

ORIGINAL

State of Florida



Public Service Commission

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

DATE: February 2, 2000
 TO: Division of Water and Wastewater (Rehwinkel)
 FROM: Division of Auditing and Financial Analysis (Vandiver) *W*
 RE: Docket No. 991491-SU; Forest Park Property Owner's Association
 Audit Report; Establish Rate Base - Period Ended December 31, 1999
 Audit Control No. 99-354-4-1

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, they should send it to the Division of Records and Reporting. There are no confidential work papers associated with this audit.

DNV/sp

Attachment

cc: Division of Auditing and Financial Analysis (Devlin/Causseaux/Harvey/File Folder)
 Miami District Office (Welch)
 Division of Records and Reporting
 Division of Legal Services

Ronald Zechman
 Forest Park Property Owner's Association
 5200 Forest Park Drive
 North Ft. Myers, FL 33917-5404

Thomas Hart
 Humphrey Law Firm
 P. O. Box 2449
 Fort Myers, FL 33902-2547

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FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES*

Miami District Office

FOREST PARK PROPERTY OWNER'S ASSOCIATION

ESTABLISHMENT OF RATE BASE

PERIOD ENDED DECEMBER 31, 1999

AUDIT CONTROL NO. 99-354-4-1

DOCKET NO. 991491-SU

A handwritten signature in cursive script, reading "Kathy L. Welch".

Kathy L. Welch, Audit Manager

A handwritten signature in cursive script, reading "Ruth K. Young".

*Ruth K. Young, Professional
Accountant Specialist*

INDEX

	Page
I. AUDITOR'S REPORT	1
PURPOSE	1
DISCLAIM PUBLIC USE	1
SUMMARY OF SIGNIFICANT PROCEDURES	2
II. EXCEPTIONS	3
VALUATION OF ITEMS TRANSFERRED	4
III. EXHIBITS	6
RATE BASE	7

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

JANUARY 21, 2000

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED
PARTIES**

We have applied the procedures described later in this report to prepare the accompanying schedule of Rate Base for the period ended December 31, 1999 for Forest Park Property Owners Association. This schedule was prepared as part of the petition for transfer of the certificate in Docket 991494-SU. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

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 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 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 financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

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

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

Reviewed- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied and account balances were tested to the extent further described.

Confirmed- Evidential matter supporting an account balance, transaction or other information was obtained directly from an independent third party.

Verify- The item was tested for accuracy, and substantiating documentation was examined.

RATE BASE: Examined plant in service since the last audit by obtaining all supporting documentation. Determined which assets were being transferred and what their value was in the last audit. Calculated accumulated depreciation since inception. Imputed CIAC by allocating the total based on the percent of lines and treatment plant to total plant. Calculated amortization of CIAC since inception.

NET OPERATING INCOME: Recalculated revenue.

EXCEPTIONS

Exception No. 1

Subject: Valuation of Items Transferred

Statement of Fact: The company recorded plant and contributions in aid of construction correctly based on Commission Order 22829 in 1990. However, in 1992, the company wrote off the wastewater treatment plant when it hooked up the lines to North Fort Myers Utilities. It retained the lines. At that time it wrote off all but \$29,663 of plant and all of the contributions in aid of construction. Based on prior audit workpapers, that support the order, the original cost of the collection system accounted for \$147,862 of the order balance, not \$29,663.

In addition, a breakdown could not be found for the original \$199,552 recorded as contributions in Commission Order 8275 in 1978. Since the balance was recorded in the order before many customers were hooked up, most of the contributions appear to relate to contributed plant. The orders also refer to tap in fees that were not in the tariff. Although both of these probably relate to the collection system, no workpapers could be found proving this.

Opinion: Plant should be increased to \$147,862, which was the original cost. Contributions in aid of construction was allocated based on the percent of mains and treatment plant to total plant because a detailed breakdown could not be found.

Depreciation and amortization were computed using 2.5% until 1989 and then using rule 25-30.140 rates through 1999. These rates were determined using the prior audit workpapers.

The computation of depreciation follows on the next page.

The following page shows the allocation of contributions in aid of construction to be \$134,115.80. It also shows the calculation of the amortization.

Force Mains
Gravity Mains
Services

PLANT	YEARS AT 2.5%	ACC. DEPREC. USING 2.5%	YEARS AT NEW RULE	RATE NEW RULE	ACC. DEPREC. NEW RULE	TOTAL ACC. DEP.
7,395.00	14	2,588.25	11	3.70%	3,009.77	5,598.02
118,317.00	14	41,410.95	11	2.50%	32,537.18	73,948.13
22,150.00	14	7,752.50	11	2.90%	7,065.85	14,818.35
147,862.00		51,751.70			42,612.79	94,364.49

	PLANT	% OF PLANT	CIAC TIMES PERCENT	YEARS AT 2.5%	ACC. AMORTIZ. USING 2.5%	YEARS AT NEW RULE	RATE NEW RULE	ACC. AMORTIZ. NEW RULE	TOTAL ACC. AMORIZATION
Force Mains	7,395.00	3.23%	6,707.51	14	2,347.63	11	3.70%	2,729.96	5,077.59
Gravity Mains	118,317.00	51.61%	107,317.49	14	37,561.12	11	2.50%	29,512.31	67,073.43
Services	22,150.00	9.66%	20,090.79	14	7,031.78	11	2.90%	6,408.96	13,440.74
TOTAL COLLECTION	147,862.00	64.50%	134,115.80		46,940.53			38,651.23	85,591.76
TOTAL PLANT	229,244.00		207,932.00						

EXHIBITS

RATE BASE

**FOREST PARK PROPERTY OWNERS ASSOCIATION
RATE BASE**

	STAFF BALANCE
PLANT IN SERVICE	<u>147,862.00</u>
ACCUMULATED DEPRECIATION	(94,364.49)
CIAC	(134,115.80)
ACCUMULATED AMORTIZATION	85,591.76
NET RATE BASE	<u><u>4,973.47</u></u>