

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, 2025

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

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

RE: Docket No.: 20250075-WU
Company Name: Citrus Waterworks, Inc.
Company Code: WU994
Audit Purpose: A1b: Staff-Assisted Rate Case
Audit Control No.: 2025-129-1-1

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

Citrus Waterworks, Inc.
Staff-Assisted Rate Case

Test Year Ended December 31, 2024

Docket No. 20250075-WU
Audit Control No. 2025-129-1-1

July 17, 2025

A blue ink signature of Curt Mouring, consisting of stylized initials and a surname.

Curt Mouring
Audit Manager

A blue ink signature of Lynn Deamer, written in a cursive style.

Lynn 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 and Finance in its audit service request dated May 9, 2025. We have applied these procedures to the attached schedules prepared by the audit staff in support of Citrus Waterworks, Inc.'s request for a Staff Assisted Rate Case in Docket No.20250075-WU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Citrus Waterworks, Inc.

The test year for this proceeding is the historical 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

Citrus Waterworks, Inc., is a Class C water only Utility operating in Citrus County. The Utility provides service to 154 residential and one general service customer. The Utility files Federal taxes as a subchapter S corporation.

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: 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. The Utility is a Class C utility, but utilizes the USoA Class B accounts, which are more detailed and are acceptable by the Commission.

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 for UPIS, as of December 31, 2023, to plant balances approved by the Citrus County Water and Wastewater Authority in Final Order No. 24-02.¹ We scheduled UPIS activity for December 31, 2023, to December 31, 2024. We traced

¹ See Staff Assisted Rate Case Report dated January 11, 2024 (Raftelis Report) contained in Audit Staff's workpapers.

asset additions to supporting documentation. We ensured that retirements were made when an asset was removed or replaced. We determined the simple average and year-end balances as of December 31, 2024. See Finding 1.

Land & Land Rights

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 requested and received a warranty deed for the utility land and determined that the utility owns the land the water plant occupies. There has been no change in land ownership since the last rate case in Citrus County.

Accumulated Depreciation

Objectives: The objectives were to determine whether: 1) Adjustments to accumulated depreciation in the Utility's last rate case proceeding were recorded in its general ledger, 2) Accumulated depreciation accruals are properly recorded in compliance with Commission Rule 25-30.140-Depreciation, Florida Administrative Code (F.A.C.) and the NARUC USoA, 3) Depreciation expense accruals are calculated using the Commission's authorized rates, and 4) Retirements are properly recorded when an asset was replaced.

Procedures: We reconciled the beginning balances of accumulated depreciation as of December 31, 2023, to the balances per Citrus County Water and Wastewater Authority Final Order No. 24-02. We calculated accumulated depreciation using the depreciation rates established by Commission Rule 25-30.140 – Depreciation. We determined the year-end and simple average accumulated depreciation balance as of December 31, 2024. See Finding 2.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether; 1) Contributions-in-Aid-of-Construction (CIAC) is properly recorded in compliance with Commission rules and the NARUC USoA, 2) Donated property is properly accounted for as recorded as CIAC, and 3) Adjustments to CIAC in the Utility's last rate case proceeding were recorded in its general ledger.

Procedures: Audit staff verified that since the last rate case only one CIAC item was added on December 13, 2024, which totaled \$865.

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: Audit staff reconciled the beginning balances for Accumulated Amortization of CIAC as of December 31, 2023, from Citrus County Water and Wastewater Authority Final Order No. 24-02, and recalculated the Accumulated Amortization expenses to December 31, 2024. The Utility used a composite rate for all CIAC accounts. The Commission policy is to use the rates applicable to the related plant accounts, and only use a composite rate for unknown plant accounts. Staff used a composite rate only for the cash account. See Finding 2.

Acquisition Adjustment and Accumulated Amortization of Acquisition Adjustment

Objectives: The objective was to determine whether there is an Acquisition Adjustment approved by the Commission, and if so, the year-end balance for the Acquisition Adjustment and Accumulated Amortization of Acquisition Adjustment as of December 31, 2024 and the Amortization of Acquisition Adjustment for the test year as set forth by Rule 25-30.0371, F.A.C.

