

2003

Financial Report

“1st Quarter”

INTRODUCTION

The most noticeable items of interest and expense appearing in the first-quarter financial reports are some of the planned capital purchases and facility improvement projects; the bulk of this years capital purchases and improvement expenses are expected to appear in the first and second-quarter financial reports. The 2003 financial report for the first-quarter will initially review costs associated with planned capital purchases that are completed or under review, and then, the status and cost of improvement projects that are ongoing or under review. Secondly, it will identify and explain excess spending for each budget line item by referencing updated information and forecasts in the documents following the narrative section of this report. And lastly, this report will provide a summary of the provided information and analysis to assist in guiding financial decision making throughout CY 2003.

As mentioned above, the most notable items of financial interest in the first quarter of 2003 are the improvement projects and capital purchases being planned, completed or under review this year; each of which were previously discussed in the Short/Long-term Planning documents provided with the preliminary budgets for 2003 in December 2002. You will find a brief status and actual/estimated cost of these projects outlined below:

CAPITAL PURCHASES

□ **Planned (Completed):**

○ *Dump Truck (Field, paid 1 st Qtr.):	\$8,500
○ *Computers, by necessity (approx., paid 1 st Qtr.):	\$1,500
○ *HVAC for Office Building:	\$5,200
○ *Generator (Field):	<u>\$600</u>
Total Purchased:	\$15,800

□ **Planned (Under Review):**

○ **Billing Software:	\$20,000
○ **Service Truck, per year (\$26,000-10%, 5yrs.):	\$6,600
○ **Telephone System:	<u>\$2,400</u>
Total Planned/under Review:	\$29,000

IMPROVEMENT PROJECTS

- **Ongoing:**
 - *Office Building, Floors (Labor & Materials):\$2,700
 - *Office Building, Carpentry, Drywall, etc. . .(L&M):.....\$2,000
 - *Office Building, Painting (Labor):.....\$1,400
 - **WWTP Generator Fuel Supply/Containment:.....\$2,000
 - Total Ongoing:\$8,100

- **Planned / Under Review**
 - **WWTP ORP/O₂ Probe:.....\$9,000
 - **WWTP Sidewalks (Concrete):\$2,000
 - **Office Shelving (Labor & Materials)\$3,000
 - **WWTP Lab Floor (Labor & Material):.....\$1,500
 - **WWTP Safety Barrier, Fence:\$5,000
 - Total Planned/Under Review:\$20,500

*Actual **Estimated

After reviewing the costs associated with these projects it becomes necessary to, first, compare them with the current “Planning docket” and “Profit and Loss” reports in order to set project priorities , and second, to identify how to best accomplish our projected goals while insuring that we are able to forecast an acceptable year-end balance. In doing this, each line of the planning docket provides a percentage cell that shows how much of the forecasted budget has been spent through to the first quarter of 2003. You will notice that each budget line item is below, at ,or above the quarter mark of its forecast budget amount. A brief explanation for those line items that have exceeded their quarterly forecast by more than ten percent (>35%) is provided below:

WATER BUDGET 2003; Planning Docket

- **625 Repairs & Maintenance:** *76% of budget; initial budget set at \$500.* These costs were all directly related to the cost of repairing computers that have essentially reached the end of their useful life (approx. four years) and quit working completely. We had hoped to keep them going a while longer.
- **626 New Equipment:** *No Budget set for New Equipment.* Purchase of used dump truck and small computer parts.
- **656 Insurance-Vehicle:** *64% of budget; initial budget set at \$500.* There are two reasons for this excess. First, all commercial insurance policies are paid in ten equal payments from January thru October, thus, proportionately costing closer to 30% in the first quarter. Second, the insurance payments are normally paid proportionately 25% Water and 75% Sewer; in the first two months the payments were inadvertently split 50/50, thus reflecting higher than normal on the Water budget and lower than normal on the Sewer budget.
- **657 Insurance-General Liability:** *67% of budget; initial budget set at \$3,600.* Same as above
- **658 Insurance-Worker’s Comp:** *62% of budget; initial budget set at \$800.* Same as above
- **675 Misc. Expense:** *64% of budget; initial budget set at \$2,500.* It appears as though the costs being categorized in this line item were not necessarily all being categorized here last year.

