

ORIGINAL

MEMORANDUM

March 6, 1998

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 961475-SU -- FOREST HILLS UTILITIES, INC.
 AUDIT REPORT - CUSTOMER DEPOSITS REVIEW
 AUDIT CONTROL NO. 97-286-2-1

Page 6 of the audit report was inadvertently left out of the copies transmitted December 19, 1997. Please insert Page 6 into your copy of the audit report.

Please forward a copy of this page to:

Forest Hills Utilities, Inc.
 Robert L. Dreher
 1518 U. S. Highway 19
 Holiday, FL 34691-5649

DNV/sp
 Attachment

cc: Chairman Johnson
 Commissioner Clark
 Commissioner Deason
 Commissioner Garcia
 Commissioner Jacobs
 Mary Andrews Bane, Deputy Executive Director/Technical
 Legal Services
 Division of Auditing and Financial Analysis
 (Devlin/Causseaux/File Folder)
 Division of Water and Wastewater (Austin/Rendell)
 Tampa District Office (McPherson)
 Research and Regulatory Review (Harvey)
 Office of Public Counsel
 Rose, Sundstrom & Bentley LLP
 Martin Deterding
 2548 Blairstone Pines Drive
 Tallahassee, FL 32301

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FPSC DIVISION OF RECORDS AND REPORTING

SUBJECT: Accounting For Customer Deposits

STATEMENT OF FACTS: Forest Hills Utilities accounts for its deposits using two sub accounts totaling \$72,776.03 at October 31, 1997. One sub account with a balance of \$32,701.03 was for utility deposits while the other sub account totaling \$40,075.00 was for unregulated non utility deposits. However, all deposit transactions occur only in the utility sub account even if the deposit is for a non utility activity.

The combined detailed listing of customer deposits at October 31, 1997 was \$24,505.67 less than the combined General Ledger balance. (See schedule below)

	Balance (a) <u>10-31-97</u>
General Ledger	
Customer Deposits - Utility.	\$32,701.03
Customer Deposits - Garbage and Str. Lights	<u>\$40,075.00</u>
Total Deposits Per G/L	\$72,776.03
Deposit Listing	
Water only - Utility	\$21,985.00
Garbage and Str. Lights - Non Utility	<u>\$29,525.00</u>
Total Deposits Per Detail Listing	\$51,510.00
Difference	<u>\$24,505.67</u>

OPINION: The Utility is not properly accounting for deposits in its General Ledger. The problem occurs when a customer with a deposit greater than their final bill leaves the system. The Utility writes a check for the difference between the amount owed and the amount of the deposit. The amount of the check is posted to the General Ledger deposit account, not the full amount of the deposit. This causes the General Ledger deposit account to be overstated. The detailed deposit listing, however, is adjusted manually for the correct amount refunded. For example:

Customer Deposit - Utility and Non Utility	\$100.00
Customer's outstanding bill	<u>\$ 86.28</u>
Refund by check	<u>\$ 13.72</u>

In the above example, the only amount recorded in the general ledger was the \$13.72 paid to the customer. The \$86.28 was left in the deposit account. Also, the general ledger Accounts Receivable balance was not credited with the \$86.28 causing it to also be overstated

Disclosure No. 2 (contd)

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

March 9, 1998

Forest Hills Utilities, Inc.
Mr. Robert L. Dreher
1518 U. S. Highway 19
Holiday, Florida 34691-5649

Re: Docket No. 961475 - SU - Forest Hills Utilities, Inc.
Audit Report - Customer Deposits Review
Audit Control # 97-2860.2-1

Dear Mr. Dreher:

Page 6 of the audit report was inadvertently left out of the copies transmitted December 23, 1997. Please insert Page 6 into your copy of the audit report.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads 'Kay Flynn'.

Kay Flynn, Chief
Bureau of Records

KF/clb

Enclosure

cc: Public Counsel
Division of Auditing and Financial Analysis
Rose Law Firm