

State of Florida



## Public Service Commission

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

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**DATE:** July 2, 2001  
**TO:** Division of Economic Regulation (Merta)  
**FROM:** Division of Regulatory Oversight (Vandiver)  
**RE:** Docket No. 010396-WS; Burkim Enterprises, Inc.; Staff assisted rate case;  
Audit Control No. 01-123-3-1

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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 the response to the Division of Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

### Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)  
Division of Commission Clerk and Administrative Services (2)  
Division of Legal Services

Mr. Keith A. Burge  
Burkim Enterprises, Inc.  
2340 NE Dixie Highway  
Jensen Beach, FL 34957

DOCUMENT NUMBER-DATE

08190 JUL-30

FPSC-RECORDS/REPORTING



## FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT  
BUREAU OF AUDITING SERVICES*

*Miami District Office*

BURKIM ENTERPRISES, INC.

STAFF ASSISTED RATE CASE

YEAR ENDED MAY 31, 2001

DOCKET #010396-WS  
AUDIT CONTROL NO. 01-123-3-1

A handwritten signature in cursive script, reading "Kathy L. Welch".

*Kathy L. Welch  
Audit Manager*

A handwritten signature in cursive script, reading "Ruth K. Young".

*Ruth K. Young  
Professional Accountant Specialist*

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**DIVISION OF REGULATORY OVERSIGHT**

**AUDITOR'S REPORT**

**JUNE 26, 2000**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to prepare the accompanying schedules of rate base, cost of capital and net operating income for Burkim Enterprises, Inc. These schedules were prepared using actual data for the nine months ended May 31, 2001 and include proforma adjustments to bring these numbers to a full test year. These schedules were prepared by the auditor as part of our work in Docket Number 010396-WS.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

## **SUMMARY OF SIGNIFICANT PROCEDURES**

Our audit was performed by examining on a test basis, certain billing transactions which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. The following definitions apply when used in this report:

**SCANNED-** The documents or accounts were read quickly looking for obvious errors.

**REVIEWED-** The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**EXAMINED-** The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

**CONFIRMED-** The evidential matter supporting the account balance, transaction, or other information was obtained directly from an independent third party.

**VERIFIED-** The item was tested for accuracy, and substantiating documentation was examined.

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**RATE BASE:** Determined balances at transfer of the utility to Burkim Enterprises. Traced all plant additions to supporting documentation. Toured the plant facilities. Obtained documentation that was available for plant additions that are needed. Reviewed old workpapers to determine costs and retirement values. Obtained land contracts and deeds. Obtained acreage from staff engineer. Computed depreciation and amortization. Reviewed transactions to the contributions in aid of construction (CIAC) account. Reviewed deposits for unrecorded CIAC. Reviewed tariff for allowable charges.

**COST OF CAPITAL:** Obtained debt instruments and prepared a weighted cost of capital schedule.

**NET OPERATING INCOME:** Prepared a billing analysis and computed revenues using current rates times usage. Read the tariff. Resorted expense accounts by types of expenses. Verified data to supporting documentation. Annualized information obtained. Reviewed documentation for future costs that were available. Determined office space. Obtained employee duties. Computed depreciation and amortization. Income Taxes were not computed because of the extensive proforma adjustments that need to be reviewed in Tallahassee. It will be more efficient to compute tax on the total adjusted amount.

**GENERAL:** Read old orders, prior period working papers, and Board of Directors Minutes.

**AUDIT EXCEPTION NO. 1**

**SUBJECT: CIAC**

**STATEMENT OF FACT:** The tariffs do not contain any allowance for charging CIAC. The new company collected \$3,100 of wastewater CIAC and \$6,400 of water CIAC.

A search was made of the bank deposit slips to determine if any additional CIAC was received. It was determined that additional monies were received for what the company claimed was excavation work. The total amount for excavation work was \$5,625. Keith Burge explained that when the developer wants to hook up a new lot, he digs down to the service, makes sure it is connected and flags it for the plumber. He has recorded these amounts as debits to a "Loan from Keith Burge" account because he does not believe it is related to the utility business. If this is actually what the money is being received for, it probably should be classified as merchandising and jobbing revenues.

The company tax return has not been prepared yet and could not be reviewed.

**OPINION:** These additions to CIAC were not authorized by the tariff and should be refunded. They were removed in the journal entries attached to this report and recorded as a payable to the developers from whom the money was received.

## **AUDIT DISCLOSURE NO. 1**

### **SUBJECT: BALANCES AT TRANSFER**

**STATEMENT OF FACT:** This rate case was requested before the transfer application was completed and, therefore, no order exists that establishes rate base.

**OPINION:** To determine plant in service, the workpapers from the transfer audit were reviewed. Unfortunately, the workpapers did not contain a summary by account after adjustment. The balances were reconstructed and two things were found.

1. There were balances for office equipment for a computer and printer which were never transferred.
2. When the adjusting entries were added to the company balances some accounts ended up with a negative balance. This was determined to have happened because the auditor reviewed additions by year and found errors. However, an adjusting entry was made in a later year which removed or re-allocated those balances. An attempt was made to try to correct those entries. Without the actual documentation from the prior audit, the correct balances cannot be determined but, the adjustments are not material to the balance as a whole.

If some of the adjustments made by the auditor are reversed, the company accumulated depreciation balances appear to be more reasonable than the staff balances. Therefore, those were used.

The ledger of the company contains an entry under 101.1, Acquisition Cost, of \$263,085.05 and several entries for additions made since the purchase. Audit entry number 8, in the exhibit of adjusting journal entries attached to this disclosure, (the entry itself is also attached to this disclosure) removes this balance and allocates to the detailed accounts from the transfer as adjusted. The following schedule details the balances used.

