

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: March 17, 2025

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Lynn Deamer, Bureau Chief, Office of Auditing & Performance Analysis *LD*

RE: Docket No.: 20240168-WU
Company Name: Country Walk Utilities, Inc.
Company Code: WU967
Audit Purpose: A1a: Staff Assisted Rate Case
Audit Control No.: 2025-006-2-1

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.

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Country Walk Utilities, Inc.
Staff-Assisted Rate Case

Twelve Month Period Ended October 31, 2024

Docket No. 20240168-WU

Audit Control No. 2025-006-2-1

March 18, 2025

A large, handwritten signature in cursive script that reads "Ronald A. Mavrides".

Ronald A. Mavrides

Audit Manager

A handwritten signature in cursive script that reads "Curt Mouring".

Curt Mouring
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 & Finance in its audit service request dated January 2, 2025. We have applied these procedures to the attached schedules prepared by the audit staff in support of Country Walk Utilities, Inc.'s request for a Staff Assisted Rate Case in Docket No.20240168-WU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Country Walk Utilities, Inc.

The test year for this proceeding is the historical twelve months ended October 31, 2024.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts as adopted by Rule 25-30.115-Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code(F.A.C.)

Background

Country Walk Utilities, Inc., is a Class C water only Utility operating in Highlands County. The Utility provides service to 70 residential and one general service customer. The Utility files Federal taxes as a subchapter S corporation.

Utility Books and Records

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

Procedures: We reviewed the Utility's accounting system by examining the records provided for this proceeding and determined that the Utility's books are in substantial compliance with the NARUC USOA. The Utility is a Class C utility, but utilizes the USOA Class B accounts, which are more detailed and are acceptable by the Commission.

Rate Base

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 made 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 the beginning balances for UPIS, as of December 31, 2017, to Corrected Attachment A in Docket No. 20180021-WU, Order PSC-2018-0553A-PAA-WU. We scheduled UPIS activity for December 31, 2017, to October 31, 2024. We traced asset additions to supporting documentation. We ensured that retirements were made when an asset was

removed or replaced. We determined the simple average and year-end balances as of October 31, 2024.

Land & Land Rights

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 made 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 requested and received a warranty deed for the utility land and determined that the utility owns the land the water plant occupies. There has been no change in land ownership since the last rate case.

Accumulated Depreciation

Objectives: The objectives were to determine whether: 1) Adjustments to accumulated depreciation in the Utility's last rate case proceeding were recorded in its general ledger, 2) Accumulated depreciation accruals are properly recorded in compliance with Commission Rule 25-30.140-Depreciation, Florida Administrative Code (F.A.C.) and the NARUC USOA, 3) Depreciation expense accruals are calculated using the Commission's authorized rates, and 4) Retirements are properly recorded when an asset was replaced.

Procedures: We reconciled the beginning balances of accumulated depreciation as of December 31, 2017, to the balances per Corrected Attachment A in Docket No. 20180021-WU, Order PSC-2018-0553A-PAA-WU. We calculated accumulated depreciation using the depreciation rates established by Commission Rule 25-30.140 – Depreciation. We determined the year-end and simple average accumulated depreciation balance as of October 31, 2024.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether; 1) Contributions-in-Aid-of-Construction (CIAC) is properly recorded in compliance with Commission rules and the NARUC USOA, 2) Donated property is properly accounted for as recorded as CIAC, and 3) Adjustments to CIAC in the Utility's last rate case proceeding were recorded in its general ledger.

Procedures: Audit staff verified that since the last rate case only two CIAC items were added on October 16, 2018, which totaled \$250.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether: 1) Accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission Rule 25-30.140, F.A.C., 2) Retirements are recorded when a contributed asset was replaced, 3) Adjustments to accumulated amortization of CIAC in the utility's last rate case proceeding were recorded in its general ledger.

Procedures: Audit staff reconciled the beginning balances for Accumulated Amortization of CIAC as of December 31, 2017, from Order No. PSC-2018-0553-PAA-WU, and recalculated the Accumulated Amortization expenses to October 31, 2024. The Utility used a composite rate for all CIAC accounts. The Commission policy is to use the rates applicable to the related plant accounts, and only use a composite rate for unknown plant accounts. Staff used a composite rate only for the cash account. See Finding 1.

Working Capital

Objectives: The objective was to determine the working capital adjustment to be included in the Utility's rate base per Commission Rule 25-30.443(3), F.A.C.

Procedures: We calculated the Utility's working capital adjustment as of October 31, 2024, using one-eighth of operation and maintenance (O&M) expense as required by Commission Rule 25-30.433(3), F.A.C.

