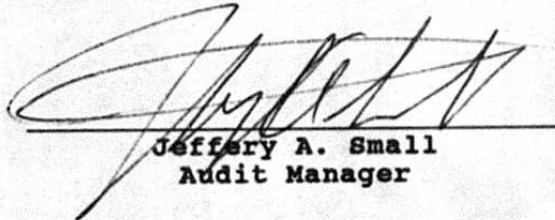
Leesburg, Florida

Lake County

Certificate of Transfer Audit

Docket No. 960040-SU

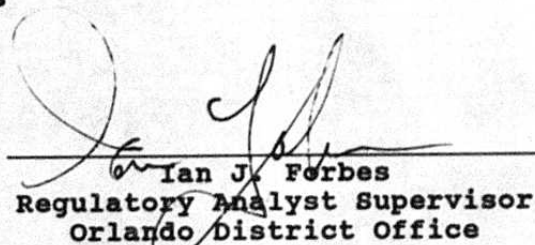
Audit Control Number 96-040-3-2


Jeffery A. Small
Audit Manager

Audit Staff
Elbert Phillips

Minority Opinion

Yes _____
No EP


Ian J. Forbes
Regulatory Analyst Supervisor
Orlando District Office

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I N D E X

	<u>Page</u>
I. Executive Summary	
Audit Purpose	1
Scope Limitation	1
Disclaim Public Use	1
Opinion	1
Summary Findings	1
II. Audit Scope	
Rate Base	2
General	2
III. Audit Exceptions	
1. Utility Plant in Service - Unsupported Capital Additions	3
2. Utility Plant in Service - Capitalized O&M Expenses	7
3. Utility Plant in Service - Capitalized Major/Substantial Repairs	10
4. Utility Plant in Service - Misclassified Utility Expenditures	12
5. Amortization of Utility Organization Cost	15
IV. Audit Disclosures	
1. Stipulated Agreement for Rate Base Balance	16
2. Utility Plant in Service Additions Per Prior Sales Contract Provisions	18
V. Exhibits	
1. Water Rate Base	19
2. Wastewater Rate Base	20

I. EXECUTIVE SUMMARY

Audit Purpose: We have applied the procedures described in Section II of this report and have prepared the appended Water and Wastewater Rate Base exhibits for Water Oak Utility Company, Incorporated, pursuant to Transfer Certificate Docket Number 960040-SU as of November 23, 1993.

Scope Limitation: There are no confidential work papers associated with this report. The last day of field work was May 23, 1996.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must 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.

Opinion: Subject to the procedures described in Section II of this report, the Company books and records for the period ending November 30, 1993, are maintained in substantial compliance with Commission directives.

Summary Findings:

Exceptions

The Company could not provide adequate documentation to support \$9,603 and \$7,502 of Water and Wastewater plant additions.

The Company incorrectly recorded capital additions of \$1,096 and \$6,355 for Water and Wastewater, respectively, for items that should have been expensed to Operations & Maintenance expense in the year incurred.

The Company incorrectly recorded capital additions of \$2,469 and \$3,177 to Water and Wastewater, respectively, for items that should have been recorded as deferred assets because of their non-recurring nature.

The Company incorrectly capitalized \$8,244 to Acc. 301 and \$7,494 to Acc. 351 of utility transfer costs and \$479 of non-utility capital expenditures to Acc. 311. The Company incorrectly expensed \$8,702 of water plant additions that should have been capitalized.

The Company failed to accrue \$335 and \$410 of Water and Wastewater Accumulated Depreciation/Amortization because it did not amortize the respective Organization plant accounts.

Disclosures

Prior Commission Order No. 18255 contained a stipulated agreement that the Company never recorded in its books and records.

The Company has recorded \$17,439 and \$42,576 to Accs. 339 & 389 Miscellaneous Plant Other per a sales agreement from the previous owners.

II. AUDIT SCOPE

This report is based on the audit work described below. When used in this section of the report, **REVIEWED** describes completed audit work as:

REVIEWED: Means that the audit staff reconciled exhibit amounts with the general ledger; traced general account balances to subsidiary ledgers; applied selective analytical review procedures; and disclosed any unresolved error, irregularity or inconsistency observed.

