



# Gahanna

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2023 YEAR-END REPORT TO COUNCIL  
FEBRUARY 26, 2024

# Agenda

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- Governmental Accounting Overview
- Discuss the year-end results for the General Fund, Special Funds that receive income tax, and Capital Improvement Fund
- Income tax trends through the end of the year
- Investments
- Conclusion based on the year-end results

# Governmental Accounting Overview

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- The City is required to follow Generally Accepted Accounting Principles accomplished by the adoption of GASBS
- Private sector companies adopt FASBS
- These two have some similarities but for the most part are very different

# Governmental Accounting Overview

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| Public Sector  | Private Sector   |
|--|--|
| Motive is to provide services  | Motive is to earn a profit   |
| Typically, not a direct relationship between amount paid and item or service received. | Typically, direct relationship between amount paid and item or service received. |
| Based on inflows of spendable resources.   | Based on supply and demand   |

# Governmental Accounting Overview

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- Because of the unique attributes of governments, financial information needs to reflect good stewardship and compliance.
- The National Council of Governmental Accounting (NCGA) Statement 1 identified three principles establishing the use of fund accounting for governments.
  - Principle 1 – A governmental accounting system must make it possible to both:
    - Present fairly and with full disclosure the funds and activities of the government unit in conformity with generally accepted accounting principles.
    - Determine and demonstrate compliance with finance related legal and contractual provisions.
  - Principle 2 – As a reliable and practical means of determining and demonstrating compliance legal and contractual provisions governmental accounting systems should be organized and operated on a fund basis.
  - Principle 3 – A government should only establish the minimum number of funds required.

# Governmental Accounting Overview

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- A fund is a self-balancing set of accounts recording all financial activity for resources that are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.
- Funds are established based on standards/statements established by GASB under three categories.
  - Governmental Funds
  - Proprietary Funds
  - Fiduciary Funds

# Governmental Accounting Overview

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- There are five governmental fund types
  - General Fund
  - Special Revenue Funds
  - Capital Improvement Funds
  - Debt Service Funds
  - Permanent Funds (City has none)
- There are two proprietary fund types
  - Enterprise Funds
  - Internal Service Funds
- There are four fiduciary fund types
  - Custodial (Only one the City has)
  - Pension, Investment, and Private Purpose Trust

# Governmental Accounting Overview

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## ○ General Fund

- Main operating fund and default for resources not required to be reported in another fund
- The largest fund accounting for basic activities and functions
- Usage of General Fund resources is limited to what Council has authorized by passing the appropriation ordinance
- There can only be one
- If resources are restricted, committed, or assigned for a specific purpose they must be accounted for in a fund other than the General Fund



# Governmental Accounting Overview

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- Restricted Resources
  - Most constraining
  - Externally restricted by an outside party
  - Resources restricted for the repayment of debt must be reported in a debt service fund
  - Resources restricted for capital maintenance and improvements must be reported in a capital improvement fund
  - Resources restricted for purposes other than capital and debt service must be reported in a special revenue fund
  - A separate fund must be created for each specific activity or objective based on the specific restriction on the resource

# Governmental Accounting Overview

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- Committed Resources
  - Second most constraining
  - Constraints placed on resources by the highest level of decision-making authority
  - Resources committed for the repayment of debt must be reported in a debt service fund
  - Resources committed for capital maintenance and improvements must be reported in a capital improvement fund
  - Resources committed for purposes other than capital and debt service must be reported in a special revenue fund
  - A separate fund must be created for each specific activity or objective based on the specific constraint on the resource

# Governmental Accounting Overview

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- Assigned Resources
  - Least constraining
  - Constraints placed on resources by policy not necessarily formal action or laws
  - Most common is reserved for encumbrance reported in the General Fund
  - Reporting in a capital, debt service, or special revenue fund would be required if the assignment were more specific than basic operational reservations of fund balance

# Governmental Accounting Overview

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- Proprietary Funds

- Proprietary funds are required to be used when a pricing policy is in place to recover the cost of the service including associated capital costs.
- Enterprise funds are used when the primary customer is someone other than the government.
- The City has five enterprise funds to report the specific activities and objectives which demonstrate compliance with the Ordinances passed to establish utility fees and charges.
- Internal service funds are used when the primary customer is the government.
- The City has one internal service fund to demonstrate compliance with the laws and requirements to be self insured for workers compensation claims.