**BURKIM ENTERPRISES, INC.**  
**BALANCES TRANSFERRED FROM OLD OWNER**  
**AUGUST 28, 2000**

	PER PRIOR OWNER UTILITY	PER TRANSFER AUDIT	STAFF ADJUSTMENTS	ADJUSTED BALANCE AT TRANSFER
303.00 LAND	0.00	0.00		0.00
304.00 STRUCTURES AND IMPROVEMENTS	4,325.00	4,325.00		4,325.00
307.00 WELLS AND SPRINGS	4,732.00	4,732.00		4,732.00
309.00 SUPPLY MAINS	0.00	(19,584.07)	19,584.07 ADJ A	0.00
310.00 POWER GENERATION		2,968.00	(2,968.00) ADJ A	0.00
311.00 PUMPING EQUIPMENT	5,915.00	13,562.00	(7,647.37) ADJ A	5,914.63
320.00 WATER TREATMENT EQUIP.	159,716.50	145,216.50	(6,731.97) ADJ A	138,484.53
330.00 DIST. RES. & STANDPIPES		13,000.00	(1,000.00) ADJ A	12,000.00
331.00 TRANSMISSION AND DIST.	292,620.00	292,620.00		292,620.00
333.00 SERVICES	23,700.00	23,700.00		23,700.00
334.00 METERS AND METER INSTALL.	25,562.66	26,799.39	(1,236.73) ADJ A	25,562.66
340.00 OFFICE FURN. & EQUIP.	1,436.76	1,436.76	(1,436.76) ADJ B	0.00
TOTAL WATER PLANT	518,007.92	508,775.58	(1,436.76)	507,338.82
353.00 LAND AND LAND RIGHTS	0.00	0.00		0.00
354.00 STRUCTURES AND IMPROV.	12,753.03	12,753.03		12,753.03
360.00 COLLECTION SEWERS FORCE	437,901.00	437,901.00		437,901.00
363.00 SERVICES	29,625.00	29,625.00		29,625.00
364.00 FLOW MEASURING DEV.		959.50	(959.50) ADJ C	0.00
370.00 RECEIVING WELLS	7,640.00	7,640.00		7,640.00
371.00 PUMPING EQUIP.	0.00	(1,398.72)	1,398.72 ADJ C	0.00
380.00 TREATMENT EQUIP.	92,725.40	92,725.40	(439.22) ADJ C	92,286.18
390.00 OFFICE FURN. & EQUIP.	1,436.76	1,436.76	(1,436.76) ADJ B	0.00
TOTAL WASTEWATER PLANT	582,081.19	581,641.97	(1,436.76)	580,205.21
304.00 A/D STRUCTURES AND IMPROV.	(4,325.00)	(4,325.00)	0.00 ADJ A	(4,325.00)
307.00 A/D WELLS AND SPRINGS	(4,732.00)	(4,732.00)	0.00 ADJ A	(4,732.00)
309.00 A/D SUPPLY MAINS	0.00	0.00	0.00 ADJ A	0.00
310.00 A/D POWER GEN		(1,298.60)	1,298.60 ADJ A	0.00
311.00 A/D PUMPING EQUIPMENT	(5,915.00)	(9,483.42)	3,568.42 ADJ A	(5,915.00)
320.00 A/D WATER TREATMENT EQUIP.	(75,752.00)	(74,959.71)	(792.29) ADJ A	(75,752.00)
330.00 A/D DIST. RES.		(2,156.38)	2,156.38 ADJ A	0.00
331.00 A/D TRANSMISSION AND DIST.	(286,507.00)	(287,172.51)	665.51 ADJ A	(286,507.00)
333.00 A/D SERVICES	(23,700.00)	(23,700.00)	0.00 ADJ A	(23,700.00)
334.00 A/D METERS AND METER INSTALL.	(23,918.00)	(24,374.17)	456.17 ADJ A	(23,918.00)
340.00 A/D OFFICE FURN. & EQUIP.	(840.00)	(1,033.42)	1,033.42 ADJ B	0.00
TOTAL WATER PLANT ACC. DEP.	(425,689.00)	(433,235.21)	8,386.21	(424,849.00)
354.00 A/D STRUCTURES AND IMPROV.	(12,753.00)	(12,753.00)	0.00 ADJ A	(12,753.00)
360.00 A/D COLLECTION SEWERS FORCE	(437,901.00)	(437,901.00)	0.00 ADJ A	(437,901.00)
363.00 A/D SERVICES	(29,625.00)	(29,625.00)	0.00 ADJ A	(29,625.00)
364.00 A/D FLOW MEASURING DEV.		(959.50)	959.50 ADJ A	0.00
370.00 A/D RECEIVING WELLS	0.00	0.00	0.00 ADJ A	0.00
371.00 A/D PUMPING EQUIP.	(3,314.00)	(3,031.01)	(282.99) ADJ A	(3,314.00)
380.00 A/D TREATMENT EQUIP.	(90,000.00)	(90,423.91)	423.91 ADJ A	(90,000.00)
390.00 A/D OFFICE FURN. & EQUIP.	(874.00)	(1,033.42)	1,033.42 ADJ B	0.00
TOTAL WASTEWATER PLANT A/D	(574,467.00)	(575,726.84)	2,133.84	(573,593.00)
271.00 CIAC WATER	(143,196.00)	(144,203.00)		(144,203.00)
271.00 CIAC WASTEWATER	(161,608.00)	(160,601.00)		(160,601.00)
ACC. AMORT. CIAC WATER	125,204.00	137,727.58		137,727.58
ACC. AMORT. CIAC WASTEWATER	154,250.00	157,967.44		157,967.44
NET RATE BASE-WATER	74,326.92	69,064.95		76,014.40
NET RATE BASE WASTEWATER	256.19	3,281.57		3,978.65
TOTAL RATE BASE	74,583.11	72,346.52		79,993.05



ADJUSTMENT A

309.00 SUPPLY MAINS	19,584.07	
310.00 POWER GEN.		2,968.00
311.00 PUMPING EQUIPMENT		7,647.37
330.00 DIST. RES. AND STANDPIPES		1,000.00
334.00 METERS AND METER INSTALL.		1,236.73
215.00 RETAINED EARNINGS		6,731.97
215.00 RETAINED EARNINGS	6,731.97	
320.00 WATER TREATMENT EQUIP.		6,731.97

A/D WAS ADJUSTED TO THE COMPANY BALANCE. THE DIFFERENCE BETWEEN THE CO. BALANCE AND STAFF BALANCE AFTER ADJ. WAS IMMATERIAL.

TO REVERSE ENTRY MADE IN TRANSFER AUDIT. THE ENTRY DID NOT TAKE INTO ACCOUNT THAT SOME OF THESE PROBLEMS WERE CORRECTED IN THE 1979 ENTRY AND THAT MAKING THESE ENTRIES LEFT ACCOUNTS WITH NEGATIVE BALANCES. THE SECOND PART OF THE ENTRY REMOVES THE PAINTING THAT WAS REMOVED BY THE AUDITOR. SINCE NO BACKUP FOR THE 1997 ENTRY COULD BE FOUND IN THE WORKPAPERS, IT WAS IMPOSSIBLE TO TELL WHICH ACCOUNT THE PAINTING WAS RECLASSIFIED TO. THEREFORE, IT WAS ASSUMED THAT IT WAS PROPERLY CHARGED TO THE TREATMENT PLANT EQUIPMENT ACCOUNT AND REMOVED FROM THERE.

ADJUSTMENT B

340.00 OFFICE EQUIPMENT WATER		1,436.76
390.00 OFFICE EQUIPMENT WASTEWATER		1,436.76
A/D OFFICE EQ. WATER	1,033.42	
A/D OFFICE EQ. WASTEWATER	1,033.42	

THIS EQUIPMENT, A COMPUTER AND PRINTER WAS NEVER TRANSFERRED FROM THE OLD OWNER TO THE NEW OWNER.

ADJUSTMENT C

371.00 PUMPING EQUIP.	1,398.72	
364.00 FLOW MEASURING DEVICE		959.50
215.00 RETAINED EARNINGS		439.22
215.00 RETAINED EARNINGS	439.22	
380.00 TREATMENT EQUIP.		439.22

TO REVERSE ENTRY MADE IN TRANSFER AUDIT. THE ENTRY DID NOT TAKE INTO ACCOUNT THAT SOME OF THESE PROBLEMS WERE CORRECTED IN THE 1979 ENTRY AND THAT MAKING THESE ENTRIES LEFT ACCOUNTS WITH NEGATIVE BALANCES. THE SECOND PART OF THE ENTRY REMOVES THE UNSUBSTANTIATED COSTS REMOVED BY THE AUDITOR. SINCE NO BACKUP FOR THE 1997 ENTRY COULD BE FOUND IN THE WORKPAPERS, IT WAS IMPOSSIBLE TO TELL WHICH ACCOUNT THE PAINTING WAS RECLASSIFIED TO. THEREFORE, IT WAS ASSUMED THAT IT WAS PROPERLY CHARGED TO THE TREATMENT PLANT EQUIPMENT ACCOUNT AND REMOVED FROM THERE.

