

State of Florida



Public Service Commission

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COMMISSION
CLERK

DATE: July 29, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*
RE: Docket No.: 100104-WU
Company Name: Water Management Services, Inc.
Company Code: WS236
Audit Purpose: Cash Flow Analysis
Audit Control No: 11-007-1-2

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 Commission Clerk. There were no confidential work papers associated with this audit.

CJP/kby

Attachments: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

05312 JUL 29 =

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Water Management Services, Inc.
Cash Flow Audit

From January 1, 2004 to December 31, 2010

Docket No. 100104-WU
Audit Control No. 11-007-1-2
July 29, 2011

A handwritten signature in cursive script, appearing to read "Debra M. Dobiac", written over a horizontal line.

Debra M. Dobiac
Audit Manager

A handwritten signature in cursive script, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer
Reviewer

DOCUMENT NUMBER-DATE

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Purpose

To: Florida Public Service Commission

We performed the procedures enumerated in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 7, 2011. Audit staff applied these procedures to prepare the accompanying Exhibits 1 through 3 for the period January 1, 2004 to December 31, 2010 for Water Management Services, Inc.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

The audit period is from January 1, 2004 to December 31, 2010.

The Utility or WMSI refers to Water Management Services, Inc., which is a C Corporation for tax purposes.

Gene D. Brown is the President and General Manager of the Utility.

During the Utility's last rate case, Docket No. 100104-WU, an issue was raised concerning the balance in the Utility's Account 123 – Investments in Associated Companies. Order No. PSC-11-0010-SC-WU¹ states:

Based on the record in this proceeding, it cannot be determined if the level of investment in associated companies is appropriate. However, the amounts in question are not included in rate base and are not considered in the determination of the appropriate rates. That said, based on the circumstances in this case, our staff shall initiate a cash flow audit of the Utility as soon as possible, and, if it is determined that the activity in the account has impaired the Utility's ability to meet its financial and operating responsibilities, our staff shall recommend an appropriate adjustment for imprudence.

Subsequent Events

The Utility provided its own cash flow analysis on May 20, 2011, which we did not audit. The Statement of Cash Flows and the findings in this report are based on audit staff's analysis of the Utility's books and records.

Audit staff was informed that, on January 3, 2011, the security interest in Brown Management Group, Inc. was transferred to the Utility for the value of the balance in Account 123 – Investment in Associated Companies as of December 31, 2010. The Utility now owns 100 percent of Brown Management Group, Inc. This transaction has no effect on the conclusions drawn in this report.

Audit Finding 1 discusses the business relationships between the Utility and the associated companies.

Cash Flow Analysis

Cash

Objectives: The objectives were to determine the beginning and ending balances of cash for each month of the audit period and to compare the cash received for services rendered to the cash

¹ Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc., page 56.

disbursed for utility-related expenses. An additional objective was to determine how the Utility accounted for any cash deficiencies.

Procedures: Audit staff scheduled each of the Utility's 14 cash accounts by month for the audit period and separated cash receipts from disbursements. We determined the disposition of any excess cash or the resolution of any cash shortages. Audit Finding 2 discusses our findings.

Investments in Associated Companies

Objectives: The objectives were to determine the beginning and ending balance recorded in the National Association of Regulatory Utility Commissioners (NARUC) Account 123 – Investments in Associated Companies for each month of the audit period and to verify the movement of funds between the Utility and associated companies.

Procedures: We scheduled the beginning and ending balance for each month of the audit period for Account 123 – Investment in Associated Companies (Account 123). Audit staff documented the transactions that represented cash flows into the Utility from associated companies and cash flows out of the Utility to associated companies.

Objectives: The objectives were to:

- Review all invoices, receipts, and other documentation that verifies amounts paid by Gene Brown and associated companies on behalf of the Utility for the audit period,
- Insure that these amounts are not duplicative of other expenses or investments recorded on the Utility's books and records, and
- Verify how much, if any, of the balance recorded in Account 123 represents amounts due to or from Gene Brown and associated companies for utility-related expenses.

Procedures: Audit staff analyzed all invoices, receipts, and other documentation supporting the 1,368 transactions in Account 123 and determined if the amounts represented security investments or were duplicative of the Utility's expenses. Audit Finding 3 discusses these transactions.

