

Finance Committee Meeting

Topic: Introduction to the Balance Sheet



City of Lockport, NY

July 7, 2021

What is a balance sheet?



- A balance sheet is a summary view of all financial balances:
 - Assets – what we own
 - Liabilities – what we owe
 - Fund Balance – our equity
- We use this to state our financial condition at a specific point in time.
- The balance sheet is updated during the year as part of regular procedures (payroll, revenue collection, accounts payable, etc) as well as during the closing process.
- Public entities are required to abide by fund accounting, which means that we have separate balance sheets per each fund.

What accounts are included?

- Some assets include:
 - Cash and investments
 - Accounts receivable
 - Amounts due from other funds/entities
 - Prepaid expenses
- Some liabilities include:
 - Accounts payable
 - Amounts due to other funds/entities
 - Deferred tax revenues



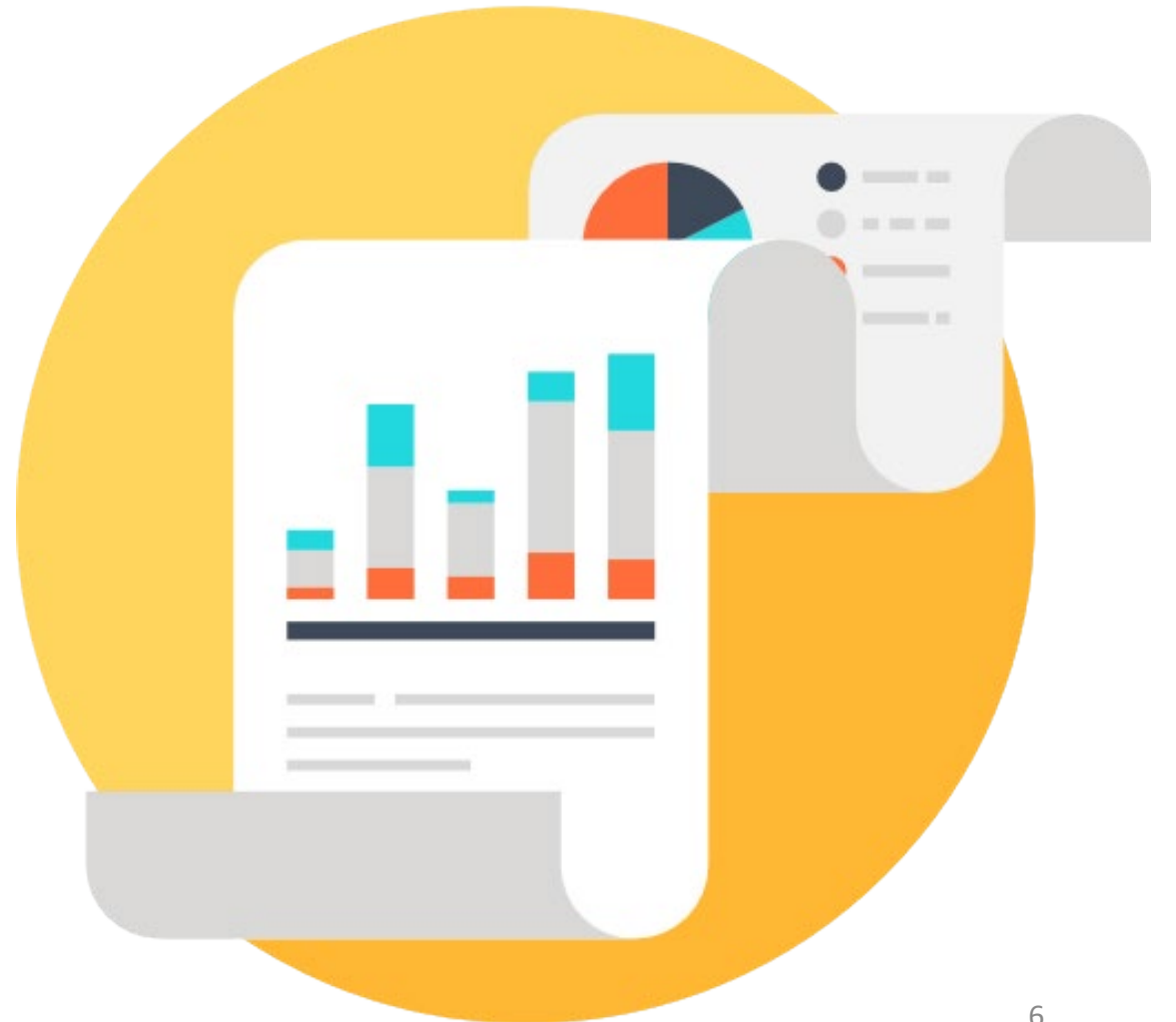
Account	Account Description	Balance Forward	YTD Debits	YTD Credits	Ending Balance
Fund A - General Fund					
1200.10	Cash M&T Universal Checking	.00	43,291,487.67	41,783,814.70	1,507,672.97
1200.11	Cash M&T Universal Cking-County	.00	5,544,465.17	5,544,465.17	.00
1200.12	Cash M&T Universal Cking-School	158,488.29	1,520,389.82	1,413,231.26	265,646.85
1200.13T1	Cash Trust & Agency M & T Checking	.00	44,525.00	.00	44,525.00
1200.13T2	Cash Trust & Agency M & T Checking	.00	599,964.00	.00	599,964.00
1200.15	Cash M&T Disbursing	2,000.00	3,004,770.04	3,006,645.04	125.00
1200.DEA	Cash Police-Fed DEA	60,471.24	.00	6,000.00	54,471.24
1200.FFT	Cash Police-DA Assets Forfeiture	16,869.83	10,073.52	.00	26,943.35
1201.18	Cash in Time Deposits M&T Bank	.00	160,282.59	160,000.00	282.59
1210.01	Petty Cash Treasurer's Office	350.00	.00	.00	350.00
1210.02	Petty Cash City Clerk	100.00	.00	.00	100.00
1210.03	Petty Cash Police	200.00	.00	.00	200.00
1210.04	Petty Cash Building Inspection	180.00	.00	.00	180.00
1210.05	Petty Cash Marina	50.00	.00	.00	50.00
1210.06	Petty Cash Pool	200.00	.00	.00	200.00
1250	Taxes Receivable, Current City	.00	44,768,225.91	44,768,225.91	.00
1251	County Taxes Receivable	.00	6,088,773.15	6,088,773.15	.00
1290	School Taxes Receivable	1,346,271.80	3,631,190.55	3,732,190.63	1,245,271.72
1320.00	Tax Sale Certificates 2000	414.25	.00	.00	414.25
1320.01	Tax Sale Certificates 2001	2,203.31	.00	.00	2,203.31
1320.02	Tax Sale Certificates 2002	5,532.57	.00	.00	5,532.57
1320.03	Tax Sale Certificates 2003	7,855.64	.00	.00	7,855.64
1320.04	Tax Sale Certificates 2004	7,927.24	.00	.00	7,927.24
1320.05	Tax Sale Certificates 2005	13,913.30	.00	.00	13,913.30
1320.06	Tax Sale Certificates 2006	15,118.71	.00	.00	15,118.71
1320.07	Tax Sale Certificates 2007	15,002.71	.00	.00	15,002.71
1320.08	Tax Sale Certificates 2008	15,211.68	.00	.00	15,211.68
1320.09	Tax Sale Certificates 2009	23,043.90	.00	.00	23,043.90
1320.10	Tax Sale Certificates 2010	37,922.69	.00	.00	37,922.69
1320.11	Tax Sale Certificates 2011	31,729.78	.00	.00	31,729.78
1320.12	Tax Sale Certificates 2012	33,061.98	.00	.00	33,061.98
1320.13	Tax Sale Certificates 2013	29,961.05	.00	.00	29,961.05
1320.14	Tax Sale Certificates 2014	27,199.08	.00	.00	27,199.08
1320.15	Tax Sale Certificates 2015	35,412.92	.00	.00	35,412.92
1320.16	Tax Sale Certificates 2016	74,083.72	1,805.12	8,297.87	67,590.97
1320.17	Tax Sale Certificates 2017	116,272.35	1,117.57	27,820.39	89,569.53
1320.18	Tax Sale Certificates 2018	449,414.05	16,972.44	257,885.63	208,500.86