**BURKIM ENTERPRISES  
 OPENING ENTRY FOR RATE BASE ITEMS  
 BASED ON PRIOR PAGE TRANSFER COST DETERMINATION**

304 STRUCTURES AND IMPROVEMENTS	4,325.00	
307 WELLS AND SPRINGS	4,732.00	
311 PUMPING EQUIPMENT	5,914.63	
320 WATER TREATMENT EQUIP.	138,484.53	
330 DIST. RES.	12,000.00	
331 TRANSMISSION AND DIST.	292,620.00	
333 SERVICES	23,700.00	
334 METERS AND METER INSTALL.	25,562.66	
354 STRUCTURES AND IMPROV.	12,753.03	
360 COLLECTION SEWERS FORCE	437,901.00	
363 SERVICES	29,625.00	
370 RECEIVING WELLS	7,640.00	
380 TREATMENT EQUIP.	92,286.18	
390 OFFICE FURN. & EQUIP.	0.00	
304 A/D STRUCTURES AND IMPROV.		4,325.00
307 A/D WELLS AND SPRINGS		4,732.00
311 A/D PUMPING EQUIP.		5,915.00
320 A/D WATER TREATMENT EQUIP.		75,752.00
331 A/D TRANSMISSION AND DIST.		286,507.00
333 A/D SERVICES		23,700.00
334 A/D METERS AND METER INSTALL.		23,918.00
354 A/D STRUCTURES AND IMPROV.		12,753.00
360 A/D COLLECTION SEWERS FORCE		437,901.00
363 A/D SERVICES		29,625.00
371 A/D PUMPING EQUIP.		3,314.00
380 A/D TREATMENT EQUIP.		90,000.00
271 CIAC WATER		144,203.00
271 CIAC WASTEWATER		160,601.00
272 ACC. AMORT. CIAC WATER	137,727.58	
272 ACC. AMORT. CIAC WASTEWATER	157,967.44	
114 PLANT ACQUISITION ADJUSTMENT	183,092.00	
101 FIXED ASSET		263,085.05

TO ADJUST AMOUNT PAID FOR PLANT TO TRANSFER COSTS WHICH WERE ALSO ADJUSTED  
 IN THIS AUDIT.

## AUDIT DISCLOSURE NO. 2

### SUBJECT: PROJECTED PLANT IMPROVEMENTS

**STATEMENT OF FACT:** Keith Burge, the purchaser of the utility, has determined several plant additions that he believes are necessary. They are as follows:

Replace existing chlorination injection system	\$ 3,400
Replace hydropneumatic pressure tank that exploded (\$23,491 less \$2,650 deposit already in plant)	20,841
Replace water plant electrical panel	28,550
Rehabilitate chlorine room	800
Replace 6" master meter for hydropneumatic tank	3,500
High service pump installation	4,915
Install 4" well pump	3,915
Fence well pump area	1,000
Add ammonia pump, shed, etc. for THM problem resolution	13,150
<b>Total Water</b>	<b>\$80,071</b>
Fence wastewater treatment plant	\$ 1,500
Fence lift stations	4,000
Install standby blower required by DEP	7,000
Auxiliary power generator	15,000
Pond Cleaning required by DEP	20,000
Splitter box/bar screen	18,000
Office Equipment	4,247
<b>Total Wastewater</b>	<b>\$69,747</b>

Mr. Burge did not have all the contracts and estimates for these additions at the time of the audit. He will forward them to the staff engineer, for review.

**OPINION:** No representation of reasonableness of these items has been made in this audit.

In addition, an amount for retirements needs to be determined by the staff engineer. The prior period audit workpapers were reviewed to determine original costs. Most of the items that would need to be retired were part of the contract with Utility Management in April of 1982. The total contract amount was \$170,000 but did not break down this amount to the components.

The company was questioned about whether it would receive a reimbursement from its insurance for the hydro tank explosion. It did not believe it would be covered.

### **AUDIT DISCLOSURE NO. 3**

#### **SUBJECT: LAND**

**STATEMENT OF FACT:** According to Ted Davis, the water plant sits on .65 acres of land and the wastewater plant on 7.5 acres of land. The land is owned by Burkim Enterprises and the company has signed an affidavit of ownership.

In the last audit, all land was removed because the auditor claimed that the land was not owned by the utility. This is no longer the case.

The land balances originally recorded were \$690.94 for water and \$9,630.30 for wastewater.

**OPINION:** We were unable to determine if the balances originally recorded were ever audited.

Land should be recorded at the cost at the time that the plants were first placed in service. A contract between Vernco, Inc. and Harry Gould and Jacobson-REA in November 1978 was provided by the utility company. It shows a sales price for 67 acres of land at that time to be \$250,000 or \$3,731 an acre. However, a note is written on top that the contract was superceded. We went to the courthouse and obtained the deed. Based on the documentary stamps on the deed made February 1, 1979, the price was \$289,200 or \$4,316.42 an acre. Using the .65 acres for water and 7.5 for wastewater, the land value should be \$2,805.67 for water and \$32,373.15 for wastewater. Since the land value is currently zero, this increases rate base.

## **AUDIT DISCLOSURE NO. 4**

### **SUBJECT: REVENUE**

**STATEMENT OF FACT:** The new company, Burkim Enterprises, only had nine months of actual records completed at the time of this audit. Billing information was obtained from the prior owner. A billing analysis was prepared and the usage determined was multiplied by the most current tariff rate. This revenue was used as the proforma revenue since the ledger did not contain a full test year.

General service revenue consists of a 2" meter at the clubhouse. When Mr. Burge took over the utility he determined that the clubhouse had several leaks and that most of the water was being used for the air conditioner system and the pool, which would not relate to wastewater usage. The customer repaired the leaks and installed three meters at the air conditioning units and one at the pool. Mr. Burge removes the usage on these four meters from the master 2" meter to calculate wastewater charges. Because of these changes, the usage at the clubhouse has decreased. When the old owners did the billing, the clubhouse was averaging 350,000 gallons. In October, the customer's average dropped into the 100,000 gallon range. Recently, there was another drop to the 50,000 gallon range. This last drop cannot be explained.

**OPINION:** For the annualization of revenues, the last six months usage was used and averaged. Actual usage may be lower if a cause for the recent decrease is not found. A summary of the revenue annualization is on a schedule following this disclosure.

**BURKIM ENTERPRISES, INC.  
ANNUALIZATION OF REVENUE  
TEST YEAR ENDED MAY 31, 2000**

**RESIDENTIAL-WATER**

		<b>TOTAL STAFF</b>	<b>TOTAL LEDGER</b>	<b>DIFFERENCE</b>
WATER				
NUMBER OF BILLS-ACTUAL	4,284			
CURRENT RATE	9.92			
REVENUE FLAT-ANNUALIZED	<u>42,497.28</u>	42,497.28		
GALLONS-ACTUAL	17,188,879			
DIVIDED BY 1000	17,188.88			
CURRENT RATE	1.73			
USAGE REVENUE-ANNUALIZED	<u>29,736.76</u>	29,736.76		
RESIDENTIAL REVENUE		<u>72,234.04</u>		

**GENERAL SERVICE WATER**

NUMBER OF BILLS 2"-ACTUAL	12.00			
CURRENT RATE	79.38			
TOTAL FLAT 2" REVENUE ANNUALIZED	<u>952.56</u>	952.56		
ACTUAL GALLONAGE 2" FOR 7 MONTHS	497,378			
ANNUALIZED	852,648.00			
DIVIDED BY 1000	852.65			
CURRENT RATE	1.73			
GENERAL SERVICE WATER REVENUE	<u>854.38</u>	<u>854.38</u>		
		<u>1,806.94</u>		
<b>TOTAL WATER REVENUE</b>		<b>74,040.98</b>	<b>58,358.43</b>	<b>15,682.55</b>

