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: July 17, 2026

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

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

RE: Docket No.: 20260032- WU
Company Name: Placid Lakes Utilities, Inc.
Company Code: WU193
Audit Purpose: B1c: Certificate Transfer
Audit Control No.: 2026-093-1-1

Attached is the final audit report for the Utility stated above, I am sending the Utility a copy of this memo and audit report. If the Utility desired 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.

Attachement: Audit Report

Cc: Office of Audit & Performance Analysis

State of Florida

Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Placid Lakes Utilities, Inc.
Transfer of Certificate

As of January 31, 2026

Docket No. 20260032-WU
Audit Control No. 2026-093-1-1
July 13, 2026

Ronald A. Mavrides
Audit Manager

Lynn M. Deamer
Reviewer

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<u>Purpose</u>

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 March 11, 2026. We have applied these procedures to the attached schedules prepared by Placid Lakes Utilities, Inc. in support of its filing for rate relief in Docket No. 20260032-WU

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Seller/Utility refers to Placid Lakes Utilities, Inc.

Buyer refers to Sunshine Water Services Company.

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.)

Utility Information

On February 27, 2026, Sunshine Water Services Company filed the Application for authority to transfer Facilities and Certificate No. 401-W from Placid Lakes Utilities, Inc. to Sunshine Water Services Company, in Highland County. Placid Lakes Utilities, Inc., is a Class "B" Water Utility that provides potable water service to approximately 2,250 customers in Highland County, Florida.

In 2019, Placid Lakes filed an application for increase in water rates, the Rate Base has been established as of December 31, 2018, in Order No. PSC-2019-0551-PAA-WU, issued December 30, 2019, in Docket No. 20190031-WU.

This report only addresses the water operations.

Utility Books and Records

Objectives: The objective was to determine whether the Utility maintained its accounts and records in conformity with the NARUC USoA.

Procedures: We reviewed the Utility's accounting system by examining the records provided for this proceeding and determined that the Utility's books are in substantial compliance with the NARUC USoA. No exceptions were noted.

Net Book Value

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 recorded when a replacement asset is put into service, and 4) Adjustments required in the Utility's last proceeding are recorded in its books and records.

Procedures: We compiled a schedule of UPIS balances for Water, by using the beginning balances in Commission Order No. PSC-2019-0551-PAA-WU. We then adjusted the Plant balances with the Pro-Forma plant items reflected in that Order to establish the Plant beginning balance as of December 31, 2018. We recalculated Plant balances of Water from the general ledger from January 1, 2019, to January 31, 2026. We judgmentally selected the Plant invoices from January 1, 2019, to January 31, 2026, and traced to the general ledger. See Finding 1.

Land & Land Rights

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

Procedures: We acquired and examined the warranty deeds for the Utility land. We determined that there has been no change in land ownership since the last rate case. No exceptions were noted.

Accumulated Depreciation

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

Procedures: We determined the beginning balances for Accumulated Depreciation from Commission Order No. PSC-2019-0551-PAA-WU. We recalculated the Accumulated Depreciation by using the depreciation rates prescribed in Rule 25-30.140(2), Florida Administrative Code, and determined the accumulated depreciation as of January 31, 2026. See Finding 2.

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 is replaced, and 4) Adjustments in the Utility's last rate proceeding are recorded in its books and records.

Procedures: We scheduled the CIAC by using the beginning balance from the Commission Order No. PSC-2019-0551-PAA-WU. We recalculated the CIAC balances from December 31, 2018, to January 31, 2026, from the general ledger, and determined the ending balance as of January 31, 2026. We confirmed that the Utility did not use the Commission-approved service availability charge for CIAC since May 2020. See Findings 3 & 4.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether accumulated CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-140, Florida Administrative Code-

Depreciation, 2) Retirements are recorded when an asset is replaced, and 3) Adjustments required in the Utility's last rate proceeding are recorded to its books and records.

Procedures: We obtained the beginning balance of AA of CIAC from Commission Order No. PSC-2019-0551-PAA-WU and traced it to the 2019 general ledger. We recalculated the AA of CIAC and determined the ending balance for AA of CIAC as of January 31, 2026. The variance between our recalculation and the Company Balance was to increase AA of CIAC by $123. See Finding 4.

