

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION

CONFERENCE REPORT

CHICAGO, ILLINOIS • JUNE 13-15, 2012













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ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA)

Annual Meeting

Palmer House Hilton Hotel Chicago, Illinois June 13 – 15, 2012

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EXECUTIVE SUMMARY

Since 2000, the summer meeting of the Island Government Financial Officers' Association (IGFOA) has immediately followed the annual conference of the Government Finance Officers Association. The theme for the 106th Annual Conference of the GFOA was "Winds of Change: Public Finance in Transition." Several components of these 'Winds of Change' affect staff in insular area finance offices—greater accountability and transparency, stress on performance management and improvement, new GASB standards and requirements and their application in government finance, and increased fiscal austerity and the impacts it has on staff and operations. The summer 2012 IGFOA conference focused on these 'Winds of Change' and their effects on the government finance offices.

The objectives of the IGFOA Meeting were to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments;
- Provide the Finance Directors and Managers with management skills intended to engage their employees in finance office initiatives;
- Review the progress of the insular government's single audits and attempts to measure finance office performance;
- Review recent GASB announcements and requirements with particular attention to GASB-54 implementation plans;
- Analyze options for implementing government austerity measures; and
- Build government specific plans to address single audit improvement, enhance finance office
 performance measures and process improvement, develop strategies for engaging employees in
 the office and, and develop and implement austerity measures.

After welcoming remarks from Angel Dawson, Commissioner of Finance for the U. S. Virgin Islands and the current President of IGFOA, and Stephen Latimer, the Program Manager for the Graduate School's Pacific and Virgin Islands Training Initiative (PITI/VITI), the conference participants reviewed the most important and relevant information they obtained during the GFOA conference.

Robert Lavigna, Director of Human Resources, University of Wisconsin, provided the keynote presentation on employee engagement and how it can be used to improve employee performance and morale while also making the organization more efficient and effective. Mr. Lavigna addressed five questions related to employee engagement:

1. What is employee engagement?

- 2. Why does it matter?
- 3. How do we know if our employees are engaged?
- 4. How can we achieve high levels of engagement?
- 5. What is our role as leaders?

Prior to the GFOA Conference, IGFOA participants selected specific GFOA sessions they wanted to attend and would report on to their fellow IGFOA members. The reports summarized the most important issues identified during the sessions and highlighted the points most relevant to the island governments. The sessions attended and reported on were:

- Federal Grants
- Fraud
- Funding Shortcuts
- Lean Finance/Six Sigma
- Sustainable Budgets
- Enterprise Resource Planning (ERP) Survey
- User Fees

Frank Crawford gave an update on GASB 54, Fund Balance and Governmental Fund Type Reporting. The standard has been in development and under review for several years, and became effective June 30, 2010. The standard affects the way in which fund balances are reported and impacts all the island governments. Mr. Crawford addressed issues that have arisen as governments have tried to implement the standard. Mr. Crawford also covered the new GASB standards being considered and under review. The good news is that few new standards are being implemented in 2012. The bad news is that many new and significant standards will be implemented in 2013. The standard having the greatest impact on the island governments is GASB-67 on pensions. The standard puts the entire pension liability (unfunded actuarial accrued liability, UAAL) on the financial statement.

Each island government gave an update on the status of its financial improvement projects. The projects covered were the single audit, finance office performance measures, and revenue forecasting. The island governments showed significant and steady improvement in both timeliness and quality of their audits from FY2003 through FY2009. Ten of the eleven governments consistently issued their audits by the June 30 deadline. However, this year's data show that timeliness is again becoming a problem. The governments of the Virgin Islands and the Republic of Palau have not yet issued their FY2010 audits. The CNMI issued its FY2010 audit in May 2012, 10 months late. It is expected that five of the eleven governments will be late with their FY2011 audits.

