

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: January 13, 2026

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

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis *20*

RE: Docket No.: 20250108-WS

Company Name: Sunlake Estates Utilities LLC

Company Code: WS967

Audit Purpose: A1b: Staff-Assisted Rate Case

Audit Control No.: 2025-264-1-1

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

Sunlake Estates Utilities, LLC
Staff-Assisted Rate Case

12 Months Ended December 31, 2024

Docket No. 20250108-WS
Audit Control No. 2025-264-1-1

January 5, 2026

A handwritten signature in blue ink, appearing to read "Wesley Thurmond".

Wesley Thurmond
Audit Manager

A handwritten signature in blue ink, appearing to read "Weihong Guan".

Weihong Guan
Audit Staff

A handwritten signature in blue ink, appearing to read "Lynn M. Deamer".

Lynn M. Deamer
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 September 16, 2025. We have applied these procedures to the attached schedules prepared by the audit staff in support of Sunlake Estates Utilities, LLC's request for a Staff-Assisted Rate Case in Docket No.20250108-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Sunlake Estates Utilities, LLC.

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

Sunlake Estates Utilities, LLC is a Class C Utility providing water service to 466 residential customers in Lake County. The Utility also provides wastewater service to 466 residential customers in Lake County. The Utility is a wholly-owned subsidiary of Sun Communities Finance, LLC.

Commission Order No. PSC-2014-0018-PAA-WS, issued on January 7, 2014, in Docket No. 20130180-WS granted the Utility a transfer of certificate for the water and wastewater systems. Audit staff would note that while this order did not formally establish rate base, it serves to provide the beginning balance for the rate base components for this audit.

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 2018 to 2024. They could not provide a ledger for rate base items prior to 2018. 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 December 31, 2012, from Commission Order No. PSC-2014-0018-PAA-WS to the Utility's annual reports. For December 31, 2012, to December 31, 2017, the Utility stated they had no ledger or invoices for plant addition in that period, thus we used the Utility's plant additions found in the respective annual reports. The Utility stated that it could provide a ledger for 2017 additions, however no additions were made in 2017. This did not agree to additions included in the 2017 annual report, therefore, we used plant additions recorded in the 2017 annual report. For January 1, 2018, to December 31, 2024, we traced additions to plant in service to invoices. Audit staff notes the Utility made no retirements. We believe retirements are necessary but lacked the information required to make those retirements. We determined the year-end balances and the simple average balances as of December 31, 2024, for water and wastewater accounts. 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: The Utility was not granted any land balance in Order No. PSC-2014-0018-PAA-WS. Further, the Utility stated no land has been purchased or sold since the last proceeding. However the Utility stated they have a land lease for an undisclosed amount for the property the utility plant is on. They stated it's the same lease with no changes since it was referenced in the above order and no new land leases have been entered into since the above order. No further work was performed.

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, 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 December 31, 2012 from Commission Order No. PSC-2014-0018-PAA-WS to the Utility's annual reports. We recalculated accumulated depreciation using our audit 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 for water and wastewater accounts. 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: The Utility does not have any CIAC on their books, nor do they assess any Service Availability Charges. No further work was performed.

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: The Utility does not have any CIAC on their books, nor do they assess any Service Availability Charges. No further work was performed.

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. No further work was performed.

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 although it is authorized to do so. We found \$12,176 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. The Utility appears to be wholly funded by the parent company, however we found the capital structure to be more than \$300,000 less than audit balance of the combined rate base. We could not determine the cause of this and the Utility could not provide support for their capital structure. Thus, we defer to technical staff to determine the proper capital structure.

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 recalculated the revenues for 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 bills from February, March and October of 2024 for sample testing. We recalculated the selected bills, and confirmed that 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 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. 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 as of December 31, 2024 should be \$1,040,228 for water, and \$884,752 for wastewater. The Utility stated it could only provide a ledger and invoices for plant additions from January 1, 2018 to December 31, 2024. Thus, the audit of UPIS is broken into two time periods below.

