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Institute of Government
UNIVERSITY OF GEORGIA



Nuts and Bolts of Local Government Finance

Presented by:
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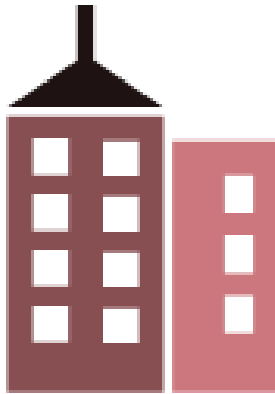
Learning Objectives

At the end of this session, you should be able to:

- Discuss the internal control framework
- Recognize the importance of interim financial reporting
- Recall strategies for communicating financial information



A Tale of Two Cities



City A

The City Council is calling a meeting to discuss following issues...

- A temporary borrowing is required due to lack of available cash to meet obligations in the next two months
- Audit or AUP report with multiple findings related to financial reporting and compliance
- Appearance of fraudulent activity with P-Cards



City B

The City Council has a regularly scheduled meeting to discuss the following...

- Favorable audit/AUP results
- Strong quarterly financial statement
- Award of a Capital Facilities Grant
- Recognition of the purchasing director for their administrative efforts related to purchasing cards



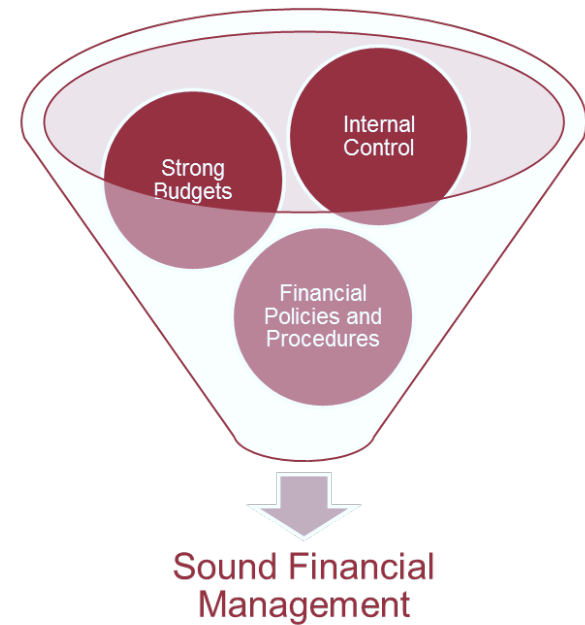
Which city do
you want to be?



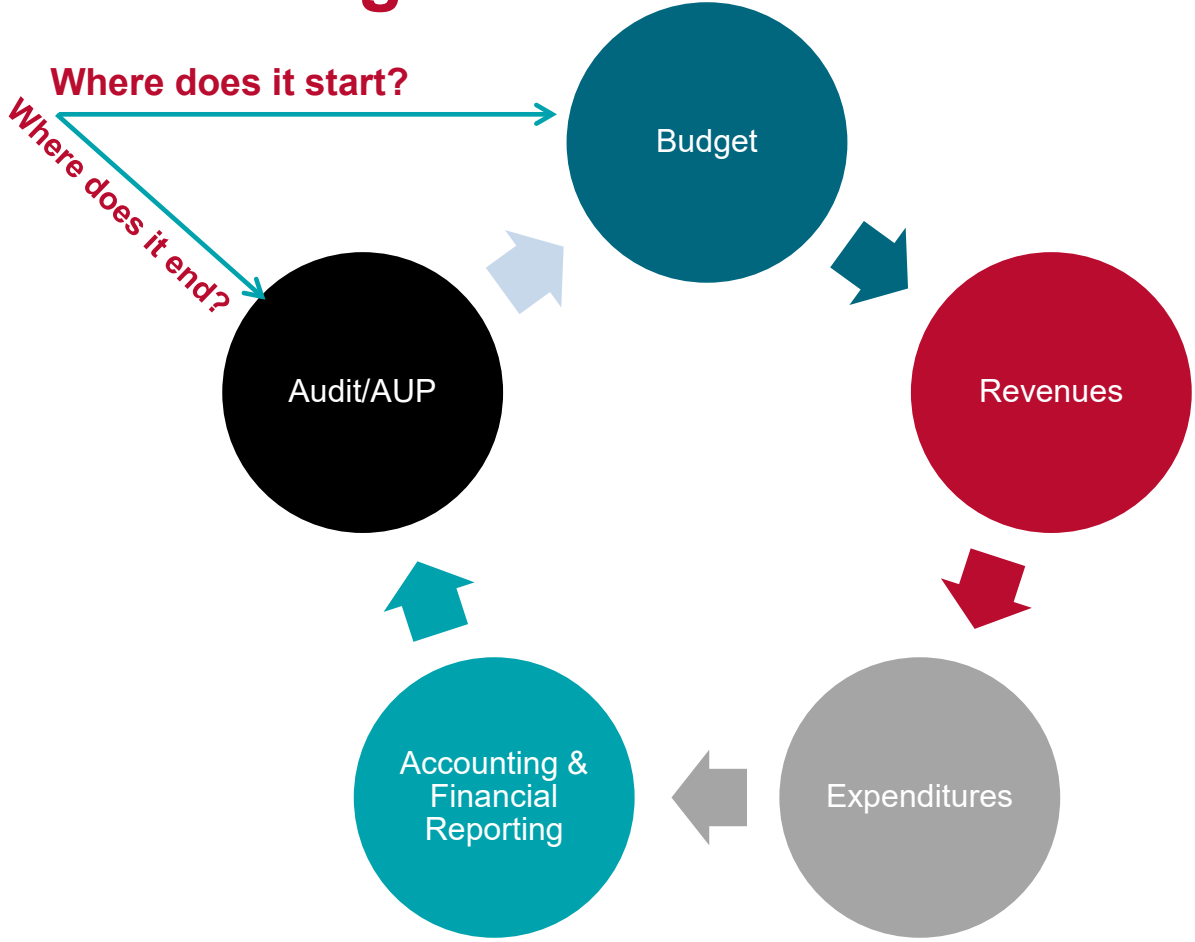
Fiduciary Responsibility - Defined

Fiduciary duty is defined as a legal obligation of one party to **act in the best interest** of another

