

State of Florida



RECEIVED-FP **Public Service Commission**

08 OCT 29 PM 4:09  
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

COMMISSION  
CLERK

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

---

**DATE:** October 29, 2008  
**TO:** Patricia L. Brady, Regulatory Analyst IV, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance *DN*  
**RE:** Docket No: 080183-WU; Company: Tamiami Village Water Company, Inc.;  
Audit Purpose: Transfer of Certificate; Company Code: WU740;  
Audit Control No: 08-107-2-1;

---

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, it should send a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNV/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,  
District Offices, File Folder)  
Office of Commission Clerk (2)  
General Counsel  
Office of Public Counsel

Mr. John J. Ustica  
Tamiami Village Water Company, Inc.  
9280-5 College Parkway  
Fort Myers, FL 33919-4848

Mr. Kenneth A. Hoffman  
Rutledge Law Firm  
Post Office Box 551  
Tallahassee, FL 32302-0551

DOCUMENT NUMBER-DATE

10201 OCT 29 8

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE  
BUREAU OF AUDITING*

*TAMPA DISTRICT OFFICE*

TAMIAMI VILLAGE WATER COMPANY, INC.

TRANSFER OF CERTIFICATE

AS OF DECEMBER 31, 2007

DOCKET NO. 080183-WU  
AUDIT CONTROL NO. 08-107-2-1

A handwritten signature in black ink, appearing to read "Tomer", written over a horizontal line.

*Tomer Kopelovich, Audit Manager*

A handwritten signature in black ink, appearing to read "J. W. Rohrbacher", written over a horizontal line.

*Joseph W. Rohrbacher, District Audit Supervisor*

DOCUMENT NUMBER-DATE

10201 OCT 29 08

FPSC-COMMISSION CLERK

TABLE OF CONTENTS

AUDITOR'S REPORT	PAGE
I. PURPOSE.....	1
II. OBJECTIVES AND PROCEDURES.....	2
III. AUDIT FINDINGS	
1. UTILITY BOOKS AND RECORDS .....	4
2. UTILITY PLANT IN SERVICE.....	5
3. ADJUSTMENT TO ACCUMULATED DEPRECIATION .....	6
4. ACCUMULATED AMORTIZATION OF CIAC.....	7
IV. EXHIBIT	
1. RATE BASE WATER.....	8

DOCUMENT NUMBER-DATE

10201 OCT 29 g

FPSC-COMMISSION CLERK

**DIVISION OF REGULATORY COMPLIANCE  
AUDITOR'S REPORT**

**JULY 23, 2008**

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

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by the audit staff in support of Tamiami Village Water Company's application for certificate of transfer in Docket No. 080183-WU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

## **OBJECTIVES AND PROCEDURES**

### **AUDIT PLANNING:**

#### **NARUC USOA**

**Objective:** To determine that the utility maintains its accounts and records in conformity with the 1996 National Association of Regulatory Utility Commissioners (NARUC), Uniform System of Accounts (USOA).

**Procedures:** We reviewed the utility's chart of accounts. The utility does not maintain its accounts and records in conformity with the 1996 NARUC USOA. Audit Finding No. 1 addresses this issue.

### **RATE BASE:**

#### **Utility Plant In Service (UPIS)**

**Objective:** To determine that property exists and is owned by the utility. To determine that additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission Rules and Uniform System of Accounts. To verify that the *proper retirements were made when a replacement item was put in service.*

**Procedures:** We tested all plant additions and retirements for the period January 1, 1995 through December 31, 2007 for compliance with the objectives stated above. We prepared a schedule of UPIS, by account, *from the last order with year to year additions and retirements.* Audit Finding No. 2 addresses this issue.

**Objective:** To determine that the land is owned by the utility and included in rate base at original cost.

**Procedures:** We verified that the utility does not own any land as the water system is strictly a distribution system. Audit Finding No. 2 addresses this issue.

### **Contributions In Aid of Construction (CIAC)**

**Objective:** To test CIAC additions and adjustments since January 1, 1995. To verify that CIAC additions are reflective of the utility's Commission-approved service availability tariff.

**Procedures:** We verified all CIAC additions for the period January 1, 1995 through December 31, 2007 for compliance with the objectives stated above.

### **Accumulated Depreciation**

**Objective:** To verify that accumulated depreciation and depreciation expense are calculated using the Commission authorized rates and that the calculations are correct.

