

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: March 13, 2024

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis *DB*

RE: Docket No.: 20230111-SU
Company Name: The Vantage Development Corporation
Company Code: SU877
Audit Purpose: BIC: Certificate Transfer
Audit Control No.: 2023-304-2-1

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 the Commission Clerk. There are no confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing and Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Vantage Development Corporation/
Vantage Oaks Utility, LLC

Transfer of Wastewater
Certificate No. 537-S

As of June 30, 2022

Docket No. 20230111-SU
Audit Control No. 2023-304-2-1

March 12, 2024

Ronald A. Mavrides

Ronald A. Mavrides
Audit Manager

Donna D. Brown

Donna D. Brown
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
1: Books and Records	5
2: Utility Plant in Service.....	6
3: Accumulated Depreciation.....	7
Exhibits	
1: Wastewater Net Book Value.....	8

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 & Finance in its audit service request dated January 24, 2024. We have applied these procedures to the attached schedules prepared by Vantage Development Corporation/Vantage Oaks Utility, LLC in its request for a Transfer of Certificate No. 537-S in Docket No. 20230111-SU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Buyer/Utility refers to Vantage Oaks Utility, LLC.

Seller refers to the Vantage Development Corporation.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts adopted by Rule 25-30.115, Florida Administrative Code.

Utility Information

Vantage Development Corporation is a Class "C" wastewater Utility that serves approximately 175 wastewater customers in Okeechobee County, per the application. Rate base was last established as of December 31, 2006, in Order No. PSC-2007-0789-PAA-SU, issued on September 27, 2007, in Docket No. 20070074-SU.

On September 27, 2023, Vantage Development Corporation filed an application with this Commission to transfer to Vantage Oaks Utility, LLC wastewater facilities and Certificate No. 537-S on September 27, 2023. The closing date for the sale was June 30, 2023.

General

Utility Books and Records

Objective: The objective was to determine whether the Utility maintained its accounts and records in conformity with the NARUC USOA.

Procedures: We reviewed the Utility's accounting system and found it to be not in compliance with the NARUC USOA. Finding 1 discusses utility books and records.

Net Book Value

Utility Plant in Service

Objectives: The objectives are to determine whether utility plant in service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are recorded at original cost, 3) Retirements are recorded when a replacement asset is put into service, and 4) Adjustments required in the Utility's last rate proceeding are recorded in its books and records.

Procedures: We reconciled the beginning balances of accumulated depreciation as of December 31, 2006, using the Commission-approved balances in Order No. PSC-2007-0789-PAA-SU. We

scheduled UPIS activity from December 31, 2006, through June 30, 2022. We traced asset additions to supporting documentation. We ensured that retirements were made when an asset was removed or replaced. Finding 2 discusses UPIS.

Land & Land Rights

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

Procedures: We reconciled the beginning balance for land as of December 31, 2006, from Commission Order No. PSC-07-0789-PAA-SU, with the Seller's books and records. We reviewed land deeds and the Okeechobee County Property Appraiser's website for proof of ownership. Audit staff determined that there were no additions to land from December 31, 2006, through June 30, 2022. No further work was performed.

Accumulated Depreciation

Objectives: The objectives were to determine whether accumulated depreciation: 1) Accruals were properly calculated and recorded based on Rule 25-30.140, Florida Administrative Code – Depreciation, 2) Retirements were recorded when an asset was replaced, and 3) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances of accumulated depreciation as of December 31, 2006, using the Commission-approved balances in Order No. PSC-2007-0789-PAA-SU. We calculated accumulated depreciation using the depreciation rates established in Rule 25-30.140(2), Florida Administrative Code, from December 31, 2006, through June 30, 2022. Finding 3 discusses accumulated depreciation.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether contributions-in-aid-of-construction (CIAC): 1) Consist of cash or property contributions that exist and are owned by the Utility, 2) Additions are recorded using Commission-approved tariffs, 3) Retirements are recorded when a contributed asset is replaced, and 4) Adjustments in the Utility's last rate proceeding are recorded in its books and records.

Procedures: We reconciled the beginning balance of CIAC as of December 31, 2006, using the Commission-approved balances in Order No. PSC-07-0789-PAA-SU. We determined the ending balance of CIAC as of June 30, 2022 to be \$135,538. No further work was performed.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether accumulated CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-30.140, Florida Administrative Code – Depreciation, 2) Retirements are recorded when an asset is replaced, and 3) Adjustments required in the Utility's last rate proceeding are recorded to its books and records.

Procedures: We reconciled the beginning balance of accumulated amortization of CIAC as of December 31, 2006, using the Commission-approved balances in Order No. PSC-2007-0789-

PAA-SU. We recalculated the accumulated amortization of CIAC using composite rates. We determined the ending balance of accumulated amortization of CIAC as of June 30, 2022 to be \$135,538. No further work was performed.

Other

Rates and Charges

Objective: The objective was to determine whether the Utility is charging monthly service rates authorized by Commission-approved tariffs.

Procedures: We requested and received billing registers bills to test for correct service charges. We recalculated a sample of customer bills listed in the billing register using Commission-approved tariffs and verified that the Utility used approved rates. No further work was performed.

Customer Deposits

Objective: The objective was to determine whether the Seller collected customer deposits and whether the balances are transferred to the Buyer.

Procedures: We reviewed the general ledger and the Utility's customer deposit ledger. Audit staff was determined that the Utility does not collect customer deposits. No further work was performed.

