

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 19, 2025

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

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

**RE:** Docket No.: 20250023-WS  
Company Name: NC Real Estate Projects, LLC dba Grenelefe Resort Utility, Inc.  
Company Code: WS989  
Audit Purpose: A1b: Staff Assisted Rate Case (SARC)  
Audit Control No.: 2025-017-1-1

---

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**

NC Real Estate Projects, LLC d/b/a Grenelefe Resort Utility  
Staff-Assisted Rate Case

**Twelve Months Ended October 31, 2024**

Docket No. 20250023-WS  
Audit Control No. 2025-017-1-1  
**May 19, 2025**

A handwritten signature in blue ink, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn Deamer  
Audit Manager

A handwritten signature in blue ink, appearing to read "Kathryn Guan", written over a horizontal line.

Kathryn Guan  
Audit Staff

A handwritten signature in blue ink, appearing to read "Troy Florvil", written over a horizontal line.

Troy Florvil  
Audit Staff

A handwritten signature in blue ink, appearing to read "Eduard Dukov", written over a horizontal line.

Eduard Dukov  
Audit Staff

A handwritten signature in blue ink, appearing to read "Curt Mouring", written over a horizontal line.

Curt Mouring  
Reviewer

## Table of Contents

Purpose.....	1
Objectives and Procedures .....	2
Audit Findings	
1: Utility Plant in Service.....	7
2: Land .....	9
3: Accumulated Depreciation and Amortization .....	10
4: Accumulated Amortization of Contributions-in-Aid-of-Construction CIAC.....	12
5: Operating Revenue.....	13
6: Operations and Maintenance Expense.....	14
7: Taxes Other than Income .....	16
Exhibits	
1: Rate Base .....	17
2: Capital Structure .....	18
3: Net Operating Income.....	19

## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting & Finance in its audit service request dated January 15, 2025. We have applied these procedures to the attached schedules prepared by audit staff in support of NC Real Estate Projects, LLC d/b/a Grenelefe Resort Utility's request for a staff-assisted rate case in Docket No. 20250023-WS.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility/Company refers to NC Real Estate Projects, LLC dba Grenelefe Resort Utility.

ERC refers to the Equivalent Residential Connections as defined by Commission Rule 25-30.055, Florida Administrative Code. (F.A.C.)

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, F.A.C.

#### Background

NC Real Estate Projects, LLC d/b/a Grenelefe Resort Utility is a Class B Water and Wastewater Utility operating in Polk County, Florida. The Utility serves approximately 1,608 water customers and 1,357 wastewater customers. The Utility requested a test year for the twelve months ended October 31, 2024.

The Company's last proceeding before this Commission was in Docket No. 20220142-WS which was an application for transfer of water and wastewater facilities,. Commission Order No. PSC-2024-0228-PAA-WS issued on July 08, 2024 set Net Book Value as of May 31, 2022.

#### Utility Books and Records

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

**Procedures:** We reviewed the Utility's accounting system by examining the records provided for this proceeding and compared them to the NARUC USoA. The Utility keeps its books and records on a cash basis, not an accrual basis. The Utility requested a test year of the twelve months ended October 31, 2024. However, the Utility provided an excel file that contained cash disbursements, cash receipts and some calculations for real accounts for 2024. The utility stated that at the end of 2023, while they were going through the transfer from the seller to themselves, they utilized the balances provided by the seller as the beginning balances. The utility recommended that for 2022 and 2023, audit staff utilize the annual reports filed with this Commission.

The Utility was unable to provide billing data for November and December 2023 in a format that would facilitate audit staff's billing analysis for these two months. Therefore, it was necessary for staff to use the data provided for the 12 months ended December 31, 2024.

NARUC UsoA requires utilities to keep the books on an accrual basis. In other words, expenses and revenues are recorded when the service is provided, regardless of payment or monies received. The utility keeps its books on a cash basis. That is, it records revenues and expenses when cash is received or bills are paid. This created some difficulty in auditing in that audit staff reviewed the majority of invoices supplied to assure that only those that were incurred in the test period were included in audit's calculations. And although not all the expenses were booked in the correct NARUC expense account, audit staff was able to work with this.

