

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-**

---

**DATE:** August 22, 2018

**TO:** Office of Commission Clerk

**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

**RE:** Docket No.: 20170220-WS  
Company Name: Lake Yale Treatments Associates, Inc.  
Company Code: WS823  
Audit Purpose: B1c: Supplemental Review of Plant in Service - Certificate Transfer  
Audit Control No.: 2018-193-1-1

---

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

LMD/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

Lake Yale Treatments Associates, Inc./  
Lake Yale Utilities, LLC  
Transfer of Certificates  
Certificate Nos. 560-W and 488-S  
Supplemental Audit of Plant in Service

**As of June 30, 2017**

Docket No. 20170220-WS  
Audit Control No. 2018-193-1-1  
**August 1, 2018**

A handwritten signature in black ink, appearing to read "Debra M. Dobiak", written over a horizontal line.

Debra M. Dobiak  
Audit Manager

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

Marisa N. Glover  
Reviewer

## Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
1: Water Utility Plant in Service.....	3
2: Wastewater Utility Plant in Service.....	5

## 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 July 5, 2018. We have applied these procedures to the findings prepared by the audit staff in support of Lake Yale Treatments Associates, Inc./Lake Yale Utilities, LLC's request for a Transfer of Certificates – Supplemental Audit of Plant in Service in Docket No. 20170220-WS.

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

## Objectives and Procedures

### **Background**

#### Definitions

Buyer/Utility refers to Lake Yale Utilities LLC.

Seller/LYTA refers to Lake Yale Treatments Associates, Inc.

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

Lake Yale Treatments Associates, Inc. is a Class “C” Utility that provides water and wastewater services to approximately 299 customers in Lake County.

Lake Yale Utilities LLC purchased Lake Yale Treatment Associates, Inc. for \$136,000 on June 30, 2017, and filed an application for Transfer of Certificates on October 10, 2017. On January 11, 2018, an Auditor’s Report was issued, Audit Control No. (ACN) 2017-311-1-1, which determined net book value for the water and wastewater systems as of the transfer date based on documents provided by the Utility at that time. On May 2, 2018, the Utility filed its response to the Auditor’s Report, Document No.(DN) 03404-2018, which included invoices that were not provided during the audit process as well as a summary of these invoices labeled “Schedules A and B.” This supplemental audit’s focus is to review the additional documentation and to update Findings 1 and 2 from the Auditor’s Report noted above for water and wastewater plant in service. We did not recalculate accumulated depreciation.

### **Utility Plant in Service**

**Objectives:** The objective was to update the water and wastewater plant in service balances based on information provided in Document No. 03404-2018.

**Procedures:** We utilized the water and wastewater UPIS schedules from ACN 2017-311-1-1 from October 31, 1998 through June 30, 2017. We traced asset additions to supporting documentation including the additional invoices from DN 03404-2018. We ensured that retirements were made when a capital item was removed or replaced. We determined the UPIS transfer balances as of June 30, 2017. Findings 1 and 2 discuss the updated UPIS balances.

## Audit Findings

### **Finding 1: Water Utility Plant in Service**

**Audit Analysis:** According to the Seller's general ledger, the water UPIS balance was \$338,248 as of June 30, 2017. We noted that the beginning balances from Order No. PSC-1999-2190-PAA-WS were not recorded in the Seller's general ledger and the plant assets were understated by \$88,078. Although invoices and tax returns were provided by the Seller, additions of \$92,289 from November 1, 1998 through June 30, 2017 were not supported. Audit staff had determined the water UPIS balance to be \$334,037 as of June 30, 2017 as stated in the Auditor's Report, ACN 2017-311-1-1.

Subsequently, the Utility provided additional invoices as summarized by Schedule A from DN 03404-2018. Audit staff has now determined the water UPIS balance to be \$387,082 as of June 30, 2017.

We noted the following.

- Account 304 – Structures and Improvements should be decreased by \$44,270. The seller recorded replacements of two storage tanks in this account. We classified them to Account 330 – Distribution Reservoirs and Standpipes, but recorded the two retirements of \$20,303 ( $\$27,071 \times 75\%$ ) and \$30,965 ( $\$41,287 \times 75\%$ ) in this account where the tanks were originally recorded. We also increased this account by \$6,998 for previously unsupported additions. Account 304 should be decreased by \$44,270 ( $\$6,998 - \$20,303 - \$30,965$ ).
- Account 309 – Supply Mains should be increased by \$390. An invoice in the amount of \$1,560 to replace a six inch valve on the main at the water treatment plant was originally recorded in Account 380 – Treatment and Disposal Equipment. We reclassified it to Account 309, and since the valve was a replacement, we also recorded a retirement of \$1,170 ( $\$1,560 \times 75\%$ ). Account 309 should be increased by \$390 ( $\$1,560 - \$1,170$ ).
- Account 310– Power Generation Equipment should be increased by \$4,243 for previously unsupported additions.
- Account 311 – Pumping Equipment should be increased by \$12,450 for previously unsupported additions.
- Account 320 – Water Treatment Equipment should be increased by \$2,550 for previously unsupported additions.
- Account 330 - Distribution Reservoirs and Standpipes should be increased by \$76,118. In addition to the two storage tanks mentioned above, we increased this account by \$7,760 for previously unsupported additions. Account 330 should be increased by \$76,118 ( $\$27,071 + \$41,287 + \$7,760$ ).
- Account 334 – Meters and Meter Installations should be increased by \$1,170 for previously unsupported additions.
- Account 339 – Other Plant and Misc. Equipment should be increased by \$494 for previously unsupported additions.