# General Fund Q4 Revenue

|                              | Budget Versus Actual |                   |                   |             | Q4 2023 Versus Q4 2022 |                  |            |
|------------------------------|----------------------|-------------------|-------------------|-------------|------------------------|------------------|------------|
|                              | Budgeted Amounts     |                   | Q4 Actual         | Q4 Percent  | 2022 Actual            | Difference       | Percent    |
|                              | Original             | Q4 Budget         |                   |             |                        |                  |            |
| Revenues                     |                      |                   |                   |             |                        |                  |            |
| Income Tax                   | 21,476,200           | 21,476,200        | 23,495,417        | 109%        | 21,069,083             | 2,426,334        | 12%        |
| Property Taxes               | 2,242,615            | 2,242,615         | 2,019,877         | 90%         | 2,002,481              | 17,396           | 1%         |
| Fines & Fees                 | 1,053,480            | 1,053,480         | 1,311,091         | 124%        | 1,167,326              | 143,765          | 12%        |
| Charges for Services         | 882,600              | 882,600           | 1,154,006         | 131%        | 1,132,887              | 21,119           | 2%         |
| Intergovernmental            | 1,259,200            | 1,259,200         | 1,309,553         | 104%        | 1,292,123              | 17,430           | 1%         |
| Other Taxes                  | 400,000              | 400,000           | 385,361           | 96%         | 378,422                | 6,939            | 2%         |
| Interest & Investment Income | 1,621,000            | 1,621,000         | 4,193,101         | 259%        | 1,115,112              | 3,077,989        | 276%       |
| Licenses & Permits           | 674,400              | 674,400           | 834,594           | 124%        | 855,400                | (20,806)         | -2%        |
| Other                        | 6,200                | 23,011            | 135,615           | 589%        | 330,390                | (194,775)        | -59%       |
| <b>Total Revenues</b>        | <b>29,615,695</b>    | <b>29,632,506</b> | <b>34,838,615</b> | <b>118%</b> | <b>29,343,224</b>      | <b>5,495,391</b> | <b>19%</b> |

# General Fund Q4 Expenditures

|   | Budget Versus Actual |             |            |            | Q4 2023 Versus Q4 2022 |            |         |
|---|----------------------|-------------|------------|------------|------------------------|------------|---------|
|   | Budgeted Amounts     |             | Q4 Actual  | Q4 Percent | 2022 Actual            | Difference | Percent |
|   | Original             | Q4 Budget   |            |            |                        |            |         |
| Expenditures                                    |                      |             |            |            |                        |            |         |
| Salaries & Benefits                             | 19,970,569           | 20,023,498  | 18,538,492 | 93%        | 16,928,093             | 1,610,399  | 10%     |
| Materials & Supplies                            | 2,825,810            | 3,297,254   | 2,091,803  | 63%        | 1,914,147              | 177,656    | 9%      |
| Contract Services                               | 6,315,075            | 7,758,648   | 5,567,547  | 72%        | 5,443,380              | 124,167    | 2%      |
| Capital Outlay                                  | -                    | 186,079     | 129,905    | 70%        | 52,210                 | 77,695     | 149%    |
| Debt Service                                    |                      |             |            |            |                        |            |         |
| Principal Retirement                            | 480,000              | 480,000     | 480,000    | 100%       | 470,000                | 10,000     | 2%      |
| Interest & Fiscal Charges                       | 51,500               | 51,500      | 51,500     | 100%       | 57,375                 | (5,875)    | -10%    |
| Total Expenditures                              | 29,642,954           | 31,796,979  | 26,859,247 | 84%        | 24,865,205             | 1,994,042  | 8%      |
| Excess of Expenditures<br>(Over)/Under Revenues | (27,259)             | (2,164,473) | 7,979,368  |            | 4,478,019              | 3,501,349  | 78%     |

