

Muscatine Power and Water
Water Utility
Operating Statements and Balance Sheets
January 2011

**Muscatine Power and Water
Water Utility**

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Muscatine Power and Water - Water Utility
Classification of Water Distribution
Current Month - January 2011

	Budget Estimate	%Increase (Decrease) From Budget	This Year	%Increase (Decrease) Fr. Last Yr.	Last Year
<u>Water Distribution - 1,000 Gallons</u>					
Contract Customers	555,559	11.0	616,701	13.8	541,836
Power Plants	123,808	(40.6)	73,501	(8.1)	80,015
Residential	44,233	(12.4)	38,733	(0.3)	38,844
Commercial	<u>29,782</u>	1.7	<u>30,297</u>	14.7	<u>26,410</u>
Total Metered Customers	753,382	0.8	759,232	10.5	687,105
Rated Customers - Estimate	---	---	7	(63.2)	19
City Use, Line Loss, Cycle Billing	<u>45,203</u>	0.8	<u>45,554</u>	10.5	<u>41,226</u>
Total Water Pumped	<u><u>798,585</u></u>	0.8	<u><u>804,793</u></u>	10.5	<u><u>728,350</u></u>

Muscatine Power and Water - Water Utility
Statements of Revenues, Expenses, and Changes in Net Assets
Current Month - January 2011

	<u>Budget Estimate</u>	<u>%Increase (Decrease) From Budget</u>	<u>This Year</u>	<u>%Increase (Decrease) Fr. Last Yr.</u>	<u>Last Year</u>
<u>Sales of Water</u>					
Contract Customers	\$169,772	5.3	\$178,812	11.9	\$159,759
Power Plants	36,696	(29.8)	25,757	(7.2)	27,766
Residential	122,039	(6.3)	114,375	2.9	111,108
Commercial	<u>34,517</u>	2.5	<u>35,393</u>	11.7	<u>31,675</u>
Water Sales	<u>363,024</u>	<u>(2.4)</u>	<u>354,337</u>	7.3	<u>330,308</u>
<u>Other Revenue</u>					
Penalty Revenue	—	—	164	—	1
Merchandise & Job Sales-Net	761	(71.6)	216	(84.6)	1,399
Miscellaneous Revenue	<u>728</u>	51.6	<u>1,104</u>	20.5	<u>916</u>
Total Other Revenue	<u>1,489</u>	<u>(0.3)</u>	<u>1,484</u>	<u>(35.9)</u>	<u>2,316</u>
Operating Revenue	<u>364,513</u>	<u>(2.4)</u>	<u>355,821</u>	7.0	<u>332,624</u>
<u>Operating Expense</u>					
Operation	258,131	(8.6)	235,900	(5.1)	248,591
Maintenance	35,410	43.9	50,970	60.0	31,865
Depreciation	<u>45,788</u>	<u>(0.4)</u>	<u>45,621</u>	9.9	<u>41,523</u>
Total Operating Expense	<u>339,329</u>	<u>(2.0)</u>	<u>332,491</u>	3.3	<u>321,979</u>
Operating Income	25,184	(7.4)	23,330	—	10,645
<u>Nonoperating Revenues (Expenses)</u>					
Interest Income	139	(82.0)	25	(72.5)	91
Interest Expense	<u>(1,010)</u>	<u>(26.7)</u>	<u>(740)</u>	—	<u>(270)</u>
Net Nonoperating Revenues (Expenses)	<u>(871)</u>	<u>(17.9)</u>	<u>(715)</u>	—	<u>(179)</u>
Net Income before Capital Contributions	24,313	(7.0)	22,615	—	10,466
Capital Contributions	—	—	—	—	—
Change in Net Assets	24,313	(7.0)	22,615	—	10,466
Beginning Net Assets	<u>13,391,208</u>		<u>13,391,208</u>		<u>13,089,443</u>
Ending Net Assets	<u>\$13,415,521</u>		<u>\$13,413,823</u>		<u>\$13,099,909</u>
Net Income to Total Income	6.7		6.4		3.1
Debt Service Coverage	18.78		20.25		—