Procedures: We questioned the utility as to the origin of the Acquisition Adjustment included in the utility's application for staff assistance. The utility's response was that there was not an acquisition adjustment sought in this proceeding, nor had one been approved by the Citrus County Water Authority. No further work performed.

Working Capital

Objectives: The objective was to determine the working capital adjustment 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 adjustment as of December 31, 2024, using one-eighth of operation and maintenance (O&M) expense as required by Commission Rule 25-30.433(3), F.A.C.

Capital Structure

Objectives: The objectives were to determine: 1) Component balances for the Utility's capital structure, 2) Cost rates to be used to arrive at the overall weighted cost of capital and, if 3) Components are properly recorded in compliance with Commission requirements.

Procedures: We reviewed the general ledger and determined that the Utility's capital structure is composed of Common Equity and Customer Deposits. We determined the year-end and its weighted average cost as of December 31, 2024. There was no long-term debt.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether the Utility's test year revenues are recorded in compliance with Commission rules and calculated using Commission-approved rates.

Procedures: We compiled the Utility's revenues for the test year ended December 31, 2024, by obtaining the monthly customer billing registers. We reconciled the billing register to the general ledger. We recalculated revenues based on current tariffs in effect by class. We completed a billing analysis as requested by technical staff. See Finding 3.

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, NARUC account and whether it was recurring in nature. We verified each expense against the invoice and supporting documentation. We verified payroll expense. Our recommended adjustments to O&M are discussed in Finding 4.

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 and CIAC Amortization Expense are discussed in Finding 2.

Taxes Other than Income

Objectives: The objectives were to determine whether Taxes Other Than Income (TOTI) expenses are 1)Properly recorded in compliance with Commission rules, 2) Reasonable for ongoing utility operations, and 3) Recorded in compliance with the NARUC USoA.

Procedures: We verified TOTI expenses for the test year ended December 31, 2024, by tracing the tax amounts to original source documentation. We reviewed the 2024 regulatory assessment

fee returns. Our recommended adjustments to Taxes Other than Income are discussed in Finding 5.

Amortization of Deferred Rate Case Expense

Objectives: The objective was to determine the amortized deferred rate case expense for the test year ended December 31, 2024.

Procedures: Audit staff reviewed the Regulatory Commission Expense per Citrus County Water and Wastewater Authority Final Order No. 24-02 and traced it to the general ledger. Our recommended adjustments to Accounts 186.1 and Accounts 665 are discussed in Finding 4.

Audit Findings

Finding 1: Utility Plant in Service

Table 1-1

Acc#	Account Description	Utility Plant in Service as of 12/31/2024			Test Year Average
		Per Utility	Adjustments	Per Audit	
301	Organization	\$1,692	(\$1,401)	\$291	\$291
302	Franchises	\$4,675	(\$0)	\$4,675	\$4,175
304	Structures & Improvements	\$5,680	(\$839)	\$4,841	\$4,841
305	Collecting & Impounding Reservoirs	\$0	\$0	\$0	\$0
306	Lake, River & Other Intakes	\$0	\$0	\$0	\$0
307	Wells & Springs	\$4,892	\$0	\$4,892	\$4,892
309	Supply Mains	\$4,259	\$0	\$4,259	\$4,259
310	Power Generation Equipment	\$0	\$0	\$0	\$0
311	Pumping Equipment	\$15,162	(\$0)	\$15,162	\$15,162
320	Water Treatment Equipment	\$3,923	\$0	\$3,923	\$3,923
330	Distribution Reservoirs & Standpipes	\$54,900	(\$1,148)	\$53,752	\$53,752
331	Transmission & Distribution Mains	\$27,962	(\$10,972)	\$16,990	\$16,631
333	Services	\$10,191	(\$83)	\$10,108	\$10,108
334	Meters & Meter Installations	\$10,243	(\$1,519)	\$8,724	\$8,627
335	Hydrants	\$0	\$0	\$0	\$0
336	Backflow Prevention Devices	\$0	\$0	\$0	\$0
339	Other Plant & Miscellaneous Equipment	\$0	\$0	\$0	\$0
340	Office Furniture & Equipment	\$3,338	\$0	\$3,338	\$3,338
341	Transportation Equipment	\$3,547	\$0	\$3,547	\$3,547
342	Stores Equipment	\$122	(\$0)	\$122	\$122
343	Tools, Shop, & Garage Equipment	\$1,225	\$0	\$1,225	\$1,225
344	Laboratory Equipment	\$0	\$0	\$0	\$0
Total UPIS		\$151,811	(\$15,962)	\$135,849	\$134,893

