

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-

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**DATE:** February 4, 2026

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

**FROM:** Lynn Deamer, Bureau Chief, Office of Auditing & Performance Analysis *2/6*

**RE:** Docket No.: 20250122-WS

Company Name: Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities

Company Code: WS857

Audit Purpose: A1b: Staff-Assisted Rate Case

Audit Control No.: 2025-309-1-1

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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**

Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities  
Staff-Assisted Rate Case

**12 Months Ended December 31, 2024**

Docket No. 20250122-WS  
Audit Control No. 2025-309-1-1  
January 30, 2026

  
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Wesley Thurmond

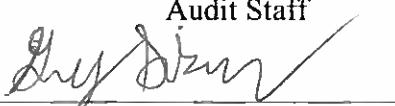
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## Purpose

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 November 4, 2025. We have applied these procedures to the attached schedules prepared by the audit staff in support of Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities' request for a Staff-Assisted Rate Case in Docket No.20250122-WS.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities  
The test year for this proceeding is the twelve months ended December 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

Buttonwood Bay Utilities is a Class C Utility providing water service to 788 residential customers in Highlands County. The Utility also provides wastewater service to 788 residential customers in Highlands County. The Utility is a wholly-owned subsidiary of Sun Communities Acquisitions LLC.

Commission Order No. PSC-2003-0759-PAA-WS, issued on June 23, 2003, in Docket No. 20020892-WS granted the Utility a transfer of certificate for the water and wastewater systems.

The Utility files a partnership tax return. The audit staff did not review the tax returns.

#### 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:** The Utility was only able to provide a summarized general ledger from 2017 to 2024. They could not provide a ledger for rate base items prior to 2017. The general ledger provided did not always have sufficient detail. Audit staff notes that accounting irregularities were observed, and the Utility has stated that these were a result of a change in the accounting system used as well as several items being incorrectly coded by company personnel.

### **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 balances for UPIS as of June 23, 2003 from Commission Order No. PSC-2003-0759-PAA-WS to the Utility's annual reports. For the years 2018-2023, the Utility provided a ledger and stated they were unable to provide any invoices for plant additions from 2003-2016. For December 31, 2003 to December 31, 2016, we used the Utility's plant additions found in the annual reports. We did trace additions to plant in service for 2017- 2024 to provided invoices. Audit staff notes the Utility made few retirements. We believe retirements are necessary but lacked the information required to make those retirements. We determined year-end balances and the simple average balances as of December 31, 2024. See Finding 1.

#### Land & Land Rights

**Objectives:** The objectives were to determine whether Land & Land Rights; 1) Consists of property that exists and is owned by the Utility, or held under a long term lease by the Utility; 2) review and document any changes to land since the last Commission proceeding.

**Procedures:** We reconciled the balances for Land as of June 23, 2003 from Commission Order No. PSC-2003-0759-PAA-WS to the Utility's annual reports. The Utility stated no land has been purchased or sold since the last proceeding.

#### 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 balances for Accumulated Depreciation as of June 23, 2003 from Commission Order No. PSC-2003-0759-PAA-WS to the Utility's annual reports. We recalculated accumulated depreciation using our audited plant balances and the depreciation rates established by Commission Rule 25-30.140 – Depreciation, F.A.C. We determined the year-end balances and simple average balances as of December 31, 2024. See Finding 2.

#### 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 and recorded as CIAC, and 3) Adjustments to CIAC in the Utility's last rate case proceeding were recorded in its general ledger.

**Procedures:** We confirmed that CIAC for water was fully amortized in 2024. CIAC for wastewater was fully amortized in 2017.

#### 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:** We confirmed that CIAC for water was fully amortized in 2024. CIAC for wastewater was fully amortized in 2017.

#### Acquisition Adjustment and Accumulated Amortization of Acquisition Adjustment

**Objectives:** The objective was to determine if the utility has an authorized acquisition adjustment and if so, calculate the current balance of Accumulated Amortization of Acquisition Adjustment.

**Procedures:** We determined that the Utility does not have an authorized acquisition adjustment. No further work was performed.

#### Working Capital

**Objectives:** The objective was to determine the working capital allowance 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 allowance as of December 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 the: 1) Components of the Utility's capital structure, 2) Cost rate for each class of capital, 3) Overall weighted cost of capital, and that 4) components are properly recorded in compliance with the NARUC USoA.

**Procedures:** We reviewed all components of capital structure. We recalculated the cost rate of common equity using the formula set forth in Commission Order PSC-2025-0213-PAA-WS. We noted that the Utility does not collect customer deposits and there was no tariff for customer deposit. We found \$18,526 included in accrued taxes was for regulatory assessment fees and thus did not belong in capital structure. However, because the amount was not included in capital structure on the Utility's books there is no finding. Based on a review of the 2024 Annual Report, the Utility appears to be wholly funded by the related party debt from the parent company. No further work was performed.

