

ORIGINAL

State of Florida



# Public Service Commission

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

**DATE:** December 30, 1999  
**TO:** Division of Water and Wastewater (Brady)  
**FROM:** Division of Auditing and Financial Analysis (Vandiver) *ad*  
**RE:** Docket No. 991056-SU; Del Vera Limited Partnership  
 Audit Report; Establish Rate Base  
 Audit Control No. 99-298-4-1

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 Auditing and Financial Analysis (Devlin/Causseaux/Harvey/File Folder)  
 Miami District Office (Welch)  
 ✓ Division of Records and Reporting  
 Division of Legal Services

Mr. Robert G. Peters  
 Del Vera Limited Partnership  
 2250 Avenida Del Vera  
 North Ft. Myers, FL 33917-6700

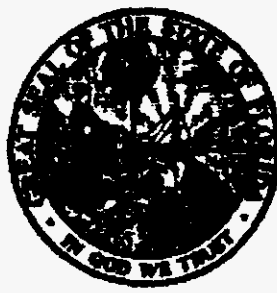
Rose Law Firm  
 Attn: Marshall Deterding  
 2548 Blairstone Pines Drive  
 Tallahassee, FL 32301

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FPSC-RECORDS/REPORTING



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
BUREAU OF AUDITING SERVICES*

*Miami District Office*

**DEL VERA LIMITED PARTNERSHIP**

**ESTABLISHMENT OF RATE BASE**

**PERIOD ENDED DECEMBER 31, 1996**

**AUDIT CONTROL NO. 99-298-4-1**

**DOCKET NO. 991056-SU**

A handwritten signature in cursive script, appearing to read "Kathy L. Welch", written over a horizontal line.

*Kathy L. Welch, Audit Manager*

A handwritten signature in cursive script, appearing to read "Ruth K. Young", written over a horizontal line.

*Ruth K. Young, Professional  
Accountant Specialist*

## TABLE OF CONTENTS

<b>I.</b>	<b>AUDITOR'S REPORT</b>	1
	AUDIT PURPOSE	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
<b>II.</b>	<b>AUDIT EXCEPTION 1</b>	4
<b>III.</b>	<b>AUDIT DISCLOSURES</b>	5
	AUDIT DISCLOSURE 1	5
	AUDIT DISCLOSURE 2	7
<b>III.</b>	<b>EXHIBITS</b>	8
	STAFF PREPARED RATE BASE	9

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
AUDITOR'S REPORT**

**DECEMBER 21, 1999**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED  
PARTIES**

We have applied the procedures described later in this report to establish rate base for the period ended December 31, 1996 for Del Vera Limited Partnership.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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 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.

**Reviewed-** The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**Examined-** The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

**Confirmed-** Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

**Verify-** The item was tested for accuracy, and substantiating documentation was examined.

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**SCOPE LIMITATION:** Del Vera was sold in a bankruptcy proceeding in 1997. Former officers were called to try to locate the old records of the company. A warehouse does exist and the new owners offered to pay the person in charge of it to let staff review the contents. The person in charge reviewed the contents without staff and did not find anything related to the wastewater treatment plant. She did not return calls requesting access to the documents.

Documentation submitted to the bank that provided the mortgage was found in the current owners' files along with several invoices. This documentation substantiated almost 85% of the plant additions.

It should be noted that when staff first discovered that records were maintained at the new owners' offices, staff was denied access to the records until the files could be reviewed by the Chief Executive Officer. Although the company did allow a subsequent review, any time access is withheld pending a review, records can be eliminated from the file that may have been pertinent to the case.

**RATE BASE:** Examined reports submitted by an engineering firm to the bank for payment. Examined invoices for several additions. Recalculated land value based on the original deed when the plant was constructed. Reviewed Contributions in Aid of Construction detail

maintained by the company's external regulatory consultant. Reviewed the methodology and calculation for depreciation and amortization prepared by the consultant.

## **AUDIT EXCEPTIONS**

### **AUDIT EXCEPTION NO. 1**

#### **SUBJECT: LAND**

**STATEMENT OF FACT:** The annual report recorded \$120,892.62 for land and \$20,238.39 for land improvements. Improvements were documented in the engineers report to the bank. The \$20,238.39 represents less than a 2% allocation of the clearing, filling and grading of the land.

The warranty deed from July 11, 1989 between Delnorth Associates Limited and Del Tura North Limited Partnership was obtained. The documentary stamps of \$60,500, at the 1989 rate of 55 cents per \$100, indicate that the purchase price was \$11,000,000. Based on the legal description, the auditor worked with the Tallahassee staff to determine an approximate acreage of 1,159. This would provide a cost of \$9,491 per acre.

The parcel of land that the wastewater treatment plant occupies 31,440 square feet. An acre contains 43,560 square feet. Therefore, the wastewater treatment plant occupies 72% of an acre and its value based on \$9,491 an acre is \$6,833.52.

A trailer occupied by plant operations staff adjoins the treatment plant property. The trailer has been included in the plant balance. The trailer is used as headquarters for other non-regulated operations. If the company applies for a rate case, the trailer costs would need to be allocated to non-regulated operations. The land the trailer occupies is 2,832 square feet or 7 % of an acre. This results in an additional land cost using the 1989 deed value of \$664.37.