Debt Instruments

Objectives: The objective was to determine how much debt Gene Brown or associated companies incurred on behalf of the Utility over the audit period. In addition, we were to obtain copies of all loan agreements or other documentation that verifies the debt and to prepare a schedule that details the terms and conditions of all identified debt.

Procedures: We scheduled the 17 current and long-term notes payable accounts recorded on the Utility's books, which indicated the beginning and ending balance of debt for each month of the audit period. Audit staff obtained copies of the loan agreements or other documentation that verified the amount of debt incurred by Gene Brown and associated companies used for the Utility's operations. Audit Finding 4 discusses the debt.

Objectives: The objective was to verify the change in interest rate, the amount of the decrease in the annual debt service, and the incremental increase in interest paid over the term of the new

Department of Environmental Protection (DEP) loan compared to the total amount of interest applicable to the original loan.

Procedures: We scheduled the DEP loan and its four amendments noting the parameters listed in the preceding objectives. Audit Finding 5 discusses our results.

Audit Findings

Finding 1: Associated Companies – General

Audit Analysis: The following is NARUC’s definition of Associated Companies:

“Associated Companies” means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

“Control” (including the terms “controlling,” “controlled by,” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

The following associated companies identify Gene Brown as an Officer, a Director, and majority owner:

- Brown Management Group, Inc.
- Leisure Development Services, Inc.
- St. George’s Plantation, Inc.
- Equity Management Systems, Inc. – dissolved August 6, 2010
- Real Estate Services of North Florida, Inc. – dissolved August 6, 2010
- Gene D. Brown, P.A. – dissolved September 26, 2008

The following partnership identifies Gene Brown as the Managing Partner and majority owner:

- Real Estate Equities of Florida, LLC – dissolved August 6, 2010

The following partnerships identify a company for which Gene Brown is an Officer, a Director, and majority owner as the General Partner:

- Leisure Properties, Ltd.
- St. George Island Utility Co., Ltd.

In addition, Sandra Chase, the Vice President of the Utility, is the President and Director of SMC Investment Properties, Inc., which is also an associated company of the Utility.

Audit staff requested that the Utility provide any contracts, agreements, or other business arrangements between the Utility’s officers and directors for professional services for each firm, partnership, or organization with which the director or officer is affiliated. The Utility stated that there are no written documents responsive to this request.

Conclusion: Gene Brown owns, either personally or through various business entities, the controlling interest in the Utility and the associated companies referenced above except for SMC

Investment Properties, Inc. Therefore, all transactions between the Utility and associated companies other than SMC Investment Properties, Inc. are under the absolute control of Gene Brown.

Finding 2: Cash – Receipts and Disbursements

Audit Analysis: We compared the Utility’s cash received to the cash spent on utility and non-utility related expenditures. Table-1 summarized the results from the Utility’s cash disbursement journal.

Table-1

Water Management Services, Inc.

For Twelve Months Ending:	Total Cash	UTILITY ACTIVITY			NON-UTILITY ACTIVITY			Total Cash
		Cash Receipts	Cash Disbursements	Net Cash	Cash Receipts	Cash Disbursements	Net Cash	
12/31/2003	\$ 441,242							
Net Change	\$ 7,346	\$ 2,299,729	\$ (2,632,838)	\$ (333,109)	\$ 881,792	\$ (541,337)	\$ 340,455	\$ 7,346
12/31/2004	448,588							
Net Change	(274,769)	2,226,978	(1,930,387)	296,591	258,836	(830,196)	(571,360)	(274,769)
12/31/2005	173,819							
Net Change	(103,131)	2,017,197	(1,806,488)	210,709	200,056	(513,896)	(313,840)	(103,131)
12/31/2006	70,688							
Net Change	(60,887)	1,971,529	(1,888,752)	82,777	211,190	(354,854)	(143,664)	(60,887)
12/31/2007	9,801							
Net Change	(28,783)	2,210,356	(2,011,331)	199,025	231,279	(459,087)	(227,808)	(28,783)
12/31/2008	(18,982)							
Net Change	2,639	1,460,251	(1,429,435)	30,816	413,475	(441,652)	(28,177)	2,639
12/31/2009	(16,343)							
Net Change	16,796	1,489,158	(1,533,492)	(44,334)	363,989	(302,859)	61,130	16,796
12/31/2010	453							
Total Period Net Change:	\$ (440,789)	\$ 13,675,198	\$ (13,232,723)	\$ 442,475	\$ 2,560,617	\$ (3,443,881)	\$ (883,264)	\$ (440,789)

