



# Nevada Irrigation District

November 9, 2016

**2017 Operating & Non Operating Budget  
Short & Long-Term Cash Forecasting**

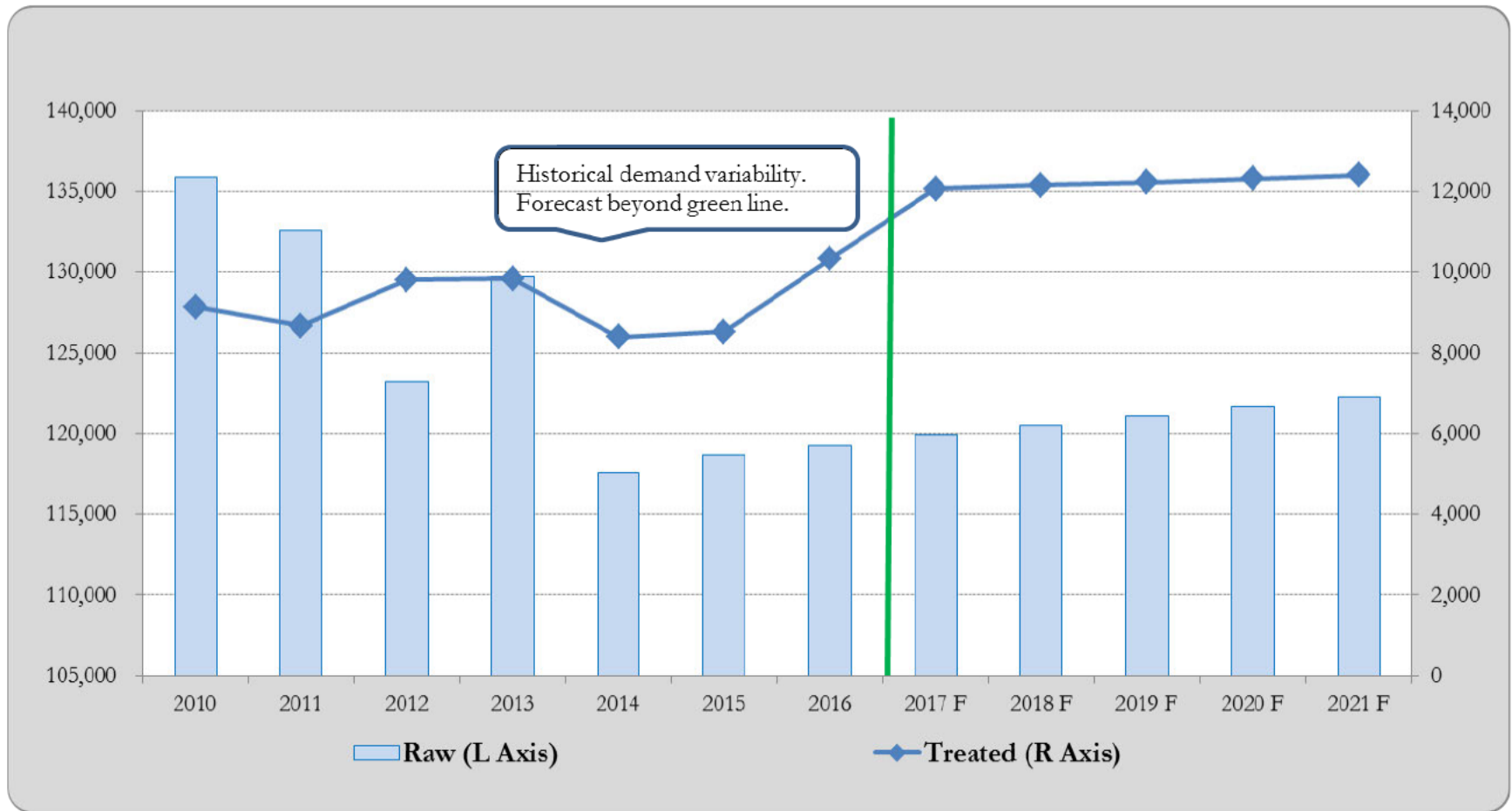


# Executive Summary

- Water Conservation Impact
- Internal Controls Progress
- Financial Reporting
- Cash Management Principles
- 2017 Operating & Non Operating Budget
- Short & Long-term Cash Forecasting



# Consumption Analysis (AF)





# Internal Control Progress

2015 Audit Findings (no new findings)

## Finding 2014-1: Year-End Closing Procedures:

Staff implemented accounting policies and procedures as listed in the auditor's July 2016 management letter, including changing the District's underlying chart of accounts. Finance documented and circulated year-end closing procedures to staff.

