

December 11, 2015

Water and Sewer Authority – FY 14-15 Financial Statements

The FY 14-15 financial audit presented fairly and represented an unqualified opinion from the auditors.

However, the Stanly County Water and Sewer Authority (SWSA) finished FY 14-15 with a decrease in net assets of \$386,988. Further, cash flow is a significant concern. In fact, the Local Government Commission (LGC) sent the Water & Sewer Authority a letter this week expressing concerns with the unit's financial sustainability.

The Authority's capital assets make up the overwhelming majority of its entire assets. Thus, the Authority has no liquid assets or cash reserves.

On a modified accrual budgetary basis, which **excludes** capital and related financing activities as well as depreciation, the Water & Sewer Authority's expenses exceeded revenues by \$188,526. As such, the Water & Sewer Authority did not maintain positive cash flow in FY 14-15.

The Water & Sewer Authority's net revenues (*all charges for services, investment income and miscellaneous income less operating expenditures not including mandated debt service*) were not sufficient to cover the Authority's debt service obligations. Per the Authority's USDA revenue bond covenants, net revenue must be 110% of the annual debt service. The Authority's net revenue in FY 14-15 was only 42% of its debt service obligations.

The Authority's current outstanding debt totals slightly over \$7.45 million. The Authority's debt service increased fairly significantly in FY14-15 due to an increase in principal associated with the Cottonville area project. The debt service requirement will stabilize in FY 15-16, but increase by approximately \$37,000 in FY 16-17 as a result of the full principal accrual for the Mission area project.

Given the solvency issues and the concerns raised by the LGC, it will be important to monitor budgetary cash flow over the next couple fiscal years before incurring additional long-term debt obligations associated with major capital projects.

Property Tax Collections Update

As of November 30 the real property tax collection rate was 67.56%. This rate is 1.23 percentage points higher than the reported rate at the end of November 2014.

The vehicle property tax collection rate is averaging 99.02% through four (4) months in FY 15-16.

The Tax Collections staff executed 307 past due, enforced collection remedies during November. This is an increase of 7% over the same time period last fiscal year.

FY 15-16 Sales Tax Update

Sales tax revenues for October 2015 (December report) were \$4,850 (0.71%) higher than September 2015 (November report).

Further, October 2015 sales tax revenues were \$53,226 (8.4%) higher than the same revenues in October 2014.

Additionally, when comparing sales tax results for the first four (4) months of FY 15-16 versus the same time period in FY 14-15, revenues are up \$267,650 (11%).

Staff will continue to monitor sales tax revenues on a monthly basis and provide updates to the Board.

Upcoming Meetings & Events

Regular Board Meeting

Monday, January 4

7:00 PM

Commons Meeting Room