

APPENDIX A

FINANCIAL INDICATORS

	INDICATOR	APPLICABILITY	WARNING TREND	FORMULA **
1	Unreserved Fund Balance + Unrestricted Net Assets (Constant \$)	Unreserved fund balance & unrestricted net assets from all funds combined (except Special Revenue Fund)	Declining results may indicate that the local government could have difficulty maintaining a stable tax and revenue structure or adequate level of services. Deficits may indicate a financial emergency.	$(1+3+4+9)/34$
2	Unreserved Fund Balance/ Total Expenditures	Governmental funds	Percentages decreasing over time may indicate unstructured budgets that could lead to future budgetary problems for the local government even if the current fund balance is positive.	$(1+3+4)/18$
3	Cash & Investments/ Current Liabilities	Governmental funds and Proprietary funds separately	Percentages decreasing over time may indicate that the local government has overextended itself in the long run or may be having difficulty raising the cash needed to meet its current needs.	10/12 & 11/13
4	Cash & Investments/ Total Expenditures or Total Operating Expenses divided by 12			10/(18/12) & 11/(26/12)
5	Current Liabilities/ Total Revenues or Total Operating Revenues	Governmental funds and Proprietary funds separately	Increasing results may indicate liquidity problems, deficit spending, or both.	12/15 & 13/24
6	Long-Term Debt (Constant \$)/ Population	Governmental funds	Results increasing over time may indicate that the local government has a decreasing level of flexibility in how resources are allocated or decreasing ability to pay its long-term debt.	$(14/34)/32$
7	Excess of Revenues Over (Under) Expenditures/ Total Revenues	Governmental funds	Decreasing surpluses or increasing deficits may indicate that current revenues are not supporting current expenditures.	20/15
8	Operating Income(Loss)/ Total Operating Revenues	Proprietary funds	Decreasing income or increasing losses may indicate that current revenues are not supporting current expenses.	27/24
9	Intergovernmental Revenues/ Total Revenues or Total Operating Revenues	Governmental funds and Proprietary funds separately	Percentages increasing over time indicate a greater risk assumed by the local government due to increased dependence on outside revenues.	16/15 & 25/24
10	Unreserved Fund Balances or Unrestricted Net Assets/ Total Revenues or Total Operating Revenues	Governmental funds and Proprietary funds separately	Decreasing results may indicate a reduction in the local government's ability to withstand financial emergencies or its ability to fund capital purchases without having to borrow.	$(1+3+4)/15$ & 9/24
11	Total Revenues (Constant \$)/ Population	Governmental funds	Decreasing results indicate that the local government may be unable to maintain existing service levels with current revenue sources.	$(15/34)/32$
12	Debt Service/ Total Expenditures	General, Special Revenue, and Debt Service funds only - Annual debt service payments	Percentages increasing over time may indicate declining flexibility the local government has to respond to economic changes.	19/18

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13	Total Expenditures (Constant \$)/ Population	Governmental funds	Increasing results may indicate that the cost of providing services is outstripping the local government's ability to pay (i.e., the local government may be unable to maintain services at current levels).	(18/34)/32
14	Millage Rate	Self-explanatory	Millage rates approaching the statutory limit may indicate that the local government has a reduced ability to raise additional funds when needed.	33

** Formula elements are specified in Appendix B