## Finding 2014-3: Budget to Actual Comparison Reports:

Staff developed a uniform Chart of Accounts (COA), provided extensive training, and produced the first budget vs actual report in July 2016 directly from the accounting system. The prior structure required maintenance of a separate Access database to produce monthly and end of year reporting.



# Internal Control Progress cont.



2015 Audit Findings (no new in 2015)

## Finding 2014-4: Physical Inventory Procedures:

Staff developed a physical counting schedule that counts approximately 90% of the District's inventory value within the fourth quarter on an annual basis. The auditor's indicate this method is sufficient to clear this finding in 2016.

## Finding 2014-5: Recreation Division Cash Handling

Staff recognizes the weakness associated with this function. Recreation staff being trained to record cash receipts directly into the accounting system. Cash drawer variances record against an over/short account. Cash deposits for recreation as well as main office contracted through Gold Country Security.



# Internal Control Progress cont.



## 2015 Audit Findings (no new in 2015)

### Finding 2015-1 – Grant Accounting:

The District concurs with the auditors and developed accounting procedures to ensure billing and monthly reconciliations occur through its' accounting system in accordance with generally accepted accounting principles.

### Finding 2014-7: Accounts Payable Trial Balance

Staff provided an outstanding payables list from subsequent check registers that reconciled to the accounts payable balance at the end of year. Staff has been instructed how to process end of year payables and roll encumbrances in a different manner to satisfy this finding.

### Finding 2014-9: Strategic Plan Update

The District presented a Strategic Plan draft to the Board March 3, 2016 that addressed succession planning, climate change, safety, financial systems, human resources, seasonal employment, capital planning, and other concerns within an integrated four-goal framework. In addition, improved annual budgeting is possible under the new COA and five year forecasting is provided.



# Financial Reporting

- 2017 Budget (Creating & Controlling)
  - Uniform Chart of Accounts (COA) improve monthly report and document transparency
  - Improved department detail schedules streamlining process
  - Improved encumbrance reporting for controlling spending and cash forecasting
  - Improved budget amendment procedure
  - Debt service coverage ratio compliance
  - Integrated into 5-year cash forecast
  - Integrated into rolling cash forecast



# Financial Reporting (cont.)

- Comprehensive Annual Financial Report (CAFR)
  - Submitted for Government Finance Officers Award (GFOA)
  - Water, Electric and Recreation presented separately
  - Cement Hill (CFD) and Rodeo Flat (AD) presented separately and balances consistent with annual report
  - Analysis of District unfunded long-term liabilities (Pension & Other postemployment benefits (OPEB))
  - Statistical Section improving long-term trend analysis
  - Capacity fee schedule in accordance with Government Code Section 66013





# Cash Management Principles

- Developed 12 month rolling cash forecast
- Ensure adequate cash balance considering spending plan to maximize interest earnings in accordance with policy
- Comprehensive procurement policy: single purchases of \$5,000 and over on purchase order
- Performed utility billing lockbox analysis
- Examining districtwide vehicle lease vs buy option
- Contracted with consultant for armed cash transporting
- Redesigned bank reconciliation process



