

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 14, 2022

TO: Office of the Commission Clerk

FROM: Rhonda L. Hicks, Director, Office of Auditing and Performance Analysis *RLH*

RE: Docket No.: 20220064-WS
Company Name: Tymber Creek Utilities, Inc.
Company Code: WS246
Audit Purpose: B1c: Certificate Transfer
Audit Control No.: 2022-090-1-2

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.

RLH/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File.

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Tymer Creek Utilities, Inc./
CSWR-Florida Utility Operating Company, LLC

Transfer of Certificates
Certificate Nos. 303-W and 252-S

As of February 28, 2022

Docket No. 20220064-WS
Audit Control No. 2022-090-1-2

June 14, 2022

Handwritten signature of Ashley Sheffield in cursive script.

Ashley Sheffield
Audit Manager

Handwritten signature of Marisa N. Glover in cursive script.

Marisa N. Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request, dated March 29, 2022. We have applied these procedures to the attached schedules prepared by Tymber Creek Utilities, Inc./CSWR-Florida Utility Operating Company, LLC's request for a Transfer of Certificates in Docket No. 20220064-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Buyer/Utility refers to Central States Water Resources (CSWR)-Florida Utility Operating Company (UOC), LLC, which is wholly owned by CSWR-Florida Utility Holding Company, LLC.

Seller refers to Tymber Creek Utilities, Incorporated.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts adopted by Rule 25-30.115, Florida Administrative Code.

Utility Information

Tymber Creek Utilities, Inc. is a Class “C” water and wastewater utility that serves approximately 420 water customers and 420 wastewater customers in Volusia County, per the application. Rate base was established in the last rate case proceeding in Order No. PSC-2011-0345-PAA-WS, issued August 16, 2011.

CSWR-Florida UOC, LLC is purchasing Tymber Creek Utilities, Inc. for \$1,000,000 and has an anticipated closing date of 45 days after Commission approval. CSWR-Florida UOC, LLC is not acquiring any non-regulated assets or operations of the Seller and is not assuming any of the Seller’s liabilities or obligations. The transaction is limited to the acquisition of assets used to provide regulated utility service. CSWR-Florida UOC, LLC filed an application with the Commission for a Transfer of Certificates on March 15, 2022.

Utility Books and Records

Objective: The objective was to determine whether the Utility maintains its accounts and records in conformity with the NARUC USOA.

Procedures: Based upon the review of the general ledger provided by the Seller, the Utility’s books and records are not maintained according to the NARUC USOA. Finding 1 discusses the Utility’s books and records.

Net Book Value

Utility Plant in Service

Objectives: The objectives were to determine whether utility plant in service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are recorded at original cost, 3)

Retirements are recorded when a replacement asset is put into service and 4) Adjustments required in the Utility's last rate proceeding are recorded in its books and records.

Procedures: We reconciled UPIS beginning balances, as of June 30, 2010, using the Commission-approved balances in Order No. PSC-2011-0345-PAA-WS, issued August 16, 2011, in Docket No. 20100359-WS. We schedule UPIS activity from June 30, 2010, through February 28, 2022. We traced asset additions to supporting documentation. We ensured that retirements were made when an asset was removed or replaced. Finding 2 discusses utility plant in service.

Land and Land Rights

Objectives: The objectives were to determine whether the Utility's land is: 1) Recorded at original cost, 2) Owned or secured under a long-term lease agreement, and 3) Adjustments required in the Utility's last rate proceeding are recorded in its books and records.

Procedures: We scheduled land from the Commission-approved balances in Order No. PSC-2011-0345-PAA-WS. We noted that there were no additions to land from June 30, 2010, through February 28, 2022. No further work was performed.

Accumulated Depreciation

Objectives: The objectives were to determine whether accumulated depreciation: 1) Accruals are properly calculated and recorded based on Rule 25-30.140, Florida Administrative Code – Depreciation, 2) Retirements are recorded when an asset is replaced, and 3) Adjustments required in the Utility's last rate proceeding are recorded to its books and records.

Procedures: We reconciled accumulated depreciation's beginning balances, as of June 30, 2010, using the Commission-approved balances in Order No. PSC-2011-0345-PAA-WS. We calculated accumulated depreciation using the depreciation rates established in Rule 25-30.140(2), Florida Administrative Code, from June 30, 2010, through February 28, 2022. Finding 2 discusses accumulated depreciation.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether contributions-in-aid-of-construction (CIAC): 1) Consisted of cash or property contributions that exists and are owned by the Utility, 2) Additions are recorded using Commission-approved tariffs, 3) Retirements are recorded when a contributed asset is replaced, and 4) Adjustments in the Utility's last rate proceeding are recorded to its books and records.

