

Lehigh County Authority Financial Statements

June 2017

SUMMARY - MONTH

MONTH	JUNE 2017				
	<u>Actual</u>	<u>Forecast</u>	<u>Budget</u>	<u>Prior Year</u>	<u>FC Var</u>
<u>Income Statement</u>					
Suburban Water	(219,993)	(251,472)	(4,811)	125,165	31,479
Suburban Wastewater	(43,122)	(48,946)	22,357	67,873	5,824
City Division	788,772	467,630	(757,194)	(976,581)	321,142
<u>Cash Flow Statement (Indirect)</u>					
Suburban Water	15,111,926	14,156,989	(524,044)	34,562	954,937
Suburban Wastewater	(9,751)	(951,724)	(270,589)	104,504	941,973
City Division	(4,768,794)	(5,051,267)	(5,673,227)	(6,459,624)	282,473

INCOME

- City Division POSITIVE
- Suburban Water & Wastewater negative
- All 3 funds favorable to FC

CASH

- Suburban Water – POSITIVE
- Suburban Wastewater & City - Negative
- All 3 funds are better than forecast

SUBURBAN WATER - MONTH

MONTH - SUBURBAN WATER	JUNE 2017				
<u>Income Statement</u>	<u>Actual</u>	<u>Forecast</u>	<u>Budget</u>	<u>Prior Year</u>	<u>FC Var</u>
Operating Revenues	801,790	795,789	759,243	726,978	6,001
Operating (Expenses)	(715,613)	(757,566)	(734,533)	(565,153)	41,953
Operating Income	86,176	38,223	24,710	161,825	47,953
Non-Operating Revenues (Expenses)	62,150	80,483	66,167	46,334	(18,333)
Income Before Interest	148,326	118,706	90,877	208,159	29,620
Interest Income	7,700	6,795	16,667	4,447	905
Interest Expense	(376,019)	(376,973)	(112,355)	(87,441)	954
Capital Contributions	-	-	-	-	-
NET INCOME	<u>(219,993)</u>	<u>(251,472)</u>	<u>(4,811)</u>	<u>125,165</u>	<u>31,479</u>
MONTH - SUBURBAN WATER	JUNE 2017				
<u>Cash Flow Statement (Indirect)</u>	<u>Actual</u>	<u>Forecast</u>	<u>Budget</u>	<u>Prior Year</u>	<u>FC Var</u>
Net Income	(219,993)	(251,472)	(4,811)	125,165	31,479
Add: Depreciation & Amortization	245,832	245,832	245,833	245,832	-
Add: Non-Cash Interest Expense	-	1	-	(0)	(1)
Add: Capex Charged to Expense	31,602	187	8,333	406	31,415
Principal Payments	(139,015)	(128,565)	(152,816)	(136,619)	(10,450)
Investments Converting To Cash	-	-	-	-	-
New Borrowing	15,292,006	15,215,000	-	-	77,006
Capital Expenditures	(98,505)	(923,994)	(620,583)	(200,221)	825,489
NET FUND CASH FLOWS	<u>15,111,926</u>	<u>14,156,989</u>	<u>(524,044)</u>	<u>34,562</u>	<u>954,937</u>

Income (Actual vs. FC)

- **Better by \$31k**
- Operating revenues – higher
- Operating expenses – lower
- **Non-operating rev(exp) – unfavorable**
- Interest income – slightly higher
- Interest expense – slightly lower

Cash (Actual vs. FC)

- **Higher by \$955k**
- Net Income – higher
- **Principal payments – higher**
- Capex – significantly lower
- Borrowing proceeds – favorable

