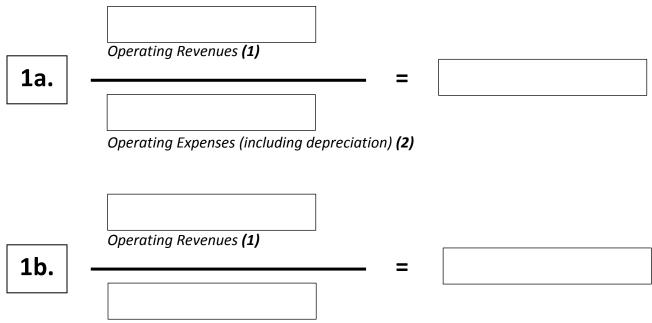
Key Financial Indicators Exercise



1. Operating Ratio

Operating ratio measures self-sufficiency. The revenue you get from daily operations, divided by the expenditures or expenses you make to keep operations running.

Natural Benchmark: > 1.0; higher preferred

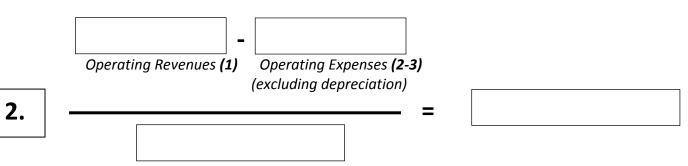


Operating Expenses (excluding depreciation) (2-3)

2. Debt Service Coverage Ratio

A measure of the ability to pay debt service with operating revenue

Natural Benchmark: > 1.0, though funders often set requirements above 1.0 (usually >1.2)

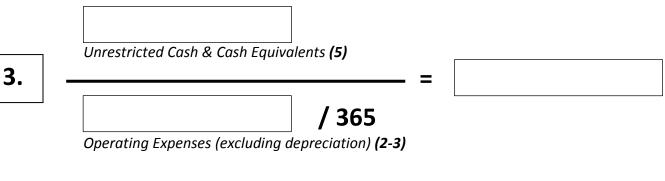


Principal & Interest on Long-Term Debt (4)

3. Days of Cash on Hand

A measure of the ability of the utility to weather a significant temporary reduction in revenue to continue paying for daily operations.

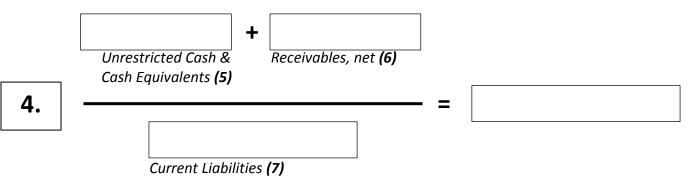
Benchmark? At least enough to last a billing cycle or when you expect a substantial inflow of cash. The median for Fitch A rated systems is 285 days, and the median for Fitch AA rated systems is 418 days.



4. Current Ratio

A measure of short-term liquidity: ability to pay your current bills

Natural Benchmark: >1.0; >2.0 is preferred



BAVARIA STATEMENT OF NET ASSETS PROPRIETARY FUND JUNE 30, 2011

Assets	Water and Sewer Enterprise Fund
Current Assets:	isinci prise i unu
Cash - operating	\$ 568,061
Accounts Receivable (Net)	66,346
Prepaid Insurance	5,856
Total Current Assets	640,263
Noncurrent Assets:	040,203
Restricted cash	177,208
Capital assets	111,200
Land	209,556
Buildings	209,550
Improvements other than buildings	5,873,709
Machinery and equipment	5,875,709 896,073
Construction in progress	1,454,079
Less: Accumulated depreciation	(2,883,225)
Deferred Charge	
Total noncurrent assets	30,833
Total Assets	5,781,215
i otat Assets	6,421,478
Liabilities Current Liabilities: Accounts Payable Accrued Expenses	21,090
Due to Other Funds	. 8,176
Customer Deposits	62,625
Deferred Subsidy Revenue	460,005
Current Portion of Long Term Debt	343,811
Total Current Liabilities	898,474
Noncurrent Liabilities:	
Compensated Absenses	15,695
Revenue Bonds (Net of current portion)	233,357
Notes Payable (Net of current portion)	640,873
Total Noncurrent Liabilities	889,925
Total Liabilities	1.788,399
5 4 St	
Fund Net assets	
Invested in capital assets, net of related debt	4,355,133
Restricted for debt service	114,583
Unrestricted	163,363
Total fund net assets	<u>\$ 4.633,079</u>

The accompanying notes are an integral part of these financial statements.

BAVARIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2011

	Water and Sewer Enterprise Fund	
Operating Revenue Charges for Service Connection Fees	\$ 695,787 10,134 4,051	
Total Operating Revenue	709,972	
Operating expenses Personal services Compensation Employment Taxes Benefits Total Personal Services	163,339 11,220 <u>34,599</u> 209,158	
Other operating expenses Purchased Water Supplies Repairs and Maintenance Utilities Miscellaneous Depreciation Insurance Engineering, Lab Fees and Training Total other operating expenses Total Operating Expenses	8,922 32,076 63,788 118,895 11,788 212,251 10,369 4,086 462,175 671,333	
Operating Income (loss)	38,639	
Nonoperating revenues(expenses) Interest Income Interest Expense Total NonOperating Revenues (Expenses)	3,196 (40,571) (37,375)	
Transfer In Transfer Out	716,475	
Change in Fund Net Assets	716,739	
Fund Net Assets - Beginning	3,916,340	
Fund Net Assets - Ending	<u>\$ 4,633,079</u>	

The accompanying notes are an integral part of these financial statements. 9

BAVARIA STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2011

	۷	Vater and Sewer
Cash flows from operating activities:		
Receipts from customers Payments to suppliers Payments to employees Net cash provided by operating activities	\$	719,117 (229,572) (203,757) 285,788
Cash flows from noncapital financing activities:		
Advances from Other funds Transfers from other funds Transfer to other funds Net cash provided by noncapital financing activities Cash flows from capital and related financing activities:		6,078 716,475 (1,000) 721,553
Proceeds from debt Deferred Subsidy Revenue Purchase of capital assets Debt payments, principal and interest and deferred charge Net cash provided (used) by capital and related financing activities		77,335 180,447 (976,191) (190,633) (909,042)
Cash flows from investing activities:		
Interest on investments Net cash provided by investing activities Net increase in cash and cash equivalents		<u>3,196</u> <u>3,196</u> 101,495
Cash and cash equivalents - beginning of year Cash and cash equivalents - end of year	5	<u>643,774</u> 745,269
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss) Adjustments to reconcile operating income to net cash provided by operating activities:	\$	38,639
Depreciation Changes in assets and liabilities:		212,251
Receivables and accrued revenue Accounts payable Prepaid expenses Customer deposits Net cash provided by operating activities	\$	145,132 (116,616) (2,823) 9,205 285,788

The accompanying notes are an integral part of these financial statements. 10

BAVARIA NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 8. DEFERRED REVENUE:

Deferred revenue in the governmental fund financial statements:

Fines and Forfeitures	\$94,335	Imposed nonexchange transaction which is received beyond the City's period of availability.
Tax revenues	8,123	Taxes earned in the current year but received beyond the City's period of availability.
Total	<u>\$102,458</u>	and any opening of a second

Deferred revenue in the proprietary fund financial statements:

 Subsidy
 \$460,005
 Funds received, but not earned until completion of sewer plant rehabilitation project.

 Total
 \$460,005

MAYBERRY STATEMENT OF NET ASSETS PROPRIETARY FUND DECEMBER 31, 2010

	Enterprise Funds Water and Sewer
ASSETS	
Current assets Cash Restricted cash Receivables, net Total current assets	107,706 -6 176,424 <u>41,870</u> -6
Capital assets Land and improvements Distribution and collection systems Buildings Less accumulated depreciation Total capital assets	$ 10,229 \\ 5,732,845 \\ 503,398 \\ (2,514,933) \\ 3,731,539 \\ 6,4,057,539 $
Total Assets LIABILITIES	\$ 4,057,539
Current liabilities Accounts payable Customer deposits Bonds payable current Total current liabilities	$ \begin{array}{r} & 9,311 \\ & 44,229 \\ \hline & 54,850 \\ \hline & 108,390 \end{array} $
Noncurrent liabilities Bonds, notes and loans payable Total noncurrent liabilities Total Liabilities	828,452 828,452 936,842
NET ASSETS Invested in capital assets, net of related debt Restricted for debt services Unrestricted Total net assets	2,848,237 176,424 96,036 3,120,697
Total Liabilities and Net Assets	\$ 4,057,539

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Enterprise Funds Water and Sewer
OPERATING REVENUES Charges for services Grants Total operating revenues	\$ 444,231 0 444,231 -0
OPERATING EXPENSES Personnel services Contractural services Other supplies and expense Depreciation Total operating expenses Operating income (loss)	$ \begin{array}{r} 178,885\\63,898\\126,202\\\underline{142,463}\\511,448\\\underline{(67,217)}\end{array} $
NONOPERATING REVENUES (EXPENSES) Interest Interest expense Total Nonoperating revenues (expenses) Income (loss) before contributions and transfers	1,928 (35,128) (33,200) (100,417)
CONTRIBUTIONS AND TRANSFERS Transfers in Transfers out Net contributions and transfers Change in net assets	0 (60,000) (60,000) (160,417)
Total net assets - beginning	3,281,114
Total net assets - ending	\$ 3,120,697 //

The accompanying notes are an integral part of these financial statements.

MAYBERRY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2010

Page 1 of 2

	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES Receipts from customers Payments to suppliers Payments to employees Net cash provided by operating activities	Water and Sewer \$ 437,947 (187,296) (178,885)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES Transfers in (out) Net cash (used) by noncapital financing activities	(60,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Loan proceeds Purchases of capital assets Principal paid on capital debt Interest paid on capital debt Net cash (used) by capital and related financing activities	0 (39,841) (49,655) (35,128) (124,624)
CASH FLOWS FROM INVESTING ACTIVITIES Interest Net cash provided by investing activities	<u> 1, 928</u> <u> 1, 928</u>
Net (decrease) in cash and equivalents	(110,930)
Balances - beginning of the year	395,060 -
Balances - end of the year	\$ 284,130 '

The accompanying notes are an integral part of these financial statements.