Audit Analysis: Audit staff determined that the UPIS balance for the test year ended December 31, 2024, is \$137,013. The UPIS balance per Citrus County Water and Wastewater Authority Final Order No. 24-02, was \$133,938 as of December 31, 2023. The Citrus County Order reflected UPIS reductions totaling \$15,743, which are not reflected on the Utility's general ledger. Test year additions to UPIS should be reduced by \$216 to remove two additions that were unsupported by the Utility. First, a repair of a water leak on January 1, 2024, for \$132.26, and secondly to repair a water leak on February 28, 2024 for \$83.35. Audit staff notes that even if the Utility is able to subsequently provide the supporting documentation for these repairs, they would still fall below the \$150 capitalization threshold, and should be expensed. Finally, the retirements made to Account 334 by the Utility vary from the amount calculated by audit staff's amount by a total of \$3. Although this amount is immaterial, and likely the result of rounding, audit staff has further reduced UPIS by \$3.

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

Effect on the Filing: Audit staff determined that the UPIS balance for the test year ended December 31, 2024, is \$137,013. UPIS balances should be reduced by \$15,962 (-\$15,743-\$216-\$3) consistent with Table 1-1 above.

Finding 2: Accumulated Depreciation and Amortization

Table 2-1

Acct#	Account Description	Accumulated Depreciation as of 12/31/2024			Test Year Average
		Per Utility	Adjustments	Per Audit	
301	Organization	\$132	(\$106)	\$26	\$23
302	Franchises	\$353	\$1	\$354	\$302
304	Structures & Improvements	\$303	(\$37)	\$265	\$176
305	Collecting & Impounding Reservoirs	\$0	\$0	\$0	\$0
306	Lake, River & Other Intakes	\$0	\$0	\$0	\$0
307	Wells & Springs	\$4,892	\$0	\$4,892	\$4,892
309	Supply Mains	\$4,204	(\$1)	\$4,203	\$4,137
310	Power Generation Equipment	\$0	\$0	\$0	\$0
311	Pumping Equipment	\$5,857	\$239	\$6,096	\$5,650
320	Water Treatment Equipment	\$3,274	\$62	\$3,337	\$3,221
330	Distribution Reservoirs & Standpipes	\$14,318	(\$470)	\$13,848	\$13,033
331	Transmission & Distribution Mains	\$7,189	(\$3,443)	\$3,746	\$3,527
333	Services	\$4,667	(\$2)	\$4,665	\$4,520
334	Meters & Meter Installations	\$5,230	\$99	\$5,329	\$5,366
335	Hydrants	\$0	\$0	\$0	\$0
336	Backflow Prevention Devices	\$0	\$0	\$0	\$0
339	Other Plant & Miscellaneous Equipment	\$0	\$0	\$0	\$0
340	Office Furniture & Equipment	\$2,447	\$2	\$2,449	\$2,337
341	Transportation Equipment	\$3,557	(\$10)	\$3,547	\$3,547
342	Stores Equipment	\$122	(\$0)	\$122	\$121
343	Tools, Shop, & Garage Equipment	\$1,238	(\$13)	\$1,225	\$1,215
344	Laboratory Equipment	\$0	\$0	\$0	\$0
Total Accumulated Depreciation		\$57,782	(\$3,679)	\$54,103	\$52,067

Table 2-2

NARUC	WATER Description	Amount per Utility		Simple Amount per Average Per Audit		Amortization Expense
		12/31/2024	Adjustment	12/31/2024	12/31/2024	
272	CIAC Accumulated Amortization	\$ 17,341	\$ 41	\$ 17,382	\$ 16,966	\$ 832
	Total	\$ 17,341	\$ 41	\$ 17,382	\$ 16,966	\$ 832

Audit Analysis: Audit staff determined that the Accumulated Depreciation balance for the test year ended December 31, 2024, is \$54,103. Audit staff also determined that the Accumulated Amortization of CIAC balance for the test year ended December 31, 2024, is \$17,382. The respective balances per Citrus County Water and Wastewater Authority Final Order No. 24-02, were \$50,030 and \$16,550 as of December 31, 2023. Audit staff recalculated Accumulated Depreciation using the depreciation rates established by Commission Rule 25-30.140 – Depreciation. Staff recalculated Accumulated Amortization of CIAC using a composite rate.

