

MEMORANDUM

June 3, 1993

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDIT AND FINANCE (VANDIVER) CW
RE: DOCKET NO. 921260-WS -- TRADEWINDS UTILITIES, INC.
SUPPLEMENTAL AUDIT REPORT
AUDIT CONTROL NO. 92-356-3-1

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.

Audit was prepared using 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:

DNV/sp

Attachment

cc: Chairman Deason
Commissioner Beard
Commissioner Clark
Commissioner Johnson
Commissioner Laredo
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Mailhot/
File Folder)
Division of Water and Wastewater (Chapdelaine)
Orlando District Office (w/o attachment)

Office of Public Counsel

DOCUMENT NUMBER-DATE

06031 JUN-4 8

FILE RECORDS UNIT

Florida Public Service Commission

Supplemental Audit Report

As of December 31, 1991

Field Work Completed

May 21, 1993

Tradewinds Utilities, Inc.

Ocala, Florida

Marion County

Supplemental Land Audit

Docket Number 921260-WS

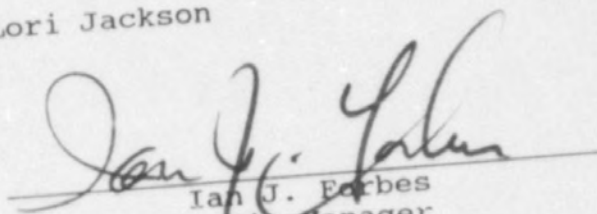
Audit Control No. 92-356-3-1

Audit Staff

Lori Jackson

Minority
Opinion

Yes No



Ian J. Forbes
Audit Manager

and
Regulatory Analyst Supervisor
Orlando District Office

I. Executive Summary

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to the approximate 20-acre wastewater land addition listed in Exception No. 3 of the original Rate Base Audit Report dated March 17, 1993 issued pursuant to Docket Number 921260-WS.

SCOPE LIMITATION: The audit exit conference was held May 21, 1993. There is no confidential information associated with this report.

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 audit standards and produce audited financial statements for public use.

OPINION: Subject to Audit Exception 1 and Disclosure 1, wastewater land costs as recorded by the utility represent Tradewinds Utilities, Inc. books and records maintained in substantial compliance with Commission directives. The expressed opinion extends only to the scope of work described in Section II of this report.

SUMMARY FINDINGS:

The wastewater land addition of approximately 20 acres should be valued at \$99,000 versus the \$114,716 booked by the utility.

This land addition and the other wastewater land is not all used and useful. Valuation of the proper adjustment is deferred to a Division of Water and Wastewater engineer to be made during the next rate proceeding before the Commission.

II. Audit Scope:

The opinions contained in this report are based on the audit work described below.

LAND: Obtained copies of warranty deeds and closing statements to support wastewater land addition. Traced deeds and subsequent resale of one 3.6-acre parcel to Marion County Official Record books. Verified Tradewinds Utilities, Inc. still was owner of record for the remaining 20-acre addition as of December 31, 1992 at Marion County Clerk of the Court's office. Verified the value of land additions using the documentary stamps affixed to the warranty deeds. Obtained copy of Florida Department of Environmental Protection (DER) permit for using land as effluent sprayfield. Verified with DER that permit was still valid. Toured land addition and observed sprayfield in operation over part of the addition. Verified with the Marion County Zoning Office the land addition was zoned as agricultural A-1.

OTHER: Verified with Marion County Tax Assessor's Office there were no outstanding taxes or tax certificates outstanding on the wastewater land addition as of December 31, 1992.

AUDIT EXCEPTION 1

SUBJECT: LAND VALUATION

FACTS: The Rate Base At Transfer Audit for this Docket took exception with the company's booking of \$114,716 of undocumented land value.

The Uniform System of Accounts requires utilities to keep their books and records to "be kept in such a manner to fully support the facts pertaining to such entries."

The company provided two closing statements: one for a land parcel of 10+/- acres purchased for \$50,000 and another for two land parcels totaling 13.6+/- acres purchased for \$67,500.

The company provided three deeds. The three deeds supported a cost of \$117,500.

Field staff traced a 3.6-acre land parcel to a resale to the original seller in February 1989 for \$18,500.

A used and useful determination is discussed in Disclosure 1.

OPINION: Based on documentary stamps affixed to the deeds and the resale of 3.6 acres for \$18,500, field staff accepts \$99,000 (\$117,500 - \$18,500) as the cost of the land booked at \$114,716 by the utility.

RECOMMENDATION:
The Commission should direct the utility to book the land at its original cost of \$99,000.

COMPANY COMMENTS:
Company may respond at a later date.

AUDIT DISCLOSURE 1

SUBJECT: USED AND USEFUL DETERMINATION

STATEMENT OF FACTS:

One 10-acre parcel (purchased in August, 1983) is made up of rough terrain and dense brush. The utility owner stated that the land was purchased to be used as a sprayfield in the future.

Another 10-acre parcel (purchased in December, 1984) does have an effluent sprayfield which was observed in operation during a plant tour. The utility's DER permit authorizes a 4+/- acre sprayfield. The remaining 6 acres of this parcel and the 10 acres purchased in August, 1983 are currently not used for utility purposes.

During a plant tour it was observed that two percolation ponds owned by the utility were not in use. Appearing from the vegetation that covered the bottom and sides of the ponds, they have not been used for quite some time.

OPINION: Deferred to Water and Wastewater engineer for the next rate case proceeding to determine a used and useful adjustment of all utility lands.

COMPANY COMMENTS:

Company may respond at a later date

Commissioners:

J. TERRY DEASON, CHAIRMAN
THOMAS M. BEARD
SUSAN F. CLARK
LUIS J. LAUREDO
JULIA L. JOHNSON

State of Florida



STEVE TRIBBLE, Director
Division of Records and Reporting
(904) 488-8371

Public Service Commission

June 4, 1993

Tradewinds Utilities, Inc.
Charles deMenzes
Post Office Box 5220
Ocala, FL 32678-5220

Dear Mr. deMenzes:

Docket No. 921260-WS -- Tradewinds Utilities, Inc.
Supplemental Audit Report

The enclosed report is forwarded for your review.

The audit report and 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,

Key DeLeon for
Steve Tribble

ST/DNV/sp
Enclosure
cc: Public Counsel