

State of Florida



Public Service Commission

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

DATE: March 10, 2003
TO: Division of Economic Regulation (Clapp) *a*
FROM: Division of Auditing and Safety (Vandiver)
RE: **Docket No.** 020945-SU; **Company Name:** Creola, Incorporated; **Audit Purpose:** Establish Rate Base at Transfer;
Audit Control No. 02-260-3-1

On January 9, 2003, I forwarded to you the final audit report for the utility stated above and a copy of the auditor's work papers. Attached you will find a copy of a memo from the auditor regarding the revised pages for the final audit report and workpapers:

Revised Pages for Audit Report:

Page 2 (Summary of Significant Findings)
Page 6 (Exception No. 3)
Page 7 (Exception No. 3, continued)
Page 9 (Exhibit 15)

Revised workpapers:

Workpaper 15 (Creola, Inc. Wastewater Rate Base)
Workpaper 22 (Accumulated Depreciation Adjustment)
Workpaper 22-1 (Accumulated Depreciation Per Staff)

Please remove the existing pages of the audit report dated December 30, 2002 including the copy of the work papers that were provided to you and insert the attached documents. In addition, a revised copy on disk is enclosed, please place the disk in the workpaper file.

DOCUMENT NUMBER - DATE

02419 MAR 11 8

FPSC-COMMISSION CLERK

Division of Economic Regulation (Clapp)
Page 2
March 10, 2003

I am sending a copy of the revised pages of the audit report to all the persons who received a copy of the original audit report.

DNV/jcp
Attachments

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

David L. Hickman, President
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George C. MacFarlane
401 Interstate Blvd.
Sarasota, FL 34240-8961

SUMMARY OF SIGNIFICANT FINDINGS

The utility's books and records are not in compliance with NARUC and the Commission Rules.

Total wastewater UPIS was overstated by \$48,759.52 as of June 15, 2001.

Accumulated depreciation as of June 15, 2001, was overstated by \$10,372.54.

Accumulated amortization of CIAC was understated by \$2,776.82 as of June 15, 2001.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all the financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verified - The item was tested for accuracy and compared to the substantiating documentation.

RATE BASE: Prepared Creola, Inc.'s wastewater rate base as of June 15, 2001. Compiled all plant additions acquired from January 1, 1997 through June 15, 2001. Verified and traced plant additions to supporting documentation provided by the utility. Reconciled beginning utility rate base balances as of December 31, 1996, to those established per FPSC compliance audit, dated April 4, 1997, AC #97-037-3-1. Recomputed accumulated depreciation and amortization as of June 15, 2001.

(Revised February 12, 2003)

Exception No. 3

Subject: Accumulated Depreciation

Statement of Fact: Creola, Inc. reflected wastewater accumulated depreciation of \$288,153.00 as of June 15, 2001.

Recommendation: The audit staff recomputed accumulated depreciation as of June 15, 2001, to reflect the adjustments per Audit Exception No. 2.

It is recommended that the accounts on the following page be reduced by a total of \$10,372.54 to reflect a reserve balance of \$277,780.46.

(Revised February 12, 2003)

Exception No. 3, continued

Account No.	Description	Acc. Dep. As of 12/31/96 per FPSC Control #97-037-3-1	Additions to Acc. Dep. As of 6/15/01 on UPIS Balances As of 12/31/96	Acc. Dep. As of 6/15/01 on UPIS Additions Acquired From 1/01/97 - 6/15/01	Retired UPIS	Adjustments	Acc. Dep. As of 6/15/01 per Audit Staff	Acc. Dep. As of 6/15/01 per Utility	Difference
108-351	Organization	\$439.00	\$428.31	\$0.00	\$0.00		\$867.31	\$2,787.00	(\$1,919.69)
108-354	Structures & Improvements	773.00	1,738.55	0.00	0.00		2,511.55	25,573.00	(23,061.45)
108-360	Collection - Forced Sewer	40,462.00	16,711.18	0.00	0.00		57,173.18	65,217.00	(8,043.82)
108-361	Collection - Gravity Sewer	102,447.00	29,486.18	0.00	0.00		131,933.18	359.00	131,574.18
108-363	Services	33.00	37.32	0.00	0.00		70.32	120,938.00	(120,867.68)
108-365	Flow Measuring Equipment	0.00	0.00	0.00	0.00		0.00	293.00	(293.00)
108-370	Receiving Wells	372.00	482.39	0.00	0.00		854.39	744.00	110.39
108-371	Pumping Equipment	0.00	0.00	45.43	(1,570.67)		(1,525.24)	0.00	(1,525.24)
108-380	Transmission & Distribution Equipment	59,958.00	27,295.42	183.50	(4,350.94)		83,085.98	57,440.00	25,645.98
108-381	Plant Sewers	85.00	60.74	0.00	0.00		145.74	111.00	34.74
108-382	Outfall Sewer Lines	61.00	13.37	0.00	0.00		74.37	0.00	74.37
108-389	Other Plant & Misc. Equipment	207.00	614.01	0.00	0.00		821.01	891.00	(69.99)
108-390	Office Furniture & Equipment	284.00	730.27	0.00	0.00		1,014.27	1,099.00	(84.73)
108-391	Transportation Equipment	6,154.00	21,587.87	0.00	0.00	(\$27,741.87)	0.00	11,939.00	(11,939.00)
108-395	Power Operated Equipment	375.00	379.40	0.00	0.00		754.40	762.00	(7.60)
		\$211,650.00	\$99,565.01	\$228.93	(\$5,921.61)	(\$27,741.87)	\$277,780.46	\$288,153.00	(\$10,372.54)

(Revised February 12, 2003)

EXHIBIT

**CREOLA, INCORPORATED
WASTEWATER RATE BASE
DOCKET NO. 020945-SU
ESTABLISH RATE BASE AT TRANSFER
AS OF JUNE 15, 2001**

DESCRIPTION	PER UTILITY	AUDIT EXCEPTION	REFER TO	PER AUDIT
UTILITY PLANT-IN-SERVICE	\$461,090.00	(\$48,759.52)	AE 2	\$412,330.48
LAND	1,768.00	0.00		1,768.00
ACCUMULATED DEPRECIATION	(288,153.00)	10,372.54	AE 3	(277,780.46)
CONTRIBUTIONS-IN-AID- OF- CONSTRUCTION (CIAC)	(271,039.00)	0.00		(271,039.00)
ACCUMULATED AMORTIZATION OF CIAC	183,563.00	2,776.82	AE 4	186,339.82
TOTAL	\$87,229.00	(\$35,610.16)		\$51,618.84

(Revised February 12, 2003)