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

Effect on the Filing: Audit staff determined that the Accumulated Depreciation balance for the test year ended December 31, 2024, is \$54,103. Accumulated Depreciation balances should be reduced by \$3,679 consistent with Table 2-1 above. Audit staff determined that the Accumulated Amortization of CIAC balance for the test year ended December 31, 2024, is \$17,382. Accumulated Amortization of CIAC balances should be increased by \$41 consistent with Table 2-2 above.

Finding 3: Operating Revenue

Table 3-1

NARUC	Description	Balance Per		Balance Per	
		Utility	Adjustments	Audit	
		12/31/2024		12/31/2024	
461.1	Residential Service	\$ 50,509	\$ 3,537	\$ 54,046	
461.2	General Service	315	23	338	
	Other Revenues:		-		
471.4	Late Fees	1,565	-	1,565	
471.1	Initial Connections	525	-	525	
471.2	Reconnections	309	(36)	273	
	Deposit Interest	-	-	-	
	Returned Payment Fe	-	-	-	
Total		\$ 53,224	\$ 3,524	\$ 56,747	

Audit Analysis: Audit staff recalculated revenues based on current tariffs in effect by class. Residential revenues are understated by \$3,537. General service revenues are understated by \$23, and miscellaneous service revenues are overstated by \$36.

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

Effect on the Filing: Operating revenues for the test year ended December 31, 2024 should be increased by \$3,524.

Finding 4: Operations and Maintenance Expense

Table 4-1

NARUC	Description	Balance Per Utility 12/31/2024	Adjustment	Balance Per Audit 12/31/2024
603	Salaries - Officers - Directors	\$ 2,500	\$ -	\$ 2,500
615	Purchased Power	\$ 6,396	(33)	\$ 6,363
618	Chemicals	\$ 118	-	\$ 118
632	Contractual Services - Accounting	\$ 525		\$ 525
633	Contractual Services - Legal	\$ 300		\$ 300
635	Contractual Services - Testing	\$ 445	-	\$ 445
636	Contractual Services - Other	\$ 31,534	-	\$ 31,534
655	Insurance	\$ 1,677	(12)	\$ 1,665
665	Regulatory Commission Expense	\$ 125	40	\$ 165
670	Bad Debt Expense	\$ 2,040	-	\$ 2,040
675	Miscellaneous	\$ 2,921	-	\$ 2,921
	Total	\$48,582	\$ (5)	\$ 48,577

Audit Analysis: Audit staff reviewed all costs for the Utility's O&M expenses for the test year. The Utility included an out-of-period charge of \$32.94 in test year purchased power expense which should be removed. Audit staff decreased Account 655 by \$12 to reflect the current insurance premiums paid by the Utility in the test year. The Regulatory Commission Expense approved by Citrus County Water and Wastewater Authority Final Order No. 24-02 was \$659, and was ordered to be amortized over a 4-year period. As such, audit increased Account 665 by \$40 to reflect an annual amortization expense of \$165 (\$659/4).

During the test year, the Utility incurred \$2,170.64 in Miscellaneous expenses that appear to be non-recurring in nature. In May of 2024, the Utility incurred an expense of \$1,430.00 related to tree trimming expense. The Utility indicated that this work is not performed on a scheduled basis, but rather it is done on an as-needed basis. In June of 2024, the Utility incurred \$740.64 in fees associated with compliance with FDEP's Lead Service Line Inventory (LSLI) requirements. This appears to be a one-time expense, but the Utility was uncertain if any additional work would be needed.