Audit Findings

Finding 1: Books and Records

Audit Analysis: Vantage Development Corporation's books and records are not maintained in accordance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC UsoA)

NARUC, Class C, Accounting Instruction, states:

All books of accounts, together with records and memoranda supporting entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, invoices, memoranda, and information useful in determining the facts regarding a transaction.

Commission Rule 25-30.115. Florida Administrative Code (F.A.C.), requires utilities to maintain their books and records in conformity with the NARUC UsoA.

The Utility did not possess complete books and records, therefore the Utility utilized the annual reports for determining account balances.

Finding 2: Utility Plant in Service

Audit Analysis: The Utility determined the plant balances as of June 30, 2022 to be \$336,868. Audit staff determined the Utility’s plant balance to be \$338,132. The difference of \$1,264 is attributed to the Utility not including several plant additions (\$5,048) and retirements (\$3,784), as well as the Utility using incorrect accounts. Audit staff adjustments are reflected in Table 2-1.

**Table 2-1
Utility Plant in Services**

Acct. No	Description	Utility Balance 06/30/2022	Adjustments	Audit Balance 06/30/2022	Simple Average
354.00	Structures & Improvements -Fence	\$ 15,425	\$ 310,674	\$ 326,099	\$ 326,099
355.00	Power Generation Equipment	\$ -	\$ 1,348	\$ 1,348	\$ 1,348
361.00	Collection - Sewers Gravity	\$ 159,781	\$ (159,781)	\$ -	\$ -
362.00	Special Collecting Structures	\$ -	\$ 2,596	\$ 2,596	\$ 2,596
364.00	Flow Measuring Devises	\$ 2,314	\$ (246)	\$ 2,068	\$ 2,068
371.00	Pumping Equipment	\$ 15,935	\$ (15,935)	\$ -	\$ -
380.10	Treatment & Disposal Equipment-Blower	\$ 143,018	\$ (136,997)	\$ 6,021	\$ 6,003
389.00	Other Plant & Miscellaneous Equipment	\$ 395	\$ (395)	\$ -	\$ -
	Total	\$ 336,868	\$ 1,264	\$ 338,132	\$ 338,114

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

Effect on the Staff Prepared Exhibit: Audit staff determined the PIS balance should be increased by \$1,264. We also determined the UPIS balance to be \$338,132 and the simple average for UPIS to be \$338,114 as of June 30, 2022.

Finding 3: Accumulated Depreciation

Audit Analysis: The Utility reported the accumulated depreciation balances as of June 30, 2022, to be \$333,201. Audit staff determined the Utility’s accumulated depreciation balance to be \$291,073. Audit staff recalculated accumulated depreciation using the audited plant balances established in Order No. PSC-2007-0789-PAA-SU, and depreciation rates from Rule 25.30.140, Florida Administrative Code. We determined that there was a net difference of \$42,129 between the utility and audit staff’s calculations. This difference was due to the Utility not including certain plant additions and retirements, as well as using incorrect accounts and depreciation rates. Audit staff adjustments are reflected in Table 3-1.

**Table 3-1
Wastewater Accumulated Depreciation**

Acct. No	Description	Utility Balance 06/30/2022	Adjustments	Audit Balance 06/30/2022	Simple Average
354.00	Structures & Improvements -Fence	\$ (11,758)	\$ (268,463)	\$ (280,221)	\$ (280,221)
355.00	Power Generation Equipment	\$ -	\$ (1,348)	\$ (1,348)	\$ (1,348)
361.00	Collection - Sewers Gravity	\$ (159,781)	\$ 159,781	\$ -	\$ -
362.00	Special Collecting Structures	\$ -	\$ (2,169)	\$ (2,169)	\$ (2,169)
364.00	Flow Measuring Devises	\$ (2,314)	\$ 246	\$ (2,068)	\$ (2,068)
371.00	Pumping Equipment	\$ (15,935)	\$ 15,935	\$ -	\$ -
380.00	Treatment & Disposal Equipment	\$ (143,018)	\$ 143,018	\$ -	\$ -
380.10	Treatment & Disposal Equipment-Blower	\$ -	\$ (5,267)	\$ (5,267)	\$ (5,223)
389.00	Other Plant & Miscellaneous Equipment	\$ (395)	\$ 395	\$ -	\$ -
Total		\$ (333,201)	\$ 42,129	\$ (291,073)	\$ (291,029)

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

Effect on the Staff Prepared Exhibit: Audit staff determined the accumulated depreciation balance should be decreased by \$42,129. We also determined the accumulated depreciation balance to be \$291,073 and the simple average for accumulated depreciation to be \$291,029 as of June 30, 2022.

Exhibits

Exhibit 1: Wastewater Net Book Value

Description	Balance per Utilitiy 6/30/2022	Audit Adjustments	Audit Finding	Balance per Audit 6/30/2022	Simple Average
Utility Plant in Service	\$ 336,868	1,264	2	\$ 338,132	\$ 338,114
Land	10,350	-		10,350	\$ 10,350
Accumulated Depreciation	(333,201)	42,128	3	(291,073)	\$ (291,029)
Contributions in Aid of Construction	(135,538)	-		(135,538)	(135,538)
Accumulated Amortization of CIAC	135,538	-		135,538	\$ 135,538
NET BOOK VALUE	\$ 14,017	\$ 43,392		\$ 57,409	\$ 57,435