

**Muscatine Power and Water**

**Water Utility**

**Operating Statements and Balance Sheets**

**August 2007**

**Muscatine Power and Water  
Water Utility**

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**Muscatine Power and Water - Water Utility**  
**Classification of Water Distribution**  
**Current Month - August 2007**

	<u>Budget</u> <u>Estimate</u>	<u>% Increase</u> <u>(Decrease)</u> <u>From Budget</u>	<u>This</u> <u>Year</u>	<u>% Increase</u> <u>(Decrease)</u> <u>Fr. Last Yr.</u>	<u>Last</u> <u>Year</u>
<b><u>Water Distribution - 1,000 Gallons</u></b>					
Contract Customers	708,052	3.5	732,957	0.3	731,016
Power Plants	115,473	10.8	127,962	32.8	96,368
Residential	58,900	(12.9)	51,284	0.6	50,984
Commercial	<u>49,300</u>	(5.1)	<u>46,802</u>	4.8	<u>44,654</u>
Total Metered Customers	931,725	2.9	959,005	3.9	923,022
Rated Customers - Estimate	---	---	37	94.7	19
City Use, Line Loss, Cycle Billing	<u>75,000</u>	(63.1)	<u>27,655</u>	---	<u>(14,570)</u>
Total Water Pumped	<u><u>1,006,725</u></u>	(2.0)	<u><u>986,697</u></u>	8.6	<u><u>908,471</u></u>

**Calendar Year-to-Date**

	<u>Budget</u> <u>Estimate</u>	<u>% Increase</u> <u>(Decrease)</u> <u>From Budget</u>	<u>This</u> <u>Year</u>	<u>% Increase</u> <u>(Decrease)</u> <u>Fr. Last Yr.</u>	<u>Last</u> <u>Year</u>
<b><u>Water Distribution - 1,000 Gallons</u></b>					
Contract Customers	4,861,829	11.3	5,410,446	9.3	4,951,606
Power Plants	755,123	(1.2)	745,892	3.3	722,340
Residential	364,600	(2.0)	357,188	1.3	352,698
Commercial	<u>300,000</u>	(2.6)	<u>292,110</u>	0.6	<u>290,316</u>
Total Metered Customers	6,281,552	8.3	6,805,636	7.7	6,316,960
Rated Customers - Estimate	---	---	281	4.5	269
City Use, Line Loss, Cycle Billing	<u>502,001</u>	(71.1)	<u>145,131</u>	(45.7)	<u>267,151</u>
Total Water Pumped	<u><u>6,783,553</u></u>	2.5	<u><u>6,951,048</u></u>	5.6	<u><u>6,584,380</u></u>

**Muscatine Power and Water - Water Utility**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Current Month - August 2007**

	<u>Budget</u> <u>Estimate</u>	<u>% Increase</u> <u>(Decrease)</u> <u>From Budget</u>	<u>This</u> <u>Year</u>	<u>% Increase</u> <u>(Decrease)</u> <u>Fr. Last Yr.</u>	<u>Last</u> <u>Year</u>
<b><u>Sales of Water</u></b>					
Contract Customers	\$176,200	6.8	\$188,233	2.5	\$183,609
Power Plants	33,200	6.1	35,235	17.7	29,924
Residential	125,300	(7.9)	115,452	5.0	110,000
Commercial	<u>42,600</u>	(0.3)	<u>42,477</u>	7.9	<u>39,368</u>
Water Sales	<u>377,300</u>	1.1	<u>381,397</u>	5.1	<u>362,901</u>
<b><u>Other Revenue</u></b>					
Penalty Revenue	552	11.1	613	(16.1)	731
Merchandise & Job Sales-Net	330	---	1,095	(29.7)	1,558
Miscellaneous Revenue	<u>624</u>	(12.7)	<u>545</u>	(66.4)	<u>1,621</u>
Total Other Revenue	<u>1,506</u>	49.6	<u>2,253</u>	(42.4)	<u>3,910</u>
Operating Revenue	<u>378,806</u>	1.3	<u>383,650</u>	4.6	<u>366,811</u>
<b><u>Operating Expense</u></b>					
Operation	232,479	5.6	245,413	(4.7)	257,489
Maintenance	31,430	8.2	33,997	(15.1)	40,033
Depreciation	<u>47,323</u>	(3.3)	<u>45,766</u>	1.0	<u>45,303</u>
Total Operating Expense	<u>311,232</u>	4.5	<u>325,176</u>	(5.1)	<u>342,825</u>
Operating Income	67,574	(13.5)	58,474	---	23,986
Interest Income	<u>4,553</u>	---	<u>9,825</u>	14.3	<u>8,599</u>
<b>Net Income Before Capital Contributions</b>	72,127	(5.3)	68,299	---	32,585
Capital Contributions	<u>---</u>	---	<u>---</u>	---	<u>---</u>
<b>Change in Net Assets</b>	72,127		68,299		32,585
<b>Beginning Net Assets</b>	<u>12,050,376</u>		<u>12,209,123</u>		<u>11,617,182</u>
<b>Ending Net Assets</b>	<u>\$12,122,503</u>		<u>\$12,277,422</u>		<u>\$11,649,767</u>
Percent to Total Income	19.0		17.8		8.9