**WASTEWATER REVENUE:**

<b>RESIDENTIAL WASTEWATER</b>		<b>TOTAL STAFF</b>	<b>TOTAL LEDGER</b>	<b>DIFFERENCE</b>
NUMBER OF BILLS-ACTUAL	4,284			
CURRENT RATE	3.54			
REVENUE FLAT-ANNUALIZED	<u>15,165.36</u>	15,165.36		
GALLONS TO 6,000-ACTUAL	8,097,682			
TOTAL BILLS-ACTUAL			4,284	
BILLS TO 5999			<u>3,443</u>	
BILLS OVER 6000			841	
BILLS X 6000	5,046,000			
	<u>13,143,682</u>			
DIVIDED BY 1000	13,143.68			
CURRENT	1.62			
USAGE REVENUE-ANNUALIZED	<u>21,292.76</u>	21,292.76		
<b>RESIDENTIAL REVENUE</b>		<u>36,458.12</u>		
<b>GENERAL SERVICE WASTEWATER</b>				
NUMBER OF BILLS 2"-ACTUAL			12.00	
CURRENT RATE			<u>28.34</u>	
TOTAL FLAT 2" REVENUE ANNUALIZED		340.08		
GALLONAGE 2" FOR 7 MONTHS-ACTUAL			229,070	
ANNUALIZED			<u>392,691.43</u>	
DIVIDED BY 1000			392.69	
CURRENT RATE			<u>1.95</u>	
			394.64	
<b>GENERAL SERVICE WATER REVENUE</b>			<u>734.72</u>	
<b>TOTAL WASTEWATER REVENUE</b>		37,192.85	29,603.86	7,588.99
<b>TOTAL REVENUE</b>		<u>111,233.82</u>	<u>87,962.29</u>	<u>23,271.53</u>

**COMPUTATION OF REGULATORY ASSESSMENT FEE:**

	<b>WATER</b>	<b>WASTEWATER</b>
REVENUE	74,040.98	37,192.85
RATE	4.50%	4.50%
RAF	<u>3,331.84</u>	<u>1,673.68</u>
RECORDED	1,336.79	630.04
PROFORMA RAF	<u>1,995.05</u>	<u>1,043.64</u>

**AUDIT DISCLOSURE NO. 5**

**SUBJECT: RV REVENUES**

**STATEMENT OF FACT:** Several motor homes are parked on the wastewater treatment plant land. Mr. Burge has been recording the rental revenues in his personal account. He has provided the actual revenues for the nine months since he took over of \$6,800.

**OPINION:** These revenues have been annualized and included above the line since they are generated by land which is in rate base.



## **AUDIT DISCLOSURE NO. 6**

### **SUBJECT: ANNUALIZATION OF EXPENSES**

**STATEMENT OF FACT:** Burkim Enterprises was only in existence nine months at the time of the audit.

**OPINION:** To determine costs for the test year, several steps were taken. First, all detail for the nine months were re-sorted by type of expense. Documentation was reviewed to determine reasonableness. All costs were questioned to determine if any changes have taken place since the takeover or would take place once the new rates were in effect.

The company allocated most costs 40/60 to water and wastewater. Costs were first adjusted to either actual or a 50/50 allocation based on the engineer's recommendation. These adjustments are shown on the actual journal entries attached to this report. Other misclassifications are also adjusted on this schedule.

In order to determine proforma expenses, if a recent contract was available, that contract was annualized and compared to actual costs to date and adjusted. If no change could be determined, the costs recorded were annualized by taking the nine months divided by nine times twelve. These adjustments are shown on the proforma adjusting entries attached to this report.

**AUDIT DISCLOSURE NO. 7**

**SUBJECT: NEW EXPENSE ITEMS NOT YET INCURRED**

**STATEMENT OF FACT:** The company has requested that three items not yet incurred be included in the test year expenses. They are as follows:

One gallon of ammonia a day to treat the THM problem	\$ 2,171.75
Generator maintenance water plant	2,400.00
Trash receptacle water	235.98
Trash receptacle wastewater	235.98

**OPINION:** These items have been included in the attached net operating income schedule but no supporting documentation was received. The company is forwarding it to the staff engineer who will review it for reasonableness.

**AUDIT DISCLOSURE NO. 8**

**SUBJECT: PAYROLL PROFORMA**

**STATEMENT OF FACT:** Since Mr. Burge took over the utility, he has not collected a full salary or paid people who have actually performed work for the utility. Some monies were included as contract labor for the duties that he is requesting salaried people perform. In addition, he recorded \$5,700 as meter installation for his own time and credited paid in capital.

He has proposed:

Keith Burge-Owner/Manager	\$36,000
Guy Gillette-Maintenance	24,000
Pam Kimberlin-Billing/Customer Relations	24,000

Mr. Burge does work for Laniger Enterprises, also. He is currently working more than a forty hour week and is on call 24 hours a day because he cannot afford to pay salaries at this time. However, when the company is fully staffed, the amount above would be for part time work as is the Laniger salary.

Mr. Burge has also requested a 15% pension allowance. Only 7.5% was recorded in the proforma entries based on what is being allowed in the Laniger case. Health insurance of \$250 a month per employee and payroll taxes were also included in the proforma entry.

**OPINION:** Further efficiencies would be received if one staff worked on both Laniger and Burkim and allocated salaries appropriately. For instance, one billing and customer relations representative could probably do work for both companies.

The costs related to meter installation were reversed in the adjusting journal entries in the exhibit section of this report. Contract labor paid in the nine months was removed in the proforma adjustments attached to this report and replaced with the proforma salary amounts requested.

**AUDIT DISCLOSURE NO. 9**

**SUBJECT: NON-RECURRING EXPENSES**

**STATEMENT OF FACT:** The company paid six invoices, two of which related to roof repairs at the water plant, two related to work done when the hydro tank blew up, and two related to a major lift station problem.

They are as follows:

Walsh Environmental for hydro repairs	\$1,660
Wayne Ashton for hydro repairs	800
Reginald Burge for water roof repair	502
Keith Burge for water roof repair	700
Accurate Utilities for repair of cleanup and spillover at Dracena Lift Station	1,254
Accurate Utilities for 12 hours of pumping at Lift Station Spillover	1,200

**OPINION:** These costs are probably not recurring and possibly need to be amortized. They are being referred to the engineer for review.

**AUDIT EXCEPTION NO. 10**

**SUBJECT: NEGATIVE ACQUISITION ADJUSTMENT**

**STATEMENT OF FACT:** Commission Order No. PSC-93-0011-FOF-WS, contained a negative acquisition adjustment of \$89,409 for water and \$225,728 for wastewater. The company is contesting the validity of this adjustment. The Tallahassee analysts are determining whether the adjustment is relevant to the new owner and have agreed to handle the determination of whether it should be included in rate base. Therefore, it is not included in the attached schedule of rate base.

**BURKIM ENTERPRISES, INC.  
RATE BASE  
TEST YEAR ENDED MAY 31, 2001**

WATER YEAR END:	PER BOOKS	STAFF ADJUSTMENTS	ADJUSTMENT NUMBER	STAFF	PROFORMA ADJUSTMENTS	ADJUSTMENT NUMBER	PROFORMA
				ADJUSTED TEST YEAR			ADJUSTED TEST YEAR
LAND		2,805.67	ADJ 18	2,805.67			2,805.67
PLANT IN SERVICE	23,764.54	507,139.54	ADJ 8,9,12,15	530,904.08	80,071.80	ADJ 22	610,975.88
CONSTRUCTION WORK IN PROCESS	7,713.57			7,713.57	(7,713.57)	ADJ 22	0.00
ACCUMULATED DEPRECIATION		(439,514.65)	ADJ 8,17	(439,514.65)			(439,514.65)
CONTRIBUTIONS IN AID OF CONST.	(6,400.00)	(137,803.00)	ADJ 8,13	(144,203.00)			(144,203.00)
ACC. AMORTIZATION CIAC		142,183.45	ADJ 8,19	142,183.45			142,183.45
WORKING CAPITAL		12,105.07		12,105.07			12,105.07
<b>TOTAL WATER RATE BASE</b>	<b>25,078.11</b>	<b>86,916.08</b>		<b>111,994.19</b>	<b>72,358.23</b>		<b>184,352.42</b>

