

Minutes

Village Board of Trustees

October 25, 2012

A meeting of the Village of Horseheads Board of Trustees was held on the above date at 7:00 p.m. Present were:

Village Board and Staff

Mayor Donald Zeigler
Deputy Mayor Ronald Swartz
Trustee Suzanne Peters
Trustee Larry Clark
Village Manager Walt Herbst
Village Attorney John Groff

Clerk-Treas. Sharron Cunningham
Parks Dir. Nate Nagle
Deputy Clerk Donna Hartsock
Manager's Asst. Rachel Baer

Absent

Trustee George Koliwasky

Others Present

Wayne Brubaker, Gardner Rd.
Dave Padgett, W. Franklin St.
Elton Shaw, Liberty St.
Steve Cardamone, Hillview Rd.
John Balland, Old Ithaca Rd.
Scott Cardamone, Royal Crest Rd.
Helen Allis, Center St.
M/M Glenn Hostettler, W. Broad St.
Bill Goodwin, Sunset Dr.
Ken Leath, Horseheads

Michael Hess, Anncox Lane
Jason Holden, Old Ithaca Rd.
Stanley Todzia, S. Main St.
Rickey Paul, Elmira
Dot Gebhart, Biltmore Dr.
Scott McGrain, Gardner Rd.
Mike Skroskznik, Center St.
Elliott Blauvelt, Fletcher St.
Arlene Roy, Johnson Rd.

Resolution by Trustee Swartz, seconded by Trustee Peters

BE IT RESOLVED, that the reading of the minutes of the Board of Trustees Meeting of October 11, 2012 be dispensed with and the same stand approved as entered by the Clerk.

Roll Call Vote:

Mayor Zeigler:	Aye
Trustee Swartz:	Aye
Trustee Peters:	Aye
Trustee Clark:	Aye

Resolution by Trustee Peters, seconded by Trustee Clark

BE IT RESOLVED, that the minutes of the Zoning Board of Appeals Meeting of October 9, 2012 be received and placed on file in the Village Clerk's Office.

Roll Call Vote:

Mayor Zeigler: Aye
Trustee Swartz: Aye
Trustee Peters: Aye
Trustee Clark: Aye

Resolution by Trustee Clark, seconded by Trustee Swartz

BE IT RESOLVED, that a 1993 Chevy Dump Truck (VIN#.....41758) from the Public Works Department is hereby declared surplus equipment, and the Village Manager is authorized to dispose of same by sale, or as scrap if same has no value.

Roll Call Vote:

Mayor Zeigler: Aye
Trustee Swartz: Aye
Trustee Peters: Aye
Trustee Clark: Aye

Resolution by Trustee Clark, seconded by Trustee Peters

WHEREAS, on March 28, 2012 this Board was presented with a proposed Local Law Establishing Rules and Regulations for Rental Housing, and a public hearing regarding same was scheduled for April 26, 2012, and

WHEREAS, on April 26, 2012 this Board tabled the public hearing and possible action on said proposed law, citing further review and changes were necessary, and

WHEREAS, the Village Board and Village Manager held a workshop on May 23, 2012 to discuss this proposed law resulting in significant modifications having been made to the proposed law.

NOW THEREFORE BE IT RESOLVED, that this Board hereby receives a modified proposed local law Establishing Rules and Regulations for Rental Housing, and be it further

RESOLVED, that a public hearing regarding same is hereby scheduled for Thursday, November 15, 2012 at 7:05 p.m.

Roll Call Vote:

Mayor Zeigler: Aye
Trustee Swartz: Aye
Trustee Peters: Aye
Trustee Clark: Aye

Manager Herbst - we are just setting the public hrg. The law designates a local agent for out of town rental property owners. All would have to register. Rental properties only. If a rental owner is out of town one of our problems has been the difficulty in getting property maintenance issues resolved. So we will now have registration and ask for the name of an agent if owner of property lives outside Chemung County. Then we can serve papers if there is a property maintenance problem. For landlords that don't have property maintenance issues, there is only registration which is good for 3 years and that's the last you'll hear from us. This law only kicks in if and when there are property maint problems. Fees - will be nominal. They are not finalized. Will be something like \$30/building....we are still working on this part to see what the impact will be. We are not interested in imposing outrageous fees on rental property owners. Proposed law will be up on the website tomorrow. Public hrg will be on Nov. 15th.