RATE BASE: Reconciled beginning utility plant in service amounts with prior Order (No. 18255). Reviewed 100% of total dollar additions/retirements of utility plant in service, testing for proper amount, authorization, timing, and account classifications. Reviewed additions/retirements to accumulated depreciation for proper amount, authorization and account classification per Commission rules. Land balances were traced to the general ledger and ownership was verified with company-supplied documentation.

OTHER: Judgementally reviewed a sample of customer bills for the month of November 1993 from the Company's billing register to verify the Company's existing rates at period end 11/30/93.

AUDIT EXCEPTION NUMBER ONE

SUBJECT: UTILITY PLANT IN SERVICE - UNSUPPORTED CAPITAL ADDITIONS

FACTS: Per NARUC, Class C, Accounting Instruction No. 2B, "All books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries."

The Company recorded \$9,603 and \$7,502 as capital additions to Water and Wastewater Utility Plant in Service, respectively, for the period of January 1, 1986 through November 30, 1993.

OPINION/RECOMMENDATION: The Company could not provide adequate support documentation for the above-listed additions as required per the NARUC rule cited above.

The Commission should require the Company to reduce its Water and Wastewater Utility Plant in Service balances by \$9,603 and \$7,502, respectively, as illustrated in the attached Schedules A & B to remove all unsupported Utility Plant in Service additions from rate base.

The Commission should further require the Company to reduce its Water and Wastewater Accumulated Depreciation balances by \$4,207 and \$2,383, respectively, as illustrated in the attached Schedules A & B to remove all associated accumulated depreciation recorded on the Company's books for the unsupported Utility Plant in Service additions.

Schedule A for Audit Exception No. One

Water Plant Additions			Total Audit Adjustments by Sub - Account (rounded to nearest \$1)								
Company Acc#	Invoice Date	Description as noted in General Ledger	10104	10107	10109	10120	10134	10139	10141	10147	
1986											
10104		Journal Entry	(520)								
		Acc/Dep	(140)								
10109		Journal Entry			(507)						
		Acc/Dep			(119)						
10141		Journal Entry							(400)		
		Acc/Dep							(400)		
1987											
10104	05/04/87	Mayfield Nursery	(92)								
		Acc/Dep	(22)								
10120	05/22/87	Jim Lee Sales				(2,539)					
		Acc/Dep				(2,216)					
10134	08/07/87	Mars Company					(160)				
		Acc/Dep					(50)				
10147	12/11/87	Leesburg Welding								(155)	
		Acc/Dep								(155)	
1988											
10104	10/07/88	Atkins	(85)								
		Acc/Dep	(17)								
10104	12/31/88	Journal Entry	(2,625)								
		Acc/Dep	(535)								
10109	01/31/88	Prsum Supply	(47)								
		Acc/Dep	(8)								
10109	02/29/88	Prsum Supply	(21)								
		Acc/Dep	(4)								
10139		Journal Entry						(1,226)			
		Acc/Dep						(337)			
1989											
10107	02/28/89	Journal Entry		(1,226)							
		Acc/Dep		(204)							
			=====	=====	=====	=====	=====	=====	=====	=====	
		Total Plant Adjustment	(3,390)	(1,226)	(507)	(2,539)	(160)	(1,226)	(400)	(155)	(9,603)
		Total Acc/Dep Adjustment	(725)	(204)	(119)	(2,216)	(50)	(337)	(400)	(155)	(4,207)

The Company calculated accumulated depreciation using a composite rate of 3.1% for years 1986 and 1987. In 1988 the Company switched to Commission rates as prescribed in FPSC Order #18978.

Schedule B-1 for Audit Exception No. One

Wastewater Plant Additions			Total Audit Adjustment by Sub - Account (rounded to nearest \$1)							
Company Acc#	Invoice Date	Description as noted in General Ledger	10153	10154	10161	10171	10180	10182	10189	10191
1986										
10151	09/05/86	Swann & Haddock Acc/Dep								
10151		Journal Entry Acc/Dep								
10171		Journal Entry Acc/Dep				(186) (85)				
10182		Journal Entry Acc/Dep						(271) (70)		
10191		Journal Entry Acc/Dep								(400) (400)
1987										
10154	02/28/87	Journal Entry Acc/Dep		(385) (93)						
10154	03/10/87	Lady Bug Nursery Acc/Dep		(259) (63)						
10171	03/30/87	J&J Lawn Acc/Dep				(200) (84)				
10171	12/15/87	Fruitland Park Armature Acc/Dep				(942) (395)				
10189	02/28/87	Journal Entry Acc/Dep							(285) (119)	
10189	06/08/87	Southern Bank Acc/Dep							(322) (135)	

The Company calculated accumulated depreciation using a composite rate of 3.8% for years 1986 and 1987.
In 1988 the Company switched to Commission rates as prescribed in FPSC Order # 18973.