The water utility plant is understated by \$53,045 (\$387,082 - \$334,037) as shown in Table 1-1.

**Table 1-1**

Account - Description	ACN 2017-311-1-1			ACN 2018-193-1-1	
	GL 6/30/2017	Audit Adjustments	Audit 6/30/2017	Audit Adjustments	Audit 6/30/2017
304 Structures & Improvements	\$ 100,419	\$ (37,199)	\$ 63,220	\$ (44,270)	\$ 18,950
307 Wells & Springs	12,507	8,227	20,734	-	20,734
309 Supply Mains	8,874	5,836	14,710	390	15,100
310 Power Generation Equip.	16,952	-	16,952	4,243	21,195
311 Pumping Equip.	58,198	13,796	71,994	12,450	84,444
320 Water Treatment Equip.	-	3,298	3,298	2,550	5,848
330 Distribution Reservoirs & Standpipes	-	-	-	76,118	76,118
331 Transmission and Distribution Mains	12,668	8,326	20,994	-	20,994
334 Meters and Meter Install.	109,881	(9,817)	100,064	1,070	101,134
335 Hydrants	7,239	4,761	12,000	-	12,000
339 Other Plant And Misc.	2,609	365	2,974	494	3,468
340 Office Furniture & Equip.	6,103	(1,804)	4,299	-	4,299
343 Tools, Shop and Garage Equip.	2,798	-	2,798	-	2,798
<b>Total:</b>	<b>\$ 338,248</b>	<b>\$ (4,211)</b>	<b>\$ 334,037</b>	<b>\$ 53,045</b>	<b>\$ 387,082</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 increased by \$53,045.

## Finding 2: Wastewater Utility Plant in Service

**Audit Analysis:** According to the Seller’s general ledger, the wastewater UPIS balance was \$306,205 as of June 30, 2017. We noted that the beginning balances from Order No. PSC-1999-2190-PAA-WS were not recorded in the Seller’s general ledger and the plant assets were understated by \$140,187. Although tax returns were provided by the Seller, additions of \$57,844 from November 1, 1998 through June 30, 2017 were not supported. Audit staff had determined the wastewater UPIS balance to be \$388,549 as of June 30, 2017 as stated in the Auditor’s Report, ACN 2017-311-1-1.

Subsequently, the Utility provided additional invoices as summarized by Schedule B from DN 03404-2018. Audit staff has now determined the wastewater UPIS balance to be \$438,790 as of June 30, 2017.

We noted the following.

- Account 354 – Structures and Improvements should be increased by \$2,521 for previously unsupported additions.
- Account 362 – Special Collecting Structures should be increased by \$33,709 for previously unsupported additions.
- Account 380 – Treatment and Disposal Equipment should be increased by \$14,011. This account included an invoice in the amount of \$1,560 for the water treatment plant. We reclassified it to Account 309 – Supply Mains as discussed in Finding 1. We also increased this account by \$15,571 for previously unsupported additions. We increased Account 380 by \$14,011 (\$15,571 - \$1,560).

The wastewater utility plant is understated by \$50,241 (\$438,790 - \$388,549) as shown in Table 2-1.

**Table 2-1**

Account - Description	ACN 2017-311-1-1			ACN 2018-193-1-1	
	GL 6/30/2017	Audit Adjustments	Audit 6/30/2017	Audit Adjustments	Audit 6/30/2017
354 Structures and Improvements	\$ 49,296	\$ 8,502	\$ 57,798	\$ 2,521	\$ 60,319
362 Special Collecting Structures	171,159	48,362	219,521	33,709	253,230
365 Flow Measuring Installations	40,138	24,862	65,000	-	65,000
380 Treatment and Disposal Equip.	45,185	302	45,487	14,011	59,498
389 Other Plant and Misc. Equip.	427	316	743	-	743
<b>Total:</b>	<b>\$ 306,205</b>	<b>\$ 82,344</b>	<b>\$ 388,549</b>	<b>\$ 50,241</b>	<b>\$ 438,790</b>

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

**Effect on the Filing:** The wastewater UPIS balance should be increased by \$50,241.