

STATE OF FLORIDA

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TIMOTHY DEVLIN, DIRECTOR  
AUDITING & FINANCIAL ANALYSIS  
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**Public Service Commission**

July 8, 1999

Mr. Joe Swiderski  
J. Swiderski Utilities, Inc.  
9800 U.S. Highway 441, Suite 102  
Leesburg, FL 34788-3918

**Re: Docket No. 981779-WS; J. Swiderski Utilities, Inc.  
Audit Report; Certificate of Transfer  
Audit Control No. 99-056-3-1**

Mr. Swiderski:

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 Services

DNV:sp

- cc:  Division of Records and Reporting
- Division of Auditing and Financial Analysis (Devlin/Causseaux/File Folder)
- Division of Water and Wastewater (Johnson)
- Orlando District Office (Winston)
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**FLORIDA PUBLIC SERVICE COMMISSION**

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

*Orlando District Office*

**J. SWIDERSKI UTILITIES, INC.**

**CERTIFICATE OF TRANSFER**

**PERIOD ENDED JANUARY 31, 1999**

**DOCKET NO. 981779-WS  
AUDIT CONTROL NO. 99-056-3-1**

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

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*Richard F. Brown, Audit Manager*

A handwritten signature in cursive script, appearing to read "Charleston J. Winston".

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*Charleston J. Winston, Audit Supervisor*

Handwritten initials, possibly "JW", written in cursive.

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

**JUNE 17, 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 January 31, 1999, for J. Swiderski Utilities, Inc. These schedules were prepared by the auditor as part of the utility's petition for a Certificate of Transfer in Docket No. 981779-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 J. Swiderski Utilities, Inc.'s water and wastewater rate bases at January 31, 1999. Compiled all plant additions acquired from July 1, 1994 through January 31, 1999, and verified those supported to documentation. Recomputed the depreciation reserve and accumulated amortization as of January 31, 1999.

## **Audit Exception No. 1**

### **Subject: Rate Base Adjustments**

**Facts:** The assets of J. Swiderski Utilities, Inc. consisting of the King's Cove, Summit Chase and Forty-Eight Estates subdivisions were sold to AquaSource, Inc. for \$652,000.

The transfer, which excluded water and wastewater common or general plant, was effective January 27, 1999, according to the purchase agreement between the parties.

**Opinion/Recommendation:** Staff recommends the following adjustments to the company's Annual Reports for each respective system.

**Utility Plant-in-Service (UPIS) and Accumulated Depreciation:** Staff adjustments to King's Cove, Forty-Eight Estates and Summit Chase were based on a compilation of the UPIS and accumulated depreciation balances reflected in Orders PSC-95-0129-FOF-WS at June 30, 1994, PSC-96-0432-FOF-WU at December 31, 1994, and the last FPSC-audited amount in Docket 940946-WS, updated for additions through January 31, 1999.

UPIS and accumulated depreciation balances reflected in the individual systems' 1998 Annual Reports were adjusted to reflect those resulting from the field staff audit. The variances were attributable to non-booked amounts in prior Orders, misclassified plant and Annual Report inaccuracies. Accumulated depreciation was adjusted for reconciliation to the noted Orders and prior audit amounts and differences from the application of Rule 25-30.10, Florida Administrative Code.

Staff recommends that the following adjustments be made to properly reflect UPIS balances at period ended January 31, 1999.

King's Cove - Reduce UPIS by \$54,312 and \$69,558 for water and wastewater systems, respectively. Reduce accumulated depreciation \$6,780 and increase accumulated depreciation by \$4,212 for the water and wastewater systems, respectively.

Summit Chase - Reduce UPIS by \$117,009 for the water system and increase UPIS by \$7,501 for the wastewater system. Increase accumulated depreciation by \$12,509 and \$20,234, respectively, for the water and wastewater systems.

Forty-Eight Estates - Increase UPIS by \$930 and accumulated depreciation by \$8,777 for the water system, respectively.