We recommend that the Utility be reminded of its obligation to maintain its books in accordance with the NARUC UsoA.

## **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 was put into service, and 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

**Procedures:** We reconciled the beginning balances for UPIS, as of May 31, 2022 from Order No. PSC-2024-0228-PAA-WS books of the utility. We scheduled UPIS activity from May 31, 2022 through October 31, 2024. We traced asset additions to supporting documentation. We ensured that retirements were made when an asset was removed or replaced. We determined the year-end balances and simple average balances as of October 31, 2024. See Finding 1.

### **Land & Land Rights**

The objectives were to determine whether the utility land is: 1) Recorded at original cost, 2) Owned or secured under a long-term lease agreement, and that 3) Adjustments required in the Utility's last rate case proceeding were recorded in its books and records.

**Procedures:** We reconciled the beginning balances for land, as of May 31, 2022 from Order No. PSC-2024-0228-PAA-WS to the utility's books. This Order reduced Land for water from \$7,000 to \$3,000. We noted that there were no additions to land since the last NBV proceeding. We determined the year-end balances and simple average balances as of October 31, 2024. See Finding 2.

### Accumulated Depreciation

**Objectives:** The objectives were to determine whether accumulated depreciation: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 – Depreciation, F.A.C., 2) Retirements are 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 balances for accumulated depreciation, as of May 31, 2022 from Order No. PSC-2024-0228-PAA-WS to the utility's books. We calculated annual accruals to accumulated depreciation using the depreciation rates established by Rule 25-30.140(2), F.A.C., from May 31, 2022 through October 31, 2024. We determined the year-end balances and simple average balances as of October 31, 2024. See Finding 3.

### Contributions in Aid of Construction

**Objectives:** The objectives were to determine whether Contributions-In-Aid-of-Construction (CIAC): 1) Consist of cash or property contributions that exist and are owned by the Utility, 2) Additions are recorded using Commission approved tariffs, 3) Retirements are 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 May 31, 2022 from Order No. PSC-2024-0228-PAA-WS to the utility's books. We noted that there were no additions to CIAC since the last NBV proceeding. We determined the year-end balances and simple average balances as of October 31, 2024.

### Accumulated Amortization of CIAC

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

**Procedures:** We reconciled the beginning balances for accumulated amortization of CIAC, as of May 31, 2022 from Order No. PSC-2024-0228-PAA-WS to the utility's books. We calculated annual accruals to accumulated amortization of CIAC using the composite depreciation rates from May 31, 2022 through October 31, 2024. We determined the year-end balances and simple average balances as of October 31, 2024. See Finding 4.

### Working Capital

**Objectives:** The objective was to determine whether the Utility's working capital balance is properly calculated in compliance with Commission rules.

**Procedures:** We calculated the Utility's working capital balance as of October 31, 2024 using one-eighth of operation and maintenance expense as required by Rule 25-30.433 (2), F.A.C. Finding 6.

## 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 determined that the Utility's capital structure consists of a long term loan, paid in capital, and retained earnings. We determined the year-end Capital Structure balance and its weighted average cost as of October 31, 2024. No further work done.

## Net Operating Income

### Operating Revenue

**Objectives:** The objectives were to determine whether revenues are: 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 twelve months ended December 31, 2024 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 2024 Annual Report. We determined whether the Utility is charging its authorized tariff rates. We also determined the number of miscellaneous service charges by type. We calculated miscellaneous service charges by multiplying the Commission approved tariff by the number we determined and traced the amounts to the utility books. See Finding 5.

### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether operation and maintenance expenses (O&M) are: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount, 3) Required for the provision of utility services, and 4) Recorded in compliance with the NARUC USOA.

**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. See Finding 6.

### Depreciation and Amortization

**Objectives:** The objectives were to determine whether the Utility's depreciation and CIAC amortization expense is properly calculated using the Commission authorized rates.

**Procedures:** We compiled a schedule from audited UPIS items and recalculated depreciation based on depreciation rates authorized by Rule 25-30.140, F.A.C. for the test year. We also recalculated amortization of CIAC using Commission approved rates for the test year. See Findings 3 and 4.



