



Town of Mason

Financial Health Metrics

Financially healthy local governments tend to have a few traits in common; they operate with balanced budgets, maintain adequate cash reserves, have a manageable debt burden, keep liabilities in check, and do not spend non-recurring funds on recurring expenditures

The Comptroller's Office annually calculates four main metrics to measure how well local governments are managing the aforementioned items.

I) Cash as a Percentage of Expenditures

Cash as a Percentage of Expenditures

Cash and Cash Equivalents / (Annual Expenditures - Grant Expenditures - Capital Outlay)

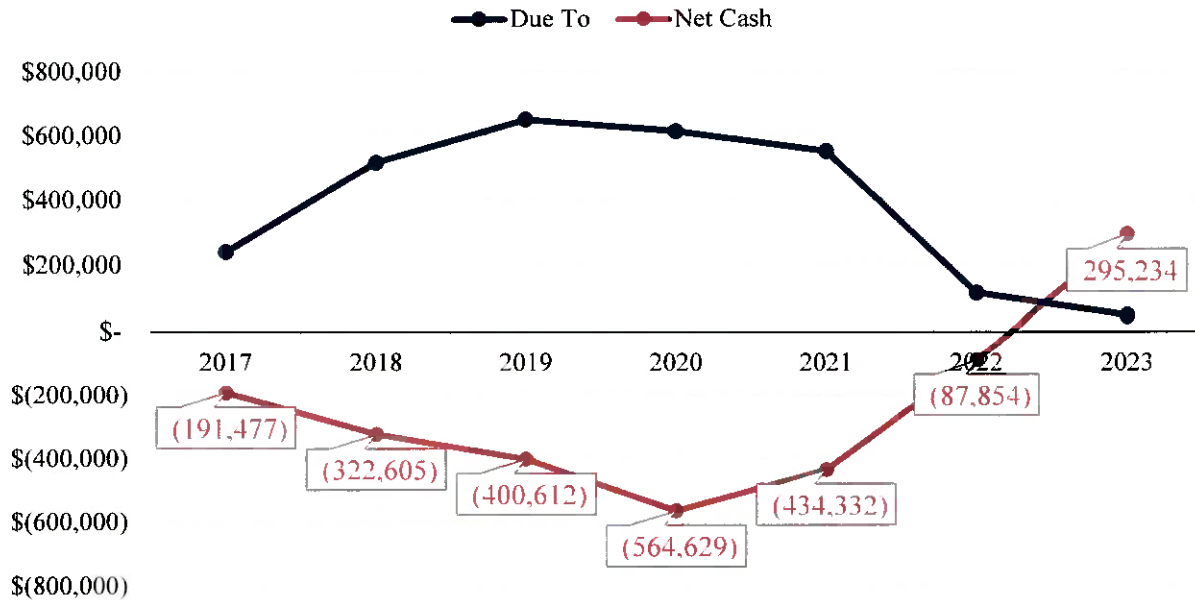
Purpose: Answers how much cash an entity has to pay bills as they become due and absorb unexpected spending. Specifically, this metric illustrates how many days of average expenditures an entity can afford with only cash on hand assuming no new revenue.

Distress Classification Thresholds	
No Concern:	Above 15% (roughly two months average expenditures)
Concern:	Less than or equal to 15% and above 8% (one to two months average expenditures)
Distress Concern:	Less than or equal to 8% (one or less months average expenditures)

Improper borrowings from a utility fund must be paid back. The General Fund's "Due To" liability is essentially a claim on cash. Consequently, to ascertain a clearer picture of cash levels, one must consider the net impact of money owed to utilities (cash and cash equivalents – money owed to utilities). Considering improper borrowings against General Fund cash levels reflects negative cash balances. For most of the dataset, the General Fund did not have enough cash on hand to pay bills and reimburse the utility fund.