Schedule B-2 for Audit Exception No. One

Wastewater Plant Additions, continued			Total Audit Adjustment by Sub-Account (rounded to nearest \$1)								
Company Acc#	Invoice Date	Description as noted in General Ledger	10153	10154	10161	10171	10180	10182	10189	10191	
1988											
10153	07/26/88	Atkins, Krehl Acc/Dep	(80) 0								
10154	08/16/88	M-Woods Trucking Acc/Dep		(300) (61)							
10154	10/07/88	Atkins Acc/Dep		(85) (17)							
10154	12/31/88	Journal Entry Acc/Dep		(55) (11)							
10154	12/31/88	Journal Entry Acc/Dep		(2,684) (547)							
10161	01/31/88	Prsum Sewer Acc/Dep			(26) (3)						
10161	02/29/88	Prsum Sewer Acc/Dep			(35) (4)						
10171	06/30/88	Leading Electric Acc/Dep				(97) (36)					
10171	08/31/88	Journal Entry Acc/Dep				(368) (135)					
10189	01/31/88	Journal Entry Acc/Dep							(135) (50)		
1989											
10180	01/31/89	Journal Entry Acc/Dep					(207) (62)				
1991											
10182	12/31/91	Journal Entry Acc/Dep						(180) (15)			
Total Plant Adjustment			(80)	(3,768)	(81)	(1,793)	(207)	(451)	(742)	(400)	(7,502)
Total Acc/Dep Adjustment			0	(792)	(7)	(734)	(62)	(85)	(304)	(400)	(2,383)

The Company calculated accumulated depreciation using a composite rate of 3.8% for years 1986 and 1987. In 1988 the Company switched to Commission rates as prescribed in FPSC Order # 18978.

AUDIT EXCEPTION NUMBER TWO

SUBJECT: UTILITY PLANT IN SERVICE - CAPITALIZED O&M EXPENSES

FACTS: The Company recorded \$1,096 and \$3,655 as capital additions to Water and Wastewater Utility Plant in Service, respectively, for the period of January 1, 1986 through November 30, 1993.

OPINION/RECOMMENDATION: The above-mentioned capital additions included expenditures for several services such as legal, electrical, sludge hauling, and miscellaneous expenses.

Audit staff believes that these additions should have been charged to Operations and Maintenance expense accounts for the periods they were incurred.

The Commission should require the Company to reduce its Water and Wastewater Utility Plant in Service balances by \$1,096 and \$3,655, respectively, as illustrated in the attached Schedules A & B to remove these additions from rate base.

The Commission should further require the Company to reduce its Water and Wastewater Accumulated Depreciation balances by \$75 and \$624, respectively, as illustrated in the attached Schedules A & B to remove all associated accumulated depreciated on the Company's books for the Utility Plant in Service additions that should have been recorded as Operations and Maintenance expense when incurred.

Schedule A for Audit Exception No. Two

Water Plant Additions			Total Audit Adjustments by Sub - Account (rounded to nearest \$1)			
Company Acc#	Invoice Date	Invoice Description	10101	10104	10111	
1986						
10104	11/21/86	Sumpter Pipe Company <i>Acc/Dep</i>		(75) (20)		
1987						
10101	12/21/87	Katz, Kutter, <i>Acc/Dep</i>	(498) 0			
1988						
10104	09/07/88	Atkins, Krehi <i>Acc/Dep</i>		(150) (31)		
1992						
10111	10/07/92	Bobbys Electric <i>Acc/Dep</i>			(178) (18)	
1993						
10111	10/08/93	Bobbys Electric <i>Acc/Dep</i>			(195) (7)	
			=====	=====	=====	
		Total Plant Adjustment	(498)	(225)	(373)	(\$1,096)
		Total Acc/Dep Adjustment	0	(51)	(24)	(\$75)

The Company calculated accumulated depreciation using a composite rate of 3.1% for years 1986 and 1987. In 1988 the Company switched to Commission rates as prescribed in FPSC Order #18978.