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

Effect on the Filing: Test year O&M expenses should be reduced by \$5 as detailed in Table 4-1 above. For Account 675, technical staff should determine the appropriate regulatory treatment for the tree trimming and LSLI costs.

Finding 5: Taxes Other than Income

Audit Analysis: Audit staff recalculated RAFs based on the audited test year revenues. Based on audits staff's test year revenues, the test year RAFs should be increased by \$121. Audit staff reviewed the 2024 Real and Tangible Personal Property tax assessments from Citrus County. Based on the maximum early-payment discount of four percent, the test year property taxes should be decreased by \$34, and the tangible personal property taxes should be increased by \$525, as shown in Table 5-1 below.

Table 5-1

Description	Per Utility	Adjustment	Per Audit
	12/31/2024		12/31/2024
2024 Regulatory Assessment Fee	\$ 2,421	\$ 132	\$ 2,554
2024 Citrus County Property Tax	\$ 241	\$ (34)	\$ 207
2024 Citrus County Tangible Tax	\$ 289	\$ 525	\$ 814
Total	\$ 2,951	\$ 623	\$ 3,575

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

Effect on the Filing: Test year Taxes Other Than Income should be increased by \$623 as detailed in Table 5-1 above.

Exhibits

Exhibit 1: Rate Base

**CITRUS WATERWORKS, INC.
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED DECBER 31, 2024
DOCKET NO. 20250075-WU; ACN 2025-129-1-1
SCHEDULE OF WATER RATE BASE**

Description	Balance per Utility 12/31/2024	Audit Adjustments	Audit Finding	Balance per Audit 12/31/2024	Simple Average
Utility Plant in Service	\$151,811	(15,962)	1	\$135,849	\$134,893
Land	2,975	-		2,975	2,975
Contributions in Aid of Construction	(25,178)	-		(25,178)	(\$24,746)
Accumulated Depreciation	(\$57,782)	3,679	2	(\$54,103)	(\$52,067)
Accumulated Amortization of CIAC	17,341	41	2	17,382	\$16,966
Acquisition Adjustment	-	-		-	-
Accumulated Amortization of Acquisition Adjustment	-	-		-	-
Working Capital	-	6,052		6,052	6,052
NET BOOK VALUE	\$ 89,167	\$ (6,190)		\$ 82,976	\$ 84,074

Working Capital 1/8 of O&M Expense

Exhibit 2: Capital Structure

CITRUS WATERWORKS, INC.
STAFF-ASSISTED RATE CASE
DOCKET NO. 20250075-WU; ACN 2025-129-1-1
SCHEDULE OF CAPITAL STRUCTURE
TWELVE MONTHS ENDED DECEMBER 31, 2024

Capital Components	12/31/2024 Per Utility	Audit Adjustment	12/31/2024 Per Audit	Ratio	Cost Rate	Weighted Cost
Long Term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
Common Equity	\$ 128,704	\$ -	\$ 128,704	98.45%	8.66%	8.52%
Customer Deposit	\$ 2,025	\$ -	\$ 2,025	1.55%	2.00%	0.03%
Total	\$ 130,729	\$ -	\$ 130,729	100.00%		8.56%

Exhibit 3: Net Operating Income

CITRUS WATERWORKS, INC.
STAFF ASSISTED RATE CASE
TWELVE MONTH PERIOD ENDED DECEMBER 31, 2024
DOCKET NO. 20240075-WU; ACN 2025-129-1-1
SCHEDULE OF NET OPERATING INCOME

DESCRIPTION	Balance Per	Adjustments	Audit Finding	Balance Per
	Utility 12/31/2024			Audit 12/31/2024
Operating Revenues	\$ 53,224	3,523	3	\$ 56,747
		-		
Operation & Maintenance Expense	48,582	(5)	4	48,577
		-		
Depreciation Expense	5,143	(488)	2	4,655
		-		
CIAC Amortized Expense	(831)	(1)	2	(832)
Acquisition Adjustment Amortization Expense	-	-		-
Taxes Other Than Income	2,951	624	5	3,575
Total Operating Expense	55,845	130		55,975
		-		
Net Operating Income (Loss)	\$ (2,621)	\$ 3,393		\$ 772