



# **FGFOA Webinar Series: Understanding Your Government's Financial Statements**

**February 9, 2023  
Presented by  
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# Overview



## **GASB 101 Refresher**

- » **Financial Statement Review**
- » **NOT Compensated Absences!**



## **The 3 Layers of Financial Health**

- » **Regulatory**
- » **Environmental**
- » **Political**



## **Specific Focus Areas**

- » **Utilities**
- » **Grants**
- » **Other Situations and Decision-Making**



# Background for Today



## » Pulling Experiences and Stories from:

- **Hundreds of audit presentations**
- **Hundreds of individual meetings with elected officials / governing board members**
- **Internal management and budget workshop discussions**



# Today's Goals



- » **Pick up at least one new way of looking at your government's financial statements**
- » **Deepened personal library of perspectives and ideas for communicating with elected officials or other non-finance personnel**



## Reminders and Overarching Concepts

**RUN LIKE A BUSINESS**

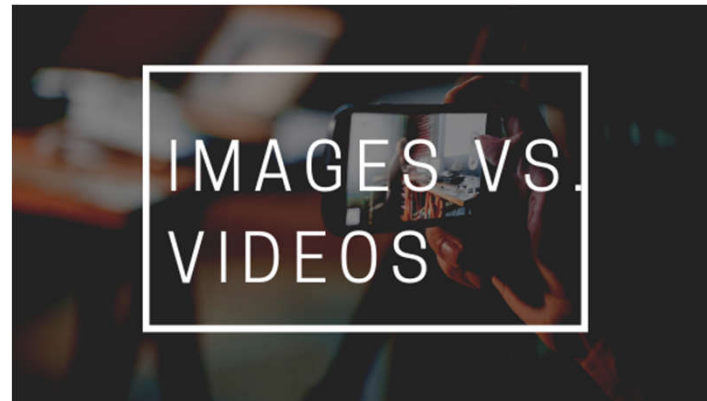
**Almost,  
but not quite.**



# Reminders and Overarching Concepts



# Reminders and Overarching Concepts



# Reminders and Overarching Concepts





# **GASB 101 Refresher**

# Polling Question #1

## » What is your current position/level of experience?

- A. Government: Non-accounting/finance position
- B. Government: CFO/finance director
- C. Government: Management (controller, assistant finance director, etc.)
- D. Government: Senior staff
- E. Government: Entry-level staff/intern
- F. Private Sector (audit firms, etc.)



# GASB 101 Refresher

## » **Government-Wide Financial Statements (Full Accrual)**

- Governmental activities
- Business-type activities

## » **Governmental Fund Financial Statements (Modified Accrual)**

- Governmental funds
- Special revenue funds
- Debt service funds
- Capital project funds

## » **Proprietary Fund Financial Statements (Full Accrual)**

- Enterprise funds
- Internal Service funds

## » **Fiduciary Fund Financial Statements (Full Accrual)**

- Pension trust funds
- Investment trust funds
- Private-purpose trust funds
- Custodial funds



# GASB 101 Refresher

## » Government-Wide Financial Statements (Full Accrual)

- Long-term items (capital assets, lease liabilities, debt, etc.) recorded
- Assets + Deferred Outflows – Liabilities – Deferred Inflows = Net Position

## » 3 Categories of Net Position

- Net investment in capital assets
- Restricted
- Unrestricted

### NET POSITION

Net investment in capital assets	\$ 111,481,901
Restricted for:	
Public safety	1,378,791
Community redevelopment projects	376,250
Transportation	6,034,989
Debt service	1,613,357
Capital improvements	2,907,045
Other purposes	5,103,543
Unrestricted	(2,716,646)
Total net position	<u>\$ 126,179,230</u>



# GASB 101 Refresher

## » Governmental Fund Financial Statements (Modified Accrual)

- Most long-term items (capital assets, debt, etc.) NOT recorded
- Assets + Deferred Outflows – Liabilities – Deferred Inflows = Fund Balance

## » The only statements where budgetary basis = accounting basis

## » 5 Categories of Fund Balance

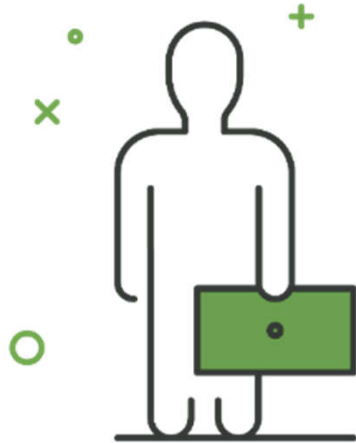
- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

### FUND BALANCES

Nonspendable:	
Inventories	21,829
Prepaid items	4,851
Advances to other funds	1,557,915
Restricted for:	
Public safety	746,651
Recreation	95,384
Committed to:	
Tree replacement	59,158
Assigned to:	
Subsequent year's budget	1,608,000
Unassigned	20,611,838
Total fund balances	<u>24,705,626</u>



# GASB 101 Refresher



## » Proprietary Fund Financial Statements (Full Accrual)

- Same accounting principles as government-wide financial statements
- Fund statements additional includes statements of cash flows

## » Enterprise Funds

- Reporting for funds predominantly driven by charges for services revenue (water, sewer, electric, etc.)

## » Internal Service Funds

- Funds holding centralized activity utilized by other funds/departments (fleet, IT, etc.)
- Generally a net-zero concept (charges to other funds = expenses borne by ISF fund)

# GASB 101 Refresher



## » **Fiduciary Fund Financial Statements (Full Accrual)**

- Resources held on behalf of other entities/individuals
- Funds do NOT flow through to government-wide financial statements

## » **Potential Impacts & Relevance to Assessing Financial Condition**

- Pension trust funds – impact on funding level and recorded net pension liability