Procedures: We reconciled contributions-in-aid-of-construction's beginning balances, as of June 30, 2010, using the Commission-approved balances in Order No. PSC-2011-0345-PAA-SU. There was an addition of \$100 made to water's contributions-in-aid-of-construction in 2012, but the Utility could not provide supporting documentation. Finding 3 discusses contributions-in-aid-of-construction.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether accumulated amortization of CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-30.140, Florida Administrative Code, – Depreciation, 2) Retirements are recorded when a contributed asset is replaced, and 3) Adjustments required in the Utility’s last rate proceeding are recorded to its books and records.

Procedures: We reconciled accumulated amortization of CIAC’s beginning balances, as of June 30, 2010, using the Commission-approved balances in Order No. PSC-2011-0345-PAA-WS. We calculated annual accruals to accumulated amortization of CIAC using the depreciation rates established by Rule 25-30.140(2). There was an addition of \$100 made to water’s CIAC in 2012, but the Utility could not provide supporting documentation. Finding 3 discusses accumulated amortization of contributions-in-aid-of-construction.

Acquisition Adjustment

Objectives: The objective is to determine the acquisition adjustment, if any, based on audit staff’s net book value pursuant to Rule 25-30.0371, Florida Administrative Code – Acquisition Adjustments.

Procedures: We determined that the Net Book Value for the Utility, at the time of transfer was less than the purchase price, which would reflect a positive acquisition adjustment, pursuant to Rule 25-30.0371 – Acquisition Adjustments. The Buyer is requesting a positive acquisition adjustment. Audit staff determined the acquisition adjustment for water and wastewater to be \$227,515 and \$578,151, respectively. No further work was performed.

Other

Rates and Charges

Objective: The objective is to determine whether the Utility is charging monthly service rates authorized by the Commission-approved tariffs.

Procedures: We obtained and tested the Utility’s billing registers for June 2021 and October 2021. We recalculated a sample of customer bills using the Commission-approved tariffs and verified that the Utility is using approved rates. No further work was performed.

Customer Deposits

Objective: The objective is to determine whether the Seller collected customer deposits and whether the balances are transferred to the Buyer.

Procedures: We inquired about the deposit policy. The Seller has Commission-approved tariffs for the collection of customer deposits. Audit staff determined that the Utility does collect customer deposits. We also noted the Utility’s trial balance for customer deposits is incorrectly overstated. The Utility was aware of the customer deposits being incorrect on the trial balance, but did not make the necessary adjustment prior to submitting to audit staff. The Utility plans to correct the amount for customer deposits in the 2021 Annual Report. The customer deposits, as of February 28, 2022, was \$5,440 as stated on the customer deposit report provided by the Utility. No exceptions were noted. No further work performed.

Audit Findings

Finding 1: Books and Records

Audit Analysis: Tymber Creek Utilities, Inc.'s books and records are not maintained in accordance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA).

NARUC USOA for Class "C" Wastewater Utilities states,

"All books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, invoices, memoranda and information useful in determining the facts regarding a transaction."

Rule 25-30.115, Florida Administrative Code requires utilities to maintain their books and records in conformity with the NARUC USOA.

Audit staff noted that Tymber Creek Utilities, Inc. did not maintain their books and records in accordance with the NARUC USOA. The Utility did not maintain supporting documentation for plant additions made. The Utility was able to supply some invoices for plant additions, but did not provide all supporting documentation from June 30, 2010, through February 28, 2022. Additionally, customer deposits on the trial balance were incorrectly stated, due to the Utility not making adjustments prior to submitting to audit staff.

Finding 2: Utility Plant in Service and Accumulated Depreciation

Audit Analysis: According to the Utility’s trial balance, total UPIS was \$335,032 and \$1,037,526 for water and wastewater, respectively, as of February 28, 2022. The Utility recorded \$140,072 and \$428,648 for water and wastewater plant additions, respectively, between June 30, 2010, through February 28, 2022, according to the Utility’s annual reports. However, supporting documentation was not provided for these amounts. The Utility provided supporting documentation for plant additions in the amount of \$64,050 for water and \$250,712 for wastewater, but did not supply any supporting documentation for retirements for the audit period. Audit staff calculated retirements for plant additions by retiring 75% of the replacements. We scheduled plant additions and retirements from June 30, 2010, through February 28, 2022. We used the Commission-approved beginning balances in Order No. PSC-2011-0345-PAA-WS, issued August 16, 2011. Audit staff determined the water UPIS balance to be \$286,268, as shown in Table 2-1, and the wastewater UPIS balance to be \$882,940, as shown in Table 2-2.

