

State of Florida



Public Service Commission

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

DATE: November 27, 2000
TO: Division of Regulatory Oversight (Clapp)
FROM: Division of Regulatory Oversight (Vandiver) *av*
RE: [REDACTED] Century Realty Funds, Inc. and Haselton Associates, Ltd.
d/b/a Route 19A North Joint Venture
Audit Report; Rate Base Determination
Audit Control No. 00-249-3-1

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

Joe Sherwood
Century Realty Funds, Inc. and Haselton Associates, Ltd.
d/b/a Route 19A North Joint Venture
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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Orlando District Office

CENTURY REALTY FUNDS, INC. AND HASELTON ASSOCIATES, LTD.,
D/B/A ROUTE 19A NORTH JOINT VENTURE

RATE BASE DETERMINATION AUDIT

AS OF MARCH 31, 1999

DOCKET NO. 001083-WU

AUDIT CONTROL NO. 00-249-3-1

A handwritten signature in cursive script, reading "Robert F. Dodrill, Sr.".

Robert F. Dodrill, Sr., Audit Manager

A handwritten signature in cursive script, reading "Charleston J. Winston".

Charleston J. Winston, Audit Supervisor

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

November 8, 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 March 31, 1999, for Century Realty Funds, Inc. and Haselton Associates, Ltd., d/b/a Route 19A North Joint Venture (Haselton). The attached schedule was prepared by the auditor as part of our work in Docket No. 001083-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 did not follow the NARUC Uniform System of Accounts.

The original cost of plant-in-service has never been ordered by the Florida Public Service Commission.

Accumulated amortization of contributions-in-aid-of-construction (CIAC) should be increased by \$1,819.

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: Verified plant additions from July 1988 to March 1999 and agreed to the Annual Report. Recalculated CIAC and accumulated amortization of CIAC balances for the same period. Compiled and verified utility customer additions and CIAC connection charges. Recalculated the amortization of CIAC using the annual composite depreciation rate used per Rule 25-30.140, F.A.C.

OTHER: Toured the water plant to obtain an understanding of recent plant additions.

Exception No. 1

Subject: Books and Records

Statement of Fact: Rule 25-30.115, Florida Administrative Code, requires Florida utilities to maintain their books and records by the National Association of Regulatory Utility Commissioners (NARUC), Uniform System of Accounts (USOA).

NARUC, Class C, Accounting Instruction No. 2, states:

Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

NARUC, Class C, Accounting Instruction No. 4, states:

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Amounts applicable or assignable to specific utility departments shall be segregated monthly. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

Recommendation: Haselton keeps its utility accounts commingled with those of the operation of the Haselton Village community. Neither the plant nor the expense accounts are maintained according to the NARUC USOA. Documentation was not maintained at the utility location for the plant additions, and no retirement entries were made. The utility contracts with a CPA firm to prepare its Annual Report to the Commission. The Annual Report is prepared by extracting utility activity from its Haselton Village community general ledger.

The Commission should order the utility to set up its books and records according to the NARUC System. This would require monthly closings and booking retirement entries for plant taken out of service. Additionally, the Commission should schedule a USOA compliance audit for the utility.

Exception No. 2

Subject: Land, Plant-in-Service, and Accumulated Depreciation

Statement of Fact: The previous Docket No. 880936-WS for Haselton, which resulted in Commission Order No. 21342, issued June 6, 1989, established rates and charges for the utility. It also ordered the utility to file a 1988 Annual Report and to pay its 1988 Regulatory Assessment Fee. It did not establish rate base due to a lack of original cost records. The audit work papers and audit report for that Docket requested an Original Cost Study which was never performed. Included in the work papers was a cost-based appraisal which the utility used as a basis for its 1988 Annual Report.

Recommendation: Without an official starting point, a per audit balance could not be established for land, plant, and accumulated depreciation.

The Commission should schedule an Original Cost Study for Haselton the next time the utility comes in for regulatory review.

Alternate Recommendation: The Commission should recognize the cost-based appraisal as representing the best approximation of original cost. It should establish rate base using the utility plant-in-service balances from the 1988 Annual Report which was required to be filed by Order No. 21342 referred to above.

All of the plant additions since July 1988 except for a new water tank have been expensed and should not be included in plant. This water tank cost Haselton \$10,907 after removal of the old tank and site cleanup. Since the original cost of the old tank could not be determined, it is recommended that it be retired at 75 percent of the replacement cost or \$8,180 ($\$10,907 \times .75$).

Accumulated depreciation on the water tank addition since its installation on December 15, 1992, to the transfer date of March 31, 1999, (75.5 months) is \$2,079, as calculated below.

		Accumulated Depreciation(A/D)
		on
		New Tank
	\$10,907	Cost of tank
	.0303	Depreciation Rate
	<u>6.2916</u>	Years (75.5months/12)
A/D on tank	\$2,079	Cost x depreciation rate x years

Exception No. 3

Subject: Amortization of Contributions-in-Aid-of-Construction (CIAC)

Statement of Fact: Florida Public Service Commission Order No. 21342, issued June 6, 1989, did not establish a CIAC balance. The Order stated that the tap-in fee for water service was \$325.

Recommendation: The prior audit work papers, which resulted in the above Order, indicated that Haselton Water ended with a June 30, 1988, CIAC balance of \$46,475. This represented 143 water utility customers at the \$325 tap-in fee ($143 \times \$325 = \$46,475$).

Since June 30, 1988, the utility has added four additional customers. These four new customers brought Haselton Village to its 147 customer level. The resulting CIAC total as of March 31, 1999, is \$47,775 ($147 \text{ customers at } \$325 = \$47,775$).

Amortization of the above CIAC components was calculated using the Commission 3.1 percent composite rate.

The March 31, 1999, balance for the accumulated amortization of water CIAC described above was calculated to be \$20,686. When compared to the company accumulated amortization amount of \$18,867 as of March 31, 1999, this would require an increase of \$1,819.

EXHIBIT I

CENTURY REALTY FUNDS, INC. AND HASELTON ASSOCIATES, LTD.,
d/b/a ROUTE 19A NORTH JOINT VENTURE
DOCKET NO. 001083-WU
WATER RATE BASE
AS OF MARCH 31, 1999

(a)	(b)	(c)	(d)	(e)
DESCRIPTION (1)	PER UTILITY (2)	AUDIT EXCEPTION	REFER TO	PER AUDIT
UTILITY PLANT-IN-SERVICE	\$190,657	(\$190,657)	AE 2	\$0
LAND	\$7,500	(\$7,500)	AE 2	\$0
CIAC	(\$47,775)	\$0	AE 3	(\$47,775)
AMORTIZATION OF CIAC	\$18,867	\$1,819	AE 3	\$20,686
ACCUMULATED DEPRECIATION	(\$82,365)	\$82,365	AE 2	\$0
WORKING CAPITAL (3)	\$0	\$0		\$0
TOTAL	\$86,884	(\$113,973)		(\$27,089)

FOOTNOTES:

(1) Rate base has never been established by the Florida Public Service Commission.

(2) Utility amounts from 1999 Annual Report restated back to March 30, 1999.

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