FINANCIAL CAPACITY HANDOUT SERIES

- Empowering Your Water System with Financial Capacity
- Budgeting Basics
- The Budget Process
- A Sample Budget – In 5 Easy Steps

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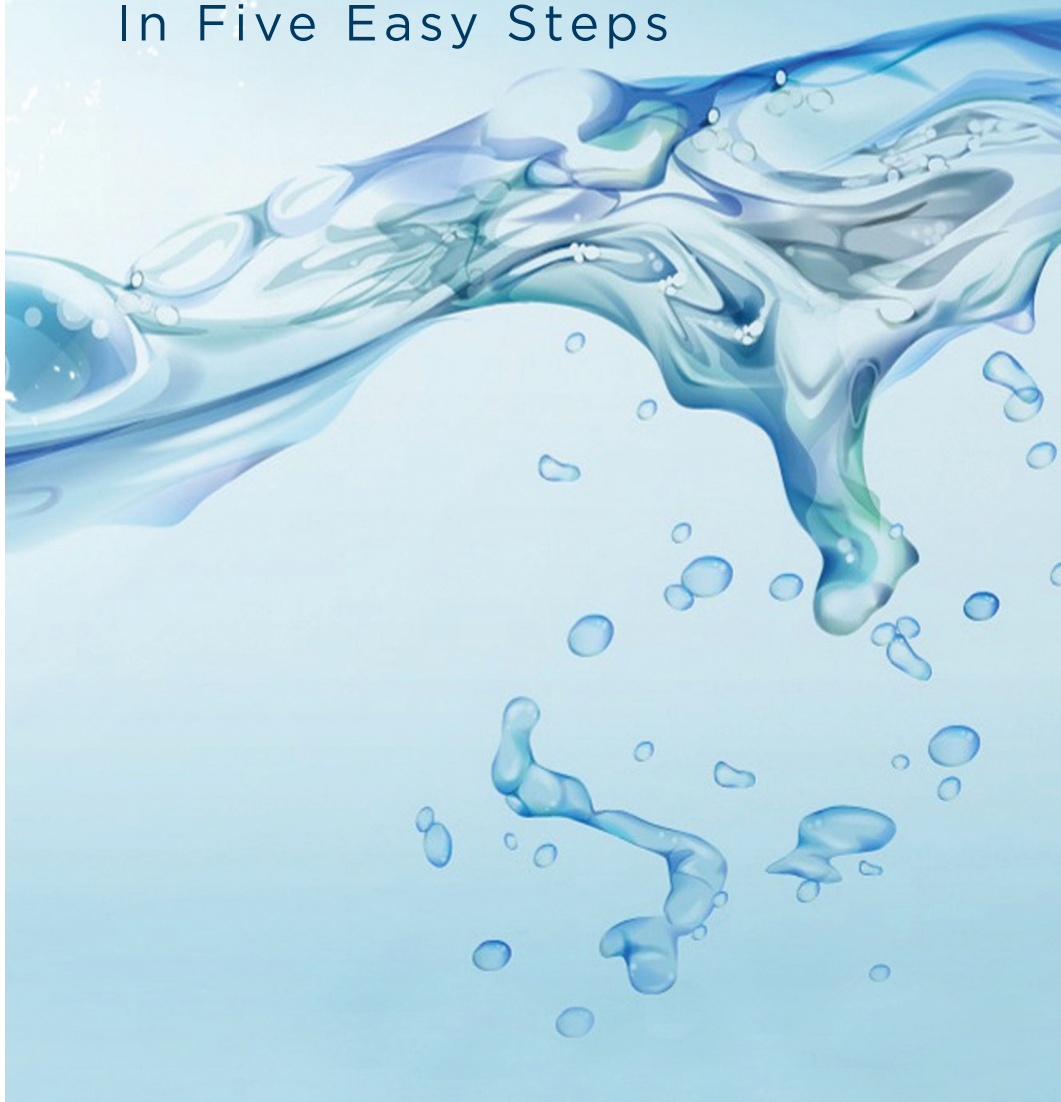
A SAMPLE BUDGET