WASTEWATER YEAR END:	PER BOOKS	STAFF ADJUSTMENTS	ADJUSTMENT NUMBER	STAFF	PROFORMA ADJUSTMENTS	ADJUSTMENT NUMBER	PROFORMA
				ADJUSTED TEST YEAR			ADJUSTED TEST YEAR
LAND		32,373.15	ADJ 18	32,373.15			32,373.15
PLANT IN SERVICE	25,696.46	580,171.19	ADJ 8,12,15	605,867.65	69,747.00	ADJ 22	675,614.65
CONSTRUCTION WORK IN PROCESS				0.00			0.00
ACCUMULATED DEPRECIATION		(577,991.21)	ADJ 8,17	(577,991.21)			(577,991.21)
CONTRIBUTIONS IN AID OF CONST.	(3,100.00)	(157,501.00)	ADJ 8,13	(160,601.00)			(160,601.00)
ACC. AMORTIZATION CIAC		160,601.00	ADJ 8, 19	160,601.00			160,601.00
WORKING CAPITAL		11,606.80		11,606.80			11,606.80
<b>TOTAL WASTEWATER RATE BASE</b>	<b>22,596.46</b>	<b>49,259.93</b>		<b>71,856.39</b>	<b>69,747.00</b>		<b>141,603.39</b>

AVERAGE RATE BASE WAS NOT COMPUTED SINCE THE BOOKS WERE NOT MAINTAINED FOR A COMPLETE YEAR AND NO ENTRIES MADE AT INCEPTION.

NOTE: PLANT PROFORMAS HAVE NOT BEEN VERIFIED TO CONTRACTS. THE CONTRACTS ARE BEING SENT TO THE STAFF ENGINEER BY THE COMPANY. RETIREMENTS COULD NOT BE DETERMINED FROM OLD WORKPAPERS, BEING REFERRED TO TED DAVIS. AFTER AMOUNTS ARE DETERMINED, DEPRECIATION NEEDS TO BE CALCULATED.

WORKING CAPITAL:	WATER	WASTEWATER
OPERATING AND MAINTENANCE EXP.	96,840.55	92,854.42
DIVIDED BY 8	8	8
<b>WORKING CAPITAL</b>	<b>12,105.07</b>	<b>11,606.80</b>

**BURKIM ENTERPRISES, INC.  
COST OF CAPITAL  
TEST YEAR ENDED MAY 31, 2001**

	PER COMPANY BOOKS	STAFF ADJUSTMENTS	ADJUSTMENT NUMBER	STAFF ADJ. BALANCE	% OF TOTAL EQUITY	RATE	WEIGHTED COST
EQUITY	1,000.00			1,000.00			
OTHER PAID IN CAPITAL	104,594.86	(5,700.00)	ADJ 9	98,894.86			
RETAINED EARNINGS	(39,121.30)	(11,643.44)	NOL FROM NOI	(50,764.74)			
TOTAL EQUITY	66,473.56	(17,343.44)		49,130.12	18.04%	9.94%	1.79%
LONG TERM DEBT FIDELITY	200,280.00			200,280.00	73.53%	10.00%	7.35%
LONG TERM DEBT LANIGER	(450.00)			(450.00)	-0.17%	10.00%	-0.02%
LONG TERM DEBT KEITH BURGE	8,000.00	(6,800.00)	ADJ 10	1,200.00	0.44%	10.00%	0.04%
LONG TERM DEBT GMAC	22,288.34			22,288.34	8.18%	6.00%	0.49%
LONG TERM DEBT BEST BUY	(75.00)			(75.00)	-0.03%		0.00%
TOTAL DEBT	230,043.34	(6,800.00)		223,243.34			
TOTAL DEBT AND EQUITY	296,516.90	(24,143.44)		272,373.46	100.00%		9.66%

EQUITY RATE PER ORDER PSC-00-1162-PAA-WS

**BURKIM ENTERPRISES, INC.**  
**NET OPERATING INCOME**  
**TEST YEAR SEPTEMBER 2000-MAY 2001**

ACCOUNT NUMBER	ACCOUNT TITLE	BALANCE 12/2000	BALANCE 5/2001	TOTAL 9/00-5/01	ADJUSTING ENTRIES	ENTRY NUMBER	ADJUSTED TOTAL	PROFORMA ENTRIES	ENTRY NUMBER	PROFORMA ADJUSTED
<b>WATER:</b>										
461 00	METERED WATER REVENUE	(33,007 18)	(25,351.25)	(58,358.43)			(58,358 43)	(15,682 55)	ADJ 21	(74,040 98)
461 00	OTHER WATER REVENUE		(14 31)	(14 31)		14 31 ADJ 16	0.00			0 00
	TOTAL WATER REVENUE	(33,007 18)	(25,365 56)	(58,372.74)		14 31	(58,358 43)	(15,682 55)		(74,040 98)
601 00	SALARIES EMPLOYEES	0 00	6,000 00	6,000 00		2,600.00 ADJ 5	8,600 00	15,400.00	ADJ 15	24,000 00
603 00	SALARIES OFFICERS	0 00	4,000 00	4,000 00		4,800 00 ADJ 4	8,800 00	9,200.00	ADJ 15	18,000 00
604 00	EMPLOYEE BENEFIT			0 00			0.00	7,650.00	ADJ 15	7,650 00
610 00	PURCHASED WATER	0 00		0 00			0 00			0 00
615 00	PURCHASED POWER	2,126 17	4,130 24	6,256 41			6,256 41	(331.41)	ADJ 17	5,925 00
618 00	CHEMICALS	1,480.00	377 00	1,857 00			1,857 00	2,790 75	ADJ 18,27	4,647.75
620 00	MATERIALS AND SUPPLIES	655.79	716 81	1,372 60		434 35 ADJ 1, 7	1,806 95	602 31	ADJ 1, 2	2,409 26
630 00	CONTRACT SERVICES	12,989 37	15,867 69	28,857 06		(10,022.39) ADJ 2,3,4,5,12	18,834.67	5,244 48	ADJ 3,4,5,6,7,8,9,19,27	24,079 15
640 00	RENTS	949.76	1,342 40	2,292 16			2,292.16	1,125 44	ADJ 10, 11	3,417 60
650 00	TRANSPORTATION	449 23	350 77	800.00		199 99 ADJ 22	999 99	333 33	ADJ 12	1,333 32
655 00	INSURANCE	1,689 69	435 84	2,125.53			2,125 53	(696 57)	ADJ 13	1,428.96
665 00	REGULATORY COMMISSION	0 00	1,152 53	1,152 53		(948 53) ADJ 6, 14	204 00			204 00
675 00	MISCELLANEOUS	10,049.26	1,526.96	11,576 22		(8,871.19) ADJ 7,11,20,21,23	2,705 03	1,040.48	ADJ 14,20,26,27	3,745 51
	TOTAL WATER EXPENSES	30,389 27	35,900 24	66,289 51		(11,807 77)	54,481 74	42,358 81		96,840 55
408 00	PROPERTY TAXES WATER		400 00	400 00			400 00	(83 50)	ADJ 28	316 50
408 00	REG ASSES FEE WATER		1,336 79	1,336 79		148.53 ADJ 14	1,485 32	1,846.52	ADJ 21	3,331 84
408 00	PAYROLL TAXES		1,875 00	1,875 00			1,875 00	(134 06)	ADJ 15	1,740.94
	TOTAL WATER TAXES OTHER	0 00	3,611 79	3,611 79		148 53	3,760 32	1,628 96		5,389.28
	DEPRECIATION EXPENSE					14,665 65 ADJ 17	14,665 65	(3,395 56)	ADJ 24	11,270 09
	AMORTIZATION OF CIAC					(4,455 87) ADJ 19	(4,455 87)	4,455.87	ADJ 25	0 00
	NET DEPRECIATION EXPENSE	0 00	0 00	0 00		10,209 78	10,209 78	1,060.31		11,270 09
	TOTAL EXPENSES	30,389 27	39,512 03	69,901.30		(1,449 46)	68,451 84	45,048 08		113,499 92
	NET OPERATING (INCOME) LOSS	(2,617 91)	14,146 47	11,528 56		(1,435 15)	10,093 41	29,365 53		39,458 94

NOTE ADJ 27 WAS INCLUDED BUT NOT AUDITED CO IS SENDING BACKUP TO TED DAVIS

Income Taxes were not computed pending review of proforma adjustments.