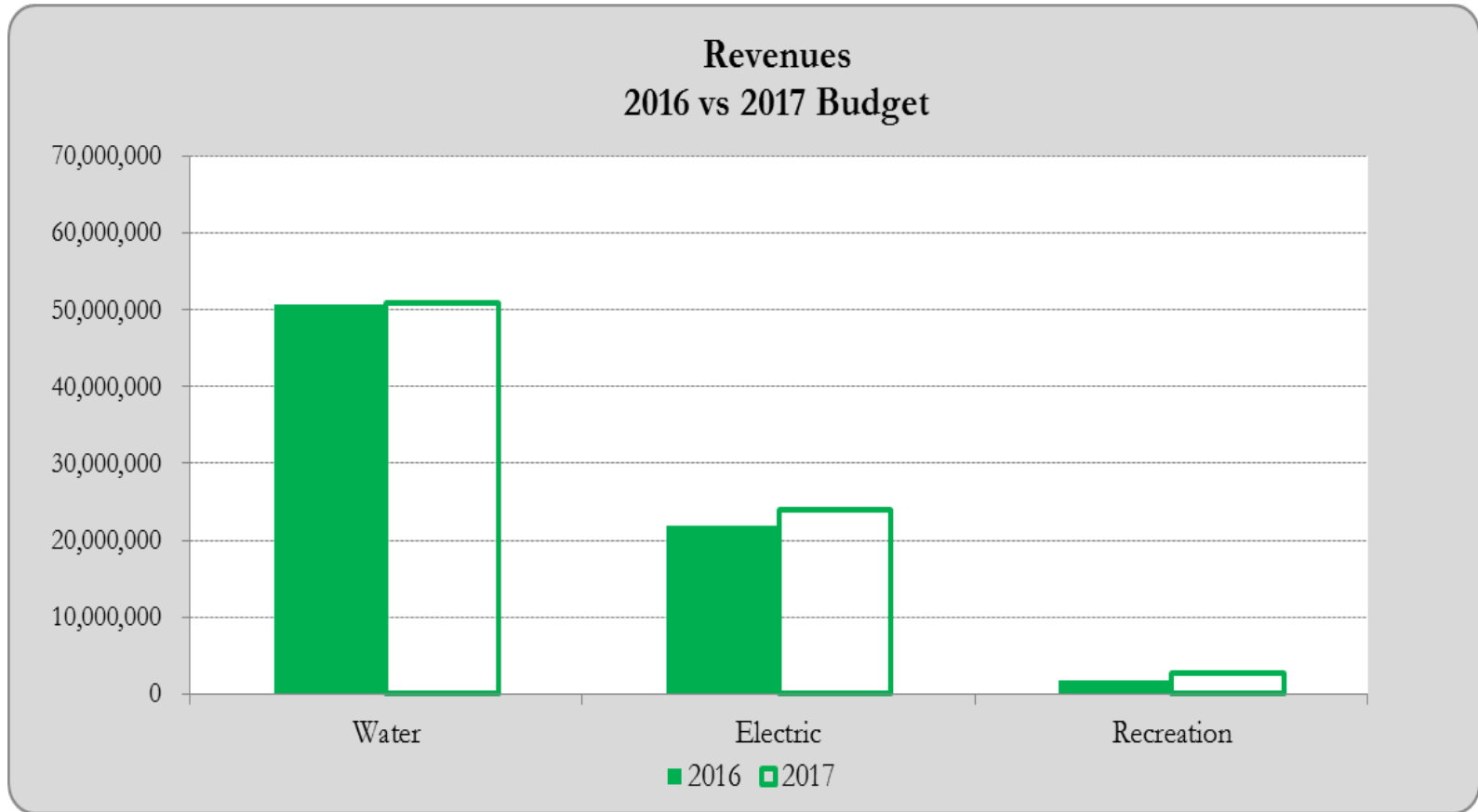
# 2017 Budget: Development



- Revenue Assumptions
  - Water: 6% increase over 2016
  - Electric: 85% of 5.4% contract increase
  - Recreation: 20% over forecast to build reserves
  - Property taxes: 3% over forecast
  - 2017 Bond Proceeds: \$9M draw down
  
- Labor Costs Assumptions
  - 9 FTE increase, 3% Cola, 5% for normal step increase
  - 29.97% PERS (includes unfunded payment), \$646,000 OPEB
  
- O&M and Capital Costs
  - 2.96% over 2016 Budget (excludes Transfers), \$4.2M in Debt Reduction
  
- Cash Flow Assumptions
  - 2016: \$1.7M contribution from reserves (see Division breakdown)
  - 2017: \$4.6M contribution from reserves