SUBURBAN WASTEWATER - MONTH

MONTH - SUBURBAN WASTEWATER	JUNE 2017				
<u>Income Statement</u>	<u>Actual</u>	<u>Forecast</u>	<u>Budget</u>	<u>Prior Year</u>	<u>FC Var</u>
Operating Revenues	1,201,036	1,350,980	1,563,773	1,506,813	(149,944)
Operating (Expenses)	(1,438,495)	(1,496,370)	(1,546,447)	(1,513,970)	57,875
Operating Income	(237,459)	(145,390)	17,326	(7,157)	(92,069)
Non-Operating Revenues (Expenses)	212,176	109,942	66,083	91,874	102,234
Income Before Interest Expense	(25,283)	(35,448)	83,409	84,717	10,165
Interest Income	68	4,602	9,917	728	(4,534)
Interest Expense	(17,907)	(18,100)	(70,969)	(17,572)	193
Capital Contributions	-	-	-	-	-
NET INCOME	<u>(43,122)</u>	<u>(48,946)</u>	<u>22,357</u>	<u>67,873</u>	<u>5,824</u>
MONTH - SUBURBAN WASTEWATER	JUNE 2017				
<u>Cash Flow Statement (Indirect)</u>	<u>Actual</u>	<u>Forecast</u>	<u>Budget</u>	<u>Prior Year</u>	<u>FC Var</u>
Net Income	(43,122)	(48,946)	22,357	67,873	5,824
Add: Depreciation & Amortization	364,694	364,694	327,083	334,133	-
Add: Non-Cash Interest Expense	2,721	2,928	-	3,036	(207)
Add: Capex Charged to Expense	385	-	25,000	61	385
Principal Payments	(39,364)	(39,602)	(93,946)	(41,879)	238
Investments Converting To Cash	-	-	-	-	-
New Borrowing	-	-	-	-	-
Capital Expenditures	(295,064)	(1,230,798)	(551,083)	(258,719)	935,734
NET FUND CASH FLOWS	<u>(9,751)</u>	<u>(951,724)</u>	<u>(270,589)</u>	<u>104,504</u>	<u>941,973</u>

Income (Actual vs. FC)

- Higher by \$6k
- Operating revenues – lower
- Operating expenses – lower
- Non-op rev(exp) – favorable
- Interest income – lower
- Interest expenses – slightly lower

Cash (Actual vs. FC)

- Higher by \$942k
- Net income – higher
- Capex – significantly lower

CITY DIVISION - MONTH

MONTH - CITY DIVISION	JUNE 2017				
Income Statement	Actual	Forecast	Budget	Prior Year	FC Var
Operating Revenues	4,044,453	3,932,388	2,745,021	2,328,021	112,065
Operating (Expenses)	(1,812,973)	(1,917,188)	(1,871,840)	(1,701,531)	104,216
Operating Income	2,231,481	2,015,200	873,181	626,490	216,281
Non-Operating Revenues (Expenses)	(218,553)	(150,583)	(283,834)	(310,460)	(67,970)
Income Before Interest Expense	2,012,927	1,864,617	589,347	316,029	148,310
Interest Income	38,785	10,954	25,167	22,847	27,831
Interest Expense	(1,262,941)	(1,407,941)	(1,371,708)	(1,315,458)	145,000
Capital Contributions	-	-	-	-	-
NET INCOME	<u>788,772</u>	<u>467,630</u>	<u>(757,194)</u>	<u>(976,581)</u>	<u>321,142</u>
MONTH - CITY DIVISION	JUNE 2017				
Cash Flow Statement (Indirect)	Actual	Forecast	Budget	Prior Year	FC Var
Net Income	788,772	467,630	(757,194)	(976,581)	321,142
Add: Depreciation & Amortization	450,000	450,000	466,667	450,000	-
Add: Non-Cash Interest Expense	(5,260,920)	(5,115,920)	(5,152,153)	(5,208,403)	(145,000)
Add: Capex Charged to Expense	216,142	166,488	658,667	111,624	49,654
Principal Payments	-	-	-	-	-
Cash Outlays on Lease & Lease Reserve	-	-	-	-	-
Investments Converting To Cash	-	-	-	-	-
New Borrowing	-	-	-	-	-
Capital Expenditures	(962,788)	(1,019,465)	(889,214)	(836,264)	56,677
NET FUND CASH FLOWS	<u>(4,768,794)</u>	<u>(5,051,267)</u>	<u>(5,673,227)</u>	<u>(6,459,624)</u>	<u>282,473</u>