### Taxes Other than Income

**Objectives:** The objectives were to determine whether taxes other than income expense (TOTI) is: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount, 3) Required for the provision of utility services, and 4) Recorded in compliance with NARUC USOA.

**Procedures:** We scheduled Water and Wastewater TOTI based on documentation provided by the Utility. We included property taxes and Regulatory Assessment Fees (RAF) for the test year and confirmed their utility classification. We recalculated RAFs using the approved RAF rate and the audited revenue balances. See Finding 7.

## Audit Findings

### Finding 1: Utility Plant in Service

**Audit Analysis:** We adjusted the utility balances of water and wastewater utility plant in service to reflect adjustments from a prior Commission Order, to reclass amounts from WWTP, to reclass from Operations and Maintenance Expense, to reflect additions to plant not booked and to reflect retirements not booked. Table 1-1 and 1-2 shows the adjustments by primary account.

Table 1-1

#### Water UPIS

Acc#	Account Description	Utility Plant in Service as of 10/31/2024			Test Year Average
		Per Utility	Adjustments	Per Audit	
301.00	Organization	\$0	\$0	\$0	\$0
302.00	Franchises	\$0	\$0	\$0	\$0
304.00	Structures & Improvements	\$77,541	\$0	\$77,541	\$77,541
305.00	Collecting & Impounding Reservoirs	\$0	\$0	\$0	\$0
306.00	Lake, River & Other Intakes	\$0	\$0	\$0	\$0
307.00	Wells & Springs	\$296,357	\$0	\$296,357	\$296,357
309.00	Supply Mains	\$0	\$0	\$0	\$0
310.00	Power Generation Equipment	\$106,760	\$0	\$106,760	\$106,760
311.00	Pumping Equipment	\$166,301	(\$68,246)	\$98,055	\$98,055
320.00	Water Treatment Equipment	\$46,011	(\$38,111)	\$7,900	\$7,900
330.00	Distribution Reservoirs & Standpipes	\$82,746	\$205	\$82,951	\$82,951
331.00	Transmission & Distribution Mains	\$1,958,190	\$28,329	\$1,986,519	\$1,986,519
333.00	Services	\$98,148	\$0	\$98,148	\$98,148
334.00	Meters & Meter Installations	\$244,629	(\$2,886)	\$241,743	\$241,743
335.00	Hydrants	\$96,426	(\$1,154)	\$95,272	\$85,886
336.00	Backflow Prevention Devices	\$0	\$0	\$0	\$0
339.00	Other Plant & Miscellaneous Equipment	\$0	\$0	\$0	\$0
340.00	Office Furniture & Equipment	\$13,784	(\$318)	\$13,466	\$13,466
341.00	Transportation Equipment	\$13,920	\$0	\$13,920	\$13,920
343.00	Tools, Shop, & Garage Equipment	\$5,833	(\$2,878)	\$2,955	\$2,955
344.00	Laboratory Equipment	\$0	\$0	\$0	\$0
345.00	Power Operated Equipment	\$1,768	\$0	\$1,768	\$1,768
346.00	Communication Equipment	\$1,800	\$0	\$1,800	\$1,800
347.00	Miscellaneous Equipment	\$2,380	\$0	\$2,380	\$2,380
<b>Total UPIS</b>		<b>\$3,212,594</b>	<b>(\$85,059)</b>	<b>\$3,127,535</b>	<b>\$3,118,149</b>