- a. December 31, 2012 to December 31, 2017. 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-2014-0018-PAA-WS as a starting point (with one exception discussed below) and used the Utility's annual reports for determining UPIS additions and retirements. The exception to using the rate base informally established in the above order is for adjustments the Commission made based on a pro-forma meter replacement project. It appears that project was never completed by the Utility. Audit staff removed these adjustments related to that project from UPIS in determining a starting point for UPIS. Lastly, the Utility stated they could provide a ledger, with associated invoices, for 2017 plant additions but that there were no plant additions in 2017. Since this did not agree with the 2017 annual report, which shows two additions to plant, we used the 2017 annual report for determining additions to plant in that year.
- b. January 1, 2018, to December 31, 2024. The Utility was able to provide a ledger as well as all associated invoices for plant additions. Audit staff reviewed all invoices for correct time period, amount, and classification. 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.

Audit staff compiled the above information into a spreadsheet and compared it to the annual report figures of the Utility (since the Utility did not have a continuous ledger for the entire period). Audit staff determined that UPIS was understated by \$97,415 for water, and overstated by \$303,946 for wastewater. See Tables 1-1 and 1-2.

Lastly, the utility made no retirements from December 31, 2012 to December 31, 2024. Additionally, for January 1, 2018, to December 31, 2024, the Utility did not correctly classify additions. We classified each item into the correct NARUC USoA accounts based on the description found on the invoice or additional information provided by the Utility. However, we ask technical staff to review for the final classifications of these additions and to determine what, if any, related retirements should be made.

Table 1-1 UPIS – Water

Account Name	Per Annual				
	Report	Adjustments	Per Audit	Simple Avg	
301 Organization	\$ 15,000	\$ 9,458	\$ 24,458	\$ 24,458	
304 Structures & Improvements	\$ 69,663	\$ (21,464)	\$ 48,199	\$ 48,199	
307 Wells & Springs	\$ 24,855	\$ 2,031	\$ 26,886	\$ 26,886	
309 Supply Mains	\$ 38,103	\$ 281,714	\$ 319,817	\$ 275,139	
310 Power Generation Equipment	\$ 81,691	\$ 10,835	\$ 92,526	\$ 92,526	
311 Pumping Equip.	\$ 74,182	\$ (10,874)	\$ 63,308	\$ 63,308	
320 Water Treatment Equipment	\$ 98,746	\$ (79,022)	\$ 19,724	\$ 18,724	
330 Distribution Reservoirs	\$ 6,879	\$ 1,181	\$ 8,060	\$ 8,060	
331 Transmission and Distribution Mains	\$ 258,562	\$ (106,900)	\$ 151,662	\$ 151,662	
334 Meters and Meter Install.	\$ 233,246	\$ (1,564)	\$ 231,682	\$ 231,332	
335 Hydrants	\$ 41,886	\$ 5,545	\$ 47,431	\$ 44,593	
345 Power Operated Equipment	\$ -	\$ 5,200	\$ 5,200	\$ 5,200	
346 Communication Equipment	\$ -	\$ 1,275	\$ 1,275	\$ 1,275	
Total Water	\$ 942,813	\$ 97,415	\$ 1,040,228	\$ 991,362	

Table 1-2 UPIS - Wastewater

Account Name	Per Annual				
	Report	Adjustments	Per Audit	Simple Avg	
351 Organization	\$ 15,000	\$ -	\$ 15,000	\$ 15,000	
354 Structures and Improvements	\$ 37,604	\$ (22,919)	\$ 14,685	\$ 14,685	
355 Power Generation Equipment	\$ 35,082	\$ (6,611)	\$ 28,471	\$ 28,471	
360 Collection Sewers- Force	\$ 15,507	\$ 50,649	\$ 66,156	\$ 63,575	
361 Collection Sewers- Gravity	\$ 124,856	\$ (2,156)	\$ 122,700	\$ 114,924	
364 Flow Measuring Devices	\$ 4,229	\$ 1,269	\$ 5,498	\$ 5,498	
370 Receiving Wells	\$ 77,963	\$ (75)	\$ 77,888	\$ 77,888	
371 Pumping Equipment	\$ 451,319	\$ (290,962)	\$ 160,357	\$ 136,349	
380 Treatment and Disposal Equipment	\$ 427,138	\$ (45,016)	\$ 382,122	\$ 382,122	
390 Office Furniture and Equipment	\$ -	\$ 6,676	\$ 6,676	\$ 6,676	
395 Power Operated Equipment	\$ -	\$ 5,200	\$ 5,200	\$ 5,200	
Total Wastewater	\$ 1,188,698	\$ (303,946)	\$ 884,752	\$ 850,387	

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

Effect on the Filing: The test year UPIS should be adjusted to reflect the simple average balances shown in Tables 1-1 and 1-2 above. Technical staff should also evaluate what, if any, retirements should be made.

