

State of Florida



Public Service Commission

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DATE: July 12, 2000
TO: Division of Regulatory Oversight (C. Johnson)
FROM: Division of Auditing and Financial Analysis (Vandiver) *a*
RE: 000334-WU; Tomoka Water Works, Inc.
 Audit Report; Rate Base Determination as of December 21, 1999
 Audit Control No. 00-103-3-1

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, 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 Regulatory Oversight (Hoppe/Harvey/File Folder)
Orlando District Office (Winston)
Division of Records and Reporting
Division of Legal Services

Steve P. Shirah
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FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Orlando District Office

TOMOKA WATER WORKS, INC.

RATE BASE DETERMINATION AUDIT

AS OF DECEMBER 21, 1999

DOCKET NO. 000334-WU

AUDIT CONTROL NO. 00-103-3-1

Robert F. Dodrill, Sr.

Robert F. Dodrill, Sr., Audit Manager

Charleston J. Winston

Charleston J. Winston, Audit Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	PURPOSE	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT FINDINGS	2
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	EXCEPTIONS	
	1. PLANT-IN-SERVICE AND ACCUMULATED DEPRECIATION	3
	2. CIAC AND AMORTIZATION	4
III.	EXHIBITS	
	1. WATER RATE BASE	5

**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

June 15, 2000

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedule of rate base as of December 31, 1999, for Tomoka Water Works, Inc. The attached schedule was prepared by the auditor as part of our work in Docket No. 000334-WU.

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.

SUMMARY OF SIGNIFICANT FINDINGS

The utility understated plant-in-service for the water system by \$1,941. The associated adjustment to accumulated depreciation is an increase of \$820.

Contributions-in-aid-of-construction (CIAC) is understated by \$4,146. The accumulated amortization of CIAC was understated by \$8,299.

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.

Verify - The item was tested for accuracy and compared to the substantiating documentation.

RATE BASE: Scanned account balances of utility-plant-in-service (UPIS), CIAC, accumulated depreciation, and accumulated amortization of CIAC from January 1, 1989, to the transfer date of December 21, 1999. Compiled plant additions and retirements. Reconciled rate base balances authorized in Commission Order No. 21674, issued August 3, 1989, to the General Ledger. Tested on a judgmental basis plant additions and retirements. Tested additions to accumulated depreciation for proper rates and calculations. Scheduled and verified CIAC additions and tested accumulated amortization for proper rates and calculations.

Exception No. 1

Subject: Plant-in-Service and Accumulated Depreciation

Statement of Fact: The previous rate base for Tomoka Water Works, a water only utility, was established at December 31, 1988. Order No. 21674 setting final rates was issued August 3, 1989. In that same year, the utility booked the plant adjustments to its general ledger.

Recommendation: The December 21, 1999 transfer date balances were determined by restating the utility 1999 year-end trial balance. These balances indicated that the utility ending depreciable plant and accumulated depreciation balances were \$99,904 and (\$51,646), respectively.

The balances per audit were determined using previous audit plant subaccount balances and verified utility additions and retirements. The per audit December 21, 1999 depreciable plant and accumulated depreciation balances were determined to be \$101,845 and (\$52,466), respectively.

Utility-Plant-in-Service

	Balance per <u>Utility</u>	Balance per <u>Audit</u>	Audit <u>Exception</u>
Depreciable Plant	\$99,904	\$101,845	\$1,941

The utility failed to properly book the prior Order adjustments of \$4,336 and incorrectly capitalized invoices of \$689 and \$1,706 for a total understatement of \$1,941.

The Commission should increase the December 21, 1999 Tomoka Water Works depreciable utility-plant-in-service balance by \$1,941.

Accumulated Depreciation

	Balance per <u>Utility</u>	Balance per <u>Audit</u>	Audit <u>Exception</u>
Accumulated Depreciation	(\$51,646)	(\$52,466)	(\$820)

The audit staff applied the Rule 25-30.140, F.A.C., depreciation rates to the audited plant subaccount balances from 1989 to December 21, 1999. The utility understated accumulated depreciation by \$820.

The Commission should increase the utility accumulated depreciation by \$820.

Exception No. 2

Subject: CIAC and Amortization of CIAC

Statement of Fact: The Commission Order No. 21674, issued August 3, 1989, established the December 31, 1988 CIAC balance to be \$45,653. This Order also established the associated accumulated amortization of CIAC to be \$9,497 as of that date.

Recommendation: The Tomoka Water Works December 31, 1999 year-end trial balance, restated to December 21, 1999, indicated that the CIAC and accumulated amortization balances were (\$42,732) and \$21,743, respectively.

Using the prior Commission Order amounts above and verified CIAC additions, the transfer date (December 21, 1999) CIAC was determined to be (\$46,878). The associated per audit CIAC amortization was recalculated based on annual composite amortization rates from January 1, 1989 to December 21, 1999, and found to be \$30,042.

Water

	Balance per <u>Utility</u>	Balance per <u>Audit</u>	Audit <u>Exception</u>
CIAC	(\$42,732)	(\$46,878)	(\$4,146)
Amort. of CIAC	\$21,743	\$30,042	\$8,299

The Commission should increase the December 21, 1999 water CIAC balance by \$4,146.

The Commission should increase the December 21, 1999 water accumulated amortization of CIAC balance by \$8,299.

EXHIBIT I

**TOMOKA WATER WORKS, INC.
DOCKET NO. 000334-WU
WATER RATE BASE
AS OF DECEMBER 21, 1999**

(a) DESCRIPTION	(b) PER UTILITY (1)	(c) AUDIT EXCEPTION	(d) REFER TO	(e) PER AUDIT
UTILITY PLANT-IN-SERVICE	\$99,904	\$1,941	AE 1	\$101,845
LAND	2,000	0		2,000
CIAC	(42,732)	(4,146)	AE 2	(46,878)
AMORTIZATION OF CIAC	21,743	8,299	AE 2	30,042
ACCUMULATED DEPRECIATION	(51,646)	(820)	AE 1	(52,466)
WORKING CAPITAL (2)	0	0		0
TOTAL	\$29,269	\$5,274		\$34,543

REQUIRED FOOTNOTES:

(1) Utility amounts from 1999 Year Ending General Ledger excluding any December 22 through December 30 transactions.

(2) Working Capital was not to be calculated per Audit Service Request.