GFOA DENVER

Monday ■ May, 22 2017 1:30-2:20PM

Small But Strong: Best Practice Implementation for Small Governments

MODERATOR **Lisa Young**
Finance Director, City of Sandy

SPEAKERS **Diane Reichard**
Chief Financial Officer, City of Plant City

Gary Petrovich
Administrative Director, Whitman County

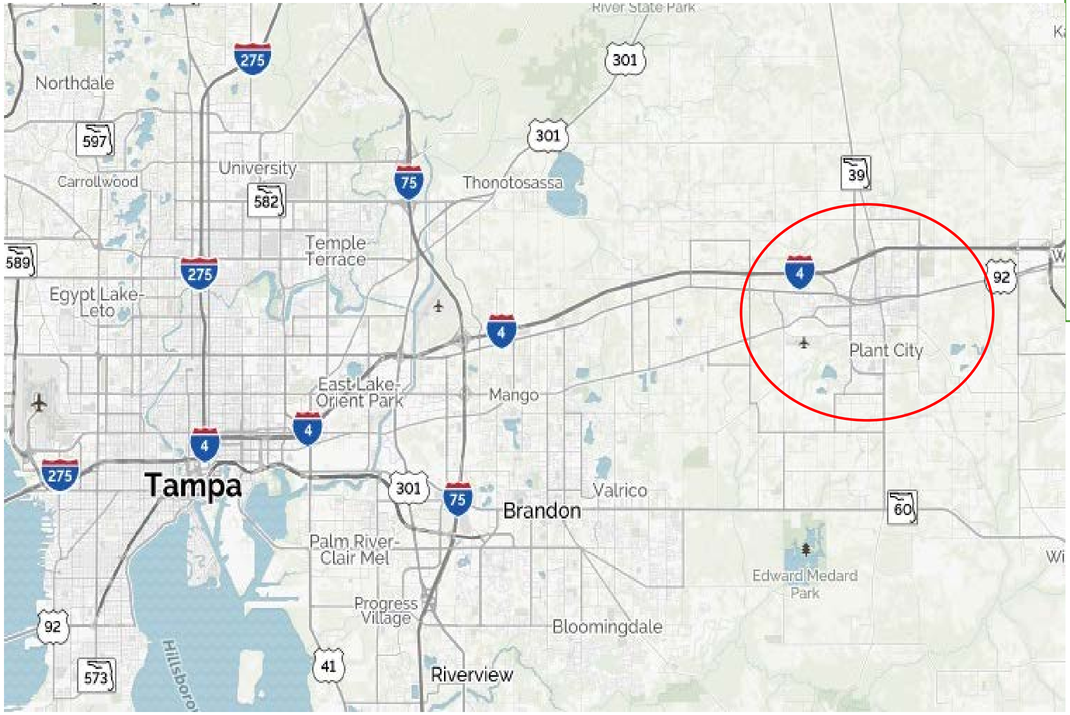
Todd Buikema
Acting Director, Technical Services Center, GFOA

#GFOA2017

Logistics

- This session is 50 minutes long
- There will be time for Q/A at the end
  - Please use the microphones for Q/A
- This session is worth 1 CPE credits
  - Self-scan for credits or see a GFOA staff person
- Please complete the session evaluation