**Muscatine Power and Water - Water Utility**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Calendar Year-to-Date - August 2007**

	<u>Budget</u> <u>Estimate</u>	<u>%Increase</u> <u>(Decrease)</u> <u>From Budget</u>	<u>This</u> <u>Year</u>	<u>%Increase</u> <u>(Decrease)</u> <u>Fr. Last Yr.</u>	<u>Last</u> <u>Year</u>
<b><u>Sales of Water</u></b>					
Contract Customers	\$1,328,000	6.9	\$1,419,938	9.1	\$1,301,322
Power Plants	241,000	(0.4)	240,153	1.9	235,653
Residential	844,400	1.1	853,805	6.8	799,375
Commercial	<u>282,600</u>	0.3	<u>283,344</u>	5.3	<u>268,976</u>
Water Sales	<u>2,696,000</u>	3.8	<u>2,797,240</u>	7.4	<u>2,605,326</u>
<b><u>Other Revenue</u></b>					
Penalty Revenue	3,592	8.7	3,905	7.5	3,634
Merchandise & Job Sales-Net	5,274	(52.7)	2,495	(18.8)	3,071
Miscellaneous Revenue	<u>4,915</u>	27.3	<u>6,255</u>	7.5	<u>5,821</u>
Total Other Revenue	<u>13,781</u>	(8.2)	<u>12,655</u>	1.0	<u>12,526</u>
Operating Revenue	<u>2,709,781</u>	3.7	<u>2,809,895</u>	7.3	<u>2,617,852</u>
<b><u>Operating Expense</u></b>					
Operation	1,865,878	3.5	1,931,244	3.0	1,874,272
Maintenance	358,930	(22.9)	276,854	(13.4)	319,819
Depreciation	<u>378,593</u>	(3.3)	<u>366,128</u>	1.0	<u>362,424</u>
Total Operating Expense	<u>2,603,401</u>	(1.1)	<u>2,574,226</u>	0.7	<u>2,556,515</u>
Operating Income	106,380	---	235,669	---	61,337
Interest Income	<u>47,153</u>	50.7	<u>71,078</u>	19.3	<u>59,566</u>
<b>Income before Capital Contributions</b>	153,533	99.8	306,747	---	120,903
Capital Contributions	<u>25,300</u>	6.7	<u>27,005</u>	---	<u>---</u>
<b>Change in Net Assets</b>	178,833		333,752		120,903
<b>Beginning Net Assets</b>	<u>11,943,670</u>		<u>11,943,670</u>		<u>11,528,864</u>
<b>Ending Net Assets</b>	<u>\$12,122,503</u>		<u>\$12,277,422</u>		<u>\$11,649,767</u>
Percent to Total Income	6.5		11.8		4.6

**Muscatine Power and Water - Water Utility  
Balance Sheets  
August 2007**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>Current Assets:</b>		
Cash - interest bearing	355,018	368,569
Investments	1,744,218	1,508,274
Receivables:		
Consumer Accounts	442,460	429,438
Interest	18,374	8,957
Inventories	215,079	223,484
Prepaid Pension	16,191	---
Prepaid Expenses	19,865	19,286
	<u>2,811,205</u>	<u>2,558,008</u>
Total Current Assets		
	<u>2,811,205</u>	<u>2,558,008</u>
<b>Property and Equipment:</b>		
At Cost	20,414,789	20,172,135
Less Accumulated Depreciation	8,219,344	8,117,404
	<u>12,195,445</u>	<u>12,054,731</u>
Net Property and Equipment		
	<u>12,195,445</u>	<u>12,054,731</u>
<b>TOTAL ASSETS</b>	<u><u>\$15,006,650</u></u>	<u><u>\$14,612,739</u></u>