Schedule B for Audit Exception No. Two

Wastewater Plant Additions			Total Audit Adjustment by Sub-Account (rounded to nearest \$1)				
Company Acc#	Invoice Date	Invoice Description	10151	10154	10160	10171	10180
1987							
10151	12/21/87	Katz, Kutter Acc/Dep	(498) 0				
10180	07/17/87	Michael Martin Acc/Dep					(45) (19)
1988							
10154	09/7/88	Atkins, Krehl Acc/Dep		(150) (31)			
10160	09/09/88	Bobbys Electric Acc/Dep			(223) (45)		
10171	04/12/88	Bobbys Electric Acc/Dep				(199) (73)	
1989							
10160	05/26/89	Intercoastal Septic Acc/Dep			(345) (58)		
1990							
10171	01/17/90	Fruitland Park Armature Acc/Dep				(313) (73)	
10171	01/22/90	Fruitland Park Armature Acc/Dep				(313) (73)	
10171	01/22/90	Tsoms Auto Acc/Dep				(75) (18)	
10171	12/12/90	Fruitland Park Armature Acc/Dep				(362) (84)	
1991							
10171	06/20/91	Aqua Matic Acc/Dep				(105) (18)	
10171	12/20/91	Tavares Electric Motor Acc/Dep				(225) (37)	
10171	12/27/91	Tavares Electric Motor Acc/Dep				(225) (37)	
1992							
10171	07/13/92	Tavares Electric Motor Acc/Dep				(232) (23)	
10171	07/24/92	Tavares Electric Motor Acc/Dep				(345) (34)	
			=====	=====	=====	=====	=====
Total Plant Adjustment			(498)	(150)	(568)	(2,394)	(45) (3,655)
Total Acc/Dep Adjustment			0	(31)	(103)	(471)	(19) (624)

The Company calculated accumulated depreciation using a composite rate of 3.8% for years 1986 and 1987. In 1988 the Company switched to Commission rates as prescribed in FPSC Order #18978

AUDIT EXCEPTION NUMBER THREE

SUBJECT: UTILITY PLANT IN SERVICE - CAPITALIZED NON-RECURRING EXPENSES

FACTS: Per Rule 25-30.433 (8), F.A.C., "Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified."

The Company recorded \$2,469 and \$3,177 as capital additions to Water and Wastewater Utility Plant in Service, respectively, for the period of January 1, 1986 through November 30, 1993.

OPINION/RECOMMENDATION: The above-mentioned expenditures were for major repairs to plant equipment that are not of a recurring nature such as rebuilding electrical motors and pumps and upgrading existing equipment.

Audit staff believes that these additions should have been recorded in a deferred asset account and amortized over a five-year period.

The Commission should require the Company to reduce its Water and Wastewater Utility Plant in Service balances by \$2,469 and \$3,177, respectively, as illustrated in attached Schedule A.

The Commission should further require the Company to reduce its Water and Wastewater Accumulated Depreciation balances by \$343 and \$391, respectively, as illustrated in attached Schedule A to remove all associated accumulated depreciation recorded on the Company's books for Utility Plant in Service additions that should have been recorded as deferred assets when incurred.

Schedule A for Audit Exception No. Three

Water Plant Additions			Total Audit Adjustments by Sub- Account (rounded to nearest \$1)	
Company Acc#	Invoice Date	Invoice Description	10120	
1991				
10120	10/31/91	Journal Entry	(372)	
		Acc/Dep	(133)	
1992				
10120	08/10/92	Earls Well Drilling	(2,097)	
		Acc/Dep	(210)	
			=====	
		Total Plant Adjustment	(2,469)	
		Total Acc/Dep Adjustment	(343)	

Wastewater Plant Additions			Total Audit Adjustments by Sub- Account (rounded to nearest \$1)		
Company Acc#	Invoice Date	Invoice Description	10171	10180	
1988					
10180	10/31/91	Fruitland Park Armature		(274)	
		Acc/Dep		(101)	
1992					
10171	08/10/92	Taveras Electric	(1,735)		
		Acc/Dep	(173)		
10171	08/10/92	Taveras Electric	(1,168)		
		Acc/Dep	(117)		
			=====	=====	
		Total Plant Adjustment	(2,903)	(274)	(\$3,177)
		Total Acc/Dep Adjustment	(290)	(101)	(\$391)

The Company calculated accumulated depreciation using a composite rate of 3.1% for years 1986 and 1987. In 1988 the Company switched to Commission rates as prescribed in FPSC Order #18978.

