

**Lake County Public Works Department**  
**REPORT TO THE PUBLIC WORKS COMMITTEE**

**August 8, 2012**

Presented By:

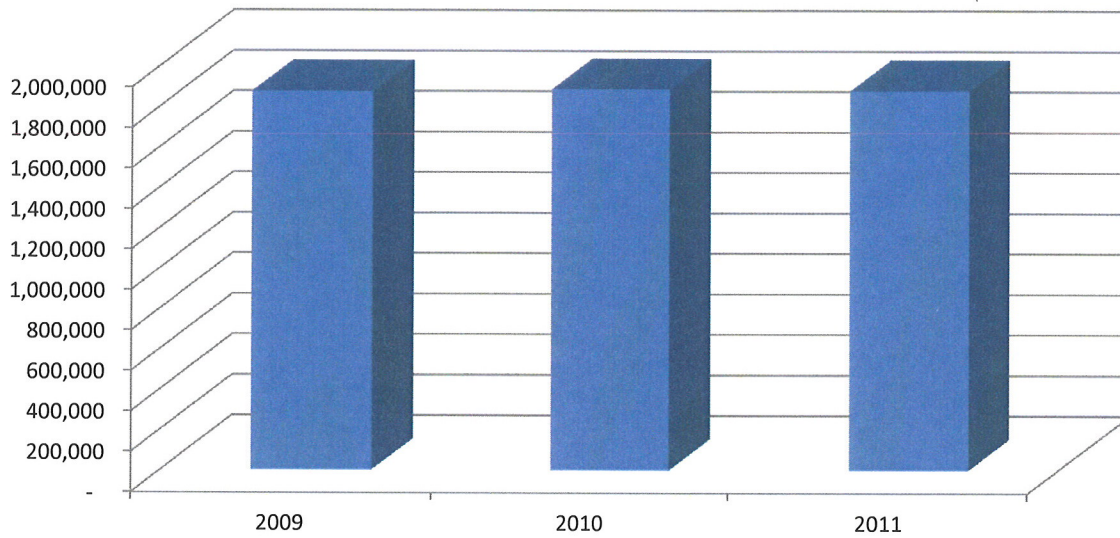
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Note: Actual data was derived from current and prior years audited financial statements

# Lake County Public Works Department

## Comparison of Water Gallons Sold (1,000's)



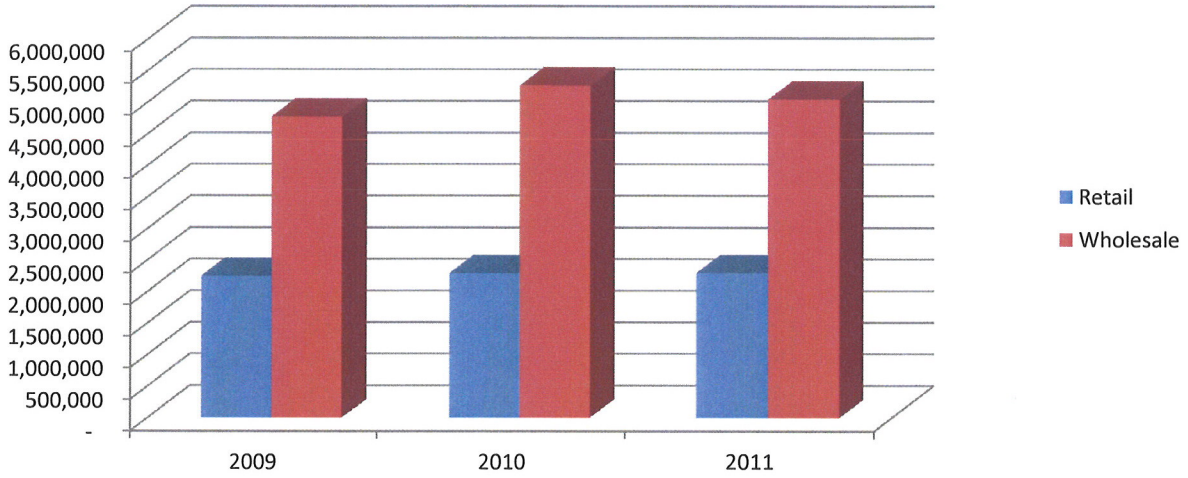
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Water	<u>1,867,679</u>	<u>1,878,582</u>	<u>1,872,252</u>

### What it means....

The water sales trend reflects essentially flat usage or minimal growth.