The obligated party is typically a fiduciary, that is, someone **entrusted** with the care of money or property



Cycle of Financial Management



Internal Control

Tools and Techniques



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Internal Control Definition

Internal control is

“a process, effected by an entity’s oversight body, management and other personnel, designed to provide reasonable assurance that objectives of an entity will be achieved in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations



Roles and Responsibilities



Every individual has a role that affects internal control

Oversight body oversees management's design, implementation and operation of internal controls

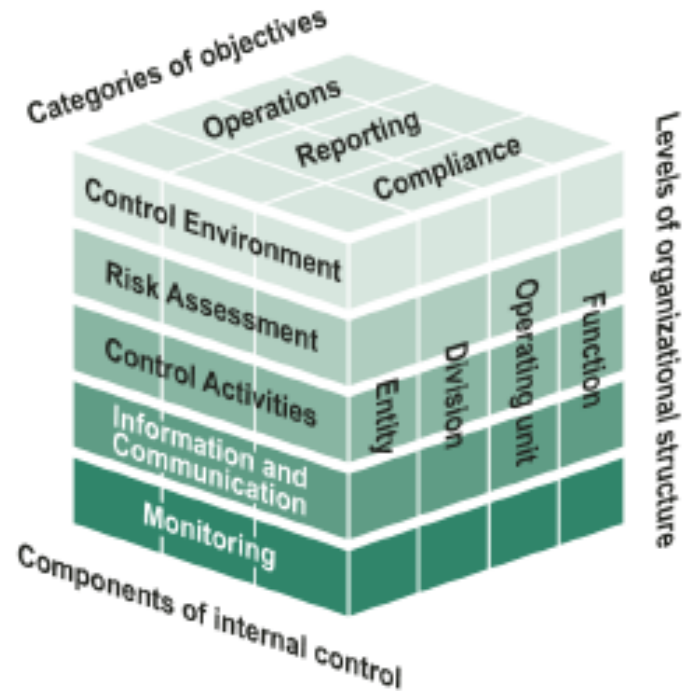
Management is **directly responsible** for design, implementation and operation of internal controls

Personnel **assists management** with design, implementation and operation of internal control



Internal Control

Figure 4: The Components, Objectives, and Organizational Structure of Internal Control



Sources: COSO and GAO. | GAO-14-704G



Financial Policies

Financial policies are guidelines or a plan of action for decisions as they relate to financial matters.



Policy vs Procedure

Policy

- Guiding principle put in place to give employees direction
- Set by governing body
- Reflects the mission statement of the government
- Identifies what staff is authorized to do

Procedure

- Set of actions that staff perform
- Step by step instructions that tell employees what to do and when to do it
- Spells out how staff is going to do it



Recommended Policies



Accounting and Financial Reporting

Budget

Revenue

Expenditures

Debt Management

Fund Balance

Capital Asset

Cash and Investments

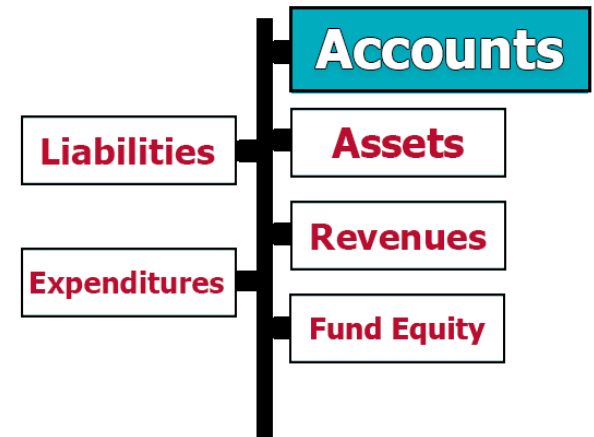
Purchasing

Capital Improvement



Accounting and Financial Reporting

- Occurs after the fact
- Internal reporting
 - Monthly or Quarterly
- External reporting
 - Annual audit
 - Agreed Upon Procedures



Budget Law and Policy



Budget OCGA 36-81-2 thru 36-81-3

- **Balanced Budget**
 - Revenues + Appropriated Fund Balance = Appropriations
 - Annual - General, Special Revenue, Debt Service
 - Capital Project - Project length

Budget **AND** amendments require **ordinance** or **resolution**

Legal Level of Control – expenditures by department for each fund



Revenue Policy

- Revenues estimated conservatively
- Revenue diversification
- User fees
- One-time revenues
- Collections
- Interfund transfers
- Enterprise funds
 - Rates to recover direct and indirect costs



