

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: May 23, 2024

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

FROM: Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis *DB*

RE: Docket No.: 20230131-WS
Company Name: St. John's River Estates Utility, LLC
Company Code: WS978
Audit Purpose: A1b: Staff-Assisted Rate Case
Audit Control No.: 2023-346-2-1

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

St. Johns River Estates Utilities, LLC
Staff-Assisted Rate Case

Twelve Months Ended June 30, 2023

Docket No. 20230131-WS
Audit Control No. 2023-346-2-1
May 21, 2024

A handwritten signature in black ink, appearing to read "Mark T. Caamano".

Mark T. Caamano
Audit Manager

Brian Lenberg
Audit Staff

A handwritten signature in black ink, appearing to read "Donna D. Brown".

Donna D. Brown
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 February 2, 2024. We have applied these procedures to the attached schedules prepared by the audit staff in support of St. Johns River Estates Utilities, LLC request for a Staff-Assisted Rate Case in Docket No. 20230131-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to St. Johns River Estates Utilities, LLC.

Test year refers to the twelve-month period ended June 30, 2023

NARUC refers to the National Association of Regulatory Utility Commissioners

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

Background

St. Johns River Estates Utilities, LLC (SJREU or Utility) is a class C utility that provides water and wastewater service to approximately 92 residential customers in Putnam County. The Utility is located in the St Johns River Water Management District.

In 2020, the Utility was transferred from St. John's River Club Utility Company, LLC. Rates were last established in 2000 under the utility name Buffalo Bluff Utilities, Inc. The Utility had subsequent transfers to St. John's River Club, LLC in 2005 and to St. Johns River Club Utility, LLC in 2007.

According to the Utility's 2022 Annual Report, total gross revenues for SJREU were \$16,841 for water and \$22,691 for wastewater. Total operating expenses for the Utility were \$20,814 for water and \$28,397 for wastewater. As noted above, rates were last established in 2000 for the Utility.

Utility Books and Records

Objective: 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 compared them to NARUC USOA. Finding 1 discusses the Utility's books and records

Analytical review:

Objective: The objective was to determine any material changes or inconsistencies in the Utility's plant, capital, revenues, and expenses from year-to-year.

Procedures: Audit staff performed an analytical review that compared the percentage change from 2019 through 2022 for Plant-in-Service, Accumulated Depreciation, Revenues, and O&M expenses. No material changes were observed, therefore follow-up was not required.

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 of UPIS as of August 17, 2018, from Order No. PSC-2020-0454-PAA-WS to the general ledger. We determined the year-end and simple average balance as of June 30, 2023. We determined that the Utility did not have any additions nor retirements during the period of August 17, 2018, through June 30, 2023. We also determined that the Utility did not record the Commission-ordered adjustments. Finding 3 discusses our recommended adjustments to UPIS.

Land & 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, 3) Adjusted to reflect Commission-ordered adjustments, and 4) recorded in the general ledger.

Procedures: We reconciled the beginning balance for land as of August 17, 2018, from Commission Order No. PSC-2020-0454-PAA-WS to the general ledger. We requested supporting documentation pertaining to the ownership of the land. We obtained information regarding the property from the county property appraiser's website, as well as the tax assessor's office to verify the validity of mortgage and property ownership. Finding 2 discusses our recommended adjustments to land.

Accumulated Depreciation

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

Procedures: We reconciled the beginning balance for accumulated depreciation as of August 17, 2018, from Commission Order No. PSC-2020-0454-PAA-WS to the general ledger. We calculated annual accruals to accumulated depreciation using the depreciation rates established by Rule 25-30.140(2), F.A.C., from August 17, 2018, through June 30, 2023. Finding 4 discusses our recommended adjustments to 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 exist and were owned by the Utility, 2) Additions were recorded using Commission-approved tariffs, 3) Retirements were recorded when a contributed asset was replaced, and 4) Adjustments in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We reconciled the beginning balances for CIAC as of August 17, 2018, from Order No. PSC-2020-0454-PAA-WS to the general ledger. We inquired about new agreements, developer agreements, and donated property. Finding 5 discusses our recommended adjustments to CIAC.

Accumulated Amortization of CIAC

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

Procedures: We reconciled the beginning balances for accumulated amortization of CIAC as of August 17, 2018, from Order No. PSC-2020-0454-PAA-WS to the general ledger. We calculated annual accruals from the Utility's CIAC schedule using the rates authorized in Order PSC-05-0431-PAA-WA from August 17, 2018, through June 30, 2022. Finding 6 discusses our recommended adjustments to accumulated amortization of CIAC.