AUDIT EXCEPTION NUMBER FOUR

SUBJECT: UTILITY PLANT IN SERVICE - MISCLASSIFIED UTILITY EXPENDITURES

FACTS: Per NARUC, Class C, Water Utility Plant Account, Acc #301, Organization,

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership, or other enterprise and putting it into readiness to do business.

The Company was first organized and incorporated as a utility on July 15, 1985.

The Commission by Order #16150 granted an Original Certificate for Water and Wastewater operations.

The Commission by Order #16528 established rate base and set the Organization Cost balances for Water and Wastewater at \$1,350 and \$1,350, respectively.

Per NARUC, Class C, Water Utility Plant Account, Acc #426, Miscellaneous Non-utility Expenses, "This account shall contain all expenses other than expenses of utility operations and interest expense."

The Company recorded \$8,723 as capital additions to Water Utility Plant in Service for the period of January 1, 1986 through November 30, 1993.

The Company recorded \$7,494 as capital additions to Wastewater Utility Plant in Service for the period of January 1, 1986 through November 30, 1993.

The Company recorded \$8,702 as Operations & Maintenance expenses to Water expense accounts for the period of January 1, 1986 through November 30, 1993.

OPINION/RECOMMENDATION:

Issue No. 1

The Company has included expenses related to a transfer of ownership from Mel Bishop Enterprises, Inc. to the current sellers in this proceeding in Account Nos. 301 and 351 Organization in violation of the NARUC rule cited above.

Audit Exception Number Four, continued

The Commission should require the Company to reduce Account Nos. 301 and 351 Organization by \$8,244 and \$7,494 to remove all costs recorded subsequent to the Company's initial organization by Mel Bishop Enterprises, Inc. because these costs are associated with expenses incurred after the initial utility organization.

Issue No. 2

The Company has included additions to Account No. 311 Pumping Equipment for a pump located on a golf course which is not utility-owned. This is a violation of the NARUC rule cited above.

The Commission should require the Company to reduce Account No. 311 by \$479 to remove the cost of the pump because it relates to a non-utility operation.

The Commission should further require the Company to reduce its Water Accumulated Depreciation account by \$112 to remove all accrued depreciation associated with the above-mentioned pump.

Issue No. 3

The \$8,702 of Operations and Maintenance expenses recorded by the Company should be capitalized as additions to Water Utility Plant in Service because they relate to major capital improvements/additions to the Company's utility plant.

The Commission should require the Company to increase the Water Utility Plant in Service accounts by \$8,702 to properly account for utility plant additions as discussed above.

The Commission should further require the Company to increase its Water Accumulated Depreciation account by \$1,033 to record the associated accumulated depreciation on the Company's books for the reclassified water plant additions mentioned above.

Conclusion

The net effect of the three issues discussed above will decrease Water and Wastewater Utility Plant in Service by \$21 and \$7,494 and to increase Water Accumulated Depreciation by \$921.

(See attached Schedule A for complete details.)