Finding 2: Accumulated Depreciation and Depreciation Expense

Audit Analysis: Audit staff determined the amount of Accumulated Depreciation as of December 31, 2024, should be \$360,457 for water, and \$595,788 for wastewater. Further, we determined the amount of depreciation expense should be \$31,825 for water, and \$43,325 for wastewater for 2024.

Due to the volume of adjustments to UPIS discussed in Finding 1, audit staff recalculated depreciation from December 31, 2011 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 increased by \$30,814 for water, and decreased by \$200,462 for wastewater. Further, Depreciation expense should be decreased by \$4,581 for water, and \$27,971 for wastewater. Audit staff notes depreciation for Accounts 345, 346, and 395 includes salvage value in our calculation. Lastly, we noted that in Commission Order No. PSC-2014-0018-PAA-WS, Account 364 was established to have an accumulated depreciation balance in excess of the plant balance. As of December 31, 2024, the plant balance of Account 364 still has not exceeded its accumulated depreciation balance. Thus no depreciation was accrued for Account 364. See Tables 2-1, 2-2, and 2-3 below.

Table 2-1 Accumulated Depreciation – Water

Account Name	Per Annual				
	Report	Adjustments	Per Audit	Simple Ave.	
301 Organization	\$ 3,750	\$ 2,173	\$ 5,923	\$ 5,618	
304 Structures & Improvements	\$ 30,206	\$ 790	\$ 30,996	\$ 30,103	
307 Wells & Springs	\$ 16,373	\$ 1,841	\$ 18,214	\$ 17,716	
309 Supply Mains	\$ 4,171	\$ 21,114	\$ 25,285	\$ 20,986	
310 Power Generation Equipment	\$ 70,599	\$ 10,691	\$ 81,290	\$ 81,185	
311 Pumping Equip.	\$ 63,181	\$ 127	\$ 63,308	\$ 63,308	
320 Water Treatment Equipment	\$ 22,121	\$ (13,745)	\$ 8,376	\$ 8,346	
330 Distribution Reservoirs	\$ 3,656	\$ 430	\$ 4,086	\$ 3,964	
331 Transmission and Distribution Mains	\$ 44,011	\$ (4,458)	\$ 39,553	\$ 37,557	
334 Meters and Meter Install.	\$ 55,841	\$ 9,442	\$ 65,283	\$ 58,479	
335 Hydrants	\$ 15,734	\$ 211	\$ 15,945	\$ 15,388	
345 Power Operated Equipment	\$ -	\$ 1,454	\$ 1,454	\$ 1,207	
346 Communication Equipment	\$ -	\$ 746	\$ 746	\$ 689	
Total Water	\$ 329,643	\$ 30,814	\$ 360,457	\$ 344,545	

Table 2-2 Accumulated Depreciation – Wastewater

Account Name	Per Annual Report	Adjustments	Per Audit	Simple Ave.
351 Organization	\$ 3,750	\$ 188	\$ 3,938	\$ 3,751
354 Structures and Improvements	\$ 8,450	\$ (3,061)	\$ 5,389	\$ 5,117
355 Power Generation Equipment	\$ 27,123	\$ (330)	\$ 26,793	\$ 25,955
360 Collection Sewers- Force	\$ 10,504	\$ 8,724	\$ 19,228	\$ 18,051
361 Collection Sewers- Gravity	\$ 45,832	\$ (600)	\$ 45,232	\$ 43,795
364 Flow Measuring Devices	\$ 4,229	\$ 4,651	\$ 8,880	\$ 8,880
370 Receiving Wells	\$ 56,869	\$ (33,638)	\$ 23,231	\$ 23,231
371 Pumping Equipment	\$ 304,182	\$ (172,067)	\$ 132,115	\$ 127,570
380 Treatment and Disposal Equipment	\$ 335,311	\$ (7,231)	\$ 328,080	\$ 315,342
390 Office Furniture and Equipment	\$ -	\$ 1,449	\$ 1,449	\$ 1,227
395 Power Operated Equipment	\$ -	\$ 1,454	\$ 1,454	\$ 1,207
Total Wastewater	\$ 796,250	\$ (200,462)	\$ 595,788	\$ 574,126

