

UNCLASSIFIED
FILE

MEMORANDUM

September 6, 1996

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. ~~960716~~ 960716-WU -- RAVENSWOOD WATER SYSTEM
 TRANSFER AUDIT REPORT - PERIOD ENDED APRIL 11, 1996
 AUDIT CONTROL NO. 96-173-3-2

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.

The audit was prepared using a 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:

Ravenswood Water System
 Theodore S. Jansen
 723 East Main Street
 Leesburg, FL 34748-5317

DNV/sp
 Attachment

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

Research and Regulatory Review (Harvey)
 Office of Public Counsel

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DOCUMENT NUMBER-DATE
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 FPSC-RECORDS/REPORTING

Florida Public Service Commission

Audit Report

As of April 11, 1996

Field Work Completed

August 27, 1996

Ravenswood Water System

Leesburg, Florida

Lake County

Certificate of Transfer Audit

Docket No. 960716-WU

Audit Control Number 96-173-3-2

Elbert E. Phillips

**Elbert E. Phillips
Audit Manager**

Ian J. Forbes

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

DOCUMENT NUMBER-DATE

09493 SEP-6 88

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 Rate Base exhibit for Ravenswood Water System, pursuant to Transfer Certificate, Docket No. 960716-WU as of April 11, 1996.

Scope Limitation: There are no confidential work papers associated with this report. The last day of field work was August 27, 1996.

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: Subject to the procedures described in Section II of this report, the Company books and records for the period ending April 11, 1996, are maintained in substantial compliance with Commission directives. The expressed opinions extend only to the scope of work described in Section II of this report.

Summary Findings:

Exceptions

The Company did not reconcile its records to prior Order No. PSC-93-0901-FOF-WU.

The Company incorrectly recorded capital additions of \$47 for Water for items that should have been expensed to Operations & Maintenance expense in the year incurred.

The Company incorrectly expensed capital additions of \$248 that should have been capitalized.

The Company failed to record the retirement of a storage tank recorded at \$2,498.

The Company incorrectly recorded CIAC amortization at \$8,403. The audit staff recalculated CIAC amortization to be \$8,875.

The Company incorrectly recorded Acquisition Amortization Adjustment at \$3,916. The audit staff recalculated Acquisition Adjustment amortization at \$6,094.

The Company failed to record Depreciation per Rule 25-30.140, F. A. C. The audit staff recalculated Accumulated Depreciation to be \$9,176.

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 that 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: Reconciled beginning utility plant-in-service amounts with prior Order PSC 93-0901-FOF-WU. Reviewed 100% of total dollar additions/retirements of utility plant-in-service, testing for proper amount, timing, and account classifications. Recomputed accumulated depreciation balance from December 1, 1992, forward. Compiled land balance. Land ownership was verified with company-supplied documentation.

OTHER: Reviewed and recalculated a sample of customer bills for the month of March 1996 from the Company's billing register to verify the Commission-approved rates at April 11, 1996.

AUDIT EXCEPTION NO. ONE

SUBJECT: NONRECONCILIATION TO PRIOR COMMISSION ORDER

FACTS: The Company records do not agree with prior Commission Order No. PSC-93-0901-FOF-WU at November 30, 1992.

OPINION/RECOMMENDATION: The Company records do not agree with Commission Order No. PSC-93-0901-FOF-WU. The audit staff recommends that the Commission order the Company to comply with the above order and adjust the accounts listed below by the following amounts. (Accumulated Depreciation adjustment is discussed in Audit Exception No. 7.)

<u>Account Description</u>	<u>(at November 30, 1992)</u>		
	<u>Per Co.</u>	<u>Per Order</u>	<u>Difference</u>
UPIS	\$13,658	\$13,658	\$0
Accum. Depreciation	9,711	9,346	365
CIAC	(10,929)	(10,929)	0
CIAC Amortization	7,111	7,196	85
Acquisition Adjustment	7,445	7,445	0
Acquisition Adj. Amort.	(4,123)	(4,971)	(848)

AUDIT EXCEPTION NO. TWO

SUBJECT: CAPITALIZED O&M EXPENSES

FACTS: The Company recorded \$47 as capital additions to Water Utility Plant-in-Service.

OPINION/RECOMMENDATION: The \$47 capital additions were for meter repairs.

Audit staff believes that these additions should have been charged to Operations and Maintenance expense accounts in the periods they were incurred.

The Commission should require the Company to reduce its Water Utility Plant-in-Service balance by \$47 to remove these additions from rate base. (Accumulated Depreciation adjustment is discussed in Audit Exception No. 7.)

1993 ADDITIONS

<u>NARUC</u> <u>ACCT#</u>	<u>VENDOR</u>	<u>AUDIT</u> <u>ADJ.</u>
330	Sunshine Meter & Supply	(\$23.73)
330	Sunshine Meter & Supply	<u>(\$23.61)</u>
	Total	(\$47.34)

AUDIT EXCEPTION NO. THREE

SUBJECT: MISCLASSIFIED UTILITY EXPENSES

FACTS: The Company recorded \$248 as Water Operations & Maintenance expense.

