



Nevada Irrigation District

November 9, 2016

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

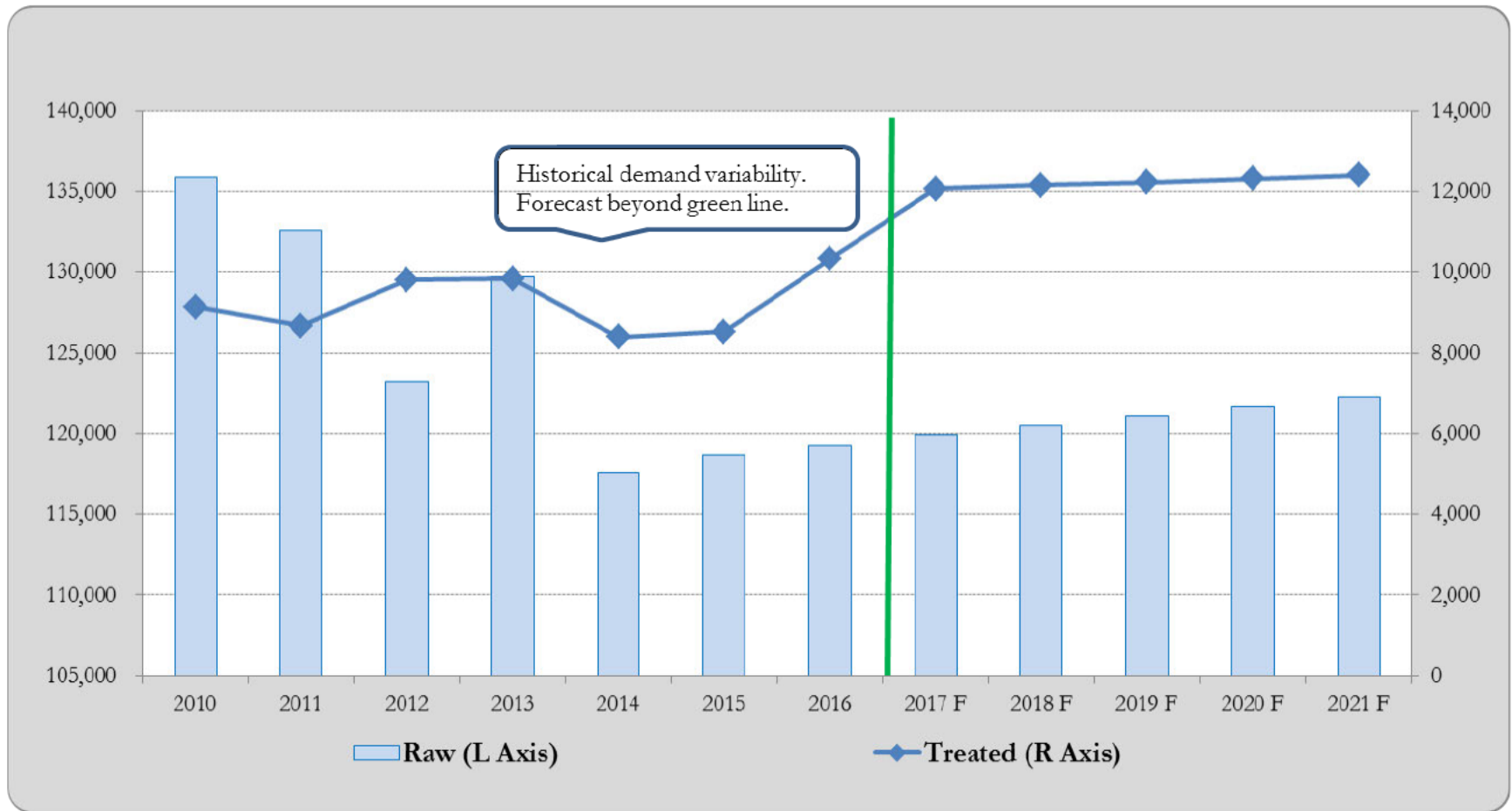


Executive Summary

- 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

