

MEMORANDUM

February 18, 1994

TO: DIVISION OF RECORDS AND REPORTING  
FROM: DIVISION OF AUDIT AND FINANCE (VANDIVER) *ad*  
RE: DOCKET NO. 931080-WS -- THE RESOLUTION TRUST CORPORATION  
TRANSFER AUDIT REPORT  
AUDIT CONTROL NO. 93-348-3-2

-----  
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.

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:

The Resolution Trust Corporation  
\* Real Estate Recovery, Inc.  
927 Clint Moore Road  
Boca Raton, FL 33478-2802

DNV/sp

Attachment

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

Office of Public Counsel

DOCUMENT NUMBER-DATE

01722 FEB 22 1994

FPSC-RECORDS/REPORTING

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
94 FEB 18 PM 12:00  
FINANCIAL ANALYSIS DIV

**Florida Public Service Commission**

**Audit Report**

**As of December 31, 1993**

**Field Work Completed**

**January 20, 1994**

**Resolution Trust Company  
Receiver for  
Miami Savings Bank**

**Landfair Development**

**Ocala, Florida**

**Marion County**

**Certificate of Transfer Audit**

**Docket No. 931080-WS**

**Audit Control Number 93-348-3-2**

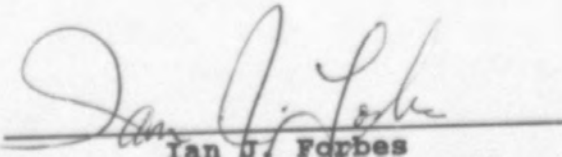


**Charleston J. Winston  
Audit Manager**

**Audit Staff  
Jeffery A. Small**

**Minority Opinion**

**Yes** \_\_\_\_\_  
**No**           



**Ian J. Forbes  
Regulatory Analyst Supervisor  
Orlando District Office**

**DOCUMENT NUMBER-DATE**

**01722 FEB 22 8**

**FPSC-RECORDS/REPORTING**

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## 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 Resolution Trust Corporation (RTC) receiver for Miami Savings Bank, Landfair Development, pursuant to Transfer Certificate Docket Number 931080-WS as of December 31, 1993.

**Scope Limitation:** There are no confidential work papers associated with this report. The last day of field work was January 20, 1994, and the audit exit conference was conducted by telephone conference on February 15, 1993.

**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:** The exhibits of rate base as of December 31, 1993, represent Resolution Trust Corporation receiver for Miami Savings Bank, Landfair Development's books and records that are not maintained in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of the work described in Section II of the report.

### Summary Findings:

The utility's books and records are not in conformance with NARUC rules concerning Classification of Accounts.

The utility did not correctly reconcile their books to prior Commission's Order Number PSC-93-0900-FOF-WS.

The utility incorrectly accounted for expenses and capital purchases for Utility Plant in Service-Water for years 1992 and 1993.

The utility incorrectly classified Utility Plant in Service accounts.

The utility did not account for retired Utility Plant in Service assets.

The utility incorrectly accounted for capital purchases for Utility Plant in Service-Wastewater for years 1992 and 1993.

The utility recorded meter installation fees for water and wastewater connections as revenues for years 1992 and 1993.

Depreciation and CIAC Amortization were recalculated due to audit adjustments and the utility's improper calculations.

## II. AUDIT SCOPE

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

COMPILED: Means the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as otherwise noted, performed no other audit work.

RATE BASE: Compiled Utility Plant accounts and scheduled plant to December 31, 1993. Toured plant facilities on January 17, 1994. Calculated and scheduled accumulated depreciation from December 31, 1991 to December 31, 1993. Calculated and scheduled CIAC and CIAC Amortization from December 31, 1991 to December 31, 1993. Confirmed with plant operator that all plant assets are being transferred from seller to buyer upon sale. Determined that there are no extraordinary circumstances concerning the sale that would require an acquisition adjustment. Verified that land was in the name of the utility owner. Obtained data regarding current utility rates and charges.

**AUDIT EXCEPTION 1**

**SUBJECT: UTILITY BOOKS AND RECORDS**

**Statement of Facts:**

Per NARUC, National Association of Regulatory Utility Commissioners, Accounting Instructions Number 2, "The books of accounts of all water and wastewater utilities shall be kept by the double entry method, on an accrual basis. Each utility shall keep its accounts monthly and shall close its books at the end of each calendar year."

