

DATE: January 13, 2005

**Fiscal
Team**

Julie Jenuwine, Finance Director

TO: Financial Services Committee

RE: W&S Fund Structure & Finances

This memo is to communicate my suggestion to the Financial Services Committee, to recommend to City Council that the Water & Sewer Fund structure be set-up and utilized in the City's Budget and general ledger, as it is conveyed in City Ordinance 102.64 (with the exception of the Receiving Fund, Replacement "contingency" Fund and Surplus Fund).

Currently, the City has one Water & Sewer Fund, consisting of two departments (Water and Sewer). All operating and capital revenues and expenses are accounted for in this one Fund. City Ordinance 102.64 calls for the use of six individual Funds to account for Water and Sewer Enterprise transactions. The 1999 Water & Sewer Report from consultants Black & Veatch recommends something very similar to the Ordinance. The set-up closely follows recommended government accounting guidelines.

It is my recommendation that Ordinance 102.64 be amended to eliminate the Receiving Fund, Replacement Fund and Surplus Fund. As an alternative to having a Receiving Fund, the Operating and Maintenance Fund would receive all operating revenues, as it does now. The Capital and Lateral revenues (capital revenues) will be booked as revenue in the Improvement Fund. The Improvement Fund will transfer needed monies to the Bond Interest and Redemption Funds (as determined by Ordinance), as any excess monies will remain in the Improvement Fund. As opposed to having a Replacement Fund for contingency, a contingency can be maintained in the Operating and Maintenance Fund along with an operating reserve (30-120 days of operating expense to meet cash flow), as is practiced currently. Transfers to the Improvement Fund could be performed in the thirteenth fiscal period of each year.

It is also my recommendation that monies from operating revenue in the Operating and Maintenance Fund that exceed the "Target balance" be transferred to the Improvement Fund.

The loss of Capital & Lateral revenue to an Operating and Maintenance Fund will cause the rates to increase. This redirection of capital revenue to an Improvement Fund will help to save for future replacement of infrastructure and other capital needs. As the City's future water and sewer infrastructure replacement costs are projected at hundreds of millions of dollars (today's dollars).

Revenues provided by the connection charges (Capital and Lateral) are anticipated to be substantially reduced, to reflect the projected reduction in the growth rate and eventual "build-out" of the community. Unfortunately, this will only be a temporary source of revenue to finance expenses. Should this capital revenue remain in the

Operating and Maintenance Fund it may continue to subsidize operating expenses, as opposed to fund capital expenses.

Should the Water and Sewer Funds not be set-up and utilized, as the provided in Ordinance 102-64 or as indicated in this recommendation, then it is requested that the Ordinance be changed to reflect as the City operates.

In closing, it is my recommendation that the City utilize an Operating and Maintenance Fund, Improvement Fund, and Bond Interest and Redemption Fund; amending the Ordinance to exclude a Replacement Fund and Surplus Fund. Also, I recommend that the City direct the water and sewer Capital & Lateral revenue into an Improvement Fund for future capital replacement expenses.

Attachments: Ordinance 102.64
2003 CAFR page 22
Table 1. Capital & Lateral Revenue History
Table 2A. Water Revenue and Expenses
Table 2B. Sewer Revenue and Expenses
Table 2C. Water & Sewer Revenue and Expenses
Table 3. Water & Sewer Fund Assets

proper credentials and identification shall be permitted to enter upon all properties for the purpose of inspection, observation, measurement, sampling, and testing, in accordance with this article at any time during reasonable or usual business hours.

(Code 1976, § 6-09.03.04)

Sec. 102-32. Compliance with county standards.

No person shall connect with any sanitary or combined sewer in the city until such person has complied with all standards and regulations of the county department of public works and the county drain commissioner's office.

(Code 1976, § 6-09.11)

Sec. 102-33. Violations.

(a) *Written notice to correct.* Any person found to be violating any section of this article shall be served with written notice stating the nature of such violation and providing a reasonable time limit for the satisfactory correction thereof in compliance with this article. The offender shall, within the period of time stated in such notice, take corrective action to comply with this article. Failure to take such action shall be deemed a violation of this article.

(b) *Civil liability.* Any person violating any of the sections of this article shall be liable to the city for any expense, loss, or damage occasioned to the city because of such violation, and recovery therefor may be had in an appropriate action in any court of competent jurisdiction.

(c) *Abatement.* Any continued violation, after due notice as provided in subsection (a) of this section, shall be deemed a public nuisance and may be abated by the city upon complaint in any court of competent jurisdiction. This remedy shall be in addition to those provided in this section.

(Code 1976, § 6-09.12)

Secs. 102-34—102-60. Reserved.

DIVISION 2. RATES, CHARGES AND BILLING PROCEDURE

Subdivision I. In General

Sec. 102-61. Free service.

No free service shall be furnished by the water and sewage disposal system to any person or to any public agency or instrumentality.

(Code 1976, § 6-09.09.01)

Sec. 102-62. Rate revisions authorized.

The rates fixed in this division shall be reviewed annually and are estimated to be sufficient to provide for the payment of the expenses of administration and operation, such expenses for maintenance of the water and sewage disposal system as are necessary to preserve the system in good repair and working order and to provide for such other expenditures and funds for the system as this article may require. Such rates may be revised by the city council when such action becomes necessary to provide sufficient funds.

(Code 1976, § 6-09.09.02)

Sec. 102-63. Operating year.

The water and sewage disposal system shall be operated on the basis of an operating year commencing on January 1 and ending on December 31 next following.

(Code 1976, § 6-09.09.03)

Sec. 102-64. Receiving fund.

(a) *Deposit of funds.* The revenues of the water and sewage disposal system shall be set aside, as collected, and deposited in a separate depository account in a bank duly qualified to do business in this state, to be selected by the city council, in an account to be designated "water and sewage disposal system receiving fund," referred to as the "receiving fund," and the revenues so deposited shall be transferred from the receiving fund periodically in the manner and at the times specified in this section.

