



Finances You Need to Know

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Everyone “owns” part
of this!

What’s your role?

Balance Sheet

Assets

Liabilities

Net position

*A **snapshot** in time report*

Income Statement

Revenues

Expenditures/Expenses

Change in net position

*A **period** of time report*

~ Always remember, for every debit,
there must be a credit!

Dual Nature of Government Financial Reporting

Government Wide financials

- Full accrual accounting
- Capital assets
- Long term liabilities
- Functional expenses
- Offsetting revenues
- Change in net position

Fund financials

- Modified accrual accounting
- Similar to budget method
- Focus on current resources
- Reconciliation to government-wide financials

The Things that Have to Get Done

- Payroll processing - tax reporting – 941, W2, 1095
- Accounts payable – collecting W-9s, issuing 1099s
- Collections processing
- Reconciliations
- Financial reporting
 - Interim reporting to governing body
 - Comparative Cost Report – 11.30
 - GFOA Certificate Submission – 12.31
- Grant reporting
- Unclaimed property reporting
- Accounting system management – budget load, monthly close, year end close, purchase order roll forward
- Budget process
- External audit
- Human resource management
- Procurement
- Risk management
- IT oversight

The Importance of Reconciliations

ONLY
ACCOUNTANTS
CAN SAVE
THE WORLD!

Through Peace, Goodwill and Reconciliations.

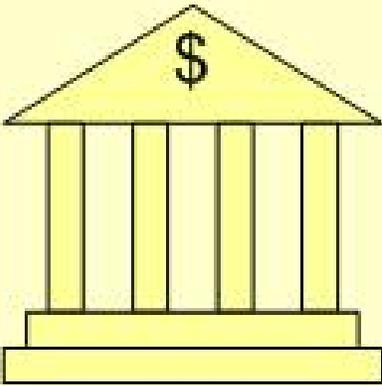
© Accounting.Laundry.com

Reconciliations

Bank Reconciliation



Difference **-\$260**
?????



Bank

Cash Book
Balance
\$1500

Bank Statement
Balance
\$1760

-

Bank Reconciliation

Zip Flyer Inc.	
Bank Reconciliation	
May 31, 2017	
Cash balance according to bank statement	\$16,707
Add Deposit of May 31, not recorded by bank	<u>3,000</u>
	\$19,707
Deduct Outstanding checks:	
#81	\$548
#84	983
#85	68
#86	<u>175</u>
Adjusted balance	<u>\$17,933</u>
Cash balance according to Zip Flyer Inc.	\$14,619
Add Note and interest collected by bank	\$4,300
Error in recoding Check #80	18
Interest	<u>1</u>
	4,319
	\$18,938
Deduct Check returned because of insufficient funds	\$600
Bank plan fee	5
EFT - Utilities bill	300
EFT - Telephone	<u>100</u>
Adjusted balance	<u>\$17,933</u>