Capital Structure

Objectives: The objectives were to determine: 1) Component balances for the Utility's capital structure, 2) Cost rates to be used to arrive at the overall weighted cost of capital and, if 3) Components are properly recorded in compliance with Commission requirements.

Procedures: We reviewed the general ledger and determined that the Utility's capital structure is composed of Common Equity and Customer Deposits. We determined the year-end and its weighted average cost as of October 31, 2024. There was no long-term debt.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether the Utility's test year revenues are recorded in compliance with Commission rules and calculated using Commission-approved rates.

Procedures: We compiled the Utility's revenues for the test year ended October 31, 2024, by obtaining the monthly customer billing registers. We reconciled the billing register to the general ledger. We recalculated revenues based on current tariffs in effect by class. We completed a billing analysis as requested by technical staff. See Finding 2.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether O&M expense is: 1) Representative of the Utility's ongoing operations for the test year, 2) Properly recorded in the appropriate period for the correct amount, and 3) Recorded in compliance with NARUC USOA and Commission Rules.

Procedures: We reviewed all costs for the Utility's O&M expenses for the test year. We reviewed invoices for proper amount, period, classification, NARUC account and whether it was recurring in nature. We verified each expense against the invoice and supporting documentation. We verified payroll expense. Our recommended adjustments to O&M are discussed in Finding 3.

Depreciation and CIAC Amortization Expense

Objectives: The objectives were to determine whether depreciation and CIAC amortization expenses are properly recorded in compliance with Commission rules and that they accurately represent the depreciation of UPIS assets and the amortization of CIAC for ongoing utility operations.

Procedures: We recalculated depreciation expense for the test year ended October 31, 2024, by using the rates established by Commission Rule 25-30.140, F.A.C. Our recommended adjustments to Depreciation and CIAC Amortization Expense are discussed in Finding 4.

Taxes Other than Income

Objectives: The objectives were to determine whether taxes other than income (TOTI) expenses are 1) Properly recorded in compliance with Commission rules, 2) Reasonable for ongoing utility operations, and 3) Recorded in compliance with the NARUC USOA.

Procedures: We verified TOTI expenses for the test year ended October 31, 2024, by tracing the tax amounts to original source documentation. We reviewed the 2023 regulatory assessment fee returns. Our recommended adjustments to Taxes Other than Income are discussed in Finding 5.

Acquisition Adjustment

Objectives: The objectives were to determine whether an acquisition adjustment exists, and is being properly amortized according to Rule 25-30.0371 (3), 25-30.0371 (4), and 25-30.0371 (5), F.A.C.

Procedures: Audit staff obtained and reviewed Order PSC-14-0495-PAA-WU, Order PSC-2018-0553-PAA-WU, (Amendatory Order), and Rule 25-30.0371. Staff recalculated the amortized amounts based on the orders and rule. Our recommended adjustments to Acquisition Adjustments are discussed in Finding 6.

Deferred Debits

Objectives: The objective was to determine the amortized deferred debit expense for the test year ended October 31, 2024.

Procedures: Audit staff reviewed the Regulatory Commission Expense per Order PSC-2018-0553-PAA-WU and traced it to the general ledger. Our recommended adjustments to Accounts 186.1 and Accounts 665 are discussed in Finding 7.

Audit Findings

Finding 1: Accumulated Amortization of CIAC

Table 1-1

NARUC	Description	Balance per Utility		Balance per Audit		Simple	Amortization Expense
		10/31/2024	Adjustment	10/31/2024	Average Per Audit	10/31/2024	
272	CIAC Accumulated Amortization	\$ 24,200	\$ (1,641)	\$ 22,559	\$ 22,401	\$ 288	
	Total	\$ 24,200	\$ (1,641)	\$ 22,559	\$ 22,401	\$ 288	

Audit Analysis: Audit staff determined that Accumulated Amortization of CIAC was \$22,559. The Utility used a composite rate for all CIAC accounts. The Commission policy is to use the rates applicable to the related plant accounts, and only use a composite rate for unknown plant accounts. Staff used a composite rate for the cash account only.

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

Effect on the Filing: Audit staff determined the year-end accumulated amortized CIAC and simple average balances to be \$22,559 and \$22,401, respectively, as of October 31, 2024. Audit staff determined amortization expense to be \$288 for the test year ended October 31, 2024.