(b) *Operation and maintenance fund.* Out of the revenues in the receiving fund there shall be first set aside semiannually into a depository

account designated as the "operating and maintenance fund" a sum sufficient to provide for the payment of the next quarter's current expenses of administration and operation of the system and such current expenses for the maintenance thereof as may be necessary to preserve the system in good repair and working order.

(c) *Replacement fund.* There shall next be established and maintained a depository account designated "replacement fund," which shall be used solely for the purpose of reserving for replacement of equipment and items of unusual expense and making contingent repairs and replacements to the system if needed. There shall be set aside into the fund, after provision has been made for the operation and maintenance fund, such sums as the city council shall deem necessary for this purpose.

(d) *Bond interest and redemption funds.* Out of the remaining revenues in the receiving fund from debt service charges, there shall be next set aside quarterly a sum sufficient to provide for the payment of principal and interest on any bonds that may have been issued for the system and which bonds are payable out of revenues.

(e) *Improvement fund.* There shall next be established and maintained an improvement fund for the purpose of making improvements, extensions and enlargements to the system. There shall be deposited into the fund, after providing for the funds in subsections (a) through (d) of this section, such sums as the city council shall determine.

(f) *Surplus funds.* Moneys remaining in the receiving fund at the end of any operating year, after full satisfaction of the requirements of the funds in this section, may, at the option of the city council, be transferred to the improvement fund or used for any other purpose of the water and sewer system, consistent with federal regulations.

(g) *Single account allocation to funds.* All moneys belonging to any of the funds or accounts in this section may be kept in one bank account, in which event the moneys shall be allocated on the

books and records of the city within this single bank account in the manner set forth in this section.

(h) *Investment of moneys.* Moneys in any fund or account established by this article may be invested in obligations of the United States of America in the manner and subject to the limitations provided in Public Act No. 94 of 1933 (MCL 141.101 et seq., MSA 5.2731 et seq.). If such investments are made, the securities representing the investments shall be kept on deposit with the bank or trust company having on deposit the fund from which such purchase was made. Income received from such investments shall be credited to the fund from which the investments were made.

(i) *Insufficient funds.* If the moneys in the receiving fund are insufficient to provide for the current requirements of the operating and maintenance fund, any moneys and/or securities in other funds of the system shall be transferred to the operation and maintenance fund, to the extent of any deficit therein.

(Code 1976, § 6-09.10)

Secs. 102-65—102-90. Reserved.

Subdivision II. Billing and Collection Procedure

Sec. 102-91. Due date; late payment charge.

(a) All charges billed monthly to customers of the water and sewage disposal system shall be paid and received by 5:00 p.m. on the due date of payment, which due date shall be stated on the bill. Failure to receive a bill shall not excuse payment.

(b) A late payment charge equal to 1½ percent of any balance remaining unpaid on the second city working day following the due date for the preceding monthly bill shall be added to the unpaid balance and charged to the customer. (Code 1976, § 6-09.08.01)

Sec. 102-92. Lien on premises.

(a) *Generally.* The charges for water and/or sewer services and debt service charges which are, under section 21 of Public Act No. 94 of 1933

City of Rochester Hills, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	Enterprise - Water and Sewer	Internal Service Funds
Operating Revenue		
Charges for services	\$ 17,724,657	\$ 6,886,565
Miscellaneous revenue	19,540	9,285
Total operating revenue	17,744,197	6,895,850
Operating Expenses		
Cost of water produced/purchased	6,222,278	-
Cost of sewage treatment	4,782,187	-
Salaries and wages	2,408,632	2,158,131
Professional services	2,290,730	1,196,129
Public utilities	-	558,665
Material and supplies	394,321	310,956
Repairs and maintenance	22,519	565,969
Rentals	916,096	212,917
Depreciation and amortization	2,869,706	1,856,471
Total operating expenses	19,906,469	6,859,238
Operating Income (Loss)	(2,162,272)	36,612
Nonoperating Revenue (Expenses)		
Investment income	373,066	114,981
Net depreciation in fair value of investments	(123,281)	-
Capital and lateral charges	1,298,935	-
Interest expense	(34,264)	(232,336)
Gain on disposal of fixed assets	-	27,628
Total nonoperating revenue (expenses)	1,514,456	(89,727)
Income (Loss) - Before contributions	(647,816)	(53,115)
Capital Contributions	716,477	9,973,469
Transfers from Other Funds	-	1,469,014
Change in Net Assets	68,661	11,389,368
Net Assets - Beginning of year, as adjusted (Note 12)	117,920,651	40,407,558
Net Assets - End of year	\$ 117,989,312	\$ 51,796,926



Bond Schedule

Principal Amount \$ **3,000,000**

Interest Rate **5.00%**

	Principal Payment	Interest Payment	<i>Remaining Principal</i>	Total Payment
Year 1	\$ 90,728	\$ 150,000	\$ 2,909,272	\$ 240,728
Year 2	\$ 95,264	\$ 145,464	\$ 2,814,008	\$ 240,728
Year 3	\$ 100,027	\$ 140,700	\$ 2,713,981	\$ 240,728
Year 4	\$ 105,029	\$ 135,699	\$ 2,608,952	\$ 240,728
Year 5	\$ 110,280	\$ 130,448	\$ 2,498,672	\$ 240,728
Year 6	\$ 115,794	\$ 124,934	\$ 2,382,878	\$ 240,728
Year 7	\$ 121,584	\$ 119,144	\$ 2,261,294	\$ 240,728
Year 8	\$ 127,663	\$ 113,065	\$ 2,133,631	\$ 240,728
Year 9	\$ 134,046	\$ 106,682	\$ 1,999,585	\$ 240,728
Year 10	\$ 140,749	\$ 99,979	\$ 1,858,836	\$ 240,728
Year 11	\$ 147,786	\$ 92,942	\$ 1,711,050	\$ 240,728
Year 12	\$ 155,175	\$ 85,553	\$ 1,555,875	\$ 240,728
Year 13	\$ 162,934	\$ 77,794	\$ 1,392,941	\$ 240,728
Year 14	\$ 171,081	\$ 69,647	\$ 1,221,860	\$ 240,728
Year 15	\$ 179,635	\$ 61,093	\$ 1,042,225	\$ 240,728
Year 16	\$ 188,617	\$ 52,111	\$ 853,609	\$ 240,728
Year 17	\$ 198,047	\$ 42,680	\$ 655,561	\$ 240,728
Year 18	\$ 207,950	\$ 32,778	\$ 447,612	\$ 240,728
Year 19	\$ 218,347	\$ 22,381	\$ 229,265	\$ 240,728
Year 20	\$ 229,265	\$ 11,463	\$ (0)	\$ 240,728
	\$ 3,000,000	\$ 1,814,555		\$ 4,814,555

