

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: April 15, 2026

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

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

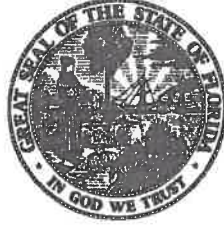
RE: Docket No.: 20250146-WS
Company Name: Useppa Island Utilities Company, Inc.
Company Code: WS249
Audit Purpose: B1c: Transfer of Certificate
Audit Control No.: 2026-015-1-9

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

Useppa Island Utilities Company, Inc.
Transfer of Certificate

As of September 22, 2025

Docket No. 20250146-WS
Audit Control No. 2026-015-1-9
April 15, 2026

A handwritten signature in black ink that reads "Ronald A. Mavrides".

Ronald A. Mavrides
Audit Manager

A handwritten signature in blue ink that reads "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 January 15, 2026. We have applied these procedures to the attached schedules prepared by Useppa Island Utilities Company, Inc. in support of its filing for rate relief in Docket No. 20250146-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Seller/Utility refers to Useppa Island Utilities Company, Inc.

Buyer refers to UIP Utilities Company, LLC.

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

Useppa Island Utilities Company, Inc. is a Class “C” Water and Wastewater Utility that serves customers in Lee County. Commission Order No. PSC-15-0029-PAA-WS, issued January 8, 2015, established Rate Base as of June 30, 2011. On December 18, 2025, UIP Utilities Company, LLC filed an application with this Commission to transfer Useppa Island Utilities Company, Inc. to UIP Utilities Company, LLC as of September 22, 2025.

A series of issues precluded access to reliable financial sources:

1. The Utility was damaged by Hurricanes Ian, Helene, and Milton. Hurricane Ian, which caused the office roof and walls of the business to be breached, damaged the records stored in office.
2. The operating president and chief operating officers retired in 2021.
3. In early 2025, the accounting controller was terminated as a result of accounting irregularities with Useppa Inn & Dock Company, Ltd. and was not replaced.
4. In August of 2025, the new operating president also resigned prior to the completion of the sale of the Useppa Inn & Dock Company, Ltd. to the new ownership group, Useppa Island Partners LLC, which occurred on September 22, 2025.

As a result of these issues, audit staff was unable to receive any general ledgers between 2011 and 2021. Therefore, audit staff used the Annual Reports as primary sources of financial information for these years.

Both Water and Wastewater CIAC has been fully amortized, per Annual Reports, since 2016. Audit staff reflects these balances in the Exhibits 1 & 2 for convenience purposes.

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 were unable to receive the books and records from the Utility, and unable to determine if they were in conformity with the NARUC USoA.

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 reconciled the beginning balances of UPIS for both water and wastewater as of June 30, 2011, from Commission Order No. PSC-2015-0029-PAA-WS to the Annual Reports. We used the Annual Reports as the sourced documentation for plant additions and retirements. We obtained the 2014 plant invoices for the Pro-Forma items for Water, and reconciled these invoices to Water plant additions. These invoices were filed in Docket No. 20110260-WS, on July 22, 2014. 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 reconciled the beginning balance for Land for both water and wastewater as of June 30, 2011, from Commission Order No. PSC-2015-0029-PAA-WS to the Annual Reports. We reviewed the Land deeds and the Lee County Property Appraiser's website for proof of ownership, and determined that there were no additions to land from June 30, 2011 to September 22, 2025. 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 proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances of Accumulated Depreciation for both water and wastewater as of June 30, 2011, from Commission Order PSC-2015-0029-PAA-WS to the Annual Reports. We recalculated the accumulated depreciation by using the depreciation rates in Rule 25-30.140(2), Florida Administrative Code, from June 30, 2011 through September 22, 2025. 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 reconciled the beginning balance of CIAC for both water and wastewater as of June 30, 2011, from the Commission Order No. PSC-2015-0029-PAA-WS to the Annual Reports. No exceptions were noted.

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 reconciled the beginning balances for Accumulated Amortization of CIAC for both water and wastewater as of June 30, 2011, from Commission Order No. PSC-2015-0029-PAA-WS to the Annual Reports. We determined that CIAC was fully amortized by 2016. No exceptions were noted.

Customer Deposits

Objectives: The objective was to determine the amount and disposition of customer deposits during the transfer.

Procedures: We requested from the Utility whether there were customer deposits transferred to the buyer, and reviewed the abbreviated test-year trial balance for any outstanding customer deposits. We determined that there were no customer deposits transferred to the buyer. 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 and judgmentally selected a sample of 28 water and wastewater customer accounts for residential, general service and fire protection services. We recalculated the customer bills from the Commission-approved tariff rates and traced them to the supporting documentation. We further requested the actual bill for a 2" meter fire protection services bill that was identified as "split", and was charged for half the tariffed rate. See Finding 3.