# General Fund Q4 Fund Balance Impact

|                                      | Budget Versus Actual |             |            |            | Q4 2023 Versus Q4 2022 |            |         |
|--------------------------------------|----------------------|-------------|------------|------------|------------------------|------------|---------|
|                                      | Budgeted Amounts     |             | Q4 Actual  | Q4 Percent | 2022 Actual            | Difference | Percent |
|                                      | Original             | Q4 Budget   |            |            |                        |            |         |
| Other Financing Sources/(Uses)       |                      |             |            |            |                        |            |         |
| Transfer Out                         | (693,800)            | (729,032)   | (729,032)  | 100%       | (541,800)              | 187,232    | 35%     |
| Advance In                           | 129,150              | 129,150     | 129,150    | 100%       | 260,820                | (131,670)  | -50%    |
| Total Other Financing Sources/(Uses) | (564,650)            | (599,882)   | (599,882)  |            | (280,980)              | (318,902)  | 113%    |
| Net Change in Fund Balance           | (591,909)            | (2,764,355) | 7,379,486  |            | 4,197,039              | 3,182,447  | 76%     |
| Fund balance January 1               | 26,459,364           | 26,459,364  | 26,459,364 |            | 24,283,600             | 2,175,764  | 9%      |
| Prior Year Encumbrance               |                      |             |            |            |                        |            |         |
| Appropriated                         | 1,719,714            | 1,719,714   | 1,719,714  |            |                        |            |         |
| Fund balance at December 31          | 27,587,169           | 25,414,723  | 35,558,564 |            | 28,480,639             | 7,077,925  | 25%     |
| Reserved For Encumbrance             |                      |             | 2,149,275  |            | 1,719,714              | 429,561    | 25%     |
| Reserved For Emergency               | 7,450,000            | 7,450,000   | 7,450,000  |            | 6,700,000              | 750,000    | 11%     |
| Unreserved Fund Balance              | 20,137,169           | 17,964,723  | 25,959,289 |            | 20,060,925             | 5,898,364  | 29%     |

# Special Revenue Funds Compared to Budget

|                            | Public Safety    | Public Safety Budget | Parks & Rec      | Parks & Rec Budget | Public Service   | Public Service Budget |
|----------------------------|------------------|----------------------|------------------|--------------------|------------------|-----------------------|
| Revenues                   | Q4 Actual        | Q4 Percent           | Q4 Actual        | Q4 Percent         | Q4 Actual        | Q4 Percent            |
| Income Tax                 | 1,274,807        | 107%                 | 910,576          | 107%               | 1,456,922        | 107%                  |
| Charges for Services       | 206,453          | 82%                  | 1,258,710        | 113%               | -                | 0%                    |
| Fines & Fees               | 19,297           | 126%                 | 13,784           | 126%               | 96,708           | 133%                  |
| <b>Total Revenues</b>      | <b>1,500,557</b> | <b>103%</b>          | <b>2,183,070</b> | <b>111%</b>        | <b>1,553,630</b> | <b>108%</b>           |
| <b>Expenditures</b>        |                  |                      |                  |                    |                  |                       |
| Salaries & Benefits        | 607,976          | 86%                  | 1,600,997        | 98%                | 868,004          | 80%                   |
| Materials & Supplies       | -                | 0%                   | 298,271          | 90%                | 46,999           | 92%                   |
| Contract Services          | 2,216            | 27%                  | 214,999          | 92%                | 316,400          | 43%                   |
| <b>Total Expenditures</b>  | <b>610,192</b>   | <b>85%</b>           | <b>2,114,267</b> | <b>96%</b>         | <b>1,231,403</b> | <b>66%</b>            |
| Transfer Out               | (955,604)        | 99%                  | -                | 0%                 | -                | 0%                    |
| Net Change in Fund Balance | (65,239)         |                      | 68,803           |                    | 322,227          |                       |
| Unreserved Fund Balance    | 633,209          |                      | 1,437,842        |                    | 1,797,784        |                       |