Table 1-2  
Wastewater UPIS

Acc#	Account Description	Utility Plant in Service as of 10/31/2024			Test Year Average
		Per Utility	Adjustments	Per Audit	
351.00	Organization	\$0	\$0	\$0	\$0
352.00	Franchises	\$0	\$0	\$0	\$0
354.00	Structures & Improvements	\$92,590	\$0	\$92,590	\$92,590
355.00	Power Generating Equipment	\$0	\$0	\$0	\$0
360.00	Collection - Sewers forced	\$75,119	(\$2,719)	\$72,400	\$72,400
361.00	Collection - Sewers gravity	\$776,464	(\$32,965)	\$743,499	\$743,499
362.00	Special Collecting Structures	\$0	\$0	\$0	\$0
363.00	Services to customers	\$83,523	\$0	\$83,523	\$83,523
364.00	Flow Measuring Devices	\$8,575	(\$3,300)	\$5,275	\$5,275
365.00	Flow Measuring Installations	\$0	\$0	\$0	\$0
370.00	Receiving Wells	\$280,506	(\$40,544)	\$239,962	\$239,962
371.00	Pumping Equipment	\$189,360	(\$62,884)	\$126,476	\$126,476
374.00	Reuse Dist Reservoirs	\$5,800	\$0	\$5,800	\$5,800
380.00	Treatment & Disposal Equipment	\$1,696,699	(\$42,672)	\$1,654,027	\$1,654,027
381.00	Plant Sewers	\$0	\$0	\$0	\$0
382.00	Outfall Sewer Lines	\$46,900	\$0	\$46,900	\$46,900
389.00	Other Plant & Miscellaneous Equipment	\$0	\$0	\$0	\$0
390.00	Office Furniture & Equipment	\$3,664	(\$318)	\$3,346	\$3,346
391.00	Transportation Equipment	\$16,200	\$0	\$16,200	\$16,200
393.00	Tools, Shop, & Garage Equipment	\$2,398	(\$1,713)	\$685	\$685
394.00	Laboratory Equipment	\$300	\$0	\$300	\$300
395.00	Power Operated Equipment	\$638	\$0	\$638	\$638
396.00	Communication Equipment	\$11,600	\$0	\$11,600	\$11,600
398.00	Other Tangible Plant	\$600	\$0	\$600	\$600
<b>Total UPIS</b>		<b>\$3,290,936</b>	<b>(\$187,115)</b>	<b>\$3,103,821</b>	<b>\$3,103,821</b>

**Effect on the General Ledger:** Utility should adjust books to reflect Commission Orders in this instant case.

**Effect on the Filing:** UPIS for water and wastewater should be adjusted by the amounts reflected in Table 1-1 for and Table 1-2.

## **Finding 2: Land**

**Audit Analysis:** The Utility recorded land on the utility's books for water in the amount of \$7,000. As per Commission Order No. PSC-2012-0433-PAA-WS, issued August 21, 2012, the water land balance was \$3,000, as of March 31, 2011. Audit staff determined that the Utility did not record the land ordered adjustment per the last Commission Order. We determined land for water to be overstated by \$4,000.

**Effect on the General Ledger:** Utility should reduce the Land in its books and records to \$3,000.

**Effect on the Filing:** Decrease the value of land for water by \$4,000.

### Finding 3: Accumulated Depreciation and Amortization

**Audit Analysis:** We adjusted the utility balances of water and wastewater accumulated depreciation to reflect adjustments from a prior Commission Order, to reclass amounts from WWTP, to reclass from Operations and Maintenance Expense, to reflect additions to plant not booked and to reflect retirements not booked. Table 3-1 and 3-2 shows these adjustments by primary account.