Finding 2: Operating Revenue

Table 2-1

NARUC	Description	Balance Per		Balance Per
		Utility	Adjustments	Audit
		10/31/2024		10/31/2024
522.1	Residential Service	\$ 59,461	\$ 2,886	\$ 62,347
522.2	General Service	552	86	638
521.6	Other Revenues:		-	
521.6	Late Fees	498	-	498
521.6	Initial Connections	-	297	297
521.6	Reconnections	479	(297)	182
521.6	Deposit Interest	-		-
521.6	Returned Payment Fe	-		-
	Total	\$ 60,989	\$ 2,972	\$ 63,962

Audit Analysis: Residential revenues are understated by \$2,886. General Services revenues are understated by \$86. Nine Initial Connection Fees were entered as Reconnections. Reconnections are overstated by \$297 and Initial Connections are understated by \$297.

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

Effect on the Filing: Increase Residential revenues by \$2,886. Increase General Service revenues by \$86. Increase Initial Connections by \$297. Reduce Reconnections by \$297.

Finding 3: Operations and Maintenance Expense

Table 3-1

NARUC	Description	Balance Per Utility		Balance Per Audit	
		10/31/2024	Adjustment	10/31/2024	
603	Salaries - Officers - Directors	\$ 2,750	\$ 250	\$ 3,000	
615	Purchased Power	1,187	-	1,187	
618	Chemicals	2,329	-	2,329	
632	Contractual Services - Accounting	525		525	
633	Contractual Services - Legal	300		300	
635	Contractual Services - Testing	905	-	905	
636	Contractual Services - Other	28,097	-	28,097	
655	Insurance	1,630	145	1,775	
665	Regulatory Commission Expense	208	154	362	
670	Bad Debt Expense	226	-	226	
675	Miscellaneous	250	-	250	
	Total	\$ 38,407	\$ 549	\$ 38,956	

Audit Analysis: In Order No. PSC-2022-0141-PAA-WU, issued on April 12, 2022, the Commission authorized annual amortization of rate case expense of \$362. The fee was paid on December 15, 2021, and entered in account 186. It was amortized to account 407 when it should have been amortized to account 665, per the Utility. Our adjustment reflects the annual amortized amount of \$362, per Order.

The November 2023 Officers Salary Account 603 expense was not entered in the general ledger. Our adjustment increases the account by \$250 to reflect the paid invoice.

Audit staff received for the current insurance policy that represents the insurance premiums going forward. The total policy premium is \$1,775 per year.

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

Effect on the Filing: Increase Account 603 Salaries – Officers by \$250. Increase account 655 Insurance by \$145. Increase Account 665 Regulatory Commission Expense by \$154.

Finding 4: Accumulated Depreciation and Depreciation Expense

Table 4-1

Account No.	Account Descriptions	Balance per Utility 10/31/2024	Audit Adjustment	Balance per Audit 10/31/2024	Simple Average per Audit 10/31/2024	Depreciation Expense Test Year
301	Organization	\$ 647	\$ (0)	\$ 647	\$ 617	\$ 60
302	Franchises	193	(0)	193	184	19
304	Structures & Improvements	11,999	(19)	11,980	11,980	-
307	Wells & Springs	10,989	6	10,995	10,586	819
310	Power Generation Equipment	523	69	592	523	137
311	Pumping Equipment	4,492	33	4,525	4,368	314
320	Water Treatment Equipment	66,590	148	66,738	62,746	9,126
330	Distribution Reservoirs	7,234	4	7,238	7,121	234
331	Transmission & Distribution Mains	8,026	(1)	8,025	7,847	357
333	Services	3,281	60	3,341	3,061	560
334	Meters and Meter Install.	\$ 6,711	\$ 66	\$ 6,777	\$ 6,682	\$ 190
		\$ 120,685	\$ 366	\$ 121,051	\$ 115,715	\$ 11,816

Audit Analysis: The Utility based depreciation on the date the plant item was placed in service. The Commission policy is to use the half-year convention, and to calculated depreciation for a half-year in the first year of service.

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

Effect on the Filing: Increase Account 122 Accumulated Depreciation by \$366, and decrease depreciation expense by \$238

Finding 5: Taxes Other than Income

Table 5-1

Description	Per Utility 10/31/2024	Adjustment	Per Audit 10/31/2024
2024 Regulatory Assessment Fee	2,657	221	2,878
2024 Highlands County Property Tax	121	5	126
2024 Highlands County Tangible Tax	1,293	159	1,452
	<u>4,071</u>	<u>384</u>	<u>4,455</u>

Audit Analysis: The Regulatory Assessment Fee for the test-year was not filed as of the time of the audit, so staff calculated it based on the audited revenue amounts for the test-year. The Property Tax and Tangible Tax amounts are the payable amounts as of November 30, 2024. The Utility amounts are accruals based on the previous years taxes.