**Muscatine Power and Water - Water Utility  
Balance Sheets  
August 2007**

**LIABILITIES AND NET ASSETS**

	<u>2007</u>	<u>2006</u>
<b>Current Liabilities:</b>		
Accounts Payable	\$191,501	\$273,821
Pension Provision	---	26,900
Health Insurance Provision	120,854	98,767
Intercompanies Payable	4,609	47,087
Retained Percentage on Contracts	10,962	8,031
Consumer Advances for Construction	2,285,332	2,377,302
Accrued Payroll	22,355	21,258
Accrued Vacation	62,040	71,243
Miscellaneous Accrued Expenses	21,575	28,563
Miscellaneous Deferred Credits	10,000	10,000
	<hr/>	<hr/>
Total Current Liabilities	2,729,228	2,962,972
	<hr/>	<hr/>
<b>Net Assets:</b>		
Invested in capital assets	9,910,113	9,677,429
Unrestricted	2,367,309	1,972,338
	<hr/>	<hr/>
Total Net Assets	12,277,422	11,649,767
	<hr/>	<hr/>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$15,006,650</u>	 <u>\$14,612,739</u>

**Muscatine Power and Water - Water Utility**  
**Statements of Cash Flows**  
**August 2007**

	<b><u>Current Month</u></b>	<b><u>Year- To-Date</u></b>
Cash flows from operating activities:		
Cash received from water sales	\$422,562	\$2,730,368
Cash paid to/for:		
Suppliers	(54,633)	(922,646)
Employees payroll, taxes and benefits	(139,821)	(1,305,085)
Other	<u>34,754</u>	<u>135,624</u>
Net cash flows from operating activities	<u>262,862</u>	<u>638,261</u>
Cash flows from capital and related financing activities:		
Capital expenditures, net	<u>(88,261)</u>	<u>(467,311)</u>
Net cash flows from capital and related financing activities	<u>(88,261)</u>	<u>(467,311)</u>
Cash flows from investing activities:		
Interest received on investments	1,077	78,329
Accrued interest purchased	---	(11,426)
Amortization/accretion of investments	2,994	10,470
Mark to market	<u>1,098</u>	<u>3,025</u>
Net cash flows from investing activities	<u>5,169</u>	<u>80,398</u>
Net increase in cash and investments	<u>179,770</u>	<u>251,348</u>
Cash and investments at beginning of period	<u>1,919,466</u>	<u>1,847,888</u>
Cash and investments at end of period	<u><u>\$2,099,236</u></u>	<u><u>\$2,099,236</u></u>



**Muscatine Power and Water - Water Utility**  
**Statements of Cash Flows**  
**August 2007**

	<b><u>Current</u></b> <b><u>Month</u></b>	<b><u>Year-</u></b> <b><u>To-Date</u></b>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$58,474	\$235,669
Noncash item in operating income:		
Depreciation of utility plant	45,766	366,128
Changes in assets and liabilities:		
Consumer accounts receivable	38,519	14,018
Inventories	(5,546)	(10,901)
Prepaid and deferred expenses	1,335	(10,241)
Accounts payable	84,691	66,031
Pension provision	4,048	(16,191)
Health insurance provision	1,124	11,778
Intercompany payable	29,047	(5,303)
Retained Percentage on Contracts	---	10,962
Consumer advances for construction	(2,117)	30,426
Accrued payroll	12,963	(35,575)
Accrued vacation	(1,364)	(7,035)
Miscellaneous accrued expenses	(4,078)	(11,505)
	<u>\$262,862</u>	<u>\$638,261</u>
Net cash flows from operating activities	<u>\$262,862</u>	<u>\$638,261</u>