Income (Actual vs. FC)

- Higher by \$321k
- Operating revenues – higher
- Operating expenses – lower
- Non-operating rev(exp) – unfavorable
- Interest income – higher
- Interest expenses – lower

Cash (Actual vs. FC)

- Higher by \$282k
- Net income – higher
- Capex – lower

SUMMARY - YTD

YTD	JUNE 2017					
	Actual	Forecast	Budget	Prior Year	FC Var	Bud Var
Income Statement						
Suburban Water	(262,787)	(418,903)	(237,203)	331,912	156,115	(25,584)
Suburban Wastewater	496,442	339,586	(183,056)	351,588	156,857	679,498
City Division	(1,036,904)	(1,440,222)	(5,971,869)	(4,440,052)	403,318	4,934,965
Cash Flow Statement (Indirect)						
Suburban Water	14,494,700	13,036,863	(3,352,601)	358,958	1,457,838	17,847,301
Suburban Wastewater	1,282,321	(77,084)	(1,940,732)	1,356,371	1,359,405	3,223,053
City Division	676,377	268,700	(3,104,762)	(3,491,445)	407,677	3,781,139
Debt Service Coverage Ratio						
Suburban Water	1.32	1.13	1.13	1.73	0.19	0.19
Suburban Wastewater	8.51	8.02	2.38	7.59	0.49	6.13
City Division	1.46	1.41	1.04	1.19	0.05	0.42

INCOME

- Lone positive is Suburban Wastewater, Suburban Water & City Division negative
- All 3 funds are favorable to forecast
- 2 of 3 funds favorable to budget, Suburban Water is down just slightly to budget

CASH

- All 3 funds have positive cash flows
- All 3 funds have cash flows better than forecast
- All 3 funds favorable to budget

DSCR

- All 3 funds have debt service coverage ratios that are better than forecast and all exceed internal target of 1.20
- All 3 funds better than budget

Dashboard – Suburban Water



SUBURBAN WATER - YTD

YTD - SUBURBAN WATER	JUNE 2017					
<u>Income Statement</u>	<u>Actual</u>	<u>Forecast</u>	<u>Budget</u>	<u>Prior Year</u>	<u>FC Var</u>	<u>Bud Var</u>
Operating Revenues	4,274,058	4,255,735	4,347,121	4,182,680	18,323	(73,063)
Operating (Expenses)	<u>(3,892,276)</u>	<u>(3,988,396)</u>	<u>(4,407,198)</u>	<u>(3,635,483)</u>	96,120	514,922
Operating Income	381,782	267,339	(60,077)	547,197	114,442	441,859
Non-Operating Revenues (Expenses)	<u>200,444</u>	<u>194,900</u>	<u>397,002</u>	<u>270,114</u>	5,543	(196,558)
Income Before Interest Expense	582,225	462,240	336,925	817,311	119,986	245,300
Interest Income	39,857	40,769	100,002	44,052	(912)	(60,145)
Interest Expense	(884,870)	(921,912)	(674,130)	(529,451)	37,042	(210,740)
Capital Contributions	-	-	-	-	-	-
NET INCOME	<u>(262,787)</u>	<u>(418,903)</u>	<u>(237,203)</u>	<u>331,912</u>	<u>156,115</u>	<u>(25,584)</u>
YTD - SUBURBAN WATER	JUNE 2017					
<u>Cash Flow Statement (Indirect)</u>	<u>Actual</u>	<u>Forecast</u>	<u>Budget</u>	<u>Prior Year</u>	<u>FC Var</u>	<u>Bud Var</u>
Net Income	(262,787)	(418,903)	(237,203)	331,912	156,115	(25,584)
Add: Depreciation & Amortization	1,474,992	1,474,992	1,474,998	1,474,992	-	(6)
Add: Non-Cash Interest Expense	-	3	-	-	(3)	-
Add: Capex Charged to Expense	151,881	1,121	49,998	2,800	150,760	101,883
Principal Payments	(802,596)	(771,389)	(916,896)	(819,030)	(31,207)	114,300
Investments Converting To Cash	-	-	-	-	-	-
New Borrowing	15,292,006	15,215,000	-	-	77,006	15,292,006
Capital Expenditures	<u>(1,358,796)</u>	<u>(2,463,962)</u>	<u>(3,723,498)</u>	<u>(631,716)</u>	<u>1,105,166</u>	<u>2,364,702</u>
NET FUND CASH FLOWS	<u>14,494,700</u>	<u>13,036,863</u>	<u>(3,352,601)</u>	<u>358,958</u>	<u>1,457,838</u>	<u>17,847,301</u>

