

13

MEMORANDUM

April 17, 1991

**ORIGINAL
FILE COPY**

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDIT AND FINANCE (DOUD) *fd*

RE: DOCKET NO. 910118-WU -- AQUA PURE WATER COMPANY
 AUDIT - TRANSFER/CANCELLATION - 12 MONTHS ENDED 11/30/90
 AUDIT CONTROL NO. 91-067-3-2

Forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit findings disclose information that may influence the decision process.

Audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Aqua Pure Water Company
 Attn: Mike Blake
 Post Office Box 1194
 Silver Springs, FL 32688-1194

FD/sp

Attachment

cc: Chairman Beard
 Commissioner Deason
 Commissioner Easley
 Commissioner Gunter
 Commissioner Wilson
 Bill Talbott, Deputy Executive Director/Technical
 Legal Services
 Division of Auditing and Financial Analysis (Devlin)
 Division of Water and Sewer (Gilchrist)
 Orlando District Office (Forbes)

Mr. Don Hale
 Office of Public Counsel
 624 Fuller Warren Building
 202 Blount Street
 Tallahassee, FL 32301

DOCUMENT NUMBER-DATE

03750 APR 18 1991

PSC RECORDS/REPORTING

Commissioners:
THOMAS M. BEARD, CHAIRMAN
GERALD L. GUNTER
MICHAEL WILSON
BETTY EASLEY
J. TERRY DEASON

State of Florida



STEVE TRIBBLE, Director
Division of Records and Reporting
(904) 488-8371

Public Service Commission

April 18, 1991

Aqua Pure Water Company
Attn: Mike Blake
Post Office Box 1194
Silver Springs, FL 32688-1194

Dear Mr. Blake:

Docket No. 910118-WU -- Aqua Pure Water Company
Audit - Transfer/Cancellation

The enclosed report is forwarded for your review.

The audit report and 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,

Steve Tribble

ST/FD/sp
Enclosure

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION

91 APR 17 PM 2:56

Florida Public Service Commission ^{AUDITING &} FINANCIAL ANALYSIS DIV
Audit Report

12 Months Ending November 30, 1990

Field Work Completed

March 26, 1991

Aqua Pure Water Company
Ocala, Florida
Marion County

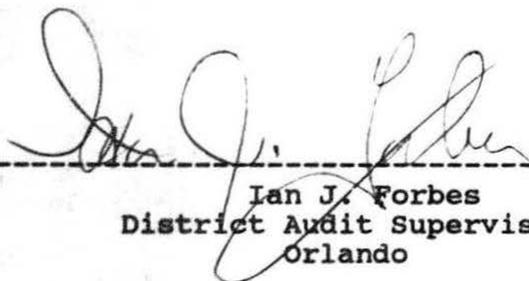
Certificate of Transfer

Docket No. 910118-WU

Audit Control No. 91-067-3-2



Charleston J. Winston
Audit Manager



Ian J. Forbes
District Audit Supervisor
Orlando

DOCUMENT NUMBER-DATE

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PSC-RECORDS/REPORTING

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I. Executive Summary

AUDIT PURPOSE: We have examined the books and records of the utility per the procedures described in Section II of this report for the test year ending November 30, 1990 in support of Docket Number 910118-WU. Further, the books and the records of the utility were examined to determine compliance with Commission directives and to disclose any transactions or events which may influence Commission decision.

SCOPE LIMITATION: During the course of the audit it was discovered that the original cost records of Aqua Pure Water Company, serving both Evergreen Water Plant and Peppertree Water Plant, were not available. However, the company submitted original cost studies for both water plants that had not been approved by the Commission. Therefore, Plant in Service, Accumulated Depreciation, and Amortization of CIAC could not be established.

AUDIT EXIT CONFERENCE: The Audit Exit Conference was held April 12, 1991.

CONFIDENTIAL MATERIAL: There is no confidential material associated with this report.

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 Scope Limitation, Audit Exceptions 1 and 2 and the procedures described in Section II, the company books and records for test year ending November 30, 1990, are not maintained in compliance with Commission directives.

SUMMARY FINDINGS:

The company expensed \$1,343 in plant additions on their federal income tax returns.

The books and records are not maintained in compliance with NARUC, Class C, accounting instructions, item 2.B.: General Records.

II. Audit Scope

This report is based on the audit work described below.

PLANT IN SERVICE: Toured the two water plants.

Obtained contracts for the purchasing and selling of the the two water plants.

Scheduled plant additions from 1982 to November 30, 1990.

Verified that the utility owned the land.

CIAC: Scanned the company's tax returns from 1981 to 1989 for expensed property.

Obtained a copy of the check and settlement agreement pertaining to the abandonment of Evergreen Water Plant.

