

Finance Committee Meeting

Topic: Introduction to the Balance Sheet



City of Lockport, NY

May 25, 2022

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, as well as to calculate the fund balance.
- The balance sheet is updated during the year as part of regular procedures (accounting journal entries, payroll, revenue collection, accounts payable, etc) as well as during the closing process.

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



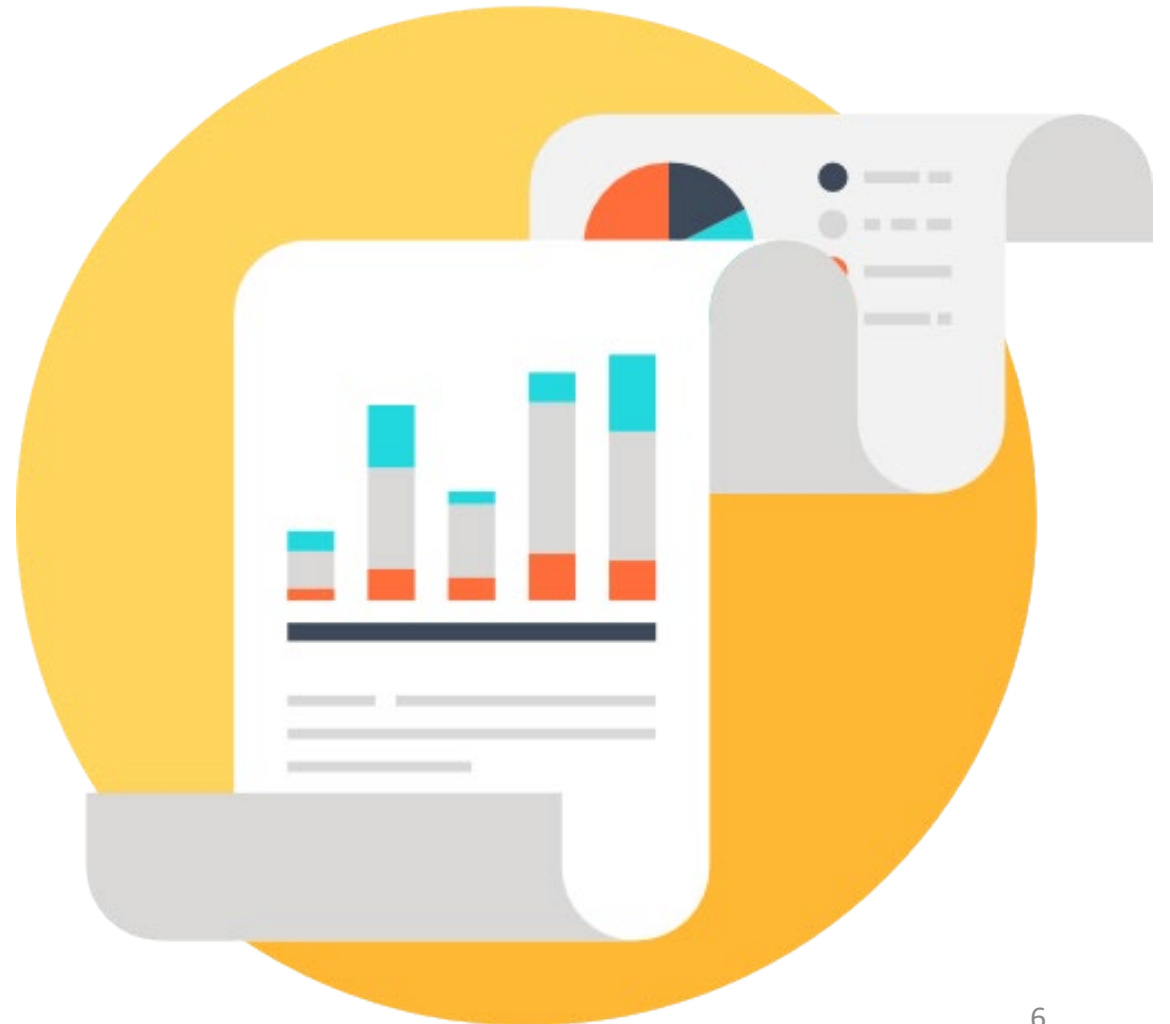
Account	Account Description	Balance Forward	YTD Debits	YTD Credits	Ending Balance	YTD Balance
Fund A - General Fund						
1200.10	Cash M&T Universal Checking	1,507,672.97	47,631,508.11	48,847,980.81	291,200.27	1,507,672.97
1200.10T3	Cash Trust & Agency Savings	12,167.00	24,344.98	24,339.49	12,172.49	12,167.00
1200.10T4	Cash Trust & Agency Savings	21,610.00	43,624.46	43,616.23	21,618.23	21,610.00
1200.11	Cash M&T Universal Cking-County	.00	6,083,834.98	6,083,834.98	.00	.00
1200.12	Cash M&T Universal Cking-School	265,646.85	1,766,328.95	1,680,405.57	351,570.23	265,646.85
1200.13T	Cash Trust & Agency Cash	388.00	.00	388.00	.00	388.00
1200.13T1	Cash Trust & Agency M & T Checking	44,525.00	17,391.42	53,220.71	8,695.71	44,525.00
1200.13T2	Cash Trust & Agency M & T Checking	599,964.00	1,090,243.76	1,145,085.88	545,121.88	599,964.00
1200.15	Cash M&T Disbursing	125.00	3,310,084.42	3,228,502.17	81,707.25	125.00
1200.DEA	Cash Police-Fed DEA	54,471.24	1,646.84	27,940.51	28,177.57	54,471.24
1200.DEAT	Cash DEA Treasury Funds	.00	8,797.33	.00	8,797.33	.00
1200.FFM	Cash Police-Manhattan DA Forfeiture	.00	52,652.00	.00	52,652.00	.00
1200.FFT	Cash Police-DA Assets Forfeiture	26,943.35	3.60	18,665.31	8,281.64	26,943.35
1200.LPD	Cash Police-LPD	27,306.00	72,605.30	63,608.65	36,302.65	27,306.00