Table 3-1  
Water Accumulated Depreciation

Acc#	Account Description	Accumulated Depreciation as of 10/31/2024			Test Year Average
		Per Utility	Adjustments	Per Audit	
301.00	Organization	\$0	\$0	\$0	\$0
302.00	Franchises	\$0	\$0	\$0	\$0
304.00	Structures & Improvements	\$55,418	(\$53)	\$55,365	\$54,355
305.00	Collecting & Impounding Reservoirs	\$0	\$0	\$0	\$0
306.00	Lake, River & Other Intakes	\$0	\$0	\$0	\$0
307.00	Wells & Springs	\$296,357	\$0	\$296,357	\$296,357
309.00	Supply Mains	\$0	\$0	\$0	\$0
310.00	Power Generation Equipment	\$106,760	\$0	\$106,760	\$106,760
311.00	Pumping Equipment	\$143,284	(\$45,229)	\$98,055	\$97,285
320.00	Water Treatment Equipment	\$16,595	(\$8,695)	\$7,900	\$7,900
330.00	Distribution Reservoirs & Standpipes	\$77,369	\$80	\$77,449	\$76,515
331.00	Transmission & Distribution Mains	\$1,756,434	(\$30,497)	\$1,725,937	\$1,706,687
333.00	Services	\$96,287	(\$0)	\$96,287	\$95,264
334.00	Meters & Meter Installations	\$279,284	(\$37,541)	\$241,743	\$241,743
335.00	Hydrants	\$58,060	(\$1,172)	\$56,888	\$56,093
336.00	Backflow Prevention Devices	\$0	\$0	\$0	\$0
339.00	Other Plant & Miscellaneous Equipment	(\$2)	\$2	\$0	\$0
340.00	Office Furniture & Equipment	\$13,785	(\$319)	\$13,466	\$13,466
341.00	Transportation Equipment	\$13,920	\$0	\$13,920	\$13,920
343.00	Tools, Shop, & Garage Equipment	\$6,781	(\$3,826)	\$2,955	\$2,955
344.00	Laboratory Equipment	\$0	\$0	\$0	\$0
345.00	Power Operated Equipment	\$1,768	\$0	\$1,768	\$1,768
346.00	Communication Equipment	\$1,800	\$0	\$1,800	\$1,800
348.00	Other Tangible Plant	\$2,380	\$0	\$2,380	\$2,380
<b>Total Accumulated Depreciation</b>		<b>\$2,926,279</b>	<b>(\$127,249)</b>	<b>\$2,799,029</b>	<b>\$2,775,249</b>

Table 3-2  
Wastewater Accumulated Depreciation

Acc#	Account Description	Accumulated Depreciation as of 10/31/2024			Test Year Average
		Per Utility	Adjustments	Per Audit	
351.00	Organization	\$0	\$0	\$0	\$0
352.00	Franchises	\$0	\$0	\$0	\$0
354.00	Structures & Improvements	\$100,518	(\$7,928)	\$92,590	\$92,590
355.00	Power Generating Equipment	\$0	\$0	\$0	\$0
360.00	Collection - Sewers forced	\$75,119	(\$2,719)	\$72,400	\$72,400
361.00	Collection - Sewers gravity	\$620,517	(\$35,576)	\$584,941	\$578,056
362.00	Special Collecting Structures	\$0	\$0	\$0	\$0
363.00	Services to customers	\$86,236	(\$2,713)	\$83,523	\$83,523
364.00	Flow Measuring Devices	\$8,575	(\$3,300)	\$5,275	\$5,275
365.00	Flow Measuring Installations	\$0	\$0	\$0	\$0
370.00	Receiving Wells	\$298,582	(\$58,620)	\$239,962	\$234,808
371.00	Pumping Equipment	\$182,186	(\$132,897)	\$49,289	\$46,361
374.00	Reuse Dist Reservoirs	\$5,412	\$388	\$5,800	\$5,762
380.00	Treatment & Disposal Equipment	\$1,690,074	(\$137,515)	\$1,552,559	\$1,551,909
381.00	Plant Sewers	\$0	\$0	\$0	\$0
382.00	Outfall Sewer Lines	\$46,900	\$0	\$46,900	\$46,900
389.00	Other Plant & Miscellaneous Equipment	\$0	\$0	\$0	\$0
390.00	Office Furniture & Equipment	\$3,664	(\$318)	\$3,346	\$3,346
391.00	Transportation Equipment	\$16,200	\$0	\$16,200	\$16,200
393.00	Tools, Shop, & Garage Equipment	\$2,063	(\$1,378)	\$685	\$685
394.00	Laboratory Equipment	\$300	\$0	\$300	\$300
395.00	Power Operated Equipment	\$638	\$0	\$638	\$638
396.00	Communication Equipment	\$11,600	\$0	\$11,600	\$11,600
398.00	Other Tangible Plant	\$600	\$0	\$600	\$600
<b>Total Accumulated Depreciation</b>		<b>\$3,149,183</b>	<b>(\$382,576)</b>	<b>\$2,766,608</b>	<b>\$2,750,953</b>

**Effect on the General Ledger:** Utility should adjust books to reflect Commission Orders in this instant case.

**Effect on the Filing:** Accumulated Depreciation for water and wastewater should be adjusted by the amounts reflected in Table 3-1 for and Table 3-2.