Muscatine Power and Water - Water Utility
Statements of Net Assets
January 2011

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash - interest bearing	\$502,420	\$335,307
Investments	---	164,231
Receivables:		
Consumer Accounts	480,835	446,985
Interest	12	43
Inventories	270,398	286,981
Prepaid Expenses	<u>24,104</u>	<u>36,100</u>
Total Current Assets	<u>1,277,769</u>	<u>1,269,647</u>
Property and Equipment:		
At Cost	23,571,472	22,787,615
Less Accumulated Depreciation	<u>8,669,064</u>	<u>8,310,899</u>
Net Property and Equipment	<u>14,902,408</u>	<u>14,476,716</u>
Other Assets:		
Unamortized Cost of Issuing Debt	---	7,275
	---	7,275
TOTAL ASSETS	<u>\$16,180,177</u>	<u>\$15,753,638</u>

Muscatine Power and Water - Water Utility
Statements of Net Assets
January 2011

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current Liabilities:		
<u>Restricted</u>		
State Revolving Loan	\$32,000	---
Accrued Interest	1,933	391
Total Current Restricted Liabilities	<u>33,933</u>	<u>391</u>
<u>Unrestricted</u>		
Accounts Payable	131,047	218,335
Pension Provision	8,403	7,531
Health & Dental Insurance Provision	23,244	23,460
Intercompanies Payable	7,882	7,953
Retained Percentage on Contracts	22,477	68,165
Consumer Advances for Construction	78,111	28,129
Accrued Payroll	31,690	26,185
Accrued Vacation	73,988	74,280
Miscellaneous Accrued Expenses	39,498	30,692
Miscellaneous Deferred Credits	5,200	7,600
Total Current Unrestricted Liabilities	<u>421,540</u>	<u>492,330</u>
Non-Current Liabilities:		
State Revolving Loan	233,096	7,407
Health & Dental Insurance Provision	155,582	165,072
Post-Employment Health Benefit Provision	12,001	---
Consumer Advances for Construction	1,910,202	1,988,529
Total Non-Current Liabilities	<u>2,310,881</u>	<u>2,161,008</u>
Net Assets:		
Invested in capital assets, net of related debt	12,647,066	12,459,535
Restricted	33,933	391
Unrestricted	732,824	639,983
Total Net Assets	<u>13,413,823</u>	<u>13,099,909</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$16,148,177</u></u>	<u><u>\$15,753,638</u></u>

Muscatine Power and Water - Water Utility
Statements of Cash Flows
January 2011

	<u>Current Month</u>
Cash flows from operating activities:	
Cash received from:	
Water sales	\$354,031
Miscellaneous sources	1,910
Cash paid to/for:	
Suppliers	(106,602)
Employees payroll, taxes and benefits	<u>(156,512)</u>
Net cash flows from operating activities	<u>92,827</u>
Cash flows from capital and related financing activities:	
State revolving loan fund proceeds	--
State revolving loan interest payment	--
Capital expenditures, net	<u>(12,654)</u>
Net cash flows from capital and related financing activities	<u>(12,654)</u>
Cash flows from investing activities:	
Interest received on investments	18
Amortization/accretion of investments	--
Mark to market	<u>--</u>
Net cash flows from investing activities	<u>18</u>
Net increase in cash and investments	<u>80,191</u>
Cash and investments at beginning of period	<u>422,229</u>
Cash and investments at end of period	<u>\$502,420</u>

Muscatine Power and Water - Water Utility
Statements of Cash Flows
January 2011

	<u>Current</u>
	<u>Month</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating income	\$23,330
Noncash item in operating income:	
Depreciation of utility plant	45,621
Changes in assets and liabilities:	
Consumer accounts receivable	1,946
Inventories	19,088
Prepaid and deferred expenses	(753)
Accounts payable	(10,872)
Pension provision	8,403
Health & dental insurance provision	236
Other post-employment benefit provision	245
Intercompany payable	1,185
Retained percentage	(1,351)
Accrued payroll	4,036
Accrued vacation	4,325
Miscellaneous accrued expenses	(2,612)
Miscellaneous deferred credits	---
Net cash flows from operating activities	<u><u>\$92,827</u></u>