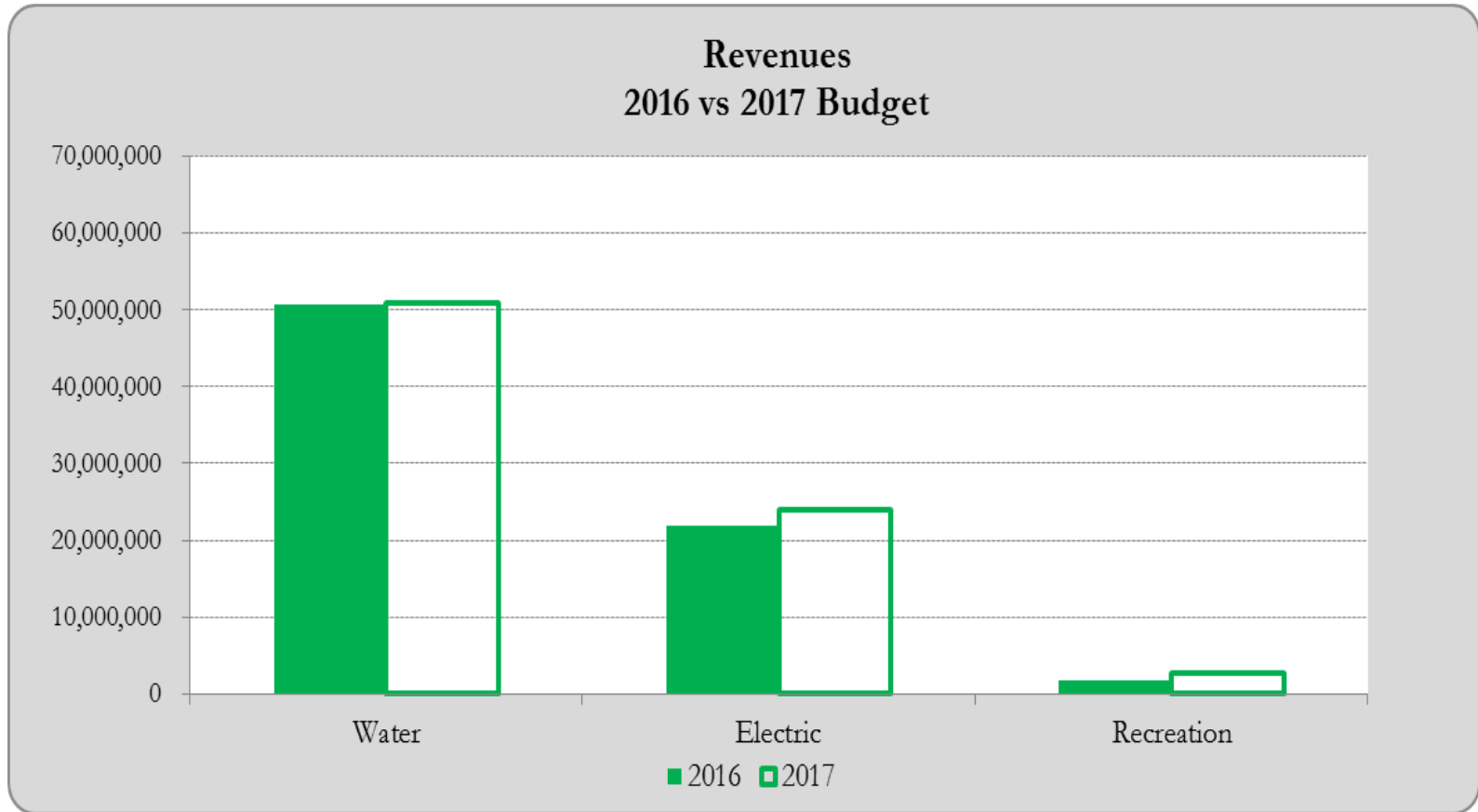
- Labor Costs Assumptions
 - 9 FTE increase, 3% Cola, 5% for normal step increase
 - 29.97% PERS (includes unfunded payment), \$646,000 OPEB