**Table 2-1
Water UPIS**

Account - Description	Utility Balance		Audit	Audit Balance
	UPIS	As of 02/28/2022	Adjustments	UPIS
301 Organization	\$	36	\$ -	\$ 36
302 Franchises		-	-	-
304 Structures and Improvements		903	(724)	179
305 Collecting and Impounding Reservoirs		-	-	-
306 Lake, River and Other Intakes		-	-	-
307 Wells and Springs		-	-	-
309 Supply Mains		40,411	(15,200)	25,211
310 Power Generation Equipment		15,165	-	15,165
311 Pumping Equipment		6,317	(2,575)	3,742
320 Water Treatment Equipment		-	-	-
330 Distribution Reservoirs and Standpipes		-	-	-
331 Transmission and Distribution Mains		190,444	(10,463)	179,981
333 Services		11,160	-	11,160
334 Meters and Meter Installations		42,465	(19,597)	22,868
335 Hydrants		9,185	-	9,185
336 Backflow Prevention Devices		-	-	-
339 Other Plant and Misc. Equipment		1,230	(1,230)	-
340 Office Furniture and Equipment		11,236	(1,911)	9,325
341 Transportation Equipment		4,995	2,817	7,812
343 Tools, Shop and Garage Equipment		-	-	-
345 Power Operated Equipment		373	-	373
348 Other Tangible Plant		1,112	118	1,230
Total :	\$	335,032	\$ (48,765)	\$ 286,268

**Table 2-2
Wastewater UPIS**

Account - Description	Utility Balance		Audit Balance
	UPIS	Audit	UPIS
	As of 02/28/2022	Adjustments	As of 02/28/2022
351 Organization	\$ -	\$ -	\$ -
352 Franchises	-	-	-
354 Structures and Improvements	113,560	43,552	157,112
355 Power Generation Equipment	-	-	-
360 Collection Sewers- Force	11,966	585	12,551
361 Collection Sewers- Gravity	493,482	(220,396)	273,086
362 Special Collecting Structures	-	-	-
363 Services to Customers	43,358	(12)	43,346
364 Flow Measuring Devices	6,406	25,147	31,553
365 Flow Measuring Installations	-	-	-
370 Receiving Wells	91,696	(8,469)	83,227
380 Treatment and Disposal Equipment	248,910	3,732	252,642
381 Plant Sewers	-	-	-
382 Outfall Sewer Lines	10,827	-	10,827
389 Other Plant and Miscellaneous Equipment	5,725	-	5,725
390 Office Furniture and Equipment	9,833	(2,898)	6,935
391 Transportation Equipment	-	2,817	2,817
393 Tools, Shop and Garage Equipment	1,762	(1,762)	-
395 Power Operated Equipment	-	3,120	3,120
398 Other Tangible Plant	-	-	-
Total :	\$ 1,037,526	\$ (154,586)	\$ 882,940

According to the Utility's trial balance, total accumulated depreciation was \$262,455 and \$804,078, as of February 28, 2022, for water and wastewater, respectively. Audit staff calculated accumulated depreciation using the approved rates from Rule 25-30.140, Florida Administrative Code - Depreciation, and the audited plant additions and retirements, as of February 28, 2022. Audit staff determined that the Utility did not use the approved depreciation rates. We noted, as of February 28, 2022, Accounts 310-Power Generation Equipment, 333-Services, 345-Power Operated Equipment, 361-Collection Sewers-Gravity, 363-Services to Customers, 380-Treatment and Disposal Equipment, 382-Outfall Sewer Lines, 390-Office Furniture and Equipment, and 395-Power Operated Equipment were fully depreciated.

We determined that the water accumulated depreciation balance was \$224,914, as of February 28, 2022, as shown in Table 2-3. Audit staff determined that the wastewater accumulated depreciation balance was \$755,614, as of February 28, 2022, as shown in Table 2-4.