At the December 2011 meeting, the IGFOA participants voted on and agreed to a specific set of six measures:

- · Timeliness of bank reconciliations,
- Reduction in overdue travel advances,
- Accuracy of estimated revenues compared to actual collections,
- Completion of the fixed asset physical inventory,

- Completion of a documented cash management plan, and
- Number of days to process an invoice.

Each government was to determine its own targets and develop plans to collect the performance data and, if necessary, corrective action plans to address issues with the process being measured. Debbie Milks reviewed the progress of each government in developing and using performance measures. The members discussed the difficulties in collecting and reporting the measures consistently and agreed to continue reporting the measures on a regular basis at least through the December IGFOA Conference.

Roseanna Benson, the Finance Director for the Village of Addison, Illinois, made a presentation on the measures her government has made over the past few years to manage its way through the fiscal crisis. After a brief description of her village, its governance structure, and financial situation, she discussed the impact the financial downturn had on their finances. In FY2009, expenditures decreased 5.6%, followed by an additional 6.09% drop in FY 2010. FY 2013 expenditures still have not returned to FY 2008 levels. She described many of the actions taken by her Village to prepare for, and manage its way through, the financial downturn.

The conference ended with closing statements from Commissioner Dawson and Stephen Latimer. Both thanked the participants for their willingness to travel such long distances to attend the meeting and for their hard work and commitment both during the conference and when they return to their home governments.

Participants rated the conference very positively, 4.8 on a 5-point scale and thanked the Graduate School and OIA for supporting the conference and their continued commitment to financial improvement in the islands.

BACKGROUND

In 1999 the Department of Interior's (DOI) Office of Insular Affairs (OIA) and insular government financial management officials decided to form the Island Government Finance Officers Association (IGFOA). The purpose of IGFOA was to promote improved financial management in the insular governments. The IGFOA was incorporated in the Commonwealth of the Northern Mariana Islands and its by-laws were approved in 2001.

Since 1999, IGFOA members have met at least annually to participate in professional development and networking activities and to establish an agenda for financial management improvement. The conferences also provided a forum for participants to discuss common issues and strategies, and to develop a shared agenda for training, organizational development, and technical assistance.

For the past few conferences IGFOA has focused on a series of initiatives sponsored by its membership—performance measurement and improvement, implementing GASB standards, and how to do more with current resources and staff. At this conference guest speakers addressed two of these key issues—how to engage employees to improve performance and operations and how to design and implement austerity measures to accomplish more with less resources. In addition, the conference reviewed the governments' progress on some of the key on-going initiatives to improve operational performance—the Audit Improvement Project, the development and application of finance office performance measures, and implementation of GASB-54. (See Appendix A for the complete conference agenda).

CONFERENCE GOALS

Since 2000, the summer meeting of the Island Government Financial Officers' Association (IGFOA) has immediately followed the annual conference of the Government Finance Officers Association. The theme for the 106th Annual Conference of the GFOA was "Winds of Change: Public Finance in Transition." Several components of these 'Winds of Change' affect staff in insular area finance offices—greater accountability and transparency, stress on performance management and improvement, new GASB standards and requirements and their application in government finance, and increased fiscal austerity and the impacts it has on staff and operations. The summer 2012 IGFOA conference focused on these 'Winds of Change' and their impact on the government finance offices.

The objectives of the IGFOA meeting were to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments;
- Provide the Finance Directors and Managers with management skills intended to engage their employees in finance office initiatives;
- Review the progress of the insular government's single audits and attempts to measure finance office performance;
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- Build government specific plans to address single audit improvement, enhance finance office
 performance measures and process improvement, develop strategies for engaging employees in
 the office and, and develop and implement austerity measures.

Twenty-two IGFOA participants representing all of the insular areas except the CNMI attended the conference. (See Appendix B for the Participant List.)