# Lake County Public Works Department

## Comparison of Sewer Gallons Billed (1,000's)



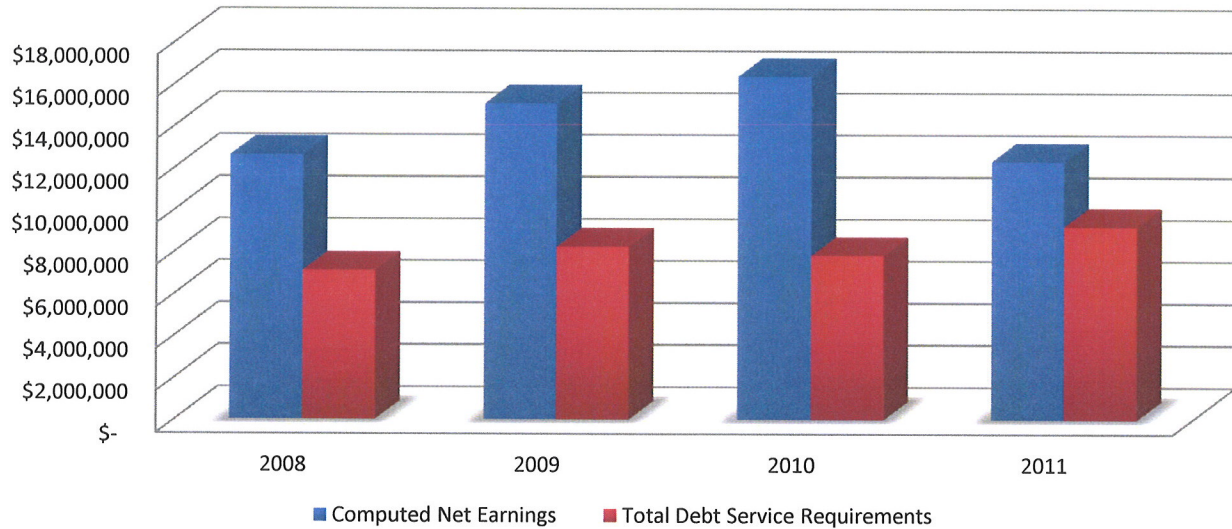
	2009	2010	2011
Retail	2,238,525	2,281,679	2,286,590
Wholesale	4,757,057	5,250,822	5,034,791
Total	6,995,582	7,532,501	7,321,382

### What it means....

The sewer sales trend reflects essentially flat usage or minimal growth.

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**Debt Coverage - Including Connection Fee Revenue  
2008-2011**