Muscatine Power and Water - Water Utility
Summary of Expenses
Current Month - January 2011

	<u>Budget Est.</u>	<u>This Year</u>	<u>Last Year</u>
<u>Source of Supply</u>			
Operation Supervision	\$2,333	\$2,577	\$2,333
Operation Labor and Expenses	817	1,038	1,050
Miscellaneous Expense	164	42	---
Maintenance of Wells	---	---	---
Maintenance of Supply Mains	1,472	27	511
Depreciation	<u>5,614</u>	<u>5,141</u>	<u>5,207</u>
 Total Source of Supply Expense	 <u>10,400</u>	 2.9	 <u>9,101</u> 2.7
<u>Pumping</u>			
Operation Supervision	2,716	2,994	2,712
Fuel or Power Purchased	61,997	58,540	64,451
Pumping Labor and Expenses	4,561	3,796	4,900
Miscellaneous Expense	233	304	362
Maintenance of Structures	97	---	---
Maintenance of Pumping Equipment	6,261	8,411	2,834
Depreciation	<u>5,000</u>	<u>5,677</u>	<u>4,356</u>
 Total Pumping Expense	 <u>80,865</u>	 22.2	 <u>79,615</u> 23.9
<u>Water Treatment</u>			
Operation Supervision	2,708	3,033	2,727
Chemicals	21,333	16,697	19,818
Operation Labor and Expenses	11,479	13,136	11,790
Miscellaneous Expense	1,491	1,197	2,028
Maintenance of Structures	437	415	525
Maintenance of Purification Equip.	808	4,056	3,020
Depreciation	<u>2,347</u>	<u>2,338</u>	<u>2,340</u>
 Total Water Treatment Expense	 <u>40,603</u>	 11.1	 <u>42,248</u> 12.7
<u>Distribution</u>			
Operation Supervision	2,701	2,907	2,636
Storage Facilities Expense	1,219	1,741	1,618
Trans. & Distr. Lines Expense	6,639	4,305	2,933
Meter Expense	10,314	10,305	10,533
Consumer Installation Expense	4,844	4,265	3,558
Miscellaneous Expense	7,962	4,185	3,429
Vehicle Expense	3,455	3,600	4,541
Maintenance:			
Supervision	4,209	4,596	4,075
Structures	28	6,487	1,550
Reservoirs and Standpipes	---	---	269
Mains	10,451	7,590	7,216
Valves	2,629	6,117	2,349
Meters	2,228	5,243	1,986
Hydrants	2,976	1,441	1,978
Miscellaneous Plant	1,890	2,315	2,309
Vacation, Holiday, Sick Leave	9,092	7,627	12,744
Depreciation	<u>30,213</u>	<u>29,963</u>	<u>29,223</u>
 Total Distribution Expense	 <u>\$100,850</u>	 27.7	 <u>\$92,947</u> 27.9

Muscatine Power and Water - Water Utility
Summary of Expenses
Current Month - January 2011

	<u>Budget Est.</u>	<u>This Year</u>	<u>Last Year</u>	
<u>Customer Service Expense</u>				
Customer Information Expense	<u>\$1,978</u>	0.5	<u>\$459</u>	0.1
			<u>\$258</u>	0.1
<u>Consumer Accounts</u>				
Supervision	930	1,066	924	
Meter Reading Expense	3,386	4,088	4,754	
Consumer Records and Collection	12,990	12,055	12,356	
Uncollectible Accounts Expense	342	342	267	
Vacation, Holiday, Sick Leave	<u>1,167</u>	<u>1,317</u>	<u>1,933</u>	
Total Consumer Accounts Expense	<u>18,815</u>	5.2	<u>18,868</u>	5.3
			<u>20,234</u>	6.1
<u>Administrative and General</u>				
Administrative and General Salaries	14,901	14,931	13,777	
Office Supplies and Expenses	2,102	1,407	1,351	
Outside Services Employed	1,982	272	104	
Property Insurance	854	854	854	
Casualty Ins, Injuries & Damages	3,025	2,615	4,353	
Employee Pensions and Benefits	44,041	44,198	41,551	
Fringe Benefits Charged to Constr.	(1,318)	(736)	(1,590)	
Miscellaneous General Expense	8,467	3,790	4,627	
Rents	5,243	5,243	6,298	
Maintenance of General Plant	1,924	4,272	3,243	
Vacation, Holiday, Sick Leave	1,983	1,710	2,611	
Depreciation	<u>2,614</u>	<u>2,502</u>	<u>397</u>	
Total Administrative and General	<u>85,818</u>	23.5	<u>81,058</u>	22.8
			<u>77,576</u>	23.3
Total Operating Expense	<u>\$339,329</u>		<u>\$332,491</u>	
			<u>\$321,979</u>	
Percent to Operating Revenue		93.1	93.4	96.8