Schedule A for Audit Exception No. Four

Water Plant Additions			Total Audit Adjustment by Sub- Account (rounded to nearest \$1)						
Company Acc#	Invoice Date	Invoice Description	10101	10104	10109	10111	10131	10134	
1986									
10101		Journal Entry	(6,218)						
		Acc/Dep	0						
10101	09/05/86	Swann & Haddock	(2,026)						
		Acc/Dep	0						
1988									
10104	08/31/88	Hensley Construction		2,570					
		Acc/Dep		524					
1990									
10109		Bobbys Electric				137			
		Acc/Dep				15			
10109	04/20/90	Kent Meters				417			
		Acc/Dep				48			
10109	06/11/90	Ferguson Enterprises				169			
		Acc/Dep				18			
10109	11/08/90	Kent Meters				387			
		Acc/Dep				42			
10109	11/29/90	Kent Meters				436			
		Acc/Dep				48			
10111	12/13/90	Stewart Electric					(479)		
		Acc/Dep					(112)		
1991									
10131	08/11/91	Bellview Underground					1,200		
		Acc/Dep					75		
10134	0318/91	Kent Meters						900	
		Acc/Dep						112	
10134	08/08/91	Kent Meters						904	
		Acc/Dep						173	
1993									
10134	04/29/93	Southern Pipe & Supply						215	
		Acc/Dep						5	
10134	07/22/93	Southern Pipe & Supply						600	
		Acc/Dep						15	
10134	10/13/93	Southern Pipe & Supply						392	
		Acc/Dep						10	
10134	12/24/93	Southern Pipe & Supply						375	
		Acc/Dep						9	
			=====	=====	=====	=====	=====	=====	
Total Plant Adjustment			(8,244)	2,570	1,546	(479)	1,200	3,386	(21)
Total Acc/Dep Adjustment			0	524	169	(112)	75	265	921

Wastewater Plant Additions			Total Audit Adjustment by Sub- Account (rounded to nearest \$1)			
Company Acc#	Invoice Date	Invoice Description	10151			
1986						
10151		Journal Entry	(5,468)			
		Acc/Dep	0			
10151	09/05/86	Swann & Haddock	(2,026)			
		Acc/Dep	0			
Total Plant Adjustment			(7,494)			(7,494)
Total Acc/Dep Adjustment			0			0

The Company calculated accumulated depreciation using a composite rate of 3.1% for years 1986 and 1987. In 1988 the Company switched to Commission rates as prescribed in FPSC Order #18978.

Sum of Acc#s 10101 and 10104 is $(8,244) + (479) = (8,723)$

Sum of Acc#s 10104, 10111, 10131, and 10134 is $2,570 + 1,546 + 1,200 + 3,386 = 8,702$

AUDIT EXCEPTION NUMBER FIVE

SUBJECT: AMORTIZATION OF UTILITY ORGANIZATION COST

FACTS: Per NARUC, Class C Water (Wastewater), Balance Sheet Account #108, Accumulated Depreciation and Amortization of Utility Plant in Service (A), "This account shall reflect the depreciation and amortization accumulated on plant used in water (wastewater) service."

OPINION/RECOMMENDATION: The Company has not recorded any expenses associated with the amortization of Organization Cost in Company Accounts 301 and 351.

The Company should have been amortizing the above-mentioned Organizational Cost accounts and accumulating the resulting expenditures as required by the NARUC rule cited above.

The Commission should require the Company to increase Accumulated Depreciation and Amortization Account No. 108 by \$335 and \$410 for Water and Wastewater, respectively.

(See audit staff calculations below.)

	<u>WATER</u> <u>Account 301</u>	<u>WASTEWATER</u> <u>Account 351</u>
Balance per Order #18255	\$ 1,350	\$ 1,350
Times Composite Rate used per Order #18255	3.1%	3.8%
Equals Yearly Amortization	\$ 42.85	\$ 51.30
Times 8 years for Audit Adjustment 1986 to 1993	\$ 335	\$ 410

(rounded to the nearest dollar)

AUDIT DISCLOSURE NUMBER ONE

SUBJECT: STIPULATED AGREEMENT FOR RATE BASE BALANCE

FACTS: Commission Order #18255 issued on October 6, 1987, included an agreed upon stipulation that waived Water Oak Utility Company, Inc.'s requirement to collect Contributions-In-Aid-of-Construction, (CIAC) in exchange for its booking the following adjustments to water and wastewater rate base by December 31, 1987.

Increase Water Rate Base	\$ 340,000
Increase W/Water Rate Base	\$ 427,500
Negative Acquisition Adj. Water	(\$ 326,498)
Negative Acquisition Adj. W/Water	(\$ 403,474)

(See attached schedule for details.)

Included in the Wastewater rate base adjustment identified above was \$60,000 for an additional 25-acre spray field at the wastewater plant site.

OPINION/RECOMMENDATION: The Company has not recorded any adjustments related to Order #18255 as of November 30, 1993.

Audit staff could not determine from the information currently available a suitable method of recording the above-mentioned ordered adjustments.