How to Determine Fund Balance

- Fund Balance is determined as:
 - Assets (what we own) – Liabilities (what we owe) = Fund Balance (equity)
 - *For example, on 12/31/2020, our general fund has \$11 million in assets and \$3.4 million in liabilities:*
 - *\$11 million in assets - \$3.4 million in liabilities = \$7.6 million in fund balance*

Why the Balance Sheet is Important:

- While the budget is a useful *planning* document, it does not describe the current financial condition.
- Careful analysis of the balance sheet must be done to avoid cash shortages and other impending financial difficulty.



Using the Balance Sheet, Example #1

- A balanced budget for 2020 is appropriated with \$10 million in revenues and \$10 million in expenditures.
- At the end of the year, there are \$9 million in actual expenditures, and \$9 million in actual revenues.
 - All expenditures are paid with cash. \$7 million in revenues are cash and \$2 million are taxes receivable.
 - There is no budget deficit, but there is a \$2 million dollar cash decrease on the balance sheet.

Example #1

	2019	Debit	Credit	2020
Cash	\$3m	\$7m	\$9m	\$1m
Taxes Receivables	\$2m	\$2m	\$0m	\$4m
Total Assets	\$5m	\$9m	\$9m	\$5m
Liabilities	\$3m			\$3m
Fund Balance	\$2m			\$2m

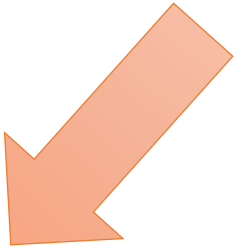
Example #2

- Let's assume we had another identical year as explained in example #1 but for 2021.
- What would be the impact on our balance sheet fund balance?
- What would be the impact to our cash balances?



Example #2

	2020	Debit	Credit	2021
Cash	\$1m	\$7m	\$9m	\$-1m
Taxes Receivables	\$4m	\$2m	\$0m	\$6m
Total Assets	\$5m	\$9m	\$9m	\$5m
Liabilities	\$3m			\$3m
Fund Balance	\$2m			\$2m



Balance Sheet Lessons from the Past



- This was a simple example showing how the composition of our balance sheet can change. In 2014, the City experienced similar cash issues as shown in example #2 (along with mixing cash of various funds). As a result, we had to take out deficit financing debt to cover our deficit cash balances and to allow us to have enough cash to pay bills.

~Balance Sheet Takeaways~

- The budget is a plan for future spending and does not explicitly say much about current financial conditions of the City.
- The balance sheet is our primary tool for checking on the financial condition and health of our funds. Regular analysis is done to ensure that we can maintain operations with no interruption to services.
- We can use the balance sheet to project future financial issues such as cash shortages, fund balance changes, increasing liability accounts, and various other checks.