Working Capital

Objective: The objective was to determine whether the working capital balance was properly calculated in compliance with Commission Rule 25-30.433(2) - Rate Proceedings, F.A.C.

Procedures: We calculated the Utility's working capital balance as of June 30, 2023 using one-eighth of operation and maintenance expense as required by Rule 25-30.433 (2), F.A.C. Finding 9 discusses our recommended adjustments to Working Capital.

Capital Structure

Objectives: The objectives were to determine: 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 were properly recorded in compliance with NARUC USOA.

Procedures: We determined that the Utility's capital structure consists of Common Equity and Long-Term debt. We reconciled capital structure components to the general ledger. We also determined the year-end and simple average Capital Structure balance and its weighted average cost as of June 30, 2023. We determined the Utility does not have customer deposits. Finding 11 discusses an informational finding regarding Capital Structure.

Net Operating Income:

Operating Revenue

Objectives: The objectives were to determine whether revenues were: 1) Representative of the Utility's operations for the test year, 2) Calculated using Commission-approved tariff rates, and 3) Recorded in compliance with NARUC USOA.

Procedures: We determined individual customer consumption for the test year ended June 30, 2023, using the Utility's monthly customer billings. We calculated test year revenues based on billing determinates and compared our calculated revenue amount to the revenues reflected in the general ledger. We selected a statistically valid sample of customers' bills and recalculated the bills using the Commission-approved tariff. Finding 7 discusses our recommended adjustments to revenues.

Operations and Maintenance Expense

Objectives: The objectives were to determine whether operation and maintenance (O&M) expenses were: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount and Utility-related, and 3) Recorded in compliance with the NARUC USOA and Commission rules.

Procedures: We reviewed the invoices provided in support of the Utility's O&M expenses for the test year. We ensured all expenses were correctly classified and verified that they were recurring in nature. We verified each expense against the invoice and supporting documentation. Finding 8 discusses our recommended adjustments to O&M expense.

Depreciation and Amortization

Objectives: The objectives were to determine whether the Utility's depreciation and CIAC amortization expenses are properly calculated using the Commission-authorized rates.

Procedures: We compiled a schedule from audited UPIS items and recalculated depreciation expense for the test year based on depreciation rates authorized by Rule 25-30.140, F.A.C. We also recalculated amortization of CIAC using Commission-approved rates for the test year. Findings 4 and 6 discuss our recommended adjustments to depreciation and amortization expense.

Taxes Other than Income

Objectives: The objectives were to determine whether taxes other than income (TOTI) expense was: 1) Properly recorded in compliance with Commission rules, 2) Recorded in the appropriate period for the correct amount, 3) Reasonable for ongoing utility operations, and 4) Recorded in compliance with NARUC USOA.

Procedures: We scheduled TOTI based on documentation provided by the Utility. We traced the property taxes and regulatory assessment fees (RAF) for the test year to the general ledger. We obtained RAF returns and recalculated the RAF using the Commission-approved RAF rate and the audited revenue balances. Finding 10 discusses our recommended adjustments to TOTI.

Audit Findings

Finding 1: Books and Records

Audit Analysis: Rule 25-30.115, F.A.C., requires Florida utilities to maintain their books and records in conformity with the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts (USOA).

NARUC, Class C, Accounting Instruction, states,

Each utility shall keep its books of account, and all other books, records and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information to any item included in any account. Each entry shall be supported by such detailed information will permit a ready identification, analysis and verification of all facts relevant thereto.

St. John's River Estates Utilities, LLC's records were not consistent with the NARUC USOA. In addition, the Utility does not record water and wastewater revenues separately, but instead, records all revenues in the same account.

Finding 2: Land

Audit Analysis: According to the Utility’s general ledger, the land balances were \$58,673 for water and \$78,577 for wastewater, as of June 30, 2023. We reconciled the beginning balances from Order No. PSC-2020-0454-PAA to the general ledger, and determined that the utility did not record the ordered adjustments to the general ledger. We determined land to be \$1,103 for water and \$9,838 for wastewater, as shown in Table 2-1.

Table 2-1

NARUC	Account- Description	Utility Balance as of 6/30/2023	Audit Adjustments	Audit Balance 6/30/2023	Audit Simple Average
303	Land- Water	\$ 58,673	\$ (57,570)	\$ 1,103	\$ 1,103
	Total	\$ 58,673	\$ (57,570)	\$ 1,103	\$ 1,103
353	Land-Wastewater	\$ 78,577	\$ (68,739)	\$ 9,838	\$ 9,838
	Total	\$ 78,577	\$ (68,739)	\$ 9,838	\$ 9,838

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

Effect on Staff Prepared Exhibit: Audit staff determined Land to be \$1,103 for water and \$9,838 for wastewater. The simple averages for land water and wastewater were \$1,103 and \$9,838, as of June 30, 2023.

