

STATE OF FLORIDA

Commissioners:
JOE GARCIA, CHAIRMAN
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TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL ANALYSIS
(850) 413-6480

Public Service Commission

May 4, 1999

Mr. Jerard A. Kent
Village Water, Ltd.
P.O. Box 2211
Lakeland, FL 33806-2211

Re: Docket No. 981697-WS; Village Water, Ltd.
Certificate of Transfer Audit Report - Audit Control No. 98-363-3-1

Dear Mr. Kent:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver
Bureau Chief - Auditing

DNV:sp
Enclosure

- SEA _____
 - APP _____
 - CAF _____
 - CMU _____
 - CTR _____
 - EAG _____
 - LEG _____
 - MAS _____
 - OPC _____
 - RRR _____
 - SEC _____
 - WAW _____
 - OTH _____
- CC: Division of Records and Reporting
 Division of Auditing and Financial Analysis (Devlin, Causseaux, File Folder)
 Division of water and Wastewater (Messer)
 Orlando District Office (Winston)
 Division of Legal Services
 Office of Public Counsel
 Research and Regulatory Review (Harvey)

DOCUMENT NUMBER - DATE

05638 MAY -4 99

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

Orlando District Office

VILLAGE WATER, L.T.D.

CERTIFICATE OF TRANSFER

PERIOD ENDED NOVEMBER 30, 1998

**DOCKET NO. 981697-WS
AUDIT CONTROL NO. 98-363-3-1**

A handwritten signature in cursive script, appearing to read "Richard F. Brown".

Richard F. Brown, Audit Manager

A handwritten signature in cursive script, appearing to read "Ian J. Forbes".

Ian J. Forbes, Audit Supervisor

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

APRIL 2, 1999

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules of Rate Base for the period ended November 30, 1998, for Village Water, L.T.D. These schedules were prepared by the auditor as part of the utility's petition for a Certificate of Transfer in Docket No. 981697-WS. There is no confidential information associated with this audit, and there are no staff minority opinions.

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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, which were not maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

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:

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 substantiating documentation was examined.

RATE BASE: Prepared Village Water, L.T.D.'s water and wastewater rate base at November 30, 1999. Compiled all plant additions acquired from January 1, 1987 through November 30, 1998, and verified those supported to documentation. Recomputed the depreciation reserve and accumulated amortization as of November 30, 1998.

Audit Exception No. 1

Subject: Water and Wastewater Plant

Facts: Utility representatives could only provide supporting documentation for \$2,134.84 and \$7,005.22 of their water and wastewater plant investment of \$23,829.34 and \$106,395.72, respectively.

A contractual expenditure of \$51,087.00 applicable to the construction of a water line extension dated March 24, 1997, was not reflected per utility books. The agreement between Village Water, L.T.D. and Scott Utilities, Inc. conditioned a completion date thirty days subsequent to the signing and was funded exclusively by a customer of the utility.

Opinion: Field staff defers to FPSC analyst and engineer for rate base establishment.