- 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

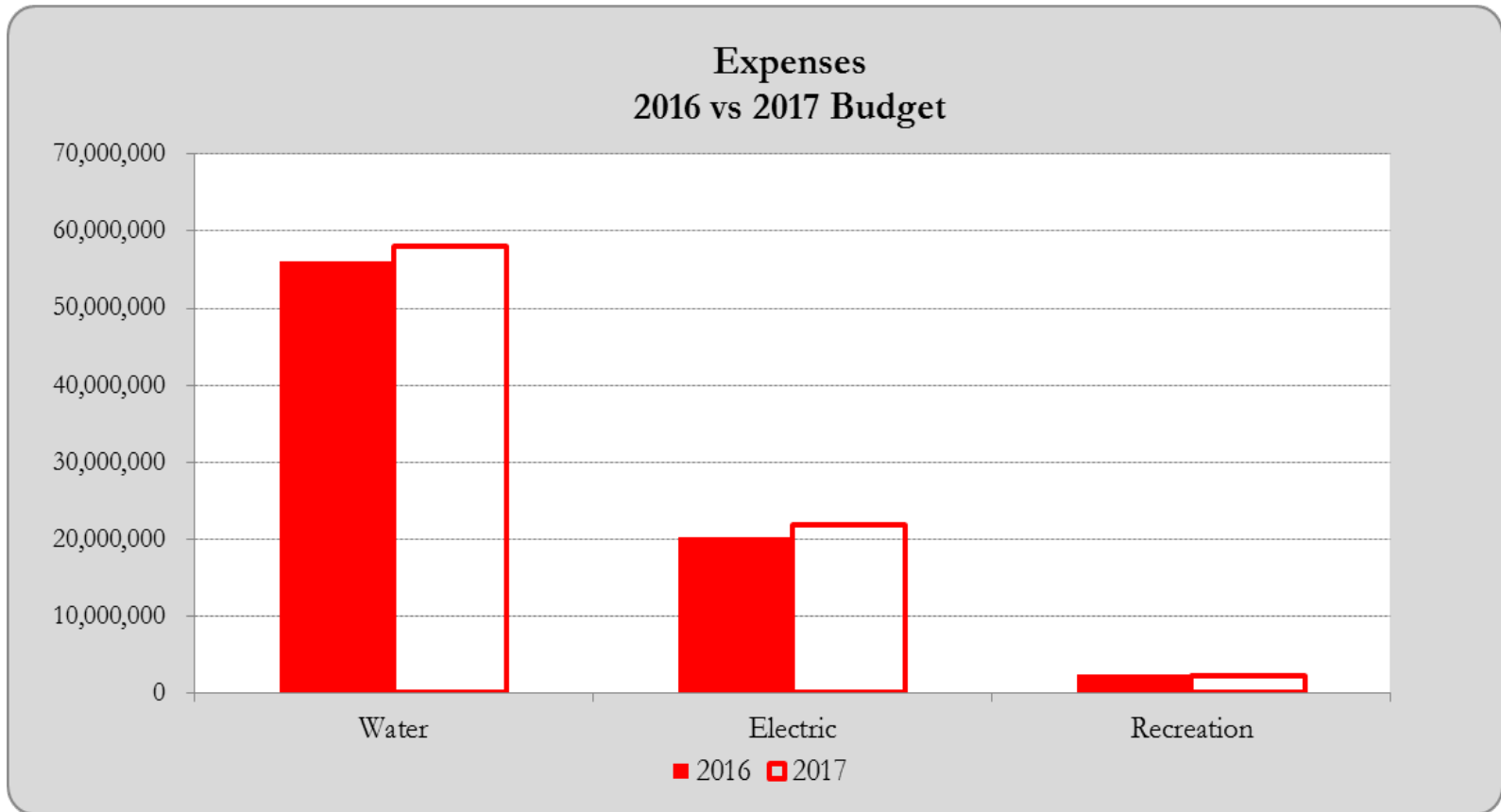


2017 Budget: All Divisions



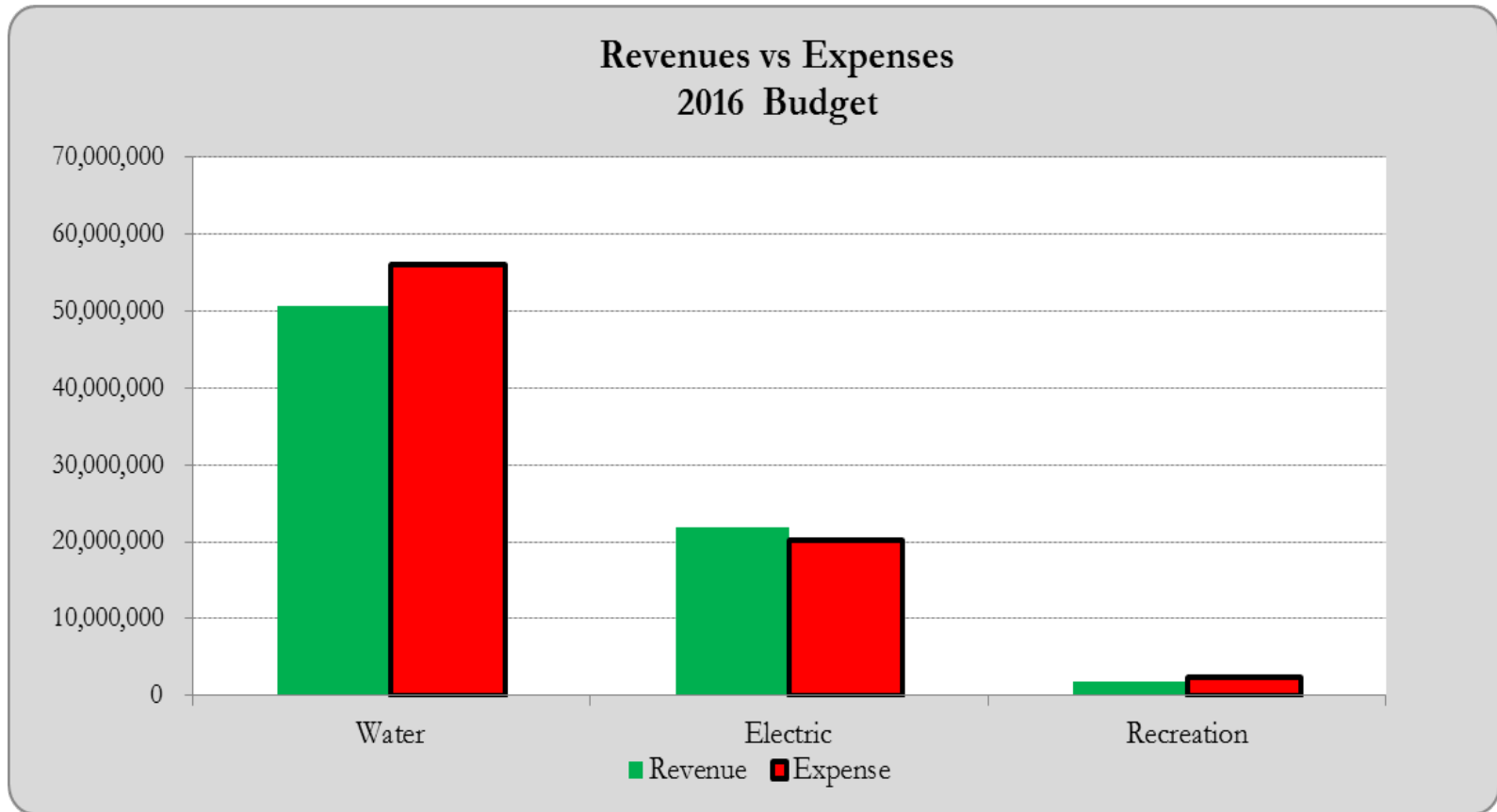


2017 Budget: All Divisions



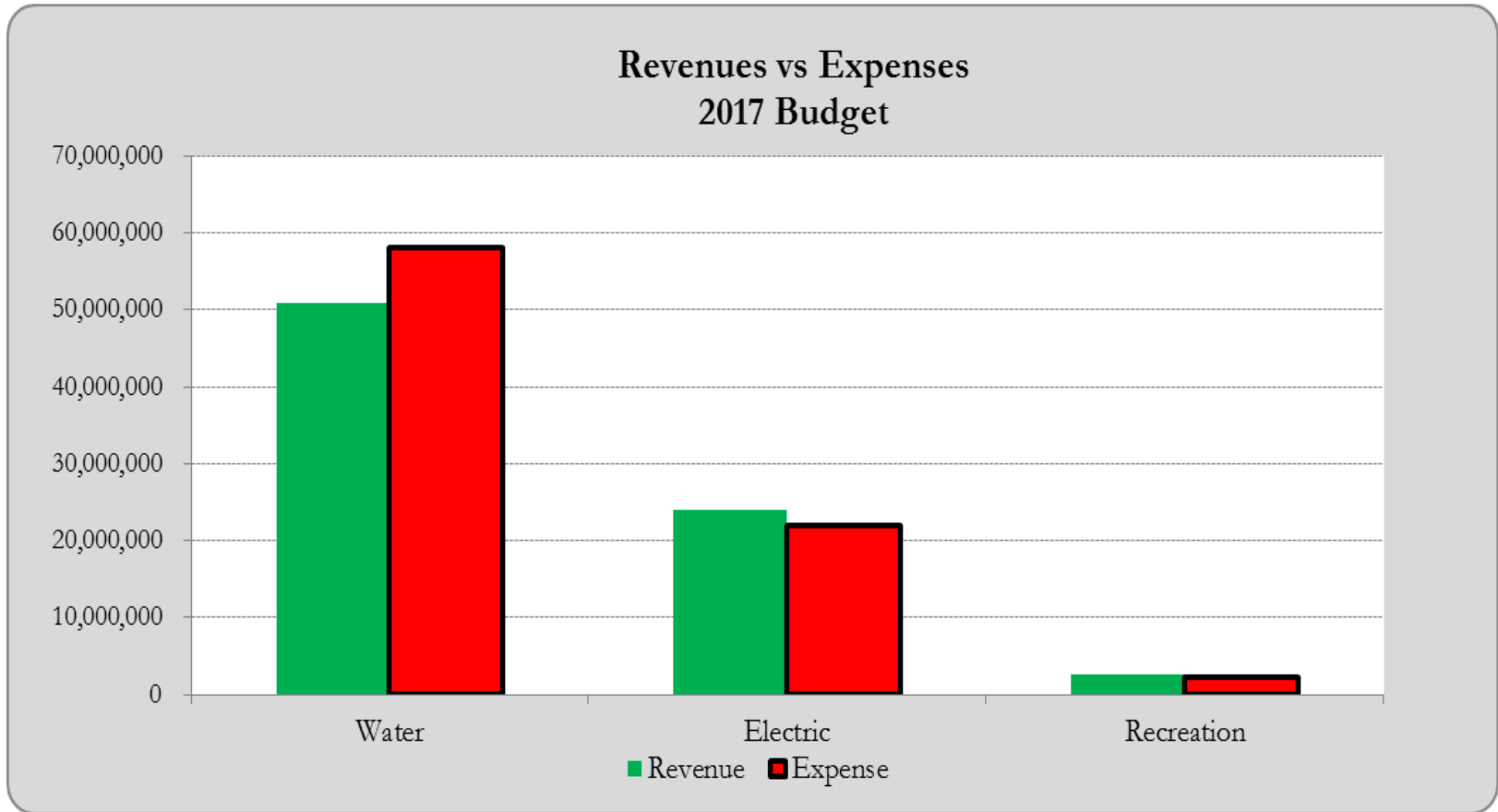


2017 Budget: All Divisions





2017 Budget: All Divisions





2017 Budget: All Divisions

| | | 2014 Act | 2015 Act | 2016 Fcst | 2016 Bud | 2017 Bud |
|----------------------|----------|-----------------------------|------------|--------------------|------------|--------------------|
| Operating | 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 |
| | | Operating Income | | (721,288) | | (6,594,236) |
| Non Operating | 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 |
| | | Non Operating Income | | (1,060,374) | | 1,925,675 |
| | | District Net Income* | | (1,781,662) | | (4,668,561) |

* See Cash Schedule for Reserve Impact



2017 Budget: Water Division

| | | 2014 Act | 2015 Act | 2016 Fcst | 2016 Bud | 2017 Bud |
|----------------------|----------|-----------------------------|------------|------------|------------|--------------------|
| Operating | 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 |
| | | Operating Income | | | | (9,007,408) |
| | | (7,128,788) | | | | |
| Non Operating | 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 |
| | | Non Operating Income | | | | 1,925,675 |
| | | (1,060,374) | | | | |
| | | Water Net Income* | | | | (7,081,733) |
| | | (8,189,163) | | | | |