Finding 3: Utility Plant in Service

Audit Analysis: According to the Utility’s general ledger, the UPIS balance was \$21,374 for water and \$28,626 for wastewater. Audit staff inquired with the Utility regarding the Commission-ordered adjustments upon transfer. The utility informed staff that all Commission-ordered adjustments were made to the annual report only. We determined UPIS to be \$85,030 for water and \$128,985 for wastewater, as shown in Tables 3-1 and 3-2.

Table 3-1

Water				
Description	Utility	Audit	Audit Balance	Simple
	Balance As		As of	
	of	Adjustments	6/30/2023	Average
	6/30/2023			
304 Structures & Improvements	\$ 824	\$ 3,001	\$ 3,825	\$ 3,825
307 Wells & Springs	\$ 4,407	\$ 8,822	\$ 13,229	\$ 13,229
311 Pumping Equip.	\$ 3,144	\$ 7,780	\$ 10,924	\$ 10,924
320 Water Treatment Equip.	\$ 264	\$ 590	\$ 854	\$ 854
330 Distribution Reservoirs	\$ 1,583	\$ 5,767	\$ 7,350	\$ 7,350
331 Transmission and Distribution Mains	\$ 7,644	\$ 25,703	\$ 33,346	\$ 33,346
333 Services	\$ 2,073	\$ 6,457	\$ 8,530	\$ 8,530
334 Meters and Meter Install.	\$ -	\$ 6,972	\$ 6,972	\$ 6,972
335 Hydrants	\$ -	\$ -	\$ -	\$ -
336 Backflow Prevention Devices	\$ 1,436	\$ (1,436)	\$ -	\$ -
Total	\$ 21,374	\$ 63,656	\$ 85,030	\$ 85,030

Table 3-2

Wastewater				
Description	Utility	Audit	Audit Balance	Simple
	Balance As		As of	
	of	Adjustments	6/30/2023	Average
	6/30/2023			
354 Structures and Improvements	\$ 10,691	\$ 38,944	\$ 49,635	\$ 49,635
360 Collection Sewers - Force	\$ 1,870	\$ 6,811	\$ 8,681	\$ 8,681
361 Collection Sewers - Gravity	\$ 4,434	\$ 16,153	\$ 20,587	\$ 20,587
363 Services to Customers	\$ 520	\$ 1,894	\$ 2,414	\$ 2,414
370 Receiving Wells	\$ 1,584	\$ 5,030	\$ 6,614	\$ 6,614
380 Treatment and Disposal - Equipment	\$ 2,793	\$ 10,172	\$ 12,965	\$ 12,965
381 Plant Sewers	\$ 6,734	\$ 21,355	\$ 28,089	\$ 28,089
Total	\$ 28,626	\$ 100,359	\$ 128,985	\$ 128,985

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

Effect on the Filing: Audit staff determined UPIS to be \$85,030 for water and \$128,985 for wastewater. The simple averages were \$85,030 for water and \$128,985 for wastewater, as of June 30, 2023.

Finding 4: Accumulated Depreciation and Depreciation Expense

Audit Analysis: According to the Utility’s general ledger, the accumulated depreciation balance was \$1,316 for water and \$1,919 for wastewater, as of June 30, 2023. Audit staff recalculated accumulated depreciation and depreciation expense in accordance with the rates established in Rule 25-30.140(2), F.A.C. The differences between the Utility’s balance and the audit staff’s calculation were due to the utility not properly recording accumulated depreciation. In addition, the Utility did not record the commission-ordered balances per PSC-2020-0454-PAA. We determined accumulated depreciation to be \$85,030 for water and \$128,903 for wastewater, as shown in Tables 4-1 and 4-2. We determined depreciation expense for water to be \$99 and \$663 for wastewater, as shown in Tables 4-3 and 4-4.