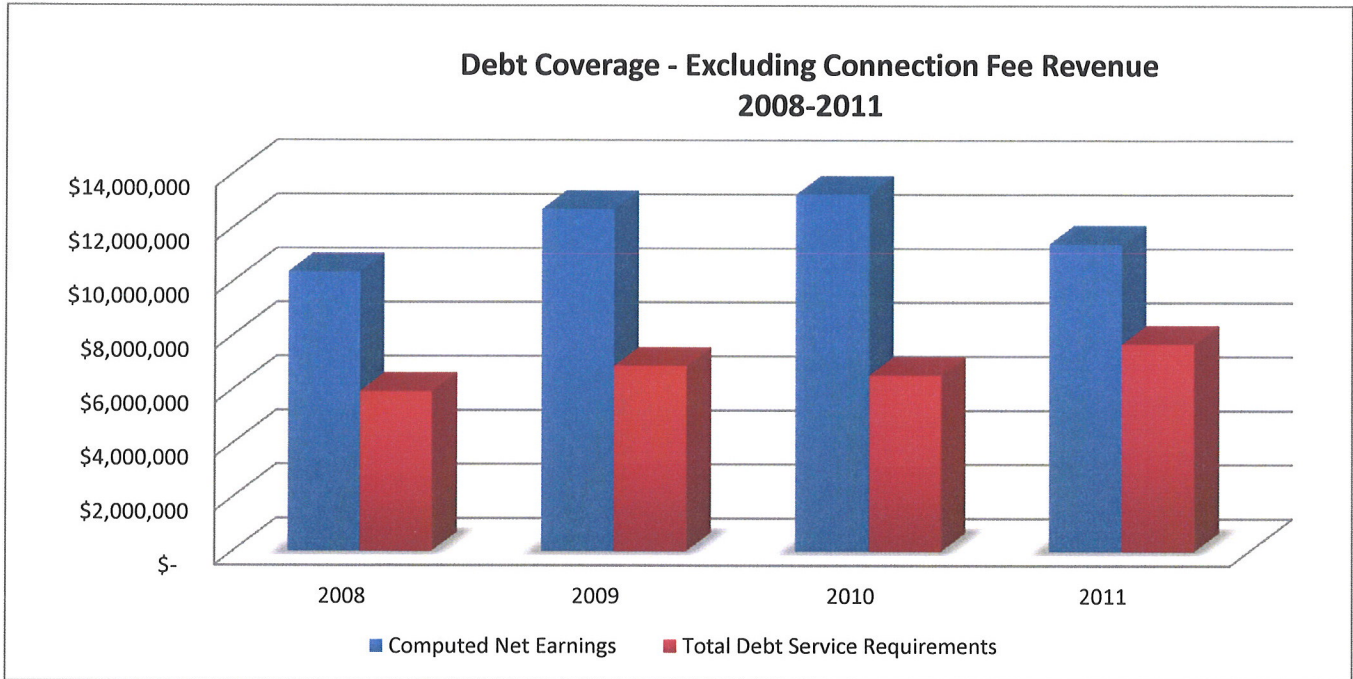


	2008	2009	2010	2011
Operating Revenues	\$ 33,834,786	\$ 36,226,044	\$ 38,452,505	\$ 37,557,721
Investment Income	3,112,540	2,374,615	1,620,011	1,307,352
Connection Fees	2,245,985	2,397,228	3,136,304	920,267
Interest Rate Subsidy	-	-	-	423,644
Property Taxes	873,130	885,701	876,326	859,567
Less: O & M Expenses	<u>(27,481,958)</u>	<u>(26,833,353)</u>	<u>(27,733,380)</u>	<u>(28,764,732)</u>
Computed Net Earnings	<u>\$ 12,584,483</u>	<u>\$ 15,050,235</u>	<u>\$ 16,351,766</u>	<u>\$ 12,303,819</u>
Debt Service Requirements				
Serial Bond Deposits	\$ 3,630,000	\$ 3,830,000	\$ 3,585,000	\$ 3,810,000
Interest	<u>1,095,824</u>	<u>1,658,099</u>	<u>1,631,491</u>	<u>2,333,494</u>
Total Debt Service Requirements	<u>\$ 4,725,824</u>	<u>\$ 5,488,099</u>	<u>\$ 5,216,491</u>	<u>\$ 6,143,494</u>
Minimum Coverage Factor	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
Required Net Earnings	<u>\$ 7,088,736</u>	<u>\$ 8,232,149</u>	<u>\$ 7,824,737</u>	<u>\$ 9,215,241</u>
Difference	<u>\$ 5,495,747</u>	<u>\$ 6,818,086</u>	<u>\$ 8,527,029</u>	<u>\$ 3,088,578</u>
Actual Coverage	<u>2.66</u>	<u>2.74</u>	<u>3.13</u>	<u>2.00</u>

## What it means....

The bond resolutions require that revenues from the system be greater than 1.5 times the revenue bond annual debt service including connection fee revenue. The revenues include sources of operating revenues and non-operating revenues as defined by the basic bond ordinance.