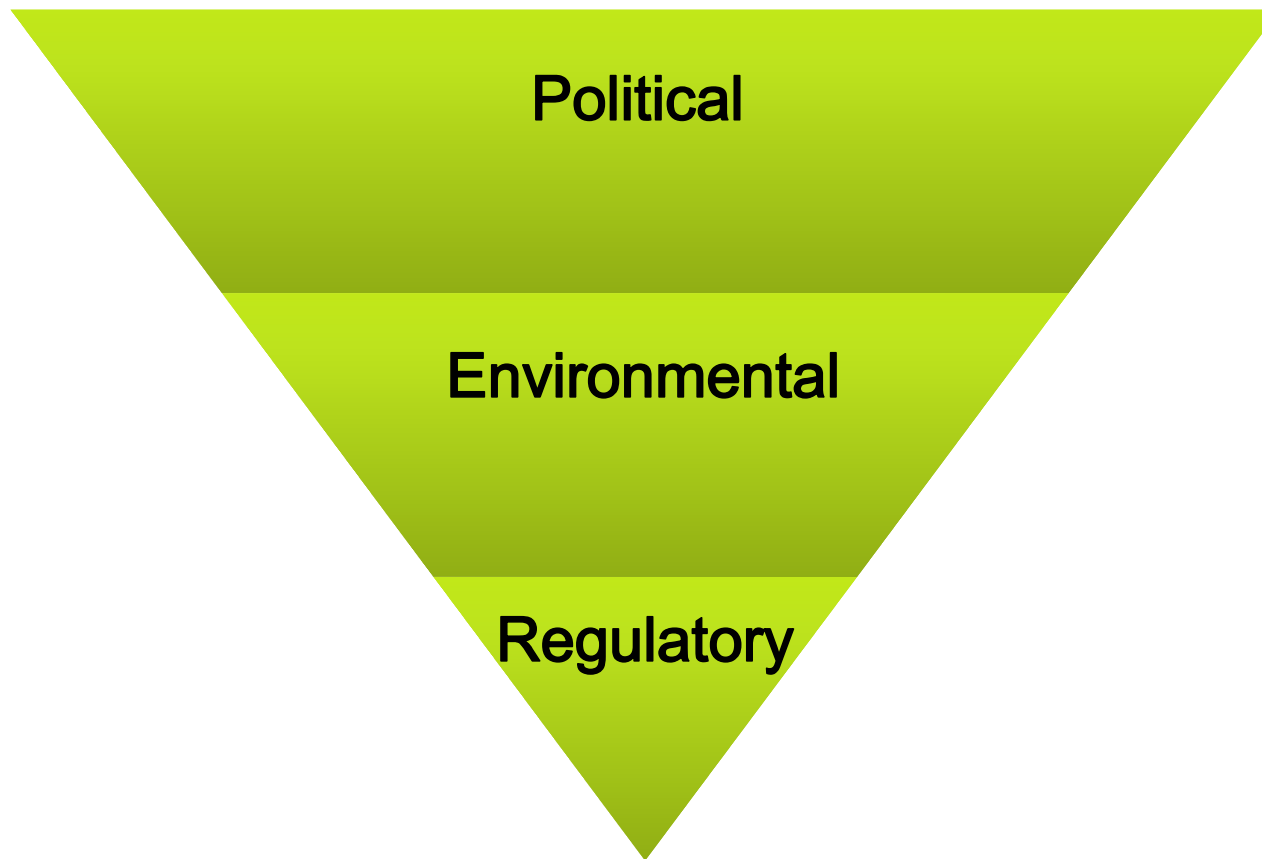


# **The 3 Layers of Financial Health**



# Understanding a Government's Financial Health

## » The 3 Layers of Financial Health



## Polling Question #2

» **What do you consider the most important measurement to assessing a government's financial health?**

- A. Millage rate
- B. Cash balances
- C. Debt levels
- D. Fund balance/net position levels
- E. Per capita metrics
- F. Other (share in comments!)



# Measuring Financial Health - Regulatory

## » Regulatory

- Black and white
- Compliance-focused
- Either you're good or you're not

## » Primary Measurement Examples

- FL Financial Emergency Guidelines
- Debt covenants
- Financial condition assessment



# State of Florida Financial Emergency Guidelines

## » Section 218.503, Florida Statutes, Determination of financial emergency--

(1) Local governmental entities, charter schools, charter technical career centers, and district school boards shall be subject to review and oversight by the Governor, the charter school sponsor, the charter technical career center sponsor, or the Commissioner of Education, as appropriate, when any one of the following conditions occurs:

- (a) Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.
- (b) Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds.
- (c) Failure to transfer at the appropriate time, due to lack of funds:
  - 1. Taxes withheld on the income of employees; or
  - 2. Employer and employee contributions for social security or any employee pension/retirement plan.
- (d) Failure for one pay period to pay, due to lack of funds:
  - 1. Wages and salaries owed to employees; or
  - 2. Retirement benefits owed to former employees.



# Financial Emergency Ramifications

## » Implications of Financial Emergency

- Potential for state involvement

## » Causation: Poor Financial Management or Circumstantial?

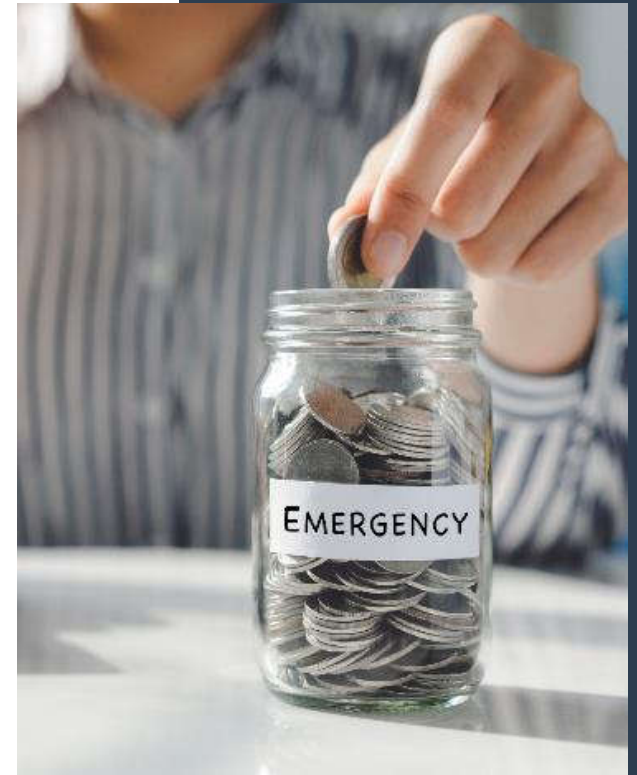
- See: Hurricane Michael

### LIABILITIES

Accounts payable and accrued liabilities	\$ 17,660,488
Unearned revenue	-
Due to other governments	-
Due to other funds	1,923,118
Total liabilities	<u>19,583,606</u>

