

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** February 9, 2022

**TO:** Office of Commission Clerk

**FROM:** Rhonda L. Hicks, Chief of Auditing, Office of Auditing and Performance Analysis *RLH*

**RE:** Docket No.: 20210189-WU  
Company Name: Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility  
Company Code: WU927  
Audit Purpose: B1c: Certificate Transfer  
Audit Control No.: 2021-356-1-1

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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, it should send a response to the Office of Commission Clerk. There are no confidential work papers associated with this audit.

RLH/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File.

State of Florida



## Public Service Commission

Office of Auditing and Performance Analysis

Bureau of Auditing

Tallahassee District Office

### Auditor's Report

Camachee Island Company, Inc. d/b/a  
Camachee Cove Yacht Harbor Utility

Transfer of Certificate  
Certificate No. 647-W

**As of August 31, 2021**

Docket No. 20210189-WU  
Audit Control No. 2021-356-1-1

**February 8, 2022**

A handwritten signature in cursive script, appearing to read "Jonathan Miller", written over a horizontal line.

Jonathan Miller  
Audit Manager

A handwritten signature in cursive script, appearing to read "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated December 17, 2021. We have applied these procedures to the attached schedules prepared by the audit staff in support of Camachee Cove Yacht Harbor Utility's request for a Transfer of Certificate in Docket No. 20210189-WU

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Buyer/Utility refers to Windward Camachee Marina Owner, LLC

Seller refers to Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts adopted by Rule 25-30.115 – Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code (F.A.C.)

#### Utility Information

Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility (Camachee) is a Class C water utility located in St. Johns County serving approximately 98 water customers in Camachee Cove Yacht Harbor according to the annual reports.

Camachee began operations in 1977. Camachee was granted an original certificate to operate a water utility in St. Johns County in 1988, subsequent to the County turning jurisdiction over to the Commission. The County rescinded Commission jurisdiction in 1989. Camachee is located in the St. Johns River Water Management District (SJRWMD). By Order No. PSC-2010-0126-PAA-WU, issued March 3, 2010, in Docket No. 20090230-WU, the Seller came in for a SARC. The Commission stated the Utility's ending balances in the above Order as of December 31, 2008.

Windward Camachee Marina Owner, LLC purchased Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility for \$32,885,000 on August 31, 2021, which includes other assets. Camachee filed an application with the Commission for Transfer of Certificates on December 01, 2021.

#### Utility Books and Records

**Objectives:** The objective was to determine whether the Utility maintains its accounts and records in conformity with the NARUC USOA.

**Procedures:** Based upon the review of the general ledger provided by the seller, it was not maintained according to the NARUC USOA. However, the buyer stated in its application that the utility books and records will be maintained using the NARUC USOA.

## **Net Book Value**

### Utility Plant in Service

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

**Procedures:** Audit staff was unable to determine the UPIS beginning balance from the prior Order. However, we were able to determine the beginning balance for UPIS from technical staff's work papers in Docket 20090230-WU. We used the amounts referenced to get the beginning plant year end balance as of December 31, 2008. The balances established in Order No. PSC-2010-0126-PAA-WU for UPIS are average balances, not year end balances. We also used technical staff's work papers in order to itemize plant balances in the suggested accounts. We scheduled water UPIS activity from December 31, 2008 through August 31, 2021 and traced plant additions to supporting invoices. We reconciled the UPIS transfer balances with the seller's trial balance, and determined the UPIS transfer balance as of August 31, 2021. Finding 1 discusses UPIS.

### Land & Land Rights

**Objectives:** The objectives were to determine whether the 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 scheduled land from the approved balances in Order No. PSC-2010-0126-PAA-WU, issued March 3, 2010. There were no additions to land from December 31, 2008 to August 31, 2021. No further work performed.

