



Public Service Commission

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COMMISSION
CLERK

DATE: September 10, 2004

TO: Pat Brady, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief, Bureau of Auditing
Division of Regulatory Compliance and Consumer Assistance

RE: **Docket No.** 040152-WS;; **Company Name:** FIMC Hideaway, Inc.;
Audit Purpose: Establish Rate Base For Transfer;
Audit Control No. 04-089-3-1:

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, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (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

CMP _____
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 OTH _____

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DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING***

Orlando District Office

FIMC HIDEAWAY, INC.

ESTABLISH RATE BASE AT TRANSFER

AS OF DECEMBER 31, 2003

**DOCKET NO. 040152-WS
AUDIT CONTROL NO. 04-089-3-1**

A handwritten signature in cursive script, appearing to read "Richard F. Brown".

Richard F. Brown, Audit Manager

A handwritten signature in cursive script, appearing to read "Jeffery A. Small".

Jeffery A. Small, Professional Accountant Specialist

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**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
AUDITOR'S REPORT**

August 23, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules for Rate Base as of December 31, 2003, for FIMC Hideaway, Inc. The attached schedules were prepared by the audit staff as part of our work in Docket No. 040152-WS.

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

FIMC Hideaway, Inc. could not make available documentation in support of utility plant additions acquired from January 1, 1992 through December 31, 2003.

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.

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

RATE BASE: Prepared FIMC, Inc.'s water and wastewater rate bases as of December 31, 2003. Compiled plant additions acquired from January 1, 1992 through December 31, 2003. Scanned utility books and records for CIAC collected from January 1, 1992 through December 31, 2003. Recomputed accumulated depreciation and amortization at December 31, 2003. Established rate base component balances per Order No. PSC-92-0479-FOF-WS, issued June 9, 1992.

OTHER: Toured the water and wastewater plant facilities. Recalculated a sample of customer bills from the utility's billing register and agreed to the Commission-approved tariff.

Exception No. 1

Subject: Books and Records

Statement of Fact: Rule 25-30.115, Florida Administrative Code, (F.A.C.), requires Florida utilities to maintain their books and records in conformity with the NARUC, National Association of Regulatory Commissioners Uniform System of Accounts (USOA).

NARUC, Class C, Accounting Instruction 2.A states,

The books and accounts of all water and wastewater utilities shall be kept by the double entry method on an accrual basis. Each utility shall keep its books of accounts monthly and close its books at the end of each calendar year.

NARUC, Class C, Accounting Instruction 2.B requires all water and wastewater utilities to maintain their 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 as to support fully the facts pertaining to such entries.

Recommendation: The buyer of FIMC Hideaway, Inc. received numerous boxes of books and records applicable to utility operations from the seller at the outset of the audit examination.

After a review of the records, the audit staff determined that much of the information and data required to process the transfer was not available. Documentation (invoices and checks) in support of plant additions acquired from January 1, 1992 through December 31, 2003, could not be provided. The utility representatives informed me that it had either been discarded or misplaced. The audit staff used the FPSC Annual Report to reflect the FIMC Hideaway, Inc. rate base balances as of December 31, 2003, as the utility could not provide a trial balance or general ledger for the period.

The audit staff recommends that the buyer of the utility maintain the books and records in accordance with the above-stated rules.

Exception No. 2

Subject: Utility-Plant-in-Service

Statement of Fact: FIMC Hideaway, Inc.'s Annual Report as of December 31, 2003, reflected a respective water and wastewater balance of \$91,826 and \$116,194.

Recommendation: FIMC Hideaway, Inc. could not provide the audit staff with the 2003 General Ledger. Consequently, the filed FPSC Annual Report was used to reflect plant balances. Additionally, the utility could not provide the documentation in support of additions acquired from January 1, 1992 through December 31, 2003. The following audit staff balances as of December 31, 2003, are the same as those established per Order PSC-92-0479-FOF-WS, issued June 9, 1992, as of December 31, 1991.

The changes reflected in the utility's FPSC Annual Reports subsequent to 1991 were not used due to the lack of any supporting documentation as discussed above.