**Land:** King's Cove water and wastewater land accounts were increased by \$75 for each system to reflect adjustments per Order PSC-95-0129-FOF-WS. The land accounts for the Summit Chase wastewater and Forty-Eight Estates water systems were increased by \$90,925 and \$1,430, respectively, to comply with Orders 22426 and PSC-96-0432-FOF-WU.

**Audit Exception No. 1, contd.**

**CIAC and Accumulated Amortization:** The King's Cove system collected \$12,110 in CIAC from July 1, 1994 through January 31, 1999, which was not segregated per utility's records as a water or wastewater contribution. Field staff determined, using customer meter reading records, that thirty-eight customers were added during the said period. Based on this information, \$34,200 and \$49,400 of respective CIAC was imputed consistent with the service availability charges established in Commission Order 24941.

The above findings require the following staff adjustments. Increase CIAC by \$4,100 and \$7,585 for water and wastewater systems, respectively. Reduce accumulated amortization by \$6,453 and \$19,779 for the water and wastewater systems, respectively.

The Summit Chase water and wastewater systems were fully developed as of July 1, 1994. However, the CIAC and accumulated amortization balances reflected in its 1998 Annual Report had to be adjusted to reconcile to the amounts determined in the last Commission audit for Docket 940946-WS.

The above findings require the following staff adjustments. Increase CIAC by \$32,682 and \$5,152 for the water and wastewater systems, respectively. Increase accumulated amortization by \$227 and reduce accumulated amortization by \$40,540 for water and wastewater systems, respectively.

Forty-Eight Estates added two customers between January 1, 1995 and January 31, 1999. CIAC of \$850 was imputed based on the approved service availability charges in its tariff. The account was adjusted further to reflect the difference in account balances established in Order PSC-96-0432-FOF-WU and those reported in its 1998 Annual Report.

The above findings require the following staff adjustments. Increase CIAC and accumulated amortization by \$4,700 and \$2,608 for the water system, respectively.

Accumulated amortization balances were adjusted to reconcile to the noted Order amounts and differences from the application of Rule 25-30.140, Florida Administrative Code.

**EXHIBIT I****J. SWIDERSKI UTILITIES, INC.  
KING'S COVE  
DOCKET NO. 981779-WS  
WATER RATE BASE  
AT JANUARY 31, 1999**

(a)	(b)	(c)	(d)	(e)
<u>DESCRIPTION</u>	<u>PER UTILITY ANNUAL REPORT</u>	<u>STAFF ADJUSTMENTS</u>	<u>REFER TO</u>	<u>STAFF-ADJUSTED BALANCE</u>
UTILITY PLANT-IN-SERVICE	\$225,137	(\$54,312)	AE1	\$170,825
LAND	1,901	75	AE1	1,976
ACCUMULATED DEPRECIATION	(71,584)	6,780	AE1	(64,804)
CONTRIBUTIONS-IN-AID- OF-CONSTRUCTION	(92,213)	(4,100)	AE1	(96,313)
ACCUMULATED AMORTIZATION	<u>32,170</u>	<u>(6,453)</u>	AE1	<u>25,717</u>
RATE BASE	<u>\$95,411</u>	<u>(\$58,010)</u>		<u>\$37,401</u>

**REQUIRED FOOTNOTES:**

- (1) Small differences are due to rounding.

**EXHIBIT II**

**J. SWIDERSKI UTILITIES, INC.  
KING'S COVE  
DOCKET NO. 981779-WS  
WASTEWATER RATE BASE  
AT JANUARY 31, 1999**

(a)	(b)	(c)	(d)	(e)
<u>DESCRIPTION</u>	<u>PER UTILITY ANNUAL REPORT</u>	<u>STAFF ADJUSTMENTS</u>	<u>REFER TO</u>	<u>STAFF-ADJUSTED BALANCE</u>
UTILITY PLANT-IN-SERVICE	\$344,057	(\$69,558)	AE1	\$274,499
LAND	13,314	75	AE1	13,389
ACCUMULATED DEPRECIATION	(126,971)	(4,212)	AE1	(131,183)
CONTRIBUTIONS-IN-AID-OF- CONSTRUCTION	(158,530)	(7,585)	AE1	(166,115)
ACCUMULATED AMORTIZATION	<u>70,644</u>	<u>(19,779)</u>	AE1	<u>50,865</u>
RATE BASE	<u>\$142,514</u>	<u>(\$101,059)</u>		<u>\$41,455</u>

**REQUIRED FOOTNOTES:**

(1) Small differences are due to rounding.