#### **Net Operating Income**

##### Operating Revenue

**Objectives:** The objectives were: 1) to provide a calculation of revenues for all test year rates by class and meter size using the billing analysis; 2) to provide a schedule of customers billed or served by class and meter size for the last month of the test year; 3) to provide a schedule of test year miscellaneous service charges received by type and provide the number of connections for each type of charge; 4) to provide a billing analysis using the attached form for each class of service by meter size for all Commission approved test year tariffed rates, and 5) to provide a schedule of private fire protection service by size of connection.

**Procedures:** We obtained the billing register from the Utility, and created the billing analysis by rate class and meter size. We obtained the revenues from the Annual Report 2024. We recalculated the revenues for the historical test year ended December 31, 2024 by rate class and meter size, and traced to the general ledger. We scheduled the customers billed by rate class and meter size for the last month of the test year (December, 2024). We requested and confirmed the miscellaneous service charge and private fire protection service from the Utility. We judgmentally selected 4 residential customer (12 total) bills from February, May, and October of 2024 for sample testing. We recalculated the selected bills, and confirmed whether the Utility used the Commission-approved tariff rates. We also traced our recalculation to billing register and customer bills. See Findings 3 and 4.

#### 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 in appropriate NARUC accounts and whether it was recurring in nature. We traced expenses to invoices and other supporting documentation. We verified the Utility has no payroll expense. Our recommended adjustments to O&M are discussed in Finding 5.

#### 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 December 31, 2024, by using the rates established by Commission Rule 25-30.140, F.A.C. We included the remaining CIAC expense applicable to water on our schedules. Our recommended adjustments to Depreciation are discussed in Finding 2.

#### Taxes Other than Income

**Objectives:** The objective was to verify the taxes other than income (TOTI) of the Utility for the test year ended December 31, 2024.

**Procedures:** We recalculated the regulatory assessment fees (RAF) of the Utility, and reconciled to the general ledger, RAF form, annual report and application. We scheduled the taxes other than income, and reconciled to the annual report and application of the Utility. We confirmed the payroll tax recorded by the Utility. See Finding 6.

## Audit Findings

### **Finding 1: Utility Plant in Service**

**Audit Analysis:** Audit staff determined the UPIS balance, including land, as of December 31, 2024 should be \$1,978,668 for water, and \$1,744,896 for wastewater. Further we determined the balance of land should be \$4,600 for water, and \$31,000 for wastewater based on the prior order. The Utility stated it could only provide a ledger from January 1, 2017 to December 31, 2024 and could only provide invoices for years 2017-2024. Thus, the audit of UPIS is broken into three time periods below.

- a. December 31, 2002. The Commission Order No. PSC-2003-0759-PAA-WS did not include plant additions so audit staff determined the additions by taking the difference between 2002 plant balances and 2001 plant balances.
- b. December 31, 2002 to December 31, 2016. The Utility could provide no ledger and no invoices for this time period. Thus, audit staff used the balances determined in Commission Order No. PSC-2003-0759-PAA-WS as a starting point and used the Utility's annual reports for determining UPIS additions and retirements.
- c. January 1, 2017 to December 31, 2024. Initially the Utility stated it could provide no invoices for this time period but did provide a ledger of plant additions. Upon review of the ledger, audit staff found, based on the short description of the additions in the ledger, that the Utility did not properly classify additions in this time period. We went item by item, determining to the best of our ability, the correct account each item should go into and made the appropriate adjustments. For the items that did not contain adequate detail to determine the appropriate account, the Utility was able to provide the invoices for those items (though the Utility initially stated no invoices for that time period were available).

Audit staff compiled the above information into a spreadsheet and compared it to the Utility's Annual Report balances (since the Utility did not have a continuous ledger for the entire period). Audit staff determined that UPIS was understated by \$290,048 for water, and overstated by \$90,330 for wastewater when we compared our balances to those found in the Annual Report. See Table 1-1.

Lastly, staff would note the utility made only 6 total retirements from December 31, 2003 to December 31, 2024. Additionally for January 1, 2017 to December 31, 2024, we were aware the Utility did not correctly classify additions. We classified each item into what we believe to be the correct NARUC USoA accounts based on our limited information. However, we would defer to technical staff for the final classifications. We would also note that while audit staff believes more retirements should have been made, we do not have sufficient detail to know the proper amounts that should have been retired. Audit staff defers to technical staff for retirements as well.