**Muscatine Power and Water - Water Utility**  
**Summary of Expenses**  
**Current Month - August 2007**

<u>Source of Supply</u>	<u>Budget Est.</u>		<u>This Year</u>		<u>Last Year</u>	
Operation Supervision	\$2,044		\$2,242		\$3,511	
Operation Labor and Expenses	1,130		1,074		1,886	
Miscellaneous Expense	1,185		2,648		945	
Maintenance of Wells	37		---		---	
Maintenance of Supply Mains	988		1,024		---	
Depreciation	<u>4,711</u>		<u>4,580</u>		<u>4,033</u>	
 Total Source of Supply Expense	 <u>10,095</u>	 2.7	 <u>11,568</u>	 3.0	 <u>10,375</u>	 2.8
 <b><u>Pumping</u></b>						
Operation Supervision	2,375		2,644		3,434	
Fuel or Power Purchased	69,900		74,280		72,637	
Pumping Labor and Expenses	2,823		4,058		6,689	
Miscellaneous Expense	705		318		523	
Maintenance of Structures	192		133		35	
Maintenance of Pumping Equipment	7,955		4,445		7,670	
Depreciation	<u>3,777</u>		<u>3,536</u>		<u>3,176</u>	
 Total Pumping Expense	 <u>87,727</u>	 23.2	 <u>89,414</u>	 23.3	 <u>94,164</u>	 25.7
 <b><u>Water Treatment</u></b>						
Operation Supervision	2,475		2,759		3,532	
Chemicals	12,500		18,815		16,662	
Operation Labor and Expenses	11,014		11,153		10,741	
Miscellaneous Expense	418		451		150	
Maintenance of Structures	468		459		444	
Maintenance of Purification Equip.	1,946		2,485		1,427	
Depreciation	<u>2,303</u>		<u>2,324</u>		<u>2,264</u>	
 Total Water Treatment Expense	 <u>31,124</u>	 8.2	 <u>38,446</u>	 10.0	 <u>35,220</u>	 9.6
 <b><u>Distribution</u></b>						
Operation Supervision	2,456		2,675		3,496	
Storage Facilities Expense	2,499		2,979		1,498	
Trans. & Distr. Lines Expense	2,583		1,888		10,030	
Meter Expense	11,664		8,613		8,110	
Consumer Installation Expense	4,401		3,830		5,581	
Miscellaneous Expense	4,606		5,344		5,523	
Vehicle Expense	3,057		3,659		3,534	
Maintenance:						
Supervision	4,038		4,237		5,031	
Structures	100		24		35	
Reservoirs and Standpipes	200		12		6,055	
Mains	2,638		8,616		9,659	
Valves	6,813		5,758		3,455	
Meters	1,557		434		1,842	
Hydrants	1,407		3,702		762	
Miscellaneous Plant	1,694		1,662		2,283	
Vacation, Holiday, Sick Leave	8,531		9,325		9,528	
Depreciation	<u>25,204</u>		<u>25,338</u>		<u>24,631</u>	
 Total Distribution Expense	 <u>\$83,448</u>	 22.0	 <u>\$88,096</u>	 23.0	 <u>\$101,053</u>	 27.5

**Muscatine Power and Water - Water Utility**  
**Summary of Expenses**  
**Calendar Year-to-Date - August 2007**

	<u>Budget Est.</u>		<u>This Year</u>		<u>Last Year</u>	
<b><u>Source of Supply</u></b>						
Operation Supervision	\$15,854		\$14,726		\$19,589	
Operation Labor and Expenses	10,370		9,190		11,273	
Miscellaneous Expense	6,075		9,046		5,017	
Maintenance of Wells	72,300		737		69,700	
Maintenance of Supply Mains	8,469		10,379		3,773	
Depreciation	<u>37,691</u>		<u>36,640</u>		<u>32,264</u>	
Total Source of Supply Expense	<u>150,759</u>	5.6	<u>80,718</u>	2.9	<u>141,616</u>	5.4
<b><u>Pumping</u></b>						
Operation Supervision	18,327		17,375		19,965	
Fuel or Power Purchased	525,900		562,695		555,914	
Pumping Labor and Expenses	23,809		35,790		37,293	
Miscellaneous Expense	5,638		2,901		3,238	
Maintenance of Structures	1,537		1,302		35	
Maintenance of Pumping Equipment	67,575		26,738		69,103	
Depreciation	<u>30,218</u>		<u>28,288</u>		<u>25,408</u>	
Total Pumping Expense	<u>673,004</u>	24.8	<u>675,089</u>	24.0	<u>710,956</u>	27.2
<b><u>Water Treatment</u></b>						
Operation Supervision	18,996		18,245		20,669	
Chemicals	100,000		138,110		109,866	
Operation Labor and Expenses	87,589		96,330		82,146	
Miscellaneous Expense	4,761		6,785		5,315	
Maintenance of Structures	5,772		4,377		2,096	
Maintenance of Purification Equip.	13,519		16,466		13,862	
Depreciation	<u>18,424</u>		<u>18,592</u>		<u>18,112</u>	
Total Water Treatment Expense	<u>249,061</u>	9.2	<u>298,905</u>	10.6	<u>252,066</u>	9.6
<b><u>Distribution</u></b>						
Operation Supervision	18,710		17,896		20,802	
Storage Facilities Expense	16,132		15,163		11,385	
Trans. & Distr. Lines Expense	40,348		36,911		42,471	
Meter Expense	87,151		74,140		69,193	
Consumer Installation Expense	32,281		29,344		32,695	
Miscellaneous Expense	34,998		41,184		33,912	
Vehicle Expense	24,428		26,235		22,670	
Maintenance:						
Supervision	30,449		29,197		31,085	
Structures	800		493		279	
Reservoirs and Standpipes	9,300		197		6,135	
Mains	52,435		103,513		41,791	
Valves	51,346		38,638		36,239	
Meters	11,526		7,912		15,643	
Hydrants	10,133		12,191		8,700	
Miscellaneous Plant	13,569		14,923		10,488	
Vacation, Holiday, Sick Leave	83,327		85,603		85,920	
Depreciation	<u>201,636</u>		<u>202,704</u>		<u>197,048</u>	
Total Distribution Expense	<u>\$718,569</u>	26.5	<u>\$736,244</u>	26.2	<u>\$666,456</u>	25.5

