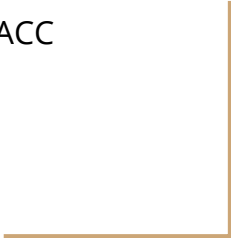




Ten Essential Questions To Ask About Local Government Finance

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Local Government Academy

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Elected Officials - POP Values

Process

On-Time
Complete
Consistent
Purposeful

Oversight

Secure
Prudent
Reasonable
Clear

Policy

Intentional
Understandable
Explainable
Results-Driven

Our Times



Volatility

Unexpected or unstable and may be of unknown duration. Understandable but unpredictable.



Uncertainty

Basic cause and effects of situation are known and yet what's next is not a given. Change is not a given.



Complexity

Lots of interconnected parts and variables. Not necessarily complicated but still can be overwhelming.



Ambiguity

Causal relationships are completely unclear. No precedents. Don't know what you don't know.

**Local Government
Finance is
Complicated**

**But It Need Not be
Complex**

**This is not
training. It's
pre-training**

**Questions to help
shape your exploration
of this topic.**

What is Local Government Financial Management?

- *Accounting and financial reporting*: Maintain transaction records, pre-audit expenditures, prepare financial statements, maintain fixed-asset inventory
- *Budgeting*: Forecast revenues and expenditures, prepare the proposed budget, monitor budget trends, conduct management analyses, review the performance of operating departments
- *Treasury/cash management*: Collect revenues, develop and monitor cash budgets, invest idle funds
- *Procurement (purchasing)*: Prepare specifications, advertise for bids/proposals, evaluate bids, place orders for goods and services, develop contracts
- *Real property assessment*: Place a value on property, determine which properties are taxable, maintain assessment records
- *Debt management*: Issue debt, monitor use of debt proceeds, initiate interest and principal payments, maintain records, ensure that disclosure and other legal requirements are met
- *Pension fund management*: Administer plans, oversee investments and custodial activity, prepare financial reports, assist pension board members
- *Capital management*: Prepare multiyear capital improvement plans; review, evaluate, and prioritize infrastructure and investment needs

**Government
Finance is a
profession. This
talk won't make
you a professional**

**Our goal is to help you
be a savvy user and set
good government
expectations.**

Ten Essential Questions To Ask About Local Government Finance

(Not an Exhaustive List)

1. Do you know how to read the financial statements?
 2. How do we know the work of financial management is getting done?
 3. How secure are our assets and information?
 4. Does our organization have a Culture of Prudence?
 5. Are Elected Officials focused on items of scale?
 6. Is our Budget realistic?
 7. Is our financial management operation inclusive ?
 8. Does the governing board know the purpose of their audit?
 9. It's budget season. How do we view that?
 10. What are our blindspots?
-



**Do you know how
how to read the
financial
statements?**

“Less is More”

Monthly Statement should
summarize activity

- Statement of Operations (aka Income statement)
 - Budget vs. Actual
 - Balance Sheet
 - List of Bills Paid
 - Look for trends, comparisons, abnormalities
-

2

**How do we know
the work of
financial
management is
getting done?**

Who does what?

Simple lists of protocols

- **Workflow- start with the everyday activities like opening mail and document from there**
 - **Chart of Accounts**
 - **Report Schedule**
 - **Deadlines**
 - **Support Systems/Don't micromanage**
-



How secure are our assets and information?

Little Things:

- Don't share passwords**
- Use a password keeper**
- Multi-step approval processes**
- Positive Pay for checks**
- Cloud-Based Systems/Storage**

Big Things:

- Banking and Investment Collateral**
- Following rules and avoiding penalties**
- Data security/continuity of operations**

4

**Does our
Organization have
a Culture of
Prudence?**

Judgment and Care

- Originally thought of in terms of investments of public funds only

Philosophy of great care and intelligence in the exercise of all affairs

Stewardship

Segregation of Duties

Redundancies

Whistleblowers can come forward



Are Elected Officials focused on items of scale?

Budgets track on meaningful
decision making level

Full Cost Accounting-
Departments aligned with
operations

Department Level Control and
Reporting (vs. line item)

Big Ticket Items vs. only things
understood from other walks of life

Policies regarding Fund Balance and
Results of Operations (what level do
you want)



Is our Budget Realistic?

The budget is forecasting.

**Historical information
presented? Minimum of 2
years.**

**Do the estimates compare with
reality (no plugs)**

**How have conditions changed
that should be reflected in
budget**



**Is our financial
management
operation
inclusive?**

Committees are to support governance. “Many hands make light work”

Committee serves the workings of the Board not run the operation (vis a vis old Commission form of government)

Assure Policies and Procedures are carried out

Do people ask questions for clarification or “gotcha?”