BURKIM ENTERPRISES, INC.  
NET OPERATING INCOME  
TEST YEAR SEPTEMBER 2000-MAY 2001

ACCOUNT NUMBER	ACCOUNT TITLE	BALANCE 12/2000	BALANCE 5/2001	TOTAL 9/00-5/01	ADJUSTING ENTRIES	ENTRY NUMBER	ADJUSTED TOTAL	PROFORMA ENTRIES	ENTRY NUMBER	PROFORMA ADJUSTED
WASTEWATER:										
522.00	WASTEWATER REV.	(15,556.39)	(14,047.47)	(29,603.86)			(29,603.86)	(7,588.99) ADJ 21		(37,192.85)
	ABOVE THE LINE MISC. REVENUE			0.00	(6,800.00) ADJ 10		(6,800.00)	(2,266.67) ADJ 23		(9,066.67)
522.00	OTHER WWATER REVE.		(10.47)	(10.47)	10.47 ADJ 16		0.00			0.00
		(15,556.39)	(14,057.94)	(29,614.33)	(6,789.53)		(36,403.86)	(9,855.66)		(46,259.52)
701.00	SALARIES EMPLOYEES	0.00	9,000.00	9,000.00	3,900.00 ADJ 5		12,900.00	11,100.00 ADJ 15		24,000.00
703.00	SALARIES OFFICERS	0.00	6,000.00	6,000.00	7,200.00 ADJ 4		13,200.00	4,800.00 ADJ 15		18,000.00
704.00	EMPLOYEES PENSION/BENEFIT	0.00		0.00			0.00	7,650.00 ADJ 15		7,650.00
711.00	SLUDGE REMOVAL	0.00	940.00	940.00			940.00	2,820.00 ADJ 16		3,760.00
715.00	PURCHASED POWER	3,696.90	3,530.96	7,227.86			7,227.86	698.47 ADJ 17		7,926.33
718.00	CHEMICALS	1,720.00	468.00	2,188.00			2,188.00	693.55 ADJ 18		2,881.55
720.00	MATERIALS AND SUPPLIES	1,013.37	640.51	1,653.88	(137.35) ADJ 1,7		1,516.53	505.71 ADJ 1,2		2,022.24
730.00	CONTRACT SERVICES	19,161.94	7,383.29	26,545.23	(13,944.31) ADJ 2,3,4,5,12		12,600.92	4,352.72 ADJ 3,4,5,6,7,8,9,19		16,953.64
740.00	RENTS	1,424.64	2,013.60	3,438.24			3,438.24	(20.64) ADJ 10, 11		3,417.60
750.00	TRANSPORTATION	673.84	526.14	1,199.98	(199.99) ADJ 22		999.99	333.33 ADJ 12		1,333.32
755.00	INSURANCE	2,499.44	653.76	3,153.20	537.00 ADJ 11		3,690.20	(2,261.24) ADJ 13		1,428.96
765.00	REGULATORY COMMISSION		1,070.00	1,070.00	(870.00) ADJ 6,11,14		200.00			200.00
775.00	MISC.	14,906.93	2,218.10	17,125.03	(14,485.97) ADJ 7,11,20,21,23		2,639.06	1,013.10 ADJ 14,20,26,27		3,652.16
		45,097.06	34,444.36	79,541.42	(18,000.62)		61,540.80	31,685.00		93,225.80
408.00	PROPERTY TAXES WWATER		651.64	651.64	3,331.44 ADJ 11		3,983.08	(729.54) ADJ 28		3,253.54
408.00	REG. ASSES. FEE WWATER		630.04	630.04	70.00 ADJ 14		700.04	973.64 ADJ 21		1,673.68
408.00	PAYROLL TAXES		1,875.00	1,875.00			1,875.00	(749.76) ADJ 15		1,125.24
	TOTAL TAXES OTHER	0.00	3,156.68	3,156.68	3,401.44		6,558.12	(505.66)		6,052.46
	DEPRECIATION EXPENSE				4,398.21 ADJ 17		4,398.21	(1,346.12) ADJ 24		3,052.09
	AMORTIZATION OF CIAC				(2,633.56) ADJ 19		(2,633.56)	2,633.56 ADJ 25		0.00
	NET DEPRECIATION EXPENSE	0.00	0.00	0.00	1,764.65		1,764.65	1,287.44		3,052.09
	TOTAL EXPENSES	45,097.06	37,601.04	82,698.10	(12,834.53)		69,863.57	32,466.78		102,330.35
	NET OPERATING (INCOME) LOSS	29,540.67	23,543.10	53,083.77	(19,624.06)		33,459.71	22,611.12		56,070.83
421.00	NON-UTILITY INCOME	26.50	0.00	26.50			26.50			26.50
427.00	INTEREST EXPENSE	7,572.04	7,013.83	14,585.87	(24.78) ADJ 16		14,561.09			14,561.09
	NET INCOME	21,582.82	16,498.99	38,081.81	(26,438.37)		11,643.44	12,755.46		24,398.90

NOTE: ADJ. 27 WAS INCLUDED BUT NOT AUDITED. CO. IS SENDING BACKUP TO TED DAVIS

Income Taxes were not included pending review of proforma adjustments.

**BURKIM ENTERPRISES, INC.  
 ADJUSTING JOURNAL ENTRIES  
 TEST YEAR ENDED MAY 31, 2001**

	DEBIT	CREDIT
1		
620 WATER MATERIALS AND SUPPLIES	315.55	
720 WASTEWATER MATERIALS AND SUPPLIES		315.55
TO CHANGE ALLOCATION FROM 40/60 TO 50/50		
2		
730 CONTRACT SERVICES WASTEWATER	900.00	
630 CONTRACT SERVICES WATER		900.00
TO CHANGE LAWN SERVICE ALLOCATION FROM 40/60 TO 10/90 BASED ON TED DAVIS ALLOCATION		
3		
630 CONTRACT SERVICES WATER	464.29	
730 CONTRACT SERVICES WASTEWATER		464.29
TO CHANGE MISC. REPAIR ALLOCATION FROM 40/60 TO 50/50 AND ROOF REPAIR TO 100% WATER		
4		
603 SALARIES OFFICERS WATER	4,800.00	
703 SALARIES OFFICERS WASTEWATER	7,200.00	
630 CONTRACT LABOR WATER		4,800.00
730 CONTRACT LABOR WASTEWATER		7,200.00
TRANSFER KEITH BURGE SALARY FROM CONTRACT LABOR TO WAGES		
5		
601 SALARIES WATER	2,600.00	
701 SALARIES WASTEWATER	3,900.00	
630 CONTRACT LABOR WATER		2,600.00
730 CONTRACT LABOR WASTEWATER		3,900.00
TRANSFER TO SALARIES-WILL BE REPLACED BY PAM IN PROFORMA		
6		
186 UNAMORTIZED RATE CASE EXPENSE	1,600.00	
665 REGULATORY COMMISSION EXPENSE WATER		800.00
765 REGULATORY COMMISSION EXPENSE WASTEWATER		800.00
TO REMOVE \$2000 OF RATE CASE EXPENSES FOR PSC FILING FEE FROM TEST YEAR AND AMORTIZE OVER 5 YEARS		