1201.18	Cash in Time Deposits M&T Bank	282.59	53.76	.00	336.35	282.59
1210.01	Petty Cash Treasurer's Office	350.00	.00	.00	350.00	350.00
1210.02	Petty Cash City Clerk	100.00	.00	.00	100.00	100.00
1210.03	Petty Cash Police	200.00	.00	.00	200.00	200.00
1210.04	Petty Cash Building Inspection	180.00	.00	.00	180.00	180.00
1210.05	Petty Cash Marina	50.00	.00	.00	50.00	50.00
1210.06	Petty Cash Pool	200.00	.00	.00	200.00	200.00
1250	Taxes Receivable, Current City	.00	14,752,652.26	14,752,652.26	.00	.00
1251	County Taxes Receivable	.00	6,447,731.39	6,447,731.39	.00	.00
1290	School Taxes Receivable	1,245,271.72	2,134,107.90	2,269,982.12	1,109,397.50	1,245,271.72
1320.00	Tax Sale Certificates 2000	414.25	.00	.00	414.25	414.25
1320.01	Tax Sale Certificates 2001	2,203.31	.00	.00	2,203.31	2,203.31
1320.02	Tax Sale Certificates 2002	5,532.57	.00	.00	5,532.57	5,532.57
1320.03	Tax Sale Certificates 2003	7,855.64	.00	.00	7,855.64	7,855.64
1320.04	Tax Sale Certificates 2004	7,927.24	.00	.00	7,927.24	7,927.24
1320.05	Tax Sale Certificates 2005	13,913.30	.00	.00	13,913.30	13,913.30
1320.06	Tax Sale Certificates 2006	15,118.71	.00	.00	15,118.71	15,118.71
1320.07	Tax Sale Certificates 2007	15,002.71	.00	.00	15,002.71	15,002.71
1320.08	Tax Sale Certificates 2008	15,211.68	.00	.00	15,211.68	15,211.68
1320.09	Tax Sale Certificates 2009	23,043.90	.00	.00	23,043.90	23,043.90
1320.10	Tax Sale Certificates 2010	37,922.69	.00	.00	37,922.69	37,922.69
1320.11	Tax Sale Certificates 2011	31,729.78	.00	.00	31,729.78	31,729.78
1320.12	Tax Sale Certificates 2012	33,061.98	.00	.00	33,061.98	33,061.98
1320.13	Tax Sale Certificates 2013	29,961.05	.00	.00	29,961.05	29,961.05
1320.14	Tax Sale Certificates 2014	27,199.08	.00	3,638.29	23,560.79	27,199.08