Resolution by Trustee Clark, seconded by Trustee Swartz

BE IT RESOLVED, that the Clerk-Treasurer is authorized to make the following budget amendments:

- New budget line item: Parks and Recreation Grant
General Fund: Revenue Line Item #2023
General Fund: Expense Line Item #7180.412
- Transfer of funds: New Equipment Operator II position
\$22,000 from 5110.114 (employee that resigned) to
5110.101 (new position)

Roll Call Vote:

Mayor Zeigler: Aye
Trustee Swartz: Aye
Trustee Peters: Aye
Trustee Clark: Aye

Motion by Trustee Swartz, seconded by Trustee Clark, that the following item be added to the agenda:

- Probationary Appointment to Fire Department

Roll Call Vote:

Mayor Zeigler: Aye
Trustee Swartz: Aye
Trustee Peters: Aye
Trustee Clark: Aye

Resolution by Trustee Clark, seconded by Trustee Swartz

BE IT RESOLVED, that this Board hereby approves the one-year probationary appointment of Adrian H. Smith of 103A W. Broad Street to the Village of Horseheads Fire Department.

Roll Call Vote:

Mayor Zeigler: Aye
Trustee Swartz: Aye
Trustee Peters: Aye
Trustee Clark: Aye

Audience Participation:

Ken Leath - on the Property Law, you should exclude owners living in neighboring counties. I don't think thats too far away. And when will we see fee draft.

Manager Herbst - end of the month.

Elliott Blauvelt, Fletcher St. - I question this law why its needed. NYS laws cover everything that is to be covered with this law. So why do we need this except for a fundraiser. Also how many rental units have out of town property owners. Seems to be overkill.

End of audience particip.

Trustee Peters - I have enjoyed being on the Board for the past 4 years. In August 2011 I wrote the Manager a letter with the goals for the Village - financial admin, etc., along with that I listed goals for fiscal items. I would like them in the minutes.

All Board Members and Mayor Zeigler thanked Suzanne for her contribution to the Board.

Trustee Clark - in your folder are evaluation forms for employees - for your review.

Manager Herbst reported on the following items:

- office closed Nov. 9th from 1-4 for employee training.
- KVS software has been upgraded
- working on upgrading our internet service. DSL problems lately.
- thanked Suzanne for her dedication and efforts

Nate Nagle -

- successful in hosting ASA state championships 2013 here in Horseheads.
- I gave presentation on possibly hosting high school championships in 2014,2015,2016

Motion by Trustee Swartz, seconded by Trustee Clark, that this Board along with the Village Manager and Village Attorney move into an Executive Session to discuss the employment history of a particular person.

Roll Call Vote:

Mayor Zeigler:	Aye
Trustee Swartz:	Aye
Trustee Peters:	Aye
Trustee Clark:	Aye

At 7:35 p.m. the Village Board, Manager and Attorney moved into an Executive Session, the minutes of which are attached hereto and made a part hereof.

At 7:55 p.m. the Board reconvened back into its regular meeting of this date.

As there was nothing further to come before the Board, the meeting was adjourned at 7:55 p.m.

/rmb

Village Board of Trustees

EXECUTIVE SESSION

October 25, 2012

An Executive Session of the Village of Horseheads Board of Trustees was held on the above date at 7:35 p.m. in Village Hall. Present were Mayor Donald Zeigler, Trustees Ronald Swartz, Suzanne Peters, and Larry Clark, Village Attorney John Groff, and Village Manager Walt Herbst, at which time they discussed the employment history of a particular person.

Discussion ensued, no action was taken.

At 7:54 p.m., a motion was made by Trustee Peters, seconded by Trustee Swartz, that the executive session be adjourned, and the Board reconvene back into its regular meeting of this date.

Roll Call Vote:

Mayor Zeigler:	Aye
Trustee Swartz:	Aye
Trustee Peters	Aye
Trustee Clark:	Aye

Letter from Trustee Peters to Village Manager - 2011
With Attachment: Fiscal Goals

August 8, 2011

Dear Walt,

I have been in office nearly 3 years to date. Since the beginning of my term I have asked for basic financials on a regular basis and have yet to receive them. The time has come to put some deadlines in place that will have severe consequences if they are not met.