Debt Policy

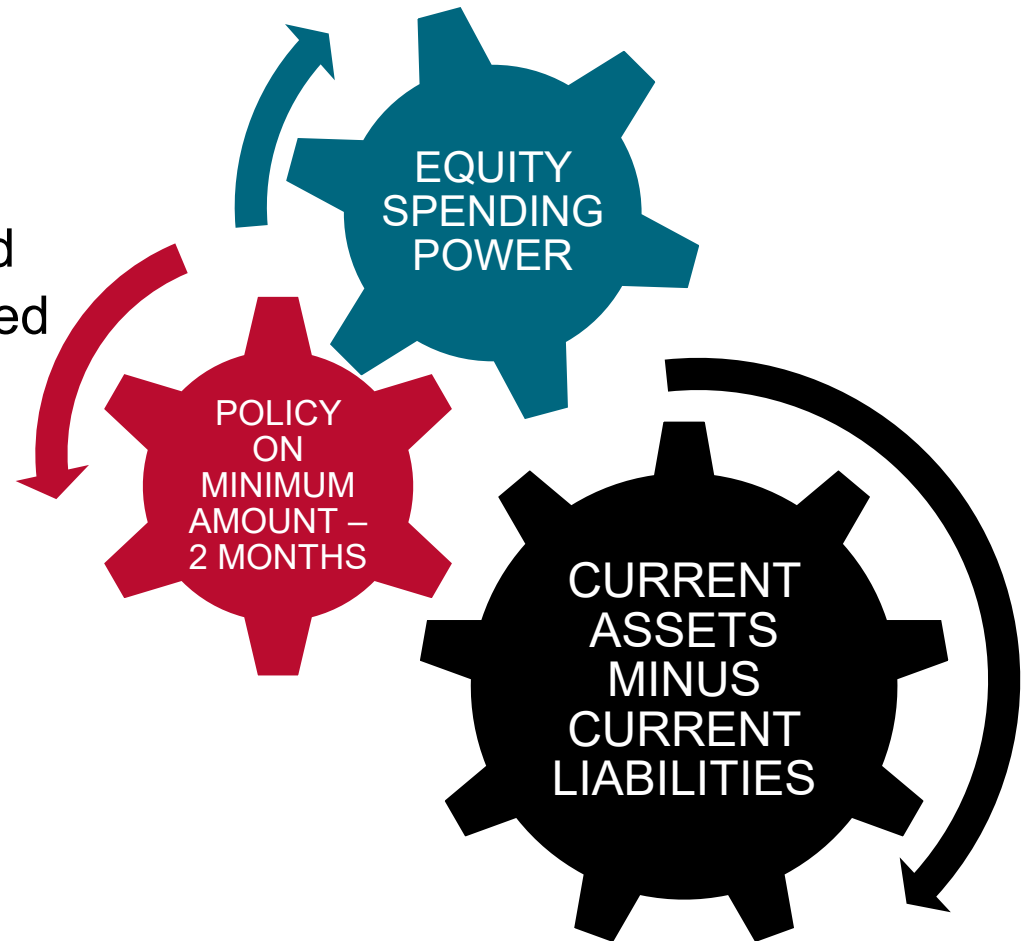


- Purposes for which debt proceeds are used
- Types of debt authorized or prohibited
- Relationship to CIP
- Goals
 - Economic development v. governmental capital improvement financings
- Debt legal limits
 - Constitutional debt limit is 10% of the assessed value of taxable property
 - Local charter, by-laws, resolution, or ordinance
- Debt structuring practices



Fund Balance

- Equity in a governmental fund
- [Assets – (Liabilities + Deferred Inflows) = Fund Balance]
- Policy on minimum amount
 - Expressed as either a percentage of revenues or expenditures
- Policy should direct uses of fund balance
 - One-time non-recurring expenditures
 - Budget stabilization
- Policy should recommend steps for replenishing



More Fund Balance needed in General Fund if insufficient capital reserves exist!



Where Does Your Government Stand?

- Unassigned Fund Balance as a % of General Fund operating expenditures:

- Calculated as follows:

$$\frac{\text{Unassigned Fund Balance}}{\text{General Fund Expenditures}} = \%$$

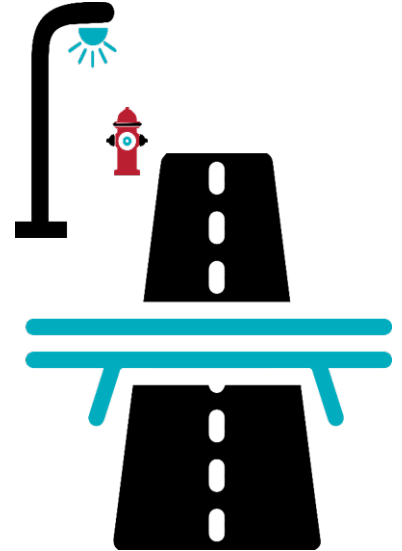


- Recommend two – three months
 - GFOA recommends two months of **unrestricted fund balance**
 - Committed, assigned, and unassigned



Capital Asset Policy

- Definition of capital asset
 - Useful life – exceeds one year
 - \$ value, at least \$5,000
- Useful life by category
 - Buildings
 - Infrastructure
 - Improvements (other than buildings)
 - Right-to-use leased assets
 - Equipment
 - Vehicles
- Physical inventory requirements
- Disposal authority



Cash and Investments Policy

- Authority to invest
 - Manager/Administrator, Finance Director
- Objectives for investing
 - Legality, safety, liquidity, yield
- Authorized investments
 - Certificates of deposit
 - Non-negotiable; negotiable
 - Treasury note or bill
 - Local Government Investment Pool (LGIP)
- Selection of Financial Institution
 - Qualified to hold public funds
 - How often to bid
- Collateral requirements



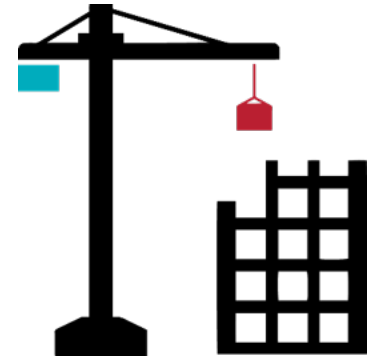
Purchasing

- Authorization
- Methods of solicitation (quotes, bids)
 - Bids for proposals for goods and services valued at \$100,000 or more, required to be posted to the Georgia Procurement Registry (GPR)
- Ethics
- Illegal Immigration Reform and Enforcement Act