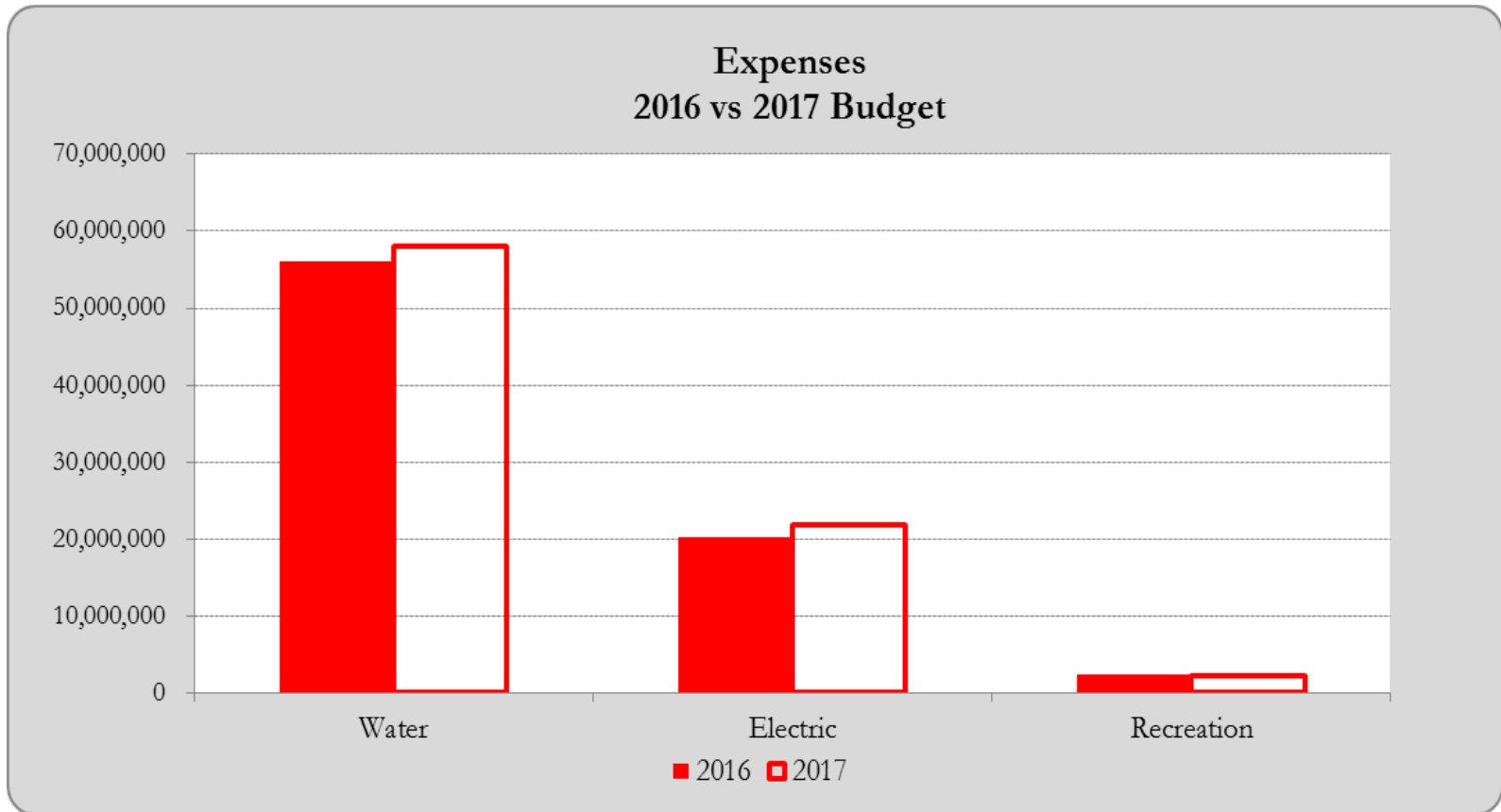


# 2017 Budget: All Divisions



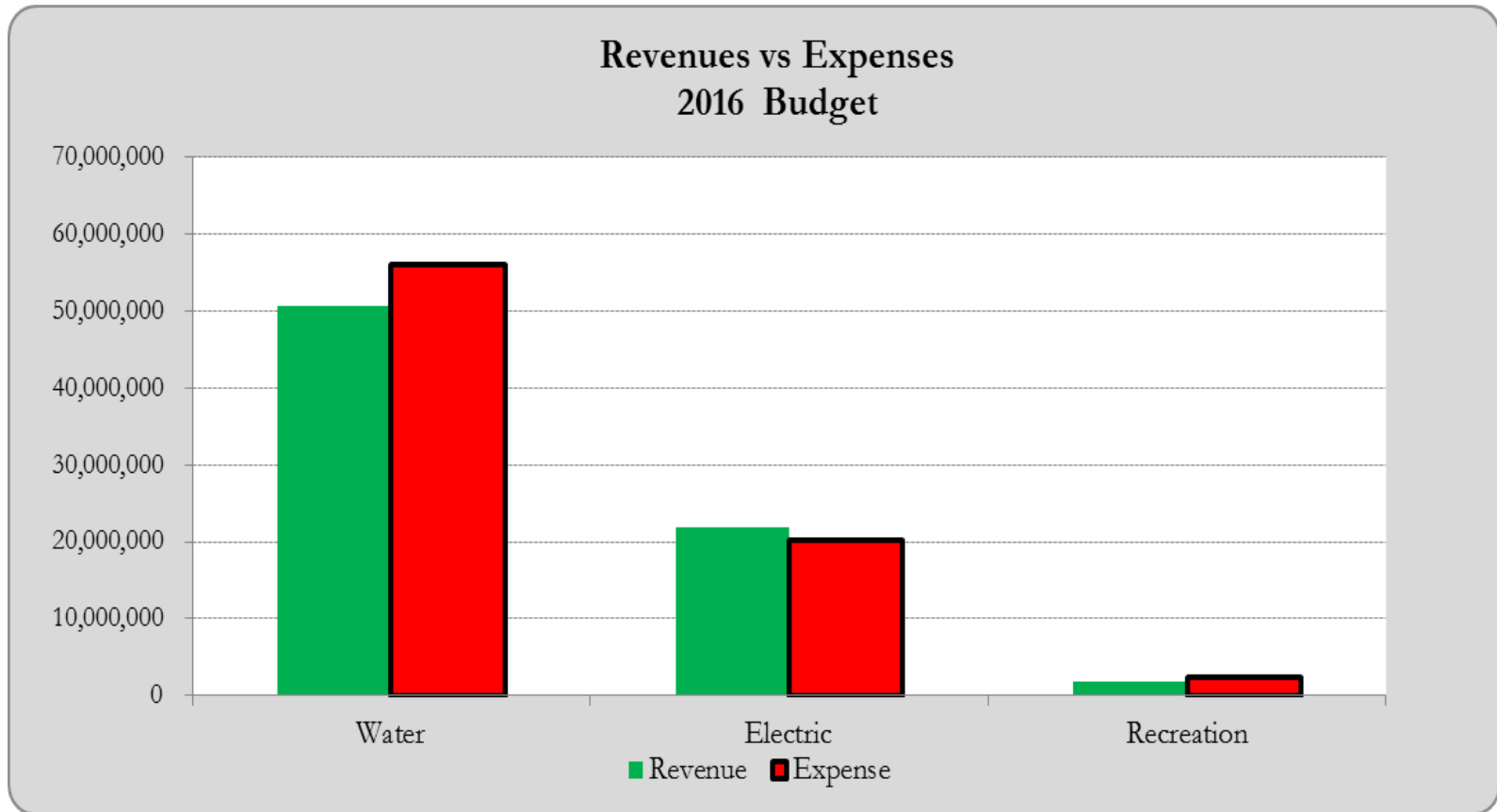


# 2017 Budget: All Divisions



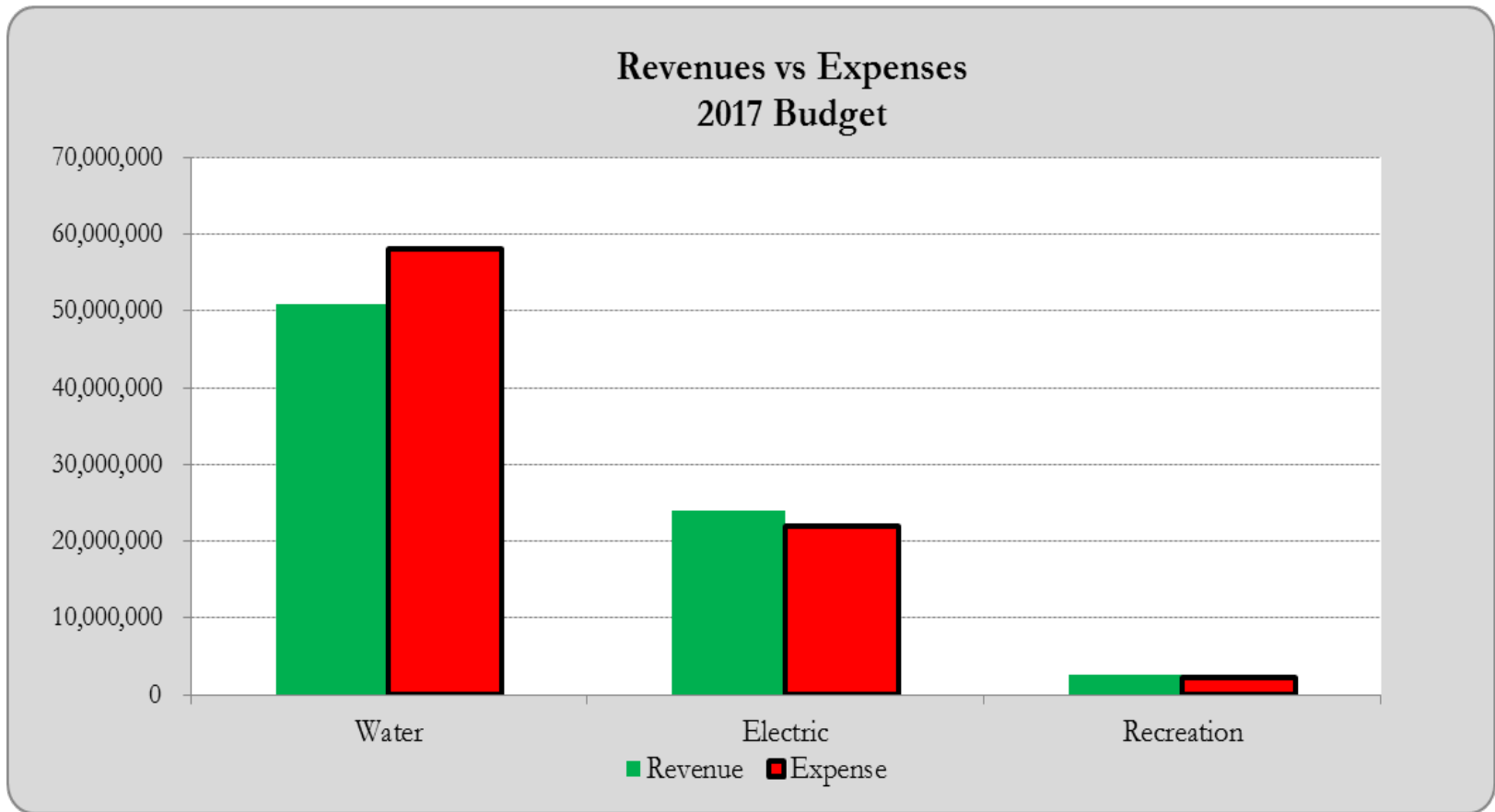


# 2017 Budget: All Divisions





# 2017 Budget: All Divisions





# 2017 Budget: All Divisions

		2014 Act	2015 Act	2016 Fcst	2016 Bud	2017 Bud
<b>Operating</b>	Revenues	43,239,661	50,051,514	50,726,372	48,019,614	50,519,241
	Expenses	38,206,963	52,420,405	51,447,660	54,620,891	57,113,477