**Table 2-3
Water Accumulated Depreciation**

Account - Description	Utility Balance		Audit Balance
	Accum. Dep. As of 02/28/2022	Audit Adjustments	Accum. Dep. As of 02/28/2022
301 Organization	\$ -	\$ (33)	\$ (33)
302 Franchises	-	-	-
304 Structures and Improvements	(355)	179	(176)
305 Collecting and Impounding Reservoirs	-	-	-
306 Lake, River and Other Intakes	-	-	-
307 Wells and Springs	-	-	-
309 Supply Mains	(23,287)	10,814	(12,473)
310 Power Generation Equipment	(15,165)	-	(15,165)
311 Pumping Equipment	(1,368)	929	(439)
320 Water Treatment Equipment	-	-	-
330 Distribution Reservoirs and Standpipes	-	-	-
331 Transmission and Distribution Mains	(168,084)	11,862	(156,222)
333 Services	(11,160)	-	(11,160)
334 Meters and Meter Installations	(17,184)	11,499	(5,685)
335 Hydrants	(8,362)	(140)	(8,502)
336 Backflow Prevention Devices	-	-	-
339 Other Plant and Misc. Equipment	-	-	-
340 Office Furniture and Equipment	(11,237)	1,917	(9,320)
341 Transportation Equipment	(4,707)	39	(4,668)
343 Tools, Shop and Garage Equipment	-	-	-
345 Power Operated Equipment	(373)	-	(373)
348 Other Tangible Plant	(1,173)	476	(697)
Total :	\$ (262,455)	37,541	\$ (224,914)

**Table 2-4
Wastewater Accumulated Depreciation**

Account - Description	Utility Balance		Audit Balance
	Accum. Dep.	Audit	Accum. Dep.
	As of 02/28/2022	Adjustments	As of 02/28/2022
351 Organization	\$ -	\$ -	\$ -
352 Franchises	-	-	-
354 Structures and Improvements	(101,650)	(33,354)	(135,004)
355 Power Generation Equipment	-	-	-
360 Collection Sewers- Force	(9,735)	5,124	(4,611)
361 Collection Sewers- Gravity	(343,448)	70,362	(273,086)
362 Special Collecting Structures	-	-	-
363 Services to Customers	(43,358)	12	(43,346)
364 Flow Measuring Devices	(6,406)	(7,574)	(13,980)
365 Flow Measuring Installations	-	-	-
370 Receiving Wells	(26,155)	16,755	(9,400)
380 Treatment and Disposal Equipment	(248,911)	(3,731)	(252,642)
381 Plant Sewers	-	-	-
382 Outfall Sewer Lines	(9,625)	(1,202)	(10,827)
389 Other Plant and Miscellaneous Equipment	(3,046)	734	(2,312)
390 Office Furniture and Equipment	(9,834)	2,899	(6,935)
391 Transportation Equipment	(783)	431	(352)
393 Tools, Shop and Garage Equipment	-	-	-
395 Power Operated Equipment	(1,127)	(1,993)	(3,120)
398 Other Tangible Plant	-	-	-
Total :	\$ (804,078)	\$ 48,464	\$ (755,614)

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined the water and wastewater UPIS should be decreased by \$48,765 and \$154,586 for waster and wastewater, respectively, to include the total of additions and retirements to UPIS from June 30, 2010, through February 28, 2022. Audit staff determined the accumulated depreciation balance should be decreased by \$37,541 and \$48,464 for water and wastewater, respectively, as of February 28, 2022.

Finding 3: Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

Audit Analysis: According to the schedule provided by the Utility in response to Document Request 2, contributions-in-aid-of-construction was \$155,893 and \$380,306 for water and wastewater, respectively, as of February 28, 2022.

We scheduled contributions-in-aid-of-construction from June 30, 2010, through February 28, 2022. The Utility did not provide supporting documentation for the \$100 addition made to contributions-in-aid-of-construction for water in 2012 and did not make the Commission-approved adjustments in Order No. PSC-2011-0345-PAA-WS, issued August 16, 2011.

Based on the procedures performed above, audit staff determined water contributions-in-aid-of-construction to be \$153,383, as of February 2022, as shown in Table 3-1. Audit staff determined wastewater contributions-in-aid-of-construction to be \$380,306, as of February 28, 2022, as shown in Table 3-2.