Table 2-3 Depreciation Expense

Depreciation Expense				
	Per Utility AR	Adj.	Per Audit	
W	\$ 36,406	\$ (4,581)	\$ 31,825	
WW	\$ 71,296	\$ (27,971)	\$ 43,325	
Total	\$ 107,702	\$ (32,552)	\$ 75,150	

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 simple average balances shown in Tables 2-1 and 2-2 above. Further, the test year Depreciation expense should be adjusted to reflect the balances shown in Table 2-3 above. Technical staff should also evaluate what, if any, retirements should be made.

Finding 3: Operating Revenue

Audit Analysis: Audit staff determined that the Utility did not use the Commission-approved rates in the customer bills and billing register appropriately and the billing register was not properly recorded. Audit staff also determined that the Utility has no private fire protection service and miscellaneous service charge. See details as following:

- Miscellaneous Service Charge

We requested and confirmed the Utility has no miscellaneous service charge revenues. For the miscellaneous service charge, the Utility chose not to apply these fees in order to maintain fair and consistent billing practices.

- Billing Register

In the Wastewater Billing Register, there were some customers with the usage of NA. The Utility explained these are the landlord customers, and they have to manually read the water meters. Audit staff removed those customers who moved out, and updated the usage in the billing register.

- Customer Bills

Audit staff judgmentally selected February, March and October, 2024 as a sample, recalculated the customer bills and traced to the customer bills and billing register. The Utility did not appropriately use the Commission-approved tariff rates in the water and wastewater customer bills in February and October, 2024.

- Operating Revenues

We recalculated the annualized water and wastewater operating revenues with the Commission-approved tariff rates based on the meter size and usage in the billing register. Audit staff confirmed there was a variance of \$3,383 between our recalculation and Utility's general ledger.

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

Effect on the Filing: Water revenues for the Utility for the test year ended December 31, 2024 should be increased by \$8,296 (\$116,297 - \$108,001 = \$8,296), and wastewater revenues for the test year ended December 31, 2024 should be increased by \$379 (\$167,301 - \$166,922 = \$1,403).

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 water and wastewater rates. This is in violation of Commission Rule 25-30.475 – Effective Date of Approved Tariffs, F.A.C.

The Utility did not charge the Commission-approved base rates of \$11.44/month for water customers and \$18.74/month for wastewater customers.

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

Accounts 601 and 701 – Salaries and Wages Employees. Audit staff notes that the employee and employer portions of payroll taxes are included in Accounts 601 and 701.

Account 615 and 715 – Purchased Power. We reviewed the Utility power bills and found the Utility did not correctly allocate the amounts between water and wastewater. We added the bills for March 2024 (\$926 for water and \$1,178 for wastewater) that were omitted from their ledger.

Account 616 – Fuel for Power Production. We reclassified four invoices totaling \$2,206 for WTP generator fuel from Account 650 to Account 616.

Account 631 – Contractual Services – Engineering.

- We added a bill which included \$1,104 in wastewater expenses from General Utilities that was incorrectly omitted from the ledger.
- We reclassified \$17,220 of legal fees that were originally split between Accounts 631 and 731 and evenly split them between Accounts 633 and 733
- We also reclassified \$3,637 of EPA related expenses to Account 633

Account 633 Contractual Services – Legal

- We reclassified \$17,220 of legal fees that were originally split between Accounts 631 and 731 and evenly split them between Accounts 633 and 733
- We also reclassified \$3,637 of EPA related expenses to Account 633 from Accounts 631 and 731

Account 636 – Contractual Services – Other. Upon review, we found many of the items included in 636 should be capitalized. Further we found 5 of the line items were duplicates already included in 636. Thus, we reclassified 30 items, totaling \$90,933, from Account 636 and into the appropriate UPIS Accounts increased Account 636 by \$15,555 to remove credits for items that were already addressed through the above adjustment.

Account 650 – Transportation. We reclassified four invoices totaling \$2,206 for WTP generator fuel from Account 650 to Account 616. Audit staff notes that the annual report reflects a balance of \$1,103. However, the invoices total to \$2,206. Thus, on Table 1-5, staff removed \$1,103 from Account 650 in order to zero the balance and added the full value of those invoices, \$2,206, to Account 616.