The utility activity cash receipts include utility loan proceeds, cash advances, interest income, proceeds from the sale of assets, proceeds from the Supply Main lawsuit,² and cash received for regulated utility services. The utility activity cash disbursements include loan payments, credit card payments, lease payments, and utility-related investment in capitalized assets and operational expenses. As shown in Table-1, cash receipts were greater than cash disbursements in five of the seven years. In two of the years, 2004 and 2010, cash disbursements were greater than cash receipts.

The non-utility activity cash receipts include funds from Gene Brown, associated companies, proceeds from a lease agreement, and cash received from non-utility services. The non-utility activity cash disbursements include funds to Gene Brown, associated companies, payroll tax penalties, bank and credit card fees, and other costs pertaining to non-utility services. In five of the seven years, cash disbursements were greater than cash receipts. In two of the years, 2004 and 2010, cash receipts were greater than cash disbursements.

² See Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc., page 12.

In the utility activity cash disbursement totals in Table-1, transactions include a minimal amount of late fees and finance charges, which normally is a non-utility activity. Because the amount is approximately .007 percent of the \$13 million, we did not itemize these fees. Audit staff believes that the fees would not have a material impact on Table-1.

We analyzed the Accounts Receivable (A/R) aging reports for the years 2005 through 2010. The Utility did not have a 2004 A/R aging report available. For the six years reviewed, the A/R average aging reports show that 77 percent of the accounts are current, 4 percent are 30-59 days past due, 1 percent are 60-89 days past due, and 18 percent are greater than 90 days past due. Audit staff also analyzed the Accounts Payable (A/P) aging reports for the years 2004 through 2010. For the seven years reviewed, the A/P average aging reports show that 22 percent of the accounts are current, 14 percent are 31-60 days past due, 6 percent are 61-90 days past due, and 58 percent are greater than 91 days past due.

Conclusion: During the audit period, utility activity cash receipts exceeded cash disbursements by \$442,475; therefore, cash flow was positive. Non-utility activity cash disbursements exceeded cash receipts by \$883,264; therefore, cash flow was negative. Overall, cash disbursements for the Utility exceeded cash receipts by \$440,789; therefore, cash flow was negative.

The analysis of the Utility's A/R and A/P aging reports demonstrate that the Utility receives its cash from the ratepayers in a timely manner, but does not pay its operational and financing expenses timely.

Finding 3: Investments in Associated Companies

Audit Analysis: NARUC defines Account 123 – Investment in Associated Companies as follows:

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition in Finding 1) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest-bearing investments (See account 419-Interest and Dividend Income).

B. The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company together with full particulars regarding any of such investments that are pledged.

Based on the review of the supporting documentation for the 1,368 transactions (averaging approximately 17 transactions per month) in Account 123 during the audit period, we determined that the transactions were either:

1. Utility cash being used for the benefit of Gene Brown or associated companies, and vice versa, or
2. Utility-related expenses being recorded in a non-cash transaction, e.g. recording legal expense without actually paying Gene Brown for his services or selling a vehicle to Brown Management Group by removing the asset and the corresponding debt without recording cash proceeds.

Audit staff does not believe that these 1,368 transactions recorded during the audit period meet the NARUC definition for Account 123 – Investments in Associated Companies. We reclassified the transactions as shown in Table-2.

