Financial Health Checkup for Water Utilities

A new Excel®-based tool by the EFC-UNC

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Objectives

Leave the webinar…

- knowing how to translate data in your financial statements to indicators that assess the overall financial health of your utility fund
- familiar with the Financial Health Checkup for Water Utilities tool and how to use it
- able to interpret the indicator values to determine the strengths and weaknesses of the utility fund

Can You Sleep at Night?

Is your system self sufficient?	Operating Ratio
Are you able to cover your debt service after paying for your day to day operations?	Debt Service Coverage Ratio
If your customers stop paying their bills, how long can you maintain operations?	Days Cash on Hand
Can your system meet its short term obligations?	Current Ratio
How much of your system's expected life has already run out?	Asset Depreciation

Whiteboard Video:
Financial Benchmarking for Water Utilities

http://www.waterrf.org/Pages/Projects.aspx?PID=4366

Recording of Prior Webinar: Key Financial Indicators

http://efcnetwork.org/events/webinar-is-your-water-system-financially-healthy-key-financial-indicators/

Quick Review of Key Financial Indicators

Operating Ratio

Current Ratio

Debt Service Coverage Ratio

Days of Cash on Hand

Asset Depreciation

Is your system self-sufficient?

Operating Ratio

$$\frac{\text{OPERATING REVENUES}}{\text{OPERATING EXPENSES}}$$

Include or Exclude

DEPRECIATION

ANNUAL COST OF WEAR AND TEAR ON THE SYSTEM

Read more: http://efc.web.unc.edu/2015/02/27/operating-ratio/

Are you able to cover your debt service after paying for your day to day operations?

Debt Service Coverage Ratio

$$\frac{\text{OPERATING REVENUES} - \text{OPERATING EXPENSES (EXCLUDING DEPRECIATION)}}{\text{PRINCIPAL} + \text{INTEREST PAYMENTS ON LONG TERM DEBT}}$$

Read more: http://efc.web.unc.edu/2015/04/23/debt-service-coverage-ratio/

Can your system meet its short term obligations?

Current Ratio

$$\frac{\text{UNRESTRICTED CURRENT ASSETS EXCLUDING INVENTORIES AND PREPAID ITEMS}}{\text{CURRENT LIABILITIES}}$$

Read more: http://efc.web.unc.edu/2015/10/01/key-indicator-current-ratio/

If your customers stop paying their bills, how long can you maintain operations?

Days Cash on Hand

UNRESTRICTED CASH AND INVESTMENTS

OPERATING EXPENSES EXCLUDING DEPRECIATION & AMORTIZATION / 365

Read more: http://efc.web.unc.edu/2015/06/24/days-cash-on-hand/

How much of your system's expected life has already run out?

Asset Depreciation

$$= \frac{Accumulated\ Depreciation}{Gross\ Plant\ and\ Equipment}$$

Caveat: this indicator is only as accurate as your depreciation schedule, and even then historic pricing is likely to distort the results.

Where Do We Get Started?

- Local governments: audited financial statements
- Non-governments: balance sheets, shareholder reports, annual reports, etc.

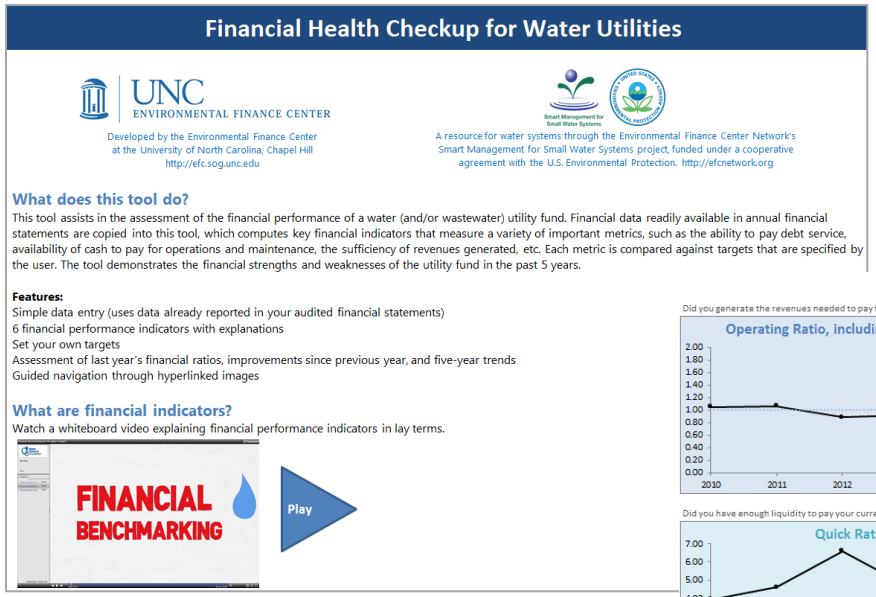
BAVARIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Water and Sewer Enterprise Fund
Assets	
Current Assets:	
Cash - operating	$ 368,061
Accounts Receivable (Net)	66,346
Prepaid Insurance	5,856
Total Current Assets	640,263
Noncurrent Assets:	
Restricted cash	177,208
Capital assets	
Land	209,556
Buildings	22,982
Improvements other than buildings	5,873,769
Machinery and equipment	896,073
Construction in progress	1,454,079
Less: Accumulated depreciation	(2,883,225)
Deferred Charge	30,833
Total noncurrent assets	5,781,215
Total Assets	6,421,478
Liabilities	
Current Liabilities:	
Accounts Payable	21,090
Accrued Expenses	2,767
Due to Other Funds	8,176
Customer Deposits	62,625
Deferred Subsidy Revenue	460,005
Current Portion of Long Term Debt	343,811
Total Current Liabilities	898,474
Noncurrent Liabilities:	
Compensated Absenses	15,605
Revenue Bonds (Net of current portion)	233,357
Notes Payable (Net of current portion)	640,873
Total Noncurrent Liabilities	889,925
Total Liabilities	1,788,399
Fund Net assets	
Invested in capital assets, net of related debt	4,355,133
Restricted for debt service	114,583
Unrestricted	163,363
Total fund net assets	$ 4,633,079