**EXHIBIT III****J. SWIDERSKI UTILITIES, INC.  
SUMMIT CHASE  
DOCKET NO. 981779-WS  
WATER RATE BASE  
AT JANUARY 31, 1999**

(a)	(b)	(c)	(d)	(e)
<u>DESCRIPTION</u>	<u>PER UTILITY ANNUAL REPORT</u>	<u>STAFF ADJUSTMENTS</u>	<u>REFER TO</u>	<u>STAFF-ADJUSTED BALANCE</u>
UTILITY PLANT-IN-SERVICE	\$267,796	(\$117,009)	AE1	\$150,787
LAND	6,600	0	AE1	6,600
ACCUMULATED DEPRECIATION	(53,530)	(12,509)	AE1	(66,039)
CONTRIBUTIONS-IN-AID-OF- CONSTRUCTION	(47,874)	(32,682)	AE1	(80,556)
ACCUMULATED AMORTIZATION	<u>18,982</u>	<u>227</u>	AE1	<u>19,209</u>
RATE BASE	<u>\$191,974</u>	<u>(\$161,973)</u>		<u>\$30,001</u>

## REQUIRED FOOTNOTES:

- (1) Small differences are due to rounding.

**EXHIBIT IV**

**J. SWIDERSKI UTILITIES, INC.  
SUMMIT CHASE  
DOCKET NO. 981779-WS  
WASTEWATER RATE BASE  
AT JANUARY 31, 1999**

(a)	(b)	(c)	(d)	(e)
<u>DESCRIPTION</u>	<u>PER UTILITY ANNUAL REPORT</u>	<u>STAFF ADJUSTMENTS</u>	<u>REFER TO</u>	<u>STAFF-ADJUSTED BALANCE</u>
UTILITY PLANT-IN-SERVICE	\$181,495	\$7,501	AE1	\$188,996
LAND	0	90,925	AE1	90,925
ACCUMULATED DEPRECIATION	(70,834)	(20,234)	AE1	(91,068)
CONTRIBUTIONS-IN-AID-OF- CONSTRUCTION	(143,377)	(5,152)	AE1	(148,529)
ACCUMULATED AMORTIZATION	<u>57,172</u>	<u>(40,540)</u>	AE1	<u>16,632</u>
RATE BASE	<u>\$24,456</u>	<u>\$32,500</u>		<u>\$56,956</u>

REQUIRED FOOTNOTES:

(1) Small differences are due to rounding.

**EXHIBIT V**

**J. SWIDERSKI UTILITIES, INC.  
 FORTY-EIGHT ESTATES WATER SYSTEM  
 DOCKET NO. 981779-WS  
 WATER RATE BASE  
 AT JANUARY 31, 1999**

(a)	(b)	(c)	(d)	(e)
<u>DESCRIPTION</u>	<u>PER UTILITY ANNUAL REPORT</u>	<u>STAFF ADJUSTMENTS</u>	<u>REFER TO</u>	<u>STAFF-ADJUSTED BALANCE</u>
UTILITY PLANT-IN-SERVICE	\$48,157	\$930	AE1	\$49,087
LAND	0	1,430	AE1	1,430
ACCUMULATED DEPRECIATION	(19,069)	(8,777)	AE1	(27,846)
CONTRIBUTIONS-IN-AID-OF- CONSTRUCTION	(11,900)	(4,700)	AE1	(16,600)
ACCUMULATED AMORTIZATION	<u>4,636</u>	<u>2,608</u>	AE1	<u>7,244</u>
RATE BASE	<u>\$21,824</u>	<u>(\$8,509)</u>		<u>\$13,315</u>

REQUIRED FOOTNOTES:

(1) Small differences are due to rounding.