## **Finding 4: Accumulated Amortization of Contributions-in-Aid-of-Construction CIAC**

**Audit Analysis:** We adjusted the balance of accumulated amortization of CIAC for Water and Wastewater to reflect amortization using audit calculated composite depreciation rates. Our adjustments are shown in Table 4.

Table 4

Description	Amount per	Adjustment	Amount per	Average Per	Amortization
	Utility 10/31/2024		Audit 10/31/2024	Audit 10/31/2024	
Water CIAC Accumulated Amortization	\$2,191,692	(\$115,270)	\$2,076,422	\$2,055,330	\$42,184
Wastewater CIAC Accumulated Amortization	\$872,227	(\$90,250)	\$781,977	\$776,009	\$11,936

**Effect on the General Ledger:** Utility should adjust books to reflect these adjustments.

**Effect on the Filing:** Decrease Accumulated Amortization of CIAC-Water by \$115,270 and reflect Amortization Expense for CIAC as \$42,184 for the test year. Decrease Accumulated Amortization of CIAC-Wastewater by \$90,250 and reflect Amortization Expense for CIAC as \$11,936 for the test year.

## Finding 5: Operating Revenue

**Audit Analysis:** The Utility was unable to provide billing data for November and December 2023. Therefore, Audit staff used the twelve months of 2024 to complete the billing analysis. We compared the revenues calculated to the amount reflected in the Annual Report.

Table 5

Account Name	2024 Annual Report	Audit Amount Based on Billing	Audit Adjustment
Total Water Operating Revenues	\$364,578	\$277,860	(\$86,718)
Total Wastewater Operating Revenue	\$245,208	\$218,576	(\$26,632)

**Effect on the General Ledger:** To be determined by Utility

**Effect on the Filing:** Decrease Water Revenues by \$86,718 and Decrease Wastewater Revenues by \$26,632.



## Finding 6: Operations and Maintenance Expense

**Audit Analysis:** Audit Staff reviewed by a majority of the invoices provided by the Utility supporting the O&M amounts for the twelve months ended October 31, 2024. We compiled those that we believe reflected the ongoing operations of the utility.

Table 6-1

		<b>Water</b>		
		<b>Amount per</b>		
		<b>2024 Annual</b>		
<b>Account</b>	<b>Description</b>	<b>Report</b>	<b>Adjustment</b>	<b>Amount per Audit</b>
615	Purchased Power	\$45,852	(\$24,846)	\$21,006
618	Chemicals	\$18,934	(\$2,134)	\$16,800
632	Contractual Services-Accounting	\$41,750	\$6,250	\$48,000
633	Contractual Services-Legal	\$49,529	(\$40,722)	\$8,808
635	Contractual Services-Testing	\$17,747	(\$7,092)	\$10,655
636	Contractual Services-Other	\$329,390	(\$24,472)	\$304,918
656	Insurance-Vehicle	\$2,153	(\$2,153)	\$0
657	Insurance-General Liability	\$1,375	\$2,153	\$3,528
	Regulatory Commission Expense-			
666	Amortization of rate case expense	\$0		
675	Misc Expense	\$12,425	(\$12,425)	\$0
<b>Total</b>		<b>\$519,155</b>	<b>(\$105,439)</b>	<b>\$413,716</b>
Working Capital 1/8 of O&M				\$51,714