Table 4-1

Water					
Description	Utility		Audit		Simple Average
	Balance As of 6/30/2023	Audit Adjustments	Balance As of 6/30/2023		
304 Structures & Improvements	\$ 1,316	\$ 2,509	\$ 3,825	\$ 3,825	\$ 3,825
307 Wells & Springs	\$ -	\$ 13,229	\$ 13,229	\$ 13,229	\$ 13,229
311 Pumping Equip.	\$ -	\$ 10,924	\$ 10,924	\$ 10,924	\$ 10,924
320 Water Treatment Equip.	\$ -	\$ 854	\$ 854	\$ 854	\$ 854
330 Distribution Reservoirs	\$ -	\$ 7,350	\$ 7,350	\$ 7,350	\$ 7,350
331 Transmission and Distribution Ma	\$ -	\$ 33,346	\$ 33,346	\$ 33,297	\$ 33,297
333 Services	\$ -	\$ 8,530	\$ 8,530	\$ 8,530	\$ 8,530
334 Meters and Meter Install.	\$ -	\$ 6,972	\$ 6,972	\$ 6,972	\$ 6,972
335 Hydrants	\$ -	\$ -	\$ -	\$ -	\$ -
336 Backflow Prevention Devices	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 1,316	\$ 83,714	\$ 85,030	\$ 84,981	\$ 84,981

Table 4-2

Wastewater					
Description	Utility		Audit		Simple Average
	Balance As of 6/30/2023	Audit Adjustments	Balance As of 6/30/2023		
354 Structures and Improvements	\$ 1,919	\$ 47,716	\$ 49,635	\$ 49,635	\$ 49,635
360 Collection Sewers - Force	\$ -	\$ 8,681	\$ 8,681	\$ 8,681	\$ 8,681
361 Collection Sewers - Gravity	\$ -	\$ 20,587	\$ 20,587	\$ 20,472	\$ 20,472
363 Services to Customers	\$ -	\$ 2,414	\$ 2,414	\$ 2,414	\$ 2,414
370 Receiving Wells	\$ -	\$ 6,614	\$ 6,614	\$ 6,614	\$ 6,614
380 Treatment and Disposal - Equipment	\$ -	\$ 12,883	\$ 12,883	\$ 12,667	\$ 12,667
381 Plant Sewers	\$ -	\$ 28,089	\$ 28,089	\$ 28,089	\$ 28,089
Total	\$ 1,919	\$ 126,984	\$ 128,903	\$ 128,572	\$ 128,572

Table 4-3

Water				
Description	Utility Balance	Audit		Audit Balance
	Depreciation Expense As of 6/30/2023	Adjustments		Depreciation Expense As 6/30/2023
304 Structures & Improvements	\$ -	\$ -		\$ -
307 Wells & Springs	\$ -	\$ -		\$ -
311 Pumping Equip.	\$ -	\$ -		\$ -
320 Water Treatment Equip.	\$ -	\$ -		\$ -
330 Distribution Reservoirs	\$ -	\$ -		\$ -
331 Transmission and Distribution Mains	\$ -	\$ 99		\$ 99
333 Services	\$ -	\$ -		\$ -
334 Meters and Meter Install.	\$ -	\$ -		\$ -
Total	\$ -	\$ 99		\$ 99

Table 4-4

Wastewater				
Description	Utility Balance	Audit		Audit Balance
	Depreciation Expense As of 6/30/2023	Adjustments		Depreciation Expense As 6/30/2023
354 Structures and Improvements	\$ -	\$ -		\$ -
360 Collection Sewers - Force	\$ -	\$ -		\$ -
361 Collection Sewers - Gravity	\$ -	\$ 231		\$ 231
363 Services to Customers	\$ -	\$ -		\$ -
370 Receiving Wells	\$ -	\$ -		\$ -
380 Treatment and Disposal - Equipment	\$ -	\$ 432		\$ 432
381 Plant Sewers	\$ -	\$ -		\$ -
Total	\$ -	\$ 663		\$ 663

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

Effect on Staff Prepared Exhibit: Audit staff determined accumulated depreciation to be \$85,030 for water and \$128,903 for wastewater, as of June 30, 2023. We determined depreciation expense to be \$99 for water and \$663 for wastewater. We also determined the simple averages for accumulated depreciation to be \$84,981 for water and \$128,572 for wastewater.

Finding 5: Contributions-in-Aid-of-Construction

Audit Analysis: Audit staff reviewed all transactions pertaining to Contributions-in-Aid-of-Construction. Audit staff noted that the CIAC was not recorded in the general ledger. We determined CIAC to be \$31,205 for water and \$34,285 for wastewater, as shown in Tables 5-1 and 5-2.