### FUND BALANCES

Unassigned	(12,103,852)
Total fund balances	<u>(12,103,852)</u>



# Debt Covenants

## » Coverage Requirements

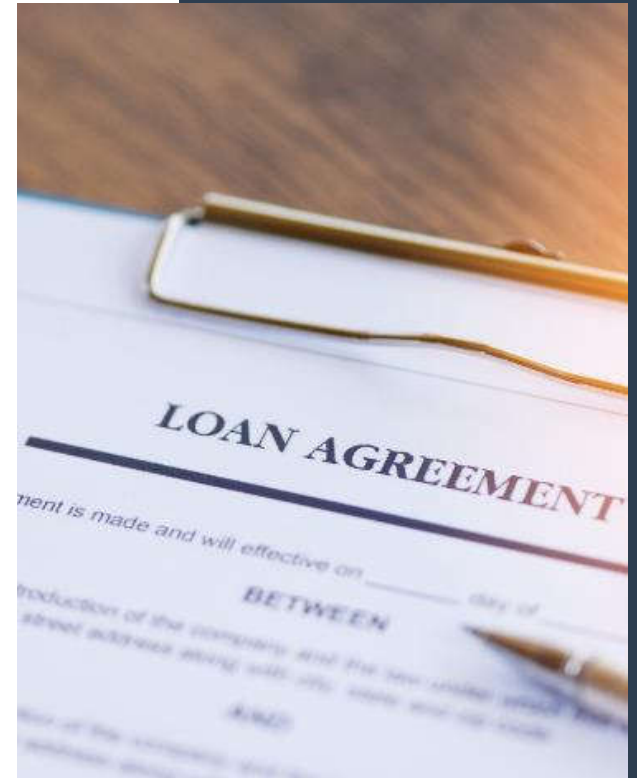
- SRF and other utility loans – revenue coverage

## » Ratio Requirements

- Less common, but sometimes present
- Liquid assets/reserves vs. debt (similar to current ratio)

## » Compliance Issues

- Not always a financial condition concern, but should be addressed
- GASB 87 impacts?
- GASB 96 impacts?



# Financial Condition Assessment

## » Section 218.39(5), Florida Statutes--

At the conclusion of the audit...the auditor shall notify each member of the governing body...for which:

- (a) Deteriorating financial conditions exist that may cause a condition described in s. 218.503(1) to occur if actions are not taken to address such conditions.
- (b) A fund balance deficit in total or a deficit for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the local governmental entity, charter school, charter technical career center, or district school board, as reported on the fund financial statements, are not available to cover the deficit. Resources available to cover reported deficits include fund balance or net assets that are not otherwise restricted by federal, state, or local laws, bond covenants, contractual agreements, or other legal constraints. Property, plant, and equipment, the disposal of which would impair the ability of a local governmental entity, charter school, charter technical career center, or district school board to carry out its functions, are not considered resources available to cover reported deficits.



# Financial Condition Assessment



## » Required External Audit Procedure, But Internal Value

### » Auditor General Guidance

- [https://flauditor.gov/pages/fca\\_procedures.html](https://flauditor.gov/pages/fca_procedures.html)
- Guidance includes step-by-step process to assessment, summary of key financial indicators and data elements, how-to guide to evaluate financial indicators, and additional tools for evaluating financial condition
- Two-part focus: benchmarking analysis and trend analysis

### » Benchmarking Analysis

- Comparison to pre-selected similar entities based on fund types, population, and/or taxable values

### » Trend Analysis

- 5-year historical analysis of entity





# Financial Condition Assessment Indicators

Indicator	Measurement Focus
1. Change in Net Position / Beginning Net Position	Reserves (Trend)
2. Unassigned + Assigned FB + Unrestricted Net Position	Reserves (Trend)
3. Unassigned + Assigned FB / Total Expenditures (General / All Governmental Funds)	Reserves (Percentage)
4. Current Cash + Investments / Current Liabilities	Net Liquidity
5. Current Cash + Investments / Expenditures	Net Liquidity
6. Current Liabilities / Total Revenues	Net Liquidity
7. Long-Term Debt / Population	Debt
8. Excess of Revenues Over Expenditures / Total Revenues	Current Budgetary Health
9. Operating Income / Total Operating Revenues	Current Budgetary Health



# Financial Condition Assessment Indicators

Indicator	Measurement Focus
10. Intergovernmental Revenues / Total Revenues	Revenue Reliance on Others
11. Unassigned + Assigned FB or Unrestricted NP / Revenues	Reserves (Percentage)
12. Total Revenues / Population	Revenue Capacity
13. Debt Service Expenditures / Total Expenditures	Debt
14. Total Expenditures / Population	Expenditure Capacity
15. Accumulated Depreciation / Gross Depreciable Capital Assets	Capital Assets (aging)
16. Pension Plan Ratio (each plan)	Pensions & OPEB
17. OPEB Funded Ratio	Pensions & OPEB
18. Millage Rate	Revenue Capacity



# Financial Condition Assessment

## » Rating Each Indicator

- Favorable
- Inconclusive
- Unfavorable

## » Resulting Overall Rating

## » Consider Qualitative Components

- Why did negative fund balance or other trends occur?
- *Bottom line:* What is the story behind the numbers?



# Measuring Financial Health - Environmental

## » Environmental

- Some gray area
- Fact-based analysis, but judgment involved

## » Primary Measurement Examples

- Financial condition assessment (general analysis)
- Industry benchmarking and best practices (GFOA recommendations, etc.)
- General comparison to other governments
- Pensions & OPEB
- Budgetary projections
- Readiness for unforeseen external events
- Audit results



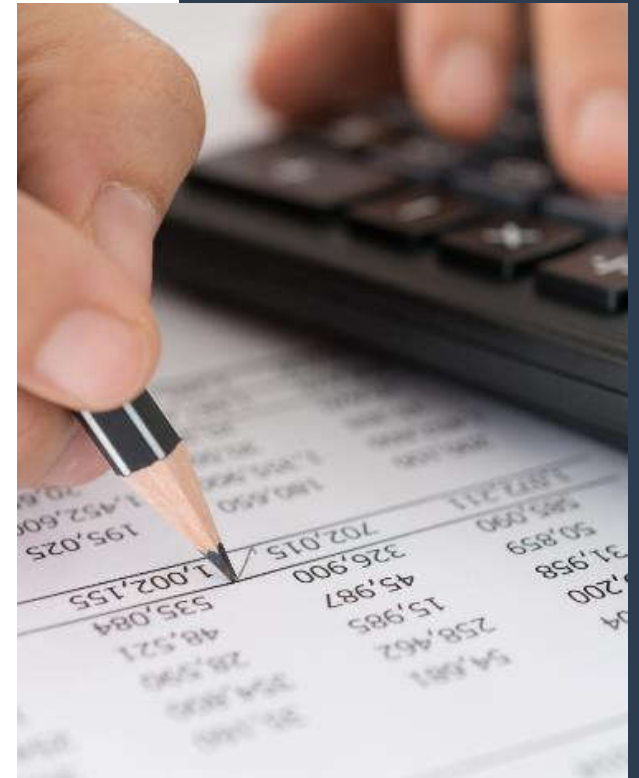
# Industry Benchmarking and Best Practices

## » Key Resources

- GFOA best practices: [www.gfoa.org/best-practices](http://www.gfoa.org/best-practices)
- Florida Benchmarking Consortium: [www.flbenchmark.org](http://www.flbenchmark.org)
- FGFOA resources

## » Overall GFOA Recommendation

- Formally adopted financial policies addressing up to:
  - o General fund reserves
  - o Other fund reserves
  - o Grants, debt, and capital
  - o Investment policy
  - o Economic development policies
  - o Accounting, financial reporting, risk management and internal controls
  - o Procurement
  - o Long-term financial planning and balanced budgeting



## Polling Question #3

» **For which of the following does your organization have fund balance or financial policies in place?**

- A. General fund reserves
- B. General fund and enterprise fund reserves
- C. Neither of the above
- D. I don't know



# Industry Benchmarking and Best Practices

## » GFOA Recommendation: General Fund Reserves

- General-purpose governments, regardless of size, [should] maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.