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

Effect on the Filing: Increase Regulatory Assessment Fees by \$221. Increase County Property Tax by \$5. Increase County Tangible Tax by \$159.

Finding 6: Acquisition Adjustment

Table 6-1

NARUC Account No.	Account Descriptions	Balance per Utility 10/31/2024	Audit Adjustment	Balance per Audit 10/31/2024	Amortization Expense	Simple Average per Audit 10/31/2024
114	Accumulated Amortization of Acquisition Adjustment	\$ 20,064	\$ (618)	\$ 19,446	\$ 904	\$ 18,995

Audit Analysis: Audit staff determined that the utility amortized all of the negative acquisition adjustment prematurely. Staff recalculated the accumulated amortization of the negative acquisition adjustment based on the remaining life of the applicable water assets of 11.1 years, beginning with the date of the issuance of the order approving the transfer, i.e., September 17, 2014. (Order No. PSC 14-0495-PAA-WU). Audit staff notes that Rule 25-30.0371, F.A.C., has been amended subsequent to the issuance of the aforementioned Commission Order such that negative acquisition adjustments will not be included in rate base. Audit staff also notes that the negative acquisition adjustments will be fully amortized in October of this year.

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

Effect on the Filing: Account 115 Accumulated Amortization of Acquisition Adjustment should be reduced by \$618, and Amortization expense should be increased by \$904.

Exhibits

Exhibit 1: Rate Base

**COUNTRY WALK UTILITIES, INC.
 STAFF ASSISTED RATE CASE
 TWELVE MONTH PERIOD ENDED OCTOBER 31, 2024
 DOCKET NO. 20240168-WU; ACN 2025-006-2-1
 SCHEDULE OF WATER RATE BASE**

Description	Balance per Utilitiy 10/31/2024	Audit Adjustments	Audit Finding	Balance per Audit 10/31/2024	Simple Average
Utility Plant in Service	\$ 257,742	-		\$ 257,742	\$ 249,723
Land	1,495	-		1,495	1,495
Contributions in Aid of Construction	(24,200)	-		(24,200)	(24,200)
Accumulated Depreciation	(120,685)	(366)	4	(121,051)	(115,714)
Accumulated Amortization of CIAC	24,200	(1,641)	1	22,559	22,401
Acquisition Adjustment	(20,064)	-		(20,064)	(20,064)
Accumulated Amortization of Acquisition Adjustment	20,064	(618)	6	19,446	18,995
Working Capital	4,869	(45)		4,824	4,824
NET BOOK VALUE	\$ 143,421	\$ (2,670)		\$ 140,751	\$ 137,460

Working Capital 1/8 of O&M Expense

Exhibit 2: Net Operating Income

**COUNTRY WALK UTILITIES, INC.
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED OCTOBER 31, 2024
DOCKET NO. 20240168; ACN 2025-006-2-1
SCHEDULE OF NET OPERATING INCOME**

DESCRIPTION	Balance Per Utility 10/31/2024	Adjustments	Audit Finding	Balance Per Audit 10/31/2024
Operating Revenues	\$ 60,989	2,973	2	\$ 63,962
Operation & Maintenance Expense	38,407	548	3	38,955
Depreciation Expense	12,053	(238)	4	11,815
CIAC Amortized Expense	-	(288)	1	(288)
Acquisition Adjustment Amortization Expense		(904)	6	(904)
Taxes Other Than Income	4,071	384	5	4,455
Total Operating Expense	54,531	(498)		54,033
Net Operating Income (Loss)	\$ 6,458	\$ 3,471		\$ 9,929

Exhibit 3: Capital Structure

**COUNTRY WALK UTILITIES, INC.
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED OCTOBER 31, 2024
DOCKET NO. 20240168-WU
ACN: 2025-006-2-1
SCHEDULE OF CAPITAL STRUCTURE**

Capital Components	10/31/2024 per Utility	Audit Adjustment	10/31/2024 Per Audit	Ratio	Cost Rate	Weighted Cost
Long Term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
Common Equity	194,713	-	194,713	98.84%	8.66%	8.56%
Customer Deposit	\$ 2,280	-	2,280	1.16%	2.00%	0.02%
Total	\$ 196,993	\$ -	\$ 196,993	100.00%		8.58%

Common Equity cost rate is from Order No. PSC-2024-0165-PAA-WS issued on May 22, 2024.