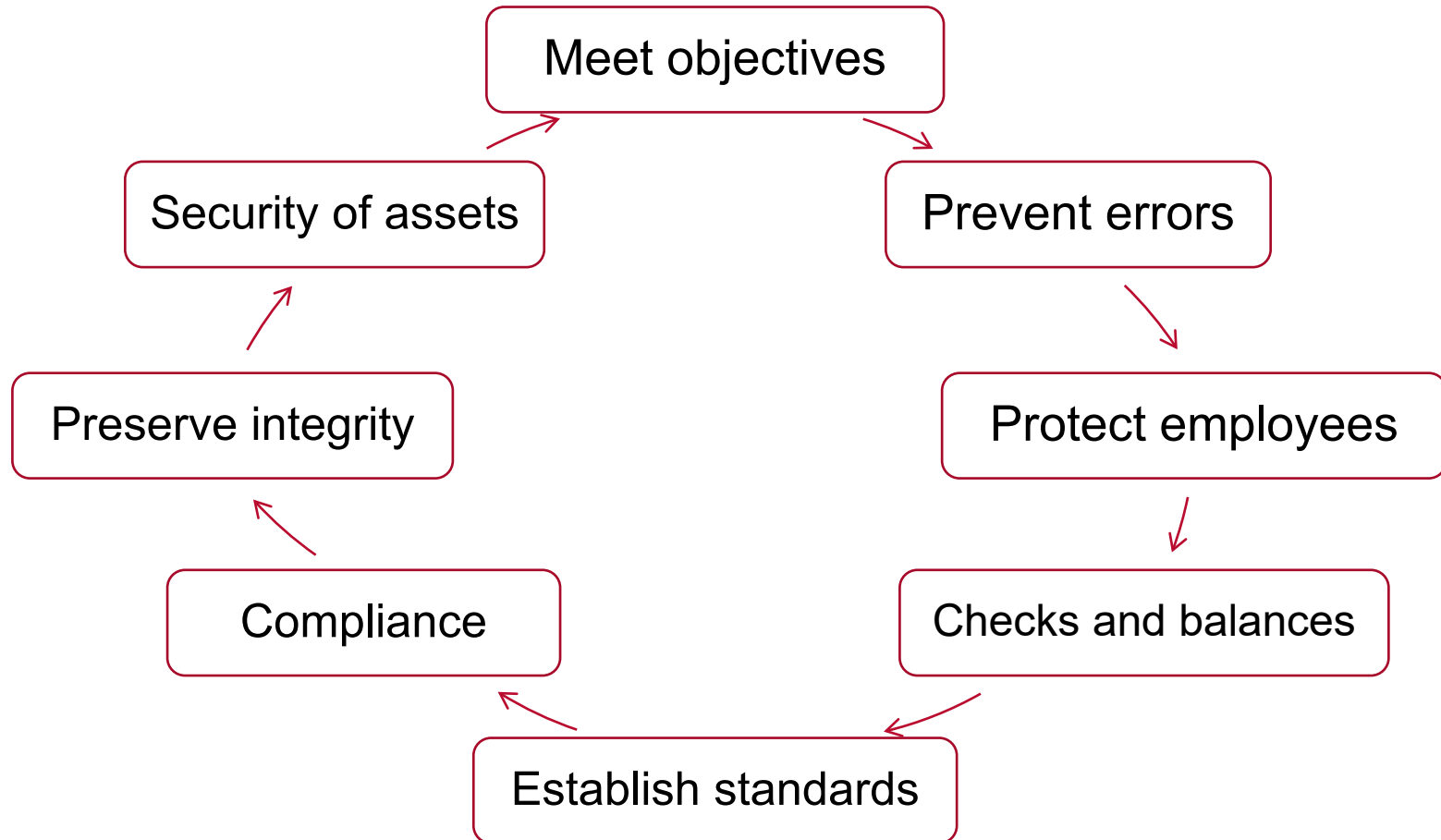


Capital Improvement Policy

- Definition of time horizon (e.g., a five-year plan)
- Definition of major expenditure (e.g., minimum cost of \$25,000)
- Definition of useful life (e.g., 10 years or longer)
- Direction regarding spending priorities
- Details of evaluation process



Importance of Internal Control



Interim Financial Reporting

Why it matters!



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Management Association

Question for the Group



Why is interim financial reporting so important?



Interim Financial Reporting



- It is a part of good internal control
 - Management is primary responsible
 - Governing authority is “ultimately” responsible
- If your policy does not require the “formal” presentation of the state of your government’s finances, then amend your policy!
 - Agenda items are riddled with items of a financial consequence; therefore, elected officials need up-to-date and timely information
- Are your elected officials well-versed enough in public finance to understand the information that you provide to them?
 - If not, consider an on-boarding process to educate them



Initial Steps to Reporting



Determine the frequency of the reporting



Determine the scope of the reporting



Evaluate financial system capabilities



Discuss the basis of accounting to be used for the reporting



Determine format for the reporting



Items to Include in the Report



- Letter of Transmittal
- Overview/Executive Summary
 - If unaudited, state that fact
- Focus of the report should be on the **general fund** and other **major funds**
- Major Financial events to date
- General Fund Budget vs. Actual Comparison
 - Revenues and expenditures in total
- General Fund revenues by source
- General Fund expenditures by classification compared to budget
 - Personnel
 - Operating
 - Capital
- General fund budgetary comparison at the **legal level of control**





MEMORANDUM

TO: Nicole L. Hendrickson, Chairwoman
 District Commissioners
 Glenn Stephens, County Administrator
 Maria Woods, Deputy County Administrator/CFO

FROM: Buffy Alexzulian
 Director of Financial Services

DATE: February 06, 2023

SUBJECT: Monthly Financial Report for the Period Ended December 31, 2022

This report, which includes unaudited information for fiscal year 2022, is prepared by the Department of Financial Services as a summary of revenues and expenditures for all County operating funds. The primary purpose of this monthly report is to provide timely information regarding year-to-date financial performance.

This report includes:

Executive Summary	Page 2
General Fund	Page 4
Service District Funds	Page 6
Water & Sewer Operating Fund	Page 9
Administrative Support Fund	Page 10
Property Taxes	Page 11
Financial Report	Page 12
Budget Adjustments by Fund Schedule	Page 58

<https://www.gwinnettcounty.com/static/departments/financialservices/pdf/gwinnett-county-financial-status-report-december-2022.pdf>

EXECUTIVE SUMMARY

Fiscal Year 2022 Preliminary Operating Results

Preliminary results for the fiscal year 2022 indicate that all operating funds have finished the year in a favorable position.

