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M E M O R A N D U M

February 28, 1989

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDIT AND FINANCE (DOUD) *FD*
RE: DOCKET NO. 881245-SU -- MOBILE LAND & TITLE COMPANY
RATE BASE AUDIT AS OF MAY 31, 1988

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.

Please forward a complete copy of this report to:

Mobile Land and Title Company
Attn: Leal J. Barnhart, Jr.
5451 Bayshore Road
North Fort Myers, FL 33917

FD/sp

Attachment

cc: Chairman Wilson
Commissioner Beard
Commissioner Gunter
Commissioner Herndon
Commissioner Easley
Bill Talbott, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin)
Division of Water and Sewer (Hill)
Miami District Office (Young)

*mailed
3-1-89
XB*

DOCUMENT NUMBER-DATE

02178 MAR -1 1989

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

AS OF MAY 31, 1988

FIELD WORK COMPLETED

FEBRUARY 13, 1989

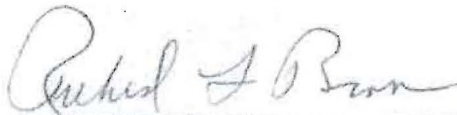
MOBILE LAND & TITLE COMPANY

LEE COUNTY

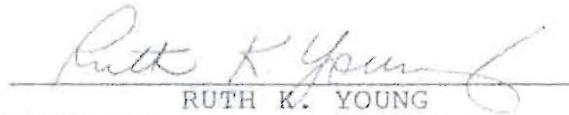
RATE BASE TRANSFER

DOCKET #881245-SU

AUDIT CONTROL NO. 9-020-4-3



RICHARD F. BROWN, AUDIT MANAGER



RUTH K. YOUNG
REGULATORY ANALYST SUPERVISOR, MIAMI

DOCUMENT NUMBER-DATE

02178 MAR-1 1989

FPSC-RECORDS/REPORTING

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I. Executive Summary

1. Audit Purpose: We have applied the procedures described in Section II of this report to the appended staff prepared Rate Base at May 31, 1988 to determine that all financial data contained within was extracted from utility books and records that are maintained in compliance with Commission directives; and that facts which may influence Commission decision process are disclosed.
2. Disclaim Public Use: This document is an internal accounting report produced after performing a limited scope audit. Accordingly, this document must not be relied on for any purpose except to assist the Commission in performing its duties and responsibilities. Substantial additional work would have to be performed to satisfy generally accepted auditing standards which must be followed to produce audited financial statements for public use.
3. Opinion: Subject to Audit Exceptions 1 thru 3 and the procedures described in Section II, the appended Rate Base at May 31, 1988 represents utility books and records maintained in fair compliance with Commission directives.

The utility could not document \$12,317 of plant additions and \$200 of CIAC additions.

Depreciation and CIAC amortization rates do not comply with the utility's last Commission order causing accumulated depreciation to be overstated by \$66,368 and CIAC amortization to be overstated by \$105.

II. Audit Scope

This report is based on the Audit Work described below. When used in this section of the report compiled defines completed audit work as:

COMPLIED: Reconciled exhibit amounts to the general ledger; visually scanned general ledger accounts; investigated or disclosed observed errors, irregularities or inconsistencies. Except as noted no audit work was performed.

RATE BASE: Compiled Trial Balance which incorporated all Rate Base components excluding working capital for the beginning and end of the twelve month period concluding April 30, 1988. Reconciled Rate Base Components For Adjusted Balances per last commission order #11548 to utility books and records.

Scheduled all utility plant in service and contributions in

aid of construction additions subsequent to December 31, 1981, the test year reflected per the last order.

Read the purchase contract between Mobile Land & Title Company and Carriage Village Landowners Association, Inc; the respective Seller and Buyer.

Computed the depreciation reserve and CIAC accumulated amortization by applying the approved commission composite rate of 2.5% to the Utility Plant and Contribution Balances per order 11548 at December 31, 1981.

Read the First Appraisal Services Corporation Appraisal or Valuation of the subject property sold between parties.

Prepared utility Rate Base at May 31, 1988.

NET OPERATING INCOME

Scanned Federal Income Tax Return for the fiscal year ended April 30, 1987.

Prepared Income Statement for the twelve month period ended April 30, 1987.