**Table 3-1
Water Contributions-in-Aid-of-Construction**

Account - Description	Utility Balance	Audit Adjustments	Audit Balance
	CIAC		CIAC
	As of 02/28/2022		As of 02/28/2022
Meter Installation Charge	\$ (155,893)	\$ 2,510	\$ (153,383)
Total:	\$ (155,893)	\$ 2,510	\$ (153,383)

**Table 3-2
Wastewater Contributions-in-Aid-of-Construction**

Account - Description	Utility Balance	Audit Adjustments	Audit Balance
	CIAC		CIAC
	As of 02/28/2022		As of 02/28/2022
Contributions-in-Aid-of-Construction	\$ (380,306)	\$ -	\$ (380,306)
Total:	\$ (380,306)	\$ -	\$ (380,306)

According to the schedule provided by the Utility in response to Document Request 2, accumulated amortization of CIAC for water and wastewater was \$155,893 and \$380,306, respectively, as of February 28, 2022. Audit staff used the meter installation charge for calculating accumulated amortization of contributions-in-aid-of-construction from Rule 25-30.140 – Depreciation, Florida Administrative Code for the water system. The Utility stated that they were unsure of what rate was used to calculate water accumulated amortization of CIAC. We noted that the audit balance for wastewater accumulated amortization for CIAC reconciled to the Utility balance, as of February 28, 2022.

Based on the procedures performed above, audit staff determined water accumulated amortization of CIAC to be \$155,383, as of February 28, 2022, as shown in Table 3-3. Audit staff determined wastewater accumulated amortization of CIAC to be \$380,306, as of February 28, 2022, as shown in Table 3-4. Both water and wastewater contributions-in-aid-of-construction were fully amortized, as of February 28, 2022.

**Table 3-3
Water Accumulated Amortization of Contributions-in-Aid-of-Construction**

Account - Description	FPSC Rates	Utility Balance		Audit Balance	
		As of 02/28/2022	AA of CIAC	Adjustments	As of 02/28/2022
Meter Installation Charge	0.0588	\$ 155,893	\$ (2,510)	\$ 153,383	
Total:		\$ 155,893	\$ (2,510)	\$ 153,383	

**Table 3-4
Wastewater Accumulated Amortization of Contributions-in-Aid-of-Construction**

Account - Description	FPSC Rates	Utility Balance		Audit Balance	
		As of 02/28/2022	AA of CIAC	Adjustments	As of 02/28/2022
Accumulated Amortization of CIAC	0.0000	\$ 380,306	\$ -	\$ 380,306	
Total:		\$ 380,306	\$ -	\$ 380,306	

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined water contributions-in-aid-of-construction balance should be decreased by \$2,510 and wastewater contributions-in-aid-of-construction balance should remain the same, as of February 28, 2022. Audit staff determined water accumulated amortization of contributions-in-aid-of-construction should be decreased by \$2,510 and wastewater accumulated amortization of contributions-in-aid-of-construction should remain unchanged, as of February 28, 2022.

Exhibits

Exhibit 1: Water Net Book Value

TYMBER CREEK UTILITIES, INC. TRANSFER OF CERTIFICATES AUDIT DOCKET NO. 20220064-WS; ACN 2022-090-1-2 SCHEDULE OF WATER NET BOOK VALUE AS OF FEBRUARY 28, 2022				
Description	Balance per Utility As of 02/28/2022	Audit Adjustments	Audit Finding	Balance per Audit As of 02/28/2022
Utility Plant in Service	\$ 335,032	\$ (48,765)	2	\$ 286,268
Land	1,131	-		1,131
Accumulated Depreciation	(262,455)	37,541	2	(224,914)
Contributions-in-Aid-of-Construction	(155,893)	2,510	3	(153,383)
Accumulated Amortization of CIAC	155,893	(2,510)	3	153,383
NET BOOK VALUE	\$ 73,708	\$ (11,223)		\$ 62,485

Exhibit 2: Wastewater Net Book Value

TYMBER CREEK UTILITIES, INC. TRANSFER OF CERTIFICATES AUDIT DOCKET NO. 20220064-WS; ACN 2022-090-1-2 SCHEDULE OF WASTEWATER NET BOOK VALUE AS OF FEBRUARY 28, 2022				
Description	Balance per Utility As of 02/28/2022	Audit Adjustments	Audit Finding	Balance per Audit As of 02/28/2022
Utility Plant in Service	\$ 1,037,526	\$ (154,586)	2	\$ 882,940
Land	4,524	-		4,524
Accumulated Depreciation	(804,078)	48,464	2	(755,614)
Contributions-in-Aid-of-Construction	(380,306)	-	3	(380,306)
Accumulated Amortization of CIAC	380,306	-	3	380,306
NET BOOK VALUE	\$ 237,972	\$ (106,123)		\$ 131,849