Does the governing board know the purpose of their audit?

Not a protection from fraud.
Certifying YOUR financial statements

There is a lot of information there.
How does it compare to the budget and the monthly reports in terms of format?

Is time dedicated annually to reviewing results of operations?

What level of financial reporting does your organization perform at?
DCED statements, GAAP, CAFR

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**It's budget season.
How do we view
that?**

Budgeting is single most important activity of the governing body because it is primary vehicle to

- Set policy and intentions
- Plan and Perform Services
- Communicate
- Demonstrate results maintain accountability

Do you allow enough time to get complete information and hear all stakeholders?

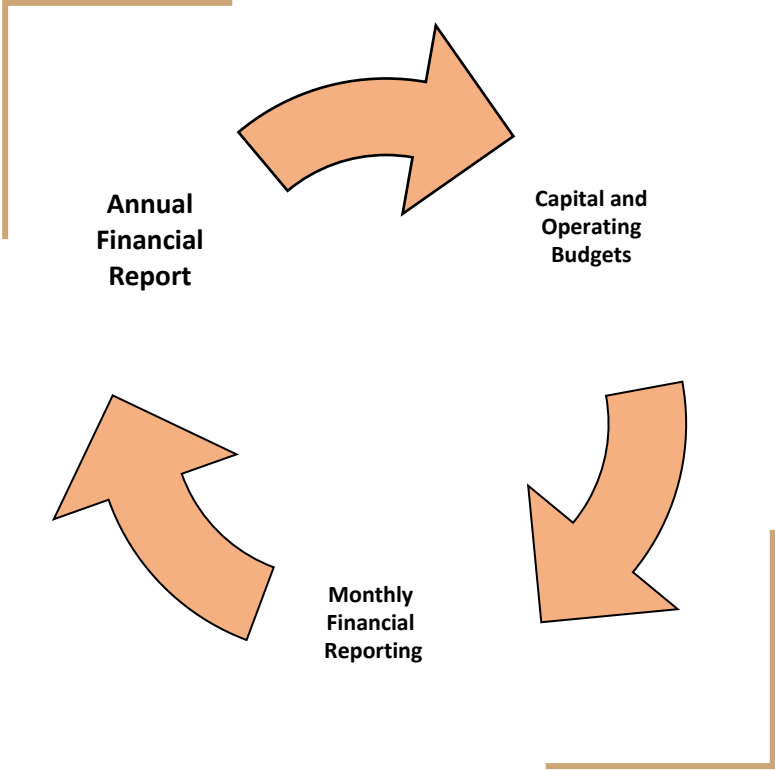
In what ways do you need help?

10

What are our blindspots?

- “Because we have always done it that way”
 - Bureaucratic resistance
 - Budgets express values. What does yours say about what is important to your community that you maybe didn’t realize?
-

Budget and Finance as an Ongoing Activity





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how to read the
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summarize activity

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Sample Statement of Revenues/Expenditures

Revenues

Expenditures

Results of Operations

	Funds			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$14,029,022	\$ -	\$ -	\$14,029,022
Licenses and Permits	10,299	-	553,003	563,302
Fines and Forfeits	69,584	-	25,135	94,719
Interest, Rents and Royalties	62,768	501,027	31,576	595,371
Intergovernmental	777,296	913,971	915,045	2,606,312
Charges for Services	1,194,508	212,114	4,889	1,411,511
Miscellaneous	<u>58,399</u>	<u>755,710</u>	<u>13,828</u>	<u>827,937</u>
Total Revenues	<u>16,201,876</u>	<u>2,382,822</u>	<u>1,543,476</u>	<u>20,128,174</u>
Expenditures				
Current:				
General Government	1,551,188	256,888	43,735	1,851,811
Public Safety	5,126,937	-	-	5,126,937
Public Works - Sanitation	37,463	-	-	37,463
Public Works - Highways	1,586,980	-	-	1,586,980
Culture - Recreation	1,466,196	-	1,094,265	2,560,461
Insurance, Employee Benefits and Other	2,426,616	-	-	2,426,616
Debt Service:				
Principal	175,070	-	885,000	1,060,070
Interest	10,692	-	474,769	485,461
Capital Outlay	<u>-</u>	<u>5,335,900</u>	<u>836,337</u>	<u>6,172,237</u>
Total Expenditures	<u>12,381,142</u>	<u>5,592,788</u>	<u>3,334,106</u>	<u>21,308,036</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,820,734</u>	<u>(3,209,966)</u>	<u>(1,790,630)</u>	<u>(1,179,862)</u>
Other Financing Sources (Uses)				
Issuance of Bonds	-	9,910,000	-	9,910,000
Premium on Bonds Issued	-	86,095	-	86,095
Transfers In	10,000	1,047,400	2,209,869	3,267,269
Transfers Out	<u>(3,158,236)</u>	<u>(99,033)</u>	<u>(10,000)</u>	<u>(3,267,269)</u>
Total Other Financing Sources (Uses)	<u>(3,148,236)</u>	<u>10,944,462</u>	<u>2,199,869</u>	<u>9,996,095</u>
Net Changes in Fund Balances	672,498	7,734,496	409,239	8,816,233
Fund Balances - January 1, 2019	<u>5,671,096</u>	<u>2,660,729</u>	<u>992,001</u>	<u>9,323,826</u>
Fund Balances - December 31, 2019	<u>\$ 6,343,594</u>	<u>\$10,395,225</u>	<u>\$ 1,401,240</u>	<u>\$18,140,059</u>

