

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H.B. 238
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HOUSE DRH80073-LM-61B (02/21)

Short Title: Maintaining Water & Sewer Fiscal Health. (Public)

Sponsors: Representatives Cleveland and Dockham (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROTECT THE FISCAL HEALTH OF NORTH CAROLINA'S WATER AND
3 SEWER SYSTEMS.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 159-181 is amended by adding a new subsection to read as
6 follows:

7 "(d) The Local Government Commission shall have authority to impound the books and
8 records associated with the water and/or sewer enterprise system of any unit of local
9 government or public authority, assume full control of all its affairs, or take any lesser actions
10 deemed necessary by the Commission when, for three consecutive fiscal years, the audited
11 financial statements of the unit or public authority demonstrate that the unit or public authority
12 meets any one of the following three criteria: (i) the enterprise system experienced negative
13 working capital; (ii) the enterprise system experienced a quick ratio of less than 1.0; or (iii) the
14 unit or public authority experienced a net loss of revenue in the enterprise system using the
15 modified accrual budgetary basis of accounting. Before the Commission assumes full control of
16 an enterprise system as described in this subsection, it must find that the impact of items (i)
17 through (iii) threatens the financial stability of the unit or public authority, and that the unit or
18 public authority has failed to make corrective changes in its operation of the enterprise system
19 after having received notice and warning from the Commission. The notice and warning may
20 occur prior to the expiration of the three-year period. When the Commission takes action under
21 this section, the Commission is vested with the powers of the governing board as the
22 Commission shall deem necessary, which may include all powers of the governing board as to
23 the operation of the enterprise system, including, but not limited to, setting rates, negotiating
24 contracts, collecting payments that are due, suspending service to nonpaying customers,
25 resolving disputes with third parties, and transferring the ownership of the enterprise system.
26 For purposes of this subsection, the term "working capital" means current assets, such as cash,
27 inventory, and accounts receivable, less current liabilities, determined in accordance with
28 generally accepted accounting principles, and the phrase "quick ratio of less than 1.0" means
29 that the ratio of liquid assets, cash and receivables, to current liabilities is less than 1.0."

30 SECTION 2. This act becomes effective July 1, 2013.

