City of Horseshoe Bend for 2024, using KPIs relevant to municipal governments:

**Key Performance Indicators (KPIs) and Analysis**

**Financial Health**

* **Current Ratio:** This measures the city's ability to cover short-term liabilities with short-term assets. For the General Fund, the current ratio is approximately 1.25. This indicates a healthy financial position, as the city has more than enough liquid assets to cover its immediate obligations.
* **Quick Ratio:** This is a more conservative measure of liquidity, excluding inventory and prepaid expenses. For the General Fund, the quick ratio is approximately 1.15, still indicating a strong ability to meet short-term obligations.
* **Operating Margin:** This shows the profitability of the city's operations. For the General Fund, the operating margin is approximately 2.2%, indicating that the city is generating a small profit from its core activities.
* **Debt-to-Asset Ratio:** This measures the proportion of assets financed by debt. For the Sewer Fund, this ratio is approximately 0.35, indicating that a significant portion of the Sewer Fund's assets are financed by debt. This could pose a risk if the Sewer Fund's revenues decline or expenses increase.

**Revenue**

* **Sales Tax Revenue:** The total Sales & Use Tax revenue was $434,946.52 for 2024, compared to $451,532.00 budgeted. This indicates a 96.3% achievement of the budget. However, it represents a 7.0% decrease from the 2023 sales tax revenue of $467,783.52.
* **Building Permits:** The revenue from building permits in 2024 was $32,610.19, significantly lower than the budgeted amount of $69,757.06. This represents a 53.3% decrease from the 2023 revenue of $69,757.06.

**Expenditures**

* **Administrative Expenses:** The administrative expenses for the General Fund in 2024 were $936,322.08, exceeding the budget of $878,551.36 by approximately 6.6%.
* **Sewer Expenses:** The Sewer Fund's total expenses in 2024 were $344,354.58, exceeding its total revenues of $316,545.66 and resulting in a net loss of $27,808.92 for the year.

**Red Flags**

* **Negative Retained Earnings for Water Department:** The Water Department's retained earnings deficit of $544,205.07 as of December 31, 2024, is a significant concern. This indicates accumulated losses over time.
* **Sewer Fund Loss:** The Sewer Fund's net loss of $27,808.92 for 2024 raises concerns about its financial sustainability.
* **Sales Tax Decline:** The 7.0% decline in sales tax revenue from 2023 to 2024 warrants attention.
* **Building Permits Decline:** The significant decline in building permit revenue suggests a potential slowdown in construction activity.
* **Administrative Expenses Over Budget:** The General Fund's administrative expenses exceeding the budget by 6.6% indicates potential overspending.

**Recommendations**

* **Address Water Department Deficit:** Develop a plan to address the Water Department's negative retained earnings deficit.
* **Improve Sewer Fund Performance:** Analyze the Sewer Fund's revenue and expenses to identify areas for improvement.
* **Monitor Sales Tax Revenue:** Monitor sales tax revenue trends closely and investigate any significant deviations from budget projections.
* **Control Administrative Expenses:** Review administrative expenses to identify areas for potential cost reduction.
* **Overall Financial Health:** Continue monitoring the city's overall financial health by analyzing key financial metrics and ratios.

This analysis highlights the key financial performance indicators for the City of Horseshoe Bend in 2024, along with potential areas of concern. By addressing these issues and continuously monitoring its financial health, the city can work towards achieving its long-term financial goals