**BURKIM ENTERPRISES, INC.  
 ADJUSTING JOURNAL ENTRIES  
 TEST YEAR ENDED MAY 31, 2001**

	DEBIT	CREDIT
7		
620 WATER MATERIALS AND SUPPLIES	118.80	
720 WASTEWATER MATERIALS AND SUPPLIES	178.20	
675 MISC. SUPPLIES WATER		118.80
775 MISC. SUPPLIES WASTEWATER		178.20
TRANSFER POSTAGE TO MATERIALS AND SUPPLIES WITH OTHER POSTAGE EXPENSE		

8		
304 STRUCTURES AND IMPROVEMENTS	4,325.00	
307 WELLS AND SPRINGS	4,732.00	
311 PUMPING EQUIPMENT	5,914.63	
320 WATER TREATMENT EQUIP.	138,484.53	
330 DIST. RES.	12,000.00	
331 TRANSMISSION AND DIST.	292,620.00	
333 SERVICES	23,700.00	
334 METERS AND METER INSTALL.	25,562.66	
354 STRUCTURES AND IMPROV.	12,753.03	
360 COLLECTION SEWERS FORCE	437,901.00	
363 SERVICES	29,625.00	
370 RECEIVING WELLS	7,640.00	
380 TREATMENT EQUIP.	92,286.18	
390 OFFICE FURN. & EQUIP.	0.00	
304 A/D STRUCTURES AND IMPROV.		4,325.00
307 A/D WELLS AND SPRINGS		4,732.00
311 A/D PUMPING EQUIP.		5,915.00
320 A/D WATER TREATMENT EQUIP.		75,752.00
331 A/D TRANSMISSION AND DIST.		286,507.00
333 A/D SERVICES		23,700.00
334 A/D METERS AND METER INSTALL.		23,918.00
354 A/D STRUCTURES AND IMPROV.		12,753.00
360 A/D COLLECTION SEWERS FORCE		437,901.00
363 A/D SERVICES		29,625.00
371 A/D PUMPING EQUIP.		3,314.00
380 A/D TREATMENT EQUIP.		90,000.00
271 CIAC WATER		144,203.00
271 CIAC WASTEWATER		160,601.00
272 ACC. AMORT. CIAC WATER	137,727.58	
272 ACC. AMORT. CIAC WASTEWATER	157,967.44	
114 PLANT ACQUISITION ADJUSTMENT	183,092.00	
101 FIXED ASSET		263,085.05

TO ADJUST AMOUNT PAID FOR PLANT TO TRANSFER COSTS WHICH WERE ALSO ADJUSTED IN THIS AUDIT.

9		
211 OTHER PAID IN CAPITAL	5,700.00	
334 METERS AND INSTALLATION		5,700.00
REMOVE SALARY CHARGED TO METERS THAT HAD NO BACKUP. KEITH BURGE WAS ORIGINALLY GOING TO RECORD LABOR AS CONTRACT LABOR AND CHANGED TO SALARY IN THE PROFORMA		

**BURKIM ENTERPRISES, INC.  
 ADJUSTING JOURNAL ENTRIES  
 TEST YEAR ENDED MAY 31, 2001**

	DEBIT	CREDIT
10		
232 LOAN KEITH BURGE	6,800.00	
522 MISC. ABOVE THE LINE REVENUES		6,800.00
TO RECORD RV RENTAL SPACE REVENUES ABOVE THE LINE. KEITH HAD DEPOSITED THEM IN HIS PERSONAL ACCOUNT. SINCE THE RENTALS INVOLVE WASTEWATER TREATMENT PLANT LAND, THEY SHOULD BE ABOVE THE LINE.		
11		
186 MISC. DEFERRED DEBITS	18,232.13	
408 REAL ESTATE AND INTANGIBLE TAX	3,331.44	
755 INSURANCE	537.00	
186 AMORTIZATION OF LOAN COSTS	959.59	
675 MISCELLAN. EXPENSE WATER		9,224.06
775 MISCELLAN. EXPENSE WASTEWATER		13,836.10
TO CORRECT CLASSIFICATION OF LOAN COSTS AND TO AMORTIZE THEM OVER 20 YEARS AND TO RECORD TAXES AND INSURANCE PAID AT CLOSING TO PROPER ACCOUNTS		
12		
301 ORGANIZATION COSTS WATER	2,733.35	
351 ORGANIZATION COSTS WASTEWATER	2,733.35	
630 CONTRACT SERVICES WATER		2,186.68
730 CONTRACT SERVICES WASTEWATER		3,280.02
TO CAPITALIZE LEGAL COSTS RELATED TO THE TRANSFER OF THE UTILITY TO BURKIM		
13		
271 CIAC WATER	6,400.00	
271 CIAC WASTEWATER	3,100.00	
231 ACCOUNTS PAYABLE DEVELOPERS		9,500.00
TO REMOVE CIAC THAT WAS UNAUTHORIZED TO BE COLLECTED		
14		
408 REGULATORY ASSESSMENT FEE WATER	148.53	
408 REGULATORY ASSESSMENT FEE WASTEWATER	70.00	
665 MISC. EXP WATER		148.53
765 MISC. EXP. WASTEWATER		70.00
TO MOVE TAX PAID TO CORRECT ACCOUNT		
15		
343 TOOLS/SHOP AND GARAGE WATER	8.50	
341 TRANSPORTATION EQUIP. WATER	2,758.87	
391 TRANSPORTATION EQUIP. WASTEWATER		2,758.87
392 TOOLS/SHOP AND GARAGE WATER		8.50
TO ALLOCATE ADDITIONS 50/50 INSTEAD OF 40/60		
16		
MISC. REVENUE WATER	14.31	
MISC. REVENUE WASTEWATER	10.47	
INTEREST		24.78
CORRECT REVENUE ACCOUNT		

**BURKIM ENTERPRISES, INC.  
 ADJUSTING JOURNAL ENTRIES  
 TEST YEAR ENDED MAY 31, 2001**

	DEBIT	CREDIT
17		
403 DEPRECIATION EXPENSE WATER	14,665.65	
403 DEPRECIATION EXPENSE WASTEWATER	4,398.21	
108 ACCUMULATED DEPRECIATION WATER		14,665.65
108 ACCUMULATED DEPRECIATION WASTEWATER		4,398.21
TO RECORD DEPRECIATION FROM 9/00 TO 5/31/01		
18		
303 LAND WATER	2,805.67	
353 LAND WASTEWATER	32,373.15	
114 PLANT ASSET ACQUISITION ADJ.		35,178.82
TO RECORD LAND BASED ON ACREAGE PROVIDED BY TED DAVIS TIMES PRICE PER CONTRACT		
19		
272 ACC. AMORTIZ. CIAC WATER	4,455.87	
272 ACC. AMORTIZ. CIAC WASTEWATER	2,633.56	
408 AMORTIZATION EXPENSE WATER		4,455.87
408 AMORTIZATION EXPENSE WASTEWATER		2,633.56
TO RECORD AMORTIZATION EXPENSE ON CIAC		
20		
675 MISC. WATER	157.62	
775 MISC. WASTEWATER		157.62
CHANGE ALLOCATION OF MISC. EXPENSE GENERAL TO 50/50 FROM 40/60		
21		
675 MISC. WATER	159.86	
775 MISC. WASTEWATER		159.86
CHANGE ALLOCATION OF MISC. EXPENSE PHONE TO 50/50 FROM 40/60		
22		
650 TRANSPORTATION WATER	199.99	
750 TRANSPORTATION WASTEWATER		199.99
CHANGE ALLOCATION OF TRANSPORTATION TO 50/50 FROM 40/60		
23		
675 MISC. WATER	154.19	
775 MISC. WASTEWATER		154.19
CHANGE ALLOCATION OF MISC. EXPENSE BANK FEES TO 50/50 FROM 40/60		