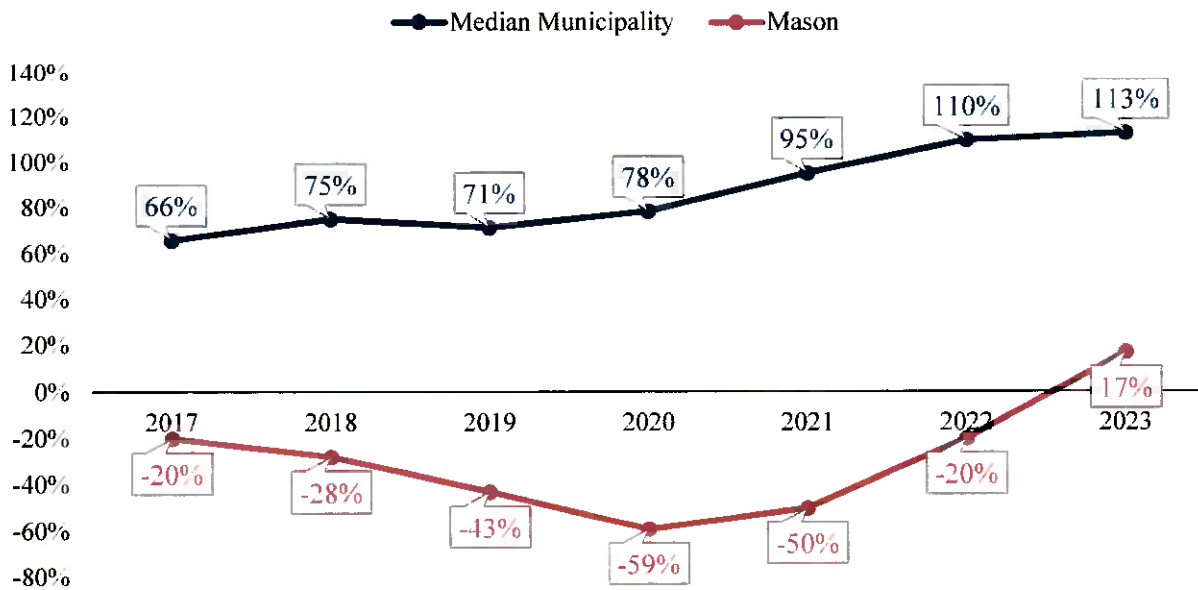
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Net Cash | General Fund



Since the base cash to expenditures ratio does not consider the impact of large payables, fund balance instead of cash should be viewed relative to expenditures. When considering fund balance, Mason's General Fund has a history of negative fund balance to expense metrics.

Fund Balance / Expense | General Fund



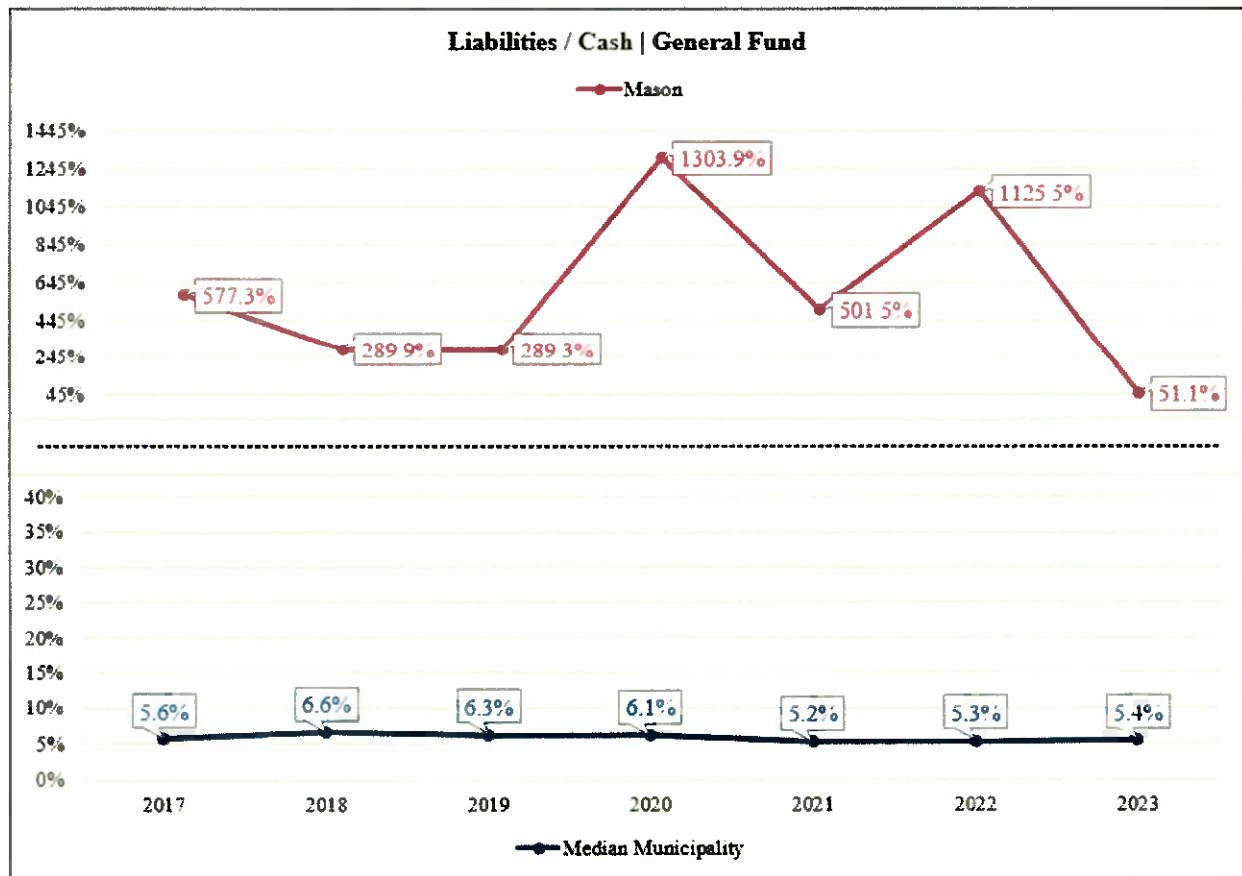
II) Current Liabilities as a Percentage of Cash