Financial Health Checkup for Water Utilities

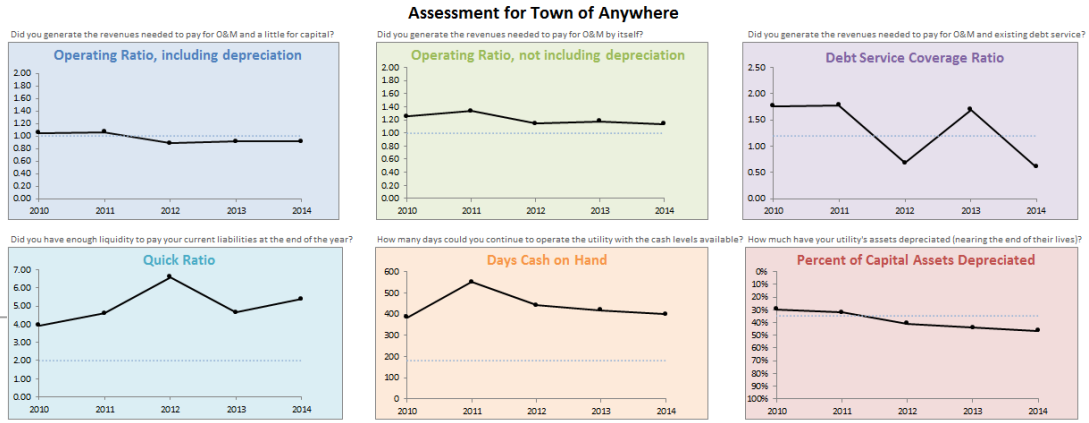
http://efc.sog.unc.edu or http://efcnetwork.org

Find the most up-to-date version in Resources / Tools



Excel®- based tool

Free to use

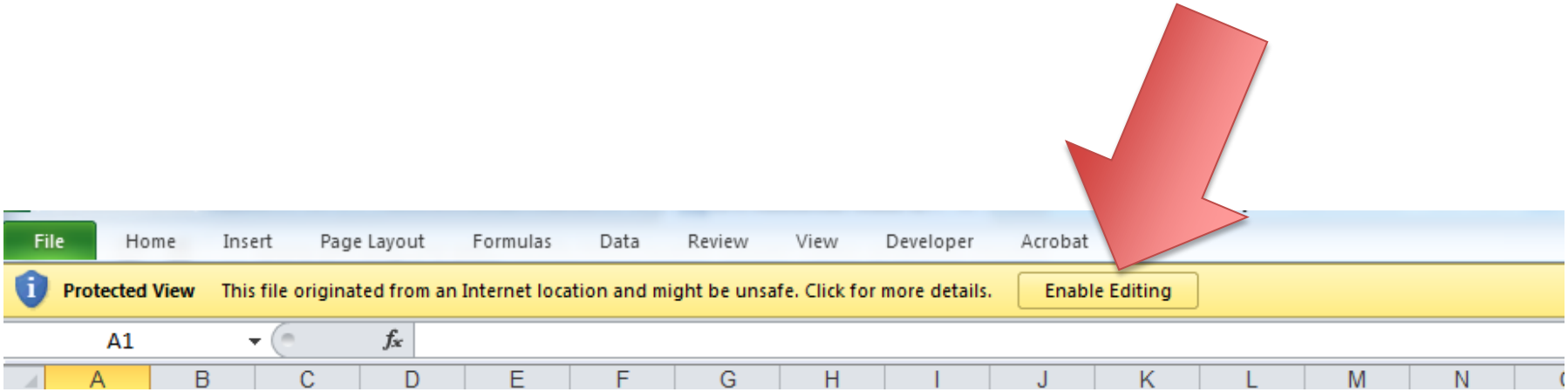


Created by the Environmental Finance Center at the University of North Carolina, Chapel Hill's School of Government

A resource for water systems from the EFCN's Smart Management for Small Water Systems project

funded under a cooperative agreement with the U.S. E.P.A.

Tip: when you first use this file after downloading from our website, click on “Enable Editing” at the top



Demonstration of the tool

with examples from small water systems

Interpretation of the results and discussion

Direct link to the tool:
http://www.efc.sog.unc.edu/reslib/item/financial-health-checkup-water-utilities

Thank You

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C.E.U.s and evaluation form

Additional resources:

Download more tools and resources
View your state's funding programs matrix
Attend in-person workshops or webinars
Sign up for direct technical assistance
http://efcnetwork.org

Sign up for blog posts for small water systems

http://efcnetwork.org/small_systems_blog/

Sign up for blog posts on *Environmental Finance*

http://efc.web.unc.edu