Audit Findings

Finding 1: Utility Plant in Service

Audit Analysis: Audit staff obtained the Plant balances from the trial balance, with the amount of \$1,082,866 for Water and \$847,716 for Wastewater as of September 22, 2025 per Utility. Audit staff recalculated the Plant balances, with the amount of \$1,653,668 for Water and \$945,028 for Wastewater. In addition, the Utility was unable to provide an explanation for the variances. See Tables as below.

Table 1-1 Utility Plant in Service - Water

NARUC Acct. No.	Description	Balance per Utility 09/22/2025	Audit Adjustments	Balance per Audit 09/22/2025
304	STRUCTURE AND IMPROVEMENTS	\$ 60,575	\$ 107,207	\$ 167,782
307	WELLS & SPRINGS	\$ 209,105	\$ 127,018	\$ 336,123
309	SUPPLY MAINS	\$ 2,326	\$ -	\$ 2,326
311	PUMPING EQUIPMENT	\$ 104,236	\$ 77,681	\$ 181,917
320	WATER TREATMENT EQUIPMENT	\$ 62,266	\$ 219,437	\$ 281,703
320.2	(WTE) MEMBRANES	\$ -	\$ 12,300	\$ 12,300
330	DIST. RESERVOIRS & STANDPIPES	\$ 255,082	\$ 243,232	\$ 498,314
331	T & D MAINS	\$ 377,622	\$ (275,595)	\$ 102,027
333	SERVICES	\$ -	\$ 3,020	\$ 3,020
334	METERS & METER INSTALLATIONS	\$ 7,378	\$ 51,405	\$ 58,783
339	MISCELLANEOUS EQUIPMENT	\$ 845	\$ 1,640	\$ 2,485
340	OFFICE FURNITURE & EQUIPMENT	\$ (358)	\$ 473	\$ 115
341	TRANSPORTATION EQUIPMENT (TRUCK)	\$ -	\$ 800	\$ 800
343	TOOLS, SHOP & GARAGE EQUIPMENT	\$ 3,206	\$ (1,349)	\$ 1,857
344	LABORATORY EQUIPMENT	\$ 583	\$ 777	\$ 1,360
345	POWER OPERATED EQUIPMENT	\$ -	\$ 2,756	\$ 2,756
TOTAL WATER UPIS		\$ 1,082,866	\$ 570,802	\$ 1,653,668

Table 1-2 Utility Plant in Service – Wastewater

NARUC Acct. No.	Description	Balance per Utility 09/22/2025	Audit Adjustments	Balance per Audit 09/22/2025
354	STRUCTURE AND IMPROVEMENTS	\$ 363,355	\$ (41,411)	\$ 321,944
354	STRUCTURE AND IMPROVEMENTS - CIAC	\$ -	\$ 29,322	\$ 29,322
355	POWER GENERATION EQUIPMENT	\$ 48,930	\$ (1,709)	\$ 47,221
360	COLLECTION SEWERS - FORCE	\$ 190,755	\$ -	\$ 190,755
361	COLLECTION SEWERS - GRAVITY	\$ 377	\$ -	\$ 377
363	SERVICE TO CUSTOMERS	\$ -	\$ 2,815	\$ 2,815
364	FLOW MEASURING DEVICES	\$ 888	\$ -	\$ 888
370	RECEIVING WELLS	\$ 122,164	\$ 21,604	\$ 143,768
370	RECEIVING WELLS - CIAC	\$ -	\$ 1,881	\$ 1,881
380	TREATMENT & DISPOSAL EQUIPMENT	\$ -	\$ 172,315	\$ 172,315
381	PLANT SEWERS	\$ 96,570	\$ (96,570)	\$ -
389	OTHER PLANT & MISC. EQUIPMENT	\$ 23,357	\$ 9,072	\$ 32,429
390	OFFICE FURNITURE & EQUIPMENT	\$ 120	\$ (7)	\$ 113
391	TRANSPORTATION EQUIPMENT	\$ 1,200	\$ -	\$ 1,200
	TOTAL WASTEWATER UPIS	\$ 847,716	\$ 97,312	\$ 945,028

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

Effect on the Filing: The UPIS balance of Water should be increased by \$570,802 (\$1,653,668 - \$1,082,866), and the UPIS balance of Wastewater should be increased by \$97,312 (\$945,028 - \$847,716).

Finding 2: Accumulated Depreciation and Amortization

Audit Analysis: Audit staff recalculated accumulated depreciation and amortization expenses for Water and Wastewater from June 30, 2011 to December 31, 2024, and traced to the 2024's Annual Report. These negative accumulated depreciation balance for Office Furniture & Equipment stems from a retirement of an asset in 2007 per prior audit workpapers. This was reflected in the 2012 Order and 2015 Order. See Tables below.