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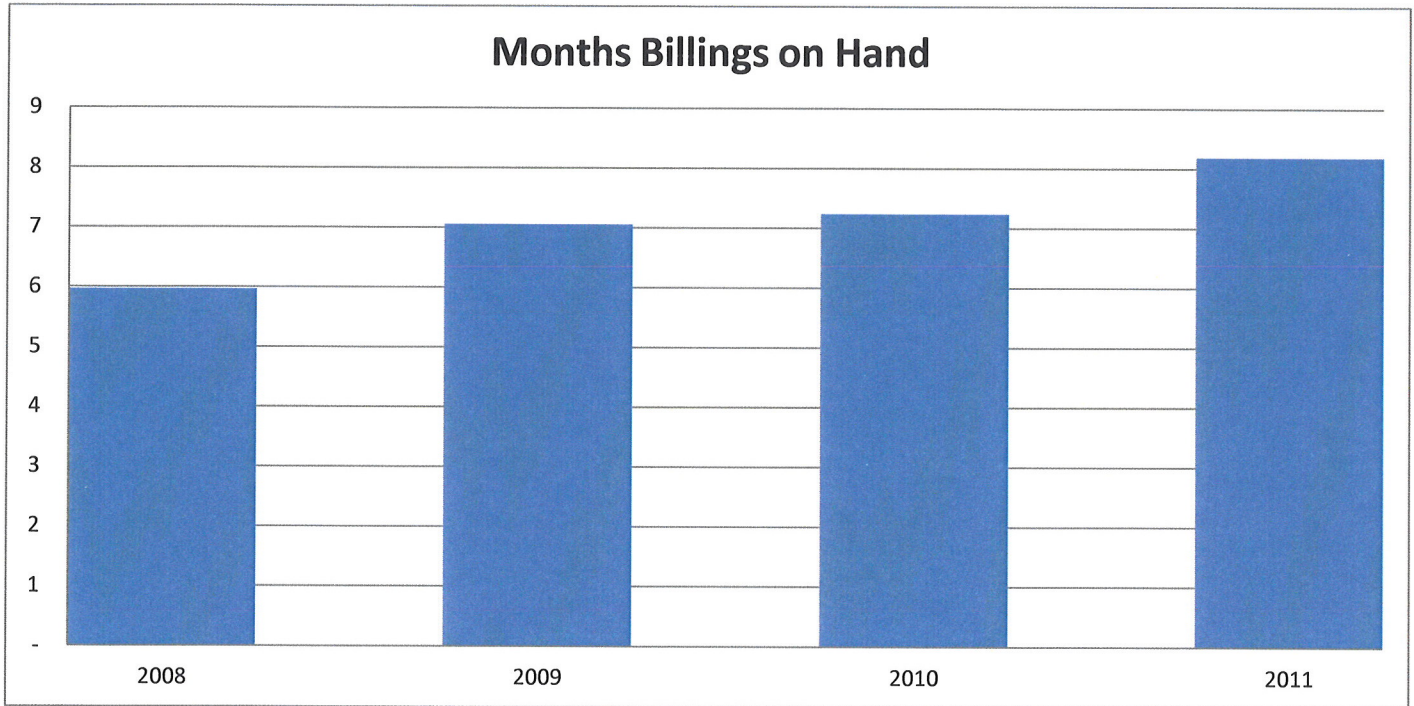


	2008	2009	2010	2011
Operating Revenues	\$ 33,834,786	\$ 36,226,044	\$ 38,452,505	\$ 37,557,721
Investment Income	3,112,540	2,374,615	1,620,011	1,307,352
Interest Rate Subsidy	-	-	-	423,644
Property Taxes	873,130	885,701	876,326	859,567
Less: O & M Expenses	(27,481,958)	(26,833,353)	(27,733,380)	(28,764,732)
<b>Computed Net Earnings</b>	<u>\$ 10,338,498</u>	<u>\$ 12,653,007</u>	<u>\$ 13,215,462</u>	<u>\$ 11,383,552</u>
<b>Debt Service Requirements</b>				
Serial Bond Deposits	\$ 3,630,000	\$ 3,830,000	\$ 3,585,000	\$ 3,810,000
Interest	1,095,824	1,658,099	1,631,491	2,333,494
<b>Total Debt Service Requirements</b>	<u>\$ 4,725,824</u>	<u>\$ 5,488,099</u>	<u>\$ 5,216,491</u>	<u>\$ 6,143,494</u>
<b>Minimum Coverage Factor</b>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
<b>Required Net Earnings</b>	<u>\$ 5,907,280</u>	<u>\$ 6,860,124</u>	<u>\$ 6,520,614</u>	<u>\$ 7,679,368</u>
<b>Difference</b>	<u>\$ 4,431,218</u>	<u>\$ 5,792,883</u>	<u>\$ 6,694,848</u>	<u>\$ 3,704,184</u>
<b>Actual Coverage</b>	<u>2.19</u>	<u>2.31</u>	<u>2.53</u>	<u>1.85</u>

## What it means....

In addition to the debt coverage previously discussed, the bond ordinance covenants state the ratio of net revenues from charges for services, excluding connection charges, shall be at least 1.25 times the principal and interest on all outstanding bonds during the year.