Table 1-1 Utility Plant in Service and Land - Water

<b>Account Name and No.</b>	<b>Per Annual Report</b>	<b>Adjustments</b>	<b>Per Audit</b>
301 Organization	\$ 38,693	\$ -	\$ 38,693
302 Franchises	\$ -	\$ -	\$ -
303 Land and Land Rights	\$ 4,600	\$ -	\$ 4,600
304 Structures and Improvements	\$ 100,349	\$ 61,260	\$ 161,609
305 Collecting and Impounding Reservoirs	\$ -	\$ -	\$ -
306 Lake, River and Other Intakes	\$ -	\$ -	\$ -
307 Wells and Springs	\$ 105,685	\$ 12,984	\$ 118,669
308 Infiltration Galleries & Tunnels	\$ -	\$ -	\$ -
309 Supply Mains	\$ 26,164	\$ 42,872	\$ 69,036
310 Power Generating Equipment	\$ 47,201	\$ (4,610)	\$ 42,591
311 Pumping Equipment	\$ 58,503	\$ 57,183	\$ 115,686
320 Water Treatment Equipment	\$ 725,786	\$ (462,325)	\$ 263,461
330 Distribution Reservoirs & Standpipes	\$ 341,052	\$ 49,895	\$ 390,947
331 Trans & Dist Mains	\$ 301,083	\$ (41,651)	\$ 259,432
333 Services	\$ 101,167	\$ -	\$ 101,167
334 Meter & Meter Installations	\$ 398,390	\$ (5,656)	\$ 392,734
335 Hydrants	\$ 1,194	\$ -	\$ 1,194
336 Backflow Prevention Devices	\$ 18,849	\$ (18,849)	\$ -
339 Other Plant & Misc Equipment	\$ -	\$ 18,849	\$ 18,849
340 Office Furniture and Equipment	\$ -	\$ -	\$ -
341 Transportation Equipment	\$ -	\$ -	\$ -
342 Stores Equipment	\$ -	\$ -	\$ -
343 Tools, Shop and Garage Equipment	\$ -	\$ -	\$ -
344 Laboratory Equipment	\$ -	\$ -	\$ -
345 Power Operated Equipment	\$ -	\$ -	\$ -
346 Communications Equipment	\$ -	\$ -	\$ -
347 Misc Equipment	\$ -	\$ -	\$ -
348 Other Tangible Plant	\$ -	\$ -	\$ -
<b>Total Water Plant</b>	<b>\$ 2,268,716</b>	<b>\$ (290,048)</b>	<b>\$ 1,978,668</b>

Table 1-2 Utility Plant in Service and Land - Wastewater

Account No. and Name	Per Annual Report	Adjustments	Per Audit
351 Organization	\$ 41,438	\$ -	\$ 41,438
352 Franchises	\$ -	\$ -	\$ -
353 Land and Land Rights	\$ 31,000	\$ -	\$ 31,000
354 Structure and Improvements	\$ 248,885	\$ 123,221	\$ 372,106
355 Power Generation Equipment	\$ -	\$ -	\$ -
360 Collection Sewers - Force	\$ 31,470	\$ 97,609	\$ 129,079
361 Collection Sewers - Gravity	\$ 359,862	\$ -	\$ 359,862
362 Special Collecting Structures	\$ -	\$ -	\$ -
363 Services to Customers	\$ 202,334	\$ -	\$ 202,334
364 Flow Measuring Devices	\$ 7,037	\$ (1,251)	\$ 5,786
365 Flow Measuring Installations	\$ -	\$ -	\$ -
370 Receiving Wells	\$ 20,464	\$ -	\$ 20,464
371 Pumping Equipment	\$ 242,996	\$ (109,783)	\$ 133,213
380 Treatment & Disposal Equipment	\$ 630,649	\$ (209,258)	\$ 421,391
381 Plant Sewers	\$ 3,097	\$ -	\$ 3,097
382 Outfall Sewer Lines	\$ -	\$ -	\$ -
389 Other Plant / Miscellaneous Equipment	\$ 15,994	\$ -	\$ 15,994
390 Office Furniture & Equipment	\$ -	\$ -	\$ -
391 Transportation Equipment	\$ -	\$ -	\$ -
392 Stores Equipment	\$ -	\$ -	\$ -
393 Tools, Shop, and Garage Equipment	\$ -	\$ -	\$ -
394 Laboratory Equipment	\$ -	\$ -	\$ -
395 Power Operated Equipment	\$ -	\$ -	\$ -
396 Communication Equipment	\$ -	\$ -	\$ -
397 Miscellaneous Equipment	\$ -	\$ 9,131	\$ 9,131
398 Other Tangible Plant	\$ -	\$ -	\$ -
<b>Total Wastewater Plant</b>	<b>\$ 1,835,226</b>	<b>\$ (90,330)</b>	<b>\$ 1,744,896</b>

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

**Effect on the Filing:** The test year Utility Plant in Service and Land should be adjusted to reflect the per audit balances shown in Tables 1-1 and 1-2 above.