# Special Revenue Funds Compared to Actual

|                               | Public Safety | Public Safety<br>2022 | Parks & Rec | Parks &<br>Rec 2022 | Public Service | Public<br>Service<br>2022 |
|-------------------------------|---------------|-----------------------|-------------|---------------------|----------------|---------------------------|
| Revenues                      | Q4 Actual     | Q4 Percent            | Q4 Actual   | Q4 Percent          | Q4 Actual      | Q4 Percent                |
| Income Tax                    | 1,274,807     | -1%                   | 910,576     | 12%                 | 1,456,922      | 13%                       |
| Charges for Services          | 206,453       | 17%                   | 1,258,710   | 10%                 | -              | 0%                        |
| Fines & Fees                  | 19,297        | 35%                   | 13,784      | 53%                 | 96,708         | -47%                      |
| Other                         | -             | 0%                    | -           | -100%               | -              | -100%                     |
| Total Revenues                | 1,500,557     | 2%                    | 2,183,070   | 11%                 | 1,553,630      | 6%                        |
| Expenditures                  |               |                       |             |                     |                |                           |
| Salaries & Benefits           | 607,976       | 33%                   | 1,600,997   | 42%                 | 868,004        | 18%                       |
| Materials & Supplies          | -             | 0%                    | 298,271     | 11%                 | 46,999         | -35%                      |
| Contract Services             | 2,216         | -33%                  | 214,999     | 22%                 | 316,400        | 204%                      |
| Total Expenditures            | 610,192       | 32%                   | 2,114,267   | 34%                 | 1,231,403      | 35%                       |
| Transfer Out                  | (955,604)     | 4%                    | -           | 0%                  | -              | 0%                        |
| Net Change in Fund<br>Balance | (65,239)      |                       | 68,803      |                     | 322,227        |                           |
| Unreserved Fund<br>Balance    | 633,209       | -9%                   | 1,437,842   | 5%                  | 1,797,784      | 27%                       |

