State of Florida

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 27, 2026

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

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

RE: Docket No.: 20260019-WS
Company Name: Forest Utilities, Inc.
Company Code: SU293
Audit Purpose: B1c: Certificate Transfer
Audit Control No.: 2026-062-1-1

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

Forest Utilities, Inc.
Transfer of Certificate

As of January 31, 2026

Docket No. 20260019-WS
Audit Control No. 2026-062-1-1
May 27, 2026

Kathryn Guan
Audit Manager

Alan LaPointe
Audit Staff

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 February 27, 2026. We have applied these procedures to the attached schedules prepared by the audit staff in support of Forest Utilities, Inc.'s request for a Transfer of Certificate in Docket No. 20260019-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Seller/Utility refers to Forest Utilities, Inc.

Buyer refers to CSWR-Florida Operating 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

Forest Utilities, Inc. is a wastewater utility located in Fort Myers, Florida. In 1981, the Utility applied for, and received, an original certificate in Docket No. 810006-S, Order No. 10430, issued on December 2, 1981, and began serving customers in 1982. In 1984, the Utility filed the application for staff assistance on a rate increase in Docket No. 840196-SU, and the Commission Order No. 14557 was issued on July 10, 1985. On February 4, 2026, CSWR-Florida Operating Company, LLC filed an application with this Commission to transfer Forest Utilities, Inc. to CSWR-Florida Operating Company, LLC as of January 31, 2026.

Due to several Hurricanes over several years, the records stored in the office have been damaged. The Utility was only able to provide incomplete records starting from January, 2020.

As a result of these issues, the Utility could only provide audit staff the transaction ledgers and invoices supporting some of the plant additions from January, 2020 to January, 2026. Audit staff used the Annual Reports as the primary source of financial information.

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: The Utility provided limited transaction ledgers to audit staff from January, 2020 to January 2026. The Utility was unable to provide any transaction ledgers, general ledgers or supporting documentation prior to 2020. Since the Utility was unable to provide general ledgers with cumulative yearly balances, audit staff used balances from the Annual Reports. The Utility could not provide any support for the original cost of land when it was placed in service in the early 1980's, including the original deed for the land.

Although the Utility did provide audit staff with a chart of accounts, it did not use the NARUC USoA Account numbers. We recommend that the Utility be reminded of its obligation to maintain its books in accordance 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 compiled the Plant balances with the additions and retirements from the Annual Reports from December 31, 2001 to January 31, 2026. We recalculated the Plant Balances from December 31, 2001 to January 31, 2026, and traced to the 2025 Annual Report. We obtained the most recent Tax Return (2024) from the Utility, and reconciled the Plant Additions to the 2024 Annual Report. Tax Return for 2025 was not available. We sampled all the Plant transactions from the transaction ledgers from 2020 to 2026, and traced to the supporting documentation. 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 compiled the Land balances from Annual Reports from December 31, 2001 to January 31, 2026. The Utility was unable to provide the original sale or purchase supporting documentation, and audit staff was unable to obtain the original value for the purchased land. We obtained the most recent Tax Return (2024) from the Utility, and traced the Land balance to the 2024 Annual Report and Commission Order No. 14557, issued on July 10, 1985 in Docket No. 840196-SU. Tax Return for 2025 was not available. We reviewed the Land deeds and the Lee County Property Appraiser's website and determined that the ownership of the Land is still recorded under the Seller. See Finding 2.

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 compared the depreciation rates from the Annual Reports to the Rule 25-30.140, F.A.C. We recalculated the depreciation expenses and accumulated depreciation from December 31, 2001 to January 31, 2026. We also scheduled the accumulated depreciation as of January 31, 2026, based on a rollforward of the 2025 Annual Report. See Finding 4.

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 obtained the CIAC additions and retirements from the Annual Reports, and recalculated the CIAC balances from December 31, 2001 to January 31, 2026. See Finding 3.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether accumulated CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-30.140, 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 recalculated the accumulated amortization of CIAC from December 31, 2001 to January 31, 2026, and traced to the Annual Report. We also recalculated the amortization rate for the Utility. See Finding 5.

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. In addition, based on the Commission-approved tariff, there is no rate could be charged on Customer Deposits. No exceptions were noted.

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 statement for each rate class, and traced the rates to the Commission-approved tariff rates. See Finding 6.