Customer Deposits

Objectives: The objectives are to determine the amount and disposition of customer deposits during the transfer.

Procedures: We determined that the customer deposits were $85,751.59 as of January 31, 2026. At the closing date the customer deposits will be refunded to the customers. The buyer will not receive any customer deposits during or after the sales. No exceptions were noted.

Recalculation of Customer Bills

Objectives: The objectives are to determine whether the Utility is using the applicable tariff rates in its billings to customers.

Procedures: We obtained the billing register, customer bills from the Utility. We judgmentally selected 15 customer bills of residential and commercial services as the sample. We obtained the Commission-approved tariff rates and traced them to the Customer bills. No exceptions were noted.

Audit Findings

Finding 1: Utility Plant in Service

Audit Analysis: Audit staff recalculated the UPIS balances as of January 21, 2026, from the general ledger, and had the variances because of the following:

- The Utility should reverse retirements to Accounts 310, 311 and 331 in order to increase the UPIS balances. See Table 1-1.

Table 1-1 Reverse Retirement in the UPIS

Accout No.	Account Name	Reverse Retirement	
310	Power Generation Equipment	$	2,508
311	Pumping Equipment	$	3,613
331	Transmission & Distribution M	$	5,344

- The Utility did not include two retirements that should be made in Accounts 311 and 320. See Table 1-2.

Table 1-2 Add Retirements in the UPIS

Accout No.	Account Name	Add Retirement	
311	Pumping Equipment	$	(5,321)
320	Water Treatment Equipment	$	(3,975)

- There was an Insurance Reimbursement associated with lightning damage in the amount of $29,141. The Utility netted the insurance proceeds against the replacement costs of plant items that were damaged by lightning. The installed cost of the replacement plant should be included in UPIS (Account 311), and the insurance proceeds should be credited to the appropriate depreciation account (Account 108.6).
- There was a blow off value contributed by a builder that was booked to UPIS and netted against the contribution amount. The installed cost of the blow off value should be booked to UPIS (Account 331), and the contribution should be recorded as CIAC. (See Finding 4).
- The Utility capitalized an annual service agreement of $4,500 to Account 340, starting in 2023. As such, $13,500 ($4,500 * 3 years) should be removed from UPIS and expensed as an annually recurring expense.

We determined the ending balance of UPIS as of January 31, 2026. See Table 1-3 for the audit adjustments.

Table 1-3 UPIS Balances As of January 31, 2026

Accout No.	Account Name	Balance per Company 1/31/26	Audit Adjustment	Balance per Audit 1/31/26
301	Organization	$ -	$ -	$ -
302	Franchises	$ -	$ -	$ -
304	Structures & Improvements	$ 74,206	$ 0	$ 74,206
305	Collecting & Impounding Reservoirs	$ 33,054	$ -	$ 33,054
306	Lake, River & Other Intakes	$ -	$ -	$ -
307	Wells & Springs	$ 114,056	$ 0	$ 114,056
309	Supply Mains	$ 48,851	$ (0)	$ 48,851
310	Power Generation Equipment	$ 76,402	$ 2,508	$ 78,910
311	Pumping Equipment	$ 361,817	$ 27,432	$ 389,250
320	Water Treatment Equipment	$ 63,440	$ (3,975)	$ 59,465
330	Distribution Reservoirs & Standpipes	$ 230,192	$ (0)	$ 230,192
331	Transmission & Distribution Mains	$ 1,692,118	$ 6,293	$1,698,412
333	Services	$ 522,962	$ (0)	$ 522,962
334	Meters & Meter Installations	$ 613,075	$ 0	$ 613,075
335	Hydrants	$ 34,690	$ (1)	$ 34,689
336	Backflow Prevention Devices	$ -	$ -	$ -
339	Other Plant & Miscellaneous Equipment	$ 3,009	$ 0	$ 3,009
340	Office Furniture & Equipment	$ 27,666	$ (13,500)	$ 14,166
341	Transportation Equipment	$ 132,939	$ 0	$ 132,939
343	Tools, Shop, & Garage Equipment	$ 8,327	$ 0	$ 8,327
346	Communication Equipment	$ -	$ -	$ -
347	Miscellaneous Equipment	$ 61,365	$ -	$ 61,365
	Total Water UPIS	$ 4,098,168	$ 18,758	$4,116,927

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

Effect on the Filing: The UPIS balance as of January 31, 2026, should be increased by $18,758 ($4,116,927 - $4,098,168).