## **Finding 2: Accumulated Depreciation and Depreciation Expense**

**Audit Analysis:** Audit staff determined the proper amount of Accumulated Depreciation as of December 31, 2024 should be \$1,269,610 for water, and \$1,289,960 for wastewater. Further we determined the proper amount of depreciation expense should be \$79,700 for water, and \$23,155 for wastewater.

Due to the volume of adjustments to UPIS discussed in Finding 1, audit staff recalculated depreciation from December 31, 2001 to December 31, 2024. We found that due to the differences in plant as well as the Utility using incorrect depreciation rates, accumulated depreciation should be decreased by \$169,628 for water, and increased by \$191,126 for wastewater. In addition, Depreciation expense should be increased by \$12,743 for water, and decreased by \$50,803 for wastewater. See Tables 2-1 and 2-2 below.

Table 2-1 Accumulated Depreciation - Water

<b>Account No. and Name</b>	<b>Per Annual Report</b>	<b>Adjustments</b>	<b>Per Audit</b>
301 Organization	\$ 20,947	\$ 6	\$ 20,953
302 Franchises	\$ -	\$ -	\$ -
303 Land and Land Rights	\$ -	\$ -	\$ -
304 Structures and Improvements	\$ 50,319	\$ 14,533	\$ 64,852
305 Collecting and Impounding Reservoirs	\$ -	\$ -	\$ -
306 Lake, River and Other Intakes	\$ -	\$ -	\$ -
307 Wells and Springs	\$ 66,004	\$ 1,685	\$ 67,689
308 Infiltration Galleries & Tunnels	\$ -	\$ -	\$ -
309 Supply Mains	\$ 20,823	\$ 3,145	\$ 23,968
310 Power Generating Equipment	\$ 46,060	\$ (15,353)	\$ 30,707
311 Pumping Equipment	\$ 41,806	\$ (13,710)	\$ 28,096
320 Water Treatment Equipment	\$ 300,511	\$ (58,566)	\$ 241,945
330 Distribution Reservoirs & Standpipes	\$ 246,971	\$ (151,713)	\$ 95,258
331 Trans & Dist Mains	\$ 178,172	\$ 37,896	\$ 216,068
333 Services	\$ 101,168	\$ (1)	\$ 101,167
334 Meter & Meter Installations	\$ 347,971	\$ 11,203	\$ 359,174
335 Hydrants	\$ 1,194	\$ -	\$ 1,194
336 Backflow Prevention Devices	\$ -	\$ -	\$ -
339 Other Plant & Misc Equipment	\$ 17,292	\$ 1,247	\$ 18,539
340 Office Furniture and Equipment	\$ -	\$ -	\$ -
341 Transportation Equipment	\$ -	\$ -	\$ -
342 Stores Equipment	\$ -	\$ -	\$ -
343 Tools, Shop and Garage Equipment	\$ -	\$ -	\$ -
344 Laboratory Equipment	\$ -	\$ -	\$ -
345 Power Operated Equipment	\$ -	\$ -	\$ -
346 Communications Equipment	\$ -	\$ -	\$ -
347 Misc Equipment	\$ -	\$ -	\$ -
348 Other Tangible Plant	\$ -	\$ -	\$ -
<b>Total Water Accumulated Depreciation</b>	<b>\$ 1,439,238</b>	<b>\$ (169,628)</b>	<b>\$ 1,269,610</b>

Table 2-2 Accumulated Depreciation - Wastewater

<b>Account No. and Name</b>	<b>Per Annual Report</b>	<b>Adjustments</b>	<b>Per Audit</b>
351 Organization	\$ 22,498	\$ (1)	\$ 22,497
352 Franchises	\$ -	\$ -	\$ -
353 Land and Land Rights	\$ -	\$ -	\$ -
354 Structure and Improvements	\$ 81,419	\$ 19,490	\$ 100,909
355 Power Generation Equipment	\$ -	\$ -	\$ -
360 Collection Sewers - Force	\$ 31,470	\$ -	\$ 31,470
361 Collection Sewers - Gravity	\$ 363,170	\$ (3,308)	\$ 359,862
362 Special Collecting Structures	\$ -	\$ -	\$ -
363 Services to Customers	\$ 202,334	\$ -	\$ 202,334
364 Flow Measuring Devices	\$ 7,037	\$ (1,501)	\$ 5,536
365 Flow Measuring Installations	\$ -	\$ -	\$ -
370 Receiving Wells	\$ 17,200	\$ (1,111)	\$ 16,089
371 Pumping Equipment	\$ 191,607	\$ (67,188)	\$ 124,419
380 Treatment & Disposal Equipment	\$ 546,468	\$ (140,659)	\$ 405,809
381 Plant Sewers	\$ 1,889	\$ (2)	\$ 1,887
382 Outfall Sewer Lines	\$ -	\$ -	\$ -
389 Other Plant / Miscellaneous Equipment	\$ 15,994	\$ -	\$ 15,994
390 Office Furniture & Equipment	\$ -	\$ -	\$ -
391 Transportation Equipment	\$ -	\$ -	\$ -
392 Stores Equipment	\$ -	\$ -	\$ -
393 Tools, Shop, and Garage Equipment	\$ -	\$ -	\$ -
394 Laboratory Equipment	\$ -	\$ -	\$ -
395 Power Operated Equipment	\$ -	\$ -	\$ -
396 Communication Equipment	\$ -	\$ -	\$ -
397 Miscellaneous Equipment	\$ -	\$ 3,153	\$ 3,153
398 Other Tangible Plant	\$ -	\$ -	\$ -
<b>Total Wastewater Accumulated Depreciation</b>	<b>\$ 1,481,086</b>	<b>\$ (191,126)</b>	<b>\$ 1,289,960</b>