Muscatine Power and Water - Water Utility
Statistical Data
Current Month - January 2011

	<u>2011</u>		<u>2010</u>	
	<u>Pumped</u>	<u>Sold</u>	<u>Pumped</u>	<u>Sold</u>
Average Revenue Per 1,000 Gallons	0.439	0.466	0.454	0.481
Cost Per 1,000 Gallons	<u>0.413</u>	<u>0.438</u>	<u>0.442</u>	<u>0.469</u>
Margin	<u>0.026</u>	<u>0.028</u>	<u>0.012</u>	<u>0.012</u>
	<u>2011</u>		<u>2010</u>	
Maximum Daily Water Pumped (1,000 gallons)	28,525		27,828	
Date of Maximum	01/06		01/21	
<u>Services</u>				
Contract Customers	2		2	
Power Plants	2		2	
Residential	8,502		8,459	
Commercial	<u>1,077</u>		<u>1,078</u>	
Total	<u><u>9,583</u></u>		<u><u>9,541</u></u>	

Water Utility

Review of Operating Results

January 2011

MUSCATINE POWER AND WATER - WATER UTILITY
REVIEW OF YEAR-TO-DATE OPERATING RESULTS - JANUARY 31, 2011
(Analysis of Financial Statements - Page 2)

	<u>(Unfavorable)/</u> <u>Favorable</u>	
Sales of Water		
Contract Customers	\$ 9,040	11.0% higher gallons of water sold; GPC and Heinz 11.2% and 7.4% higher usage, respectively
Power Plants	(10,939)	40.6% fewer gallons of water sold due to cooler weather and energy conservation efforts
Residential	(7,664)	12.4% fewer gallons of water sold
Commercial	<u>876</u>	1.7% higher gallons of water sold
	<u>(8,687)</u>	
Other Revenue		
Merchandise & Job Sales-Net	(545)	Lower job sales
	<u>541</u>	Other miscellaneous variances - net
	<u>(4)</u>	
Operating Expense		
Operation	3,457	Lower fuel/power purchased; cost per KWh 5.9% lower than budget
	4,004	Lower phosphate cost
	5,100	Misc tools for distribution
	2,000	AWWA training materials and annual fees
	639	Lower travel
	579	Lower media advertising
	291	Audit expense lower due to timing of services
	720	Lean Training due to timing of services
	340	Lower legal fees
	240	Insurance Advisor
	(604)	Higher FICA cost
	311	Lower healthcare cost
	(896)	Higher IPERS cost
	433	Lower deferred comp
	922	Lower unemployment expense realized yet
	467	Lower memberships/subscriptions
	937	Lower postage expense
	2,886	Lower labor expense
	<u>405</u>	Other miscellaneous variances - net
	<u>22,231</u>	
Maintenance	1,445	Lower cost of supply mains maintenance
	(2,150)	Higher pumping equipment repairs
	(3,248)	Higher cost of water purification equipment maintenance
	(6,291)	West Hill building repairs, higher than budget
	2,919	Fewer water main repairs
	(3,489)	Higher valve repairs
	(3,006)	Higher meter repairs
	1,535	Lower hydrant maintenance
	<u>(3,275)</u>	Other miscellaneous variances - net
	<u>(15,560)</u>	
Depreciation	<u>167</u>	
Nonoperating Revenue (Expense)		
Interest Income	(114)	Decrease due to lower rate of return
Interest Expense	<u>270</u>	Amount drawn on State Revolving Loan Fund, lower than projected
	<u>156</u>	
Change in Net Assets	<u>\$ (1,697)</u>	Total Decrease in Budgeted Net Assets