**OPINION:** Total land, exclusive of improvements should be \$7,497.89.

## **AUDIT DISCLOSURES**

### **AUDIT DISCLOSURE NO. 1**

#### **SUBJECT: PLANT ADDITIONS**

**STATEMENT OF FACT:** Because of the difficulty in locating the original records of the company, as discussed in the scope section of this report, some documentation could not be found.

Zimmer Construction Consultants prepared a report for Southeast Bank that showed total contract amounts, percent completed, and detail payment information for each payee. The last report found was August 2, 1991. The lift station and lines were not completed at the time of this report. Payments were not found to Zimmer Construction Consultants which leads staff to believe that the engineers may have been hired by the bank. The invoices that were found could be reconciled to the detail payment records. Invoices could not be found for the lift stations, the collection lines and services, and the force main. However, the collection lines and services were contributed property and therefore any adjustment would not affect rate base.

A schedule detailing the plant from the annual report, the contract amount per the engineers report, the detail payment information found and the invoices found follow this disclosure. Using this analysis approximately 85% of the plant can be substantiated by invoices, estimates by the contractors and contributed plant.

In addition, all additions were reviewed yearly by the firm Cronin, Jackson, Nixon & Wilson.

**OPINION:** Although the official books and records of the company could not be found, since the report found was prepared by an external engineering source and costs were reviewed yearly by an external consultant, using the numbers in the annual report would probably result in an accurate rate base.



ACCOUNT	PER ANNUAL REPORT 12/31/96	TOTAL CONTRACT PER BANK REPORT	DETAIL BY PAYEE FOUND IN ENG. REPORT	INVOICE OR OTHER DOCUMENT FOUND	PLANT OFFSET BY CIAC	TOTAL INVOICE AND CIAC
LAND	\$120,892.62			\$6,833.52		\$6,833.52
LAND IMPROVEMENTS	20,238.39		20,238.39			
	\$141,131.01	\$0.00	\$20,238.39	\$6,833.52	\$0.00	\$6,833.52
LIFT STATIONS	\$106,512.66	\$123,000.00	\$56,487.01			\$0.00
COLLECTION LINES	582,375.69	603,300.00	579,758.79		582,375.69	582,375.69
SERVICES	51,410.76	A	A		51,410.76	51,410.76
FORCE MAINS	21,312.26	A	A			0.00
SEWER PLANT	347,819.38	440,000.00	503,352.65	442,928.00		442,928.00
SEWER PLANT IMPROVEMENTS	79,458.13	96,500.00	75,553.71	46,945.54		46,945.54
SEWER PLANT EQUIPMENT	149,853.04	B	B			0.00
EFFLUENT TANK	128,110.57	120,000.00	125,484.52	114,238.44		114,238.44
FENCING	9,712.59	10,000.00	11,848.25	7,525.00		7,525.00
ORGANIZATION-PERMITING	14,524.52			14,617.00		14,617.00
	\$1,491,089.60	\$1,392,800.00	\$1,352,484.93	\$626,253.98	\$633,786.45	\$1,260,040.43
				PERCENT OF ANNUAL REPORT PLANT		84.50%
TOTAL	\$1,632,220.61					

A-INCLUDED IN COLLECTION LINES NUMBER  
B-INCLUDED IN SEWER PLANT NUMBER

## **AUDIT DISCLOSURE NO. 2**

### **SUBJECT: REVENUES**

**STATEMENT OF FACT:** Herons Glen, the new owners, did not bill the utility customers from January until November 29, 1999. The controller claims that when the old controller left his program for billing could not be used and a new program had to be prepared that could incorporate the meter reading information from a disk provided by the local water company.

The company billed for the first quarter on November 29. The meters were read on March 13, 1999.

The company also prepared bills for the spray irrigation using the five cents from Commission Order No. 23437. The golf course was billed on September 1 for January through May and December 1 for June through November. The company never filed a tariff page for the rate although, it is incorporated in the current application.

There are seven meters that relate to in-house property. The customers are the T-House, the spray irrigation tank, the wastewater treatment plant, the golf cart bar, the guard house and the clubhouse. The clubhouse has a 2" meter. Six bills were provided but did not have meter numbers and could not be matched to the actual locations. The company plans to include meter numbers on the bills in the future.

The company has not been collecting from its customers the tariff amount of \$200 for service availability fees. However, the customers have been signing the agreement for it that is in the tariff. The company's accounting consultant has been imputing the amount and including it in the annual report. It has not been booked by the new company.

**EXHIBITS:**

**STAFF PREPARED RATE BASE**

COMPANY: DEL VERA LIMITED PARTNERSHIP  
 TITLE: RATE BASE  
 TEST YEAR: DECEMBER 31, 1996

	BALANCE PER COMPANY	STAFF ADJUSTMENT	STAFF ADJUSTED BALANCE
LAND	\$120,892.62	(\$113,394.73)	\$7,497.89
LAND IMPROVEMENTS	20,238.39		20,238.39
TOTAL LAND	\$141,131.01	(\$113,394.73)	\$27,736.28
PLANT IN SERVICE	1,491,089.60		1,491,089.60
CIAC	(699,786.45)		(699,786.45)
ACCUMULATED DEPRECIATION	(268,813.00)		(268,813.00)
ACCUMULATED AMORTIZATION	90,285.00		90,285.00
	\$753,906.16	(\$113,394.73)	\$640,511.43