



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/>



Key Financial Indicators

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www.efcnetwork.org





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

OPERATING REVENUES



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

OPERATING REVENUES – OPERATING EXPENSES
(EXCLUDING DEPRECIATION)

PRINCIPAL + INTEREST PAYMENTS
ON LONG TERM DEBT

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

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Can your system meet its short term obligations?



Current Ratio

**UNRESTRICTED CURRENT ASSETS
EXCLUDING INVENTORIES AND
PREPAID ITEMS**

CURRENT LIABILITIES

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

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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/>

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



Asset Depreciation

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

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	\$ 568,001
Accounts Receivable (Net)	60,346
Prepaid Insurance	5,856
Total Current Assets	640,203
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	39,833
Total noncurrent assets	5,781,215
Total Assets	6,421,418
Liabilities	
Current Liabilities:	
Accounts Payable	21,090
Accrued Expenses	2,767
Due to Other Funds	8,176
Customer Deposits	62,625
Deferred Subsidy Revenue	460,505
Current Portion of Long Term Debt	343,811
Total Current Liabilities	899,474
Noncurrent Liabilities:	
Compensated Absences	15,605
Revenue Bonds (Net of current portion)	233,357
Notes Payable (Net of current portion)	646,833
Total Noncurrent Liabilities	895,800
Total Liabilities	1,795,274
Fund Net assets	
Invested in capital assets, net of related debt	4,355,133
Restricted for debt service	114,583
Unrestricted	163,361
Total fund net assets	\$ 4,633,077

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

Financial Health Checkup for Water Utilities



Developed by the Environmental Finance Center at the University of North Carolina, Chapel Hill <http://efc.sog.unc.edu>




A resource for water systems through the Environmental Finance Center Network's Smart Management for Small Water Systems project, funded under a cooperative agreement with the U.S. Environmental Protection. <http://efcnetwork.org>

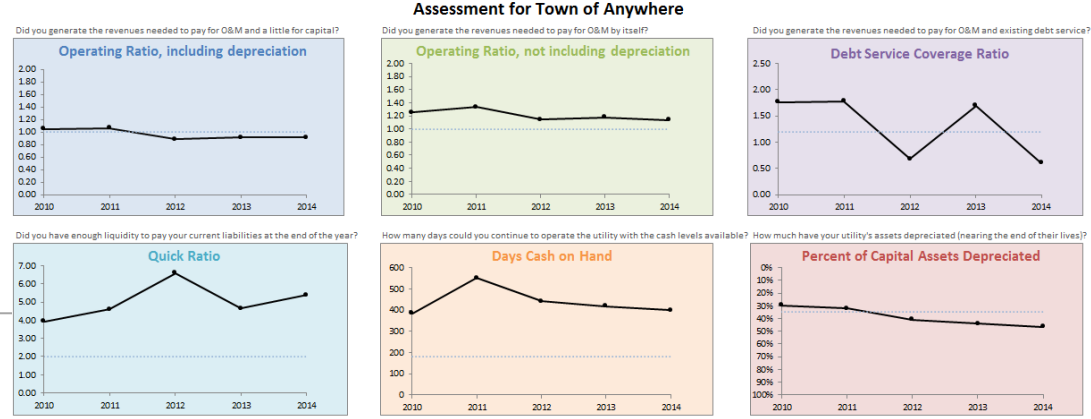
What does this tool do?
 This tool assists in the assessment of the financial performance of a water (and/or wastewater) utility fund. Financial data readily available in annual financial statements are copied into this tool, which computes key financial indicators that measure a variety of important metrics, such as the ability to pay debt service, availability of cash to pay for operations and maintenance, the sufficiency of revenues generated, etc. Each metric is compared against targets that are specified by the user. The tool demonstrates the financial strengths and weaknesses of the utility fund in the past 5 years.

Features:
 Simple data entry (uses data already reported in your audited financial statements)
 6 financial performance indicators with explanations
 Set your own targets
 Assessment of last year's financial ratios, improvements since previous year, and five-year trends
 Guided navigation through hyperlinked images

What are financial indicators?
 Watch a whiteboard video explaining financial performance indicators in lay terms.



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
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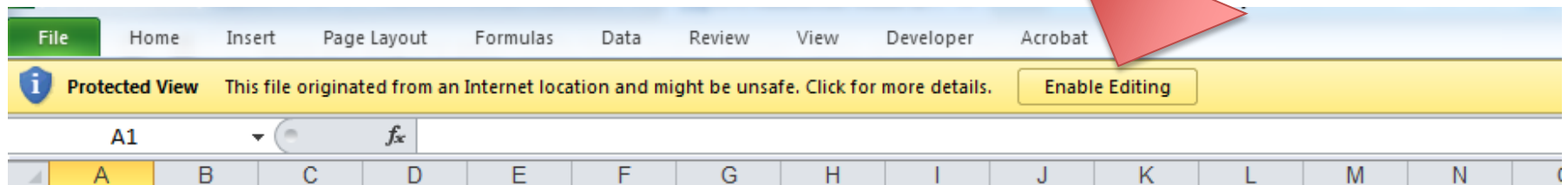


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Demonstration of the tool with examples from small water systems

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_water_systems_blog/

Sign up for blog posts on *Environmental Finance*

<http://efc.web.unc.edu>