Table 6-2

**Wastewater  
Amount per  
2024 Annual**

<b>Account</b>	<b>Description</b>	<b>Report</b>	<b>Adjustment</b>	<b>Amount per Audit</b>
711	Sludge Removal Expense	\$85,930	(\$25,330)	\$60,600
715	Purchased Power	\$54,758	\$19,914	\$74,672
718	Chemicals	\$7,877	(\$677)	\$7,200
	Contractual Services-			
731	Engineering	\$675	(\$675)	\$0
	Contractual Services-			
732	Accounting	\$41,750	\$6,250	\$48,000
733	Contractual Services-Legal	\$49,529	(\$40,722)	\$8,808
735	Contractual Services-Testing	\$33,793	(\$26,689)	\$7,104
736	Contractual Services-Other	\$334,095	(\$100,823)	\$233,272
756	Insurance-Vehicle	\$2,154	(\$2,154)	\$0
757	Insurance-General Liability	\$1,375	\$2,154	\$3,529
<b>Total</b>		<b>\$611,936</b>	<b>(\$168,752)</b>	<b>\$443,184</b>
Working Capital 1/8 of O&M				\$55,398

**Effect on the General Ledger:** To be determined by Utility

**Effect on the Filing:** Technical staff should adjust the expense accounts as noted.

## Finding 7: Taxes Other than Income

**Audit Analysis:** We obtained the 2024 Regulatory Assessment Fee forms and the 2024 Polk County Property Tax Bills for the Utility.

We calculated the RAF due for Water and Wastewater based on our Revenues calculated from our billing analysis. We compared this to the amount reflected in the 2024 annual report and made our adjustment to this. We also compared our calculated RAF due to the Actual RAF forms filed with this Commission and determined if there was an over or under payment for 2024.

We compiled the property tax bills for the utility and compared these amounts to the amounts reflected in the 2024 annual report and made our adjustment to this.

Table 7  
Taxes Other Than Income -Water

Account Description	Amount per 2024 Annual Report	Amount per Audit	Audit Adjustment
Regulatory Assessment Fee	\$7,303	\$12,504	\$5,201
Property Taxes	\$3,848	\$4,959	\$1,111
Payroll Taxes	\$0		
Other Taxes and Licenses	\$0		
Total Taxes Other Than Income	\$11,151	\$17,463	\$6,312

Taxes Other Than Income -Wastewater

Account Description	Amount per 2024 Annual Report	Amount per Audit	Audit Adjustment
Regulatory Assessment Fee	\$5,149	\$9,849	\$4,700
Property Taxes	\$3,848	\$1,466	(\$2,382)
Payroll Taxes	\$0		
Other Taxes and Licenses	\$0		
Total Taxes Other Than Income	\$8,997	\$11,315	\$2,318

**Effect on the General Ledger:** To be determined by Utility.

**Effect on the Filing:** We increased Taxes Other than Income for water by \$6,312. We increased Taxes Other than Income for wastewater by \$2,318.

## Exhibits

### Exhibit 1: Rate Base

**NC REAL ESTATE PROJECTS, LLC d/b/a GRENELEFE RESORT UTILITY  
STAFF ASSISTED RATE CASE  
TWELVE MONTH PERIOD ENDED OCTOBER 31, 2024  
DOCKET NO. 20250023-WS; ACN 2025-017-1-1**

#### SCHEDULE OF WATER RATE BASE

Description	Balance per Utility 10/31/2024	Audit Adjustments	Audit Finding	Balance per Audit 10/31/2024	Simple Average
Utility Plant in Service	\$3,212,594	(\$85,059)	1	\$3,127,535	\$3,118,149
Land	\$7,000	(\$4,000)	2	\$3,000	\$3,000
Contributions in Aid of Construction	(\$2,302,685)	\$0		(\$2,302,685)	(\$2,302,685)
Accumulated Depreciation	(\$2,926,279)	\$127,249	3	(\$2,799,029)	(\$2,775,249)
Accumulated Amortization of CIAC	\$2,191,692	(\$115,270)	4	\$2,076,422	\$2,055,330
Working Capital	\$0	\$51,714	6	\$51,714	\$51,714
<b>WATER RATE BASE</b>	<b>\$182,323</b>	<b>(\$25,365)</b>		<b>\$156,957</b>	<b>\$150,260</b>

