EAGLE WATER COMPANY

FINANCIAL FORECASTING REQUIREMENTS

Basic Parameters

Budgets are to reflect costs which are attainable by efficient operations and income which can be realized under the conditions which are expected to prevail during the budget period.

Budgets are to be prepared from basic data such as unit sales prices, wage rates, manpower requirements, and material prices.  These data are to be developed from a thorough study and knowledge of the probable requirements and the conditions expected to prevail for the budget period.

Budgets are to be prepared in sufficient detail to permit adequate explanation.

Capital Construction Budgets are to be prepared in detail by specific planned capital acquisitions, with a practical minimum included for miscellaneous capital expenditures.

Working Capital Budgets (cash flow projections, source and application) are to be based on the approved operating and capital expenditures budgets.

Working Capital Budgets (cash flow projections, source and application) are to reflect planned changes in inventory levels and estimated changes in accounts receivable and payable.

Working Capital Budgets (cash flow projections, source and application) are to reflect planned short- and long-term financing.

Basic Assumptions

Eagle Water Company (Eagle) should prepare and submit to the Commission a Statement Of Basic Assumptions used in preparation of the budgets.  These basic assumptions should state the company objectives for profits, growth, and financial position for the budget period.  They should also set forth a rather detailed explanation of contemplated general economic and specific growth conditions.  Information should also be supplied as to conditions which may influence sales, growth, water management policies, federal and state water polices, Eagle City expansion and growth policies, wage and salary levels, and building and equipment construction and acquisition cost trends.  In short, they should cover all factors which would affect planning for the budget period.  When using factors developed by other organizations such as projections for growth in the Eagle area the Organization and/or publication should be identified so the assumptions can be verified.  Basic assumptions and budgets should be prepared using the Full Disclosure Principle that calls for reporting of any facts significant enough to influence the judgment of an informed reader.

Reports

Capital Budget showing Cost and Time lines for next five (5) years showing plant additions, replacement, repairs, retirements, major office equipment purchases, etc.

Sales Budget that establishes sales objectives for each month of 1996 and annually for five (5) year budget.  The Sales Budget should provide basic data for use in budgeting profit or loss for the company: serve as a guide in the preparation of working capital and capital expenditures budgets: and provide basic data for determining future requirements for inventories, purchases, facilities, and personnel.

Working Capital Budget (cash flow projections, source and application) that shows in detail cash sources and uses both long-term and short-term by month of 1996 and annually for five (5) years.

Pro forma financial statements including balance sheets, income statements and owner equity for five years.

Loan schedule showing all existing and pro forma loans include date of loan, principals, interest rate, interest due and payment schedule for five (5) years.

Provide a list of all contingencies, commitments, special transactions and events, credit claims, tax audits etc. along with the possible impact of each on the water company.  Because the construction company is part of the water company and has never been legally separated include all contingencies, commitments, special transactions and events, credit claims, tax audits etc associated with the construction company along with the possible impact of each.