* See Cash Schedule for Reserve Impact



2017 Budget: Electric Division

| | | 2014 Act | 2015 Act | 2016 Fcst | 2016 Bud | 2017 Bud |
|-----------------------------|----------|------------|------------|------------------|------------|------------------|
| Operating | 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 |
| Operating Income | | | | 6,176,652 | | 2,057,478 |
| Non Operating | 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 |
| Non Operating Income | | | | - | | - |
| Electric Net Income* | | | | 6,176,652 | | 2,057,478 |

* See Cash Schedule for Reserve Impact



2017 Budget: Recreation Division

| | | 2014 Act | 2015 Act | 2016 Fcst | 2016 Bud | 2017 Bud |
|-------------------------------|----------|-----------|-----------|----------------|-----------|----------------|
| Operating | 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 |
| Operating Income | | | | 230,849 | | 355,694 |
| Non Operating | Revenues | 9,631 | - | - | 320,000 | 397,500 |
| | Expenses | 9,631 | - | - | 320,000 | 397,500 |
| Non Operating Income | | | | - | | - |
| Recreation Net Income* | | | | 230,849 | | 355,694 |

* 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 |
| District FTEs (excl Dir) | 197 | 206 |



2017 Budget: 2016 Cash Balances



Notes

| | Water | Electric | Recreation | Total Cash |
|----------------------------|----------------------|----------------------|-------------------|----------------------|
| 2015 Audited Cash: | \$ 37,557,602 | \$ 30,627,013 | \$ 130,301 | \$ 68,314,916 |
| 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) |
| 2016 Unaudited Cash | \$ 29,368,439 | \$ 36,803,665 | \$ 361,150 | \$ 66,533,254 |

Will carryover if unspent

Working Capital

| | | | | |
|----------------|-----------|------------|---------|------------|
| Operating Cash | 5,676,528 | 16,276,707 | 289,647 | 22,242,882 |
|----------------|-----------|------------|---------|------------|

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 |
| Total | 17,756,563 | 20,526,958 | 71,503 | 38,355,024 |

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 |
| Total | 5,935,348 | - | - | 5,935,348 |

Bond Covenants
Capacity Fees

| | | | | |
|-------------------------------|----------------------|----------------------|-------------------|----------------------|
| Estimated - EOY 2016 * | \$ 29,368,439 | \$ 36,803,665 | \$ 361,150 | \$ 66,533,254 |
|-------------------------------|----------------------|----------------------|-------------------|----------------------|

| | | | | |
|---------------------|------------|-----------|---------|------------|
| Operating 6 Mon Avg | 17,125,581 | 7,643,827 | 954,423 | 25,723,830 |
|---------------------|------------|-----------|---------|------------|

* Only includes applicable 2016A Series Cash



2017 Budget: 2017 Cash Balances



| | Water | Electric | Recreation | Total Cash | Notes |
|--|-------------|------------|------------|-------------|----------------------|
| 2017 Estimated Cash: | | | | | |
| Net Income 2017 | (7,081,733) | 2,057,478 | 355,694 | (4,668,561) | |
| <u>Working Capital</u> | | | | | |
| Operating Cash | 5,466,795 | 18,334,185 | 300,341 | 24,101,321 | |
| <u>Designated</u> | | | | | |
| 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 | |
| <u>Restricted</u> | | | | | |
| 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 | |
| Estimated - EOY 2017 \$ 22,286,706 \$ 38,861,143 \$ 716,844 \$ 61,864,693 | | | | | |

| | | | | |
|---------------------|------------|-----------|-----------|------------|
| Operating 6 Mon Avg | 18,733,149 | 8,684,332 | 1,139,258 | 28,556,739 |
|---------------------|------------|-----------|-----------|------------|



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



| | Actual | 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 | | | | |
| Liquid | 19,948,529 | | | | |
| 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 | | \$ 12,931,887 | \$ 18,678,061 | \$ 17,418,851 | \$ 13,385,297 |
| 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?