		<b>Operating Income</b>		<b>(721,288)</b>		<b>(6,594,236)</b>
<b>Non Operating</b>	Revenues	13,018,173	16,125,079	18,908,844	26,510,644	27,383,175
	Expenses	10,036,700	11,844,616	19,969,218	24,317,000	25,457,500
		<b>Non Operating Income</b>		<b>(1,060,374)</b>		<b>1,925,675</b>
		<b>District Net Income*</b>		<b>(1,781,662)</b>		<b>(4,668,561)</b>

\* See Cash Schedule for Reserve Impact



# 2017 Budget: Water Division

		2014 Act	2015 Act	2016 Fcst	2016 Bud	2017 Bud
<b>Operating</b>	Revenues	19,797,355	27,086,474	27,122,373	27,694,733	28,458,889
	Expenses	29,809,503	34,655,788	34,251,162	35,318,520	37,466,297
		<b>Operating Income</b>				<b>(9,007,408)</b>
		<b>(7,128,788)</b>				
<b>Non Operating</b>	Revenues	12,040,565	12,606,337	15,971,735	22,900,644	22,460,675
	Expenses	9,059,092	8,325,874	17,032,109	20,707,000	20,535,000
		<b>Non Operating Income</b>				<b>1,925,675</b>
		<b>(1,060,374)</b>				
		<b>Water Net Income*</b>				<b>(7,081,733)</b>
		<b>(8,189,163)</b>				