Table 5-1

Water

NARUC	Description	Utility		Audit Balance	
		Balance As of 6/30/2023	Audit Adjustments	As of 6/30/2023	Simple average
271	Contributions in Aid of Construction	\$ -	\$ 31,205	\$ 31,205	\$ 31,205
	Total Contribution in Aid of Construction	\$ -	\$ 31,205	\$ 31,205	\$ 31,205

Table 5-2

Wastewater

NARUC	Description	Utility		Audit Balance	
		Balance As of 6/30/2023	Audit Adjustments	As of 6/30/2023	Simple average
271	Contributions in Aid of Construction	\$ -	\$ 34,285	\$ 34,285	\$ 34,285
	Total Contribution in Aid of Construction	\$ -	\$ 34,285	\$ 34,285	\$ 34,285

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

Effect on Staff Prepared Exhibit: Audit Staff determined CIAC to be \$31,205 for water and \$34,285 for wastewater. The simple averages were \$31,205 for water and \$34,285 for wastewater, as of June 30, 2023.

Finding 6: Accumulated Amortization of CIAC and Amortization Expense

Audit Analysis: Audit staff reviewed the company provided accumulated amortization of CIAC schedule. We verified that the rates used in the amortization were the correct rates as set in Order PSC-2020-0452-PAA-WS. We noted that accumulated amortization of CIAC was not recorded in the general ledger. Audit staff determined that water accumulated amortization of CIAC was \$31,205, and fully amortized as shown in Table 6-1. Wastewater accumulated amortization of CIAC was determined to be \$34,181. There is no amortization expense for water, and wastewater amortization expense was determined to be \$634, as shown in Table 6-2.

Table 6-1

Description	Utility Balance		Audit		Simple Average
	As of 6/30/2023	Audit Adjustments	Balance As of 6/30/2023		
Accumulated Amortization of CIAC - Water	\$ -	\$ 31,205	\$ 31,205	\$ 31,205	\$ 31,205
Accumulated Amortization of CIAC Total	\$ -	\$ 31,205	\$ 31,205	\$ 31,205	\$ 31,205
Accumulated Amortization of CIAC - Wastewater	\$ -	\$ 34,181	\$ 34,181	\$ 34,181	\$ 33,547
Accumulated Amortization of CIAC Total	\$ -	\$ 34,181	\$ 34,181	\$ 34,181	\$ 33,547

Table 6-2

Wastewater

Description	Utility Balance		Audit Balance	
	Amortization Expense As of 6/30/2023	Audit Adjustments	Amortization Expense As of 6/30/2023	
Amortization Expense	\$ -	\$ 1,269	\$ 1,269	\$ 1,269
Total Amortization Expense	\$ -	\$ 1,269	\$ 1,269	\$ 1,269

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

Effect on Staff Prepared Exhibit: Audit staff determined the balances for accumulated amortization of CIAC to be \$31,205 for water and \$34,181 for wastewater. We determined amortization expense to be \$0 for water and \$1,269 for wastewater. The simple average for water was \$31,205 and \$33,547 for wastewater.

Finding 7: Operating Revenue

Audit Analysis: Audit staff recalculated the utility’s revenues by multiplying the rate per tariff by the bills per audit and the Kgals per audit. Audit staff determined operating revenues to be \$19,224 for water and \$22,660 for wastewater, as shown in Table 7-1. We requested a detailed explanation from the utility for the differences, but the utility was unable to provide an explanation.

Table 7-1

NARUC	Description	Utility Balance As of 6/30/2023	Audit Adjustments	Audit Balance As of 6/30/2023
461.1	Metered Water Revenues	\$ 16,340	\$ 2,884	\$ 19,224
	Total	\$ 16,340	\$ 2,884	\$ 19,224
522.1	Metered Wastewater Revenues	\$ 22,911	\$ (251)	\$ 22,660
	Total	\$ 22,911	\$ (251)	\$ 22,660

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

Effect on Staff Prepared Exhibit: Audit staff has determined that water revenues should be increased by \$2,884 for a balance of \$19,224. Wastewater revenues should be decreased by \$251 for a balance of \$22,660, for the test year ended June 30, 2023.

Finding 8: Operations and Maintenance Expense

Audit Analysis: The Utility recorded expenses totaling \$24,292 for water and \$34,713 for wastewater on its general ledger as of June 30, 2023. Audit staff reviewed all expenses to determine if the transactions were made in the proper period, amount, classification, and whether the expenses were utility-related.

The Utility reported that there was a 15% allocation of O&M expenses from the sister company, St. Johns River Estates. We requested documentation to verify that the allocation was being made as reported, and noted that the utility does receive a 15% allocation of expenses. In addition, we inquired with the company to substantiate the allocation through quantitative means, but the Utility indicated that the allocation was simply based on arbitrary rational.

Furthermore, we have determined that the utility is allocating expenses across systems at 41.63% for water and 58.37% for wastewater. We have asked the utility the rationale behind the allocation, to which the company states it is done on a pro rata basis based upon billing rates. Audit staff has been unable to verify this allocation method.