**Procedures:** We prepared a schedule of accumulated depreciation balances by plant account from the last order with year-to-year additions and retirements using FPSC approved rates and compared them to company figures. Audit Finding No. 3 addresses this issue.

### **Accumulated Amortization of CIAC**

**Objective:** To determine that accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules. To verify that CIAC amortization expense accruals are properly recorded and calculated by applying annual depreciation composite rates.

**Procedures:** We recalculated accumulated amortization of CIAC account balances for the period January 1, 1995 through December 31, 2007. The utility did not record amortization of CIAC using annual depreciation composite rates. Audit Finding No. 4 addresses this issue.

**Audit Finding No. 1**

**Subject: Utility Books and Records**

**Audit Analysis:** The utility does not use NARUC USOA account numbers. The audit staff was able to convert the company account numbers to NARUC account numbers.

**Effect on General Ledger:** There is no effect on the general ledger.

**Effect on Filing:** There is no effect on the rate base filing.

**Audit Finding No. 2**

**Subject: Utility Plant in Service (UPIS)**

**Audit Analysis:** The utility's UPIS is overstated by \$7,755 as of December 31, 2007. The utility reported Utility Plant in Service (UPIS) of \$280,923. Audit review of the utility plant balances found the following:

- 1) The utility did not record retirements appropriately when it added plant to replace existing plant. The auditor used seventy five percent of cost of the new equipment to retire the old equipment. Our total adjustments for retirements is \$6,344.
- 2) There is no supporting documents for some of the journal entries, totaling \$1,411.
- 3) There is no land recorded on the books, since this is a distribution utility.

Our adjustments are below.

**Effect on General Ledger:** The following journal entry should be made to correct the utility's general ledger balances.

<u>Acct No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
304	Structures & Improvements		927
309	Supply Mains	9,381	
331	Transmiss. & Dist. Main		4,551
333	Services		4,816
334	Meter & Meter Installations		9,650
340	Office Furniture & Equipment		554
341	Transportation Equipment	3,362	
215	Retained Earnings	7,755	

**Effect on Filing:** The utility's plant in service should be reduced by \$7,755.



**Audit Finding No. 3**

**Subject: Adjustment to Accumulated Depreciation**

**Audit Analysis:** The utility's accumulated depreciation balance is understated by \$1,926 as of December 31, 2007. This is a combination of errors in the application of the depreciation rates applied and plant retirements that were not booked.

**Effect on General Ledger:** The following journal entry should be made to correct the utility's general ledger balances.

<u>Acct. No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
108	Accumulated Depreciation – Structures & Improvement	573	
108	Accumulated Depreciation – Transmission & Dist.	6,448	
108	Accumulated Depreciation – Services	2,062	
108	Accumulated Depreciation – Meters		4,997
108	Accumulated Depreciation – Office Furniture		6,012
215	Retained Earnings	1,926	

**Effect on Filing:** The utility's rate base should be decreased by \$1,926.

**Audit Finding No. 4**

**Subject: Accumulated Amortization of CIAC**

**Audit Analysis:** The utility's accumulated amortization of CIAC balance is overstated by \$5,955 as of December 31, 2007. According to the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts For Class C; a group or overall composite rate may be used for contributed balances that cannot be directly related to plant assets. According to the utility owner, the John Ustica, the utility used 5.9% on CIAC additions from 1995 and 3.31% on prior CIAC. Audit staff used the yearly composite rate for amortization.

**Effect on General Ledger:** The following journal entry should be made to correct the utility's general ledger balances.

<u>Acct No</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
215	Retained Earnings	5,955	
272	Accumulated Amortization of CIAC		5,955

**Effect on Rate Case:** The utility's rate base should be decreased by \$5,955.

Exhibit 1

Tamiami Village Water Company, Inc.  
Docket No. 080183 – WU  
Rate Base – Water  
As of December 31, 2007

	PER BOOKS		PER AUDIT
WATER	12/31/2007	DIFFERENCE	12/31/2007
UTILITY PLANT IN SERVICE	280,923	(7,755)	273,168
ACCUMULATED DEPRECIATION	(193,933)	(1,926)	(195,859)
CIAC	(110,779)	0	(110,779)
AMORTIZATION OF CIAC	106,267	(5,955)	100,311
<b>NET RATE BASE</b>	<b>82,478</b>	<b>(15,637)</b>	<b>66,841</b>