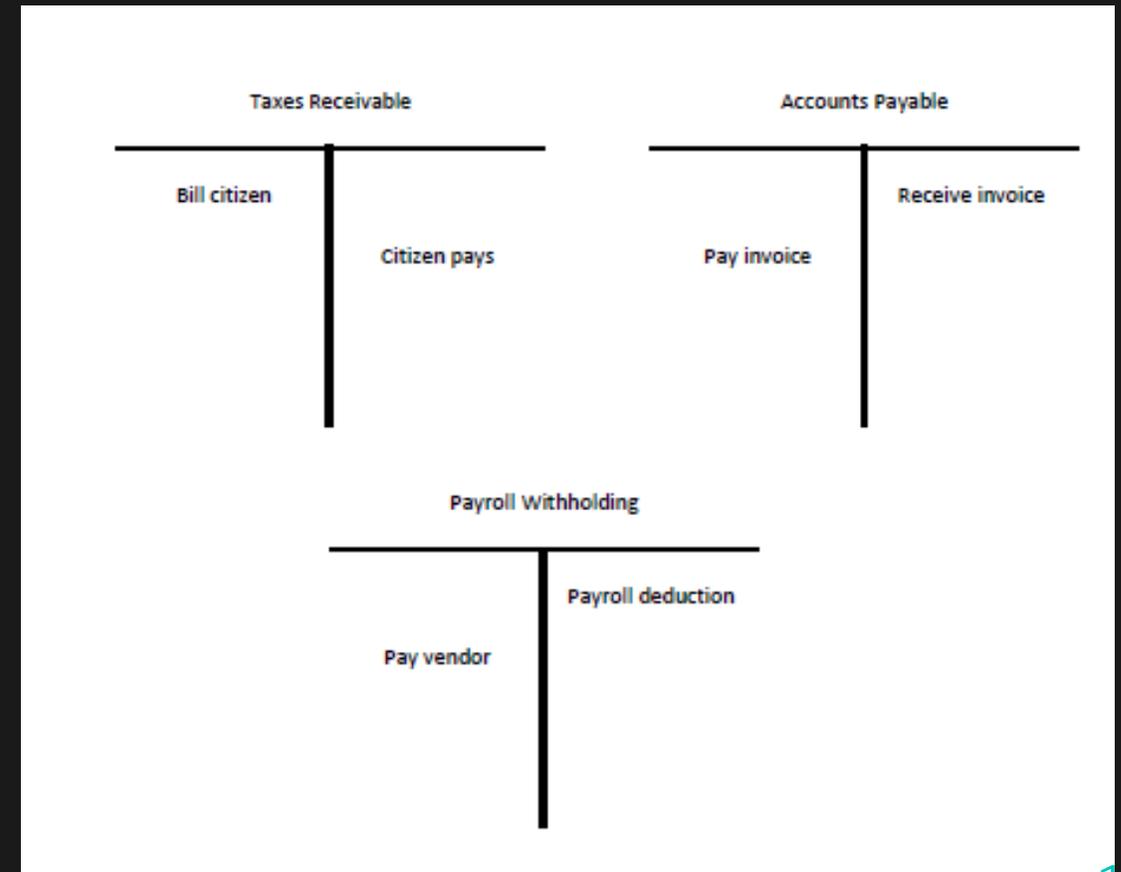
What Should We Be Reconciling?

Pretty much anything on the balance sheet!

- Deposit and investment balances – to statements from financial institutions
- Taxes and other receivables – to receivables detail – including an aging report
- Inventory – to a detailed listing of items
- Capital assets – to asset listings and detailed records
 - Additions, disposals, depreciation...
- Liabilities – to balances due outside parties/vendors
- VRS activity – to the VRS Snapshot reports
- Fund balance designations and reserves – to internal schedules

Audit the Balance Sheet

- Ending balance should mean something
- Debits and credits may clear over time
- Accounts should be reconcilable
- Audit focus



Balance Sheet Example

Payroll Withholding Liability Employee Medical Premium	
Debit	Credit
	Payroll Withholdings
Premiums Remitted to Insurance Vendor	