**Muscatine Power and Water - Water Utility**  
**Summary of Expenses**  
**Current Month - August 2007**

	<u>Budget Est.</u>		<u>This Year</u>		<u>Last Year</u>	
<b><u>Customer Service Expense</u></b>						
Customer Information Expense	\$1,749	0.5	\$3,076	0.8	\$3,544	1.0
<b><u>Consumer Accounts</u></b>						
Supervision	751		862		989	
Meter Reading Expense	3,000		2,718		3,041	
Consumer Records and Collection	10,656		11,780		11,227	
Uncollectible Accounts Expense	358		358		367	
Vacation, Holiday, Sick Leave	1,020		994		840	
<b>Total Consumer Accounts Expense</b>	<b>15,785</b>	<b>4.2</b>	<b>16,712</b>	<b>4.4</b>	<b>16,464</b>	<b>4.5</b>
<b><u>Administrative and General</u></b>						
Administrative and General Salaries	13,834		13,136		14,637	
Office Supplies and Expenses	1,407		1,378		1,327	
Outside Services Employed	1,570		2,264		1,128	
Property Insurance	824		682		788	
Casualty Ins, Injuries & Damages	3,109		1,585		3,102	
Employee Pensions and Benefits	39,823		38,464		40,921	
Fringe Benefits Charged to Constr.	(5,128)		(3,154)		(4,476)	
Miscellaneous General Expense	6,669		6,163		4,768	
Rents	5,103		5,103		5,790	
Maintenance of General Plant	1,397		1,006		1,335	
Vacation, Holiday, Sick Leave	1,368		1,249		1,486	
Depreciation	11,328		9,988		11,199	
<b>Total Administrative and General</b>	<b>81,304</b>	<b>21.5</b>	<b>77,864</b>	<b>20.3</b>	<b>82,005</b>	<b>22.4</b>
<b>Total Operating Expense</b>	<b>\$311,232</b>		<b>\$325,176</b>		<b>\$342,825</b>	
<b>Percent to Operating Revenue</b>		<b>82.2</b>		<b>84.8</b>		<b>93.5</b>

**Muscatine Power and Water - Water Utility**  
**Summary of Expenses**  
**Calendar Year-to-Date - August 2007**

	<u>Budget Est.</u>		<u>This Year</u>		<u>Last Year</u>	
<b><u>Customer Service Expense</u></b>						
Customer Information Expense	<u>\$23,024</u>	0.8	<u>\$10,866</u>	0.4	<u>\$16,422</u>	0.6
<b><u>Consumer Accounts</u></b>						
Supervision	5,943		6,734		6,423	
Meter Reading Expense	24,911		25,462		24,105	
Customer Records and Collection	82,992		83,968		83,485	
Uncollectible Accounts Expense	2,868		2,868		2,936	
Vacation, Holiday, Sick Leave	<u>10,067</u>		<u>11,006</u>		<u>10,758</u>	
Total Consumer Accounts Expense	<u>126,781</u>	4.7	<u>130,038</u>	4.6	<u>127,707</u>	4.9
<b><u>Administrative and General</u></b>						
Administrative and General Salaries	96,799		97,311		102,740	
Office Supplies and Expenses	11,369		11,439		10,926	
Outside Services Employed	20,184		13,650		11,053	
Property Insurance	6,485		5,777		6,203	
Casualty Ins, Injuries & Damages	24,861		19,487		21,744	
Employee Pensions and Benefits	322,828		315,045		307,610	
Fringe Benefits Charged to Constr.	(36,409)		(18,462)		(36,201)	
Miscellaneous General Expense	61,547		53,512		54,495	
Rents	40,824		40,824		46,320	
Maintenance of General Plant	10,200		9,791		10,890	
Vacation, Holiday, Sick Leave	12,891		14,088		15,920	
Depreciation	<u>90,624</u>		<u>79,904</u>		<u>89,592</u>	
Total Administrative and General	<u>662,203</u>	24.4	<u>642,366</u>	22.9	<u>641,292</u>	24.5
Total Operating Expense	<u>\$2,603,401</u>		<u>\$2,574,226</u>		<u>\$2,556,515</u>	
Percent to Operating Revenue		96.1		91.6		97.7