Audit staff was able to determine from records obtained from officials of Lake County, Florida, that the utility received thirty acres of land from Mel Bishop Enterprises, Inc. for the spray field.

Mel Bishop Enterprises, Inc. was the former owner and developer of the utility and accompanying mobile home park.

Mel Bishop Enterprises, Inc. purchased the land for \$90,000 on August 22, 1987, and transferred the property to the Utility by means of a warranty deed for \$10 on July 8, 1987.

Audit staff defers a recommendation on this issue to the analyst in Tallahassee.

SCHEDULE FOR AUDIT DISCLOSURE NUMBER ONE

RATE BASE ADJUSTMENT DETERMINATION

DESCRIPTION	WATER	SEWER	TOTAL
COMMISSION'S ESTIMATED COST	\$ 437,766	\$ 577,798	\$ 1,051,564
25-ACRE SPRAY FIELD	<u>0</u>	<u>60,000</u>	<u>60,000</u>
TOTAL ESTIMATED COST @ 12/31/87	437,766	637,798	1,075,564
ACTUAL COST @ 12/31/85	<u>97,766</u>	<u>210,298</u>	<u>308,064</u>
UPIS ADDITIONS PER STIPULATION	\$ 340,000	\$ 427,500	\$ 767,500

ACQUISITION ADJUSTMENT DETERMINATION

DESCRIPTION	WATER	SEWER	TOTAL
TOTAL ESTIMATED COST @ 12/31/87	\$ 437,766	\$ 637,798	\$ 1,075,564
TOTAL STIPULATED RATE BASE @ 12/31/87	<u>111,268</u>	<u>234,324</u>	<u>345,592</u>
TOTAL STIPULATED NEGATIVE ACQUISITION ADJUSTMENT	\$ 326,498	\$ 403,474	\$ 729,972

AUDIT DISCLOSURE NUMBER TWO

SUBJECT: ADDITIONS TO UTILITY PLANT IN SERVICE - PRIOR SALES CONTRACT PROVISIONS

FACTS: The Company has recorded the following amounts to the indicated accounts as additions to UPIS.

OTHER PLANT & MISCELLANEOUS EQUIPMENT
Company Account Nos. 10139 & 10189
NARUC Account Nos. 339 & 389

<u>Year</u>	<u>Water</u>	<u>Wastewater</u>
1987	\$ 8,938	\$ 18,612
1988	\$ 6,488	\$ 19,035
1989	\$ 2,013	\$ 4,929
Totals	\$ 17,439	\$ 42,576

OPINION/RECOMMENDATION: The above amounts represent a calculated price that was paid to the Utility per the sales agreement entered into with the previous owner, Mel Bishop Enterprises, Inc.

The dollar values recorded by the Company per this agreement do not represent any physical additions to the Company's Utility Plant in Service.

The Company has recorded other additions to these accounts in past years that represent physically purchased assets.

The terms of the sale agreement and other pertinent issues were discussed in Commission Docket Nos. 850517-WS and 870122-WS. The Commission's decisions for these dockets were issued in Order Nos. 16528 and 18255.

The above-referenced orders do not discuss or disclose how the Utility should have recorded the amounts received from Mel Bishop Enterprises, Inc.

Audit staff could not determine from the information currently available whether the Utility's method of recording these amounts is in compliance with Commission directives.

Audit staff defers a recommendation on this issue to the analyst in Tallahassee.

EXHIBIT I

Water Oak Utility Company, Incorporated
 Certificate of Transfer Audit
 Water Rate Base
 Ending November 30, 1993

DESCRIPTION	PER COMPANY @11/30/93	AUDIT ADJUSTMENT	REFER TO	PER AUDIT @11/30/93
UTILITY PLANT IN SERVICE	\$ 190,190	(\$ 13,189)	E 1-4	\$ 177,001
LAND	\$ 3,050	0		\$ 3,050
CONTRIBUTIONS IN-AID-OF CONSTRUCTION	0	0		0
AMORTIZATION OF CIAC	0	0		0
ACCUMULATED DEPRECIATION	(\$ 92,881)	\$ 3,369	E 1-5	(\$ 89,512)
WORKING CAPITAL	<u>0</u>	<u>0</u>		<u>0</u>
TOTALS	\$ 100,359	(\$ 9,820)		\$ 90,539

FOOTNOTES TO RATE BASE EXHIBITS

- 1) Audit adjustments do not include Audit Disclosures.
- 2) Per Company balances and Per Audit balances do not include the effects of a stipulated agreement as described in prior Commission Order #18255.
- 3) The Company's Working Capital adjustment was not calculated for this engagement.
- 4) Per Order #18255 mentioned above the Company was not required to collect or record CIAC.
- 5) Audit staff used the Company's 12/31/93 accumulated depreciation balance and removed 1/12 of 1993 additions to calculate the Company's accumulated depreciation balance at 11/30/93.