WELCOMING REMARKS

Angel Dawson, Commissioner of Finance for the U. S. Virgin Islands and the current President of IGFOA, welcomed the participants to the conference and thanked the Department of Interior, the Office of Insular Affairs, the Graduate School, and the Pacific and Virgin Islands Training Initiative (PITI/VITI) for organizing and supporting the conference. The Commissioner commended GFOA for the sessions he attended and particularly noted the presentation in which an ERP was used for multiple purposes, including budgeting and increased transparency. In what was undoubtedly a first for the IGFOA conferences, he mentioned chaos theory and its principle of equifinality, that there is more than one way to reach the final result. He encouraged participants to find their own way to the end result and thanked them for the dedication and hard work they exhibited in coming to and being engaged in the conference.

Stephen Latimer, the Program Manager for the Graduate School's Pacific and Virgin Islands Training Initiative (PITI/VITI), welcomed the participants to the conference and thanked the Commissioner for his welcoming remarks and his leadership of the IGFOA Executive Council. He also thanked the participants

for their commitment to good financial management and their attendance at the GFOA sessions and IGFOA conference.

REVIEW OF GFOA CONFERENCE HIGHLIGHTS

In small groups the participants identified the most important things they learned at the GFOA conference. The key points they mentioned were:

- Leadership
- Lean government, six sigma
- Fraud detection
- Risk assessment
- Financial policies
- Grants management
- Early retirement as an incentive
- Fraud and Transparency
- Excessive unfunded mandates from the Legislature
- Reduction in number of days for issuing purchase requests
- Teamwork
- Austin Online Website
- Finance in Transition Changing for the Better
- True value of performance measurement

LEVERAGING THE POWER OF EMPLOYEE ENGAGEMENT

Robert Lavigna, Director of Human Resources, University of Wisconsin, provided the keynote presentation on employee engagement and how it can be used to improve employee performance and morale while also making the organization more efficient and effective. Mr. Lavigna addressed five questions related to employee engagement:

- 1. What is employee engagement?
- 2. Why does it matter?
- 3. How do we know if our employees are engaged?
- 4. How can we achieve high levels of engagement?
- 5. What is our role as leaders?

What is Employee Engagement?

Employee engagement is a heightened connection between the employee and his/her work, the organization, its mission and/or co-workers. Employee engagement goes beyond basic job satisfaction, it includes personal meaning in work, pride in what one does and the organization one works for, and

the belief the organization values them. The employee who is personally engaged in work is more likely to go above the minimum required by the job and provide 'discretionary effort'.

Employees who provide 'discretionary effort' do more than what is minimally necessary for the position. They go the extra mile for customers, volunteer their best ideas to improve the organization and its work, work hard – and smart, and do not quit, but rather find ways to overcome obstacles and the accomplish the mission. Engaged employees call in sick only when truly ill and are alert to safety hazards.

Why Does It Matter?

Employee engagement is important because it correlates positively with:

- Better customer satisfaction
- Less sick leave and missed time due to work-related injury/illness
- Higher retention
- Better performance
- Achievement of strategic goals

Organizations with high levels of employee engagement experience higher productivity, profitability, and customer satisfaction than organizations with low employee engagement. They also have fewer safety accidents or incidents, less lost or stolen inventory, and lower turnover and absenteeism than low engagement organizations.

Various surveys report that approximately 30% of employees are engaged, 50% are not engaged, and 20% are actively not engaged. Highly engaged employees are:

- · Highly motivated to work hard
- Go the extra mile
- Recommend your organization as a good place to work
- Stay and stay for less money
- Have strong relationships within the organization

Employees that are not engaged are:

- Not strongly committed to the organization
- Feel trapped by employment factors
- Give only the bare minimum

Employees that are actively not engaged:

- Have poor relationship with the organization
- Are only going through the motions
- Tend to see the grass as always greener ...

How Do We Know if Our Employees are Engaged?