WATER				
Account	Description	UPIS As of 12/31/03 Per Audit Staff	UPIS As of 12/31/03 Per Utility	Difference
301	Organization	\$3,345	\$2,659	\$686
304	Structures & Improvements	4,640	4,965	(325)
306	Lake, River and Other Intakes	0	22,744	(22,744)
307	Wells & Springs	18,094	0	18,094
311	Pumping Equipment	8,269	9,222	(953)
320	Water Treatment Equipment	873	579	294
330	Distribution Reservoirs & Standpipes	28,442	2,842	25,600
331	Transmission & Distribution Mains	32,588	34,463	(1,875)
333	Services	9,007	9,007	0
334	Meters	0	5,345	(5,345)
		\$105,258	\$91,826	\$13,432

Exception No. 2, continued

WASTEWATER

Account	Description	UPIS As of 12/31/03 Per Audit Staff	UPIS As of 12/31/03 Per Utility	Difference
351	Organization	\$2,340	\$2,959	(\$619)
361	Collection Sewers - Gravity	64,747	64,747	0
363	Services to Customers	11,785	11,785	0
364	Flow Measuring Devices	0	3,051	(3,051)
365	Flow Measuring Installations	0	2,295	(2,295)
370	Receiving Wells	8,878	8,268	610
371	Pumping Equipment	0	23,089	(23,089)
380	Treatment & Disposed Equipment	23,934	0	23,934
		\$111,684	\$116,194	(\$4,510)

The audit staff recommends that water plant-in-service be increased by \$13,432, and wastewater be reduced by \$4,510.

Exception No. 3

Subject: Accumulated Depreciation

Statement of Fact: FIMC Hideaway, Inc.'s Annual Report as of December 31, 2003, reflected a respective water and wastewater accumulated depreciation balance of \$74,424 and \$94,107.

Recommendation: The utility could not provide support for additions acquired subsequent to Order No. PSC-92-0479-FOF-WS, issued June 9, 1992, that established rate base as of December 31, 1991. Consequently, the audit staff computed depreciation on the said Order plant balances through December 31, 2003, in accordance with Rule 25-30.140, F.A.C., rates.

The audit staff recommends that water and wastewater accumulated depreciation as of December 31, 2003, be reduced by \$5,424 and \$8,588, respectively, based on the following:



Exception No. 3, continued

WATER

Account	Description	Accumulated Depreciation Per Audit Staff As of 12/31/03	Accumulated Depreciation Per Utility As of 12/31/03	Difference
301	Organization	\$1,972	\$0	\$1,972
304	Structures & Improvements	3,332	3,503	(171)
306	Lake, River and Other Intakes	0	0	0
307	Wells & Springs	9,869	11,685	(1,816)
311	Pumping Equipment	6,778	6,955	(177)
320	Water Treatment Equipment	218	(235)	453
330	Distribution Reservoirs&Standpipes	18,718	18,729	(11)
331	Transmission & Distribution Equipment	21,823	22,302	(479)
333	Services	6,290	6,223	67
334	Meters	0	3,431	(3,431)
348	Other Tangible Plant	0	1,831	(1,831)
		\$69,000	\$74,424	(\$5,424)

Exception No. 3, continued**WASTEWATER**

Account	Description	Accumulated Depreciation Per Audit Staff As of 12/31/03	Accumulated Depreciation Per Utility As of 12/31/03	Difference
351	Organization	\$1,670	\$0	\$1,670
361	Collection Sewers - Gravity	43,721	43,737	(16)
363	Services to Customers	8,203	8,190	13
364	Flow Measuring Devices	0	1,980	(1,980)
365	Flow Measuring Installations	0	1,451	(1,451)
370	Receiving Wells	7,991	7,761	230
371	Pumping Equipment	0	0	0
380	Treatment & Disposal Equipment	23,934	29,156	(5,222)
398	Other Tangible Plant	0	1,832	(1,832)
		\$85,519	\$94,107	(\$8,588)

Exception No. 4

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

Statement of Fact: FIMC Hideaway, Inc. reflected a CIAC balance of \$3,087.50 for wastewater as of December 31, 2003.