Ave. Payment Over Life of Term (20 Years):

\$ 240,728

Table 1. Capital & Lateral Charge Summary (1993-2004 YTD)

		Actual 1993	Actual 1994	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 1993-2004 TOTAL	Budget 2005
661001	Capital & Lateral	\$ 530,678	\$ 792,363	\$ 671,685	\$ 889,306	\$ 856,257	\$ 847,461	\$ 612,064	\$ 398,096	\$ 609,830	\$ 517,981	\$ 528,715	\$ 553,246	\$ 7,807,681	\$ 500,000
661002	Capital & Lateral - 20 Yr. Contract	193,530	120,400	107,900	128,125	116,950	145,464	54,218	49,450	38,700	25,800	17,200	17,200	1,014,937	5,000
661003	Capital & Lateral - Commercial	15,318	17,695	13,300	-	-	-	-	-	-	-	-	-	46,313	-
Capital & Lateral - Water		\$ 739,527	\$ 930,458	\$ 792,885	\$ 1,017,431	\$ 973,207	\$ 992,925	\$ 666,281	\$ 447,546	\$ 648,530	\$ 543,781	\$ 545,915	\$ 570,446	\$ 8,868,932	\$ 505,000
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662001	Capital & Lateral	\$ 504,235	\$ 949,830	\$ 764,146	\$ 1,017,173	\$ 985,912	\$ 1,306,364	\$ 829,292	\$ 412,357	\$ 722,473	\$ 765,891	\$ 753,020	\$ 887,188	\$ 9,897,881	\$ 700,000
662002	Capital & Lateral - 20 Yr. Contract	135,000	120,000	61,307	24,300	118,276	264,080	66,000	3,000	-	9,000	-	6,000	806,963	-
662003	Capital & Lateral - Commercial	8,406	-	11,512	-	-	-	-	-	4,800	51,000	-	-	75,718	-
Capital & Lateral - Sewer		\$ 647,642	\$ 1,069,830	\$ 836,965	\$ 1,041,473	\$ 1,104,188	\$ 1,570,444	\$ 895,292	\$ 415,357	\$ 727,273	\$ 825,891	\$ 753,020	\$ 893,188	\$ 10,780,562	\$ 700,000
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662001	Capital & Lateral	\$ 1,034,914	\$ 1,742,193	\$ 1,435,831	\$ 1,906,479	\$ 1,842,169	\$ 2,153,825	\$ 1,441,356	\$ 810,454	\$ 1,332,303	\$ 1,283,871	\$ 1,281,735	\$ 1,440,434	\$ 17,705,563	\$ 1,200,000
662002	Capital & Lateral - 20 Yr. Contract	328,530	240,400	169,207	152,425	235,226	409,544	120,218	52,450	38,700	34,800	17,200	23,200	1,821,900	5,000
662003	Capital & Lateral - Commercial	23,724	17,695	24,812	-	-	-	-	-	4,800	51,000	-	-	122,031	-
Capital & Lateral - W&S		\$ 1,387,168	\$ 2,000,288	\$ 1,629,850	\$ 2,058,904	\$ 2,077,395	\$ 2,563,369	\$ 1,561,574	\$ 862,904	\$ 1,375,803	\$ 1,369,671	\$ 1,298,935	\$ 1,463,634	\$ 19,649,494	\$ 1,205,000