The Department of Financial Services will continue to post accounting transactions through the end of the external, independent audit. Estimates have been posted for major items, but as the audit is completed additional entries may be required. Audited financial statements for fiscal year 2022 will be presented in the Annual Comprehensive Financial Report in June.

Property tax revenues across all operating funds were up \$67.6 million, or 11 percent, over last year. The increase is due to higher property values and new construction.

Annual Notices of Assessment were mailed to all owners of residential and commercial real property on April 22, 2022. During the 45-day appeal period, taxpayers filed 14,225 residential and commercial real property tax appeals, a 179 percent increase from the number of real property appeals filed last year. As of January 25, 2023, 70 percent of the appeals have been settled.

Personal Services expenses for salaries and benefits increased across all funds by approximately \$70 million or 13 percent. Some of the main reasons for this increase include the creation of new positions in 2022, a market adjustment in April 2022, pay for performance increases, and the one-time cost of living payment in December 2022.

Charges for services in 2022 for the Authority Imaging Fund increased approximately \$573,000 or 47 percent, compared to last year. This is due to funds received from the Georgia Superior Court Clerks Cooperative Authority for historical scanning.

Hotel/motel taxes were up \$3 million, or 29% percent, over last year. Occupancy reached 70% percent in 2022 with an average daily rate of approximately \$91 per night.



Inflation Impacts

The County experienced the impacts of rising costs and supply chain issues. Due to these issues, some vendors were unable to enter long-term (annual) contracts or honor their existing contract renewal prices. Additionally, we experienced price increases because of disruptions in food supplies as well as delays and shortages of IT hardware and other equipment/commodities utilized in County operations.

Fuel costs across all departments were up approximately \$1.9 million or 34.5 percent, compared to the same time last year. Conservative budget approaches allowed the County to absorb the increased costs in 2022.

Investment income across all operating funds was up approximately \$7.8 million compared to last year. In response to elevated inflation levels, the Federal Reserve Bank started raising interest rates aggressively in May 2022. This has increased the County's rate of return on the invested cash above the anticipated rate used to determine the budget for the year

Opioid Remediation Fund

The Opioid Remediation fund was established to account for the receipt of settlement payments from the National Opioid Abatement Trust. Revenues in 2022 totaled approximately \$1.4 million. These funds must be used for approved opioid abatement strategies.

2022 External Audit

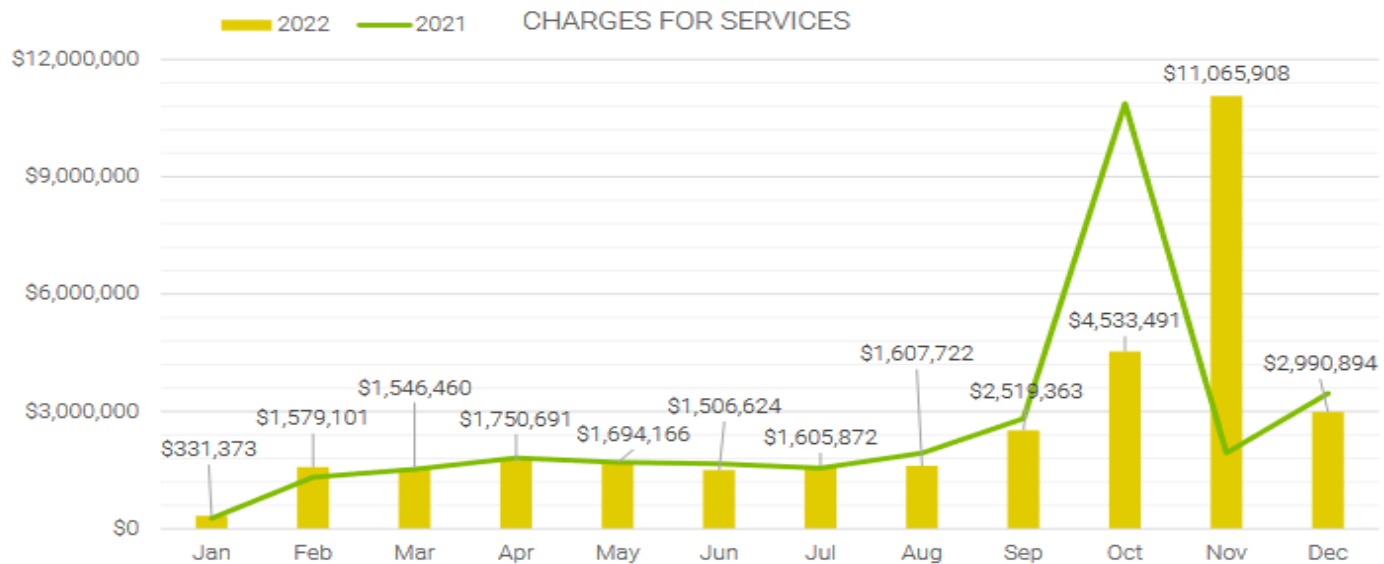
The annual external audit began February 6, 2023. The audit process includes a thorough review of procedures and transactions to ensure that the County is following generally accepted accounting principles. Audit reports are intended to confirm that the figures presented within the County's Annual Comprehensive Financial Report are fairly represented. The audit typically lasts approximately five months, beginning in February and ending in June.



GENERAL FUND (PAGE 12)

The General Fund accounts for all County revenues and expenditures not restricted to or accounted for in other funds. The County's General Fund supports services that benefit stakeholders, businesses, and residents countywide, such as sheriff, jail, courts, correctional facility, tax commissioner, health and human services, transportation, and elections.

The main revenue source for the General Fund is property taxes which reflected higher collections in November when compared to last year. Property tax revenue for 2022 is higher by approximately \$34.1 million or 11 percent in comparison to the prior year. Charges for Services revenue is another major revenue category in the General Fund. The chart below shows the collections by month for Charges for Services. One of the main sources of revenue in this category is the commissions received by the County related to property taxes.