**Muscatine Power and Water - Water Utility**  
**Statistical Data**  
**Current Month - August 2007**

	<u>2007</u>		<u>2006</u>	
	<u>Pumped</u>	<u>Sold</u>	<u>Pumped</u>	<u>Sold</u>
Average Revenue Per 1,000 Gallons	0.387	0.398	0.399	0.393
Cost Per 1,000 Gallons	<u>0.330</u>	<u>0.339</u>	<u>0.377</u>	<u>0.371</u>
Margin	<u>0.057</u>	<u>0.059</u>	<u>0.022</u>	<u>0.022</u>
	<u>2007</u>		<u>2006</u>	
Maximum Daily Water Pumped (1,000 gallons)	36,928	37,764		
Date of Maximum	08/06	08/05		

**Calendar Year-to-Date**

	<u>2007</u>		<u>2006</u>	
	<u>Pumped</u>	<u>Sold</u>	<u>Pumped</u>	<u>Sold</u>
Average Revenue Per 1,000 Gallons	0.402	0.411	0.396	0.412
Cost Per 1,000 Gallons	<u>0.370</u>	<u>0.378</u>	<u>0.388</u>	<u>0.405</u>
Margin	<u>0.032</u>	<u>0.033</u>	<u>0.007</u>	<u>0.008</u>
	<u>2007</u>		<u>2006</u>	
Maximum Daily Water Pumped (1,000 gallons)	37,868	37,764		
Date of Maximum	06/14	08/05		

**Services**

Contract Customers	2	2
Power Plants	2	2
Residential	8,453	8,388
Commercial	<u>1,102</u>	<u>1,090</u>
Total	<u>9,559</u>	<u>9,482</u>

**Water Utility**  
**Review of Operating Results**  
**August 2007**

**MUSCATINE POWER AND WATER - WATER UTILITY**  
**REVIEW OF YEAR-TO-DATE OPERATING RESULTS - AUGUST 31, 2007**  
**(Analysis of Financial Statements - Page 3)**

	Increase (Decrease) to Budgeted Net Assets	
<b>Sales of Water</b>		
Contract Customers	\$ 91,938	11.3% higher usage
Residential	9,405	3.2% higher average price
<b>Other Revenue</b>		
Merchandise & Job Sales-Net	(2,779)	Fewer billings for frozen meters and service repairs
Miscellaneous Revenue	1,546	Hydrant connection billing related primarily to 2006
<b>Operating Expense</b>		
Operation	(36,795)	Higher fuel/power purchased
	(38,110)	Higher price for chemicals
	(3,141)	Water treatment consulting service, not budgeted
	(2,907)	Pipe inventory adjustments
	(2,750)	Pipe disposal, not budgeted
	2,900	Customer service rules not expended
	4,140	Customer survey to take place in September
	4,500	Name & logo enhancement cancelled for 2007
	(1,188)	Enterprise security consultant, budgeted in 2006
	2,481	Lower legal fees
	(2,987)	Higher employee team training, budgeted in September
	1,600	Workforce development training to begin in September
	5,000	Distribution Study on Mad Creek Crossing
	(6,465)	Higher lawn care expense
	2,062	Lower employment expenses
	1,470	Annual report costs not expended
	1,296	Lower gasoline/diesel fuel usage
	(4,173)	More temporary services
	1,917	Fewer membership and subscriptions
	13,332	Lower workers compensation claims
	4,014	Lower FICA expense
	2,076	Lower health care costs
	(17,947)	Less fringe benefits charged to construction
Maintenance	71,563	Well cleaning to begin in September
	(1,910)	More time spent on maintenance of supply mains
	40,837	Pumping equipment repairs to coincide with well cleaning beginning in Sept.
	(2,947)	Higher cost for purification equipment repairs
	8,000	East Hill's reservoir tank cleaning may not be completed this year
	(51,078)	More main repairs than anticipated
	12,708	Fewer valve repairs than anticipated
	3,614	Less time spent on meter repairs
Depreciation	12,465	Fewer capital purchases in 2006 than estimated
<b>Interest Income</b>	3,027	Positive mark-to-market
	20,898	Higher fund balances than projected
	<u>7,307</u>	Other miscellaneous variances - net
	<u>\$ 154,919</u>	Total Increase in Budgeted Net Assets



## Statements of Revenues, Expenses and Changes in Net Assets

### Sales of Water

Total metered customers' usage is 8.3% greater than budget, resulting in \$101,240 higher revenue, primarily due to higher usage by contract customers.

Revenues are greater than 2006 due to 7.7% higher consumption and a 3.0% rate adjustment that was effective April 1, 2007.