\* See Cash Schedule for Reserve Impact





# 2017 Budget: Electric Division

		2014 Act	2015 Act	2016 Fcst	2016 Bud	2017 Bud
<b>Operating</b>	Revenues	21,609,031	21,200,110	21,464,305	18,521,267	19,426,142
	Expenses	6,554,155	15,832,944	15,287,653	16,940,199	17,368,664
<b>Operating Income</b>				<b>6,176,652</b>		<b>2,057,478</b>
<b>Non Operating</b>	Revenues	967,977	3,518,742	2,937,109	3,290,000	4,525,000
	Expenses	967,977	3,518,742	2,937,109	3,290,000	4,525,000
<b>Non Operating Income</b>				<b>-</b>		<b>-</b>
<b>Electric Net Income*</b>				<b>6,176,652</b>		<b>2,057,478</b>

\* See Cash Schedule for Reserve Impact



# 2017 Budget: Recreation Division

		2014 Act	2015 Act	2016 Fcst	2016 Bud	2017 Bud
<b>Operating</b>	Revenues	1,833,275	1,764,931	2,139,694	1,803,614	2,634,210
	Expenses	1,843,305	1,931,673	1,908,845	2,362,172	2,278,516
<b>Operating Income</b>				<b>230,849</b>		<b>355,694</b>
<b>Non Operating</b>	Revenues	9,631	-	-	320,000	397,500
	Expenses	9,631	-	-	320,000	397,500
<b>Non Operating Income</b>				<b>-</b>		<b>-</b>
<b>Recreation Net Income*</b>				<b>230,849</b>		<b>355,694</b>

\* See Cash Schedule for Reserve Impact



# 2017 Budget: Staffing



Department	2016 Position Budget	2017 Position Budget
10115 Management	11	9
10116 Watershed	0	1
10117 Human Resources	0	2
10118 Information Technology	3	3
10131 Cashiering	2	2
10133 Customer Service	6	6
10135 Accounting	7	7
10151 Engineering	20	23
10171 Water Operations	46	45
10191 Maintenance	62	65
10193 Purchasing	5	5
10195 Shop Operations	3	3
30250 Recreation	8.5	9
50112 Electric Administration	4	5
50161 Electric Operations	8.5	10
50167 Electric Maintenance	11	11
<b>District FTEs (excl Dir)</b>	<b>197</b>	<b>206</b>



# 2017 Budget: 2016 Cash Balances



Notes

	Water	Electric	Recreation	Total Cash
<b>2015 Audited Cash:</b>	<b>\$ 37,557,602</b>	<b>\$ 30,627,013</b>	<b>\$ 130,301</b>	<b>\$ 68,314,916</b>
2016 Revenues	43,094,108	24,401,414	2,139,694	69,635,216
2016 Spent at September	27,571,630	5,405,628	1,303,343	34,280,601
Current Encumbrances	10,977,153	1,326,864	-	12,304,017
Additional EOY Spending	12,734,488	11,492,270	605,502	24,832,260
Net Income 2016	(8,189,163)	6,176,652	230,849	(1,781,662)
<b>2016 Unaudited Cash</b>	<b>\$ 29,368,439</b>	<b>\$ 36,803,665</b>	<b>\$ 361,150</b>	<b>\$ 66,533,254</b>

Will carryover if unspent

## Working Capital

Operating Cash	5,676,528	16,276,707	289,647	22,242,882
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## Designated

Accrued Leave	2,110,814	266,996	71,503	2,449,313
Operating Reserve	11,000,000	10,000,000	-	21,000,000
Capital Improvement	2,500,000	10,000,000	-	12,500,000
Hydroelectric Relicense	-	259,962	-	259,962
Watershed Stewardship	2,145,749	-	-	2,145,749
<b>Total</b>	<b>17,756,563</b>	<b>20,526,958</b>	<b>71,503</b>	<b>38,355,024</b>

Equal to Liability  
4.90 Mons of Op Bud  
Reviewed with Budget

## Restricted

Debt Service	611,180	-	-	611,180
Capacity Fees	5,324,168	-	-	5,324,168
<b>Total</b>	<b>5,935,348</b>	<b>-</b>	<b>-</b>	<b>5,935,348</b>

Bond Covenants  
Capacity Fees

<b>Estimated - EOY 2016 *</b>	<b>\$ 29,368,439</b>	<b>\$ 36,803,665</b>	<b>\$ 361,150</b>	<b>\$ 66,533,254</b>
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Operating 6 Mon Avg	17,125,581	7,643,827	954,423	25,723,830
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\* Only includes applicable 2016A Series Cash



