

**State of Florida**



**Public Service Commission**

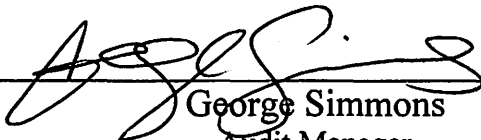
Office of Auditing and Performance Analysis  
Bureau of Auditing  
Tallahassee District Office

**Auditor's Report**

Raintree Harbor Utilities, LLC/Raintree Waterworks, Inc.  
Application for Transfer of Certificate  
Certificate No. 539-W

**As of May 23, 2014**

Docket No. 140121-WU  
Audit Control No. 14-182-1-2  
**August 21, 2014**

  
\_\_\_\_\_  
George Simmons  
Audit Manager

  
\_\_\_\_\_  
Lynn M. Deamer  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated July 1, 2014. We have applied these procedures to the attached schedules prepared by the audit staff in support of Raintree Harbor Utilities, LLC/Raintree Waterworks, Inc. request for a Transfer of Certificate in Docket No. 140121-WU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

## Objectives and Procedures

### **Background**

#### Definitions

Buyer/Utility refers to the Raintree Waterworks, Inc.  
Seller refers to Raintree Harbor Utilities, LLC.

#### Utility Information

Raintree Harbor Utilities, LLC., was a Class "C" Utility that provided water services to approximately 117 customers in Lake County. The buyer and the seller executed an asset purchase agreement for a water system in Lake County, Florida, on May 14, 2014, for \$60,000. The sale was consummated on May 23, 2014. The Buyer filed an application for the transfer of Certificate No. 539-W on June 5, 2014. Rate base for the Utility was last established as of December 31, 2011 in Docket No. 110302-WU, Order No. PSC-12-0260-PAA-WU, issued May 29, 2012.

### **General**

#### Utility Books and Records

**Objectives:** The objective was to determine whether the Utility maintains its accounts and records in conformity with the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts (USOA).

**Procedures:** We reviewed the general ledger account numbers and descriptions. We verified that the Utility uses the accrual method of accounting and maintain records on a calendar year basis. No exceptions were noted.

### **Net Book Value**

#### Utility Plant in Service

**Objectives:** The objectives were 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 made when a replacement asset was put in service, and 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

**Procedures:** We reconciled the beginning balances for water UPIS as of December 31, 2011, established in Docket No. 110302-WU, with the Seller's books and records. We scheduled water UPIS activity from December 31, 2011, through May 23, 2014. We traced selected asset additions to supporting documentation. We ensured that retirements were made when a capital item was removed or replaced. We determined the UPIS transfer balances as of May 23, 2014. No exceptions were noted.

#### Land & Land Rights

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

**Procedures:** We reconciled the beginning land balance as of December 31, 2011, established in Docket No. 110302-WU, with the Seller's books and records. We searched the Lake County Clerk of the Courts' official records to verify the transfer of utility land from the Seller to the Buyer. We determined the land transfer balance for the water system as of May 23, 2014. No exceptions were noted.

#### Accumulated Depreciation

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

**Procedures:** We reconciled the beginning balances for Accumulated Depreciation as of December 31, 2011, established in Docket No. 110302-WU, with the Seller's books and records. We recalculated depreciation accruals for all UPIS accounts to verify that the correct depreciation rates were used. We determined the Accumulated Depreciation transfer balance for the water system as of May 23, 2014. No exceptions were noted.

#### 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 was replaced, and 4) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

**Procedures:** We reconciled the beginning balance for CIAC as of December 31, 2011, established in Docket No. 110302-WU, with the Seller's books and records. We scanned the Seller's records and inquired about cash and property contributions since the last rate proceeding. We traced additions to CIAC to the approved tariff. We determined the CIAC transfer balance as of May 23, 2014. No exceptions were noted.

### Accumulated Amortization of CIAC

**Objectives:** The objectives were to determine whether Accumulated Amortization of CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 – Depreciation, F.A.C., 2) Retirements are recorded when a contributed asset was replaced, and 3) Adjustments required in the Utility’s last rate proceeding were recorded to its books and records.

**Procedures:** We reconciled the beginning balances for Accumulated Amortization of CIAC as of December 31, 2011, established in Docket No. 110302-WU, with the Seller’s books and records. We recalculated amortization accruals for all CIAC accounts to verify that correct amortization rates were used. We determined the Accumulated Amortization of CIAC transfer balance as of May 23, 2014. No exceptions were noted.

### Acquisition Adjustment

**Objectives:** The objectives were to determine the acquisition adjustment, if any, based on audit staff’s net book value pursuant to Rule 25-30.0371(1) – Acquisition Adjustments, F.A.C.

**Procedures:** We determined that the Net Book Value for this utility at time of transfer is \$52,960. The purchase price is \$60,000. Pursuant to Rule 25-30.0371(1) – Acquisition Adjustments, F.A.C., we determined that a positive acquisition adjustment exists. The utility is not requesting a positive acquisition adjustment. No further work was done.

## **Other**

### Rates and Charges

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

**Procedures:** We obtained and tested the Utility’s billing register for June 2014. We recalculated a sample of customers’ bills using the approved tariffs. No exceptions were noted.

### Customer Deposits

**Objectives:** The objectives were to determine whether the Seller had collected customer deposits and whether the balances were transferred to the Buyer.

**Procedures:** We reviewed the ledger and inquired about the deposit policy. The Utility does not collect customer deposits. No exceptions were noted.

Audit Findings

**None**

Exhibit

**Exhibit 1: Net Book Value**

**RAINTREE WATERWORKS, INC.  
TRANSFER AUDIT  
DOCKET NO. 140121-WU; ACN 14-182-1-2  
SCHEDULE OF NET BOOK VALUE  
AS OF MAY 23, 2014**

| <b>Description</b>                          | <b>Balance<br/>per Utilitiy<br/>5/23/2014</b> | <b>Audit<br/>Adjustments</b> | <b>Audit<br/>Finding</b> | <b>Balance<br/>per Audit<br/>5/23/2014</b> |
|---|---|------------------------------|--------------------------|--|
| <b>Utility Plant in Service</b>             | \$ 251,769                                    |                              |                          | \$ 251,769                                 |
| <b>Land</b>                                 | 5,740   |                              |                          | 5,740                                      |
| <b>Accumulated Depreciation</b>             | (188,419)                                     |                              |                          | (188,419)                                  |
| <b>Contributions in Aid of Construction</b> | (29,750)                                      |                              |                          | (29,750)                                   |
| <b>Accumulated Amortization of CIAC</b>     | 13,620  |                              |                          | 13,620                                     |
| <b>NET BOOK VALUE</b>                       | \$ 52,960                                     |                              |                          | \$ 52,960                                  |