

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

1a.

Operating Revenues (1)

=

Operating Expenses (including depreciation) (2)

1b.

Operating Revenues (1)

=

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)

2.

-

Operating Revenues (1)

*Operating Expenses (2-3)
(excluding depreciation)*

=

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.

3.

Unrestricted Cash & Cash Equivalents (5)

=

/ 365

Operating Expenses (excluding depreciation) (2-3)

4. Current Ratio

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

Natural Benchmark: >1.0; >2.0 is preferred

4.

+

*Unrestricted Cash &
Cash Equivalents (5)*

Receivables, net (6)

=

Current Liabilities (7)

BAVARIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

| | Water and Sewer Enterprise Fund |
|---|------------------------------------|
| Assets | |
| Current Assets: | |
| Cash - operating | \$ 568,061 |
| Accounts Receivable (Net) | 66,346 |
| Prepaid Insurance | 5,856 |
| Total Current Assets | <u>640,263</u> |
| Noncurrent Assets: | |
| Restricted cash | 177,208 |
| Capital assets | |
| Land | 209,556 |
| Buildings | 22,982 |
| Improvements other than buildings | 5,873,709 |
| Machinery and equipment | 896,073 |
| Construction in progress | 1,454,079 |
| Less: Accumulated depreciation | (2,883,225) |
| Deferred Charge | 30,833 |
| Total noncurrent assets | <u>5,781,215</u> |
| Total Assets | <u>6,421,478</u> |
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | 21,090 |
| Accrued Expenses | 2,767 |
| 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 | <u>898,474</u> |
| Noncurrent Liabilities: | |
| Compensated Absences | 15,695 |
| Revenue Bonds (Net of current portion) | 233,357 |
| Notes Payable (Net of current portion) | 640,873 |
| Total Noncurrent Liabilities | <u>889,925</u> |
| Total Liabilities | <u>1,788,399</u> |
| 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 | \$ 695,787 |
| Connection Fees | 10,134 |
| Miscellaneous Income | <u>4,051</u> |
| Total Operating Revenue | 709,972 |
| Operating expenses | |
| Personal services | |
| Compensation | 163,339 |
| Employment Taxes | 11,220 |
| Benefits | <u>34,599</u> |
| Total Personal Services | 209,158 |
| Other operating expenses | |
| Purchased Water | 8,922 |
| Supplies | 32,076 |
| Repairs and Maintenance | 63,788 |
| Utilities | 118,895 |
| Miscellaneous | 11,788 |
| Depreciation | 212,251 |
| Insurance | 10,369 |
| Engineering, Lab Fees and Training | <u>4,086</u> |
| Total other operating expenses | <u>462,175</u> |
| Total Operating Expenses | <u>671,333</u> |
| Operating Income (loss) | 38,639 |
| Nonoperating revenues(expenses) | |
| Interest Income | 3,196 |
| Interest Expense | <u>(40,571)</u> |
| Total NonOperating Revenues (Expenses) | (37,375) |
| Transfer In | 716,475 |
| Transfer Out | <u>(1,000)</u> |
| Change in Fund Net Assets | 716,739 |
| Fund Net Assets - Beginning | <u>3,916,340</u> |
| Fund Net Assets - Ending | <u><u>\$ 4,633,079</u></u> |

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

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

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

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 | <u>8,123</u> | Taxes earned in the current year but received beyond the City's period of availability. |
| Total | <u>\$102,458</u> | |

Deferred revenue in the proprietary fund financial statements:

| | | |
|---------|------------------|--|
| Subsidy | <u>\$460,005</u> | Funds received, but not earned until completion of sewer plant rehabilitation project. |
| Total | <u>\$460,005</u> | |

MAYBERRY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2010

Enterprise Funds
Water and Sewer

ASSETS

Current assets

| | | |
|----------------------|---------|---|
| Cash | 107,706 | ⑤ |
| Restricted cash | 176,424 | |
| Receivables, net | 41,870 | ⑥ |
| Total current assets | 326,000 | |

Capital assets

| | | |
|-------------------------------------|-------------|--|
| Land and improvements | 10,229 | |
| Distribution and collection systems | 5,732,845 | |
| Buildings | 503,398 | |
| Less accumulated depreciation | (2,514,933) | |
| Total capital assets | 3,731,539 | |

| | | |
|--------------|--------------|--|
| Total Assets | \$ 4,057,539 | |
| | | |

LIABILITIES

Current liabilities

| | | |
|---------------------------|----------|---|
| Accounts payable | \$ 9,311 | |
| Customer deposits | 44,229 | |
| Bonds payable current | 54,850 | |
| Total current liabilities | 108,390 | ⑦ |

Noncurrent liabilities

| | | |
|--------------------------------|---------|--|
| Bonds, notes and loans payable | 828,452 | |
| Total noncurrent liabilities | 828,452 | |
| Total Liabilities | 936,842 | |

NET ASSETS

| | | |
|---|-----------|--|
| Invested in capital assets, net of related debt | 2,848,237 | |
| Restricted for debt services | 176,424 | |
| Unrestricted | 96,036 | |
| Total net assets | 3,120,697 | |

| | | |
|----------------------------------|--------------|--|
| Total Liabilities and Net Assets | \$ 4,057,539 | |
| | | |

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of these financial statements.

MAYBERRY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Enterprise Funds</u> <u>Water and Sewer</u> | |
|--|---|-----|
| OPERATING REVENUES | | |
| Charges for services | \$ 444,231 | |
| Grants | <u>0</u> | |
| Total operating revenues | <u>444,231</u> | - ① |
| OPERATING EXPENSES | | |
| Personnel services | 178,885 | |
| Contractual services | 63,898 | |
| Other supplies and expense | 126,202 | ③ |
| Depreciation | <u>142,463</u> | |
| Total operating expenses | <u>511,448</u> | - ② |
| Operating income (loss) | <u>(67,217)</u> | |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest | 1,928 | |
| Interest expense | <u>(35,128)</u> | |
| Total Nonoperating revenues (expenses) | <u>(33,200)</u> | |
| Income (loss) before contributions and transfers | (100,417) | |
| CONTRIBUTIONS AND TRANSFERS | | |
| Transfers in | 0 | |
| Transfers out | <u>(60,000)</u> | |
| Net contributions and transfers | <u>(60,000)</u> | |
| Change in net assets | <u>(160,417)</u> | |
| Total net assets - beginning | 3,281,114 ✓ | |
| Total net assets - ending | <u>\$ 3,120,697 ✓</u> | |

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of these financial statements.

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

Page 1 of 2

| | <u>Enterprise Funds</u> <u>Water and Sewer</u> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 437,947 |
| Payments to suppliers | (187,296) |
| Payments to employees | (178,885) |
| Net cash provided by operating activities | <u>71,766</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers in (out) | <u>(60,000)</u> |
| Net cash (used) by noncapital financing activities | <u>(60,000)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Loan proceeds | 0 |
| Purchases of capital assets | (39,841) |
| Principal paid on capital debt | (49,655) |
| Interest paid on capital debt | (35,128) |
| Net cash (used) by capital and related financing activities | <u>(124,624)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest | <u>1,928</u> |
| Net cash provided by investing activities | <u>1,928</u> |
| Net (decrease) in cash and equivalents | (110,930) |
| Balances - beginning of the year | <u>395,060</u> ✓ |
| Balances - end of the year | <u>\$ 284,130</u> ✓ ===== |

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