## » Additional Recommended Considerations

- Predictability of revenues and volatility of expenditures
- Exposure to significant one-time outlays, such as hurricanes
- Potential drain upon general fund resources from other funds (and availability of resources in other funds)
- Impact on bond ratings
- Needs beyond existing commitments and assignments



# Industry Benchmarking and Best Practices



- » **GFOA Recommendation: Enterprise Fund Reserves Policy Considerations**
  - Stability of revenue demand/strength of collection practices
  - Volatility of and control over expenses
  - Asset age/condition and future capital needs
  - Cash flow support from general government
  - Cash cycles (e.g. electric variability in summer vs. winter)
- » **No magic # recommendation exists – but policy should be established.**





# General Comparison to Other Governments

## » Nearby and Similar Governments

- More of a political benchmark (more on that later)
- Can still provide unique insight relative to treatment of localized issues

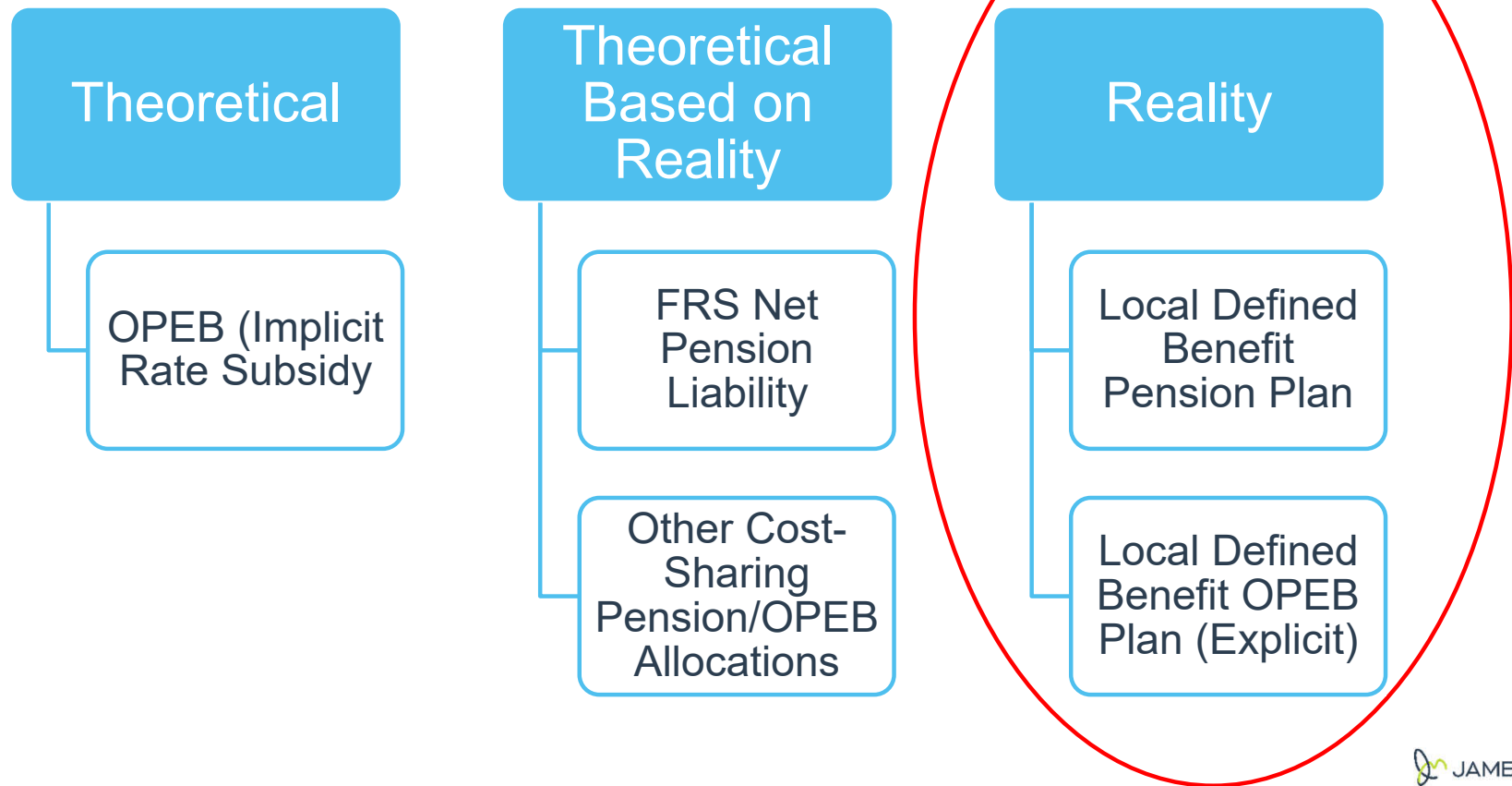
## » Everyone likes to compare millage rates, but what else?