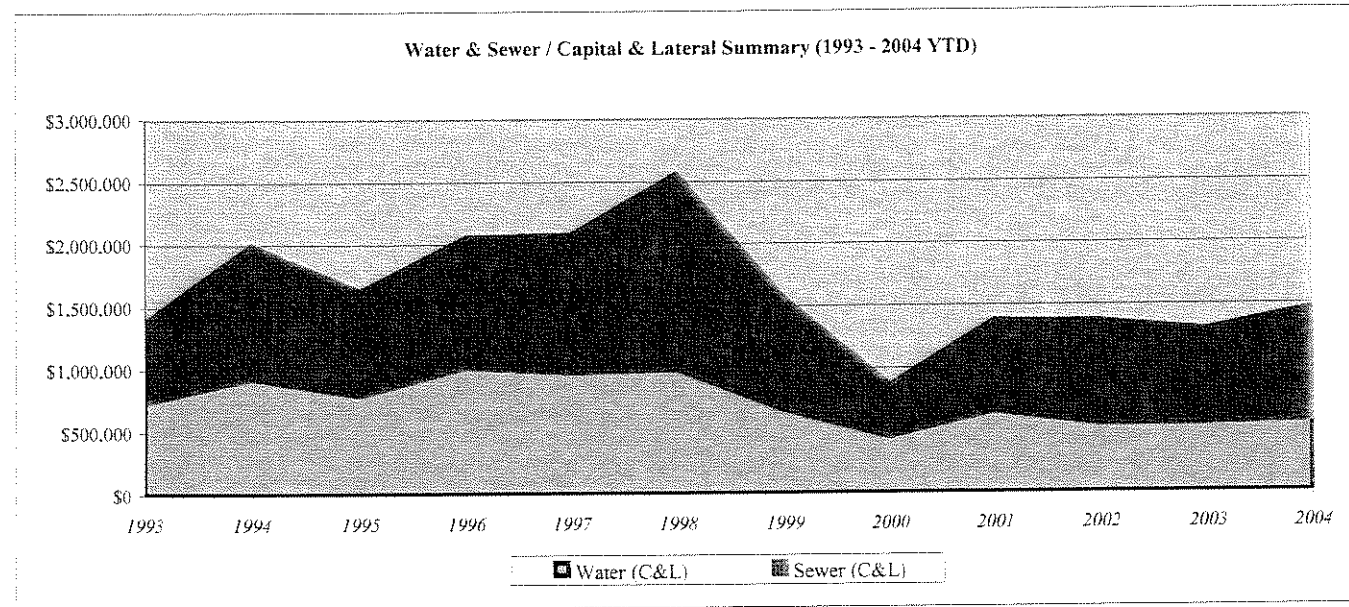


Table 2A. Water Fund Revenue vs. Expense

	Audit 1993	Audit 1994	Audit 1995	Audit 1996	Audit 1997	Audit 1998	Audit 1999	Audit 2000	Audit 2001	Audit 2002	Audit 2003	YTD 2004
Operating Revenue	\$ 7,269,951	\$ 6,326,882	\$ 7,004,218	\$ 7,206,406	\$ 7,592,517	\$ 7,814,713	\$ 7,040,285	\$ 6,354,786	\$ 8,010,228	\$ 10,147,956	\$ 10,841,529	\$ 9,815,174
Water - Operating Revenue	\$ 7,269,951	\$ 6,326,882	\$ 7,004,218	\$ 7,206,406	\$ 7,592,517	\$ 7,814,713	\$ 7,040,285	\$ 6,354,786	\$ 8,010,228	\$ 10,147,956	\$ 10,841,529	\$ 9,815,174
Capital & Lateral Revenue	\$ 739,527	\$ 930,458	\$ 792,885	\$ 1,017,431	\$ 973,207	\$ 992,925	\$ 666,281	\$ 447,546	\$ 648,530	\$ 543,781	\$ 545,915	\$ 570,446
Contributions	7,392	-	-	-	-	17,267	-	-	757,681	1,146,445	477,561	-
Water - Capital Revenue	\$ 746,919	\$ 930,458	\$ 792,885	\$ 1,017,431	\$ 973,207	\$ 1,010,192	\$ 666,281	\$ 447,546	\$ 1,406,211	\$ 1,690,226	\$ 1,023,476	\$ 570,446
Water - TOTAL Revenue	\$ 8,016,869	\$ 7,257,340	\$ 7,797,103	\$ 8,223,838	\$ 8,565,724	\$ 8,824,906	\$ 7,706,567	\$ 6,802,333	\$ 9,416,439	\$ 11,838,181	\$ 11,865,005	\$ 10,385,620
Water Operating Expenses	Audit 1993	Audit 1994	Audit 1995	Audit 1996	Audit 1997	Audit 1998	Audit 1999	Audit 2000	Audit 2001	Audit 2002	Audit 2003	YTD 2004
Personnel Services	\$ 1,408,527	\$ 1,263,993	\$ 1,237,749	\$ 1,299,707	\$ 1,192,411	\$ 1,363,663	\$ 1,427,673	\$ 1,248,722	\$ 1,431,167	\$ 1,429,773	\$ 1,629,729	\$ 1,587,969
Maintenance & Supplies	707,601	651,797	647,727	641,676	709,636	878,949	579,246	596,730	781,560	974,338	1,016,348	803,918
Professional Services	273,216	213,771	299,043	408,775	731,679	1,063,739	1,370,001	1,224,740	1,268,936	1,748,145	1,315,291	802,184
Water Purchases	3,456,705	3,210,896	3,810,170	3,941,201	3,885,905	4,686,040	5,081,596	4,579,457	4,879,118	5,656,469	6,222,278	5,370,125
Depreciation & Amortization	1,155,644	2,138,347	1,324,122	1,250,324	1,499,584	1,485,679	1,511,780	1,587,088	1,465,736	1,762,452	1,718,431	1,731,467
Debt Service	89,179	78,068	64,368	49,631	34,586	17,524	3,440	-	-	-	-	-
Water - Operating Expenditures	\$ 7,090,872	\$ 7,556,873	\$ 7,383,178	\$ 7,591,312	\$ 8,053,801	\$ 9,495,594	\$ 9,973,737	\$ 9,236,737	\$ 9,826,517	\$ 11,571,176	\$ 11,902,078	\$ 10,295,662
Water Operating Revenue - Expense	\$ 179,078	\$ (1,229,990)	\$ (378,960)	\$ (384,906)	\$ (461,283)	\$ (1,680,881)	\$ (2,933,452)	\$ (2,881,951)	\$ (1,816,289)	\$ (1,423,220)	\$ (1,060,548)	\$ (480,488)
Water TOTAL Revenue - Expense	\$ 925,997	\$ (299,533)	\$ 413,925	\$ 632,525	\$ 511,924	\$ (670,688)	\$ (2,267,170)	\$ (2,434,404)	\$ (410,078)	\$ 267,805	\$ (37,073)	\$ 89,958