Scanned March and October 1988 billing summaries to determine general and residential sewer rates in effect.

AUDIT EXCEPTION #1

SUBJECT: Undocumented utility plant and CIAC additions.

DISCUSSION: The utility was unable to supply supporting documentation for respective plant and CIAC additions of \$12,317 and \$200 acquired subsequent to the test year ended December, 31, 1981 per order #11548.

RECOMMENDATION: It is recommended that utility plant and CIAC balances be reduced by \$12,317 and \$200 respectively until such time that they can provide appropriate supporting documentation.

COMPANY COMMENTS: Company stated that they would supply requested documentation if possible.

AUDIT EXCEPTION #2

SUBJECT: Utility Plant Depreciation

DISCUSSION: The Utility General Ledger reflects only tax depreciation for balancing and statement presentation. [Books note PSC depreciaton, however, it has not been updated since December 31, 1986.] Utility stated that they have misplaced their depreciation schedules supporting PSC recommended rate. Since utility could not support any plant additions subsequent to last test year (see Audit Exception #1) district staff has applied the PSC approved composite rate per the last order (2.5%) to the plant balance per the last order to arrive at the reserve balance at May 31, 1988. The variance between the amount reflected per books and the district staff calculation is the recommended adjustment and has been computed as follows:

Reserve balance at 12-31-81	
per PSC order #11548	\$39,048
Depreciation on UPIS	
Balance (165,152) per	
order #11548 at 12-31-81	
(165,152 x .00208334 x 77 months	26,493
District Staff adjusted Reserve	
at 5/31/88.	65,541
Accumulated depreciation per utility	
at 5/31/88.	131,909
Recommended adjustment	66,368

RECOMMENDATION: It is recommended that accumulated depreciation be decreased by \$66,368 and retained earnings increased by same.

COMPANY COMMENTS: Concur

AUDIT EXCEPTION #3

SUBJECT: Accumulated amortization-CIAC

DISCUSSION: Utility could not provide supporting documentation or schedules to substantiate the accumulated amortization of contributions at May 31, 1988. Since the utility could not also provide support for additions to the contribution accounts subsequent to the last test year (see Audit Exception #1), district staff applied the PSC approved composite rate per the last order (2.5%) to the contribution balance per the same to arrive at the accumulated amortization at May 31, 1988.

The variance between the amount reflected per books and the district staff calculation is the recommended adjustment and has been computed as follows:

Accumulated amortization at 12-31-81 per PSC order #11548	\$2,496
Amortization on CIAC balance (\$14,840) per order #11548 at 12-31-81. (\$14,840 x .00208334 x 77 months)	<u>2,231</u>
District Staff adjusted Accumulated Amortization at 5-21-88	4,877
Accumulated Amortization per utility at 5-31-88	<u>4,982</u>
Recommended Adjustment	\$ <u>105</u>

RECOMMENDATION: It is recommended that CIAC accumulated amortization be reduced or credited for \$105 and retained earnings debited for the same.

COMPANY COMMENTS: Concur

EXHIBITS

MOBILE LAND & TITLE COMPANY

RATE BASE

MAY 31, 1988

	BALANCE PER BOOKS	ADJUSTMENTS FOR AUDIT EXCEPTIONS	BALANCE PER AUDIT
Utility Plant in Service	\$177,469.32	(\$12,317.32)	\$165,152.00
Accumulated Depreciation	(131,908.77) ⁽¹⁾	66,367.77	(65,541.00)
Contribution in Aid of Const.	(15,040.00)	200.00	(14,840.00)
Accum. Amort. - CIAC	4,982.35	(105.25)	4,877.00
RATE BASE	<u>\$ 35,502.80</u>	<u>\$ 54,145.20</u>	<u>\$ 89,648.00</u>

(1) Tax depreciation

Commissioners:
MICHAEL McK. WILSON, Chairman
GERALD L. (JERRY) GUNTER
JOHN T. HERNDON
THOMAS M. BEARD
BETTY EASLEY

State of Florida



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

Public Service Commission

March 1, 1989

Mobile Land and Title Company
Attn: Leal J. Barnhart, Jr.
5451 Bayshore Road
North Ft. Myers, FL 33917

Dear Mr. Barnhart:

Docket No. 881245-SU - Mobile Land and Title Company
Rate Base Audit as of May 31, 1988

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