Year	Unassigned FB	Assigned FB	Total U+A FB	Expenditures + Transfers	U+A Fund Balance %
2020	24,414,794	17,849,268	42,264,062	39,941,688	105.8%
2020	10,876,990	1,369,591	12,246,581	13,111,872	93.4%
2020	5,725,279	925,645	6,650,924	9,063,441	73.4%
2020	8,511,000	5,481,000	13,992,000	19,208,000	72.8%
2020	8,319,554	528,709	8,848,263	13,210,761	67.0%
2020	5,877,709	14,042,756	19,920,465	30,286,574	65.8%
2020	7,899,216	2,224,395	10,123,611	16,697,473	60.6%
2020	35,488,074	57,368,893	92,856,967	180,372,344	51.5%
2020	14,953,868	2,052,080	17,005,948	39,280,578	43.3%
2021	9,489,623	3,674,136	13,163,759	34,975,807	37.6%
2020	1,939,474	23,149	1,962,623	6,212,746	31.6%
2021	2,453,126	1,052,499	3,505,625	11,275,058	31.1%
2020	9,303,506	329,935	9,633,441	31,383,524	30.7%
2021	754,018	90,000	844,018	2,859,744	29.5%
2020	14,922,178	8,995,225	23,917,403	101,526,591	23.6%
2020	260,043	-	260,043	2,123,419	12.2%
2020	(108,398)	-	(108,398)	911,784	-11.9%



# Pensions and OPEB

## » Relevance of Pensions & OPEB to Financial Health



# Pensions and OPEB

## » Pension Considerations on Financial Health

- Funded %
  - Key assumptions in valuation (investment return – how much exposure is there if return assumptions are not met?)
- Open vs. closed nature of plan
- Level of benefits offered to current participants
- Contributions as a % of payroll

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2021	\$ 2,646,715	\$ 2,753,155	\$ (106,440)	\$ 3,081,159	89.35%
2020	2,619,962	2,652,777	(32,815)	2,940,474	90.22%
2019	2,739,786	2,905,070	(165,284)	2,936,534	98.93%
2018	2,897,095	2,970,790	(73,695)	2,837,507	104.70%
2017	2,776,516	2,800,819	(24,303)	2,735,484	102.39%



# Pensions and OPEB

## » Pension Considerations

- Actuarial (funding basis) vs. GASB 68 (financial reporting basis) valuations
- Funded %: smoothed in actuarial valuation, real-time in GASB 68 valuation (smoothed via deferred outflows and deferred inflows)

## » FRS Considerations

- Future Obligation vs. Requirement to Make Ongoing Contributions
- 6/30/2023 Valuation – 82.9% funded (down from 96.4%) – exponential increases in NPL!
  - Think about this way: 3.6% unfunded in PY versus 17.1% unfunded in CY – that's a 4.75x multiplier!
- Plan as a whole is well-funded and proactive in managing assumptions (e.g. leader in investment return reductions in recent years)

## » You're never as good or bad as you think you are!

## » Remember: Pensions are about the long game.

- Are the decisions being made today done so with the well-being of future generations in mind?



# Budgetary Projections & Readiness for Unforeseen Events

## » Budgetary Projections

- Is any long-term planning being done in budget?
- 3- or 5-year forecasting?
- Capital improvement plan?

## » Readiness for Unforeseen External Events

- How would the entity respond to a major hurricane?
- Susceptibility to a major financial impact from another pandemic?
- What if property values tank?
- Any other material concentrations (e.g. major taxpayer)?



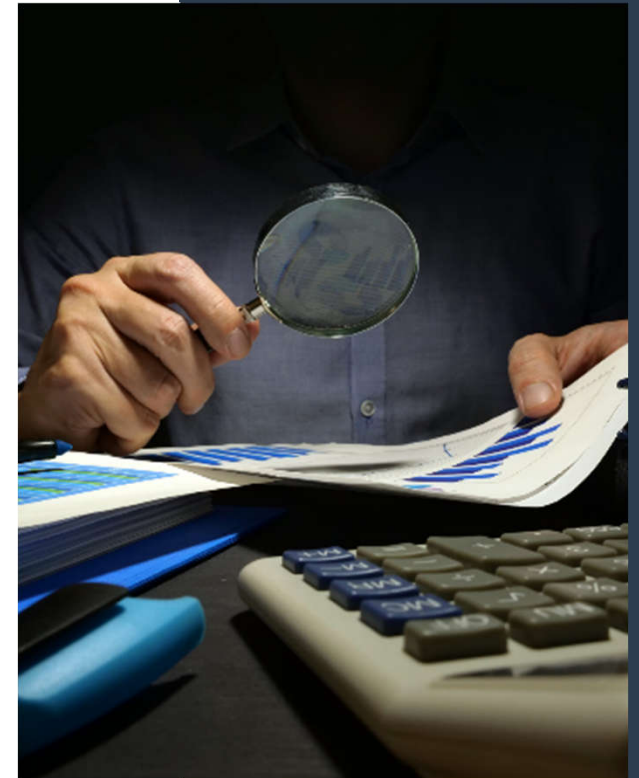
# Audit Implications

## » Florida Auditor Report Requirements

- Audit opinion (re: reliance on financial statement data)
- Yellow Book internal control and compliance report
- Uniform Guidance compliance report (if single audit)
- 10.550 management letter
- Examination report(s) depending on type of entity

## » Audit Report Red Flags

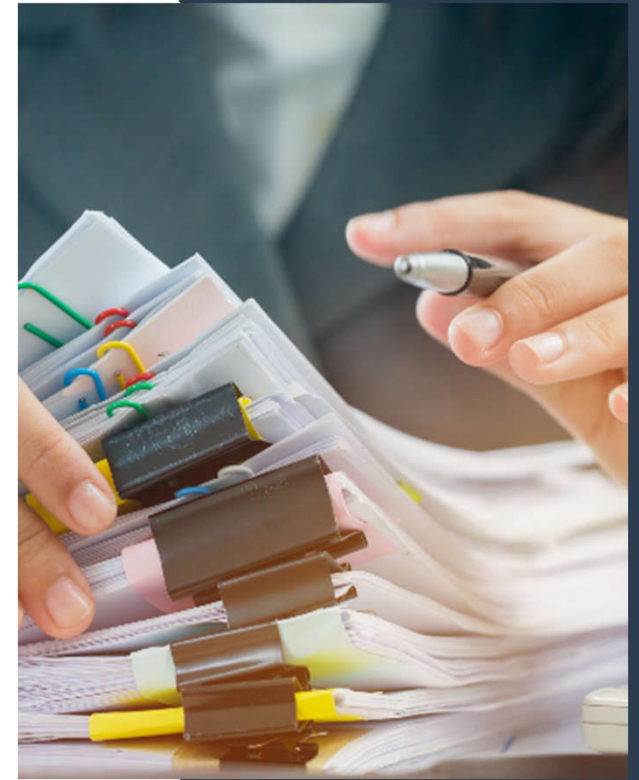
- Qualified opinion
  - o If OPEB, OK
  - o If something else, for what?
- Adverse opinion/disclaimer
  - o For what?



# Audit Implications

## » Other Audit Reporting Red Flags

- Internal control deficiencies
  - Various types
    - Material Weakness
    - Significant Deficiency
    - Compliance Finding
    - Other Comments/Recommendations (10.550 report)
  - o Significant and systemic?
- Common perpetual findings
  - o Preparation of financial statements
  - o Segregation of duties
- Follow-up on prior year comments
  - o Are deficiencies taken seriously?