**Classifications of Accounts**

The utility does not classify Plant in Service, Expenses, and CIAC on a monthly basis.

The utility does not calculate, Accumulated Depreciation or Accumulated CIAC Amortization on a monthly basis.

**Auditor's Opinion:**

The utility's books and records do not comply with NARUC rules.

**Recommendations:**

The Commission should require the Utility to conform with NARUC rules concerning Classification of Accounts.

**Utility Comments:**

Utility may respond at a later date.

AUDIT EXCEPTION 2

SUBJECT: RECONCILIATION TO PRIOR ORDER

Statement of Facts:

The utility did not correctly reconcile their books to the prior Commission's Order Number PSC-93-0900-FOF-WS dated 06/14/93 for the year ended 12/31/91.

In 1993, the utility did adjust their books to the above order; however, they did not restate Accumulated Depreciation and CIAC Amortization retroactive to 1991.

The utility adjustment in 1993 to Plant in Service - Water was \$34,888 to Account #331 Transmission & Distribution Mains.

Per order and per General Ledger/Annual Report the utility CIAC stated balances at 12/31/91 are listed below:

	Utility Bal. Per Order	Utility Bal. Per G/L and Annual Report	Difference
CIAC- Water	\$130,813	\$129,675	\$1,138
CIAC- W/Water	\$161,414	\$152,732	\$8,682

Auditor's Opinion:

The utility should have retroactively restated Accumulated Depreciation and Accumulated CIAC Amortization to 1991.

The utility should have adjusted 1993 Plant in Service - Water for \$34,503 to Account #331 Transmission & Distribution Mains and \$305 to Account #339 Other Plant & Misc.

The utility should have adjusted their 12/31/91 ending balances for CIAC-Water and CIAC-Wastewater to the prior order balance per Commission.

Recommendations:

The Commission should require the utility to adjust their accounting records per the opinion above.

Utility Comments:

Utility may respond at a later date.

AUDIT EXCEPTION 3

SUBJECT: UTILITY PLANT IN SERVICE - WATER

Statement of Facts:

1992 utility records indicate the following:

The utility recorded capital purchases to Utility Plant in Service - Water - Account #304 Structures and Improvements for the following items:

Water Tank Repair	\$1,785
Water Main Repair	422
Water Plant Repairs	1,120
Water Plant Repairs	355
Overhead Capitalization	<u>2,036</u>
	\$5,718

The utility recorded expenses to Water Plant for the following items:

Install new meter	\$90
Install new chlorinator	<u>220</u>
	\$310

1993 utility records indicate the following:

The utility recorded expenses to Water Plant for the following items:

Install new pump	\$4,432
Install new meter	<u>143</u>
	\$4,575

Auditor's Opinion:

The utility should have recorded \$5,718 as repair and maintenance expenses for 1992

The utility should have increased Water Plant accounts #320 and #334 for \$220 and \$90, respectively, to record water plant additions for 1992.

The utility should have increased Water Plant accounts #311 and #334 for \$4,432 and \$143, respectively, to record water plant additions for 1993.

The utility should make the following entries to correct plant records.

Retained Earnings	\$5,408	
Acc# 311 Pumping Equipment	\$4,432	
Acc# 320 Water Treatment Equip.	\$220	
Acc# 334 Meters (\$90+\$143)	\$233	
Acc# 304 Structures & Improv.		\$5,718
1993 Expenses		\$4,575



AUDIT EXCEPTION 3  
continued

**Recommendations:**

The Commission should require the utility to adjust their accounting records per the opinion above.

**Utility Comments:**

Utility may respond at a later date.

AUDIT EXCEPTION 4

SUBJECT: UTILITY PLANT IN SERVICE - WATER

**Statement of Facts:**

At the time of transfer of ownership from Tradewinds Utility, Inc. to Landfair Development Acc #311-Pumping Equipment balance was established as \$11,098. Discussions with Landfair's previous owner, Charles deMenzes, have determined that an estimated \$8,500 of the above amount represents the cost of two wells placed in service in 1986.