OPINION/RECOMMENDATION: The \$248 of Operations and Maintenance expenses recorded by the Company should be capitalized as additions to Water Utility Plant-in-Service because they relate to major capital improvements/additions to the Company's utility plant.

The Commission should require the Company to increase the Water Utility Plant-in-Service accounts by \$248, as shown below, to properly account for utility plant additions as discussed above. (Accumulated Depreciation adjustment is discussed in Audit Exception No. 7.)

<u>Date</u>	<u>NARUC ACCT#</u>	<u>VENDOR</u>	<u>Audit Adjustment</u>
8/25/93	334	Leesburg Rent All, Inc.	\$51.36
8/26/93	334	Leonard Lay	\$80.00
4/22/94	334	Electric Services, Inc.	<u>\$116.26</u>
		Total	<u>\$247.62</u>

AUDIT EXCEPTION NO. FOUR

SUBJECT: UNRECORDED RETIREMENT OF PLANT ASSET

FACTS: Per NARUC, Class C, Accounting Instruction No. 4D,

When an item of plant is retired, Account 108 -- Accumulated Depreciation and Amortization of Utility Plant in Service, shall be charged and the appropriate plant accounts shall be credited with the entire recorded cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, . . .

The Company did not record the retirement of a water storage tank. The original cost of the tank was \$2,498.

OPINION/RECOMMENDATION: The Company did not record the retirement of the original tank replaced per the above-referenced NARUC, Accounting Instruction.

The audit staff recommends that the Commission order the Utility to reduce Water Utility Plant-in-Service by \$2,498. (Accumulated Depreciation adjustment is discussed in Audit Exception No. 7.)

AUDIT EXCEPTION NO. FIVE

SUBJECT: CIAC AMORTIZATION

FACTS: The Company recorded \$8,403 for CIAC amortization.

OPINION/RECOMMENDATION: The audit staff calculated amortization to be \$8,875 at April 11, 1996.

The audit staff recommends that the Commission require the Company increase amortization of CIAC by \$472 (\$8,875-\$8,403).

AUDIT EXCEPTION NO. SIX

SUBJECT: ACQUISITION ADJUSTMENT AMORTIZATION

FACTS: The Company recorded \$3,916 for Acquisition Adjustment amortization.

OPINION/RECOMMENDATION: The audit staff calculated amortization to be \$6,094.

The audit staff recommends that the Commission increase Acquisition Adjustment amortization by \$2,178 (\$6,094-\$3,916).

AUDIT EXCEPTION NO. SEVEN

SUBJECT: ACCUMULATED DEPRECIATION

FACTS: The Company recorded \$11,080 for Accumulated Depreciation at April 11, 1996.

OPINION/RECOMMENDATION: The audit staff recalculated Accumulated Depreciation per Rule 25-30.140, F.A.C., to be \$9,176. The difference is \$1,904 (\$11,080-\$9,176).

The audit staff recommends that the Commission reduce Water Accumulated Depreciation by the above amount.

EXHIBIT I

Ravenswood Water System
 Certificate of Transfer Audit
 Water Rate Base
 Ending April 11, 1996

DESCRIPTION	PER COMPANY @4/11/96	AUDIT ADJUSTMENT	REFER TO	PER AUDIT @4/11/96
UTILITY PLANT IN SERVICE	\$ 19,385	(\$ 2,297)	E 1-4	\$ 17,088
LAND	368	0		368
CONTRIBUTIONS IN-AID-OF CONSTRUCTION	(11,129)	0		(11,129)
AMORTIZATION OF CIAC	8,403	472	E 5	8,875
ACCUMULATED DEPRECIATION	(11,080)	1,904	E 7	(9,176)
ACQUISITION ADJUSTMENT	7,445	0		7,445
AMORTIZATION OF ACQ. ADJUST.	(3,916)	(2,178)	E 6	(6,094)
WORKING CAPITAL	<u>0</u>	<u>0</u>		<u>0</u>
TOTALS	\$ 9,476	(\$ 2,099)		\$ 7,377

FOOTNOTES TO RATE BASE EXHIBITS

- 1) The Company's Working Capital adjustment was not calculated for this engagement.

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

September 9, 1996

Mr. Theodore S. Jansen
Ravenswood Water Systems
723 East Main Street
Leesburg, Florida 34748-5317

RE: Docket No. 960716-WU -- Ravenswood Water Systems
Transfer Audit Report - Period Ended April 11, 1996
Audit Control #96-173-3-2

Dear Mr. Jansen:

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,

Blanca S. Bayo
Blanca S. Bayo

BSB/clc
Enclosure
cc: Public Counsel
Crystal River Utilities, Inc.