Working Capital 1/8 of O&M Expense

#### SCHEDULE OF WASTEWATER RATE BASE

Description	Balance per Utility 10/31/2024	Audit Adjustments	Audit Finding	Balance per Audit 10/31/2024	Simple Average
Utility Plant in Service	\$3,290,936	(\$187,115)	1	\$3,103,821	\$3,103,821
Land	\$49,400	\$0		\$49,400	\$49,400
Contributions in Aid of Construction	(\$1,051,361)	\$0		(\$1,051,361)	(\$1,051,361)
Accumulated Depreciation	(\$3,149,183)	\$382,576	3	(\$2,766,608)	(\$2,750,953)
Accumulated Amortization of CIAC	\$872,227	(\$90,250)	4	\$781,977	\$776,009
Working Capital	\$0	\$55,398	6	\$55,398	\$55,398
<b>WASTEWATER RATE BASE</b>		<b>\$160,609</b>		<b>\$172,627</b>	<b>\$182,314</b>

Working Capital 1/8 of O&M Expense

## Exhibit 2: Capital Structure

**NC REAL ESTATE PROJECTS, LLC d/b/a GRENELEFE RESORT UTILITY**  
**STAFF ASSISTED RATE CASE**  
**TWELVE MONTH PERIOD ENDED OCTOBER 31, 2024**  
**DOCKET NO. 20250023-WS; ACN 2025-017-1-1**  
**SCHEDULE OF CAPITAL STRUCTURE**

<b>Capital Components</b>	<b>10/31/2024 per Utility</b>	<b>Audit Adjustment</b>	<b>10/31/2024 Per Audit</b>	<b>Ratio</b>	<b>Cost Rate</b>	<b>Weighted Cost</b>
Long Term Debt	\$ 1,431,854	\$ -	\$ 1,431,854	74.85%	9.75%	7.30%
Common Equity	469,312	-	469,312	24.53%	11.24%	2.76%
Customer Deposit	\$ 11,804	-	11,804	0.62%	2.00%	0.01%
<b>Total</b>	<b>\$ 1,912,970</b>	<b>\$ -</b>	<b>\$ 1,912,970</b>	<b>100.00%</b>		<b>10.07%</b>

### Exhibit 3: Net Operating Income

**NC REAL ESTATE PROJECTS, LLC DBA GRENELEFE RESORT UTILITIES**  
**STAFF ASSISTED RATE CASE**  
**TWELVE MONTHS ENDED OCTOBER 31, 2024**  
**DOCKET NO. 20250023-WS; ACN 2025-017-1-1**  
**SCHEDULE OF NET OPERATING INCOME**

<b>WATER</b>				
<b>DESCRIPTION</b>	<b>Balance Per Utility 10/31/2024</b>	<b>Adjustments</b>	<b>Audit Finding</b>	<b>Balance Per Audit 10/31/2024</b>
Operating Revenues	\$364,578	(\$86,718)	5	\$277,860
Operation & Maintenance Expense	\$519,488	(\$134,183)	6	\$385,305
Depreciation Expense	\$77,772	(\$20,280)	3	\$57,492
CIAC Amortized Expense	\$45,823	(\$3,639)	3	\$42,184
Taxes Other Than Income	\$11,151	\$6,312	7	\$17,463
Total Operating Expense	\$654,234	(\$151,790)		\$502,444
<b>Net Operating Income (Loss)</b>	<b>(\$289,656)</b>	<b>\$65,072</b>		<b>(\$224,584)</b>

<b>WASTEWATER</b>				
<b>DESCRIPTION</b>	<b>Balance Per Utility 10/31/2024</b>	<b>Adjustments</b>	<b>Audit Finding</b>	<b>Balance Per Audit 10/31/2024</b>
Operating Revenues	\$245,208	(\$26,632)	5	\$218,576
Operation & Maintenance Expense	\$611,936	(\$197,162)	6	\$414,774
Depreciation Expense	\$43,669	(\$6,702)	3	\$36,967
CIAC Amortized Expense	\$22,184	(\$10,248)	3	\$11,936
Taxes Other Than Income	\$8,997	\$2,318	7	\$11,315
Total Operating Expense	\$686,786	(\$211,794)		\$474,992
<b>Net Operating Income (Loss)</b>	<b>(\$441,578)</b>	<b>\$185,162</b>		<b>(\$256,416)</b>