Table 2-1 Accumulated Depreciation - Water

NARUC Acct. No.	Description	Balance Per Utility 09/22/2025	Audit Adjustments	Balance Per Audit 09/22/2025
304	Structures & Improvements	\$ 40,793	\$ 17,832	\$ 58,625
307	Wells & Springs	\$ 103,720	\$ 31,729	\$ 135,449
309	Supply Mains	\$ -	\$ 164	\$ 164
310	Power Generation Equipment	\$ -	\$ -	\$ -
311	Pumping Equipment	\$ 58,309	\$ 27,509	\$ 85,818
320	Water Treatment Equipment	\$ 255,082	\$ (50,028)	\$ 205,054
320.2	(WTE) Membranes		\$ 12,300	\$ 12,300
330	Distribution Reservoirs	\$ 71,950	\$ 83,152	\$ 155,102
331	Transmission & Distribution Mains	\$ 69,387	\$ (2,402)	\$ 66,985
333	Services	\$ 4,023	\$ (1,003)	\$ 3,020
334	Meters and Meter Install.	\$ 58,085	\$ (13,707)	\$ 44,378
339	Miscellaneous Equipment	\$ 1,775	\$ 710	\$ 2,485
340	Office Furniture & Equipment	\$ 130	\$ (487)	\$ (357)
341	Transportation Equipment (Truck)	\$ 886	\$ (86)	\$ 800
343	Tools, Shop & Garage Equipment	\$ 599	\$ 1,258	\$ 1,857
344	Laboratory Equipment	\$ 604	\$ 756	\$ 1,360
345	Power Operated Equipment	\$ -	\$ 851	\$ 851
348	Other Tangible Plant	\$ 33,172	\$ (33,172)	\$ -
	Total Water Accumulated Depreciation	\$ 698,515	\$ 75,377	\$ 773,892

Table 2-2 Accumulated Depreciation - Wastewater

NARUC Acct. No.	Description	Balance Per Utility 09/22/2025	Audit Adjustments	Balance Per Audit 09/22/2025
354	Structures & Improvements	\$ 244,060	\$ (6,139)	\$ 237,921
355	Power Generation Equipment	\$ 12,357	\$ 10,043	\$ 22,400
360	Collection - Sewers Forced	\$ 138,068	\$ 2,317	\$ 140,385
361	Collection - Sewers Gravity	\$ 272	\$ 26	\$ 298
363	Services to customers	\$ -	\$ 1,291	\$ 1,291
364	Flow Measuring Devices	\$ 972	\$ (84)	\$ 888
370	Receiving Wells	\$ 81,798	\$ 3,313	\$ 85,111
380	Treatment & Disposal Equipment	\$ 56,354	\$ 93,774	\$ 150,128
389	Other Plant & Miscellaneous Equipment	\$ 11,363	\$ 20,669	\$ 32,032
390	Office Furniture & Equipment	\$ 132	\$ (599)	\$ (467)
391	Transportation Equipment	\$ 1,153	\$ 47	\$ 1,200
398	Other Tangible Plant	\$ (17,357)	\$ 17,357	\$ -
Total Wastewater Accumulated Depreciation		\$ 529,172	\$ 142,016	\$ 671,188

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

Effect on the Filing: The Accumulated Depreciation of Water should be increased by \$75,377 (\$773,892 - \$698,515), and the Accumulated Depreciation of Wastewater should be increased by \$142,016 (\$671,188 - \$529,172).

Finding 3: Recalculation of Customer Bills

Audit Analysis: Audit staff obtained customer bills for a 2" Fire Protection Services, and determined that the 2 customers were only charged half of the Fire Protection Service for base charge. Audit staff asked if any other customers besides these which are charged ½ of the base charge for Fire Protection Service, and we were told no.

This is the Finding for informational use only

Exhibits

Exhibit 1: Rate Base – Net Book Value - Water

**Useppa Island Utilities Company, Inc.
Transfer of Certificate
As of September 22, 2025
Docket No. 20250146-WS; Audit Control No. 2026-015-1-9**

Schedule of Net Book Value - Water

Description	Balance per Utility 09/22/2025	Audit Adjustments	Audit Finding	Balance per Audit 09/22/2025
Utility Plant in Service	\$ 1,082,866	570,802	1	\$ 1,653,668
Land	10,463	-		10,463
Contributions in Aid of Construction	225,670	-		225,670
Accumulated Depreciation	(698,515)	(75,377)	2	(773,892)
Accumulated Amortization of CIAC	(225,670)	-		(225,670)
NET BOOK VALUE - WATER	\$ 394,814	\$ 495,425		\$ 890,239

Exhibit 2: Rate Base – Net Book Value - Wastewater

**Useppa Island Utilities Company, Inc.
 Transfer of Certificate
 As of September 22, 2025
 Docket No. 20250146-WS; Audit Control No. 2026-015-1-9**

Schedule of Net Book Value - Wastewater

Description	Balance per Utility 09/22/2025	Audit Adjustments	Audit Finding	Balance per Audit 09/22/2025
Utility Plant in Service	\$ 847,716	97,312	1	\$ 945,028
Land	3,487	-		3,487
Contributions in Aid of Construction	230,187	-		230,187
Accumulated Depreciation	(529,172)	(142,016)	2	(671,188)
Accumulated Amortization of CIAC	(230,187)	-		(230,187)
NET BOOK VALUE- WASTEWATER	\$ 322,031	\$ (44,704)		\$ 277,327