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Sample Balance Sheet

Funds

General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
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	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$5,971,838	\$10,262,333	\$1,391,113	\$17,625,284
Investments	-	588,287	-	588,287
Taxes Receivable (Net)	1,196,625	-	-	1,196,625
Due from Other Funds	59,211	-	-	59,211
Due from Other Governments	77,479	-	-	77,479
Other Receivables	261,841	8,254	135,287	405,382
Prepaid Items	47,054	-	-	47,054
TOTAL ASSETS	\$7,614,048	\$10,858,874	\$1,526,400	\$19,999,322
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ -	\$ -	\$ 9,211	\$ 9,211
Accounts Payable	202,506	302,457	41,347	546,310
Contracts Payable	-	161,192	-	161,192
Accrued Salaries and Benefits	189,853	-	15,337	205,190
Payroll Deductions and Withholdings	34,501	-	-	34,501
Other Current Liabilities	775,177	-	59,265	834,442
Total Liabilities	1,202,037	463,649	125,160	1,790,846
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	45,059	-	-	45,059
Unavailable Revenues - Special Assessments	23,358	-	-	23,358
Total Deferred Inflows of Resources	68,417	-	-	68,417
Fund Balances				
Nonspendable	47,054	-	-	47,054
Restricted	-	8,361,885	38	8,361,923
Committed	721,129	-	1,051,291	1,772,420
Assigned	45,331	2,033,340	349,911	2,428,582
Unassigned	5,530,080	-	-	5,530,080
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Assets

+

(Liabilities)

=

Fund Equity-
Including Fund
Balance

Sample Balance Sheet

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Contracts Payable	-	161,192	-	161,192
Accrued Salaries and Benefits	189,853	-	15,337	205,190
Payroll Deductions and Withholdings	34,501	-	-	34,501
Other Current Liabilities	775,177	-	59,265	834,442
Total Liabilities	1,202,037	463,649	125,160	1,790,846
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	45,059	-	-	45,059
Unavailable Revenues - Special Assessments	23,358	-	-	23,358
Total Deferred Inflows of Resources	68,417	-	-	68,417
Fund Balances				
Nonspendable	47,054	-	-	47,054
Restricted	-	8,361,885	38	8,361,923
Committed	721,129	-	1,051,291	1,772,420
Assigned	45,331	2,033,340	349,911	2,428,582
Unassigned	5,530,080	-	-	5,530,080
Total Fund Balances	6,343,594	10,395,225	1,401,240	18,140,059
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$7,614,048	\$10,858,874	\$1,526,400	\$19,999,322

Sample Balance Sheet

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$5,971,838	\$10,262,333	\$1,391,113	\$17,625,284
Investments	-	588,287	-	588,287
Taxes Receivable (Net)	1,196,625	-	-	1,196,625
Due from Other Funds	59,211	-	-	59,211
Due from Other Governments	77,479	-	-	77,479
Other Receivables	261,841	8,254	135,287	405,382
Prepaid Items	47,054	-	-	47,054
TOTAL ASSETS	\$7,614,048	\$10,858,874	\$1,526,400	\$19,999,322
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ -	\$ -	\$ 9,211	\$ 9,211
Accounts Payable	202,506	302,457	41,347	546,310
Contracts Payable	-	161,192	-	161,192
Accrued Salaries and Benefits	189,853	-	15,337	205,190
Payroll Deductions and Withholdings	34,501	-	-	34,501
Other Current Liabilities	775,177	-	59,265	834,442
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2

**How do we know
the work of
financial
management is
getting done?**

Who does what?