Table-2

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
145	A/R-Gene Brown	\$2,127,074	
145	A/R-Brown Management Group	\$ 458,684	
145	A/R-Gene Brown PA	\$ 62,168	
145	A/R-Equity Management Systems	\$ 71,606	
145	A/R-Real Estate Services of North Florida	\$ 5,460	
145	A/R-Real Estate Equities of Florida	\$ 39,489	
145	A/R-Reed Brown	\$ 2,705	
145	A/R-Land in Florida, Inc	\$ 197,978	
145	A/R-Leisure Development	\$ 150	
145	A/R-Leisure Properties	\$ 6,598	
145	A/R-St. George Island Utility Company	\$ 41,127	
145	A/R-St. George Plantation	\$ 150	
145	A/R-SMC Investments	\$ 85,000	
145	A/R-Nancy Allee	\$ 100	
123	Investments in Associated Companies		\$1,175,075
233	A/P-Gene Brown		\$ 576,460
233	A/P-Brown Management Group		\$ 708,574
233	A/P-Gene Brown PA		\$ 347,519
233	A/P-Equity Management Systems		\$ 182,211
233	A/P-Real Estate Services of North Florida		\$ 100
233	A/R-Real Estate Equities of Florida		\$ 20,350
233	A/P-SMC Investments		\$ 85,000

Conclusion: Order No. PSC-11-0010-SC-WU³, with respect to Account 123, states:

Witness Brown testified that all funds that flowed through this account were used to pay debt service on loans incurred by BMG and himself personally to obtain financing to keep the Utility in operation.

Audit staff's analysis demonstrates that the transactions in Account 123 – Investment in Associated Companies should be zero. The amount of \$3,095,289 should be recorded as a receivable from Gene Brown and associated companies. The amount of \$1,920,214 should be recorded as a payable to Gene Brown and associated companies. This results in a net receivable from Gene Brown and associated companies of \$1,175,075, which is the same amount recorded in Account 123 – Investments in Associated Companies as of December 31, 2010. Table-2 reflects the entries necessary to record the balances described above.

The net receivable of \$1,175,075 from Gene Brown and associated companies, as of December 31, 2010, represents funds that have been moved out of the Utility for either Gene Brown's personal use or one of his associated companies.

³ Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc., page 51.

Finding 4: Debt Incurred by Gene Brown and Associated Companies

Audit Analysis: We scheduled the details of the terms and conditions of the debt and/or loans, which Gene Brown (GDB) claims was incurred by him and Brown Management Group (BMG) on behalf of the Utility. The results are summarized in Table-3.

Table-3

Financial			Original	Outstanding	
Institution	Borrower	Term	Amount	Balance	Interest
				12/31/2010	Rate
(1) ASB ⁴	GDB PA	Revolving Credit	\$ 20,000	\$ 17,869	Variable
(2) ASB	GDB PA	Revolving Credit	\$ 30,000	\$ 28,335	Variable
(3) ASB	GDB	20 years	\$150,000	\$148,092	Variable
(4) FMB ⁵	BMG	20 years	\$360,000	\$ -0-	7.50%
(5) FMB	BMG	Three years	\$ 50,301	\$ 27,851	6.75%
(6) FMB	BMG	Five years	\$175,000	\$ -0-	6.85%
(7) CSB ⁶	BMG	One year	<u>\$150,000</u>	<u>\$150,000</u>	6.50%
TOTAL:			\$935,301	\$372,147	
			=====	=====	

Debts (1) and (2) are business flexline accounts. Debt (3) is an equity line secured by Gene Brown's home. Debt (4) represents the mortgage for the purchase of two lots on November 1, 2007. Brown Management Group purchased these lots, which were originally purchased by the Utility for \$236,000 in 2006. However, the Utility purchased those lots from Brown Management Group for \$325,000 on October 15, 2010. Debt (5) is a business loan for working capital and debt (6) was a business loan paid off on August 3, 2010. Finally, debt (7) is a commercial revolving draw, which renews annually.

Conclusion: These funds have been accounted for through the recommended entry in Audit Finding 3 (Table-2) as payables.

⁴ ASB – Amsouth Bank

⁵ FMB – Farmers and Merchants Bank

⁶ CSB – Citizens State Bank

Finding 5: Department of Environmental Protection Loan Restructured

Audit Analysis: The Utility entered into a loan agreement with the Department of Environmental Protection (DEP) on December 20, 2001. The principal amount of the loan was \$3,000,000, excluding capitalized interest, with a loan service fee of \$58,252 and an interest rate of 3.05 percent per annum. The loan was to be repaid in 40 semiannual payments (20 years) of \$104,894 beginning on November 15, 2003.