These costs are all normally associated with the description of this budget category and should blend into the overall budget with little to no impact on the overall budget.

SEWER BUDGET 2003; Planning Docket

- ❑ **718 Chemicals:** *49% of budget; initial budget set at \$3,700.* This early year increase is normal and associated with the purchase of laboratory supplies needed for Spring testing requirements that begin in April and May each year and last through the summer months
- ❑ **725 Repairs & Maintenance:** *41% of budget; initial budget set at \$19,200.* The largest impact on this line item was the \$5,800 rebuild of a vacuum pump. This doesn't happen often but is expensive when it does. You'll notice that the April 21, 2003 Manager's Report has field staff scheduled for Pump & Seal School in June, 2003.
- ❑ **736 Contracted Services—Other:** *55% of budget, initial budget set at \$14,300.* These costs are all normally associated with the description of this budget category and could increase this line item by as much as 50% if no other rational explanation is identified. However, the fact that these expenses are fairly easy to predict, this may be a case of simply using a different line item when the 2003 budget was being developed in December 2002. **(Needs close attention)**
- ❑ **750 Transportation:** *43% of budget, initial budget set at \$6,300.* Several fuel purchases, new tires and truck repairs have put this line item a little above the quarter mark but will probably fall back into line over the next quarter.

PROFIT & LOSS

- ❑ **Water Utility:** The water utility's Profit & Loss forecast estimates a **\$24,086** profit at the end of 2003 without allowing for any major capital purchases or facility improvements, however, the water utility has a fairly stable revenue/expense pattern since it has no mechanically driven or powered equipment delivering its service. Nevertheless, the water system's infrastructure is in great need of major improvement projects to reduce water loss and maintain system integrity as it ages. Financial and improvement project planning will be required, however, it may take a couple of years to fully evaluate the infrastructure needs, which would then provide more appropriate information for building a more adequate long-term rate structure and improvements plan
- ❑ **Sewer utility:** The sewer utility's Profit & Loss forecast estimates a **\$61,404** profit at the end of 2003 without allowing for any major capital purchases or facility improvements. Unlike the water utility, the sewer utility expenses can increase quickly and unexpectedly given the large number of electric motors and pumps used to transport and treat wastewater. This variation in expense is best controlled by having an effective in-house preventive maintenance program that is used faithfully by qualified staff. This is a high priority project that is currently in the development stage.

SUMMARY

In summary, the Planning Dockets and Profit & Loss forecast show our best and most easily interpretable information as it relates to financial planning since the ledger is still not available to track bookkeeping records. Much work has gone into making these reports as accurate as possible, however, the information is greatly susceptible to human error and should be tracked monthly, as

department heads and myself do, to stay well informed with the trends in revenue and expenses. The capital purchases and improvement projects listed above may or may not all be achievable during the current year. Each item under review will be evaluated for its specific priority status alongside the other items under review and will only be achieved after it has been determined that the utility has the financial capability to do so while meeting all of its legal/financial obligations. The water/sewer cost breakdown of all capital purchases and improvement projects listed above, but not paid for during the first quarter, is as follows:

Water Utility Projects (above) = \$27,300

Sewer Utility Projects (above) = \$49,150

Much discussion will be had with department heads and the utility board as these projects are reviewed and evaluated. Planning, finance and project meetings will be a routine part of the progression of annual planning. I look forward to working with each department head and board member on projects of interest as we continue to improve the service to our customers and raise the professional bar for our employees.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Fish', with a long horizontal flourish extending to the right.

Jeffrey A. Fish
Utility Manager