1. Monthly, the Trustees and Department Heads should receive a Balance Sheet & Revenue & Expense Control Report for each fund. I know that the General Ledger software which the Village has is capable, so there should be no reason we cannot receive these reports. Each month, (starting with a year to date report as of July 31, 2011 submitted during August) going forward these reports need to be completed on a timely basis. We cannot expect the Department Heads to stay within budget if they have no tool to gauge their expenditures.

The report should be computer generated, not created on a spreadsheet, it helps to verify the accuracy, and should include a comparison to budget with a variance amount and percentage column. Again, I am aware that KVS can create this report with ease.

2. The Purchase Order Policy in place should be followed. The Village Manager should be able to see the signed and dated receiver attached to the invoice and purchase order when the payables are approved.

It is imperative that the invoices received should be matched with the appropriate paperwork and submitted to the Village Manager on a weekly basis. If items pile up for a month it is too cumbersome for the manager to thoroughly examine the paperwork and give it due diligence, plus it is hard to go back to a vendor and complain when the problem is brought to attention more than 10-15 days after the fact.

If the payables were posted more frequently and a report given to the Village Manager, a cash flow or any other problem could be headed off before it becomes too large.

Since the Trustees normally meet every two weeks, it would be best if the payables were approved and paid on that schedule, also to eliminate a report that is too cumbersome to analysis on short notice. It is imperative that these reports are sent to the Trustees on the Monday before the BOT meeting rather than at the meeting.

3. The office administration needs to be stream-lined and brought up to the 21st century. With all the investments the Village has made in networking, software and hardware, you the Village Manager, should have access to the General Ledger software at any time in order to monitor the flow of work and money.

There should be online payments with the bank, KVS should be able to create a batch process for uploading the bills to the bank. This would save many man-hours, plus save on postage, envelopes, etc. The bank account statements are available on line also so

there is no reason the bank reconciliation can not happen continually but at a minimum, right after the last day of the month. The Village Manager should see each bank reconciliation and initial off on the report for future auditing.

Finally, a list of Fiscal Goals has been submitted to you on **April**, 2011. Not everything can happen immediately but the items above must start during this month, August 2011.

The other items on "your goals" can be instituted during September and October but should be completed by November 1, 2011. The Trustees and Mayor will need to see these improvements in place before it is time for the Mayor to make reappointments for the next term on December 1.

This may sound like a short time, but we, the Trustees, are aware this has been requested for several years and the KVS software company is paid annual support for services, such as designing reports, it is pure foolishness not to use their assistance.

If there are continued excuses to delay the implementation of these improvements remedial action will be taken to make this happen.

Suzanne Peters, J. Larry Clark

Fiscal Goals for Village Manager

Some of the following items and processes may already be in the office routine, but if they are not then they should be included as Management looks to streamline processes and communicate better with the Board on a routine basis.

Some of these items have already been discussed among Board members but ALL of them are in the Office of the State Comptroller's handbooks for Villages. The excerpts below plus a multitude of information is available at the State Comptroller's website.

1. Actively Monitor Cash Flow
2. Optimize Timing of Disbursements
3. Maximize Interest Earnings
4. Online Banking
5. Remote Deposit Capture
6. Check Images-How does the Village receive them?
7. Electronic Signatures - Are we using them to our best advantage?
8. Trend Analysis –For ease of following Village Finances
9. Financial ratios-What is the fiscal health of our Village, a snapshot.
10. Interim Budget VS Actual, Ratios and Cash Flow Projections to the Board quarterly
11. Summary of Fund Balances/ Expenditures/Revenue to the Board monthly

Quarterly & Monthly Reports to the Board

It is essential that the governing board receives regular financial reports from the CFO, treasurer, or business manager to fulfill its responsibility of monitoring financial operations. Generally, corrective action is easier to initiate when the need is identified early. Interim reports should provide the board with timely information on such issues as: financial position, results of operations, budget status, policy compliance, service or project costs, performance measures, and legal compliance matters.