Income (Actual vs. FC)

- Higher by \$156k
- Operating revenues – higher
- Operating expenses – lower
- Non-operating rev(exp) – favorable
- Interest income – slightly lower
- Interest expense – lower

Income (Actual vs. Budget)

Lower by 26k from lower operating revenues and lower non-operating revenues offset partly by significantly lower operating expenses

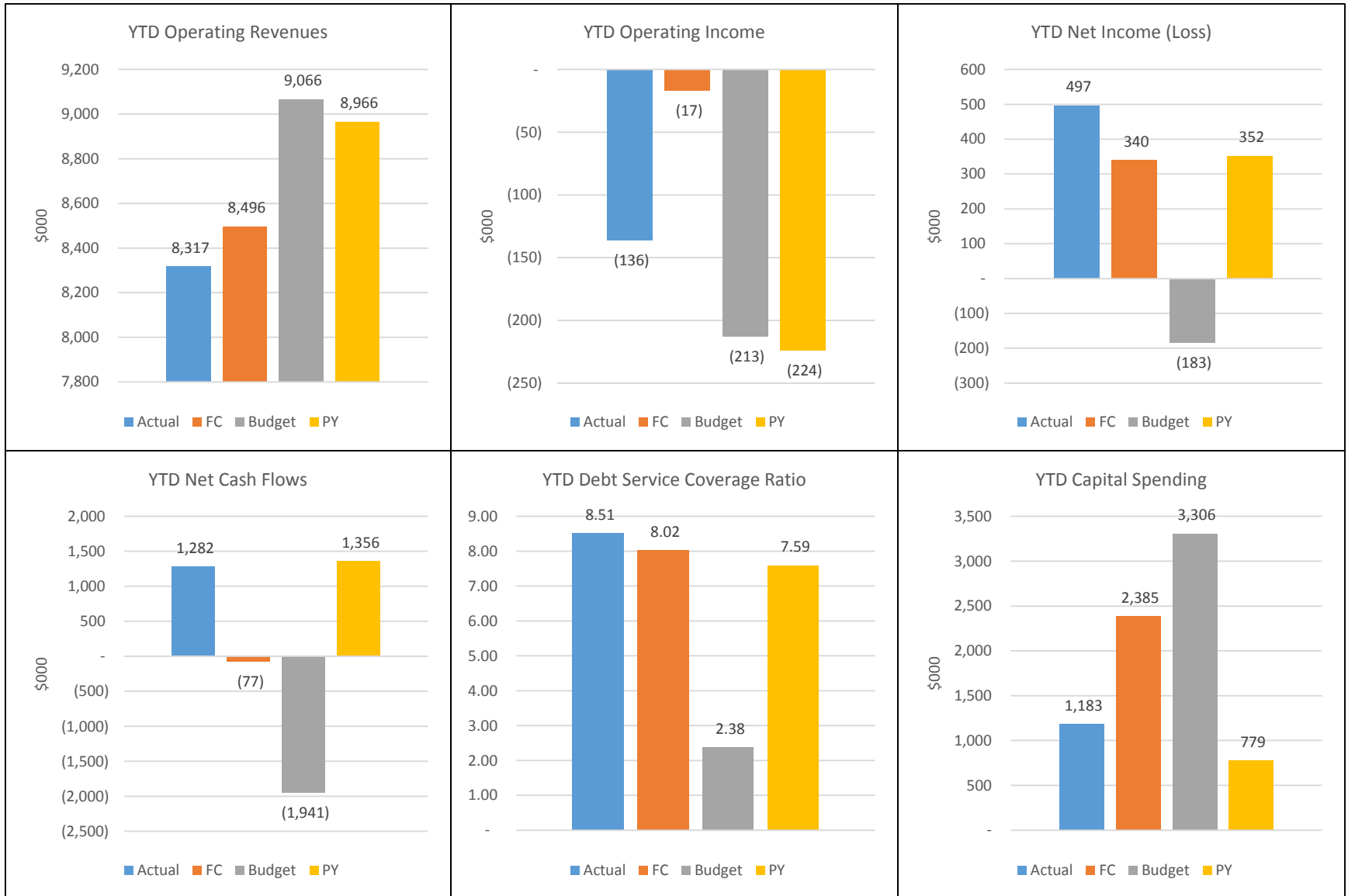
Cash (Actual vs. FC)