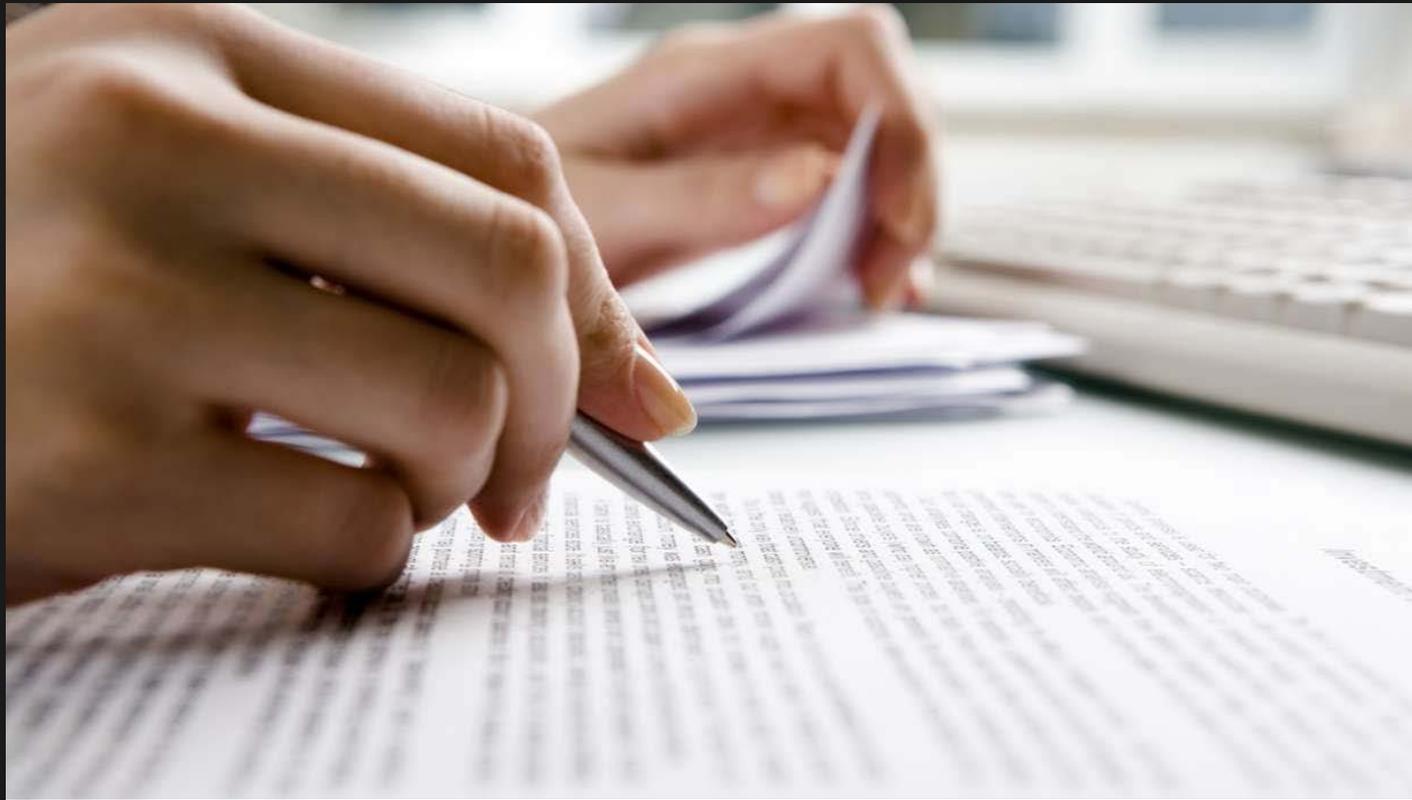
Reconciliation Suggestions

- Do them regularly
- Begin with ending balances
- Identify reconciling items
- Do not reconcile something to itself
- Dig when needed but don't do more work than needed
- Make sure items identified as reconciling items make sense and represent proper reconciling items
- Remember - things "have" to reconcile
- Remember that materiality for the organization may not = materiality to an employee!
- Make prompt adjustment for items needing an entry

As leaders, recognize the challenge reconciliations can represent

We Get What We **Inspect**
Not What We **Expect**

Report Review



Report Review the Income Statement

- Current year to date vs prior year to date
- Current year to date vs budget
- Current month activity
- % of budget received/spent
- Accounts with no activity
- Accounts with contra balances

Review and Approval



What Should We be Approving?

- Disbursement requests
 - Invoice processing
 - Check register
- Employee travel
- Payroll transactions
- Purchase orders
- Purchasing card activity
- Others

Details

Details

Details

Details



If it's important enough
for you to need to **sign it**,
It's important enough
for you to **read it!**

What is the Importance of Segregation of Duties?



William Spinelli shared a link.

November 24 at 9:26 AM

It's always sad to see this still happening. It hurts the rest of us.



DEFENSEMAVEN.IO | BY BACK THE BLUE

**Sheriff's Office Administrator Arrested For Stealing From
Police Fund - Blue Lives Matter**

Record Keeping

Creating and maintaining
departmental records

Asset Custody

Access to and/or control of
physical assets

Authorization

Reviewing and approving
transactions

Reconciliation

Assurance that transactions
are proper

Management's Responsibility

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the **[your organization!]**

| ----Management's Responsibility---- |

Transaction
Processing

Financial Close
and Audit
Preparation

External Audit

The Auditor's Responsibility

ASSURANCE

Audit

Review

Compilation

**Financial Statement
Preparation**

**Bookkeeping,
Accounting & Tax**

Attest Services

- Audit – provides positive assurance
 - Financial statements
- Examination – provides negative assurance
 - VRS data
- Agreed Upon Procedures – an engagement in which CPA firm issues a report of findings based on specific procedures performed. An opinion is not rendered.
 - Cost Allocation Plans

“Those Charged with Governance”

The person(s) or organization(s) charged with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process.