Plant City, Florida



Winter Strawberry Capital of the World

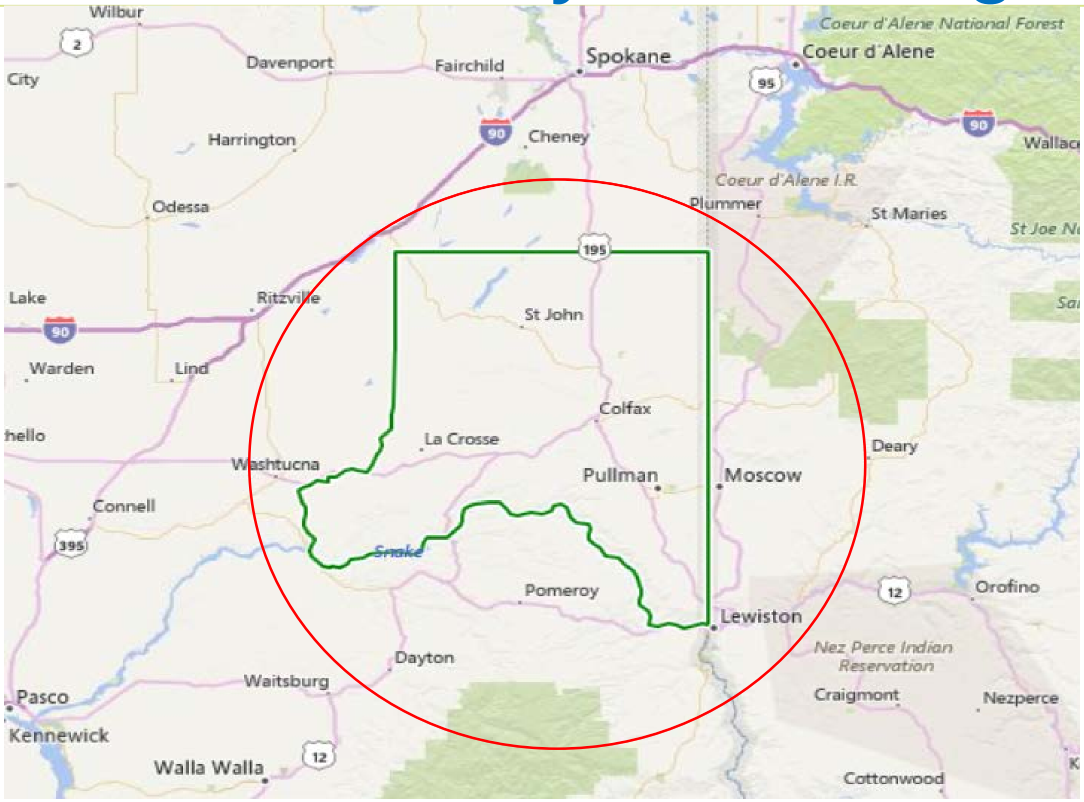
Population

37,841

Budget

$72 million

Whitman County, Washington



Population

48,177

Budget

$60 million

Best Practices

- Conforming to Governmental Accounting, Auditing, and Financial Reporting Standards
- Improving the Timeliness of Financial Reports
- Presenting Official Financial Documents on Your Government's Website

http://gfoa.org/best-practices

Agenda

- Financial Reporting Standards
- Improvements – Accuracy and Timeliness
- Electronic Submission - Website
- Presentation to Governing Body

What is your role?

- City, County, State, Special District
- Working for Government for < 2 years
- Population < 25,000
- Annual Revenues < $25 million

What makes a small government special?

- Internal control
- Cash Collections
- Billing and Receivables
- Expenses and Payables
- Fund Balance (Net Assets)
- CIP
- Enterprise Funds (Business Type)
- Debt
- Procurement
- Statistics for CAFR
- Budget
- Investments
- Banking (Treasury)
- Grants

The Advantages of Small Government

- Able to be more responsive to citizen requests
- Can operate in a more flexible manner
- Generally a higher degree of employee satisfaction
- Easier to gauge public opinion on critical matters
- Less internal bureaucracy

How do you view your value?