Statements of Revenues, Expenses and Changes in Net Assets

Sales of Water

Contract customers' water usage is 11.0% greater than the budget, resulting in \$9,040 greater revenue. GPC's 11.2% higher usage resulted in \$8,722 higher revenue; Heinz's usage was 7.4% higher with \$318 greater revenue. Power plants usage is 40.6% lower than budget due to budget spread, based on 2009, including a larger proportion of gallons in January. Colder weather in 2011, requiring less cooling water than in 2009 and ongoing conservation efforts started having a larger impact on our gallons in mid 2009. Power plants usage was 8.1% lower than last year. Residential and commercial customers' usage is 12.4% lower than budget and 1.7% higher than budget, resulting in \$7,664 lower revenue and \$876 higher revenue, respectively. Residential usage is 0.3% lower than prior year. The current year budget variance is related to the budget spread with a larger proportion of gallons in January in 2009.

Nonoperating Revenue

Interest Income

Interest income is \$91 lower than budget due to realizing a lower rate of return.

Interest Expense

The budget assumed a borrowing of \$373,000 from the State Revolving Loan Fund. As of the end of January only \$233,096 has been drawn down.

Balance Sheets

Liabilities

Health & Dental Insurance Provision

Health care claims have been less than premiums accrued. The current portion is based on the third party administrator's estimate of incurred but unpaid health claims at year end. This estimate is adjusted annually.

Year-To-Date Summary of Expenses

Source of Supply

Maintenance of Supply Mains

Labor and materials for well meter repairs are lower than budget by \$620 and \$825, respectively.

Pumping

Fuel or Purchased Power

The cost per kWh was 5.9% lower than budget, gallons pumped were 0.8% higher than budget, and the kWhs per gallon pumped were .4% lower than budgeted, resulting in \$3,457 lower expense. Energy efficiency continues to increase due to the additions of VFDs being put onto the wells.

Maintenance of Pumping Equipment

Material is \$2,015 lower than budget and labor is \$4,165 over the budget for January.

Water Treatment

Chemicals

Chemical cost per unit in 2011 was budgeted to be 5% higher than the 2010 actual cost per unit. Phosphate cost per unit came in lower than budget in January, resulting in a favorable variance of \$4,004.

Operation Labor and Expenses

Material expense is \$1,034 higher than budgeted; labor expense is \$623 higher than budgeted.

Maintenance of Purification Equipment

Material expense is \$1,462 higher than budgeted; labor expense is \$1,786 higher than budgeted.

Distribution

Transmission & Distribution Lines Expense

Water distribution labor expense is \$3,778 lower than the budget. Materials are over budget by \$1,219.

Miscellaneous Expense

The January budget includes \$5,100 for miscellaneous tools of which \$76 has been expended. \$1,041 more labor was expensed than budgeted in January.

Maintenance of Structures

The water distribution department helped with repairs needed at the West Hill building, resulting in \$4,974 greater labor expense than budgeted. Materials are \$1,317 greater materials than budgeted.

Maintenance of Mains

Fewer water main breaks resulted in \$2,919 lower material expenses.

Maintenance of Valves

More valve repairs were completed in January, resulting in \$904 higher labor expense and \$2,585 higher materials expense.

Maintenance of Meters

Material expense is \$2,400 higher than budgeted; labor expense is \$606 higher than budgeted.

Maintenance of Hydrants

Material expense is \$96 lower than budgeted; labor expense is \$1,439 lower than budgeted.

