

Eastsound Water Users Association Treasurer's Report

Tenar Hall
Secretary-Treasurer

February, 2023

This month's Treasurer Report is based solely on information from records that I have direct access to which are the checking account statements and the budget passed during the December 6th, 2022 Special Meeting. I, the elected Secretary-Treasurer, currently have no direct access to financial reports from the accounting software and no means to directly view the general ledger. I only put my name on numbers I can stand by, and I'd really rather have access to the necessary information to generate an actionable and useful report.

During the December, 6th meeting, prior to my being elected as Secretary-Treasurer, the EWUA Board approved a 24th-Month Budget and then set the 2023 rates based on that budget. The following table provides the Budget vs Actual for the total cash on hand at the end of 2022 and shows that **we began the cycle off-budget with a deficit of \$114,026.37.**

Table 1: Budget vs Actual for the Total Cash-on-Hand for 2022 Year-End.

Budget	\$951,518.00
Actual	\$837,491.37
Δ	-\$114,026.37

I believe a \$114,026.37 discrepancy warrants further investigation, especially considering the board set rates using these numbers, however, I am unable to investigate the matter with my current level of access. Bank statements do not provide sufficient details of the organization's cash flow. The December 2022 bank statement is attached to provide an example of the limited information bank statements provide and to allow the board to verify our 2022 end-of-year status.

Without the means to investigate, the possibilities I see for the -\$114,026.37 discrepancy are:

- 1) The accounting numbers used to write the budget were off by a significant amount.
- 2) Mishandled funds.
- 3) Major unexpected expenses.
- 4) Significant prediction error.

If the \$114,026.37 discrepancy is due to prediction error, it is worthwhile to point out that the budget was passed in December and thus should have required at most two months of predictions, assuming a 30-day lag-time for bookkeeping. The following analysis shows if the budget is based on one month of predictions there is a prediction error of 79% on December's expenses. Even if we assume two months of predictions we have a prediction error of 48%. Therefore I highly recommend EWUA examines and improve its prediction methods.

Table 2: Budgeted Estimated Income and Expenses for 2022

Income	\$1,754,713
Operational Expense	\$1,428,548
Capital Expense	\$530,227
Land and Housing Expense	\$162,274
Total Expense	\$2,121,049

Table 3: Estimated Average Net Loss per Time Period for the year of 2022.

Time Period Length	Amount
One Month	\$30,528.02
Two Months	\$61,056.04

Table 4: Estimated Prediction Error per Time Period in 2022

Time Period Length	Est Avg Loss	Error	Adjusted Avg Loss	Prediction Error %
One Month	\$30,528.02	\$114,026.37	\$144,554.39	79%
Two Months	\$61,056.04	\$57,013.19	\$118,069.23	48%

Considering the small size of our member-owned company, I do not believe EWUA can afford to make financial decisions with this level of inaccuracy and it would be negligent to attempt to do so.

I'm a trained mathematician and have the skills to develop financial models and make predictions, provided I have reasonable data to work with. Before I held an officer position, I would have been happy to do modeling and predictions with reports provided by the General Manager or an Officer, trusting that the proper oversight process was in place. However, it is the Secretary-Treasurer's duty to ensure that the numbers supporting the models and predictions are as sound as possible.

If the \$114,026.37 discrepancy is not due to prediction error, then it is the duty of the Secretary-Treasurer to determine what happened to the missing money. That duty requires direct access to all financial reports and statements as well as the general ledger.