At the very least, the Board should receive on a monthly basis (for the current fiscal year) the following:

Beginning Year Fund Balance	
+ Revenue Received to Date	
+ Expenditures to Date	
Ending Fund Balance	=

For each of the major funds.

A summary more like the State Comptroller suggests (see attached) would be most helpful. On

a quarterly basis Management should prepare a more in depth look at the Actual versus Budget so that if there are any anomalies they can be explained and accounted for.

Ratio's would help the Board understand the overall health of the Village and only 3 are most important (see attached) . These ratios would allow the Board to see the 'trend' of our fiscal health.

A Projected Cash Flow 12 Month (rolling) report on a Quarterly Basis would confirm (or Not) that the Village is going to be fine over the future 12 months and at least be able to pay obligations or if the need to borrow or tighten belts is necessary.

I believe if the above reports were presented on a regular basis, the Board and future Trustees would understand the Village Financial picture better and be more confident in the position that they are responsible for. It also would ensure the Village Manager is completely informed and forestall possible questions and doubts. In the idea of openness and communication to the general public, these types of minimal reports would strengthen the confidence in Village employees who are responsible for preparing them.

Wrp all know the daily work needs to be accomplished. The goal of this request is to make our office procedures more efficient with true cost benefits and at the same time raise reflect to leadership and the outside world that the Village is in good hands!

Actively Monitor Cash Flow

Build an accurate cash flow estimate and monitor your actual receipts and disbursements.

Perform a detailed cash flow analysis. (See Attached Sample)Identify major revenue and expenditure types and their expected timing. Review historical data which will help to determine typical cash inflows and outflows throughout the fiscal year. Identify reserves and other balances that could potentially be invested longer term.

In addition to monthly account reconciliations, review monthly analysis reports from the banks. The best scenario would be using an automated financial management information system to track daily cash balances. KVS could do this for you if all invoices/payables, receivables and deposits/payments were updated in the system daily. Most organizations are currently doing this and it is optimum. It may require your staff to create daily processes that they now do only on a monthly basis.

Optimize Timing of Disbursements

Generally, the longer that cash can be held prior to disbursement, the more interest it can earn.

Fiscal Goals for Village Manager

However, holding on to cash too long by delaying bill payments can result in late fees. Also, some vendors offer discounts for bills that are paid quickly. Local governments should analyze their full range of disbursements and use the technologies such as EFT and online banking to optimize timing of disbursements. On-line Bill Payment with our Bank will save postage, window envelopes, time signing checks, blank check stock, stuffing and mailing labor. The invoices can be entered daily with a date in the future to send the check that is best for cash flow.

Maximize Interest Earnings

A municipality should ensure that all of its cash is in interest-bearing accounts. For example, many banks offer a variety of checking accounts, only some of which pay interest.

Bank fees can add up over time, particularly for municipalities with multiple bank accounts that charge a monthly fee. Consolidate accounts when feasible to minimize fees, while continuing to maintain separate accounts on your municipality's books.

To maximize interest and minimize fees, issue a request for proposals (RFP) for banking services every 3-5 years. Banks continually refine their products and offerings, and an RFP can encourage competition to identify the most cost-effective banking services.

Remote Deposit Capture

Remote deposit capture (RDC) is a service which allows you to scan checks that you receive into your computer or cash register and to transmit the scanned images electronically to your bank, causing your account to be credited. The basic requirements for an RDC service include a computer, an Internet connection, a check scanner, and a service provider such as your current bank.

To use RDC you simply load checks into your scanner, which takes a picture of each check, reads the check information, and detects missing required information. The scanned checks are balanced to create a digital deposit.

This digital deposit is then transmitted (over a secure Internet connection) to your RDC bank, which then accepts the deposit and posts the deposit to your account.

The benefits of using remote deposit capture can include:

- Convenience
- Better deposit availability
- Reduced transportation cost and risk of lost checks
- Enhanced cash flow.

There are potential risks in using RDC. Since the checks you receive are not physically transferred to the bank, you may now be responsible for ensuring RDC scanned items are processed only once. You should have written procedures that specifically address the following needs:

- How to identify if a check has been scanned
- Where to securely store scanned checks
- How long to hold on to scanned checks before destroying them
- How to properly destroy scanned checks once the requisite timeframe has expired.