Lastly, we reclassified general ledger accounts to the correct NARUC accounts as follows:

GL Accounts		Reclassified NARUC Account		Reason
Account number	Description	Account number	Description	
6070	Chemicals- Water	636 +736	Contractual Services - Other	Done by Contractor
6071	Chemicals-Wastewater	636 +736	Contractual Services - Other	Done by Contractor
6068	Water Treatment - Water	636 +736	Contractual Services - Other	Done by Contractor
6069	Water Treatment- Wastewater	636 +736	Contractual Services - Other	Done by Contractor
6039	Sewer- Water	636 +736	Contractual Services - Other	Done by Contractor
6040	Sewer- Wastewater	636 +736	Contractual Services - Other	Done by Contractor
6035	Repairs- Water	636 +736	Contractual Services - Other	Done by Contractor
6036	Repairs- Wastewater	636 +736	Contractual Services - Other	Done by Contractor
6002	Internet- Water	675 +736	Miscellaneous Expense	
6003	Internet-Wastewater	675 +736	Miscellaneous Expense	
6032	Trash Removal- Water	675 +736	Miscellaneous Expense	
6033	Trash Removal-Wastewater	675 +736	Miscellaneous Expense	
6058	Enviornental- Water	675 +736	Miscellaneous Expense	
6059	Enviornental-Wastewater	675 +736	Miscellaneous Expense	

We determined O&M expenses to be \$19,776 for water and \$28,890 for wastewater, as shown in Tables 8-1 and 8-2.

Table 8-1

Water O&M				
Acct. Nos.	Acct. Description	Utility Balance As of 6/30/2023	Audit Adjustments	Audit Balance As of 6/30/2023
601	Salaries	\$ 1,780		3,247
615	Purchased Power	\$ 1,943	\$ 1,362	\$ 3,305
616	Fuel for Power Production	\$ -	\$ -	\$ -
618	Chemicals	\$ 71	\$ (71)	\$ -
620	Materials & Supplies	\$ -	\$ -	\$ -
631	Contractual Services - Professional	\$ -	\$ -	\$ -
635	Contractual Services - Testing	\$ -	\$ -	\$ -
636	Contractual Services - Other	\$ 19,125	\$ (6,981)	\$ 12,144
640	Rents	\$ 58	\$ 396	\$ 455
650	Transportation	\$ -	\$ -	\$ -
655	Insurance Expense	\$ 752	\$ (377)	\$ 376
665	Reg. Commission Expense	\$ 425	\$ (425)	\$ -
675	Miscellaneous Expense	\$ 137	\$ 113	\$ 250
Total		\$ 24,292	\$ (5,983)	\$ 19,776

Table 8-2

Wastewater O&M				
Acct. Nos.	Acct. Description	Utility Balance As of 6/30/2023	Audit Adjustments	Audit Balance As of 6/30/2023
701	Salaries	\$ 2,495	\$ 2,058	\$ 4,553
715	Purchased Power	\$ 1,943	\$ 2,692	\$ 4,635
716	Fuel for Power Production	\$ -	\$ -	\$ -
718	Chemicals	\$ 1,559	\$ (1,559)	\$ -
720	Materials & Supplies	\$ -	\$ -	\$ -
731	Contractual Services - Professional	\$ -	\$ -	\$ -
735	Contractual Services - Testing	\$ -	\$ -	\$ -
736	Contractual Services - Other	\$ 26,815	\$ (9,786)	\$ 17,029
740	Rents	\$ 82	\$ 555	\$ 637
750	Transportation	\$ -	\$ -	\$ -
755	Insurance Expense	\$ 1,055	\$ (528)	\$ 527
765	Reg. Commission Expense	\$ 572	\$ (572)	\$ -
775	Miscellaneous Expense	\$ 192	\$ 1,317	\$ 1,509
Total		\$ 34,713	\$ (5,823)	\$ 28,890

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

Effect on Staff Prepared Exhibit: Audit staff has determined that water operation and maintenance expenses should be decreased by \$5,983 for a balance of \$19,776 and wastewater operation and maintenance expenses should be decreased by \$5,823 for a balance of \$28,890 for the test year ended June 30, 2023

Finding 9: Working Capital

Audit Analysis: Audit staff determined working capital to be \$2,472 and \$3,611 for water and wastewater respectively, as of June 30, 2023 as shown in Table 9-1. Audit staff determined the working capital allowance by calculating one-eighth of operation and maintenance expense Per Rule 25-30.433(2). F.A.C.