Finding 2: Accumulated Depreciation

Audit Analysis: Audit staff recalculated the Accumulated Depreciation as of January 21, 2026, from the general ledger, and had the following variances:

- The Accounts 108.1, 108.2, 108.3, and 108.14 were over depreciated. See Table 2-1.

Table 2-1 Over Depreciated Accounts

Accout No.	Account Name		Over Depreciated
108.1	Structures & Improvements	$	(10,205)
108.2	Collecting & Impounding Reservoirs	$	(197)
108.3	Wells & Springs	$	(4,095)
108.14	Transportation Equipment	$	(85,086)

- Th Utility used the wrong service life (wrong depreciation rates) for these Accounts below. In addition, the Utility did not include the salvage value in the Accounts 341 and 346. See Table 2-2.

Table 2-2 Incorrect Service Life

Accout No.	Account Name		Incorrect Service Life
108.6	Pumping Equipment	$	(27,892)
108.9	Transmission & Distribution Mains	$	12,319
108.10	Services	$	(32,804)
108.11	Meters & Meter Installations	$	(17,732)
108.18	Other Plant & Miscellaneous Equipment	$	(691)

Table 2-3 Adjustments for Retirement

(See Details in Finding 1)

Accout No.	Account Name		Adjustments for Retirements
108.5	Power Generation Equipment	$	2,508
108.6	Pumping Equipment	$	(1,707)
108.7	Water Treatment Equipment	$	(3,975)
108.9	Transmission & Distribution Mains	$	5,344

Table 2-4 Insurance Reimbursement

(See Details in Finding 1)

Accout No.	Account Name		Adjustments for Retirements
108.6	Pumping Equipment	$	29,141

Table 2-5 Audit Recalculation Variance

Accout No.	Account Name	Audit Recalculation Variance	
108.5	Power Generation Equipment	$	198
108.7	Water Treatment Equipment	$	379
108.13	Office Furniture & Equipment	$	(985)
108.17	Miscellaneous Equipment	$	(1,429)

We determined the ending balance of Accumulated Depreciation as of January 31, 2026. See Table 2-3 for a summary of audit adjustments.

Table 2-6 Accumulated Depreciation as of January 31, 2026

Accout No.	Account Name	Balance per Company 1/31/26		Audit Adjustment		Balance per Audit 1/31/26	
108.1	Structures & Improvements	$	84,411	$	(10,205)	$	74,206
108.2	Collecting & Impounding Reservoirs	$	33,251	$	(197)	$	33,054
108.3	Wells & Springs	$	118,150	$	(4,095)	$	114,056
108.4	Supply Mains	$	39,897	$	1	$	39,898
108.5	Power Generation Equipment	$	63,359	$	2,707	$	66,066
108.6	Pumping Equipment	$	49,869	$	(459)	$	49,410
108.7	Water Treatment Equipment	$	35,326	$	(3,596)	$	31,730
108.8	Distribution Reservoirs & Standpipes	$	164,540	$	1	$	164,541
108.9	Transmission & Distribution Mains	$	980,857	$	17,663	$	998,520
108.10	Services	$	175,715	$	(32,804)	$	142,911
108.11	Meters & Meter Installations	$	274,421	$	(17,732)	$	256,689
108.12	Hydrants	$	24,289	$	0	$	24,289
108.18	Other Plant & Miscellaneous Equipment	$	2,801	$	(691)	$	2,110
108.13	Office Furniture & Equipment	$	7,996	$	(985)	$	7,012
108.14	Transportation Equipment	$	179,993	$	(85,086)	$	94,907
108.15	Tools, Shop, & Garage Equipment	$	6,860	$	(1)	$	6,860
108.16	Communication Equipment	$	0	$	(0)	$	(0)
108.17.	Miscellaneous Equipment	$	35,668	$	(1,429)	$	34,240
	Total Accumulated Depreciation	$	2,277,404	$	(136,907)	$	2,140,498

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

Effect on the Filing: The Accumulated Depreciation should be decreased by a total of $136,907 ($2,140,498 - $2,227,404), as described above.