Fiscal Goals for Village Manager

Check Images

Many banks have ended the practice of returning original cancelled paper checks to their customers. In place of cancelled checks, your bank probably has asked you to accept some other record of checks charged to your account. The form of documentation you receive is based on your agreement with your bank. It is important that you set up your service agreement with the bank to receive the information you need for your operations. Most likely you are receiving one of the following:

- **Statements of Check Images** statements showing images of the fronts and backs of cancelled checks. Normally, each statement will display multiple check images.
- **Electronic Check Images**-banks sometimes provide compact discs (CDs) containing images of the fronts and backs of cancelled checks or provide online access via the Internet to allow viewing (and printing) of the fronts and backs of the cancelled checks.

You can accept these electronic images of your checks in lieu of statutory requirements for cancelled checks upon authorization by your governing board. Also remember that if the bank provides you with electronic images, the check image must show both sides of the check and should show the magnetic ink character recognition (MICR)23 line for bank reconciliation and auditing purposes.

<http://www.osc.state.ny.us/localgov/costsavings/electronbank.htm>

Online Banking Best Practices include:

- Monitoring bank accounts on a timely basis for unauthorized or suspicious activity and reporting any suspicious activity immediately
- Using a dedicated computer for online banking transactions, one that is not used for email or Internet browsing
- Checking with your bank about enabling alerts and other security measures that may be available such as blocking wire transfers to other countries and requiring the verification of transactions over certain amounts, possibly through callbacks
- Providing information security awareness training to educate users on safe computing practices such as being suspicious of emails and text messages purporting to be from their bank or a government agency, and avoiding visiting un-trusted websites, following links provided by un-trusted sources and opening suspicious email which appear to be from trusted sources
- Ensuring that users know what the bank's website looks like and what questions are asked to verify their identity
- Erasing the web browser cache, temporary Internet files, cookies, and history so that if the system is compromised, that information will not be on the system to be stolen by a hacker or malware program
- Typing the bank's website address into the Internet browser's address bar every time; since email and search engine links are not secure
- Checking that the site is secure before undertaking any online banking
- Logging out of all banking websites and closing the browser window
- Turning off or disconnecting the computer from the Internet by unplugging the modem or Ethernet/DSL cable when finished
- Entering into written agreements with banks that address and control electronic or wire transfers appropriately.

Electronic Signatures

It is often unreasonable to expect the chief fiscal officer, treasurer or other custodian of public funds to hand sign each and every check that your organization issues. Even though electronic or facsimile signatures are commonly used today, it is still important that access to these signatures be controlled.

- If the signature is part of software that generates a signature on checks, the process that affixes the signature should be password protected. That password should only be known by the cash custodian, and he or she should enter it when needed.

Routine Reports & Analysis

There is no single measure that fully captures the financial condition of a local government or school district. Rather, local governments need to take a comprehensive approach that focuses on both external and internal fiscal indicators that are easy to measure, evaluate and understand. Ideally, you want a financial indicator system that is comprehensive enough to match the complexity of your government (suburban counties might have a very different fiscal indicator system than rural towns), but that is operationally manageable and produces regular, reliable reports for decision making.

Examples of environmental factors you may want to examine include:

- Population trends
- Median household income levels
- Unemployment rates
- Property full value trends
- Educational attainment, such as population with at least high school education equivalency
- Age characteristics, such as population over 65
- Poverty indicators, such as numbers of single heads of households or school lunch recipients as a percentage of your community's population.

Financial trends that may be useful to examine include the following:

- Recurring major revenues (sales tax, property tax, State aid)
- Recurring major expenditures by object (salaries, fringes, contractual)
- Debt outstanding and debt service levels
- Percentage of tax and debt limit exhausted.³

Organizational factors that you may want to consider include:

- Budget to actual financial variances for major budget categories
- Timeliness and accuracy of financial transactions (vouchers, etc.)
- Quality and timeliness of financial reporting (audits, etc.).

Trend Analysis

Analyzing historical trends can provide valuable information about current and future fiscal health. A trend analysis can help identify underlying causes of fiscal stress and help predict future financial outcomes. It can also help put the current year's budget into context by revealing whether the most recent year is the continuation of an upward trend, a downward trend, or one that fluctuates.