The Utility entered into Amendment 1 of the loan agreement on December 31, 2002. The additional financing was for \$3,080,833, excluding capitalized interest, with another loan service fee of \$59,823, an interest rate of 2.93 percent per annum, and with a revised semiannual payment of \$209,823.

On September 30, 2004, the Utility entered into Amendment 2, which revised the semiannual payments to \$208,695 in order to reflect the capitalized interest and payments made to date.

On December 30, 2009, the Utility entered into Amendment 3, which represented a restructuring of the loan because it missed a payment on November 15, 2009. This amendment deferred the May 15, 2010 payment and extended the term to 60 semiannual payments (30 years) with no change to the interest rates. The revised semiannual payments of \$104,751 were to begin November 15, 2010.

The Utility entered into Amendment 4 on February 18, 2011 because of a missed payment on November 15, 2010. The Utility made an interest payment of \$73,096 on May 15, 2011. The revised semiannual payments of \$152,442 will begin on November 15, 2011. There will be no change to the interest rates or remaining term.

Conclusion: The term of the DEP loan was increased an additional 10 years, which lowered the Utility's annual loan payments by \$112,507, however the incremental increase in interest expense over the term of the loan will be \$928,071.

Exhibits

Exhibit 1: Comparative Statement of Cash Flows

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	Seven Year Activity 12/31/2010
Cash from Operations								
Income/(Loss) from continuing operations	\$ 79,037	\$ (61,607)	\$ (94,716)	\$ (57,770)	\$ (260,464)	\$ (331,691)	\$ (504,038)	\$ (1,231,249)
Adjustments to reconcile income to net cash from operations:								
Deprec/Amort	222,243	222,800	233,901	207,664	196,776	175,545	199,395	1,458,323
Loan Fees Amort	403	12,699	29,730	19,073	18,939	18,643	12,103	111,590
(Gain)/Loss on Sale of UPIS	6,330	(23,160)	(227,098)	(210,420)	7,286	(4,500)	(1,500)	(453,061)
PSC Adjustments	-	-	-	-	-	-	222,536	222,536
Accounts Receivable	(11,090)	5,292	(7,754)	17,458	2,235	7,811	(34,505)	(20,554)
Prepaid Expense	(9,466)	(132)	(4,072)	(10,445)	7,224	8,282	31	(8,578)
Interest Receivable	-	(719)	719	-	-	-	-	-
Misc. Deferred Debits	(148,942)	(6,502)	38,113	38,800	38,800	(26,738)	(164,482)	(230,951)
Accounts Payable	(253,815)	(9,264)	(60,822)	5,429	(38,142)	109,682	270,016	23,085
Customer Deposits	2,485	1,738	(6,210)	101,681	(26,414)	(5,146)	32,505	100,639
Accruals	17,054	14,270	(17,350)	357	(25,572)	57,071	(41,088)	4,742
Operating Reserves	-	-	-	-	-	80,000	(80,000)	-
Net Cash Flows from Operations	(95,760)	155,416	(115,559)	111,828	(79,334)	88,958	(89,027)	(23,478)
Cash Flows from Investing								
UPIS	(164,785)	(123,742) B	(103,038) C	427,107 E	660,188 F	(12,981)	(211,768)	470,981
Investments in Assoc Co	(110,532) A	(535,316) B	(127,586) C	(151,183) E	(236,086) F	(53,202)	38,830	(1,175,075)
A/R-Assoc Co	240,306 A	-	-	-	-	-	-	240,306
N/R-Assoc Co	-	-	(200,000) D	-	50,000	50,000	100,000	-
Non-Utility Property	-	-	-	-	-	-	(325,800)	(325,800)
Disallowed Investment in UPIS	(380,773)	-	-	-	-	-	-	(380,773)
Net Cash Flows from Investing	(415,784)	(659,058)	(430,624)	275,924	474,102	(16,183)	(398,738)	(1,170,360)
Cash Flows from Financing								
Advances for Construction	(3,300)	(2,850)	(900)	(1,200)	(300)	(300)	(9,707)	(18,557)
CIAC	99,351	77,109	38,633	26,264	29,967	26,939	149,109	447,372
Notes Payable	50,000	435,982	(328,698)	(172,996)	(2,993)	(202,239)	2,701,532	2,480,587
Long-term Debt	372,837	(281,367)	734,019	(300,707)	(450,225)	105,463	(2,336,372)	(2,156,354)
Net Cash Flows from Financing	518,888	228,873	443,053	(448,639)	(423,551)	(70,138)	504,561	753,048
Increase (decrease) in Cash	7,345	(274,769)	(103,130)	(60,888)	(28,782)	2,638	16,796	(440,791)
Cash, beginning of the year	441,243	448,588	173,819	70,689	9,801	(18,982)	(16,343)	441,243
Cash, end of the year	\$ 448,588	\$ 173,819	\$ 70,689	\$ 9,801	\$ (18,982)	\$ (16,343)	\$ 453	\$ 453