Account 711 Sludge Removal. We reclassified one invoice totaling \$1,202 for sewer inspection from Account 711 to Account 731.

Account 731 – Contractual Services – Engineering.

- We added a bill which included \$1,104 of water expense from General Utilities that was incorrectly omitted from the ledger.
- We reclassified one invoice for \$1,202 for sewer inspection from Account 711 to Account 731.

- We reclassified \$17,220 of legal fees that were originally split between Accounts 631 and 731 and evenly split them between Accounts 633 and 733

Account 733 – Contractual Services – Legal. We reclassified \$17,220 of legal fees that were originally split between Accounts 631 and 731 and evenly split them between Accounts 633 and 733

Account 736 - Contractual Services – Other. Upon review, we found three invoices totaling \$4,760 that should have been capitalized to UPIS. Thus, we reclassified three invoices from Account 736 and transferred two to Account 309 and one to Account 360.

Table 5-1 O&M Expense - Water

Account			Per Annual Report	Adjustments	Per Audit
Number	Account Name				
601	Payroll Expense Water	\$	9,643	\$ (1)	\$ 9,642
615	Purchased Power	\$	9,239	\$ 545	\$ 9,784
616	Fuel for Power Production	\$	-	\$ 2,206	\$ 2,206
630	Contractual Service - Billing W	\$	4,028	\$ (0)	\$ 4,028
631	Contractual Service - Eng. W	\$	42,373	\$ (6,207)	\$ 36,166
633	Contractual Service - Legal W	\$	-	\$ 12,247	\$ 12,247
636	Contractual Service - Other W	\$	76,288	\$ (75,378)	\$ 910
650	Transportation Expense	\$	1,103	\$ (1,103)	\$ -
Total Water O&M		\$	142,674	\$ (67,690)	\$ 74,984

Table 5-2 O&M Expense – Wastewater

Account			Per Annual Report	Adjustments	Per Audit
Number	Account Name				
701	Payroll Expense WW	\$	9,643	\$ (1)	\$ 9,642
711	Sludge Removal	\$	9,075	\$ (1,202)	\$ 7,873
715	Purchased Power	\$	9,239	\$ 1,691	\$ 10,930
730	Contractual Service - Billing WW	\$	4,028	\$ -	\$ 4,028
731	Contractual Service - Eng. WW	\$	35,987	\$ (5,244)	\$ 30,743
733	Contractual Service - Legal WW	\$	-	\$ 8,610	\$ 8,610
736	Contractual Service - Other WW	\$	5,310	\$ (4,760)	\$ 550
Total Wastewater O&M		\$	73,282	\$ (906)	\$ 72,376

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 TOTI and found the Utility did not report the correct amount. Adjustments to individual components of TOTI are discussed below.

Payroll Taxes – Employer and Employee Payroll Taxes are included in Accounts 601 and 701 – Salaries Employees. Audit staff did not make an adjustment to remove the employer portion and reflect it here.

Regulatory Assessment Fees – The Utility paid \$4,860 and \$7,511 in water and wastewater RAFs, respectively, in 2024, we recalculated RAFs based on revenue adjustments in Finding 3, and recommend water and wastewater RAFs be increased by \$373 and \$18, respectively. This results in 2024 RAFs of \$5,233 for water, and \$7,529 for wastewater. See Tables 6-1 and 6-2 below for a summary of TOTI adjustments.

Table 6-1 TOTI - Water

Per Annual Adjustment Per Audit Report					
Property Taxes	\$	-	\$	-	\$ -
Payroll Taxes	\$	-	\$	-	\$ -
RAFs	\$	4,860	\$ 373	\$ 5,233	
TOTI - Water	\$	4,860	\$ 373	\$ 5,233	

Table 6-2 TOTI - Wastewater

Per Annual Adjustment Per Audit Report					
Property Taxes	\$	-	\$	-	\$ -
Payroll Taxes	\$	-	\$	-	\$ -
RAFs	\$	7,511	\$ 18	\$ 7,529	
TOTI - Wastewater	\$	7,511	\$ 18	\$ 7,529	

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 Tables 6-1 and 6-2.