Trend analysis can also help trigger corrective action to address the underlying causes of a problem before it worsens. Analyzing why large fluctuations have occurred can help determine if they were unforeseeable in one year or if the values are consistently under- or overestimated.

Budget estimates (current and future) can then be modified to reflect historical reality. If corrective action is not possible immediately, the item can be flagged as a risk for monitoring and connection during the next budget cycle.

One way to help tell the fiscal story for your community is to present financial trends graphically, as in the chart below which depicts a hypothetical local government's projected budget gap. The old adage about a picture being worth a thousand words is certainly true when trying to explain complex financial data to decision makers. A series of simple charts or graphs can help succinctly summarize your financial condition and help focus the discussion on the larger trends and issues.

Financial ratios provide snapshots of financial activity and results of operations. I have included some ratios and measures that OSC believes are helpful in analyzing such issues as fund balance, cash position, reserve levels, or fixed costs. Multiyear financial plans and capital plans are increasingly viewed as essential for long-term fiscal health. By projecting financial trends beyond the current year, local officials can better anticipate and prepare for necessary budget adjustments and reduce the likelihood of sudden tax increases, service cuts or costly "emergency" expenditures. For more guidance on preparing a multiyear financial or capital plan, please refer to the OSC's *Multiyear Financial Planning* guide and *Multiyear Capital Plans* guide.

The goal of financial condition analysis is to provide valuable information regarding the past, present, and future direction of your government's finances. But that information must be relevant and useful in managing your finances. Make sure your fiscal indicators are appropriate for the size and scope of your government, easy to calculate and update, and simple to explain.

No one measure alone should be accepted as an indication of a positive or negative trend. Although the measures are not weighted, a few tend to provide a stronger measure of fiscal condition than others: measures 1, 2, and 4 are considered key for financial condition analysis. The following financial measures are explained in this section:

1. Declining Fund Balance (LG/SD)
2. Operating Deficits (LG/SD)
3. Fixed Costs as a Percentage of Total Expenditures (LG/SD)
4. Cash and Investments as a Percentage of Current Liabilities (LG/SD)
5. Tax Limit Exhausted (LG)
6. Short-Term Debt Issuance (LG/SD)
7. Timeliness of Financial Reporting (LG/SD)
8. Intergovernmental Revenues as a Percentage of Gross Revenues (LG).

Financial Measure 1. Declining Fund Balance (LG/SD)

Purpose: To identify trends in a local government's fund balance

Measurement: The relationships of unreserved fund balance and of appropriated fund balance to total operations (gross expenditures)

Formulas: a. Unreserved Fund Balance divided by Gross Expenditures
b. Appropriated Fund Balance divided by Gross Expenditures

Negative Trend: Percentages decreasing over time

Recommended Funds to Review: All major governmental operating funds

Fiscal Goals for Village Manager

Account Codes to Use:

Unreserved Fund Balance-Account codes 910, 911

Appropriated Fund Balance -Account code 910

Gross Expenditures-This figure is the total from the AUD filed with OSC or the ST-3 filed with SED

Analysis: A positive unreserved fund balance provides a cushion to help deal with revenue shortfalls or expenditure overruns. Continuous reductions in fund balance may indicate poorly structured budgets; it could lead to future budgetary problems, even if the current fund balance is positive. Even more significant is a fund balance that is negative, or what is known as a deficit fund balance. This situation could seriously affect the ability of a local government or school district to continue to provide services at current levels.

Deficits in millage funds in excess of 1.5 percent of fund expenditures or \$50,000 (whichever is greater) are generally causes for concern. Conversely, note that school districts have a statutory cap on the percentage of fund balance they may retain from year to year.

Appropriated fund balance information can provide insight into declining fund balances. Annual appropriations of available fund balance would normally reduce unreserved fund balance each year. However, favorable budget variances (revenue and/or expenditure) could offset some, or all, of this otherwise negative trend.

Possible Practices: Careful budgeting and limited use of reserves and appropriated fund balance can help stabilize reserve levels. Adopting specific policies to maintain a reasonable level of fund balance will help protect your local government or school district from cash flow problems caused by unexpected budget variances.