Simple lists of protocols

- **Workflow- start with the everyday activities like opening mail and document from there**
 - **Chart of Accounts**
 - **Report Schedule**
 - **Deadlines**
 - **Support Systems/Don't micromanage**
-

Chart of Account is the Infrastructure of your financial operation:
Should Support Decision Making and Reporting

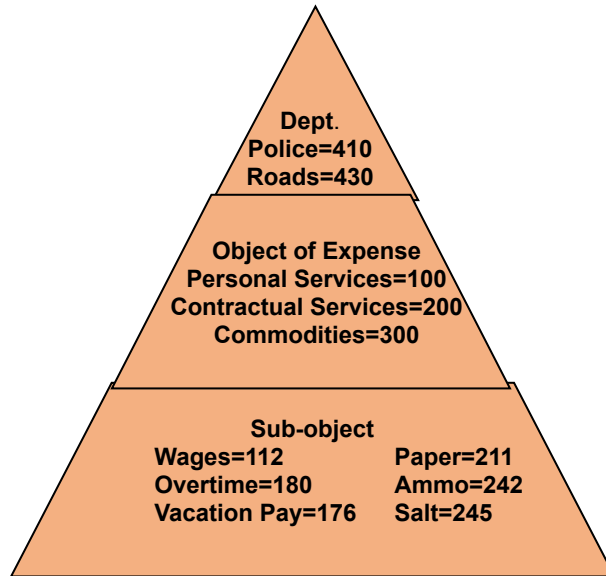
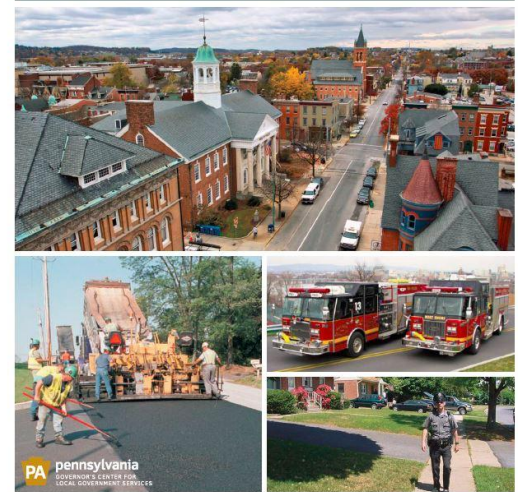


Chart of Accounts



[PA DCED Chart of Accounts](https://dced.pa.gov/download/dced-chart-of-accounts-for-municipalities/)

<https://dced.pa.gov/download/dced-chart-of-accounts-for-municipalities/>

Sample Town
Financial Administration | Simple Protocol Documentation
Date of version

Item	Inputs	outputs	example
Deposit			
ACH Deposits made by others like tax collector			
ACH Direct Debits			
manual or prepaid checks			
online bill payments			
check request			
Payroll deduction checks			
Payroll etc			

Bank Account Listing

Fund	gl account	acct name	bank #	bank	type
01 General					
03 Highway Aid					
04 Cap Reserve					
Etc.					

Please contact me if I can help



Storytelling

Forming honest cogent narratives that reveal how we make sense of things and communicate honestly.



No Drama

Conscious choices in response to situations. Mindfulness and Presence that Empowers.



Adaptation

An iterative process of designing, testing, and tweaking to respond to 5 universal needs.



Perspective

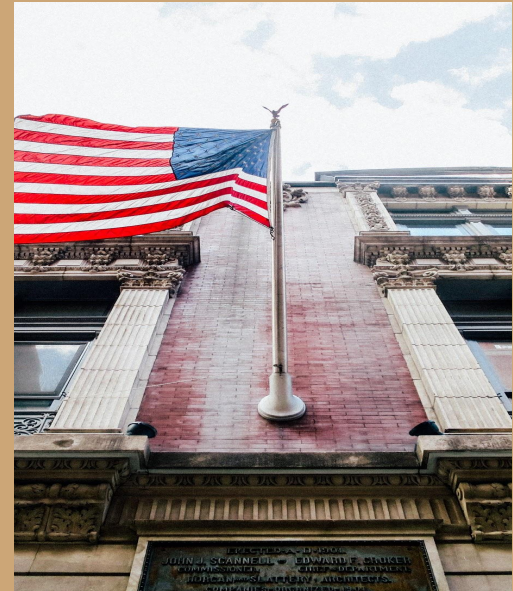
Active Listening and Respectful Consideration of Our Own Multiple Viewpoints, as well as Others



Good Government is its Own Reward

“...budget shenanigans have consequences. Unless the local government changes its budget practices, the imbalance will return with a vengeance, leaving local leaders with fewer options and increasingly more costly remedies.”

A Budgeting Guide for Local Governments, 3rd Edition, Robert Bland



Please Share Your Journey

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Thank You!