Table 9-1

Description	Utility Balance As of 6/30/2023	Audit Adjustments	Audit Balance As of 6/30/2023
O&M- Water	\$ 24,293	\$ (4,516)	\$ 19,776
One-Eight of O&M	0.1250		0.1250
Total Working Capital- Water	\$ 3,037	\$ (565)	\$ 2,472
O&M- Wastewater	\$ 34,713	\$ (5,823)	\$ 28,890
One-Eight of O&M	0.1250		0.1250
Total Working Capital-Wastewater	\$ 4,339	\$ (728)	\$ 3,611

Effect on the General Ledger: None.

Effect on Staff Prepared Exhibit: Working capital was determined to be \$2,472 for water and \$3,611 for wastewater.

Finding 10: Taxes Other than Income

Audit Analysis: According to the Utility’s general ledger, Taxes Other Than Income (TOTI) balance was \$1,259 for water and \$1,817 for wastewater. Audit staff determined TOTI to be \$908 for water and \$1,263 for wastewater.

We determined the difference was due to the Utility’s sister company, St. Johns River Estates allocating 15 percent of the total property taxes for the development to the Utility. We also gathered the property tax information from the Putnam County Tax Assessors website to verify the appropriate amount of taxes the Utility should have paid. In doing so, audit staff noted that the utility has not paid the property taxes for the utility, but had included payment in the general ledger. We have inquired about the difference with the Utility, but the Utility believed its property taxes were paid in full. Tables 10-1 and 10-2 reflect audit staff’s adjustments to TOTI.

Table 10-1

Water			
Description	Utility Balance As of 6/30/2023	Audit Adjustments	Audit Balance As of 6/30/2023
Real Property Tax	\$ 524	\$ (481)	\$ 43
Tangible Property Tax	\$ -	\$ -	\$ -
Payroll Tax	\$ -	\$ -	\$ -
Regulatory Assessment Fees (RAF)	\$ 735	\$ 130	\$ 865
Other	\$ -	\$ -	\$ -
Total	\$ 1,259	\$ (351)	\$ 908

Table 10-2

Wastewater			
Description	Utility Balance As of 6/30/2023	Audit Adjustments	Audit Balance As of 6/30/2023
Real Property Tax	\$ 786	\$ (543)	\$ 243
Tangible Property Tax	\$ -	\$ -	\$ -
Payroll Tax	\$ -	\$ -	\$ -
Regulatory Assessment Fees (RAF)	\$ 1,031	\$ (11)	\$ 1,020
Other	\$ -	\$ -	\$ -
Total	\$ 1,817	\$ (554)	\$ 1,263

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

Effect on Staff Prepared Exhibit: Audit staff determined that the Utility’s water TOTI is \$908 and wastewater TOTI is \$1,263, for test year ended June 30, 2023.

Finding 11: Capital Structure

Audit Analysis: Audit staff requested supporting documentation for several capital structure components. We noted differences between St. Johns River Estates Utilities company books and the tax return filed in conjunction with its parent company, American Retirement Communities, LLC. We noted that there was an investment by a third-party in the amount of \$75,750. This investment of 1 million dollars was for the purchase of St. Johns River Estates and St. Johns River Estates Utility in 2018. Per the utility, the purchasers of the property invested their share of the cash that was needed and then allocated to each entity based on each respective investor's investment.

Audit staff requested additional support concerning this investment. However, as of May 20, 2024, the Utility has not provided an adequate response.

This finding is for informational purposes only.

Exhibits

Exhibit 1: Rate Base – Water

St. Johns River Estates Utilities, LLC.
Staff-Assisted Rate Case
Twelve Months Ended June 30, 2023
Docket No.: 20230131-WS; ACN: 2023-346-2-1
Schedule of Water Rate Base

Description	Utility Balance As of 6/30/2023	Audit Adjustments	Audit Finding	Audit Balance As of 6/30/2023	Simple Average
Utility Plant in Service	\$ 21,374	\$ 63,656	3	\$ 85,030	\$ 85,030
Land	\$ 58,673	\$ (57,570)	2	\$ 1,103	\$ 1,103
Accumulated Depreciation	\$ (1,316)	\$ (83,714)	4	\$ (85,030)	\$ (84,980)
Contributions in Aid of Construction	\$ -	\$ (31,205)	5	\$ (31,205)	\$ (31,205)
Accumulated Amortization of CIAC	\$ -	\$ 31,205	6	\$ 31,205	\$ 31,205
Acquisition Adjustment	\$ -	\$ -		\$ -	\$ -
Accumulated Amortization of Acquisition Adjustment	\$ -	\$ -		\$ -	\$ -
Working Capital Allowance	\$ 3,037	\$ (565)	9	\$ 2,472	\$ -
RATE BASE	\$ 81,767	\$ (78,192)		\$ 3,575	\$ 1,153