Financial Measure 2. Operating Deficits (LG/SD)

Purpose: To identify trends in revenues, recurring revenues, expenditures and the resulting surpluses or deficits in a local government or school district

Measurement: The relationship of operating results (gross revenues less gross expenditures), both with and without one-time revenues, to total operations (gross expenditures)

Formulas: a. $\frac{\text{Gross Revenues} - \text{Gross Expenditures}}{\text{Gross Expenditures}}$

b. $\frac{\text{Gross Revenues} - \text{Gross Expenditures} - \text{One-Time Revenues}}{\text{Gross Expenditures}}$

Negative Trend: Percentages decreasing over time

Recommended Funds to Review: All major governmental operating funds

Account Codes to Use:

Gross Revenues- This figure is the total from the AUD filed with OSC or the ST-3 filed with SED

Gross Expenditures- This figure is the total from the AUD filed with OSC or the ST-3 filed with SED

One-Time Revenues- Account codes 2660, 2690, 5700-5791

Analysis: The annual operating surplus or deficit is the difference between the revenues and expenditures for a fiscal year. If expenditures exceed revenues, the local government or school district has an operating deficit; if revenues exceed expenditures, the local government or school district has an operating surplus.

The ratios depict how large or small the surplus or deficit is in relation to each fund's operations for the year. Over time, operating deficits in individual years may offset operating surpluses from other years. Since several successive years of operating deficits could cause financial hardship

for a local government or school district, reviewers should consider the results over several

Fiscal Goals for Village Manager

years of operation.

The fund balance is the total accumulation of all operating surpluses and deficits since the beginning of a local government's or school district's existence. Each year's operating surplus or deficit is added to or subtracted from the prior fund balance. A local government or school district that relies on surplus fund balance to finance current operations may eventually experience fiscal problems.

Ratio 2b addresses one-time, nonrecurring revenues, which are not derived from the normal operating cycle and, therefore, cannot be relied upon from year to year. These revenues are subtracted from the fund surplus or deficit to present a more conservative picture of the results of operations. This ratio measures only recurring revenues as they compare to expenditures. Using one-time revenues to finance recurring expenditures could create fiscal problems, because future budgets would require new revenues to compensate for past one-time revenues. However, if the one-time revenue was used to finance a one-time expenditure (such as using the proceeds from the sale of real property to purchase a piece of equipment) it would not create a need for replacement revenues.

Possible Practices: Local governments and school districts should try to avoid large fluctuations in operating results. One-shot revenues (including appropriations from available fund balance) should not be relied upon to balance annual budgets.

Financial Measure 4. Cash and Investments as a Percentage of Current Liabilities (LG/SD)

Purpose To identify trends in district -end cash balances of a local government or school

Measurement: The ability to liquidate current liabilities or to fund ensuing operations from available cash. This ratio measures the amount of cash on hand at the end of the year in relation to the amount of current liabilities.

Formula: Cash and Investments divided by Current Liabilities

Negative Trend: Percentages decreasing over time

Recommended Funds to Review: This ratio typically is an aggregate of all the funds included in the analysis. Individual funds and other combinations can also be analyzed.

Account Codes to

Use:

Cash and Investments- Account codes 200-201, 450-451

Current Liabilities- Account codes 600-626, 630-688

Gross Expenditures- This figure is the total from the AUD filed with OSC or the ST-3 filed with

S

E

D

Analysis: This ratio measures the availability of cash in relation to current liabilities at the end of the year. A downward trend (percentages are decreasing) indicates that the local government or school district may be having difficulty raising the cash needed to meet its current expenditures. Real property taxes, a significant revenue source in most local governments and school districts, are generally collected at the beginning of the fiscal year and spent down as the year progresses. To create a conservative ratio, use yearend figures, when cash balances are usually at their lowest.

Possible Practices: Cash flow analysis helps identify money available for investment in longer-term instruments (as authorized by law), thereby maximizing investment yields. The timely collection of receivables makes cash available for investment sooner. Cash collections may be enhanced through timely filing of claims, improved billing cycles and stricter enforcement efforts. Extending or delaying cash disbursements can also have a positive effect on cash flow, as long as it does not result in interest or payment penal