# Capital Improvement Fund

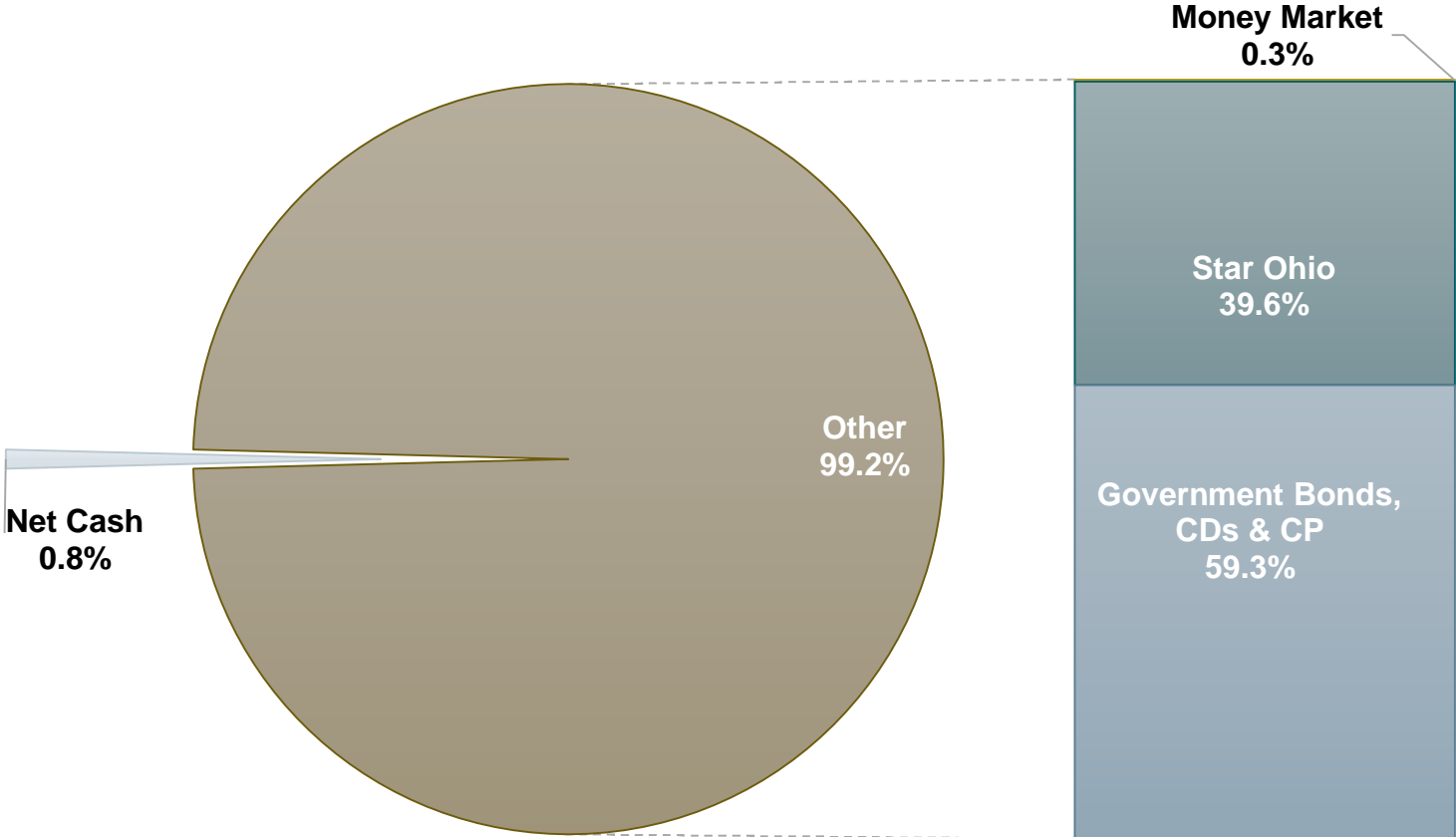
|   | Budget Versus Actual |                     |                   |             | Q4 2023 Versus Q4 2022 |                    |              |
|---|----------------------|---------------------|-------------------|-------------|------------------------|--------------------|--------------|
|   | Budgeted Amounts     |                     |                   |             |                        |                    |              |
|   | Original             | Q4 Budget           | Q4 Actual         | Q4 Percent  | 2022 Actual            | Difference         | Percent      |
| Revenues  |                      |                     |                   |             |                        |                    |              |
| Income Tax                                      | 10,224,000           | 10,224,000          | 10,926,916        | 107%        | 10,152,914             | 774,002            | 8%           |
| Fines & Fees                                    | 150,000              | 150,000             | 165,405           | 110%        | 112,783                | 52,622             | 47%          |
| Charges for Services                            | -                    | -                   | 29,203            | 100%        | -                      | 29,203             | 100%         |
| Intergovernmental                               | 98,000               | 98,000              | 20,000            | 20%         | -                      | 20,000             | 100%         |
| Other   | -                    | -                   | 5,866             | 100%        | -                      | 5,866              | 100%         |
| <b>Total Revenues</b>                           | <b>10,472,000</b>    | <b>10,472,000</b>   | <b>11,147,390</b> | <b>106%</b> | <b>10,265,697</b>      | <b>881,693</b>     | <b>9%</b>    |
| Expenditures                                    |                      |                     |                   |             |                        |                    |              |
| Capital Outlay                                  | 6,498,000            | 24,966,217          | 10,104,399        | 40%         | 15,722,057             | (5,617,658)        | -36%         |
| Debt Service                                    |                      |                     |                   |             |                        |                    |              |
| Interest & Fiscal Charges                       | -                    | 425,000             | 425,000           | 100%        | -                      | -                  | 100%         |
| <b>Total Expenditures</b>                       | <b>6,498,000</b>     | <b>25,391,217</b>   | <b>10,529,399</b> | <b>41%</b>  | <b>15,722,057</b>      | <b>(5,192,658)</b> | <b>-33%</b>  |
| Excess of Expenditures<br>(Over)/Under Revenues | 3,974,000            | (14,919,217)        | 617,991           |             | (5,456,360)            | 6,074,351          | -111%        |
| Other Financing Sources/(Uses)                  |                      |                     |                   |             |                        |                    |              |
| Issuance of Debt                                | -                    | -                   | -                 | 0%          | 8,500,000              | (8,500,000)        | -100%        |
| <b>Total Other Financing<br/>Sources/(Uses)</b> | <b>-</b>             | <b>-</b>            | <b>-</b>          | <b>0%</b>   | <b>8,500,000</b>       | <b>(8,500,000)</b> | <b>-100%</b> |
| <b>Net Change in Fund Balance</b>               | <b>3,974,000</b>     | <b>(14,919,217)</b> | <b>617,991</b>    |             | <b>3,043,640</b>       | <b>(2,425,649)</b> |              |
| Fund balance January 1                          | 3,739,689            | 3,739,689           | 3,739,689         |             | 17,822,995             | (14,083,306)       | -79%         |
| Prior Year Encumbrance                          |                      |                     |                   |             |                        |                    |              |
| Appropriated                                    | 17,126,947           | 17,126,947          | 17,126,947        |             |                        |                    |              |
| <b>Fund balance at December 31</b>              | <b>24,840,636</b>    | <b>5,947,419</b>    | <b>21,484,627</b> |             | <b>20,866,635</b>      | <b>617,992</b>     | <b>3%</b>    |
| Reserved For Encumbrance                        |                      |                     | 10,595,991        |             | 17,126,947             | (6,530,956)        | -38%         |
| <b>Unreserved Fund Balance</b>                  | <b>24,840,636</b>    | <b>5,947,419</b>    | <b>10,888,636</b> |             | <b>3,739,688</b>       | <b>7,148,948</b>   | <b>191%</b>  |