Exhibit 2: Rate Base - Wastewater

**St. Johns River Estates Utilities, LLC.
 Staff-Assisted Rate Case
 Twelve Months Ended June 30, 2023
 Docket No.: 20230131-WS; ACN: 2023-346-2-1
 Schedule of Wastewater Rate Base**

Description	Utility Balance As of 6/30/2023	Audit Adjustments	Audit Finding	Audit Balance As of 6/30/2023	Simple Average
Utility Plant in Service	\$ 28,626	\$ 100,359	3	\$ 128,985	\$ 128,985
Land	\$ 78,577	\$ (68,739)	2	\$ 9,838	\$ 9,838
Accumulated Depreciation	\$ (1,919)	\$ (126,983)	4	\$ (128,903)	\$ (128,571)
Contributions in Aid of Construction	\$ -	\$ (34,285)	5	\$ (34,285)	\$ (34,285)
Accumulated Amortization of CIAC	\$ -	\$ 34,181	6	\$ 34,181	\$ 33,547
Acquisition Adjustment	\$ -	\$ -		\$ -	\$ -
Accumulated Amortization of Acquisition Adjustment	\$ -	\$ -		\$ -	\$ -
Working Capital Allowance	\$ 4,339	\$ (728)	9	\$ 3,611	\$ -
RATE BASE	\$ 109,623	\$ (96,195)		\$ 13,428	\$ 9,514

Exhibit 3: Capital Structure

St. Johns River Estates Utilities, LLC.
Staff-Assisted Rate Case
Twelve Months Ended June 30, 2023
Docket No: 20230131-WS; ACN: 2023-346-2-1
Capital Structure

Description	Simple Average Per Utility 6/30/2023	Audit Adjustments	Simple Average Per Audit 6/30/2023	Ratio	Cost rate	Weighted Cost Rate
Long Term Debt	\$ 120,000	\$ -	\$ 120,000	77.58%	4.50%	3.49%
Common Equity	\$ 34,673	\$ -	\$ 34,673	22.42%	10.67%	2.39%
Total	\$ 154,673	\$ -	\$ 154,673	100.00%	15.17%	5.88%

Exhibit 4: Net Operating Income – Water

St. Johns River Estates Utilities, LLC. Staff-Assisted Rate Case Twelve Months Ended June 30, 2023 Docket No.: 20230131-WS; ACN: 2023-346-2-1 Schedule of Net Operating Income - Water				
Description	Utility Balance As of 06/30/2023	Audit Adjustment	Audit Finding	Utility Balance As of 06/30/2023
Operational Revenues	\$ 16,340	\$ 2,884	7	\$ 19,224
Operation & Maintenance Expenses	\$ 24,293	\$ (4,517)	8	\$ 19,776
Depreciation Expense	\$ -	\$ 99	4	\$ 99
Amortization Expense	\$ -	\$ -	6	\$ -
Taxes Other than Income	\$ 1,259	\$ (351)	10	\$ 908
Income Tax Expense	\$ -	\$ -		\$ -
Total Operating Expenses:	\$ 25,552	\$ (4,769)		\$ 20,783
Net Operating Income (Loss)	\$ (9,212)	\$ 7,653		\$ (1,559)

Exhibit 5: Net Operating Income – Wastewater

St. Johns River Estates Utilities, LLC. Staff-Assisted Rate Case Twelve Months Ended June 30, 2023 Docket No.: 20230131-WS; ACN: 2023-346-2-1 Schedule of Net Operating Income - Wastewater				
Description	Utility Balance As of 06/30/2023	Audit Adjustment	Audit Finding	Utility Balance As of 06/30/2023
Operational Revenues	\$ 22,911	\$ (251)	7	\$ 22,660
Operation & Maintenance Expenses	\$ 34,713	\$ (5,823)	8	\$ 28,890
Depreciation Expense	\$ -	\$ 663	4	\$ 663
Amortization Expense	\$ -	\$ 1,269	6	\$ 1,269
Taxes Other than Income	\$ 1,817	\$ (554)	10	\$ 1,263
Income Tax Expense	\$ -	\$ -		\$ -
Total Operating Expenses:	\$ 36,530	\$ (4,445)		\$ 32,085
Net Operating Income (Loss)	\$ (13,619)	\$ 4,194		\$ (9,425)