Financial Policies

- A best practice; one of the hallmarks of sound financial management
- Guidelines for financial and strategic decision making
- Frame discussion for management of fiscal distress
- Identify acceptable/unacceptable courses of action, establish parameters in which to operate, and provide standard against which fiscal performance can be judged

Investment Policy

- Scope and investment objectives
- Roles, responsibilities, standards of care
- Suitable and authorized investments
- Investment diversification objectives
- Safekeeping, custody and internal controls
- Authorized financial institutions, depositories and broker/dealers
- Risk and performance standards – established benchmarks
- Reporting and disclosure standards and frequency

Fund Balance/Reserve Policies

- GFOA best practice – general-purpose government maintain undesignated fund balance of **two months of operating revenues or expenditures**
- Items to be addressed:
 - Minimum levels of reserves
 - Maximum levels of reserves
 - Procedure for establishing reserves
 - Process for using reserves
 - Acceptable uses of reserves
 - Requirement and time period for replenishment of reserves

Debt Management Policy

- Debt management policies are written guidelines that frame the debt issuance practices
- Elements of a debt policy:
 - Purposes for debt issuance
 - Types of debt
 - Limitation on indebtedness
 - Debt maturity schedule
 - Method of sale
 - Method of selecting consultants & professionals
 - Refunding policies
 - Disclosure

Financial Policies



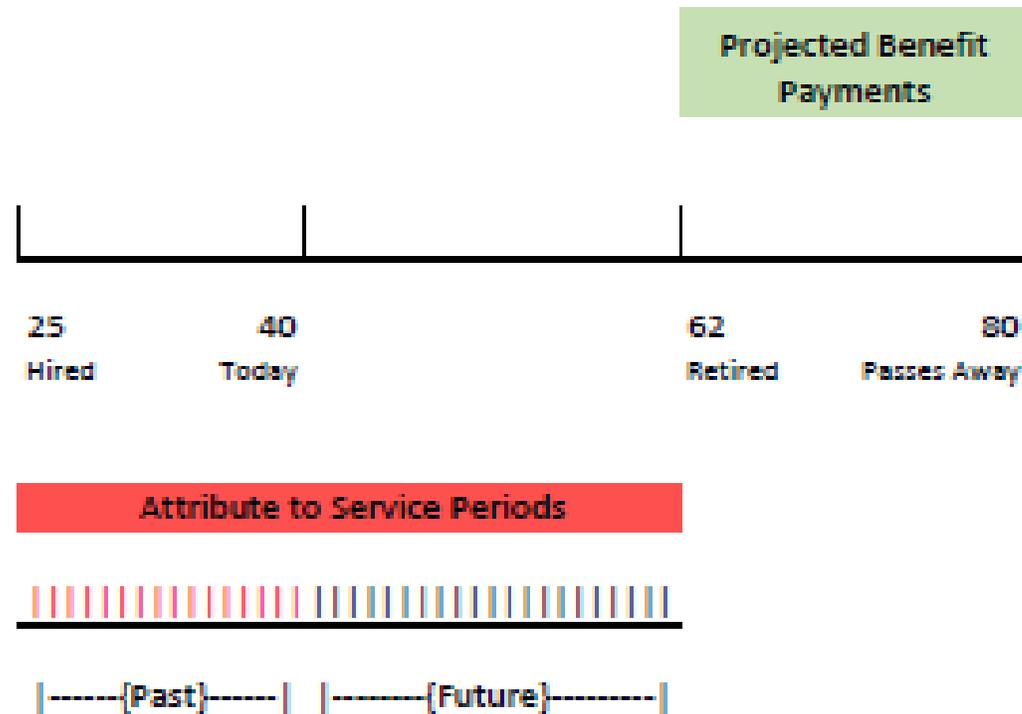
<http://www.gfoa.org/financial-policies-book>

Who is this
"Great GASB"
and
what has he done
to the finance officer?

The GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPAs (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.

What Does "OPEB" Stand For?

Conceptualizing the Pension and OPEB Obligations



Thoughts and Advice

- Hire the right person to lead the finance area
- Find the right way to get involved
- Ask questions
- Do not oversimplify the work of the staff
- Learn more
- Get outside help when you need to
- Provide staff with opportunities for training and education

The Gift of Yourself

Engagement

Involvement

Interest

Wisdom

Support

Guidance

Insight

Training, Education and Resources



Virginia Government Finance Officers' Association

CPA Firm
Client Training



Q&A

Thank You!

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