Customer Service ExpenseCustomer Information Expense

	2011 <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
Neighborhood Link	190	50	50
Local Toolbox	141	-	142
Promotional			
Materials/Education	279	-	-
Media Advertising	849	270	31
Postage	9	-	35
Other expenses	<u>510</u>	<u>138</u>	-
	<u>\$1,978</u>	<u>\$458</u>	<u>\$258</u>

Administrative and GeneralOutside Services Employed

	2011 <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
Audit services	480	189	-
Attorney fees	350	10	31
Work force development training	120	-	-
Lean training	720	-	-
Insurance advisor	240	-	-
Intrusion prevention	<u>72</u>	<u>73</u>	<u>73</u>
	<u>\$1,982</u>	<u>\$272</u>	<u>\$104</u>

Employee Pensions and Benefits

	2011 <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
FICA	8,694	9,298	9,207
Health care cost	16,400	16,089	16,409
IPERS	3,848	4,744	3,077
Pension	8,467	8,403	7,531
Deferred compensation utility match	2,660	3,093	3,100
Other expenses	<u>3,972</u>	<u>2,571</u>	<u>2,227</u>
	<u>\$44,041</u>	<u>\$44,198</u>	<u>\$41,551</u>

Administrative and General (cont'd)

Miscellaneous General Expense

AWWA training materials and yearly membership fees are included in January budget totaling \$2,000 but not expended. Additionally, labor and travel are under budget by \$1,366 and \$639, respectively. Material totaling \$549 was budgeted for the Utility Relations department and has not been expended.

Maintenance of General Plant

In January there was \$2,945 expensed for work order enhancements in Evolve that were not included in the January budget.

Water Utility
Balance Sheet Review
January 2011

	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Receivables - Consumer Accounts		
Customer Water Accounts	\$429,571	\$393,245
Unbilled Revenue	51,298	50,390
Merchandise Accounts	4,184	5,419
Allowance for Doubtful Accounts	<u>(4,218)</u>	<u>(2,069)</u>
	<u>\$480,835</u>	<u>\$446,985</u>
Inventories		
Inventory	\$262,481	\$279,563
Stores Expense (a/c 163)	<u>7,917</u>	<u>7,418</u>
	<u>\$270,398</u>	<u>\$286,981</u>
Prepaid Expenses		
Prepaid Insurance	\$6,388	\$20,193
Prepaid Maintenance Contracts	15,397	14,347
Other Prepaid Expenses	<u>2,319</u>	<u>1,560</u>
	<u>\$24,104</u>	<u>\$36,100</u>
<u>Current Liabilities</u>		
Accounts Payable		
Electric Bills	\$63,207	\$69,036
Cottingham & Butler - workers comp	2,204	502
Crestline Fire	—	2,497
Dakota Supply Group - parts	1,207	837
Harcros Chemicals - chlorine	—	5,440
HD Supply Waterworks - parts/supplies	3,782	904
Hupp Electric Motors - motor	—	21,256
Iowa Workforce Development - unemployment	—	1,008
LCI, Ltd - chemicals	—	15,806
MWH Soft - training	—	10,000
Northway Well - well drilling	8,776	56,536
SAS Institute - training/software	2,681	—
Truck Equip - hose reel	1,083	—
Utility Equipment Co - parts	3,622	2,112
Volkens - retainer	1,350	—
Wellmark - mthly health ins	—	10,974
Other	<u>43,135</u>	<u>21,427</u>
	<u>\$131,047</u>	<u>\$218,335</u>

Retained Percentage on Contracts

Sulzberger Excavating	—	63,839
Hupp Electric Motors	12,348	—
Koehler	3,150	—
Northway Well & Pump	6,979	2,976
Volkens Excavating	—	1,350
	<u>22,477</u>	<u>68,165</u>

Miscellaneous Accrued Expenses

Sales/Use Tax Collections Payable	\$5,577	\$5,363
Payroll Tax Collections Payable	8,085	7,686
Employee Payroll Deductions	2,011	1,954
Workers' Comp Self Insurance Reserves	19,770	11,186
Comp Time Payable	4,055	4,503
	<u>\$39,498</u>	<u>\$30,692</u>

Non-Current Liabilities**Customer Advances for Construction**

City of Muscatine-Southend Water Main	\$1,021,484	\$1,021,084
Others	<u>888,718</u>	<u>967,445</u>
	<u>\$1,910,202</u>	<u>\$1,988,529</u>