Table 2-3 Depreciation Expense

<b>Depreciation Expense</b>				
	<b>Per Utility AR</b>	<b>Per Audit</b>	<b>Difference</b>	
W	\$ 77,651	\$ 79,700	\$ 2,049	
WW	\$ 66,768	\$ 23,155	\$ (43,613)	
	<b>\$ 144,419</b>	<b>\$ 102,855</b>	<b>\$ (41,564)</b>	

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

**Effect on the Filing:** The test year Accumulated Depreciation should be adjusted to reflect the per audit balances shown in Tables 2-1 and 2-2 above. In addition, the test year Depreciation expense should be adjusted to reflect the balances shown in Table 2-3 above.

### **Finding 3: Operating Revenue**

**Audit Analysis:** The Utility used the incorrect base charge for water and wastewater service. Audit staff determined that the Utility under-charged the base rate, starting in August 2024, where there should have been a rate increase. The Utility charged the base rate at \$10.28/month for water residential and \$10.61/month for wastewater residential customers, which were different from the Commission-approved water tariff rates of \$10.53/month for water residential and \$10.77/month for wastewater residential.

In addition, there were 36 wastewater customers that were charged twice (duplicate). Audit staff removed the duplicates from the billing analysis and billing register.

Audit staff recalculated the revenues for historical test year ended December 31, 2024 by rate class and meter size from billing register, and traced to the annual report. The Utility's annual report showed the revenues of water and wastewater of \$287,320, however, audit staff recalculated the total revenues of water and wastewater to be \$283,412 based on our billing analysis. Based on the annual report of 2024, the Utility had water revenues of \$154,284, audit staff recalculated water revenues of \$151,299; the Utility had wastewater revenues of \$133,036, audit staff recalculated wastewater revenues of \$132,113.

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

**Effect on the Filing:** The water revenues the Utility for the historical test year ended December 31, 2024 should be decreased by \$2,985 ( $\$151,299 - \$154,284 = -\$2,985$ ), and the wastewater revenues for the historical test year ended December 31, 2024 should be decreased by \$923 ( $\$132,113 - \$133,036 = -\$923$ ).

## **Finding 4: Incorrect Rates in Customer Bills**

**Audit Analysis:** The audit staff noted while reviewing the actual customer bills that the Utility was charging incorrect base rates and an incorrect usage rates. This would be in violation of Commission Rule 25-30.475 – Effective Date of Approved Tariffs, F.A.C.

The Utility charged the base rate of \$10.28/month for water residential and \$10.61/month for wastewater residential customers, instead of the Commission-approved base rate of \$10.53/month for water residential and \$10.77/month for wastewater residential customers that should have gone into effect in August 2024.

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

**Effect on the Filing:** Technical staff should determine the effect on the filing.

## **Finding 5: Operations and Maintenance Expense**

**Audit Analysis:** Audit staff reviewed all invoices for the Utility's O&M expenses for the test year and compared the totals to the annual report totals. See Tables 5-1 and 5-2.

Account 615 and 715 – Purchased Power. Audit staff requested the 2024 Purchased Power bills and the Utility sent the bills for 2023 usage. As of the date of this audit report, the Utility has not responded to our request for the 2024 bills, thus audit staff utilized invoices from 2023. Upon review of the invoices, we found the bills were incorrectly allocated to water and wastewater. To correct the allocations, as well as only reflect the portions of the bills of the 2023 Purchased Power bills, Purchased Power should be increased by \$4,499 for Account 615 and decreased by \$2,694 for Account 715.

Account 618 and 718 – Chemicals.

- We reclassified \$1,951 of WWTP chemical expenses from Account 618 to Account 718 to ensure proper allocation between Water and Wastewater.
- We reclassified 32 invoices, totaling \$12,410 from Account 635. We reallocated those invoices and increased Account 618 by \$2,396, and increased Account 718 by \$10,014.
- We reclassified three invoices, totaling \$987, for WTP chemicals from Account 730 test to 618.
- We reclassified one invoice totaling \$453 for WWTP chemical expenses from Account 711 to 718.