Current Liabilities as a Percentage of Cash *Current Liabilities / Cash and Cash Equivalents*

Purpose: Answers how well an entity has been paying their bills. Deferring bill payment artificially maintains cash levels. Payables are generally claims against current cash. Therefore, if an entity has large account payable balances, high cash levels can be misleading.

Distress Classification Thresholds	
No Concern:	Less than 25%
Concern:	Less than 75% but greater than or equal to 25%
Distress Concern:	Greater than or equal to 75%

Mason's extreme levels of improper utility borrowings led to an extraordinarily high liabilities to cash ratio. For example, in FY20 and FY22, General Fund liabilities were more than ten times larger than General Fund cash levels. Mason was able to substantially reduce "Due To" utility amounts solely through a one time federal government grant. Though the General Fund's liabilities to cash ratio has decreased, the ratio remained at a concerning level in FY23.



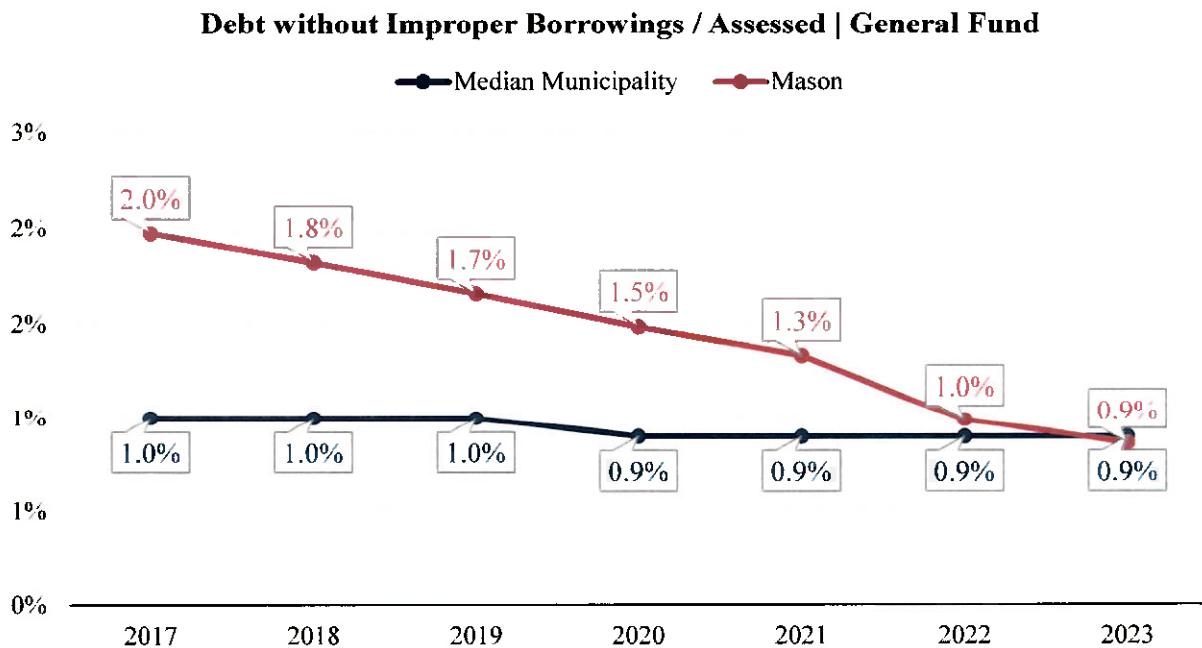
III) Debt as a Percentage of Taxable Property (Assessed Value)