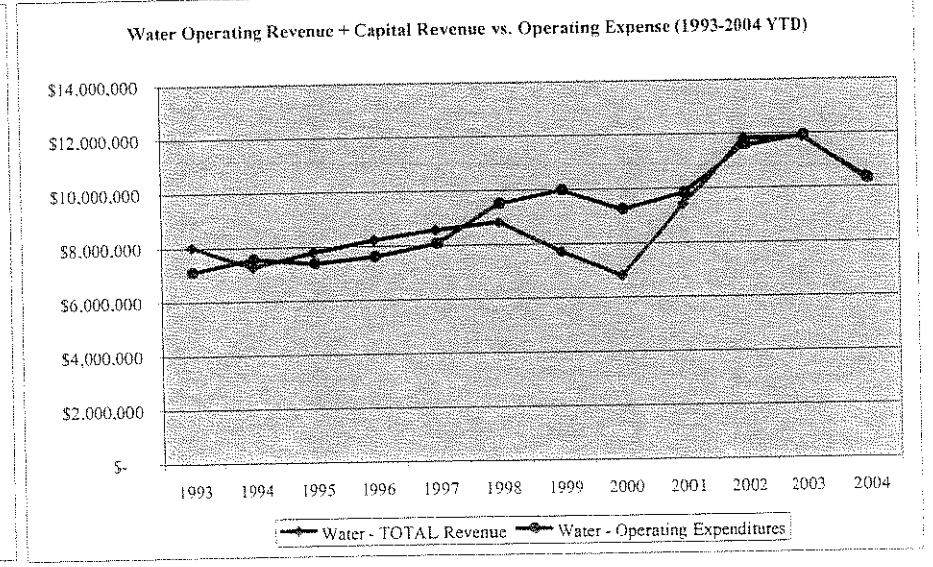
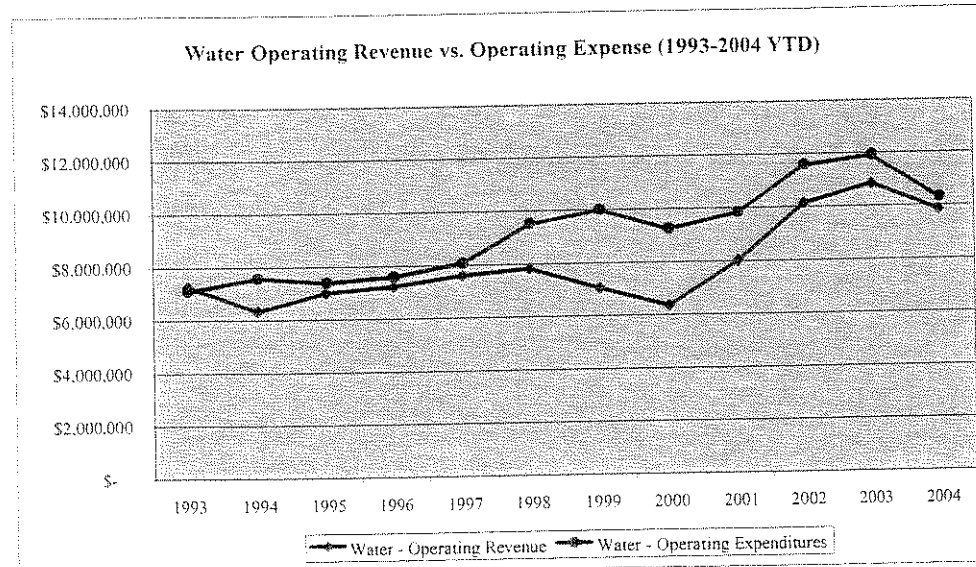
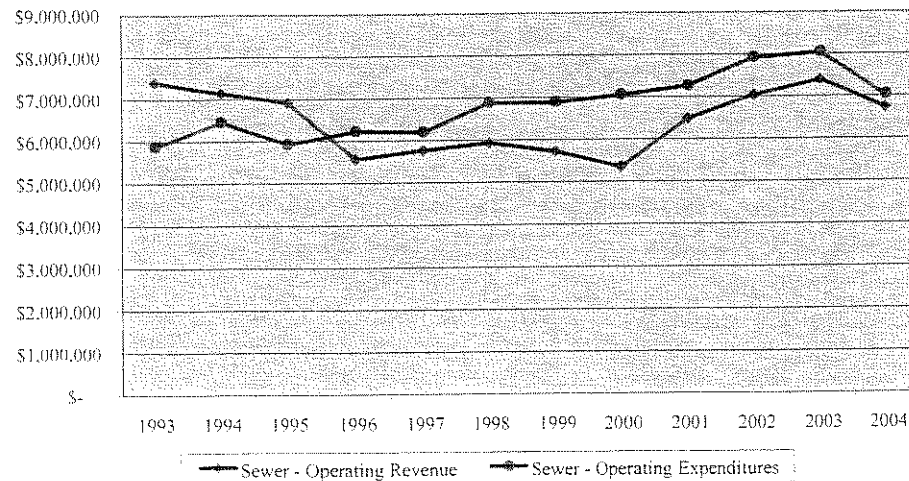


Table 2B. Sewer Fund Operating Revenue vs. Operating Expense

	Audit 1993	Audit 1994	Audit 1995	Audit 1996	Audit 1997	Audit 1998	Audit 1999	Audit 2000	Audit 2001	Audit 2002	Audit 2003	YTD 2004
Operating Revenue	\$ 7,399,029	\$ 7,137,192	\$ 6,907,365	\$ 5,553,764	\$ 5,757,807	\$ 5,928,902	\$ 5,717,523	\$ 5,346,413	\$ 6,477,754	\$ 7,033,119	\$ 7,391,368	\$ 6,726,357
Sewer - Operating Revenue	\$ 7,399,029	\$ 7,137,192	\$ 6,907,365	\$ 5,553,764	\$ 5,757,807	\$ 5,928,902	\$ 5,717,523	\$ 5,346,413	\$ 6,477,754	\$ 7,033,119	\$ 7,391,368	\$ 6,726,357
Capital & Lateral Revenue Contributions	\$ 647,642	\$ 1,069,830	\$ 836,965	\$ 1,041,473	\$ 1,104,188	\$ 1,570,444	\$ 895,292	\$ 415,357	\$ 727,273	\$ 825,891	\$ 753,020	\$ 893,188
Sewer - Capital Revenue	\$ 647,642	\$ 1,069,830	\$ 836,965	\$ 1,041,473	\$ 1,104,188	\$ 1,570,444	\$ 895,292	\$ 415,357	\$ 727,273	\$ 825,891	\$ 753,020	\$ 893,188
Sewer - TOTAL Revenue	\$ 8,046,670	\$ 8,207,022	\$ 7,744,330	\$ 6,595,236	\$ 6,861,994	\$ 7,499,345	\$ 6,612,816	\$ 5,761,771	\$ 7,205,027	\$ 7,859,010	\$ 8,144,388	\$ 7,619,546