Recommendation: The utility did not record the wastewater CIAC balance of \$172.00, established per Order PSC-92-0479-FOF-WS, issued June 9, 1992.

The audit staff recommends that wastewater CIAC as of December 31, 2003, be increased by \$172.00.

Exception No. 5

Subject: Service Availability Charges

Statement of Fact: The following contributions were collected by the utility from January 1, 1992 through December 31, 2003, according to its balance sheet transaction ledger.

Date of Collection	Description	Water Collections	Wastewater Collections	Total Collections
12/14/92	3-55	\$715.00	\$715.00	\$1,430.00
9/29/00	Golden West MFD	772.50	772.50	1,545.00
9/09/02	Cooper	750.00	750.00	1,500.00
6/24/02	Walker	850.00	850.00	1,700.00
		\$3,087.50	\$3,087.50	\$6,175.00

Recommendation: Order No. PSC-92-0479-FOF-WS, issued June 9, 1992, established the following charges.

	Water	Wastewater
Main Extension Charge	\$600.00	\$725.00
Meter Installation Charge	105.00	

The audit staff recommends that FIMC Hideaway, Inc. collects contributions in accordance with the Order-approved charges.

Exception No. 6

Subject: Accumulated Amortization of CIAC

Statement of Fact: FIMC Hideaway, Inc. reflected an accumulated amortization of CIAC balance as of December 31, 2003, of zero for both the water and wastewater systems.

Recommendation: Prior Order No. PSC-92-0479-FOF-WS established a wastewater accumulated amortization of CIAC balance of \$11.00 as of December 31, 1991. The audit staff computed an annual amortization accrual on the wastewater CIAC balance of \$172.00 as discussed in Exception No. 4 of this report and on the service availability collections received from January 1, 1992 through December 31, 2003, as discussed in Exception No. 5 of this report using a per annum rate of 3.1 percent.

Based on the said computation, the audit staff recommends that the water and wastewater accounts be increased to reflect the following balances as of December 31, 2003.

	Water	Wastewater
Accumulated amortization balance As of 12/31/91, per Order No. PSC-92-0479-FOF-WS		\$11.00
Amortization on 12/31/91, CIAC balance from 01/01/92 through 12/31/03		63.98
Amortization on CIAC added from 01/01/92 through 12/31/03	367.66	367.66
Audit staff recommended balance as of 12/31/03	\$367.66	\$442.64

Exception No. 7

Subject: Non-Documented Plant Additions

Statement of Fact: FIMC Hideaway, Inc., per its balance sheet transactions ledger, reflected water and wastewater plant additions of \$11,018.19 and \$5,345.10, respectively, acquired from January 1, 1992 through December 31, 2003.

Recommendation: The utility could not provide supporting documentation for the aforementioned additions totaling \$16,363.29. In addition, it could not make available books or records that verify the recording of these expenditures as capital additions.

The audit staff recommends that the adjustment per Exception No. 2 be the basis for the water and wastewater plant adjustment, and that the following items in Schedules A and B be considered should the utility petition the Commission for a staff-adjusted rate case in the future.

Schedule A for Exception No. 7

Invoices	Check No.	Date	Acct. 304 Structures & Improvements	Acct. 307 Wells & Springs	Acct. 311 Pumping Equipment	Acct. 331 Trans. & Dist. Distribution Mains	Acct. 334 Meters	Totals
Gulf Coast Utilities		1/10/92	\$325.00					\$325.00
Sunstate Meter & Supply	269	9/21/92					896.57	896.57
Sammy Roberson	271	9/29/92					450.00	450.00
Sammy Roberson	277	10/08/92					630.00	630.00
Sunstate Meter & Supply	283	10/19/92					489.59	489.59
Sammy Roberson	285	10/26/92					612.00	612.00
Sammy Roberson	287	10/26/92					40.72	40.72
Sunstate Meter & Supply	286	10/26/92					649.68	649.68
Sunstate Meter & Supply	294	11/04/92					649.67	649.67
Sunstate Meter & Supply	297	11/17/92					299.51	299.51
Sunstate Meter & Supply	310	12/14/92					65.69	65.69
Sammy Roberson	311	12/17/92					234.00	234.00
Sammy Roberson	312	12/17/92					77.95	77.95
Sammy Roberson	325	1/26/93					15.73	15.73
Sammy Roberson	331	2/02/93					234.00	234.00
GMP Industries	375	5/21/93			1,473.08			1,473.08
Cannon's Well Drilling	595	12/11/94		2,000.00				2,000.00
Andrews Paving	695	9/25/95				1,875.00		1,875.00
			\$325.00	\$2,000.00	\$1,473.08	\$1,875.00	\$5,345.11	\$11,018.19