# 2017 Budget: 2017 Cash Balances



	Water	Electric	Recreation	Total Cash	Notes
<b>2017 Estimated Cash:</b>					
Net Income 2017	(7,081,733)	2,057,478	355,694	(4,668,561)	
<b><u>Working Capital</u></b>					
Operating Cash	5,466,795	18,334,185	300,341	24,101,321	
<b><u>Designated</u></b>					
Accrued Leave	2,110,814	266,996	71,503	2,449,313	Equal to Liability
Operating Reserve	6,128,000	10,000,000	345,000	16,473,000	3.46 Mons of Op Bud
Capital Improvement	500,000	10,000,000	-	10,500,000	Reviewed with Budget
Hydroelectric Relicense	-	259,962	-	259,962	
Watershed Stewardship	2,145,749	-	-	2,145,749	
Total	10,884,563	20,526,958	416,503	31,828,024	
<b><u>Restricted</u></b>					
Debt Service	611,180	-	-	611,180	Bond Covenants
System Expansion	5,324,168	-	-	5,324,168	Capacity Fees
Total	5,935,348	-	-	5,935,348	
<b>Estimated - EOY 2017 \$ 22,286,706 \$ 38,861,143 \$ 716,844 \$ 61,864,693</b>					

Operating 6 Mon Avg	18,733,149	8,684,332	1,139,258	28,556,739
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# 2017 Budget: Debt Service Coverage



	2016 Fcst	2017 Budget
Net Water Revenues	7,737,754	7,907,398
Net Hydro Revenues	6,176,652	2,057,478
Net Recreation Revenues	230,849	355,694
Revenues Avail for DS	14,145,254	10,320,570
Total Debt Service	2,743,589	4,238,893
Debt Service Coverage	5.16	2.43

Notes: Excludes Bond Proceeds, Capacity Fees & includes Transfer Ins from CFD & AD



# Short-term Cash Forecast



	<b>Actual</b>	2016	2017	2017	2017
	Sep 16	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sep
Wells Fargo	2,212,676				
LAIF Bal	17,520,661				
Union Bank	215,192				
<b>Liquid</b>	<b>19,948,529</b>				
Total Receipts		11,036,362	22,915,630	16,085,596	20,070,148
Total Disbursements		13,553,003	17,169,457	17,344,806	24,103,702
Net Rev & Exp		(2,516,642)	5,746,173	(1,259,209)	(4,033,554)
Wells Fargo Ending Balance		2,061,226	2,107,400	2,148,190	2,114,636
LAIF Ending Balance		10,870,661	16,570,661	15,270,661	11,270,661
Total Short-term Cash		<b>\$ 12,931,887</b>	<b>\$ 18,678,061</b>	<b>\$ 17,418,851</b>	<b>\$ 13,385,297</b>
To Union Bank (L-T)		4,500,000			



# Long-term Cash Forecast



## 5 –Year Forecast: Overall Cash Forecasting

### Revenue (Receipts) Forecast Assumptions:

- Water Rates = 6% & 8%, Other Revenue = 3%, Property Taxes = 3%
- Electric Power = 5.5%, Recreation Rates = 2.5%, Investments = 1.5%
- Bond Proceeds Drawdown = \$13M

### Expense (Disbursements) Forecast Assumptions:

- COLA = 2.5%, Avg. Merits = 2.5%, O&M = 1.5%, Medical = 4%
- ER PERS = 8.62%, Capital Spending (Water: \$50.6M, Electric: \$18.7M, Recreation: \$.4M), Total = \$69.8M, UAL Pension = \$13.8M, OPEB = \$4M

### Account & Usage Assumptions:

Treated Water Customers: 19,680 to 20,276

Raw Water Customers: 5,814 to 5,990

Treated Water Demand (AF): 12,346 to 12,720

Raw Water Demand (AF): 122,000 to 125,697





# Long-term Cash Forecast



## 5 –Year Forecast: Water Rate Revenue Forecasting

### Expenses

- + Operating Budget (Prior Assumptions)
- + Capital Projects (Not covered by 2016A Bonds)

### Revenues

- Water Rates (2018 = 6%), (2019 - 2021 = 8%)
  - Water Account & Demand (In Model)
  - Property Tax (100%)
  - Other Revenues Indicated
  - Hydro Revenue Usage (\$15M)
- 
- = Over / (Under) Revenue Requirement

Model determines fixed based revenue & rates



# Thank You and Questions?