Exhibits

Exhibit 1: Water Rate Base

SUNLAKE ESTATES UTILITIES, LLC
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024
DOCKET NO. 20250108-WS; ACN 2025-264-1-1
SCHEDULE OF WATER RATE BASE

Description	Per Utility		Audit Adjustment	Finding	Per Audit		Simple Average
	12/31/2024	12/31/2024			12/31/2024	12/31/2024	
Utility Plant in Service	\$ 942,813	\$ 97,415		1	\$ 1,040,228	\$ 991,362	
Land	\$ -	\$ -		1	\$ -	\$ -	
Plant in Service	\$ 942,813	\$ 97,415			\$ 1,040,228	\$ 991,362	
Accumulated Depreciation	\$ (329,643)	\$ (30,814)		2	\$ (360,457)	\$ (344,545)	
Working Capital	\$ -	\$ 9,373			\$ 9,373	\$ 9,373	
Rate Base - Water	\$ 613,170	\$ 75,974			\$ 689,144	\$ 656,190	

Exhibit 2: Wastewater Rate Base

SUNLAKE ESTATES UTILITIES, LLC
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024
DOCKET NO. 20250108-WS; ACN 2025-264-1-1
SCHEDULE OF WASTEWATER RATE BASE

Description	Per Utility		Audit Finding	Per Audit		Simple Average
	12/31/2024	Adjustment		12/31/2024	12/31/2024	
Utility Plant in Service	\$ 1,188,698	\$ (303,946)	1	\$ 884,752	\$ 850,387	
Land	\$ -	\$ -	1	\$ -	\$ -	
Plant in Service	\$ 1,188,698	\$ (303,946)		\$ 884,752	\$ 850,387	
Accumulated Depreciation	\$ (796,250)	\$ 200,462	2	\$ (595,788)	\$ (574,126)	
Working Capital		\$ 9,047		\$ 9,047	\$ 9,047	
Rate Base - Wastewater	\$ 392,448	\$ (94,437)		\$ 298,011	\$ 285,308	

Exhibit 3: Capital Structure

SUNLAKE ESTATES UTILITIES, LLC
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024
DOCKET NO. 20250108-WS; ACN 2025-264-1-1
SCHEDULE OF CAPITAL STRUCTURE

Class of Capital	Per Utility 12/31/2024	Audit Adjustment	Per Audit 12/31/2024	Ratio	Cost Rate	Weighted Cost
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	\$ -	\$ -	\$ -	-		
Total Capital Structure	\$ 613,168	\$ (12,176)	\$ 600,992	100%		8.51%

Exhibit 4: Net Operating Income - Water

SUNLAKE ESTATES UTILITIES, LLC
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024
DOCKET NO. 20250108-WS; ACN 2025-264-1-1
SCHEDULE OF NOI - WATER

Description	Per Utility 2024	Audit Adjustment	Audit Finding	Per Audit 2024
Operating Revenues	\$ 108,001	\$ 8,296	3	\$ 116,297
Operation & Maintenance Expense	\$ 142,673	\$ (67,689)	5	\$ 74,984
Depreciation Expense	\$ 36,406	\$ (4,581)	2	\$ 31,825
Taxes Other Than Income	\$ 4,860	\$ 373	6	\$ 5,233
Total Operating Expense	\$ 183,939	\$ (71,897)		\$ 112,042
Net Operating Income (Loss)	\$ (75,938)	\$ 80,193		\$ 4,255

Exhibit 5: Net Operating Income - Wastewater

SUNLAKE ESTATES UTILITIES, LLC
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024
DOCKET NO. 20250108-WS; ACN 2025-264-1-1
SCHEDULE OF NOI - WASTEWATER

Description	Per Utility 2024	Audit Adjustment	Audit Finding	Per Audit 2024
Operating Revenues	\$ 166,922	\$ 379	3	\$ 167,301
Operation & Maintenance Expense	\$ 73,281	\$ (905)	5	\$ 72,376
Depreciation Expense	\$ 71,296	\$ (27,971)	2	\$ 43,325
Taxes Other Than Income	\$ 7,511	\$ 18	6	\$ 7,529
Total Operating Expense	\$ 152,088	\$ (28,858)		\$ 123,230
Net Operating Income (Loss)	\$ 14,834	\$ 29,237		\$ 44,071