The simplest way to determine whether our employees are engaged is to ask them. A short survey provides the information needed to assess the level of employee engagement. Some of the questions that can be asked are:

Pride in work or workplace

- 1. My organization is successful at accomplishing its mission
- 2. My work unit produces high-quality products and services
- 3. The work I do is meaningful to me
- 4. I would recommend my organization as a place to work

Satisfaction with leadership

- 1. Overall, I am satisfied with my supervisor
- 2. Overall, I am satisfied with managers above my immediate supervisor

Opportunity to perform well

- 1. I know what is expected of me on the job
- 2. My job makes good use of my skills and abilities
- 3. I have the resources to do my job well
- 4. I have sufficient opportunities (such as challenging assignments or projects) to earn a high performance rating

Satisfaction with recognition received

- 1. Recognition and rewards are based on performance in my work unit
- 2. I am satisfied with the recognition and rewards I receive for my work

Prospects for personal and professional growth

1. I am given a real opportunity to improve my skills

Positive work environment and teamwork

- 1. I am treated with respect at work
- 2. My opinions count at work
- 3. A spirit of cooperation and teamwork exists in my work unit

In survey results cited by Mr. Lavigna, employees who are engaged averaged a response of 3.92 or higher on the survey while employees who were not engaged averaged a response of 3.00 or lower.

How Can We Achieve High Levels of Engagement?

Many of the things we need to do to achieve high levels of employee engagement are basic good management practices. Some of the critical actions mentioned by Mr. Lavigna were:

- Hire with care and use probationary period as part of selection process
- Make sure employees know what is expected of them -- and how their work relates to the organization's mission
- Meet regularly with each employee to review progress and provide feedback
- Give all employees opportunity to grow/develop
- Hold employees accountable for performance deal with low/poor performers
- Engage new employees through onboarding
- Link recognition and rewards to performance
- Recruit and select supervisors to supervise -- and then hold them accountable for performance management
- Give supervisors training, resources, and management support to manage employees
- Respect employees' need for work/life balance
- Measure engagement -- and act on data/results

What is Our Role as Leaders?

In small group discussions, participants identified the things they can do as line managers to encourage employee engagement. They mentioned many of the activities listed above (under 'How can we achieve high levels of engagement?), but also suggested more personal things they could do to make employees feel welcome and appreciated.

Mr. Lavigna closed by stating 'there is no silver bullet for employee engagement....it takes silver buckshot'. He suggested managers need to use all the tools in their arsenal to engage employees and keep them engaged. (See Appendix C for the slides used in the 'Leveraging the Power of Employee Engagement' presentation.)

GFOA CONFERENCE REVIEW AND DISCUSSION

Prior to the GFOA Conference, IGFOA participants selected specific GFOA sessions they wanted to attend and would report on to their fellow IGFOA members. The reports summarized the most

important issues identified during the sessions and highlighted the points most relevant to the island governments.

Federal Grants

Florence Ale and Kathy Kakigi attended a presentation on Federal Grants and Sub-recipient Monitoring. The speakers identified the following best practices for monitoring sub-recipients:

- Make sure the sub-recipient has adequate internal controls in place.
- Ensure the sub-recipient has a clear understanding of the terms and conditions of the grant.
- Constantly communicate between the sponsor and the sub-recipient.
- Get waivers in writing from the grant officer. Information obtained from the wrong person might become a questioned cost.
- Look at old audit reports and the findings identified and determine whether or not your federal program could be jeopardized.
- Create a checklist to ensure that what needs to be done is accounted for.
- Have a day of educational training with the program managers and staff. Try to determine whether they have expertise in the programs.
- Remain familiar with OMB 887 on cost principles.
- Collaborate and ensure accountability...have everyone involved.
- Be PROACTIVE rather than REACTIVE.
- Be customer-focused.
- Have a welcome package which includes a welcome letter, deliverables, and key information.
 Orient the grantee, clarify requirements, set expectations, and open lines of communication.
- Make certain basic internal controls are in place: sub-level reviews of agency performance, human capital management, proper execution of transactions, segregation of duties.

Fraud

Alapasa Tuato'o and Juliette Jimmy reported on the fraud session they attended. The speaker talked about examples of fraud schemes, fraud protection, internal controls, and best practices in fraud detection. The most common types of fraud are misappropriation of assets, financial statements, and embezzlement.