### 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, 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:** Audit staff was unable to determine the accumulated depreciation beginning balance from the prior Order. However, we were able to determine the beginning balance for accumulated depreciation from technical staff's work papers in Docket 20090230-WU. We used the amounts referenced to get the beginning accumulated depreciation year end balance as of December 31, 2008. The balances established in Order No. PSC-2010-0126-PAA-WU for UPIS are average balances, not year end balances. We also used technical staff's work papers in order to itemize accumulated depreciation balances in the suggested accounts. Camachee records accumulated depreciation as a grand total, it is not itemized per plant account. We recalculated depreciation accruals for UPIS accounts using the correct depreciation rates. We scheduled accumulated depreciation from December 31, 2008 through August 31, 2021 and reconciled to the seller's trial balance. We determined the accumulated depreciation transfer balances as of August 31, 2021. Finding 1 discusses accumulated depreciation.

### 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 in the Utility's last rate proceeding were recorded to its books and records.

**Procedures:** Audit staff determined the beginning balance for CIAC from technical staff's work papers in Docket 20090230-WU. We used the amount referenced to get the beginning CIAC year end balance as of December 31, 2008. The balance established in Order No. PSC-2010-0126-PAA-WU for CIAC is an average balance, not year end balance. However, this balance did not change from technical staff balance to the Commission balance stated in the above Order. We reconciled the beginning balances of \$60,393 for CIAC, as established in Order No. PSC-2010-0126-PAA-WU, issued March 3, 2010. We scheduled CIAC activity from December 31, 2008 through August 31, 2021 to the seller's trial balance. We noted that there were no new additions to CIAC from December 31, 2008 through August 31, 2021. 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:** Audit staff determined the beginning balance for accumulated amortization of CIAC from technical staff's work papers in Docket 20090230-WU. We used the amount referenced to get the beginning accumulated amortization of CIAC year end balance as of December 31, 2008. The balance established in Order No. PSC-2010-0126-PAA-WU for accumulated amortization of CIAC is an average balance, not year end balance. We recalculated amortization accruals for CIAC accounts to verify that the correct rates were used. We scheduled accumulated amortization of CIAC from December 31, 2008 through August 31, 2021 and reconciled to the seller's trial balance. We determined the accumulated amortization of CIAC transfer balances as of August 31, 2021. No exceptions were noted.

### Acquisition Adjustment

**Objectives:** The objective was 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 the time of transfer is less than the purchase price, which would reflect a positive acquisition adjustment. Pursuant to Rule 25-30.0371(3)-Acquisition Adjustment. The Utility is not requesting an acquisition adjustment. No further work performed.

## **Other**

### **Rates and Charges**

**Objectives:** The objectives were 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 January 2021. We recalculated a sample of customer bills using the Commission 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 seller's authorized tariff did not provide for the collection of customer deposits and no customer deposits were noted on the seller's books and records. No further work performed.



## Audit Findings

### **Finding 1: Utility Plant in Service and Accumulated Depreciation**

**Audit Analysis:** Audit staff was unable to determine UPIS beginning balance from the prior Order. However, we were able to determine the beginning balance for UPIS from technical staff's work papers in Docket 20090230-WU. We used the amounts referenced to get the beginning UPIS year end balance as of December 31, 2008. The balances established in Order No. PSC-2010-0126-PAA-WU for UPIS are average balances, not year end balances. We also used technical staff's work papers in order to itemize plant balances in the suggested accounts.

According to the seller's trial balance, the UPIS balance was \$573,205 as of August 31, 2021. Audit staff determined the water UPIS balance to be \$554,392 as of August 31, 2021. The seller provided a trail balance as of August 31, 2021, and supporting invoices for the plant additions between December 31, 2008 and August 31, 2021. Audit staff determined the seller did not make the Commission ordered adjustments to begin with the correct plant balance as of December 31, 2008, per the annual report.

The utility plant is overstated by \$18,814 (\$554,392 - \$573,206) as shown in Table 1-1.