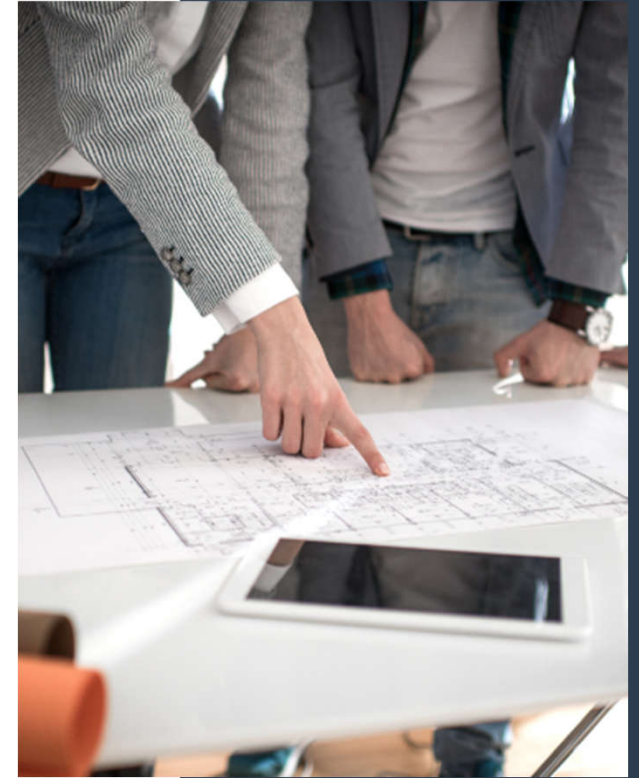
# Other Environmental Considerations

## » **Fiscally Constrained Counties**

- Especially those perpetually at 10 mill cap – limited flexibility

## » **Ask Your Bank**

- If you wanted to obtain an unsecured loan, what would they look at?
- Governments are a very low-risk borrower – do they have any hesitations or red flags?
- Would they offer you their most competitive rate? Why or why not?
- Good conversation to have if talking re: GASB 87!





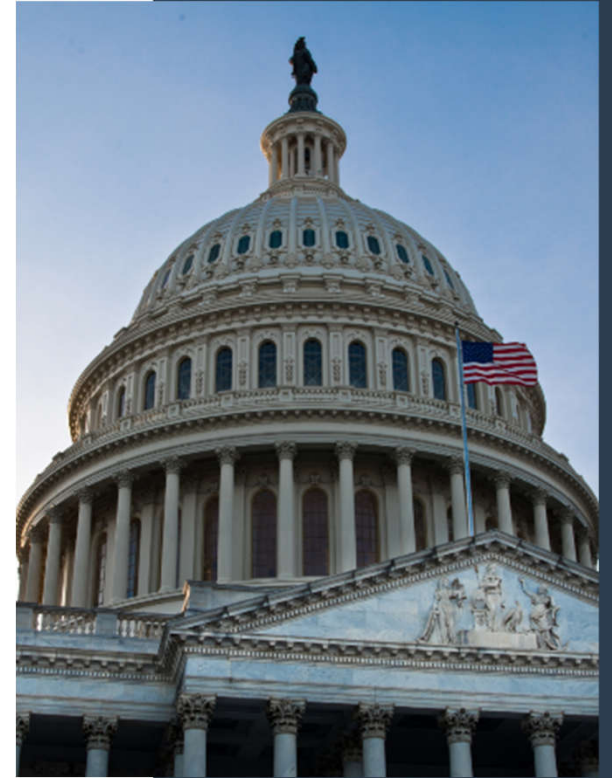
# Measuring Financial Health - Political

## » Political

- Entirely gray area
- Varying perspectives of stakeholders (elected officials, non-finance personnel at your organization, citizens)

## » Primary Measurement Examples

- Reserves
- Debt
- Millage (rate and trend)
- Utility and special assessment rates



# Before We Go Any Further

**When considering elected officials and the political financial health...**



## Polling Question #4

» As a percentage of the annual budget, at what target level should a general fund's reserves be?

- A. 17% (2 months)
- B. 25% (3 months)
- C. 33% (4 months)
- D. 50% (6 months)
- E. More than 6 months



# Reserves Questions from Elected Officials



- » **How much do we have in reserves?**
- » **Is it enough?**
- » **How much should we have in reserves?**
- » **If a major hurricane hit us, how much can we afford in cleanup costs?**
- » **How much do we have available to spend out of reserves?**
- » **How much could we write a check for today?**



# Reserves Health – Political – Key Communication Items

## » What do we mean by “reserves”?

- Need to ensure we’re on the same page

## » Cash vs. Fund Balance

- Accrual basis vs. cash basis
- Often close, but not the same

## » Understanding Reserve %’s (think GFOA policy example)

- # of months in reserves = # of months of salary built up in personal savings



# Determining Adequate Reserve Levels

## » Regulatory Health

- Reserves not depleted to a state of financial emergency

## » Environmental Health

- Meeting GFOA bare minimum recommendations

## » Political Health

- Based on collective risk tolerance of the governing board
- Open discussions → Policy
  - Recommend drafting a proposed policy and vetting in budget workshop or similar environment
- Policy may change as governing body changes



# Setting a Reserve Policy - Considerations

## » Minimum Levels

- Determine bare minimum acceptable level

## » Target Levels

- Describe a target level

## » Maximum Levels

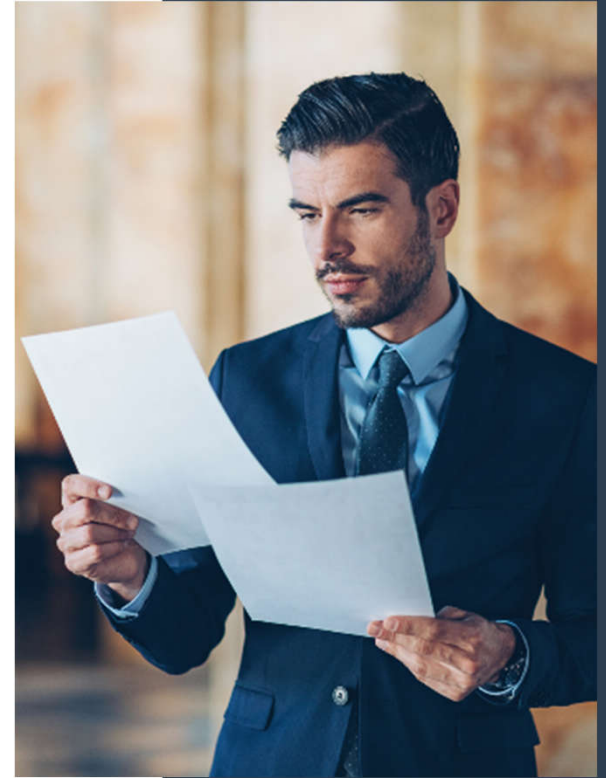
- Is there a consensus on how much is too much?