Debt as a Percentage of Taxable Property *General Governmental Debt / Assessed Value*

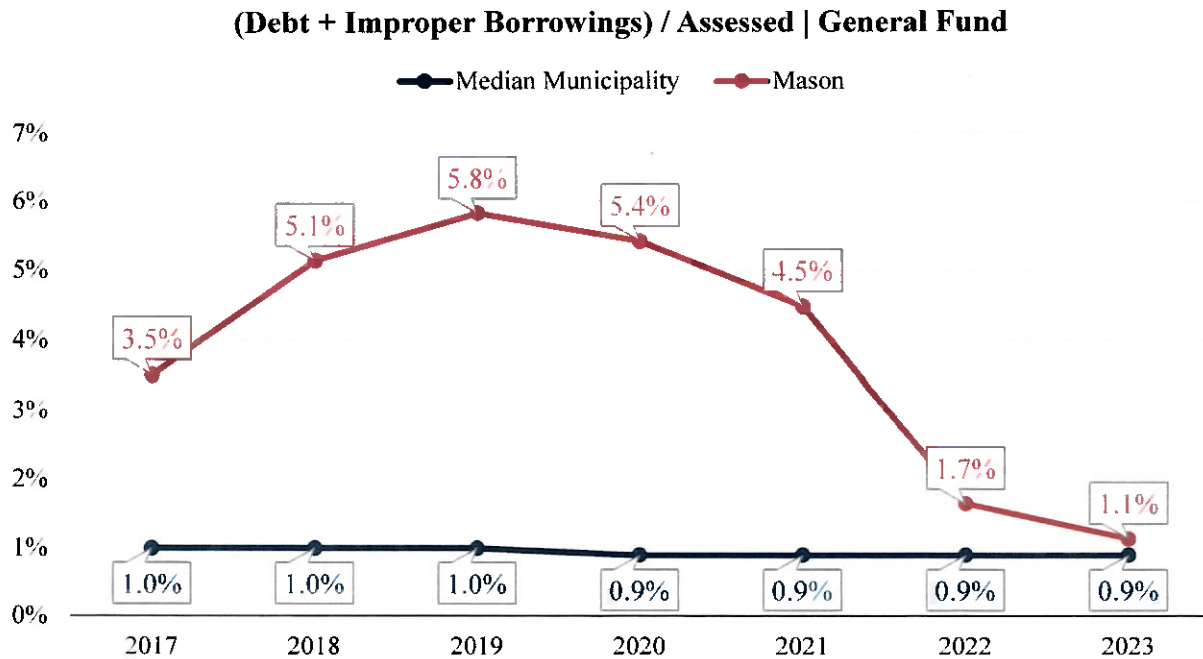
Purpose: Measures the burdensomeness of a local government's debt load. High debt service obligations can reduce financial flexibility and crowd out other potential expenditures.

Distress Classification Thresholds	
No Concern:	Less than 8%
Concern:	Less than 10% and greater than or equal to 8%
Distress Concern:	Greater than or equal to 10%

The Town's debt relative to assessed value metric, from purely an accounting standpoint, is in line with the median municipality. However, the General Fund's "Due To" utilities amount is essentially debt. Viewing debt plus improper borrowings relative to assessed value better illustrates the burdensomeness of Mason's debt.



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IV) Change in Fund Balance as a Percentage of Expenditures

Change in Fund Balance as a Percentage of Expenditures

Fund Balance Change / (Annual Expenditures - Grant Expenditures - Capital Outlay)

Purpose: Illustrates whether a local government added to or subtracted from fund balance. A deficit in isolation is not necessarily a distress flag. An entity may run a deficit because of one time grant or capital expenditures. However, a pattern of deficits paired with low cash is cause for concern.

Distress Classification Thresholds	
No Concern:	0% or positive value (surplus)
Concern:	Less than 0% but greater than or equal to -2% (a two percent deficit)
Distress Concern:	Less than -2% (a deficit greater than 2%)

A structurally unbalanced budget is the result of operating expenditures exceeding operating revenues. For example, revenues such as property taxes, sales taxes, fines, and fees are not enough to cover expenses such as salaries and utilities. Running a structurally unbalanced budget, Mason suffered chronic deficits from at least 2017 – 2021. But, over the last few years, Mason has enjoyed large surpluses in the General Fund.

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