

MEMORANDUM

Date: January 12, 2017
 To: Board of Directors
 From: Eric Thompson, Controller
 Subject: Administration / Financial Reports

Enclosed is a combined financial summary report for **December 2017**. Following are highlights from various internal financial reports. Please feel free to call me before the Board meeting regarding any questions you may have relating to these reports.

This information is provided to the Board to assist in answering possible questions regarding under or over-budget items. In addition, other items of interest are included.

Water Consumption – Year-to-date residential water usage was up 11.8% versus budget through December. Listed below are year-to-date water consumption numbers using weighted averages:

	12 month rolling % increase	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Residences	0.2%	2,539	2,539	2,539	2,539	2,539	2,539						
	Weighted average	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Cubic Feet	2,100	2,920	2,844	2,695	2,109	1,191	840						
Gallons per day	703	728	709	672	526	297	210						
Planning Usage GPD	612												

Lock-Offs – During the month of December, there were 21 lock-offs.

Connection Fees – There were no new connection fees received in December.

Aging Report – Delinquent accounts totaled \$149,990 which was 24.4% of the total accounts receivable balance of \$615,620. Past due receivables increased \$15,825 or 11.8% from the prior month. This increase was primarily related to undeveloped property and not residential or commercial connections.

Summary of Reserve Accounts as of December 31, 2017 – The District’s reserve accounts began the year with a balance of \$5,344,437 and have increased \$254,563 year-to-date. The only reserve transactions during the month other than monthly reserve contributions and normal inter-fund borrowing repayments were payments from Sewer Capital Replacement Reserves for the WWTP hydro-pneumatic tank replacement (\$37,204) and for the Michigan Bar sub-drain panel replacement (\$14,000). The total amount of reserves held by the District on December 31, 2017 was \$5,598,998. See the table on the following page for information by specific reserve account.

Reserve Fund Balances

Reserve Descriptions	Fiscal Yr Beg Balance July 1, 2017	YTD Collected & Interest Earned	YTD Spent	Period End Balance Dec 31, 2017
Water Capital Replacement (200-2505)	1,130,169	113,310	(8,864)	1,234,615
Sewer Capital Replacement (250-2505)	2,478,211	201,693	(106,915)	2,572,989
Drainage Capital Replacement (260-2505)	81,850	16,214	(6,198)	91,866
Security Capital Replacement (500-2505)	160,345	23,695	(42,964)	141,076
Admin Capital Replacement (xxx-2505-99)	57,174	44,186	(14,366)	86,994
Sewer Capital Improvement Connection (250-2500)	4,067	20	(0)	4,087
Capital Improvement (xxx-2510)	366,117	18,555	(893)	383,779
Water Supply Augmentation (200-2511)	1,703,006	42,285	(17,247)	1,728,044
WTP Construction Fund Reserve (200-2513)	(671,793)	93,568	(105,305)	(683,530)
Security Impact Fee Reserves (500-2513)	35,291	3,787	(0)	39,078
Total Reserves	5,344,437	557,313	(302,752)	5,598,998

Inter-fund Borrowing Balances

Inter-fund Borrowing	Fiscal Yr Beg Balance July 1, 2016	YTD Interest	YTD Repayment	Period End Balance Dec 31, 2017
Sewer Loan to WTP Construction Fund	1,137,179	6,272	(76,448)	1,067,003
WSA Loan to WTP Construction Fund	379,060	2,091	(25,483)	355,668
N. Gate Security Loan from Drainage Fund	63,203	330	(11,748)	51,785
Total Inter-fund Borrowing	1,579,442	8,693	(113,679)	1,474,456

Financial Items of Note

M&R Litigation – year-to-date, the District has incurred and paid \$5,295 in legal fees related to the M&R litigation. Total fees paid pursuant to this lawsuit (excluding staff time) are \$67,782.

County Club & Open Space – the District incurred \$2,268 in labor costs related to the proposed country club and open space purchase during the month of December. Since early October of this year \$36,642 (including staff time) has been spent on this project.