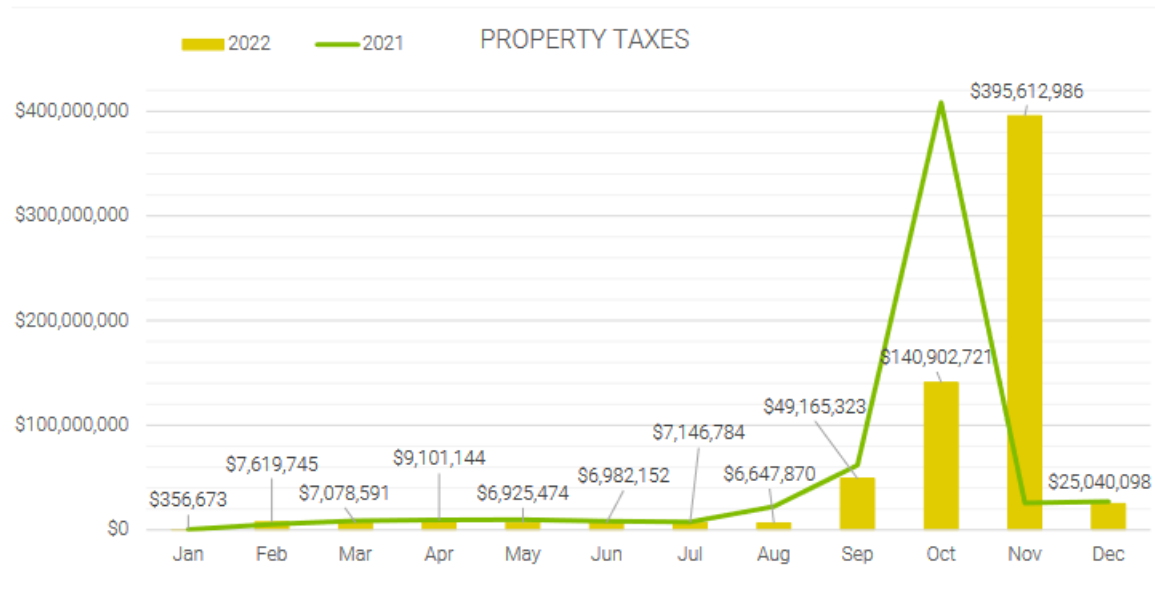
As seen in the chart, last year there were significant increases in monthly collections around the property tax due date of October 15, 2021. The increases in 2022 occurred in the month of November due to a delayed due date. The total Charges for Services in 2022 were approximately \$32.7 million. This is around \$1.9 million or 6 percent higher than in 2021.



PROPERTY TAXES

Property Taxes

The County collects property taxes in the fall to fund services for the current year. Through December, property tax revenue is up by approximately \$67.6 million or 11.4 percent, compared to last year, mainly due to increased property values. This increase is reflected in the General, Development & Enforcement, Fire & EMS, Police, Recreation, and Economic Development Tax Funds. Some special assessments are also included on property tax bills. Those collections are reflected in the Speed Hump, Street Lighting, and Stormwater Funds.