## » Corrective Measures

- What happens if minimum or maximum levels are exceeded?

## » Funding Measures for Other Reserve Needs

- Is there a desire for a specific hurricane or other reserve?



# Sample General Fund Policy Language – City of Lake Helen

## **Reserve Balances - General Fund (Adopted by City Commission as a Resolution)**

**Fund Balance Reserve:** It is the City's objective to build and maintain operating reserves in the General Fund of at least 25%, with a target range of 30-40%. Operating reserves shall be defined as the City's unassigned/assigned fund balance relative to annual expenditures and transfers out, adjusted to exclude significant one-time activity.

**Hurricane/Capital Reserve:** On an annual basis, it is the City's objective to include in the adopted budget an amount equal to 2% to 4% of regular recurring revenues for hurricane expenditures. Should all of these appropriated funds not be spent in the given year, the remaining balance to the extent the City exceeds a 25% general fund balance reserve (as defined in the preceding section) shall be committed to a Hurricane Reserve to be used for hurricane-related matters. If and when the Hurricane Reserve exceeds a balance of \$300,000, any excess monies shall be committed to a Capital Reserve that may only be used for capital expenditures. With regard to both the Hurricane and Capital Reserves, the use of funds for any other purpose would require approval by the City Commission in the form of a resolution.





# City of Lake Helen – 4 Years Post-Adoption

- » **Assigned/unassigned fund balance: Approx. 31% of ~\$3M budget**
- » **Hurricane reserve continues to build, as of 9/30/2022:**

## FUND BALANCES

Nonspendable:	
Prepaid items	31,364
Restricted for:	
Law enforcement training	11,956
Fire rescue services	37,418
Committed to:	
Hurricane reserve	230,000
ARPA transition	975,645
Assigned to:	
Subsequent year's budget	-
Unassigned	876,686
Total fund balances	<u>2,163,069</u>



## Polling Question #5

» Which of the following would you rate as the worst debt?

- A. \$30 million utility note in a system with \$15 million in annual operating revenue
- B. 5% interest short-term hurricane recovery note entered into to maintain working capital
- C. \$4 million note requiring a standalone 0.2000 mills tax rate for debt service



# Debt Questions from Elected Officials



- » **What do you think about our debt?**
- » **Do we have too much debt?**
- » **Can we afford to take on this new debt to do XYZ?**



# Debt Measurement

- » **Is all debt bad? Do you need to be debt free?**
- » **Ability to pay vs. desire to pay**

## **2020 PARKS BOND REFERENDUM**



**CITY OF CASSELBERRY**



# Debt Measurement

## » Good Debt vs. Bad Debt Considerations

- Interest rate
- Flexibility and other terms
- Why was the debt taken out?
  - o Good business decision?
  - o Intergenerational equity
  - o Needs vs. wants



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# Debt Measurement

## » No-to-little debt concerns

- Intergenerational equity missing?
- Expense of saving for major projects (present value)
- Future cash flow/taxing needs for new major projects. (By the time something is paid off, what are the chances it will be due for a major upgrade or some other need will exist?)



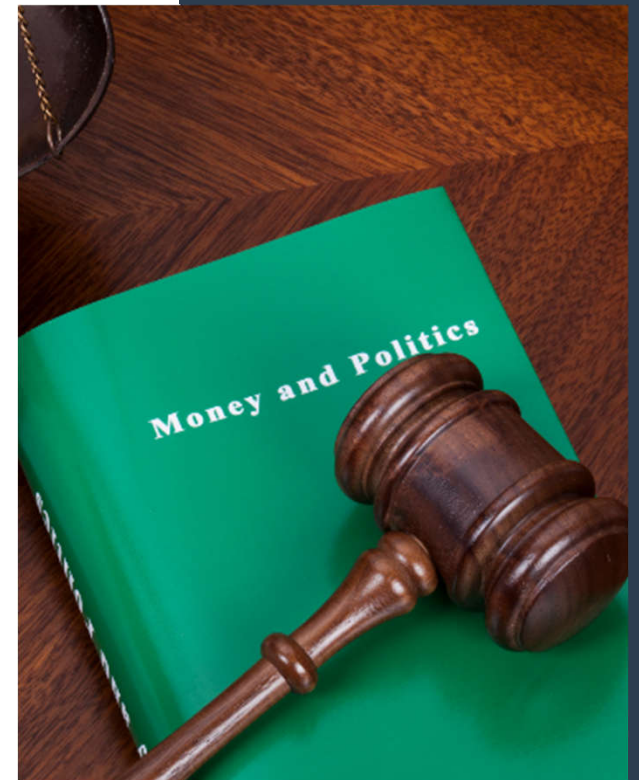
# Debt Messaging

» **If you need to propose new debt, know your audience and proceed carefully!**



# Millage Rate

- » **The Ultimate in Politics Meets Finance!**
- » **Rollback vs. Tax “Increase”**
- » **It’s easy in good times, but what about when things inevitably turn the other way?**
  - **Homestead “Save Our Homes” lag**
- » **Politics will rule the day, but what can we do?**
  - **Educate**
  - **Provide perspective**





# Lake Helen 2023 Budget Facts and Overview Inclusion

	Millage	6.85	6.85	6.85	7.00	7.30
<b>General Fund Budget</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	Property Taxes	1,009,000	850,000	770,747	690,400	669,495
	Fire Assessment	450,000	440,000	423,874	423,874	394,023
	Other Revenue	1,616,711	1,480,000	1,499,100	1,454,760	1,593,896
	Total	3,075,711	2,770,000	2,693,721	2,569,034	2,657,414
	Use of Reserves	-	90,000	-	37,000	-
	COVID-19 Loss	-	-	84,410	-	-
	Total (Adjusted)	3,075,711	2,860,000	2,778,131	2,606,034	2,657,414
	<b>Property Tax % of Revenue</b>	<b>32.8%</b>	<b>29.7%</b>	<b>27.7%</b>	<b>26.5%</b>	<b>25.2%</b>
<b>Lake Helen Tax Bill</b>						
	Assessed Value	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	100,000	685.00	685.00	685.00	700.00	730.00
	200,000	1,370.00	1,370.00	1,370.00	1,400.00	1,460.00
	300,000	2,055.00	2,055.00	2,055.00	2,100.00	2,190.00
	400,000	2,740.00	2,740.00	2,740.00	2,800.00	2,920.00
<b>Homestead Properties - \$ Increase from Prior Year Taxes</b>						
	Save Our Homes % Cap	3.00%	1.40%	2.30%	1.90%	
		Increase (Decrease) in Tax Liability from Prior Year				
	Prior Year Assessed Value	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>Total</b>
	100,000	20.55	9.59	0.74	(16.01)	14.87
	200,000	41.10	19.18	1.48	(32.03)	29.73
	300,000	61.65	28.77	2.22	(48.04)	44.60
	400,000	82.20	38.36	2.96	(64.05)	59.46
<b>Lake Helen Millage vs. Total Ad Valorem Tax Bill*</b>						
	<b>Entity</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	Lake Helen	6.8500	6.8500	6.8500	7.0000	7.3000
	Other Taxing Authorities	12.6868	13.8374	13.8221	14.8044	15.3907
	Total Millage	19.5368	20.6874	20.6721	21.8044	22.6907
	Lake Helen as % of Total	35.1%	33.1%	33.1%	32.1%	32.2%