Schedule B for Exception No. 7

Invoice	Check No.	Date	Acct. 364 Flow Measuring Devices	Acct. 365 Flow Measuring Installations	Totals
Sunstate Meter & Supply	269	9/21/92	\$896.57		\$896.57
Sammy Roberson	271	9/29/92		450.00	450.00
Sammy Roberson	277	10/08/92		630.00	630.00
Sunstate Meter & Supply	283	10/19/92	489.59		489.59
Sammy Roberson	285	10/26/92		612.00	612.00
Sammy Roberson	287	10/26/92		40.72	40.72
Sunstate Meter & Supply	286	10/26/92	649.67		649.67
Sunstate Meter & Supply	294	11/04/92	649.68		649.68
Sunstate Meter & Supply	297	11/17/92	299.51		299.51
Sunstate Meter & Supply	310	12//14/92	65.68		65.68
Sammy Roberson	311	12/17/92		234.00	234.00
Sammy Roberson	312	12/17/92		77.95	77.95
Sammy Roberson	325	1/26/93		15.73	15.73
Sammy Roberson	331	2/02/93		234.00	234.00
			\$3,050.70	\$2,294.40	\$5,345.10

Disclosure No. 1

Subject: Utility Clubhouse

Statement of Fact: FIMC Hideaway, Inc. does not bill the park clubhouse for water and wastewater services.

Recommendation: The utility bills a \$6.00 per customer facilities charge. However, it does not bill the park clubhouse for water and wastewater services.

The clubhouse is not metered so imputed charges could not be measured.

The audit staff defers to the Tallahassee analyst and engineer for disposition.

EXHIBIT I

**FIMC HIDEAWAY, INC.
WATER RATE BASE
DOCKET NO. 040152-WS
ESTABLISH RATE BASE AT TRANSFER
AS OF DECEMBER 31, 2003**

DESCRIPTION	PER UTILITY	AUDIT EXCEPTION	REFER TO	PER AUDIT
UTILITY PLANT-IN-SERVICE	\$91,826	\$13,432	E2	\$105,258
LAND & LAND RIGHTS	3,858	0		3,858
ACCUMULATED DEPRECIATION	(74,424)	5,424	E3	(69,000)
CONTRIBUTIONS-IN-AID-OF- CONSTRUCTION	(3,088)			(3,088)
ACCUMULATED AMORTIZATION OF CIAC	0	368	E6	368
WORKING CAPITAL	0	0		0
TOTAL	\$18,172	\$19,224		\$37,396

EXHIBIT II

**FIMC HIDEAWAY, INC.
WASTEWATER RATE BASE
DOCKET NO. 040152-WS
ESTABLISH RATE BASE AT TRANSFER
AS OF DECEMBER 31, 2003**

DESCRIPTION	PER UTILITY	AUDIT EXCEPTION	REFER TO	PER AUDIT
UTILITY PLANT-IN-SERVICE	\$116,194	(\$4,510)	E2	\$111,684
LAND & LAND RIGHTS	4,961	0		4,961
ACCUMULATED DEPRECIATION	(94,107)	8,588	E3	(85,519)
CONTRIBUTIONS-IN-AID-OF- CONSTRUCTION	(3,088)	(172)	E4	(3,260)
ACCUMULATED AMORTIZATION OF CIAC	0	443	E6	443
WORKING CAPITAL	0	0		0
TOTAL	\$23,960	\$4,349		\$28,309