At the time of plant tour for this engagement discussions with current plant operator, Miles C. Anderson, revealed that one of the two wells has never been put to use and that there are no current plans to use this well in the near future.

**Auditor's Opinions:**

The utility should reclassify Utility Plant in Service and adjust CIAC, Advances for Construction (CIAC), Accumulated Depreciation, and CIAC Amortization accounts with the following entries to correct plant records and recapture the depreciation and CIAC amortization taken on this asset.

Acc# 103 UPIS for Future Use	\$4,250	
Acc# 307 Well & Springs	\$4,250	
Accumulated Depreciation	\$1,574	
CIAC - Water Plant	\$4,250	
Acc# 311 Pumping Equipment		\$8,500
Acc# 252 Adv. Construction (CIAC)		\$4,250
CIAC Amortization		\$1,574

**Recommendations:**

The Commission should require the utility to adjust their accounting records per the opinion above.

**Utility Comments:**

Utility may respond at a later date.

AUDIT EXCEPTION 5

SUBJECT: UTILITY PLANT IN SERVICE - WATER

Statement of Facts:

The utility made no accounting entries for Utility Plant in Service retirements in 1993.

Discussions with current plant operator, Miles C. Anderson, revealed that the following plant assets were retired in 1993.

<u>Plant Item</u>	<u>Book Value</u>	<u>Salvage Received</u>
One well pump	\$2,598	0
One generator	\$2,423	\$300

Per order, PSC-93-0900-FOF-WS, all Utility Plant in Service is contributed.

Plant retirements under above guidelines must have corresponding adjustments to CIAC.

Auditor's Opinion:

The utility should have recorded the following adjustments to their records to account for plant retirements in 1993.

Accumulated Depreciation	\$5,021	
Revenues	\$300	
CIAC-Water (\$2,598 + \$2,423)	\$5,021	
Acc# 311 Pumping Equipment		\$2,598
Acc# 339 Other Plant & Misc.		\$2,423
Accumulated Dep. (Salvage)		\$300
Accumulated CIAC Amortz.		\$5,021

Recommendations:

The Commission should require the utility to adjust their accounting records per the opinion above.

Utility Comments:

Utility may respond at a later date.

**AUDIT EXCEPTION 6**

**SUBJECT: UTILITY PLANT IN SERVICE - WASTEWATER**

**Statement of Facts:**

1992 utility records indicate the following:  
The utility recorded expenses to Wastewater Plant  
for the following items:  
Install staff gauge \$90

1993 utility records indicate the following:  
The utility recorded expenses to Wastewater Plant  
for the following items:  
Install new chlorinator \$175  
Install new chlorinator 165  
\$340

**Auditor's Opinion:**

The utility should have increased Wastewater Plant for  
\$90 to record plant additions for 1992.

The utility should have increased Wastewater Plant for  
\$340 to record plant additions for 1993.

The utility should make the following entries to correct  
plant records.

Acc# 364 Flow Meter Device	\$90	
Acc# 380 Treatment & Disposal	\$340	
Retained Earnings		\$90
1993 Expenses		\$340

**Recommendations:**

The Commission should require the utility to adjust their  
accounting records per the opinion above.

**Utility Comments:**

Utility may respond at a later date.

**AUDIT EXCEPTION 7**

**SUBJECT:                    CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)**

**Statement of Facts:**

1992 utility records indicate the following:

The utility collected water and wastewater connection fees of \$120 and \$120, respectively. The utility made no accounting entries for CIAC additions in 1992.

**Auditor's Opinions:**

The utility should have recorded water and wastewater connection fees as CIAC additions in 1992.

The utility should record the following adjustments to account for CIAC additions in 1992.

Retained Earnings	\$240	
CIAC - Water		\$120
CIAC - Wastewater		\$120

**Recommendations:**

The Commission should require the utility to adjust their accounting records per the opinion above.

**Utility Comments:**

Utility may respond at a later date.

**AUDIT EXCEPTION 8**

**SUBJECT: ACCUMULATED DEPRECIATION AND CIAC AMORTIZATION**

**Statement of Facts:**

The utility computes their CIAC Amortization by using a straight line rate based on 30 years.

The correct composite rate is based on contributed depreciable plant (Depreciation Expense/Gross Depreciable Plant-in-Service).