Internal auditors are not fraud auditors and do not indicate whether there is fraud in the organization. The recovery of fraud losses is typically zero.

The speaker suggested managers watch for early warning signs of fraud. Some of these warning signs are:

- staff who are very protective of their work,
- employees who take few vacations,
- staff who work strange hours,
- anyone with personal financial problems,

- individuals leading a lifestyle out of line with their compensation, and
- account reconciliations not completed timely.

Fraud detection techniques have become increasingly sophisticated (e.g., data mining), but most fraud is still detected by tips.

Fraud can happen at any organization. Estimates place the amount of funds lost through fraud annually at about \$3.5 trillion. Managers need to be alert, understand and be aware of their operations, and trust your employees but monitor their activities. The best way to prevent fraud and protect your organization is a comprehensive and aggressive risk assessment and compliance program.

Funding Shortcuts

Kathy Sound and Benita Manglona summarized the session they attended on ways to reduce expenses. The presenters cautioned that actions that may seem to save money in the short run may actually cost more in the long run. As an example, they cited early retirement programs. If an agency plans to use retirement incentives to reduce costs, it needs to quantify cost savings, both long and short term. They need to make sure the people retiring will not be needed in the future (or the skills leaving the agency will not be needed in the future). If the retirement options are exercised by the employees, what impact does that have on the retirement fund? Sometimes, with incentives and retirement costs, the financial numbers for early retirement just do not work out favorably for the agency.

Underfunded pensions are a common concern. A retirement fund funded at 80% is probably not sufficient. Given business cycles and stock market assumptions, fund growth projections are usually overly optimistic.

In examples closer to home, Ms. Sound cited early retirement programs in Chuuk and Kosrae that had a negative impact on Social Security in FSM, causing the FSM to have to change taxes and benefits. Similarly, Ms. Manglona mentioned an early retirement program in Guam that did not save the government the savings it had expected.

Lean Finance/Six Sigma

Priscilla Soalablai and Agelene Neth attended a GFAO session titled Lean Finance and Six Sigma. The talk focused on six sigma and process improvement. The presenters discussed how six sigma and process improvement try to decrease the cycle and processing time, improve communications and involve employees in the process, reduce waste and redundancy, eliminate non-value added steps, and improve quality (reduce error rate). Specific advice they offered was to:

- Involve the leadership.
- Have the manager listen instead of giving instructions.
- Make the employees be committed to taking responsibility.
- Be non-political.

Results of 'lean government' can be cost-savings without the need to terminate employees, conduct layoffs, or offer early retirement programs.

Sustainable Budgets

Lipar George and Francine Poll reported on the Sustainable Budget session. The program presented how to develop a sustainable budget. The presenters recommended that to develop a sustainable budget, the budget staff should:

- Consult with all stakeholders; budget staff actually goes out to the public and get the communities' voices on ideas, programs and services.
- Involve policy makers early and often.
- Have a clear vision of what you are trying to achieve.
- Establish priorities and rankings of programs and services in terms of what's important to communities
- Engage employees.
- Align activities and outcome measures with the vision and the mission.
- Ensure financial projections are realistic.
- Adopt a budgeting for outcomes or budgeting for results process to prepare the budget.

Enterprise Resource Planning (ERP) Survey

Robert Fathaltamanbay and Calvert Birmingham attended a session in which the results of a survey of finance offices about their experiences with ERPs were reported. The survey results generally were not good for the ERP vendors. ERP systems were not viewed positively by the respondents, regardless of which system they were using.

The results suggested that vendors mislead the finance staff about the capabilities of the systems, especially about their ease of use. Seventy-five percent of users were not satisfied with the implementation of their system. They experienced project delays, great difficulty using the system, and the misconception that an ERP would fix all problems within a department. Most ERP system included considerable customized shelfware, functionality that is never used and 'just sits on the shelf'.

