

**Resource Flow for Governmental Activities and Enterprise Funds—Operating Statement
(economic resources and accrual basis of accounting)**

Financial Dimension	Description	Financial Indicator	Governmental activities		Enterprise Funds	
			Calculation	Data source	Calculation	Data source
Interperiod Equity	Addresses whether or not a government lived within its financial means during the fiscal year.	Total margin ratio	Total resource inflow (program revenues plus total general revenues and net transfers) divided by total resource outflow (total expenses)	Statement of activities	Total resource inflow (operating and nonoperating revenues plus transfers in) divided by total resource outflow (operating and nonoperating expenses plus transfers out)	Statement of revenues, expenses, and changes in fund net assets
Financial performance	Provides the magnitude of how a government's financial position improved or deteriorated as a result of resource flow.	Percent change in net assets	Change in net assets divided by net assets, beginning	Statement of activities	Change in net assets divided by net assets, beginning	Statement of revenues, expenses, and changes in fund net assets
Self-sufficiency	Addresses the extent to which service charge revenues covered total expenses.	Charge to expense ratio	Charges for services (fees, fines, and charges for services) divided by total expenses	Statement of activities	Charges for services divided by operating and nonoperating expenses	Statement of revenues, expenses, and changes in fund net assets
Financing obligation	Provides feedback on service flexibility with the amount of expenses committed to annual debt service.	Debt service ratio	Debt service (principal and interest payments on long-term debt) divided by total expenses plus principal (1)	Statement of activities (2)	Debt service (principal and interest payments on long-term debt) divided by operating and nonoperating expenses plus principal (3)	Statement of revenues, expenses, and changes in fund net assets (4)

- (1) Principal is added to the denominator because it is not included in expenses.
- (2) Interest payments on long-term debt for governmental activities are located on the statement of activities. Principal payments on long-term debt for governmental activities are located in the notes of financial statements.
- (3) Principal is added to the denominator because it is not included in expenses.
- (4) Interest payments on long-term debt for enterprise funds are located on the statement of revenues, expenses, and changes in fund net assets. Principal payments on long-term debt for enterprise funds are located on statement of cash flows or in the notes of financial statements.

**Resource Stock for Governmental Activities and Enterprise Funds—Balance Sheet
(economic resources and accrual basis of accounting)**

Financial Dimension	Description	Financial Indicator	Government-wide activities		Enterprise Funds	
			Calculation	Data source	Calculation	Data source
Liquidity	Government's ability to address short-term obligations	Quick ratio	Cash & investments divided by current liabilities (not including deferred revenue) (1)	Statement of net assets	Cash & investments divided by current liabilities (not including deferred revenue) (2)	Statement of net assets – proprietary funds
Solvency	Government's ability to address long-term obligations	Net assets ratio	Unrestricted net assets divided by total liabilities (3)	Statement of net assets	Unrestricted net assets divided by total liabilities	Statement of net assets – proprietary funds
Leverage	Extent to which total assets are financed with long-term debt	Debt to assets ratio	Long-term debt divided by total assets	Statement of net assets	Long-term debt divided by total assets	Statement of net assets – proprietary funds
Capital	Condition of capital assets as defined as remaining useful life	Capital assets condition ratio	1 – (accumulated depreciation divided by capital assets being depreciated)	Statement of net assets or notes to financial statements	1 – (accumulated depreciation divided by capital assets being depreciated)	Statement to net assets or notes to financial statements

- (1) Restricted cash is not part of cash & investments for this calculation. This ratio also excludes deferred revenue and current portion of compensated balances from current liabilities. Another potential exclusion is bond anticipation notes. The current portion of long-term debt is included.
- (2) Restricted cash is not part of cash & investments for this calculation. This ratio also excludes deferred revenue and current portion of compensated balances from current liabilities. Another potential exclusion is bond anticipation notes. The current portion of long-term debt is included. It should be noted that the Local Government Commission uses a different ratio for calculating the current ratio for enterprise funds—current assets (less inventory and prepaid expenses) are divided by current liabilities.
- (3) The value of unrestricted net assets for governmental activities is often negative for North Carolina counties because the value of school assets financed with county debt is not included on the statement of net assets. While the interpretation of the financial indicator remains the same, it should be footnoted for explanation.

**Resource Flow for General Fund—Operating Statement
(financial resources and modified accrual basis of accounting)**

Financial Dimension	Description	Financial Indicator	Calculation	Date Source
Service obligation	Addresses whether or not a government's annual revenues were sufficient to pay for annual operations.	Operations ratio	Total revenues divided by total expenditures (plus transfers to debt service fund and less proceeds from capital leases and installment purchases)	Statement of revenues, expenditures, and changes in fund balances
Dependency	Provides the extent to which a government is reliant on other governments for resources.	Intergovernmental ratio	Total intergovernmental revenue divided by total revenue (1)	Statement of revenues, expenditures, and changes in fund balances
Financing obligation	Provides feedback on service flexibility with the amount of expenditures committed to annual debt service.	Debt service ratio	Debt service (principal and interest payments on long-term debt, including transfers to the debt service fund) divided by total expenditures (plus transfers to debt service fund and less proceeds from capital leases and installment purchases) (2)	Statement of revenues, expenditures, and changes in fund balances

(1) Intergovernmental revenue includes restricted and unrestricted.

(2) Debt service may be part of expenditures, may be a transfer to the debt service fund, or may be both.

**Resource Stock for General Fund—Balance Sheet
(financial resources and modified accrual basis of accounting)**

Financial Dimension	Description	Financial Indicator	Calculation	Date Source
Liquidity	Government's ability to address short-term obligations.	Quick ratio	Cash & investments divided by current liabilities (not including deferred revenue) (1)	Balance sheet
Solvency	Government's ability to address long-term obligations.	Fund balance as a percentage of expenditures	Available fund balance divided by total expenditures (less proceeds from capital leases) plus transfers out (2)	Balance sheet
Leverage	Extent to which a government relies on tax-supported debt.	Debt as a percentage of assessed value	Tax-supported, long-term debt divided by assessed value (3)	Debt Management reports (4)

- (1) Restricted cash is not part of cash & investments for this calculation.
- (2) G.S. 159-8 defines available fund balance for appropriation as sum of cash and investments minus the sum liabilities, encumbrances, and deferred revenues arising from cash receipts.
- (3) This calculation is the same calculation used by the LGC when issuing its annual report on Analysis of Debt of North Carolina Counties and Municipalities, where the sum of outstanding GO debt, authorized and unissued GO debt, and installment purchase debt is divided by the assessed property valuation as reported to the NCDOR (this calculation excludes debt associated with enterprise funds). This percentage is used as an approximate for the 8 percent of assessed valuation.
- (4) Tax-supported, long-term debt comes from Debt Management reports. Debt figures include only debt approved by the LGC. Assessed value comes from NCDOR.