# Income Taxes

| Comparative Income Tax Data 1.5% |                |                |                  |            |  |  |
|----------------------------------|----------------|----------------|------------------|------------|--|--|
| Income Tax Type                  | 2022 YTD (\$M) | 2023 YTD (\$M) | Difference (\$M) | Pct Change |  |  |
| Withholding                      | \$ 16.06       | \$ 17.50       | \$ 1.44          | 9.0%       |  |  |
| Individual                       | \$ 2.61        | \$ 3.11        | \$ 0.50          | 19.1%      |  |  |
| Net Profit                       | \$ 2.40        | \$ 2.89        | \$ 0.49          | 20.4%      |  |  |
| Total                            | \$ 21.07       | \$ 23.50       | \$ 2.43          | 11.5%      |  |  |

| Comparative Income Tax Data 1% |                |                |                  |            |  |  |
|--------------------------------|----------------|----------------|------------------|------------|--|--|
| Income Tax Type                | 2022 YTD (\$M) | 2023 YTD (\$M) | Difference (\$M) | Pct Change |  |  |
| Withholding                    | \$ 10.60       | \$ 11.49       | \$ 0.89          | 8.4%       |  |  |
| Individual                     | \$ 1.32        | \$ 1.22        | \$ (0.10)        | -7.2%      |  |  |
| Net Profit                     | \$ 1.64        | \$ 1.86        | \$ 0.22          | 13.5%      |  |  |
| Total                          | \$ 13.55       | \$ 14.57       | \$ 1.02          | 7.5%       |  |  |

# Investments



# Conclusion

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- Inflation has significantly reduced to 3.4%
- Federal reserve has stabilized rates with no increase since July
- Economic stabilization is expected to continue into Q1 of 2024
- Ending the quarter in a good financial position
- Returned \$7.4M to General Fund Unreserved Fund Balance
- Future predicted impact continued revenue and expenditure growth