See Notes on the following page.

NOTES: A Prior to 2004, the Utility recorded their investments in associated companies as receivables/payables. The following journal entry notes the consolidation of those accounts into Account 123:

Acct	Description	Debit	Credit
123.00	Inv in Associated Companies	\$ 109,258	
145.30	A/R - Land in Florida, Inc.		\$ 197,978
145.50	A/R - Leisure Properties		\$ 6,072
145.60	A/R - SGIUC Partners		\$ 36,891
233.22	A/P - GDB PA	\$ 34,326	
233.26	A/P - GDB	\$ 97,357	

- B** Includes retirement of the land, building, and office furniture from sale of the Tallahassee office building less the purchases of 2002 Silverado, dump truck, and backhoe trailer.
- C** Includes the state park T&Ds in-service placement, the purchase of two lots in Tallahassee, and the sale of the 2002 Silverado.
- D** The notes receivable-associated companies was a promissary note from BMG to the Utility for the sale of the apartments in the island office building as per Order No. PSC-05-1156-PAA-WU.
- E** Includes the sales of the two lots to BMG, the 2005 dump truck, the 2001 GMC pickup, and the purchase of the 2008 GMC Sierra pickup.
- F** Includes settlement proceeds of \$719,337 (\$800,000 less \$80,663 in legal fees) from Supply Main lawsuit.