Account 631 – Contractual Services – Engineering.

- We reclassified nine invoices, totaling \$3,799, of engineering expenses from Account 636 to 631.
- We reclassified four invoices, totaling \$2,853, of testing expenses from Account 631 to 635.
- We reclassified \$13,660 of legal fees in Accounts 631 and evenly split them between Accounts 633 and 733, thus increasing each account by \$6,830.
- We reclassified \$12,825 of Management fees in Accounts 631 and evenly split them between Accounts 634 and 734, thus increasing each account by \$6,412.

Account 633 Contractual Services – Legal. We reclassified \$13,660 of legal fees that were originally split between Accounts 631 and 731 and evenly split them between Accounts 633 and 733, thus increasing each account by \$6,830

Account 634 Contractual Services – Management Fees.

- We reclassified \$12,825 of Management fees that were originally split between Accounts 631 and 731 and evenly split them between Accounts 634 and 734, thus increasing each account by \$6,412.

Account 635 – Contractual Services – Testing.

- We reclassified four invoices, totaling \$2,853, of testing expenses from Account 631 to 635.

- We also reclassified one invoice totaling \$125 for backflow testing from Account 636 to 635.

Account 636 – Contractual Services – Other.

- We reclassified nine invoices, totaling \$3,799, of engineering expenses from Account 636 to 631.
- We reclassified one invoice totaling \$125 for backflow testing from Account 636 to 635.

Account 711 - Sludge Removal.

- We reclassified seven invoices, totaling \$3,435, of other expenses from Account 711 to 736.
- We reclassified one invoice totaling \$453 for WWTP chemical expenses from Account 711 to 718.
- We also reclassified one invoice totaling \$504 for equipment rental from Account 711 to 742.

Account 731 – Contractual Services – Engineering.

- We reclassified \$13,660 of legal fees in Accounts 631 and evenly split them between Accounts 633 and 733, thus increasing each account by \$6,830.
- We reclassified \$12,825 of Management fees in Accounts 631 and evenly split them between Accounts 634 and 734, thus increasing each account by \$6,412.
- We also reclassified four invoices, totaling \$2,186, of other expenses from Account 731 to 736.

Account 733 Contractual Services – Legal. We reclassified \$13,660 of legal fees that were originally split between Accounts 631 and 731 and evenly split them between Accounts 633 and 733, thus increasing each account by \$6,830.

Account 734 Contractual Services – Management Fees. We reclassified \$12,825 of Management fees that were originally split between Accounts 631 and 731 and evenly split them between Accounts 634 and 734, thus increasing each account by \$6,412.

Account 736 – Contractual Services – Other.

- We reclassified seven invoices, totaling \$3,435, of other expenses from Account 711 to 736.
- We also reclassified four invoices, totaling \$2,240, of other expenses from Account 731 to 736.

Account 742 – Rental of Equipment. We reclassified one invoice totaling \$504 for equipment rental from Account 711 to 742.

Table 5-1 O&M Expense - Water

Account No.	Account Name	Per Utility GL	Adjustment	Audit Amount
615	Purchased Power	\$ 22,339	\$ 4,499	\$ 26,838
618	Chemicals	\$ 27,488	\$ 445	\$ 27,933
630	Contractual Service - Billing Water	\$ 7,178	\$ -	\$ 7,178
631	Contractual Service - Eng. Water	\$ 91,211	\$ (25,539)	\$ 65,672
633	Contractual Service - Legal Water	\$ 0	\$ 6,830	\$ 6,830
634	Contractual Services - Managment Fees	\$ 0	\$ 6,412	\$ 6,412
635	Contractual Services - Testing	\$ 5,195	\$ 2,978	\$ 8,173
636	Contractual Service - Other Water	\$ 6,209	\$ (3,924)	\$ 2,285
	Total Water	\$ 159,620	\$ (8,298)	\$ 151,321

Table 5-2 O&M Expense - Wastewater

Account No.	Account Name	Per Utility GL	Adjustment	Audit Amount
711	Sludge Removal	\$ 22,341	\$ (4,391)	\$ 17,950
715	Purchased Power	\$ 22,339	\$ (2,694)	\$ 19,645
718	Chemicals	\$ 0	\$ 12,418	\$ 12,418
730	Contractual Service - Billing WW	\$ 7,178	\$ -	\$ 7,178
731	Contractual Service - Eng. WW	\$ 58,065	\$ (28,671)	\$ 29,395
733	Contractual Service - Legal WW	\$ 0	\$ 6,830	\$ 6,830
734	Contractual Services - Managment Fees	\$ 0	\$ 6,412	\$ 6,412
735	Contractual Services - Testing	\$ 12,466	\$ (12,466)	\$ -
736	Contractual Service - Other WW	\$ 1,853	\$ 5,675	\$ 7,529
742	Rental of Equipment	\$ 0	\$ 504	\$ 504
	Total Wastewater	\$ 124,242	\$ (16,885)	\$ 107,357

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

**Effect on the Filing:** The test year O&M expenses should be adjusted to the balances shown in tables 5-1 and 5-2 above.