In Five Easy Steps



The income statement integrates the essential components of the budget by cataloging your revenues and expenses. Financially sustainable practices dictate that you separate operating revenues – sale of water – from non-operating revenues such as grants, loans, and one-time monies. This becomes important as you assess whether revenues you generate from these operations are covering costs of those operations. Also, you want to be sure that hookup fees and the like cover the costs of adding new customers to the system. Monitoring your fixed costs and your variable costs are an important part of running a financially sustainable system.

INCOME STATEMENT		
Revenues		
Operating Revenue		
Residential Sale of water	$	63,947
Commerical Sale of water	$	–
Other Water Sales	$	–
Other operating revenues (cust. Or fixed charge)	$	230,695
SALES REVENUE SUBTOTAL	**$**	**294,642**
Interest income	$	0
Non-rate recurring revenue	$	1,058
OTHER REVENUE SUBTOTAL	**$**	**1,059**
TOTAL OPERATING REVENUE	**$**	**295,700**
One-time Revenue		
Hookup fee	$	–
Capital contribution/Availability fee (plant)	$	–
Trunk fee	$	–
SRF loan (spent in current year)	$	–
Other Low interest government loans (spent in current year)	$	–
Market rate loans	$	–
Grants	$	–
Withdrawal from reserve	$	–
Transfers from general fund	$	–
Other one-time revenue	$	100
TOTAL CAPITAL REVENUE	**$**	**100**
TOTAL REVENUE	**$**	**295,800**

The key figures your budget and income statement produces are the net operating income and net income. The net operating income shows whether operating revenues - basically those associated with water sales - cover operating expenses. If this number is negative, your system is not producing sufficient revenues. Net income shows the difference between all revenues and all expenses – so it includes one-time monies. It is important that one time monies not be used to cover the lack of revenues generated from sale of water. Finally, you'll be in a position to make choices necessary to adopt a budget.

At this stage you will: Prepare and present a recommended budget, describe key policies, plans, and goals, prepare a budget summary and finally, adopt the budget.

EXPENSES		
Operation and Maintenance		
Salaries and Benefits	$	62,272
Power and utilities	$	736
Chemical and treatment	$	–
Monitoring	$	–
Billing, recovering, meter reading	$	–
Materials, supplies, parts	$	3,132
Transportation	$	1,693
Purchased Water	$	73,941
Major Repair and Maintenance Current Year	$	35,772
Depreciation and Replacement reserve	$	38,206
Other	$	5,521
OPERATION AND MAINTENANCE SUBTOTAL	**$**	**221,274**
G&A		
Office supplies	$	12,266
Insurance	$	7,814
Legal and Accounting	$	15,733
Engineering and professional	$	996
Administrative Mayor's, HR., and Finance Departments	$	–
Other	$	4,339
GENERAL AND ADMINISTRATIVE SUBTOTAL	**$**	**41,148**
TOTAL OPERATING EXPENSES	**$**	**262,422**
Capital		
Debt service Interest portion	$	12,691
Debt Service principle repayment	$	–
Total Current Portion of Debt	$	**12,691**
New capital facilities (Expended in current year)	$	–
Other fees, deductions, expenses	$	18,187
CURRENT CAPITAL EXPENDITURES SUBTOTAL	**$**	**30,879**
TOTAL EXPENSES	**$**	**293,301**
NET OPERATING INCOME	**$**	**33,278**
NET INCOME	**$**	**2,499**

The categories to which you assign revenues and expenses may look different than what you see here, but use this as a guide. Financial managers typically break expenses into categories for operations and maintenance, and for general and administrative costs. This allows you to do a more sophisticated analysis of your fixed costs and variable costs, again, a key determinant in the financial sustainability of your system.