### Other Revenue

#### Merchandise & Job Sales-Net

Billings to customers for frozen water meters and miscellaneous water service repairs have been less than anticipated.

#### Miscellaneous Revenue

A hydrant connection billing of \$1,546 occurred in January, which related primarily to 2006.

### Interest Income

Interest income is greater than the budget due to a positive mark-to-market adjustment of \$3,027, plus higher cash and investment balances.

## Balance Sheets

### Current Liabilities

#### Health Insurance Provision

Health care claims have been less than premiums accrued.

## Year-To-Date Summary of Expenses

The 2007 operating budget includes a 4% reduction in all accounts with a labor budget to adjust for less than full employment. This percentage was based on historical data reflecting the difference between actual labor expense and budgeted labor. The total adjustment through August is \$35,385.

### Source of Supply

#### Miscellaneous Expense

Lawn care expense at the well fields exceeds the budget by \$3,960. Labor expense was budgeted at \$1,355; actual labor expense is only \$201 so far this year.

#### Maintenance of Wells

The budget assumed five wells would be cleaned by the end of June. Well cleanings will begin in September and are anticipated to cost the same as budgeted.

#### Maintenance of Supply Mains

The distribution department charged \$3,238 in labor for meter rebuilds, but did not budget any expense. Total labor expense is higher than budget by \$1,856.

### Pumping

#### Fuel or Purchased Power

KWh usage was greater than budgeted due to low water conditions impacting the amount of energy required to pump, resulting in \$36,795 higher expense.

#### Pumping Labor and Expenses

The water production department's labor is greater than budgeted by \$9,399; the water distribution department did not budget to this account, but \$1,274 was expended through August.

#### Miscellaneous Expense

The water production department's labor is less than budgeted by \$4,165. Communications services are greater than the budget by \$1,212 through August.

#### Maintenance of Pumping Equipment

Labor and material expenses for pumping equipment repairs are below budget by \$12,325 and \$28,512, respectively. Pumping unit rebuilds will take place during well cleaning, which will begin in September.

### Water Treatment

#### Chemicals

Higher prices resulted in \$38,110 greater chemical expense than anticipated.

## Water Treatment (cont'd)

### Operation Labor and Expenses

Water treatment consulting service, costing \$3,141, was not included in the budget. Water sample kits, costing \$3,041, was expended in May; the budget spread the cost over the entire year. Labor expense is \$5,927 greater than budget, primarily due to the \$2,420 adjustment for less than full employment.

### Miscellaneous Expense

Fire-resistant clothing, costing \$2,828, was included in the budget at \$1,200.

### Maintenance of Structures

Material expenses for water treatment plant building repairs have been \$1,948 less than anticipated through August.

### Maintenance of Purification Equipment

Material expenses are higher than budget by \$2,457, primarily due to a chlorine booster pump rebuild that cost \$1,595

## Distribution

### Transmission & Distribution Lines Expense

The water distribution department's labor expense and total material expense are \$1,722 and \$3,183 lower than budget for the year, respectively. The adjustment for less than full employment is \$1,306.

### Meter Expense

Meter readers spent less time on meter installations/sealing meters and more time reading meters, resulting in \$21,183 less labor expense to this account; the metering department's labor expense is also lower than budgeted by \$2,068. The adjustment for less than full employment is \$3,467 through August; temporary labor services, costing \$5,166, were not budgeted; other materials expenses were \$1,641 greater than anticipated.

### Consumer Installation Expense

The water distribution and metering departments' labor expense is less than budget by \$2,144 and \$2,109, respectively. The adjustment for less than full employment is \$1,238 through August.

### Miscellaneous Expense

Stores inventory adjustments, mainly pipe inventory, resulted in \$2,907 higher expense. Pipe disposal that was not budgeted, cost \$2,750.

### Maintenance of Reservoirs and Standpipes

The budget includes \$8,000 to clean East Hill's outside reservoir tank, which may not be completed this year.

## Distribution (cont'd)

### Maintenance of Mains

Labor expense is \$24,728 higher than budget, primarily due to cold weather in February and March causing more water main breaks than anticipated. Material expense is \$26,350 greater than budget primarily due to reimbursing Iowa, Chicago, and Eastern Railroad \$9,664 for costs incurred related to a water main break at Iowa Avenue, and \$14,981 for contracted asphalt patching throughout the city.

### Maintenance of Valves

Fewer valve replacements than anticipated resulted in \$10,357 lower material expense.

### Maintenance of Meters

Labor expense is \$5,374 lower and material expense is \$1,760 greater than budget through August.

### Maintenance of Hydrants

Labor and material expenses are both higher than budgeted by \$1,403 and \$655, respectively.