## Finding 6: Taxes Other than Income

**Audit Analysis:** Audit staff reviewed all components of Taxes Other Than Income (TOTI) and found the Utility did not report the correct amount. Adjustments to individual components of TOTI are discussed below.

**Payroll Taxes** – Audit staff confirmed there were no payroll expenses reported by the Utility for 2024. Therefore, there are no payroll taxes.

**Property Taxes** – We requested the property tax bills for the 2024 year. In response, the Utility sent over \$400,000 of property tax bills. We requested the Utility clarify which of these bills correspond to the \$7,538 of payroll taxes reflected in their application and 2024 Annual Report. At the time of the Audit Report, the Utility has not responded. In the 2024 Annual Report, the Utility divided the property taxes of \$7,538 evenly between water and wastewater. Audit staff believes an adjustment is necessary due to improper allocation of property taxes (the Utility is approved 0.92 acres of Water Land and 6.2 acres of Wastewater Land), but we do not have the information required to make the adjustment at this time.

**Regulatory Assessment Fees (RAFs)** – The Utility paid \$6,943 and \$5,987 in water and wastewater RAFs, respectively, for 2024. Audit staff found that that amount was incorrectly calculated based on their reported revenues. To correct this calculation and to recalculate RAFs based on revenue adjustments in Finding 3, we recommend water and wastewater RAFs be decreased by \$135 and \$42, respectively. This results in a 2024 RAFs amount of \$6,808 for water, and \$5,945 for wastewater. See Table 6-1 below for a summary of TOTI adjustments.

Table 6-1

<b>Water</b>	Per Annual Report	Adjustment	Per Audit
Property Taxes	\$ 3,769	\$ 1	\$ 3,770
Payroll Taxes	\$ -	\$ -	\$ -
RAFs	\$ 6,943	\$ (135)	\$ 6,808
<b>TOTI</b>	<b>\$ 10,712</b>	<b>\$ (134)</b>	<b>\$ 10,578</b>

<b>Wastewater</b>	Per Annual Report	Adjustment	Per Audit
Property Taxes	\$ 3,769	\$ 1	\$ 3,770
Payroll Taxes	\$ -	\$ -	\$ -
RAFs	\$ 5,987	\$ (42)	\$ 5,945
<b>TOTI</b>	<b>\$ 9,756</b>	<b>\$ (41)</b>	<b>\$ 9,715</b>

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

**Effect on the Filing:** The balance of TOTI should be adjusted to reflect the amounts shown on Table 6-1.

## Exhibits

### **Exhibit 1: Water Rate Base**

**SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES  
STAFF ASSISTED RATE CASE  
TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024  
DOCKET NO. 20250122-WS; ACN 2025-309-1-1  
SCHEDULE OF WATER RATE BASE**

<u>Description</u>	<u>Per Utility 12/31/2024</u>	<u>Audit Adjustment</u>	<u>Audit Finding</u>	<u>Per Audit 12/31/2024</u>	<u>Simple Average</u>
Utility Plant in Service	\$ 2,264,116	\$ (290,048)	1	\$ 1,974,068	\$ 1,932,252
Land	\$ 4,600	\$ -	1	\$ 4,600	\$ 4,600
Plant in Service	\$ 2,268,716	\$ (290,048)		\$ 1,978,668	\$ 1,936,852
Contribution in Aid of Construction (CIAC)	\$ 216,940	\$ -		\$ 216,940	\$ 216,940
Accumulated Amortization of CIAC	\$ 216,940	\$ -		\$ 216,940	\$ 216,378
Accumulated Depreciation	\$ 1,439,238	\$ (169,628)	2	\$ 1,269,610	\$ 1,229,760
Working Capital		\$ 18,915		\$ 18,915	\$ 18,915
<b>Rate Base - Water</b>	<b>\$ 829,478</b>	<b>\$ (101,505)</b>		<b>\$ 727,973</b>	<b>\$ 725,445</b>

## Exhibit 2: Wastewater Rate Base

**SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES**  
**STAFF ASSISTED RATE CASE**  
**TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024**  
**DOCKET NO. 20250122-WS; ACN 2025-309-1-1**  
**SCHEDULE OF WASTEWATER RATE BASE**