Using the Balance Sheet to Determine Fund Balance

- Fund Balance is calculated 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.
- Identifying long-term trends is key to avoiding issues before they may fully materialize.



Example: Purchasing Sewer Fund Equipment

- The City wishes to purchase a piece of large equipment in the sewer fund for \$150,000 (which was not budgeted for).
- Can the Council use fund balance to increase the sewer fund's budget to accommodate the purchase?
- Using the balance sheet and knowledge of the fund balance policy, can the City responsibly make the purchase?

Sewer Fund Balances as per 5/23/2022:

Account	Account Description	Balance Forward	YTD Debits	YTD Credits	Ending Balance
1200.10	Cash M&T Universal Checking	774,585.87	1,484,833.69	2,174,345.00	85,074.56
1200.15	Cash M&T Disbursing	14,588.46	694,194.57	708,093.05	689.98
1201.18	Cash in Time Deposits M&T Bank	136,879.52	.00	.00	136,879.52
1210.08	Petty Cash Compost-WW	200.00	.00	.00	200.00
1360	Sewer Rents Receivable	559,935.53	1,337,808.66	1,578,782.97	318,961.22
1380	Accounts Receivable	.00	.00	.00	.00
1380.99	Accounts Receivable YE Manual Entry	30,235.89	.00	30,235.89	.00
1391.A	Due From Other Funds General	.00	261,484.14	.00	261,484.14
1440.99	Due From Other Governments Year End Manual Entry	159,415.00	.00	159,415.00	.00
1450.71	Investment in Securities NYCLASS	852,258.47	315.46	.00	852,573.93
1480	Prepaid Expense	35,865.88	.00	35,865.88	.00
2600	Accounts Payable	(404,224.39)	708,439.14	304,214.75	.00
2630	Due to Other Funds	.00	499,154.42	499,154.42	.00
2688	Other Liabilities	(38,201.25)	.00	.00	(38,201.25)
2690	Overpayments	.00	262.44	262.44	.00
2691	Deferred Revenues	(221,063.38)	.00	.00	(221,063.38)
2710	Consolidated Payroll	(22,468.18)	22,468.18	.00	.00
3915	Assigned Unappropriated Fund Balance	(1,878,007.42)	.00	.00	(1,396,598.72)

Assets total \$1.7 million.

Liabilities total \$300k.

\$1.4 million is available in fund balance.

Example: Determining Fund Balance

- Total assets (\$1.7 million) minus liabilities (\$300k) equal current fund balance (\$1.4 million).
- As such, it can be said that there is enough fund balance to fund the \$150k equipment in the budget.
- Is the fund liquid enough to make the purchase? Would we maintain our minimum cash balances per policy?

Sewer Fund Balances as per 5/23/2022:

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LIQUID CASH
LIQUID, RESERVED
LIQUID CASH
LIQUID, RESERVED

INVESTMENT,
SOMEWHAT LIQUID

- Total liquid cash balances as of 5/23/2022 total \$1,074,528 and consist of universal checking, cash in time deposits, as well as NYCLASS investments, since we can pull cash within 2-3 business days.
- As per our fund balance policy, the sewer fund must maintain \$1,035,336 in liquid cash to maintain operations (see "2022 Appropriation" page 21 on Finance Department's website for more details).

Example: Sewer Fund Equipment

- The Sewer fund has \$1.07 million in cash on 5/23/2022. We must maintain a minimum of \$1.03 million per policy, meaning we can only make a purchase of \$40k.
- While the fund has available fund balance to use for the purchase, the composition of assets in the fund (aka liquidity) tell us that we cannot purchase the equipment for \$150,000.

~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.