Sewer Operating Expenses	Audit 1993	Audit 1994	Audit 1995	Audit 1996	Audit 1997	Audit 1998	Audit 1999	Audit 2000	Audit 2001	Audit 2002	Audit 2003	YTD 2004
Personnel Services	\$ 598,101	\$ 661,865	\$ 707,008	\$ 783,581	\$ 740,461	\$ 772,568	\$ 786,400	\$ 759,141	\$ 769,792	\$ 688,908	\$ 778,902	\$ 1,140,673
Maintenance & Supplies	259,710	249,121	228,062	395,642	279,325	350,365	310,851	298,783	336,862	402,196	366,589	457,788
Professional Services	117,344	138,064	235,637	328,862	510,334	975,435	995,601	1,257,595	1,095,572	1,251,093	924,746	797,305
Wastewater Treatment	2,730,455	2,706,646	2,716,373	2,694,444	2,788,696	3,053,746	3,191,412	3,225,622	3,539,657	4,314,377	4,782,879	3,377,174
Depreciation & Amortization	770,296	1,423,790	880,555	1,020,978	992,183	990,421	1,007,854	1,058,059	1,198,593	1,091,371	1,151,275	1,251,309
Debt Service	1,391,691	1,270,996	1,150,913	992,864	882,458	735,983	585,173	449,759	313,044	172,124	34,264	-
Sewer - Operating Expenditures	\$ 5,867,597	\$ 6,450,483	\$ 5,918,549	\$ 6,216,372	\$ 6,193,457	\$ 6,878,518	\$ 6,877,290	\$ 7,048,959	\$ 7,253,520	\$ 7,920,068	\$ 8,038,654	\$ 7,024,248
Sewer Operating Revenue - Expense	\$ 1,531,432	\$ 686,709	\$ 988,816	\$ (662,608)	\$ (435,651)	\$ (949,616)	\$ (1,159,767)	\$ (1,702,545)	\$ (775,766)	\$ (886,949)	\$ (647,287)	\$ (297,891)
Sewer TOTAL Revenue - Expense	\$ 2,179,074	\$ 1,756,540	\$ 1,825,781	\$ 378,865	\$ 668,537	\$ 620,827	\$ (264,474)	\$ (1,287,188)	\$ (48,493)	\$ (61,058)	\$ 105,733	\$ 595,297

Sewer Operating Revenue vs. Operating Expense (1993-2004 YTD)



Sewer Operating Revenue + Capital Revenue vs. Operating Expense (1993-2004 YTD)

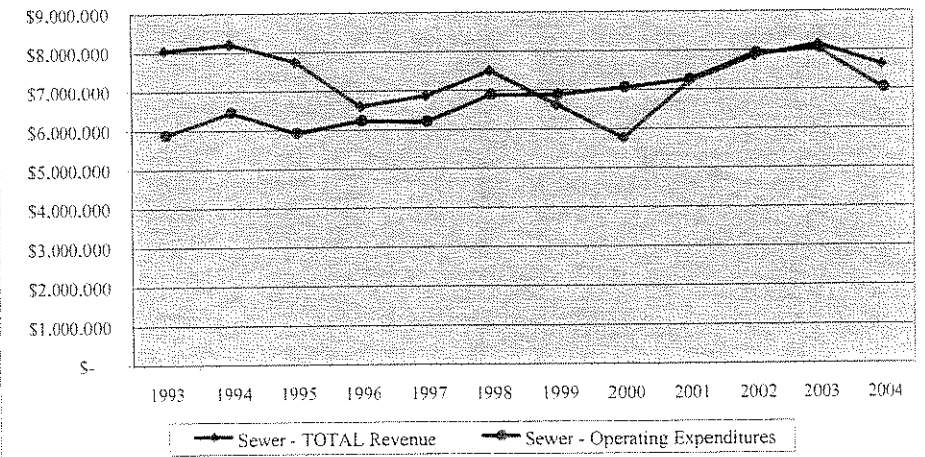


Table 2C. Water & Sewer Fund Operating Revenue vs. Operating Expense

Water & Sewer Operating Revenues	Audit 1993	Audit 1994	Audit 1995	Audit 1996	Audit 1997	Audit 1998	Audit 1999	Audit 2000	Audit 2001	Audit 2002	Audit 2003	YTD 2004
Operating Revenue	\$ 14,668,980	\$ 13,464,074	\$ 13,911,583	\$ 12,760,170	\$ 13,350,324	\$ 13,743,615	\$ 12,757,809	\$ 11,701,200	\$ 14,487,982	\$ 17,181,075	\$ 18,232,897	\$ 16,541,532
W&S - Operating Revenue	\$ 14,668,980	\$ 13,464,074	\$ 13,911,583	\$ 12,760,170	\$ 13,350,324	\$ 13,743,615	\$ 12,757,809	\$ 11,701,200	\$ 14,487,982	\$ 17,181,075	\$ 18,232,897	\$ 16,541,532
Capital & Lateral Revenue Contributions	\$ 1,387,168	\$ 2,000,288	\$ 1,629,850	\$ 2,058,904	\$ 2,077,395	\$ 2,563,369	\$ 1,561,574	\$ 862,904	\$ 1,375,803	\$ 1,369,671	\$ 1,298,935	\$ 1,463,634
	7,392	-	-	-	-	17,267	-	-	757,681	1,146,445	477,561	-
W&S - Capital Revenue	\$ 1,394,560	\$ 2,000,288	\$ 1,629,850	\$ 2,058,904	\$ 2,077,395	\$ 2,580,636	\$ 1,561,574	\$ 862,904	\$ 2,133,484	\$ 2,516,116	\$ 1,776,496	\$ 1,463,634
W&S - TOTAL Revenue	\$ 16,063,540	\$ 15,464,362	\$ 15,541,432	\$ 14,819,074	\$ 15,427,718	\$ 16,324,251	\$ 14,319,383	\$ 12,564,104	\$ 16,621,466	\$ 19,697,191	\$ 20,009,393	\$ 18,005,166