Financial Summary Report (year-to-date through December 31, 2017)

Revenues:

Water Charges, year-to-date, are **above** budget \$55,555 or 5.0%

Sewer Charges, year-to-date, are **below** budget \$6,553 or (1.0%)

Drainage Charges, year-to-date, are **below** budget \$1,063 or (1.1%)

Security Charges, year-to-date, are **below** budget \$5,082 or (0.8%)

Solid Waste Charges, year-to-date, are **above budget \$2,523 or 0.8%**

Total Revenue, which includes other income, property taxes, and interest income is **above budget \$134,257 or 4.2%**. Roughly \$69K of this amount is related to CIA Ditch repairs.

Expenses: Year-to-date total operating expenses are **above budget \$103,866 or 3.5%**. There have been no operational reserve expenditures so far this year. Operational reserve expenditures cover projects funded from reserves which are also recorded as operational expenses through the income statement as required by Generally Accepted Accounting Principles (GAAP).

Water Expenses (*including wages & employer costs*) year-to-date, are **above budget \$71,319 or 8.5%**. Permit expenses are the Water department's largest over budget line item so far this year. While permitting fees did increase year-over-year, the majority of the overage is due to timing issues between budgeted and actual amounts. Other line item overages include repairs & maintenance, CIA Ditch repairs, purchased power, and chemicals (which should normalize as the year progresses).

Sewer Expenses, year-to-date, are **below budget by \$26,982 or (4.9%)**. During the month of December, the District's accounting department changed from a modified accrual accounting process for purchased power to a full accrual methodology. Going forward, this will give staff and directors a clearer picture of actual monthly charges through the financial statements, however this change resulted in two months of solar power billings being included in the December financials. Repairs & maintenance expenses are coming back in line with budget after large dollar items (including pond sludge removal, WWTP repairs, and generator repairs) were posted earlier in the year, in advance of their timing on the budget.

Drainage Expenses, year-to-date, are **above budget by \$15,622 or 20.6%**. Similar to the repairs & maintenance expenses in the Sewer department, Drainage saw a front-loading of expenses during this fiscal year. With only \$152K in total expenditures budgeted for the year, overages in salaries & wages (\$10,737), employer costs (\$4,565), chemicals (\$6,750), and equipment rental (\$1,953) created a disproportionately large percentage overage in expenses during the first part of the year. These numbers have started to normalize (as expenses fall more in line and additional budget is added) and the department's expenses went from being 49.2% over through September to 37.7% through October and now to 20.6% through December.

Combined Water/Sewer/Drainage Wages & Employer Costs, year-to-date, are **below budget by \$33,812 or (5.0%)**. These savings are offset by \$34,188 in contract staffing, which is used to help reduce the operational effects of position vacancies. Utility personnel at the District allocate their time between the Water, Sewer and Drainage departments as needed and as directed. This section is being reported to help gauge overall utility personnel expenses versus budget.

Security Expenses, year-to-date, are **below budget by \$19,434 or (3.2%)**. Security Gate expenses are **above budget by \$6,177 or 2.3%** so far this year, with savings in wages and employer costs (due to vacancies) being offset by contract personnel costs. Security Patrol expenses are **below budget by \$5,693 or (2.3%)**, with savings across most expense categories, the largest being salaries & wages and employer costs. General Security expenses are **below budget by \$19,918 for the year**, due primarily to the vacancy in the (permanent) Chief position.

Solid Waste Expenses, year-to-date, are **above budget by \$1,531 or 0.5%**. Solid waste revenues and expenses are driven by service requests from the community and are both slightly over budget through December.

General Expenses, year-to-date, are **above budget by \$61,809 or 9.8%**. Legal expenses, GM recruitment, salaries & wages, and consulting expenses are the biggest contributors to the overage in general expenses.

Net Income: Year-to-date unadjusted net income, before depreciation, is \$194,332 versus a budget of \$163,941. Net income/(Loss) adjusted for estimated depreciation expense is (\$511,505). The full-year expected net operating income (loss) before depreciation, per the 2017-2018 budget is (\$181). Including inter-fund borrowing interest expenses the expected net operating loss is (\$8,873), as shown on the financial statements.