<b>Description</b>	<b>Per Utility</b>		<b>Audit Finding</b>	<b>Per Audit</b>		<b>Simple Average</b>
	<b>12/31/2024</b>	<b>Adjustment</b>		<b>12/31/2024</b>	<b>12/31/2024</b>	
Utility Plant in Service	\$ 1,804,226	\$ (90,330)	1	\$ 1,713,896	\$ 1,702,031	
Land	\$ 31,000	\$ -	1	\$ 31,000	\$ 31,000	
Plant in Service	\$ 1,835,226	\$ (90,330)		\$ 1,744,896	\$ 1,733,031	
Contributions in Aid of Construction (CIAC)	\$ 227,500			\$ 227,500	\$ 227,500	
Accumulated Amortization of CIAC	\$ 227,500			\$ 227,500	\$ 227,500	
Accumulated Depreciation	\$ 1,481,086	\$ (191,126)	2	\$ 1,289,960	\$ 1,278,383	
Working Capital		\$ 13,420		\$ 13,420	\$ 13,420	
<b>Rate Base - Wastewater</b>	<b>\$ 354,140</b>	<b>\$ 114,216</b>		<b>\$ 468,356</b>	<b>\$ 468,068</b>	

## Exhibit 3: Capital Structure

**SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES  
STAFF ASSISTED RATE CASE**

**TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024**

**DOCKET NO. 20250122-WS; ACN 2025-309-1-1**

**SCHEDULE OF CAPITAL STRUCTURE**

<b>Class of Capital</b>	<b>Per Utility 12/31/2024</b>	<b>Audit Adjustment</b>	<b>Per Audit 12/31/2024</b>	<b>Ratio</b>	<b>Cost Rate</b>	<b>Weighted Cost</b>
Long-Term Debt	\$ -	\$ -	\$ -	-		
Short-Term Debt	\$ -	\$ -	\$ -	-		
Preferred Stock	\$ -	\$ -	\$ -	-		
Customer Deposit	\$ -	\$ -	\$ -	-		
Common Equity	\$ 613,168	\$ (12,176)	\$ 600,992	100%	8.51%	8.51%
Investment Tax Credits	\$ -	\$ -	\$ -	-		
Accumulated Deferred Taxes	\$ -	\$ -	\$ -	-		
<b>Total Capital Structure</b>	<b>\$ 613,168</b>	<b>\$ (12,176)</b>	<b>\$ 600,992</b>	<b>100%</b>		<b>8.51%</b>

## Exhibit 4: Net Operating Income - Water

**SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES**  
**STAFF ASSISTED RATE CASE**  
**TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024**  
**DOCKET NO. 20250122-WS; ACN 2025-309-1-1**  
**SCHEDULE OF NOI - WATER**

Description	Per Annual Report 2024	Audit Adjustment	Audit Finding	Per Audit 2024
Operating Revenues	\$ 154,284	\$ (2,984)	3	\$ 151,300
Operation & Maintenance Expense*	\$ 145,899	\$ 5,422	5	\$ 151,321
Depreciation Expense	\$ 77,651	\$ 2,049	2	\$ 79,700
CIAC Amortization Expense**	\$ 1,125	\$ -		\$ 1,125
Taxes Other Than Income	\$ 10,712	\$ (134)	6	\$ 10,578
Total Operating Expense	\$ 233,137	\$ 7,337		\$ 240,474
<b>Net Operating Income (Loss)</b>	<b>\$ (78,853)</b>	<b>\$ (10,321)</b>		<b>\$ (89,174)</b>

\*O&M Expense adjustment is based on Utility GL balances while all other NOI adjustments are based on Annual Report Utility amounts.

\*\*Water CIAC was fully amortized on December 31, 2024.

## Exhibit 5: Net Operating Income - Wastewater

**SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES**  
**STAFF ASSISTED RATE CASE**  
**TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024**  
**DOCKET NO. 20250122-WS; ACN 2025-309-1-1**  
**SCHEDULE OF NOI - WASTEWATER**

Description	Per Annual Report 2024	Audit Adjustment	Audit Finding	Per Audit 2024
Operating Revenues	\$ 133,036	\$ (923)	3	\$ 132,113
<b>Operation &amp; Maintenance</b>				
Expense*	\$ 175,246	\$ (67,889)	5	\$ 107,357
Depreciation Expense	\$ 66,768	\$ (43,613)	2	\$ 23,155
CIAC Amortization Expense	\$ -	\$ -		\$ -
Taxes Other Than Income	\$ 9,756	\$ (41)	6	\$ 9,715
Total Operating Expense	\$ 251,770	\$ (111,543)		\$ 140,227
<b>Net Operating Income (Loss)</b>				
	\$ (118,734)	\$ 110,620		\$ (8,114)

\*O&M Expense adjustment is based on Utility GL balances while all other NOI adjustments are based on Annual Report Utility amounts.