Water & Sewer Operating Expenses	Audit 1993	Audit 1994	Audit 1995	Audit 1996	Audit 1997	Audit 1998	Audit 1999	Audit 2000	Audit 2001	Audit 2002	Audit 2003	YTD 2004
Personnel Services	\$ 2,006,629	\$ 1,925,859	\$ 1,944,756	\$ 2,083,288	\$ 1,932,873	\$ 2,136,231	\$ 2,214,073	\$ 2,007,862	\$ 2,200,960	\$ 2,118,680	\$ 2,408,631	\$ 2,728,641
Maintenance & Supplies	967,311	900,918	875,789	1,037,318	988,961	1,229,314	890,097	895,514	1,118,422	1,376,534	1,382,937	1,261,706
Professional Services	390,561	351,835	534,681	737,637	1,242,013	2,039,175	2,365,602	2,482,335	2,364,507	2,999,238	2,240,037	1,599,490
Wastewater Treatment	6,187,160	5,917,541	6,526,543	6,635,645	6,674,601	7,739,785	8,273,008	7,805,079	8,418,776	9,970,846	11,005,157	8,747,298
Depreciation & Amortization	1,925,939	3,562,138	2,204,677	2,271,302	2,491,767	2,476,100	2,519,634	2,645,147	2,664,329	2,853,822	2,869,706	2,982,775
Debt Service	1,480,870	1,349,065	1,215,281	1,042,495	917,044	753,507	588,613	449,759	313,044	172,124	34,264	-
W&S - Operating Expenditures	\$ 12,958,469	\$ 14,007,355	\$ 13,301,727	\$ 13,807,684	\$ 14,247,258	\$ 16,374,112	\$ 16,851,027	\$ 16,285,696	\$ 17,080,037	\$ 19,491,245	\$ 19,940,732	\$ 17,319,911
W&S Operating Revenue - Expense	\$ 1,710,510	\$ (543,281)	\$ 609,856	\$ (1,047,514)	\$ (896,934)	\$ (2,630,497)	\$ (4,093,219)	\$ (4,584,496)	\$ (2,592,055)	\$ (2,310,170)	\$ (1,707,835)	\$ (778,379)
W&S TOTAL Revenue - Expense	\$ 3,105,071	\$ 1,457,007	\$ 2,239,706	\$ 1,011,390	\$ 1,180,460	\$ (49,861)	\$ (2,531,645)	\$ (3,721,592)	\$ (458,571)	\$ 205,947	\$ 68,661	\$ 685,255

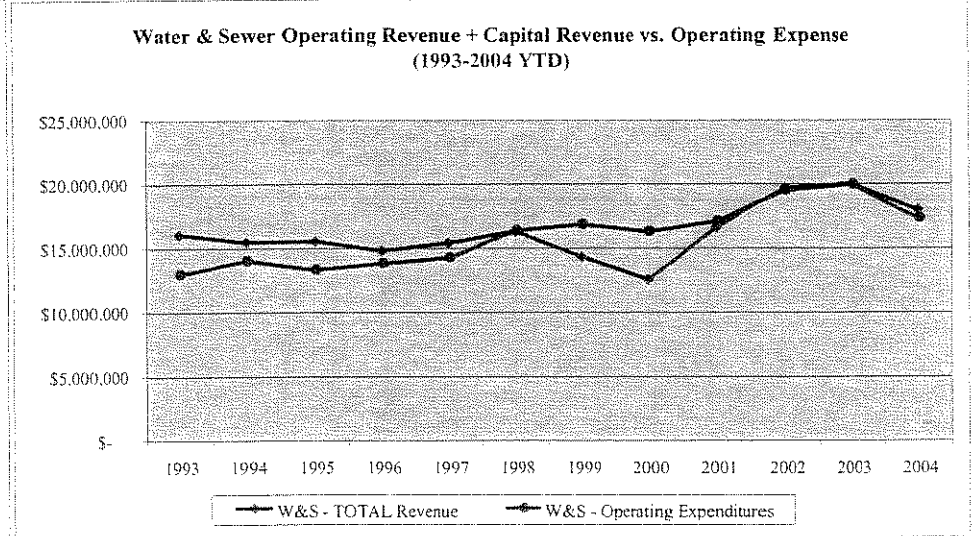
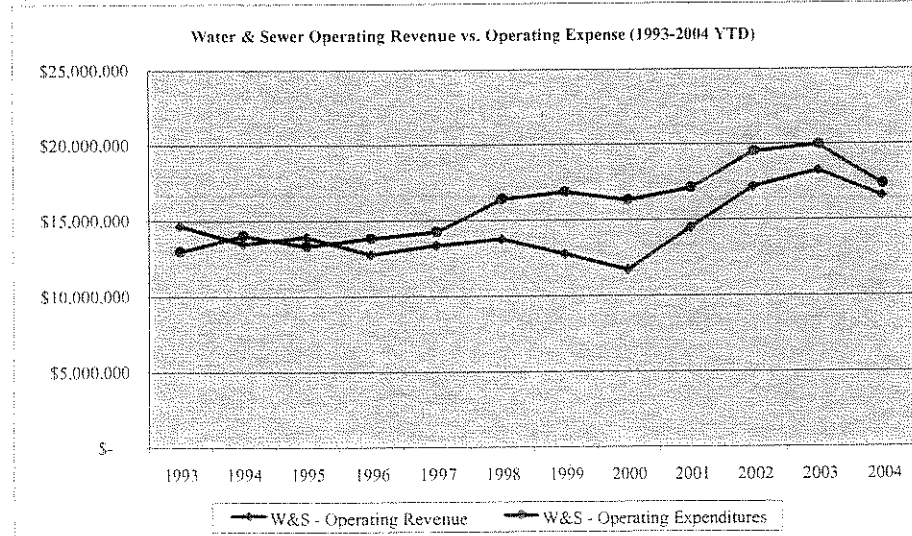