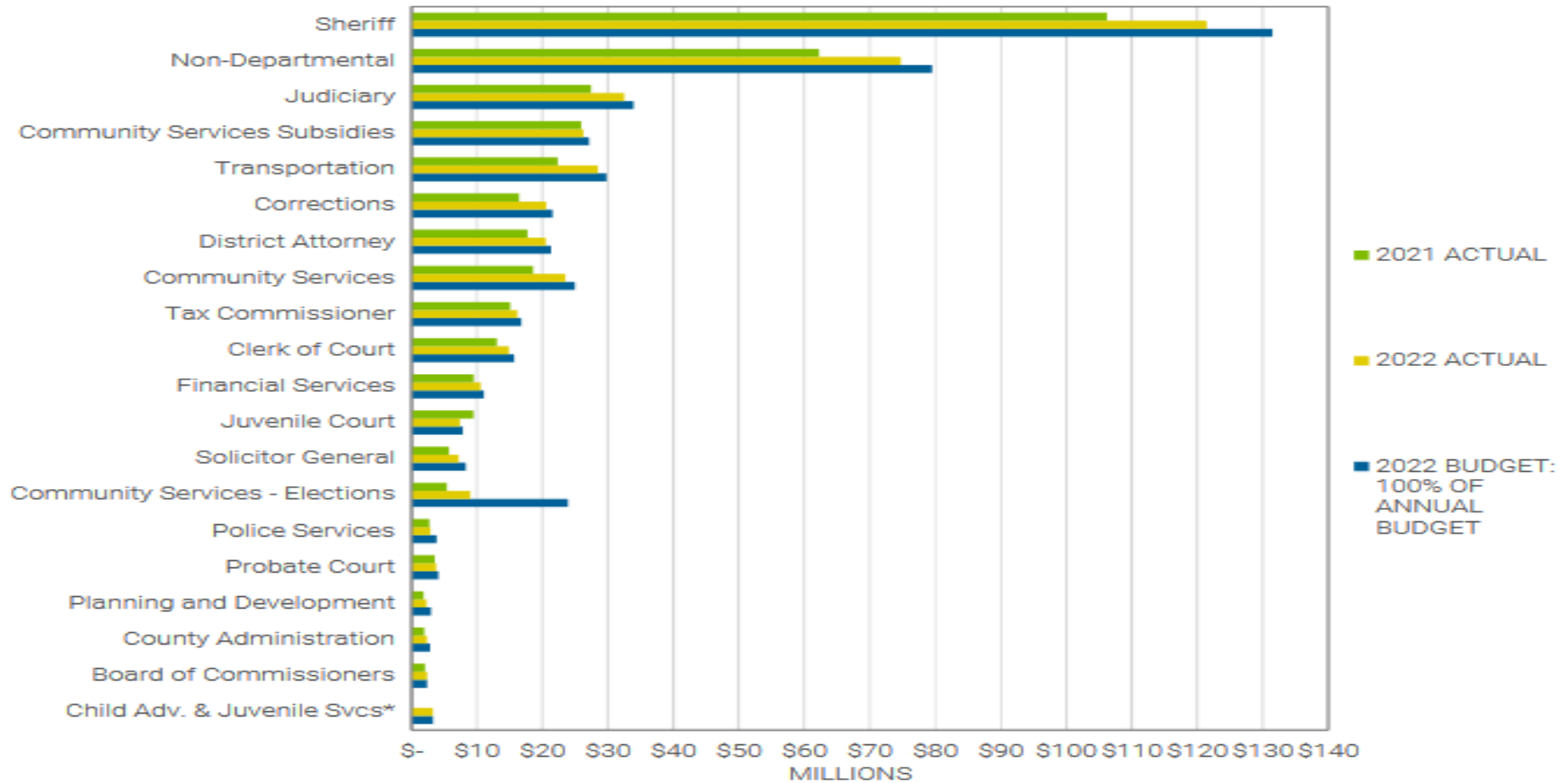


The chart above shows the monthly collections of property taxes across all funds. The green line represents 2021 collections and shows most property taxes were collected around the due date of October 15, 2021. The bulk of the property taxes collected shifted from October to November in 2022 due to a delayed due date for the 2022 billings.

Also, when reviewing the chart, please note that January has lower receipts than other months and its bar is barely visible. This is typical, as most collections in January are for the prior year's property taxes and are recorded in the previous year.



**GENERAL FUND
BUDGET VS. ACTUAL BY DEPARTMENT
DECEMBER 2021 – 2022 YTD EXPENDITURES**



Support Services is too small to appear in the chart.

Sheriff expenses are up approximately \$15.2 million, or 14% percent compared to 2021 expenses. The main reasons for the increase include higher personal services, higher contributions to capital for vehicle replacements, and increases in inmate medical costs and industrial supplies.

Transportation expenses are up about \$6.1 million or 27% in comparison to 2021. This is primarily due to higher contributions to capital for vehicle replacement as well as increases in personal services, fuel, utilities, and road services.

Community Services - Elections expenses are higher than in 2021 by roughly \$3.6 million or 67 percent. This increase was mainly due to 2022 being an election year. Some of the expenses for 2022 were offset by the \$5 million ARPA grant funds applied to eligible expenses such as temporary labor, printing, and mailing services.

YTD FINANCIAL REPORT 2022 | GWINNETT COUNTY

General Fund (001)

The General Fund is the primary tax and operating fund for all County revenues and expenditures that are not accounted for in other funds.

	FY 2022				FY 2021	
	2022 Adopted Budget	Current Annual Budget as of 12/31/2022	Actuals YTD as of 12/31/2022	% Actual to Current Budget	Actuals YTD as of 12/31/2021	% Actual to 12/31/2021 Budget
Fund Balance January 1	\$ 214,017,049	\$ 214,017,049	\$ 214,017,049			
Revenues:						
Taxes	\$ 357,458,781	\$ 408,486,344	\$ 395,218,562	96.75%	\$ 358,448,214	102.60%
Licenses and Permits	5,198,234	5,198,234	5,407,752	104.03%	5,822,052	126.46%
Intergovernmental	4,068,653	4,416,905	5,027,416	113.82%	5,145,378	116.61%
Charges for Services	30,927,197	30,927,197	32,731,666	105.83%	30,863,579	111.95%
Fines and Forfeitures	2,389,956	2,389,956	3,587,186	150.09%	2,459,329	84.60%
Investment Income	247,924	247,924	2,254,149	909.21%	295,148	104.65%
Contributions and Donations	87,250	96,196	27,440	28.53%	2,309,190	98.06%
Miscellaneous	1,584,854	1,584,854	3,000,203	189.30%	2,795,186	178.44%
Other Financing Sources	-	777,169	1,161,831	149.50%	97,229	-
Revenues without Use of Fund Balance	401,962,849	454,124,779	448,416,205	98.74%	408,235,305	103.86%
Use of Fund Balance	20,729,557	18,512,325	-	0.00%	-	0.00%
TOTAL REVENUES	\$ 422,692,406	\$ 472,637,104	\$ 448,416,205	94.88%	\$ 408,235,305	99.80%



YTD FINANCIAL REPORT 2022 | GWINNETT COUNTY

General Fund (001)

The General Fund is the primary tax and operating fund for all County revenues and expenditures that are not accounted for in other funds.

	FY 2022				FY 2021	
	2022 Adopted Budget	Current Annual Budget as of 12/31/2022	Actuals YTD as of 12/31/2022	% Actual to Current Budget	Actuals YTD as of 12/31/2021	% Actual to 12/31/2021 Budget
Board of Commissioners	\$ 1,809,979	\$ 2,373,711	\$ 2,354,073	99.17%	\$ 2,068,056	97.41%
County Administration	3,046,436	2,819,371	2,339,511	82.98%	1,948,268	68.74%
Financial Services	10,901,479	11,042,232	10,539,456	95.45%	9,464,630	97.24%
Tax Commissioner	16,328,842	16,746,122	16,163,663	96.52%	15,083,574	95.16%
Transportation	29,598,762	29,768,873	28,459,313	95.60%	22,338,341	90.38%
Planning and Development	2,475,384	2,958,087	2,273,276	76.85%	1,815,513	83.79%
Police Services	3,811,761	3,816,504	2,870,863	75.22%	2,701,418	69.55%
Corrections	20,787,117	21,518,623	20,557,649	95.53%	16,413,879	81.98%
Community Services	22,057,267	24,947,695	23,484,095	94.13%	18,558,578	91.63%

Appropriations:



BUDGET ADJUSTMENTS BY FUND - APPROPRIATIONS

AS OF 12/31/2022

Department/Fund	2022 Adopted Budget	Annual Budget - December	(Adjustments Year to Date)	Description	Current Month	Year to Date
General Fund (001)						
Board of Commissioners	\$ 1,809,979	\$ 2,373,711	\$ 563,732	GCID 20220450 Board of Commissioner Agenda Request amending the 2022 Compensation Plan. Approval to adjust the Fiscal Year 2022 budget to increase appropriations to reflect the amendment to the 2022 Compensation Plan.	\$ -	\$ 66,901
				GCID20221294_TrueUp Of the October 31,2022 Monthly Financial Status Report and ratification of all budget amendments. Approval/authorization of a resolution amending the FY2022 budget to reflect adjustments to revenues based on actual receipts and anticipated appropriations.	428,831	428,831
				GCID 20221091 Approval of Resolution amending the Fiscal Year 2022 Budget to reflect adjustments to revenue based on actual receipts and anticipated appropriations.	-	68,000
				Total: Board of Commissionssioners	428,831	563,732
County Administration	3,046,436	2,819,371	(227,065)	GCID 20220450 Board of Commissioner Agenda Request amending the 2022 Compensation Plan. Approval to adjust the Fiscal Year 2022 budget to increase appropriations to reflect the amendment to the 2022 Compensation Plan.	-	126,468
				GCID GCID20221294_TrueUp Of the October 31,2022 Monthly Financial Status Report and ratification of all budget amendments. Approval/authorization of a resolution amending the FY2022 budget to reflect adjustments to revenues based on actual receipts and anticipated appropriations.	(289,225)	(289,225)
				To adjust budget for 90 day job vacancies.	-	(64,308)
				Total: County Administration	(289,225)	(227,065)



Don't Forget the Rest of the Story!

- The statement of position (balance sheet) analysis is just as important as the operating statement
 - All balances on the statement of position derive from some activity on the operating statement!
- This may or may not be a part of your interim reporting; however, keep in mind the following:
 - Interfund receivable and payable balances, other than advances, should clear up within 30 days
 - If there are deficits in other operating funds, consider liquidating them with transfers from the general fund



Don't Forget the Rest of the Story!

- Ensure those items that might be paid once a year are spread evenly over the reporting period
 - Pension plan contributions
 - Other Post Employment Benefit (OPEB) contributions
- Adjust prepaids and inventory balances to actual
 - Although some may prefer only to make the adjustments for external financial reporting purposes
- Consider adjusting taxes receivable, deferred inflows of resources, and allowance for doubtful accounts to actual
- Projected amounts in excess of your general fund balance target, ideally, could be transferred to a capital projects fund as a funding source



Communicating Financial Information

It's a Challenge!



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Question for the Group



Why is communicating financial information so difficult?



Prepays

Non-spendable

Net Investment in Capital Assets

Deferred Inflows

Assigned

Restricted

Deferred Outflows

Modified Accrual

Other Financing Sources

Accrual

Committed

Fund Balance

Economic Resource Measurement Focus

Net Position

Unassigned

Other Financing Uses

Current Resource Measurement Focus



The Importance of Language



“I don’t want to become an auto mechanic, I just want my car fixed. I don’t know what a distributor is, and I don’t want to!”

Try to eliminate “accountant-speak!”



Know your audience

- Citizens/Taxpayers
- Legislative and Oversight bodies
- Bondholders/Investors/Creditors
- Oversight (grantor) agencies



Method of Communication

- Transmit interim financial report and financial analysis via a memo
- Formal presentation at a work-session and/or board meeting
 - Recommended a least quarterly
 - Report should become a part of the official record and archived
- Internet/Intranet
 - The public should be able to access, at least quarterly, your interim financial reports



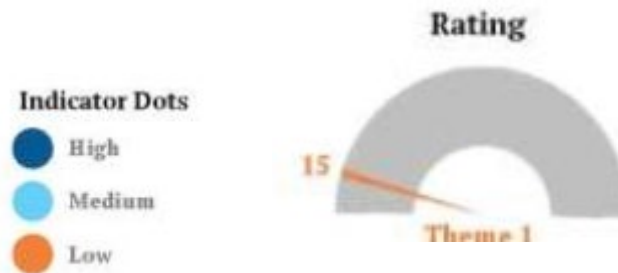
Financial Communication Principles

- Transparent
- Easy to understand
- Concise
- Accurate
- Complete
- Timely
- Available
- Comparative



Methods of Communication

- Quantitative data
 - Charts
 - Graphs
 - Dashboards
 - Infographics
- Qualitative data
 - Indicator dots
 - Rating



Assessing Financial Condition

Selecting Financial Indicators & Ratios

Government-Wide Level

- Percentage change in net position
- Debt service ratio
- Interperiod equity
- Quick ratio
- Pension plan funding
- Capital Assets Condition Ratio

General Fund

- Operating ratio
- Debt service ratio
- Quick ratio
- Fund balance as a percentage of revenues
- Debt as a percentage of assessed value

Enterprise Funds

- Percentage change in net position
- Debt service ratio
- Charge to-expense ratio
- Quick ratio
- Capital Assets Condition Ratio



Free Resource

Compliance Auditing is available as a download, presented in PDF format



The Institute of Government has published the 2024 edition of Compliance Auditing in Georgia Counties and Municipalities. This is the only guide written specially to help those responsible for conducting a specific local government audit.

The guide is updated annually. The new edition is current through 2023 legislative changes and is available for **free download**, thanks to the **Georgia Department of Audits and Accounts**.

A legal summary of finance-related provisions in the Official Code of Georgia Annotated that affect cities and counties is followed by a comprehensive compliance checklist of questions. Also included are listings of required audit reports and relevant organizations.

Compliance Auditing is available as a download, presented in PDF format.

<https://cviog.uga.edu/publications/compliance-auditing-publication.html>



Other Resources

ACCG – www.accg.org – see Publications

- Handbook for County Commissioners
- ACCG Guidebooks

GMA Handbooks & Publications

<https://www.gacities.com/Resources/GMA-Handbooks-Publications.aspx>

CVIOG – Includes Free Videos and Tutorials

<https://cviog.uga.edu/training-and-education/financial-training/financial-training-videos.html>

www.gfoa.org, Best Practices, Advisories, Other Resources





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