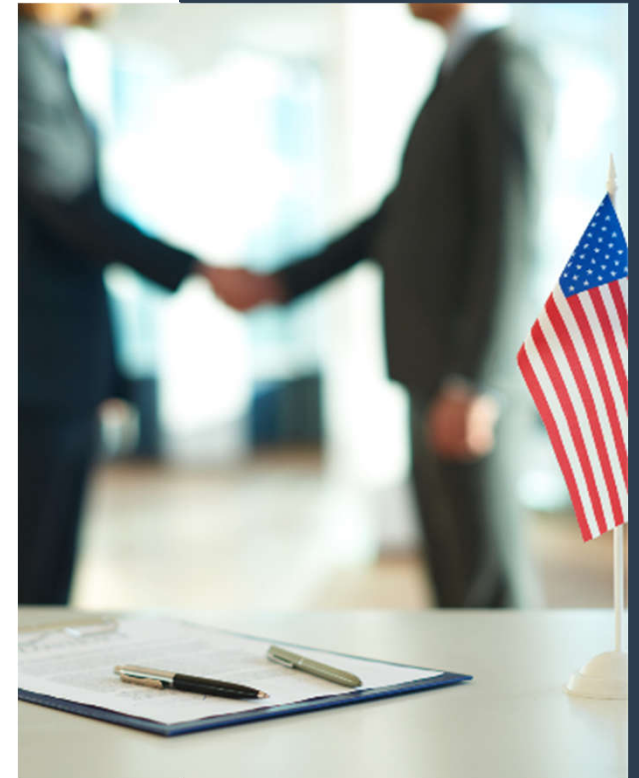
# Utility and Special Assessment Rates

## » Political Considerations

- Users don't want to pay more
- Political will often strong to avoid increases rather than avoid having to absorb losses through general fund or elsewhere

## » Utility Rate and Special Assessment Strategies

- Normalize periodic rate study and re-determination process of rate/assessment amounts
- Establish baseline CPI/inflationary adjustments on annual basis
  - Consider: 10 years @ 2% per year versus a one-time 25% increase 10 years later



# Sample Utility Fund Policy Language – City of Lake Helen

## **Reserve Balances – Utility Fund (Adopted by City Commission as a Resolution)**

Net Position Reserve: To maintain adequate reserves on hand for any significant, unforeseen capital needs, it is the City's objective to maintain a target level of operating reserves in the Utility Fund between 40% and 60%, as measured by unrestricted net position relative to operating revenues.



# **Other Focus Areas**

## Polling Question #6

» **Are you ready for the dad jokes?**

- A. Yes, I've been waiting!
- B. Please, no!
- C. Dad jokes??



# Utility Funds – What to Look For



- » **Unrestricted Net Position/Working Capital**
  - Compliance with policy and at reasonable levels
  - Year-over-year trends
  - Balances relative to operating indicators (operating revenues and expenses) or major items like debt
- » **Operating Income**
  - Year-over-year trends
- » **Cash Flows from Operations**
  - Is sufficient cash being generated by operations to meet debt and capital needs?
- » **Capital Outlay (Cash) vs. Depreciation Expense**
  - Not exact, but a reasonable gut check



# Utility Case Study

## Total Balances Per 2014 Proprietary Fund Financial Statements

	<u>Water</u>	<u>Sewer</u>
Total Assets	\$ 65,079,150	\$ 85,280,769
Total Liabilities	36,797,121	17,493,276
NP-Net Investment in CA	21,673,168	54,996,548
NP-Restricted	5,948,116	-
NP-Unrestricted	760,745	12,790,945
Operating Revenues	\$ 43,552,152	\$ 28,605,162
Cash Flows from Ops.	2,141,280	7,273,335

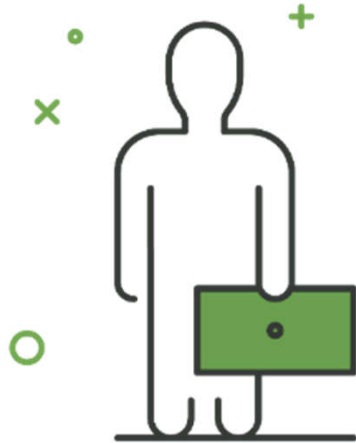


# **Utility Funds – It's More Than Just the Numbers!**





# Other Fund Impacts



## » Other Governmental Funds (SR, DS, CP)

- Operation-based (e.g. special fire services taxing district):
  - Consider setting fund balance/reserve policies similar to general fund to ensure financial health of ongoing operations is protected.
- Project-based (e.g. infrastructure surtax monies being used for various one-time projects):
  - Zero balances typically OK; assess for deficits potentially in need of subsidy

## » Internal Service Funds

- Substantial net position or deficit potentially indicative of under- or over-inflated financial positions in operating funds

# Grants

## » Grants Requiring Matches

- Would the project still be a priority without the grant funding?

## » ARPA Considerations

- Is your government taking maximum advantage of the standard allowance?
- Are you planning to use your ARPA funds to pay for any projects that could be favorably financed elsewhere to free up the ARPA funds for impactful areas that cannot be as easily/effectively financed (e.g. utilizing for water/sewer infrastructure that could be financed for a super-low interest rate through SRF loan program instead of other unfinanced priorities with no subsidized funding source)



# Other Financial Decision-Making



## » Regulatory Layer

- Is there any reason this can't be done or would otherwise create a problem?

## » Environmental Layer

- Does this threaten any financial health measures when comparing against entity policies and other environmental factors and measurements?

## » Political Layer

- How does this align with the priorities of our governing body/elected officials?
- How will the taxpayers/ratepayers respond?
- How will this decision affect other priorities and needs within our organization?





**QUESTIONS**

# Contact



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