Audit Findings

Finding 1: Utility Plant in Service

Audit Analysis: The Utility could only provide the transaction ledgers and partial supporting documentation from 2020 to 2025, because of the damages from several Hurricanes. In addition, audit staff tested all Plant transactions in transaction ledgers from 2020 to 2025. All the invoices and supporting documentation provided by the Company tied to the transaction ledgers. However, the Utility was not able to provide some of the plant transactions' supporting documentation, and audit staff was unable to support those transactions with supporting documentation.

This Finding is for informational use only.

Finding 2: Land & Land Rights

Audit Analysis: Based on the Annual Reports, the Land balances were $26,690 from 1996 to 2005, $26,670 for 2006, and $26,882 from 2007 to January 31, 2026. We obtained the most recent Tax Return (2024) from the Utility, and traced the Land balance to the 2024 Annual Report. Commission Order No. 14557, issued on July 10, 1985 in Docket No. 840196-SU stated the land value at $26,690. Audit staff carried this balance forward to the current audit period. The Utility did not provide any additional support for increases or decreases in the value of land since then.

Table 2-1 Land Balance

Category	Balance as of 01/31/2026 per Utility	Audit Adjustment	Balance as of 01/31/2026 per Audit
Land & Land Rights	$ 26,822	$ (132)	$ 26,690

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

Effect on the Filing: The Land balance of the Utility as of January 31, 2026 should decrease by $132 ($26,690- $26,822).

Finding 3: Contributions-in-Aid-of-Construction - CIAC

Audit Analysis: Due to the lack of records, audit staff was unable to verify that the CIAC reflected by the Utility was correctly calculated and appropriately reflected on Annual Reports. Audit staff used the CIAC balances reflected in Order PSC-2002-1239-SU as the starting balance. On the Annual Report for 2014, the ending balance of CIAC was reported as $5,487,559. On the Annual Report for 2015, the beginning balance of CIAC was reported as $4,204,991. This is a decrease of $1,282,568, and the Utility could not explain why there was the decrease. This discrepancy appears to be related to the Jamaica Bay West development developer agreement potentially being reversed and the subject of litigation (see Document No. 05695-13 in Docket No. 130230-SU). Audit staff also noted that a similar CIAC accrual was made in 2021. Audit staff chose to continue with $5,487,559, and added the additions reflected in the subsequent Annual Reports. This resulted in an ending balance of CIAC as of January 31, 2026 of $7,186,929. See Table below.

Table 3-1 Contributions-in-Aid-of-Construction - CIAC

Category	Balance as of 01/31/2026 per Utility	Audit Adjustment	Balance as of 01/31/2026 per Audit
Contributions in Aid of Construction (CIAC)	$ 5,905,611	$ 1,281,318	$ 7,186,929

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

Effect on the Filing: The CIAC balance of the Utility as of January 31, 2026 should be increased by $1,281,318 ($7,186,929 - $5,905,611). Technical staff should investigate further.

Finding 4: Accumulated Depreciation

Audit Analysis: Audit staff determined that the Accumulated Depreciation of the Utility was not properly recorded and reflected in the Annual Reports. Audit staff used the Accumulated Depreciation balance reflected in Order PSC-2002-1239-SU as the starting balance. Audit staff notes that Accounts 390 and 391 were over-depreciated in 2001 and as of January 31, 2026, certain accounts are fully depreciated. For the Accounts 391 and 395, the Utility did not include the salvage value in the depreciation rates.

Audit staff recalculated the accumulated depreciation as of January 31, 2026 based on the Rule 25-30.140, F.A.C., and reconciled to the ending balance as of January 31, 2026 based on a rollforward of the 2025 Annual Report. See Tables below.

Table 4-1 Accounts with Incorrect Depreciation Rates

Acct. No.	Description	Service Life	Depreciation Rate per Utility	Depreciation Rate per Audit
391	Transportation Equipment	6	16.67%	15.00%
395	Power Operated Equipment	15	6.67%	6.33%