- Higher by \$1.5m
- Net income – higher
- Capex – lower
- New Borrowing – higher

Cash (Actual vs. Budget)

Higher by \$17.9m on higher net income, lower principal, and lower capex along with the proceeds of new borrowing

Dashboard – Suburban Wastewater



SUBURBAN WASTEWATER - YTD

YTD - SUBURBAN WASTEWATER	JUNE 2017					
Income Statement	Actual	Forecast	Budget	Prior Year	FC Var	Bud Var
Operating Revenues	8,316,849	8,495,878	9,065,440	8,966,183	(179,029)	(748,591)
Operating (Expenses)	(8,452,620)	(8,513,217)	(9,278,682)	(9,190,170)	60,598	826,062
Operating Income	(135,770)	(17,339)	(213,242)	(223,987)	(118,432)	77,472
Non-Operating Revenues (Expenses)	738,064	437,912	396,498	673,078	300,152	341,566
Income Before Interest Expense	602,294	420,573	183,256	449,091	181,721	419,038
Interest Income	2,335	27,611	59,502	4,632	(25,276)	(57,167)
Interest Expense	(108,187)	(108,599)	(425,814)	(102,135)	412	317,627
Capital Contributions	-	-	-	-	-	-
NET INCOME	<u>496,442</u>	<u>339,586</u>	<u>(183,056)</u>	<u>351,588</u>	<u>156,857</u>	<u>679,498</u>
YTD - SUBURBAN WASTEWATER	JUNE 2017					
Cash Flow Statement (Indirect)	Actual	Forecast	Budget	Prior Year	FC Var	Bud Var
Net Income	496,442	339,586	(183,056)	351,588	156,856	679,498
Add: Depreciation & Amortization	2,188,164	2,188,164	1,962,498	2,004,798	-	225,666
Add: Non-Cash Interest Expense	17,082	17,567	-	17,670	(485)	17,082
Add: Capex Charged to Expense	518	-	150,000	1,001	518	(149,482)
Principal Payments	(236,999)	(237,612)	(563,676)	(239,542)	613	326,677
Investments Converting To Cash	-	-	-	-	-	-
New Borrowing	-	-	-	-	-	-
Capital Expenditures	(1,182,886)	(2,384,789)	(3,306,498)	(779,143)	1,201,903	2,123,612
NET FUND CASH FLOWS	<u>1,282,321</u>	<u>(77,084)</u>	<u>(1,940,732)</u>	<u>1,356,371</u>	<u>1,359,405</u>	<u>3,223,053</u>