- Little cog in a big organization
- Creative Thinker – Part of Management
- Interpret financial information to non-financial people
- Find solutions to problems

Change is Inevitable

- Financial professionals are uniquely qualified to lead changes in small government
- Financial staff usually play an important role in either leading or assisting the change
- Understanding where you want to go is key to communicating the vision of change
- Build relationships with other departments to gain their trust

Financial Reporting Standards are the same

- Independent audit
  - Generally accepted auditing standards (GAAS)
  - Government auditing standards (GAS)
- Basic Financial Statements
  - At a minimum, produce financial statements on a cash basis
  - Generally accepted accounting principles (GAAP)
- Comprehensive Annual Financial Report
  - Include basic financial statements
  - Requirements for GFOA award

Best Practice

Conforming to Governmental Accounting, Auditing, and Financial Reporting Standards

Financial Statement Details

- Goal - Timeliness
  - Meet the need of decision makers
  - Soon after the end of the reporting period
  - Reliability is more important than timeliness
    - Precision should not cause indefinite delay
    - Is the cost to be timely greater than the benefits?
- Deadlines
  - GFOA Award (Certificate of Achievement for Excellence in Financial Reporting) – six months after year end
  - State law – Florida Statute for transparency – nine months after year end

Data vs. Information

- Humans need Information
- Today's technology can overwhelm us with data
- Data is a building block

Information gives meaning and context.

"A Fool With a Tool is Still A Fool"

- Rich Longo, Flycast Partners

Best Practice

Improving the Timeliness of Financial Reports

Improve Accuracy and Timeliness

1. Transaction processing during the year
   - Completeness
   - Accuracy
   - Monthly reconciliation – adjustments monthly or at year end
   - Recording capital assets
2. Closing and Annual Financial Statement preparation
   - Determine items that will be estimated and treated separately
   - Develop significant assumptions

Improve Accuracy and Timeliness

3. Implementation of New Accounting Standards
   - Monitor guidance related to GASB standards
   - Know the areas the standard affects
   - Ensure you are aware of the implementation date
   - Implement in prior period if possible
4. Financial Reporting format
   - Post on website
   - Email link
   - Mail CD-ROM

   Electronic saves time and avoids delays

Improve Accuracy and Timeliness

5. Contract for professional services
   - RFP to select auditors
     - Florida Statutes – Audit Committee
     - State the date you plan to release report
     - State the date you will be ready and auditors should be on site
   - RFP for non-audit services
     - Actuarial (OPEB, pension)
     - Expected date for completion in order to use in financial statements

Best Practice

Presenting Official Financial Documents on Your Government's Website

Electronic – Benefits of Using Website

- ✓ Awareness that the information is available and accessible by users
- ✓ Create interaction and conversation with users
- ✓ Increase efficiency – data in one location
- ✓ Reduce costs – publish quickly without mailing and printing costs
- ✓ Can include hyperlinks for easy referencing

Presentation on Website

- Consistent Formatting
  - Web version identical to hard copy with directions for viewing
  - One file in a prominent place that can be located easily
  - Legible – Font, layout, pagination, zoom
- Technological infrastructure
  - Security – protect document from changes
  - Software – compatible with others and ensure it functions
  - Link the TOC – go to specific pages with click of a mouse, bookmarks

Presentation to Governing Body

- Mission – Accountability, Transparency, Highest Quality
- Frequency – Monthly, Quarterly, Annual
- Method
  - Formal agenda report and presentation
  - Include report with agenda as information only
  - Posted on website and notified via email from CFO
  - Local Media

Best Budget Presentation Practices

- Keep it simple
- Clearly state program funding priorities
- Explain which revenue streams are most volatile **(and why)**
- At least quarterly, track and report on budget vs actual. **Explain future implications**

Understand Your Audience

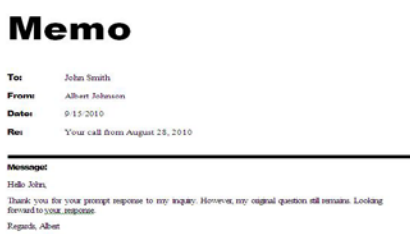
- Mostly non-financial professionals?
  - Don't use 'eye charts'
  - Make it relevant
  - Use simple visuals to be more impactful
  - Explain in simple terms, avoiding acronyms as much as possible

The Press Can Be Your Friend

- Keep of list of all media contacts that usually cover the local news
- Provide the news organizations with a press release detailing important financial presentations
- Develop credibility by frequently engaging with local reporters, being honest and forthright