Table 4-2 Accumulated Depreciation

Acct. No.	Account Name	AD Balance as of 01/31/2026 per Utility	Audit Adjustment	AD Balance as of 01/31/2026 per Audit
351	Organization	$ -	$ -	$ -
352	Franchises	$ 13,243	$ 207	$ 13,450
354	Structure and Improvements	$ 527,536	$ 118,504	$ 646,040
355	Power Generation Equipment	$ 198,150	$ 32,850	$ 230,999
360	Collection Sewers - Force	$ 494,809	$ 128,994	$ 623,803
361	Collection Sewers - Gravity	$ 1,826,106	$ -	$ 1,826,106
362	Special Collecting Structures	$ 122,728	$ -	$ 122,728
363	Services to Customers	$ 10,350	$ 638	$ 10,988
364	Flow Measuring Devices	$ 29,424	$ -	$ 29,424
365	Flow Measuring Installations	$ -	$ -	$ -
366	Reuse Services	$ -	$ -	$ -
367	Reuse Meters and Meter Installations	$ -	$ -	$ -
370	Receiving Wells	$ -	$ -	$ -
371	Pumping Equipment	$ 171,241	$ 17,296	$ 188,537
374	Reuse Distribution	$ 182,143	$ 21,282	$ 203,424
375	Reuse Transmission and Distribution System	$ -	$ -	$ -
380	Treatment and Disposal Equipment	$ 1,581,834	$ (207,114)	$ 1,374,720
381	Plant Sewers	$ -	$ -	$ -
382	Outfall Sewer Lines	$ -	$ -	$ -
389	Other Plant and Miscellaneous Equipment	$ -	$ -	$ -
390	Office Furniture and Equipment	$ 25,641	$ -	$ 25,641
391	Transportation Equipment	$ 199,580	$ -	$ 199,580
392	Stores Equipment	$ -	$ -	$ -
393	Tolls, Shop and Garage Equipment	$ -	$ -	$ -
394	Laboratory Equipment	$ 23,700	$ -	$ 23,700
395	Power Operated Equipment	$ 36,187	$ 5,740	$ 41,927
396	Communication Equipment	$ -	$ -	$ -
397	Miscellaneous Equipment	$ -	$ -	$ -
398	Other Tangible Plant	$ -	$ -	$ -
	Total Wastewater Accumulated Depreciation	**$ 5,442,672**	**$ 118,398**	**$ 5,561,070**

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

Effect on the Filing: The Wastewater Accumulated Depreciation of the Utility as of January 31, 2026 should increase by $118,398 ($5,561,070 - $5,442,672).

Finding 5: Accumulated Amortization of CIAC

Audit Analysis: Audit staff recalculated the Accumulated Amortization of CIAC as of January 31, 2026, and reconciled to the ending balance as of January 31, 2026 based on a rollforward of the 2025 Annual Report. Audit staff used a composite amortization rate based on its recalculated depreciation expenses. See Tables below.

Table 5-1 Accumulated Amortization of CIAC

Category	Balance as of 01/31/2026 per Company	Audit Adjustment	Balance as of 01/31/2026 per Audit
AA of CIAC	$ 4,946,042	$ (314,058)	$ 4,631,984

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

Effect on the Filing: The Accumulated Amortization of CIAC as of January 31, 2026 of the Utility should be decreased by $314,058 ($4,631,984 - $4,946,042).

Finding 6: Customer Bills

Audit Analysis: Audit staff determined that the Utility appropriately used the Commission-approved tariff rate for Residential Service with the flat rate of $33.91.

The Utility did not use the Commission-approved tariff rates for the General Service and Irrigation Reuse Service. For the General Service, the Base Facility Charges used by the Utility for each meter size were slightly different from the authorized tariff. However, the Utility appropriately used the consumption charge of $5.04 per 1,000 gallons. For the Irrigation Reuse Service, the Utility used the consumption charge of $0.17 per 1,000 gallons, which was different from the Commission-approved $0.16 per 1,000 gallons.

This Finding is for informational use only.

Exhibits

Exhibit 1: Net Book Value

Forest Utilities, Inc.
Transfer of Certificate
As of January 31, 2026
Docket No. 20260019-WS; Audit Control No. 2026-062-1-1

Schedule of Net Book Value - Wastewater

Description	Balance per Utility 01/31/2026	Audit Adjustments	Audit Finding	Balance per Audit 01/31/2026
Utility Plant in Service	$ 8,676,868	-	1	$ 8,676,868
Land & Land Rights	$ 26,822	$ (132)	2	$ 26,690
Contributions in Aid of Construction	$ (5,905,611)	$ (1,281,318)	3	$ (7,186,929)
Accumulated Depreciation	$ (5,442,672)	$ (118,398)	4	$ (5,561,070)
Accumulated Amortization of CIAC	$ 4,946,042	$ (314,058)	5	$ 4,631,984
Net Book Value - Wastewater	$ 2,301,449	$ (1,713,906)		$ 587,543