Income (Actual vs. FC)

- Higher by \$157k
- Operating revenues – slightly lower
- Operating expenses – lower
- Non-op rev (exp) – significantly favorable
- Interest income – lower
- Interest expense – slightly lower

Income (Actual vs. Budget)

Higher by \$680k on lower operating expenses to offset lower operating revenues along with favorable non-op rev and lower interest expense

Cash (Actual vs. FC)

- Higher by \$1.4m
- Net income - higher
- Capex – lower

Cash (Actual vs. Budget)

Higher by \$3.2m from higher cash from ops and lower capex

Dashboard – City Division



CITY DIVISION - YTD

YTD - CITY DIVISION	JUNE 2017					
	Actual	Forecast	Budget	Prior Year	FC Var	Bud Var
Income Statement						
Operating Revenues	17,378,248	17,247,325	15,041,421	14,851,284	130,923	2,336,827
Operating (Expenses)	(10,611,622)	(10,812,129)	(11,231,040)	(9,951,708)	200,507	619,418
Operating Income	6,766,626	6,435,196	3,810,381	4,899,577	331,430	2,956,245
Non-Operating Revenues (Expenses)	(449,895)	(343,497)	(1,703,004)	(1,649,945)	(106,398)	1,253,109
Income Before Interest Expense	6,316,731	6,091,699	2,107,377	3,249,632	225,032	4,209,354
Interest Income	224,011	190,724	151,002	203,064	33,286	73,009
Interest Expense	(7,577,646)	(7,722,646)	(8,230,248)	(7,892,748)	145,000	652,602
Capital Contributions	-	-	-	-	-	-
NET INCOME	(1,036,904)	(1,440,222)	(5,971,869)	(4,440,052)	403,318	4,934,965
YTD - CITY DIVISION	JUNE 2017					
Cash Flow Statement (Indirect)	Actual	Forecast	Budget	Prior Year	FC Var	Bud Var
Net Income	(1,036,904)	(1,440,222)	(5,971,869)	(4,440,052)	403,318	4,934,965
Add: Depreciation & Amortization	2,700,000	2,700,000	2,800,002	2,700,000	-	(100,002)
Add: Non-Cash Interest Expense	1,053,785	1,198,785	1,706,387	1,368,887	(145,000)	(652,602)
Add: Capex Charged to Expense	679,943	598,927	3,952,002	1,320,212	81,016	(3,272,059)
Principal Payments	-	-	-	-	-	-
Cash Outlays on Lease & Lease Reserve	(252,000)	(252,000)	(256,000)	(250,000)	-	4,000
Investments Converting To Cash	-	-	-	-	-	-
New Borrowing	-	-	-	-	-	-
Capital Expenditures	(2,468,447)	(2,536,790)	(5,335,284)	(4,190,492)	68,343	2,866,837
NET FUND CASH FLOWS	676,377	268,700	(3,104,762)	(3,491,445)	407,677	3,781,139

Income (Actual vs. FC)

- Higher by \$403k
- Operating revenues – higher
- Operating expenses – lower
- Non-ops – lower project reimbursement & higher expensed capex
- Interest income – slightly higher
- Interest expenses – lower

Income (Actual vs. Budget)

Higher by \$4.9m with favorable variances across the board

Cash (Actual vs. FC)

- Higher by \$408k
- Net income – higher
- Capex – lower

Cash (Actual vs. Budget)

Higher by \$3.7m due, mainly to higher cash from operations along with lower capex

General Comments

- Through June we are in good position with respect to budget:
 - All 3 funds finished better than forecast on both income and cash flows
 - With respect to budgeted income and cash flows, we are looking good as well, with only a small variance in Suburban Water net income
- Going through the forecasting process & expect to be completed by the end of the month
- The forecast will allow us to gauge where the year is expected to finish with respect to budget.