Finding 3: Incorrect Service Availability Charge

Audit Analysis: The Commission-approved service availability charge for Customer Connection (Tap-In) charge is $460.15. Audit staff determined that starting in May 2020, the Utility used the incorrect service availability charge of $460.17.

This is the Finding for informational use only.

Finding 4: Contributions-in-Aid-of-Construction (CIAC)

Audit Analysis: Audit staff recalculated the CIAC as of January 31, 2026, and had a total variance of $336 due to differences in CIAC beginning balance as of December 31, 2018, and Reclass from Account 331. See the audit adjustments in the Tables below.

Table 4-1 Difference in the CIAC Beginning Balance as of December 31, 2018

Accout No.	Account Name	Balance per Company 12/31/18	Audit Adjustment	Balance per Audit 12/31/18
271.1	CIAC - Original Lines	$ 800,876	$ (0)	$ 800,876
271.2	CIAC - Meter Installations	$ 251,234	$ (0)	$ 251,234
271.3	CIAC - Line Extensions	$ 439,570	$ (1,299)	$ 438,271
271.4	CIAC - Catfish Creek Extension	$ 54,738	$ 0	$ 54,738
271.5	CIAC - Plant Expansion	$ 232,099	$ (315)	$ 231,784
271.6	CIAC - Services	$ 119,828	$ 1,000	$ 120,828
	Total CIAC Balance	$ 1,898,345	$ (614)	$ 1,897,731

Table 4-2 Reclass from Account 331

Accout No.	Account Name	Relass from Account 331
271.1	CIAC - Original Lines	$ -
271.2	CIAC - Meter Installations	$ -
271.3	CIAC - Line Extensions	$ 950
271.4	CIAC - Catfish Creek Extension	$ -
271.5	CIAC - Plant Expansion	$ -
271.6	CIAC - Services	$ -
	Total CIAC Balance	$ 950

Table 4-3 CIAC Balance as of January 31, 2026

Accout No.	Account Name	Balance per Company 12/31/18	Audit Adjustment	Balance per Audit 12/31/18
271.1	CIAC - Original Lines	$ 800,876	$ (0)	$ 800,876
271.2	CIAC - Meter Installations	$ 341,530	$ (0)	$ 341,530
271.3	CIAC - Line Extensions	$ 621,843	$ (349)	$ 621,494
271.4	CIAC - Catfish Creek Extension	$ 54,738	$ 0	$ 54,738
271.5	CIAC - Plant Expansion	$ 332,269	$ (315)	$ 331,954
271.6	CIAC - Services	$ 267,411	$ 1,000	$ 268,411
	Total CIAC Balance	$ 2,418,667	$ 336	$2,419,003

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

Effect on the Filing: The Contributions-in-Aid-of-Construction Balance as of January 31, 2026, should be increased by $336 ($2,419,003 - $2,418,667). Audit staff recalculated AA of CIAC and determined the balance should be increased by $123 ($1,576,516 - $1,576,393).

Exhibits

Exhibit 1: Net Book Value

PLACID LAKES UTILITIES, INC.
TRANSFER OF CERTIFICATE
AS OF JANUARY 31, 2026
DOCKET NO.: 20260032-WU; ACN: 2026-093-1-1

SCHEDULE OF WATER RATE BASE

Description	Balance per Utiltiy 1/31/2026	Audit Adjustments	Audit Finding	Balance per Audit 1/31/2026
Utility Plant in Service	$ 4,098,168	18,759	1	$ 4,116,927
Land	4,355	-		4,355
Contributions in Aid of Construction	(2,418,667)	(336)	3 & 4	(2,419,003)
Accumulated Depreciation	(2,277,404)	136,907	2	(2,140,498)
Accumulated Amortization of CIAC	1,576,393	123	4	1,576,516
NET BOOK VALUE	$ 982,844	$ 155,453		$ 1,138,297