**BURKIM ENTERPRISES, INC.**  
**PROFORMA ADJUSTMENTS**  
**TEST YEAR ENDED MAY 31, 2001**

	DEBIT	CREDIT
1		
620 MATERIALS AND SUPPLIES WATER	355.80	
720 MATERIALS AND SUPPLIES WASTEWATER	259.20	
TO ANNUALIZE OFFICE SUPPLY AND MISC. EXPENSE		
2		
620 MATERIALS AND SUPPLIES WATER	246.51	
720 MATERIALS AND SUPPLIES WASTEWATER	246.51	
TO ANNUALIZE STAMPS PURCHASED		
3		
630 CONTRACT SERVICES WATER	150.00	
730 CONTRACT SERVICES WASTEWATER	1,350.00	
TO RECORD 12 MONTHS OF LAWN MAINTENACE BILL		
4		
630 CONTRACT SERVICES WATER	963.06	
730 CONTRACT SERVICES WASTEWATER	963.06	
TO ANNUALIZE OPERATORS CONTRACT AT 400/MTH EACH		
5		
630 CONTRACT SERVICES WATER	2,603.05	
730 CONTRACT SERVICES WASTEWATER	1,049.79	
TO ANNUALIZE MISC. CONTRACTOR REPAIRS OVER THE YEAR		
6		
630 CONTRACT SERVICES WATER		(2,249.47)
730 CONTRACT SERVICES WASTEWATER		(305.00)
TO REMOVE PAYMENTS TO GUY GILLETTE SINCE HE IS IN PROFORMA WAGES		
7		
630 CONTRACT SERVICES WATER	539.60	
730 CONTRACT SERVICES WASTEWATER	1,032.80	
RECORD CONTRACT LABOR METER READING AT 380 METERS AT \$1/ METER FOR 12 MTHS.		
8		
630 CONTRACT SERVICES WATER	699.91	
730 CONTRACT SERVICES WASTEWATER	83.90	
ANNUALIZE CONTRACT LABOR FOR KEVIN BURGE FOR REPAIRS		
9		
630 CONTRACT SERVICES WATER		(96.00)
730 CONTRACT SERVICES WASTEWATER		(144.00)
REMOVE BILLING DATA ENTRY WORK SINCE IT WILL BE DONE BY PAM-IN PROFORMA WAGES		
10		
640 RENT WATER	727.20	
740 RENT WASTEWATER		(109.20)
RECORD NEW OFFICE RENT OF \$400 PER MONTH SPLIT 50/50		

**BURKIM ENTERPRISES, INC.  
PROFORMA ADJUSTMENTS  
TEST YEAR ENDED MAY 31, 2001**

	DEBIT	CREDIT
11		
640 RENT WATER	398.24	
740 RENT WASTEWATER	88.56	
TO INCREASE COPIER RENTAL FOR 12 MONTHS		
12		
650 TRANSPORTATION EXPENSE WATER	333.33	
750 TRANSPORTATION EXPENSE WASTEWATER	333.33	
ANNUALIZE GAS EXPENSE		
13		
655 INSURANCE WATER		(696.57)
755 INSURANCE WASTEWATER		(2,261.24)
TO REDUCE INSURANCE TO YEARLY BILL NATIONWIDE AND 2 SIX MONTHS TRUCK INS. BILL		
14		
675 MISC. EXPENSE WATER	204.18	
775 MISC. EXPENSE WASTEWATER	204.18	
TO ANNUALIZE BANK CHARGES		
15		
601 EMPLOYEE SALARY	15,400.00	
603 OFFICER SALARY	9,200.00	
604 PENSION AND BENEFITS	3,150.00	
604 PENSION AND BENEFITS	4,500.00	
408 PAYROLL TAXES WATER	1,740.94	
701 EMPLOYEE SALARY	11,100.00	
703 OFFICER SALARY	4,800.00	
704 PENSION AND BENEFITS	3,150.00	
704 PENSION AND BENEFITS	4,500.00	
408 PAYROLL TAXES WASTEWATER	1,125.24	
408 PAYROLL TAXES WATER		1,875.00
408 PAYROLL TAXES WASTEWATER		1,875.00
TO RECORD REQUESTED PAYROLL AND BENEFITS AND REMOVE CO. RECORDED		
16		
711 SLUDGE REMOVAL	2,820.00	
TO RECORD THREE MORE QUARTERS OF SLUDGE REMOVAL AT 940 EACH		
17		
615 PURCHASED POWER WATER		331.41
715 PURCHASED POWER WASTEWATER	698.47	
TO ANNUALIZE BASED ON ACTUAL BILLS		
18		
618 CHEMICALS WATER	619.00	
718 CHEMICALS WASTEWATER	693.55	
TO ANNUALIZE CHEMICALS OF 1857 W AND 2080.65 WW BY DIVIDING BY 9 AND MULTIPLYING BY 3		

**BURKIM ENTERPRISES, INC.**  
**PROFORMA ADJUSTMENTS**  
**TEST YEAR ENDED MAY 31, 2001**

	19	DEBIT	CREDIT
630 CONTRACT SERVICES		234.33	
730 CONTRACT SERVICES		322.17	
TO ANNUALIZE TESTING EXPENSE OF 453 WATER AND 284 WASTEWATER BY DIVIDING BY 9 X3			
	20		
675 MISCELLANEOUS EXPENSE		173.21	
775 MISCELLANEOUS EXPENSE		145.83	
TO ANNUALIZE MISC. EXPENSE OF 811.14 WATER AND 728.99 WASTEWATER BY DIVIDING BY 9 X3			
	21		
408 REG. ASSESSMENT FEE		1,846.52	
408 REG. ASSESSMENT FEE		973.64	
REVENUE WATER			15,682.55
REVENUE WASTEWATER			7,588.99
ANNUALIZE BASED ON BILLING ANALYSIS			
	22		
PLANT WATER		80,071.80	
PLANT WASTEWATER		69,747.00	
WATER CWIP			7,713.57
RECORD CO. REQUEST FOR PLANT ADDITIONS			
	23		
MISC. ABOVE THE LINE REV. WASTEWATER			2,266.67
ANNUALIZE RV REVENUES OF 6800/9*3			
	24		
DEPRECIATION EXPENSE WATER			3,395.56
DEPRECIATION EXPENSE WASTEWATER			1,346.12
TO RECORD A FULL YEAR OF DEPRECIATION EXPENSE			
	25		
AMORTIZATION EXPENSE WATER		4,455.87	
AMORTIZATION EXPENSE WASTEWATER		2,633.56	
TO RECORD A FULL YEAR OF AMORTIZATION EXPENSE			
	26		
MISC. EXPENSE WATER		427.11	
MISC. EXPENSE WASTEWATER		427.11	
TO RECORD A FULL YEAR OF MOBILE AND TELEPHONE EXPENSE - ACTUAL OF 1429.84 EACH/9*3			
	27		
CHEMICALS WATER		2,171.75	
MAINTENANCE WATER		2,400.00	
MISC. EXPENSE WATER		235.98	
MISC. EXPENSE WASTEWATER		235.98	
PROFORMAS REQUESTED BY COMPANY			
	28		
PROPERTY TAX WATER			83.50
PROPERTY TAX WASTEWATER			729.64
TO ADJUST PROPERTY TAX TO 10/90 OF ACTUAL BILL			