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	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Average Monthly Revenue	\$ 2,819,566	\$ 3,018,837	\$ 3,204,375	\$ 3,129,810
Actual Unrestricted Funds on Hand	\$ 16,817,000	\$ 21,291,021	\$ 23,181,437	\$ 25,621,318
Months Billings on Hand - Minimum of 4.5 months	6.0	7.1	7.2	8.2

## What it means....

A utility should maintain funds to cover its operations in a normal business operation cycle (i.e. quarterly, monthly) plus a contingency. In addition, utilities should have available an amount equal to one year's capital improvements. These funding levels facilitate budgeting since there will be less concern for business cycle fluctuations.

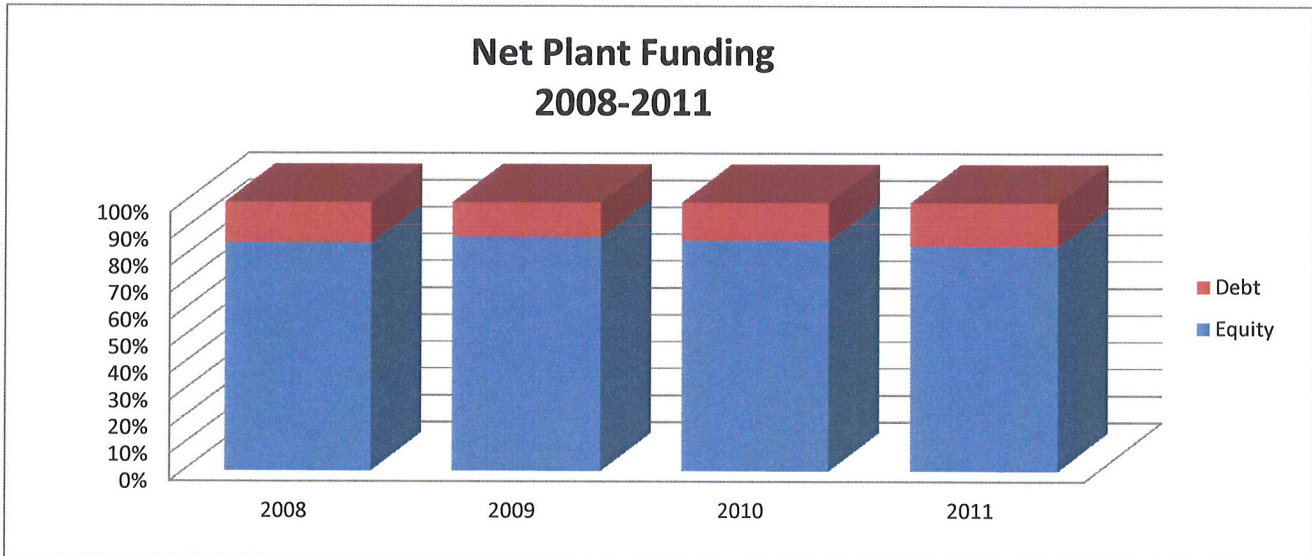
This shows that the utility's cash reserves have been sufficient over the past 4 years.

### Restricted Cash and Investments

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bond interest, principal and reserve fund	9,175,974	9,172,736	9,269,936	9,117,954
Depreciation, extension and improvement fund	23,709,545	27,561,837	34,019,836	37,123,497
Construction account	135,992	2,642,415	14,716,243	6,001,284
Crossover refunding escrow account	17,108,369	17,081,810	17,054,108	17,025,223
<b>Total restricted cash</b>	<u>50,129,880</u>	<u>56,458,798</u>	<u>75,060,123</u>	<u>69,267,958</u>

Refer to Note 4 of the audit report for descriptions of each of the funds listed above.

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	2008	2009	2010	2011
Net Assets Invested in Capital Assets, Net of Related Debt	\$ 170,704,159	\$ 174,174,863	\$ 181,722,143	\$ 180,513,597
Net Property, Plant, and Equipment	\$ 201,280,157	\$ 199,666,891	\$ 211,588,438	\$ 215,324,130
Percent of Net Plant Funded by Equity	<u>85%</u>	<u>87%</u>	<u>86%</u>	<u>84%</u>
Percent of Net Plant Funded by Debt	<u>15%</u>	<u>13%</u>	<u>14%</u>	<u>16%</u>

## What it means....

Obtaining financing for capital improvements is normally a necessity for capital intensive utilities. Management should keep their related debt to a manageable level as this allows you to be less aggressive seeking rate relief and provides more options to address unanticipated expenses. A general target is 50% or more equity and 50% or less debt.