Presentation Examples – Plant City

- Memo to City Manager
- Budget vs actual for all funds
- Income Statement for Enterprise funds
- CIP report – Capital project information



Memo

To: John Smith

From: Albert Johnson

Date: 9/15/2010

Re: Your call from August 28, 2010

Message:

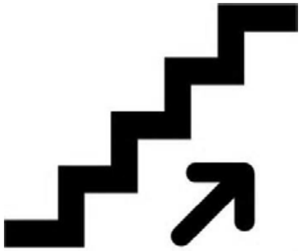
Hello John,

Thank you for your prompt response to my inquiry. However, my original question still remains. Looking forward to your response.

Regards, Albert

Memo to City Manager

- Discuss the major funds
- Present comparison of budget to actual
- Business-type – talk about operating gain/loss
- Change in fund balance (net position)
- Status of CIP projects
- Definitions of terminology



Budget vs Actual

- Four to five columns
  - Budget (Original and/or Revised)
  - Actual (YTD)
  - Remaining Balance
  - % Spent or Collected
- Report by Revenue type and Department (Division)

MONTHLY BUDGET

Budgeted Item	Budget	Actual	Difference	Comments
Income				
Income #1				
Income #2				
Other				
Savings				
Retirement				
Emergency				
Other				
Housing				
Mortgage				
Utilities				
Electricity				
Water				
Gas				
Trash				
Cell Phone				
Internet/Cable				
Other				
Auto				
Fuel				
Insurance				
Maintenance				
License & Tax				
Other				
Household/Personal				
Food				
Groceries				
Eating Out				
Other				
Entertainment				

TOTALS

Monthly Income	Monthly Expenses	Difference	Savings

©MsWenduhh

Income Statement

- Two columns – YTD budget and YTD actual
- Third column if you want to present last year actual
- Mirror Basic Financial Statements
  - Operating Revenue
  - Operating Expense
  - Non-operating Revenue/Expense
  - Change in Net position with beginning and ending balance
- One page summary – detail to follow if necessary

CIP Report

- Three columns
  - Available Balance (amt of budget at beginning of year)
  - YTD expenses and encumbrances (two columns?)
  - Available Balance remaining to be spent
- Report by Department and project number
- Don't complicate with all the various funding sources

Stories from Whitman County

- Disclaimer of Opinion
- Roles & Responsibilities
- ERP system
- Internal Control
- Silos
- Help from GFOA

Questions - Contacts

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GFOA's Award Program for Small Government Cash Basis Reports

Government Finance Officers Association

Todd Buikema, Acting Director,
Technical Services, GFOA

What are Alternatives to GAAP? (Special Purpose Framework)

- Tax basis
- Cash basis
- Other basis
- Regulatory basis
- Contractual basis

Formerly referred to as: "Other Comprehensive Bases of Accounting" (OCBOA)

No authoritative accounting and financial reporting standards

- Non-authoritative Practice Aid: *Applying Special Purpose Frameworks in State and Local Government Financial Statements*

Award Program for Small Government Cash Basis Reports

- Established by the GFOA Executive Board in 2012
- Due to the number of small governments not preparing their financial statements under GAAP (over 65,000), the Board determined it would be beneficial to:
  - Meet governments where they were and encourage them to get incrementally better;
  - Create a format that met AICPA recommendations and positioned growing governments to one day report on a GAAP basis; and
  - Encourage uniformity across states.

Which governments can participate?

- Governments of any type
  - General purpose
  - Special purpose
- Primary government revenues ≤ $25 million, either for:
  - Current year, or
  - Average of the five most recent years
- No requirement for GAAP financial reporting
- No GAAP financial report issued in the past 5 years
- Prepare Statements using Cash Basis, Modified Cash Basis, or Regulatory Basis.

Questions?

- Contact Technical Services at GFOA
  (312) 977-9700
- Todd Buikema
  phone: 312-578-4407
  email: tbuikema@gfoa.org
- www.gfoa.org/cashbasis