Scanned the company's development agreements, annual reports, and billing ledger for CIAC amounts.

Scheduled CIAC amount from 1982 to November 30, 1990.

OTHER: Determined the amounts that the utility charges for rates, service availability, miscellaneous and deposits.

Obtained an agreement between the utility and Rolling Greens Utility to provide temporary service to Aqua Pure Water Company.

Obtained the utility's chart of accounts.

AUDIT EXCEPTION NO. 1

SUBJECT: EXPENSED PLANT IN SERVICE

STATEMENT OF FACTS: Florida Administrative Code (F.A.C.) Rule 25-30.570 provides that Contributions in Aid of Construction (CIAC) will be imputed for assets expensed for tax purposes. The utility expensed \$1,343 of plant additions associated with the water plant. The itemized amounts are as listed below:

<u>YEAR</u>	<u>ITEM</u>	<u>AMOUNT</u>
1983	Water Meters	\$ 343
1986	Water Meters	1,000
	Total:	----- \$1,343 =====

AUDITOR OPINION AND CONCLUSION: Since the utility fully recovered the cost of these items for tax purposes, an equal amount of CIAC should be added.

RECOMMENDATION: Direct the utility to increase CIAC in the above amounts.

COMPANY COMMENTS: The company may respond at a later date.

AUDIT EXCEPTION NO. 2

SUBJECT: COMPANY'S BOOKS AND RECORDS

STATEMENT OF FACTS: The company could not establish the original cost of their water systems, Evergreen and Peppertree. Per NARUC, (National Association of Regulatory Utility Commissioners), accounting Instructions 2.B.

All books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, invoices, memoranda and information useful in determining the facts regarding a transaction.

AUDITOR OPINION AND CONCLUSION: Due to the above, the utility's books and records are not in accordance with NARUC.

RECOMMENDATION: Direct the utility to maintain its books and records in accordance with NARUC.

COMPANY COMMENTS: The company may respond at a later date.

AUDIT DISCLOSURE NO. 1

SUBJECT: LITIGATION SETTLEMENT

STATEMENT OF FACT: On December 22, 1989, a litigation settlement was reached between Aqua Pure Water Company and Miller Enterprises, Inc. (Handy Way Food Store). The settlement was for \$109,022.90 due to a gasoline storage tank at Handy Way contaminating Aqua Pure Water Company's wells at Evergreen Subdivision.

The following is a breakdown of the expenses associated with the settlement.

Settlement Amount		\$109,022.90
Owner's Estimated expenses:		
Testing of new water system	1,200	
Purchasing of water until new system came on line	7,200	
Cost of testing old system for gasoline	2,000	(10,400.00)
Audited expenses:		
Attorney's Fees		(14,842.38)

Balance:		\$ 83,780.52
		=====

Since the old wells at Evergreen subdivision were contaminated, the owner purchased a new water plant at Peppertree subdivision and interconnected the old and the new systems. The plant at Evergreen subdivision was abandoned. The settlement agreement stipulated that the cost of the abandonment of the Evergreen water plant was to be borne by Miller Enterprises, Inc.

COMPANY COMMENTS: The company may respond at a later date.

AUDIT DISCLOSURE NO. 2

SUBJECT: PLANT IN SERVICE NOT TRANSFERRED

STATEMENT OF FACTS: Some of the plant additions that were added in 1989, did not transfer to the new owner of the utility. The items that did not transfer are as follows.

<u>YEAR</u>	<u>ITEM</u>	<u>AMOUNT</u>
1989	Desk and Chair	\$ 200
1989	Typewriter	286
	Total:	----- \$ 486 =====

AUDIT OPINION AND CONCLUSION: Since the item did not transfer to the new owner, they should be removed from plant in service.

COMPANY RESPONSE: Company may respond at a later date.

Aqua Pure Water Company
 Certificate of Transfer
 RATE BASE BALANCES - WATER
 TEST YEAR ENDED 11/30/90

EXHIBIT 1

DESCRIPTION	(a) BALANCE PER BOOKS @11/30/90	(b) AUDIT EXCEPTIONS	(c) BALANCE PER AUDIT @11/30/90
UTILITY PLANT IN SERVICE	(1)	\$0	(1)
LAND/NON DEPRECIABLE ASSETS	(1)	0	(1)
PLANT HELD FOR FUTURE USE	0	0	0
C. I. A. C.	(49,250)	(1,343) E-1	(50,593)
C. W. I. P.	0	0	0
ACCUMULATED DEPRECIATION	(1)	0	(1)
AMORTIZATION - C. I. A. C.	(1)	0	(1)
WORKING CAPITAL	N/A	0	N/A
TOTALS	(1)	(\$1,343)	(1)

FOOTNOTES:

- (1) Amounts will be determined by an original cost study approved by Division of Water and Sewer.