**Table 1-1**

<b>Account - Description</b>	<b>Utility Balance</b>		<b>Audit Balance</b>	
	<b>UPIS</b>	<b>Audit</b>	<b>UPIS</b>	<b>UPIS</b>
	<b>As of 8/31/2021</b>	<b>Adjustments</b>	<b>As of 8/31/2021</b>	
301 Organization	\$ -	\$ -	\$ -	
304 Structures & Improvements	301,732	(97,522)	204,210	
307 Wells & Springs	41,910	-	41,910	
309 Supply Mains	14,771	-	14,771	
310 Power Generation Equip.	24,827	-	24,827	
311 Pumping Equip.	19,850	-	19,850	
320 Water Treatment Equip.	68,385	-	68,385	
330 Distribution Reservoirs	-	80,515	80,515	
331 Transmission and Distribution Mains	85,131	-	85,131	
334 Meters and Meter Install.	12,048	(1,807)	10,241	
336 Backflow Prevention Devices	4,175	(4,175)	-	
340 Office Furniture & Equip.	377	-	377	
347 Misc. Equip.	-	4,175	4,175	
<b>Total :</b>	<b>\$ 573,206</b>	<b>\$ (18,814)</b>	<b>\$ 554,392</b>	

Audit staff was unable to determine the accumulated depreciation beginning balance from the prior Order. However, we were able to determine the beginning balance for accumulated depreciation from technical staff's work papers in Docket 20090230-WU. We used the amounts referenced to get the beginning accumulated depreciation year end balance as of December 31, 2008. The balances established in Order No. PSC-2010-0126-PAA-WU for UPIS are average

balances, not year end balances. We also used technical staff's work papers in order to itemize accumulated depreciation balances in the suggested accounts.

According to the seller's trial balance, the accumulated depreciation balance was \$339,350 as of August 31, 2021. Audit staff calculated accumulated depreciation to be \$335,545 using the rates from Rule 25-30.140 – Depreciation, F.A.C. and the audited plant additions and retirements as of August 31, 2021.

Water accumulated depreciation is overstated by \$3,805 (\$335,545 - \$339,350) as shown in Table 1-2.

**Table 1-2**

<b>Account - Description</b>	<b>Utility Balance</b>	<b>Audit</b>	<b>Audit Balance</b>
	<b>Accum. Dep.</b>		<b>Accum. Dep.</b>
	<b>As of 8/31/2021</b>	<b>Adjustments</b>	<b>As of 8/31/2021</b>
301 Organization		\$ -	\$ -
304 Structures & Improvements		-	(103,170)
307 Wells & Springs		(41,910)	(41,910)
309 Supply Mains		(3,343)	(3,343)
310 Power Generation Equip.		(4,250)	(4,250)
311 Pumping Equip.		(11,103)	(11,103)
320 Water Treatment Equip.		(66,559)	(66,559)
330 Distribution Reservoirs		(34,158)	(34,158)
331 Transmission and Distribution Mains		(61,990)	(61,990)
334 Meters and Meter Install.		(6,391)	(6,391)
340 Office Furniture & Equip.		(377)	(377)
347 Misc. Equip.		(2,296)	(2,296)
<b>Total :</b>	<b>\$ (339,350)</b>	<b>\$ 3,805</b>	<b>\$ (335,545)</b>

**Effect on the General Ledger:** The Utility should determine the effect on the general ledger.

**Effect on the Filing:** The water UPIS balance should be decreased by \$18,814 and the water accumulated depreciation balance should be decreased by \$3,805.

Exhibits

**Exhibit 1: Net Book Value**

<b>CAMACHEE COVE YACHT HARBOR UTILITY TRANSFER OF CERTIFICATE AUDIT DOCKET NO. 20210189-WU; ACN 2021-356-1-1 SCHEDULE OF WATER NET BOOK VALUE AS OF AUGUST 31, 2021</b>					
<b>Description</b>		<b>Balance per Utility As of 8/31/2021</b>	<b>Audit Adjustments</b>	<b>Audit Finding</b>	<b>Balance per Audit As of 8/31/2021</b>
<b>Utility Plant in Service</b>		\$ 573,205	\$ (18,814)	1	\$ 554,392
<b>Land</b>		10,000	-		10,000
<b>Accumulated Depreciation</b>		(339,350)	3,805	1	(335,545)
<b>Contributions in Aid of Construction</b>		-	-		-
<b>Accumulated Amortization of CIAC</b>		-	-		-
<b>NET BOOK VALUE</b>		\$ 243,855	\$ (15,009)		\$ 228,846