EXHIBIT II

Water Oak Utility Company, Incorporated
 Certificate of Transfer Audit
 Wastewater Rate Base
 Ending November 30, 1993

DESCRIPTION	PER COMPANY @11/30/93	AUDIT ADJUSTMENT	REFER TO	PER AUDIT @11/30/93
UTILITY PLANT IN SERVICE	\$ 322,981	(\$ 21,748)	E 1-3	\$ 301,233
LAND	\$ 30,580	(\$ 80)	E-1	\$ 30,500
CONTRIBUTIONS IN-AID-OF CONSTRUCTION	0	0		0
AMORTIZATION OF CIAC	0	0		0
ACCUMULATED DEPRECIATION	(\$ 200,565)	\$ 2,988	E 1-3, 5	(\$ 197,577)
WORKING CAPITAL	<u>0</u>	<u>0</u>		<u>0</u>
TOTALS	\$ 152,996	(\$ 18,840)		\$ 134,156

FOOTNOTES TO RATE BASE EXHIBITS

- 1) Audit adjustments do not include Audit Disclosures.
- 2) Per Company balances and per Audit balances do not include the effects of a stipulated agreement as described in prior Commission Order #18255.
- 3) The Company's Working Capital adjustment was not calculated for this engagement.
- 4) Per Order #18255 mentioned above the Company was not required to collect or record CIAC.
- 5) Audit staff used the Company's 12/31/93 accumulated depreciation balance and removed 1/12 of 1993 additions to calculate the Company's accumulated depreciation balance at 11/30/93.

FLORIDA PUBLIC SERVICE COMMISSION
COMMUNICATIONS/ELECTRIC/GAS UTILITY REGULATORY ASSESSMENT FEE EXTENSION REQUEST

_____ (Utility) _____ (Utility Code) _____ (FEID No.)

Mailing Address: _____

This is to request an extension for filing the Regulatory Assessment Fee Return for the above-named utility for the period indicated below:

PERIOD JANUARY 1 - JUNE 30, 1996

PERIOD JULY 1 - DECEMBER 31, 199

___ 15 days to August 15
 ___ 30 days to August 29

___ 15 days to February 14
 ___ 30 days to March 1

REASON FOR REQUEST: _____

_____ (Signature)

_____ (Date)

_____ (Title)

()
 _____ (Telephone Number)

()
 _____ (FAX Number)

NOTE TO UTILITY

- An extension request shall be filed in sufficient time to allow Public Service Commission action prior to the normal due date and shall not be considered approved until signed below by the Chief of the Bureau of Fiscal Services, Division of Administration.
- If an extension of 15 days or less is approved, 0.75% of the fee is to be included when making payment.
- If an extension of 16 to 30 days is approved, 1.5% of the fee is to be included when making payment.

FOR PUBLIC SERVICE COMMISSION USE ONLY	
Request Approved	___
Request Denied	___
___	The 199___ Regulatory Assessment Fee has not been received.
___	The 199___ Regulatory Assessment Fee was delinquent.
___	Prior penalty and/or interest has not been received for your 199___ Regulatory Assessment Fee.
___	The request was received too late for processing.
___	Other: _____

APPROVED BY:	_____ (Date)
	_____ (Chief, Bureau of Fiscal Services)

State of Florida

Commissioners:

SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

June 10, 1996

Larry Ullery
Water Oak Utilities Company, Inc.
106 Evergreen Lane
Lady Lake, Florida 32159-3293

RE: Docket No. 960040-SU -- Water Oak Utilities Company, Inc.
Transfer Audit Report
Audit Control #96-040-3-2

Dear Mr. Ullery:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief
Bureau of Records

KF/mas
Enclosure
cc: Public Counsel
Katz Law Firm