**Auditor's Opinion:**

Because of the incorrect utility computations cited above and Audit Exceptions 2 - 7 of this report, the proper balances in Accumulated Depreciation and CIAC Accumulated Amortization at 12/31/93 should be the following:

Utility Plant in Service - Water	
Accumulated Depreciation	(\$10,914)
CIAC Accumulated Amortization	\$11,653
Utility Plant in Service - Wastewater	
Accumulated Depreciation	(\$19,329)
CIAC Accumulated Amortization	\$21,967

**Recommendations:**

The Commission should require the utility to adjust their books to the above balances per the opinion above.

**Utility Comments:**

Utility may respond at a later date.

THE R.T.C./LANDFAIR DEVELOPMENT  
 CERTIFICATE OF TRANSFER  
 RATE BASE BALANCES - WATER  
 TEST YEAR ENDED 12/31/93

EXHIBIT 1

DESCRIPTION	BALANCE PER BOOKS @ 12/31/93	AUDIT EXCEPTIONS	Refer to	BALANCE PER AUDIT @ 12/31/93
UTILITY PLANT IN SERVICE	82,142.00	(10,103.00)	Note 1	72,039.00
LAND/NON DEPRECIABLE ASSETS	19,500.00	0.00		19,500.00
PLANT HELD FOR FUTURE USE	0.00	4,250.00	E - 4	4,250.00
C. I. A. C.	(94,787.00)	8,013.00	Note 2	(86,774.00)
C. W. I. P.	0.00	0.00		0.00
ACCUMULATED DEPRECIATION	(14,519.00)	3,605.00	E - 8	(10,914.00)
AMORTIZATION - C. I. A. C.	22,028.00	(10,375.00)	E - 8	11,653.00
ADVANCES FOR CONSTRUCTION	0.00	(4,250.00)	E - 4	(4,250.00)
<b>TOTALS</b>	<b>\$14,364.00</b>	<b>(\$8,860.00)</b>		<b>\$5,504.00</b>

FOOTNOTES:

1. Exceptions 3 + 4 + 5
2. Exceptions 2 + 4 + 5 + 7

THE R.T.C./LANDFAIR DEVELOPMENT  
 CERTIFICATE OF TRANSFER  
 RATE BASE BALANCES – WASTEWATER  
 TEST YEAR ENDED 12/31/93 EXHIBIT II

DESCRIPTION	BALANCE PER BOOKS @ 12/31/93	AUDIT EXCEPTIONS	Refer to	BALANCE PER AUDIT @ 12/31/93
UTILITY PLANT IN SERVICE	95,489.00	430.00	E - 6	95,919.00
LAND/NON DEPRECIABLE ASSETS	39,000.00	0.00		39,000.00
PLANT HELD FOR FUTURE USE	0.00	0.00		0.00
C. I. A. C.	(125,807.00)	(8,800.00)	Note 1	(134,607.00)
C. W. I. P.	0.00	0.00		0.00
ACCUMULATED DEPRECIATION	(17,570.00)	(1,759.00)	E - 8	(19,329.00)
AMORTIZATION – C. I. A. C.	13,649.00	8,318.00	E - 8	21,967.00
ADVANCES FOR CONSTRUCTION	0.00	0.00		0.00
<b>TOTALS</b>	<b>\$4,761.00</b>	<b>(\$1,811.00)</b>		<b>\$2,950.00</b>

FOOTNOTES:

1. Exception 2 + 7



State of Florida

Commissioners:

J. TERRY DEASON, CHAIRMAN  
SUSAN F. CLARK  
JULIA L. JOHNSON  
DIANE K. KIESLING  
LUIS J. LAUREDO



DIVISION OF RECORDS &  
REPORTING  
STEVE TRIBBLE  
DIRECTOR  
(904) 488-8371

## Public Service Commission

February 22, 1994

The Resolution Trust Corporation  
& Real Estate Recovery, Inc.  
927 Clint Moore Road  
Boca Raton, FL 33487-2802

Dear Sir:

Docket No. 931080-WS -- The Resolution Trust Corporation  
Transfer Audit Report

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 "Steve Tribble".

Steve Tribble

ST/DNV/sp

Enclosure

cc: Public Counsel