## Customer Service Expense

### Customer Information Expense

The following expenses are higher/(lower) than budget:

Name & logo enhancement, cancelled	(\$4,500)
Media advertising	(\$777)
Promotional/educational materials	\$1,004
Customer service rules	(\$2,900)
Postage	(\$1,429)
Customer survey	(\$4,140)

## Administrative and General

### Outside Services Employed

The following expenses are higher/(lower) than budget:

Legal fees	(\$2,481)
IS application consulting	(\$800)
Workforce development training	(\$1,600)
Contact center health check	(\$720)
Distribution Study on Mad Creek Crossing	(\$5,000)
Enterprise security consultant	\$1,188
ROC training	\$2,987

### Casualty Ins, Injuries & Damages

Workers compensation claims are lower than budget by \$13,332. Damages caused by the June tornado, which were allocated to the Water Utility, amounted to \$7,965.

Administrative and General (cont'd)

Employee Pensions and Benefits

The following expenses are higher/(lower) than budget:

IPERS	(\$542)
Health care	(\$2,076)
FICA	(\$4,014)
Deferred compensation match	(\$391)
Unemployment	(\$300)

Fringe Benefits Charged to Construction

Less time has been charged to capital projects than projected.

Miscellaneous General Expense

The following expenses are higher/(lower) than budget:

Labor	(\$2,697)
Employment expenses	(\$2,062)
Memberships/subscriptions	(\$2,018)
Hazardous waste disposal	(\$600)
Annual report	(\$1,470)
ROC team	\$1,124
Travel	(\$758)

Depreciation

Depreciation is lower than budget due to fewer hardware and software acquisitions in 2006 than estimated in the budget. 2006 depreciation is higher than 2007 due to the retirement of the SCADA system in 2006 at a much higher cost than the replacement system.

**Water Utility  
Balance Sheet Review  
August 2007**

	<u>2007</u>	<u>2006</u>
<b><u>Current Assets</u></b>		
<b><u>Receivables - Consumer Accounts</u></b>		
Customer Water Accounts	\$444,826	\$424,457
Merchandise Accounts	5,297	11,508
Allowance for Doubtful Accounts	<u>(7,663)</u>	<u>(6,527)</u>
	<u>\$442,460</u>	<u>\$429,438</u>
<b><u>Inventories</u></b>		
Inventory	\$212,463	\$224,804
Stores Expense (a/c 163)	<u>2,616</u>	<u>(1,320)</u>
	<u>\$215,079</u>	<u>\$223,484</u>
<b><u>Prepaid Expenses</u></b>		
Prepaid Insurance	\$12,612	\$13,598
Other	<u>7,253</u>	<u>5,688</u>
	<u>\$19,865</u>	<u>\$19,286</u>
<b><u>Current Liabilities</u></b>		
<b><u>Customer Advances for Construction</u></b>		
City of Muscatine-Southend Water Main	\$1,021,484	\$1,021,684
Others	<u>1,263,848</u>	<u>1,355,618</u>
	<u>\$2,285,332</u>	<u>\$2,377,302</u>
<b><u>Miscellaneous Accrued Expenses</u></b>		
Sales/Use Tax Collections Payable	\$7,063	\$5,637
Payroll Tax Collections Payable	6,237	7,071
Employee Payroll Deductions	2,662	---
Workers' Comp Self Insurance Reserves	3,508	13,054
Comp Time Payable	<u>2,105</u>	<u>2,801</u>
	<u>\$21,575</u>	<u>\$28,563</u>
<b><u>Accounts Payable</u></b>		
Electric Bills	\$76,370	\$74,988
Boche Plumbing - water main replacement	---	20,587
Champs Software - software	---	1,160
Coca Lawn Care Services - lawn care	2,128	---
E&H Restoration - reservoir rpr	---	97,275
Hagerty Lawn Care - lawn care	---	1,900
Harcros Chemicals - chemicals	4,743	9,943
HD Supply Waterworks - parts	3,566	---
Hupp Electric - motor	55,772	---
Hybrand Industrial Contractor - well #39	21,146	21,146
Iowa Assoc of Water Agencies - reports	---	1,426
Market Strategies - customer survey	---	1,578
National Waterworks - valves	---	1,408
RK Dixon - scanner	---	1,895
Sims Pump Valve Co - pump repair	1,598	---
Smith-Blair - sensor	1,172	---
Utility Equipment - parts	13,699	6,857
Wellmark - health ins	1,657	29,976
Wending Quarries - road stone	1,414	593
Other	<u>8,236</u>	<u>3,089</u>
	<u>\$191,501</u>	<u>\$273,821</u>