Exhibit 2: Comparative Net Change in Debt

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	Seven Year Activity 12/31/2010
<i>Notes Payable</i>								
N/P-Curr-Wachovia / World Omni	\$ (6,485)	\$ -	\$ -	\$ 8,271	\$ (8,271)	\$ -	\$ -	\$ (6,485)
N/P-Curr-GSB (GMC)	(2,330)	(3,978)	-	-	-	-	-	(6,308)
N/P-Curr-Envision GMC/Chev Loan	5,889	325	424	359	(6,997)	3,704	223	3,927
N/P-Curr-FMB (GMC) / CCB (GMC)	645	(7,578)	-	6,902	477	503	(7,882)	(6,933)
N/P-Curr-Hitachi GMC Loan	-	8,186	675	(8,861)	-	-	-	-
N/P-Curr-Gulf State Bank/Centennial Bank	23,257	(1,618)	(50,845)	42,699	1,702	1,971	2,716,800	2,733,966
N/P-Current-CCB-Chevrolet Loan	-	11,410	(11,410)	-	-	-	-	-
N/P-Curr-Bank of Tallahassee	-	-	220,000	(220,000)	-	-	-	-
N/P-Current-GSB Weap Loan	-	252,783	(252,783)	-	-	-	-	-
N/P-Curr-GMAC	-	-	6,541	(6,541)	-	-	-	-
N/P-Curr-Wakulla GMC Loan	-	187,183	(180,745)	(6,438)	-	-	-	(0)
N/P-Curr-D.E.P.	4,624	8,622	(2,912)	7,762	7,996	(200,349)	6,249	(168,007)
N/P-Curr- F.C.C.U. (GMC)	-	-	-	-	-	3,957	247	4,204
N/P-Current-Bank of Perry	(6,492)	(17,337)	(43,200)	-	-	-	-	(67,030)
N/P-Current-GSB RAF Loan	8,338	(2,263)	(6,075)	-	-	-	-	-
N/P-Curr-FMB Backhoe Loan	23,580	5,968	(8,369)	2,851	2,100	(12,026)	(14,104)	-
N/P-Curr-FMB-Mortgage	(1,027)	(5,722)	-	-	-	-	-	(6,749)
	<u>50,000</u>	<u>435,982</u>	<u>(328,698)</u>	<u>(172,996)</u>	<u>(2,993)</u>	<u>(202,239)</u>	<u>2,701,532</u>	<u>2,480,587</u>
<i>LT Debt</i>								
N/P-Wachovia / World Omni	(7,161)	-	-	17,145	(17,145)	-	-	(7,161)
N/P-GSB-GMC	(3,971)	-	-	-	-	-	-	(3,971)
N/P-Envision GMC/Chev Loan	32,597	(6,293)	(6,738)	(6,997)	(12,569)	13,397	(3,959)	9,438
N/P-FMB (GMC) / CCB (GMC)	(7,570)	(1,364)	-	31,145	(7,379)	(7,882)	(15,884)	(8,934)
N/P-Hitachi GMC Loan	-	36,230	(8,864)	(27,366)	-	-	-	(0)
N/P-Curr-Gulf State Bank/Centennial Bank	48,492	(58,889)	2,719,848	(56,253)	(113,625)	(54,848)	(2,766,794)	(282,068)
N/P-CCB-Chevrolet Loan	-	22,271	(22,271)	-	-	-	-	-
N/P-GMAC	-	-	22,834	(22,834)	-	-	-	-
N/P-Wakulla GMC Loan	-	-	10,282	(10,282)	-	-	-	-
N/P-FMB-Lot Loan	-	-	-	-	-	-	315,595	315,595
N/P-D.E.P.	329,079	(251,460)	(247,240)	(265,449)	(273,445)	135,598	138,867	(434,050)
N/P- F.C.C.U. (GMC)	-	-	-	-	-	14,271	(4,208)	10,063
N/P-Bank of Perry	(54,910)	83,957	(1,712,744)	-	-	-	-	(1,683,697)
N/P-FMB Backhoe Loan	41,700	(20,612)	(21,088)	40,183	(26,062)	4,926	10	19,057
N/P-FMB Mortgage	(5,419)	(85,208)	-	-	-	-	-	(90,627)
	<u>372,837</u>	<u>(281,367)</u>	<u>734,019</u>	<u>(300,707)</u>	<u>(450,225)</u>	<u>105,463</u>	<u>(2,336,372)</u>	<u>(2,156,354)</u>
Total:	<u>\$ 422,837</u>	<u>\$ 154,614</u>	<u>\$ 405,320</u>	<u>\$ (473,704)</u>	<u>\$ (453,218)</u>	<u>\$ (96,777)</u>	<u>\$ 365,160</u>	<u>\$ 324,233</u>