Table 3. Water/Sewer Fund Assets

	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	YTD (12/30) 2004	Adopted 2005
Cash	\$ 4,367,639	\$ 5,297,709	\$ 2,173,708	\$ 2,880,798	\$ 1,173,293	\$ 1,373,458	\$ 761,334	\$ 1,330,630	\$ 4,021,204	\$ 1,805,730	\$ 6,217,498	\$ 8,068,895	\$ (10,306,992)
Investments	36,470,031	36,820,734	40,573,560	35,463,338	36,615,703	32,427,918	22,333,282	22,193,738	17,325,550	14,305,484	6,968,671	6,032,953	-
Cash equivalents - (not A/R)	\$ 40,837,670	\$ 42,118,443	\$ 42,751,268	\$ 38,344,136	\$ 37,788,996	\$ 33,801,376	\$ 23,096,616	\$ 23,526,368	\$ 21,346,754	\$ 16,111,214	\$ 13,186,169	\$ 14,101,848	\$ (10,306,992)
Receivables	3,104,749	3,619,292	3,450,911	2,012,617	3,056,659	2,965,628	2,034,280	2,011,187	2,004,412	2,358,895	2,655,718	2,057,320	2,057,320
Due From Inventory	285,850	138,898	56,918	176,189	140,480	123,131	102,120	45,683	57,641	106,746	44,538	27,302	27,302
LT Receivable	65,004	76,829	71,297	41,588	20,666	60,999	131,833	254,141	217,842	174,901	99,323	101,095	101,095
Prepaid Expenses	4,002,908	3,673,988	3,341,513	3,033,592	2,863,106	2,754,699	2,541,110	2,263,366	2,318,812	2,030,678	1,724,608	2,089,104	2,089,104
Other Assets	-	-	32,539	-	-	-	-	-	-	-	-	-	-
Restricted Assets-at County	17,873	14,468	11,063	7,658	4,253	848	-	-	-	-	-	-	-
Other Assets	11,682,938	11,372,174	9,381,881	10,126,033	4,793,818	7,022,197	5,714,035	1,598,554	1,364,080	1,196,091	1,174,359	1,718,315	1,718,315
Other Assets	\$ 16,054,593	\$ 15,276,357	\$ 12,895,211	\$ 13,405,060	\$ 7,822,323	\$ 9,961,874	\$ 8,489,098	\$ 4,161,744	\$ 3,958,375	\$ 3,508,416	\$ 3,042,828	\$ 3,935,816	\$ 3,935,816
PP & E	\$ 78,316,272	\$ 77,620,610	\$ 79,297,266	\$ 84,632,379	\$ 88,901,202	\$ 88,878,861	\$ 98,349,659	\$ 97,502,937	\$ 97,706,082	\$ 101,176,475	\$ 101,977,631	\$ 99,486,260	\$ 125,293,988
Fixed Assets	\$ 78,316,272	\$ 77,620,610	\$ 79,297,266	\$ 84,632,379	\$ 88,901,202	\$ 88,878,861	\$ 98,349,659	\$ 97,502,937	\$ 97,706,082	\$ 101,176,475	\$ 101,977,631	\$ 99,486,260	\$ 125,293,988
Total Assets	\$ 138,313,284	\$ 138,634,702	\$ 138,394,656	\$ 138,394,192	\$ 137,569,180	\$ 135,607,739	\$ 131,969,653	\$ 127,202,236	\$ 125,015,623	\$ 123,154,998	\$ 120,862,346	\$ 119,581,244	\$ 120,980,132
Net Change in PP&E	\$ -	\$ (695,662)	\$ 1,676,656	\$ 5,335,113	\$ 4,268,823	\$ (22,341)	\$ 9,470,798	\$ (846,722)	\$ 203,145	\$ 3,470,393	\$ 801,156	\$ -	\$ -
FIXED ASSETS								\$ 1,798,426	\$ 2,848,994	\$ 6,204,860	\$ 3,753,640	\$ 489,348	\$ 29,091,490
F.A. Additions	\$ 4,407,556	\$ 14,802,414	\$ 4,974,371	\$ 8,347,816	\$ 38,272,533	\$ 4,646,410	\$ 134,910,407	\$ 136,708,833	\$ 139,557,827	\$ 145,762,687	\$ 149,516,327	\$ 150,005,675	\$ 179,097,165
Less: Depreciation	\$ (2,289,120)	\$ (12,306,222)	\$ (2,656,993)	\$ (2,779,287)	\$ (8,329,740)	\$ (3,563,485)	\$ (36,560,748)	\$ (39,205,896)	\$ (41,851,745)	\$ (44,586,212)	\$ (47,538,696)	\$ (50,519,415)	\$ (53,803,177)
Net F.A. Additions	\$ 2,118,436	\$ 2,496,192	\$ 2,317,378	\$ 5,568,529	\$ 29,942,793	\$ 1,082,925	\$ 98,349,659	\$ 97,502,937	\$ 97,706,082	\$ 101,176,475	\$ 101,977,631	\$ 99,486,260	\$ 125,293,988
Est. Capital Expense	\$ 2,118,436	\$ 2,496,192	\$ 2,317,378	\$ 5,568,529	\$ 4,268,823	\$ 1,082,925	\$ 9,470,798	\$ 1,798,426	\$ 2,848,994	\$ 6,204,860	\$ 3,753,640	\$ 489,348	\$ 29,091,490
Contrib. Capital Beginning	\$ 23,813,171	\$ 26,039,874	\$ 26,496,514	\$ 27,297,321	\$ 28,730,984	\$ 29,567,696	\$ 30,246,913	\$ 31,719,830	\$ 32,865,015	\$ 32,865,015	\$ 32,865,015	\$ 32,865,015	\$ 32,865,015
Additions-Developers	\$ 2,226,703	\$ 456,640	\$ 800,807	\$ 1,433,663	\$ 836,712	\$ 679,217	\$ 1,472,917	\$ 1,145,185	\$ -	\$ -	\$ -	\$ -	\$ -
Contrib. Capital End	\$ 26,039,874	\$ 26,496,514	\$ 27,297,321	\$ 28,730,984	\$ 29,567,696	\$ 30,246,913	\$ 31,719,830	\$ 32,865,015	\$ 32,865,015	\$ 32,865,015	\$ 32,865,015	\$ 32,865,015	\$ 32,865,015

** Assumes NO BONDS issued in FY 2005 (\$20,207,110) **