Exhibit 3: Comparative Cash Receipts and Disbursements

Seven Year
Activity
12/31/2010

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	
UTILITY ACTIVITY								
<u>Cash Receipts</u>								
Accounts Receivable	\$ 1,497,724	\$ 1,491,003	\$ 1,495,885	\$ 1,659,592	\$ 1,365,652	\$ 1,345,936	\$ 1,471,448	\$ 10,327,240
Credit Card Cash Advances	-	30,000	43,200	10,000	44,000	38,000	17,700	182,900
Interest Income	7,022	7,675	6,760	816	2,543	15	10	24,841
Loan Proceeds	794,983	647,317	365,840	66,789	-	72,300	-	1,947,229
Supply Main Lawsuit Proceeds	-	-	-	-	798,161	-	-	798,161
Sales of Assets	-	50,983	105,512	234,332	-	4,000	-	394,827
Subtotal:	2,299,729	2,226,978	2,017,197	1,971,529	2,210,356	1,460,251	1,489,158	13,675,198
<u>Cash Disbursements</u>								
Utility Expenses/Capital	(1,403,185)	(575,659)	(656,115)	(490,636)	(568,613)	(369,000)	(579,285)	(4,642,493)
Payroll	(287,707)	(262,475)	(257,850)	(340,001)	(356,575)	(364,725)	(349,460)	(2,218,793)
Charles Schwab - 401(k) Plan	-	(18,680)	(26,936)	(16,819)	(21,456)	(21,927)	(22,310)	(128,128)
Credit Card Payments	(24,844)	(25,951)	(106,906)	(76,856)	(109,631)	(114,398)	(87,213)	(545,799)
D.E.P. Loan	(418,518)	(417,390)	(208,695)	(417,390)	(417,390)	(208,695)	-	(2,088,078)
Equipment/Vehicle Lease Payments	(44,251)	(56,243)	(39,683)	(6,876)	(15,997)	(14,068)	(40,495)	(217,613)
Loan Payments	(279,523)	(400,343)	(342,409)	(360,336)	(343,006)	(210,723)	(202,803)	(2,139,143)
Payroll Tax Payments	(96,491)	(109,993)	(100,823)	(112,987)	(114,053)	(62,405)	(186,815)	(783,567)
Public Service Commission	(78,319)	(63,653)	(67,071)	(66,851)	(64,610)	(63,494)	(65,111)	(469,109)
Subtotal:	(2,632,838)	(1,930,387)	(1,806,488)	(1,888,752)	(2,011,331)	(1,429,435)	(1,533,492)	(13,232,723)
Net Cash for Utility Activity:	(333,109)	296,591	210,709	82,777	199,025	30,816	(44,334)	442,475
NON-UTILITY ACTIVITY								
<u>Cash Receipts</u>								
Accounts Receivable - Non-utility	396,947	250	-	-	-	-	-	397,197
Lease Agreements	7,355	23,021	21,696	-	-	-	-	52,072
Brown Management Group	-	10,000	360	3,775	215,029	363,261	301,248	893,673
Gene D. Brown	433,250	214,165	71,000	32,415	16,250	45,714	61,741	874,535
Gene D. Brown, PA	42,350	8,900	100,500	-	-	4,500	-	156,250
Other Associated Companies	1,890	2,500	6,500	175,000	-	-	1,000	186,890
Subtotal:	881,792	258,836	200,056	211,190	231,279	413,475	363,989	2,560,617
<u>Cash Disbursements</u>								
Bank Charges	(2,568)	(3,315)	(1,720)	(1,113)	(2,672)	(4,058)	(3,382)	(18,828)
Brown Management Group	-	(61,450)	(40,050)	(82,650)	(100,750)	(108,391)	(62,940)	(456,231)
Cost of Contract Work	(190,936)	-	-	-	-	-	-	(190,936)
Credit Card Fees	(1,742)	(2,245)	(2,461)	(2,314)	(38)	-	-	(8,800)
Gene D. Brown	(293,934)	(739,898)	(431,818)	(192,287)	(246,975)	(317,935)	(227,605)	(2,450,452)
Gene D. Brown, PA	(51,800)	(8,850)	(10,100)	(18,700)	(21,100)	(2,400)	-	(112,950)
Other Associated Companies	(800)	(6,100)	(17,871)	(57,500)	(85,000)	(5,950)	(1,200)	(174,421)
Payroll Tax Penalties	443	(8,338)	(9,876)	(290)	(2,552)	(2,918)	(7,732)	(31,263)
Subtotal:	(541,337)	(830,196)	(513,896)	(354,854)	(459,087)	(441,652)	(302,859)	(3,443,881)
Net Cash For Non-Utility Activity:	340,455	(571,360)	(313,840)	(143,664)	(227,808)	(28,177)	61,130	(883,264)
Cash from WMSI Accounts	2,073,848	791,908	418,739	569,645	1,312,159	323,445	456,656	5,946,400
Cash to WMSI Accounts	(2,073,848)	(791,908)	(418,739)	(569,645)	(1,312,159)	(323,445)	(456,656)	(5,946,400)
Increase (Decrease) in Cash	7,346	(274,769)	(103,131)	(60,887)	(28,783)	2,639	16,796	(440,790)
Cash, Beginning of Year	441,243	448,588	173,819	70,689	9,801	(18,982)	(16,343)	441,243
Cash, End of Year	\$ 448,589	\$ 173,819	\$ 70,688	\$ 9,802	\$ (18,982)	\$ (16,343)	\$ 453	\$ 453