The speakers' advice was that agencies need to work with what they have; there is no software that is built specifically for your government. They recommend involving users in the software selection process, not just management or IT staff. Finally, they state one must start with the end in mind, select an ERP that gets the agency closer to where it wants to be.

User Fees

Tiser Reynold and Maria Laaw reported on a session on user fees. The guidance provided in the presentation was that if a product or service benefits an individual, the individual should pay 100% of the cost. If a product or service benefits the community, the community pays no user fees and the cost is covered by taxes. As the number of individuals benefiting from the service goes down, the greater the justification for user fees. As the number of people benefiting from the service goes up, the greater the justification to use taxes to cover the cost. User fees need to be reviewed and revised regularly to ensure they cover the cost of the service. Outdated user fees sometimes cost more to collect than the fees collected.

GASB-54 UPDATES: WHAT'S NEXT? WHAT HAS WORKED AND WHAT HAS NOT WORKED?

Frank Crawford made a presentation on GASB 54 and addressed issues that have arisen as governments have tried to implement the standard. Defined in its simplest terms, fund balance is unspent revenue in a fund. GASB 54 becomes effective this fiscal year (FY2011) for all of the insular governments. GASB 54 changes the fund balance classifications from reserved and unreserved to:

- Non-spendable
- Restricted
- Committed
- Assigned
- Unassigned

Non-spendable fund balances are:

- Not in spendable form, such as
 - Inventory
 - Long-term receivables (unless the proceeds are restricted, committed, or assigned)
- Legally or contractually required to be maintained intact
 - Corpus of a permanent fund

Restricted fund balances have:

- Same definition as for net assets in Statement 34 (as amended by Statement 46)—amounts constrained to being used for a specific purpose by
 - External parties
 - Constitutional provisions
 - Enabling legislation (must identify new revenue stream)

Committed fund balances are 'kind of sort of restricted, but not really'. They are defined by:

- Constraints in use imposed by the government itself, using its highest level, or form, of decision making authority, typically legislation (but does not identify new revenue stream)
- Constraints that can be removed or changed only by taking the same action (typically legislation)
- Action to constrain resources should occur prior to end of fiscal year, though the exact amount
 may be determined subsequently

Assigned fund balances are:

- Amounts intended to be used for specific purposes
- Intent is expressed by
 - The governing body
 - A body (budget or finance committee) or official authorized by the governing body
- Residual amounts in governmental funds other than the general fund are assigned

Appropriation of existing fund balance

Unassigned fund balances are:

- Available for any purpose
- Reported only in the general fund, except in cases of negative fund balance
 - Negative balances in other governmental funds are reported as unassigned

GASB-54 Implementation Issues

Interfund receivables/loans—

Determining classification of fund balance of non-current portion of long-term receivable

- Must be nonspendable if not restricted, committed or assigned (Q&A2012-Z.54.5)
 Example Housing benefit receivable
- If proceeds from collection are restricted, committed or assigned, then fund balance would be also (Q&A2012-7.62.2)

Example - Long-term receivable from economic development loans or revolving loans

Generally long-term receivables classified as non-spendable found in General Fund because all other funds will be restricted, committed or assigned (Q&A2012-Z.54.4)

Nonspendable funds cannot be used to cover other fund balance deficits--

 Over-expenditure of restricted, committed or assigned purpose should not reduce nonspendable fund balance (Q&A2012-Z.54.18)

Restricted revenue classification issues--

- · Grant match transfers are restricted
- Interest earned on grant proceeds are usually restricted
- · Restricted funds cannot be negative

Committed fund balance issues--

- Constraints imposed by formal action of the government's highest level of decision-making authority
 - Ordinance city
 - Resolution county
 - ◆ Legislative bill state or insular government
- Constraint is separate from authorization to raise revenue

- Removal of constraint takes same action employed to commit the funds
- Timing
 - Action to commit should occur prior to end of reporting period
 - ◆ Amount to commit can occur after end of reporting period
- Committed Fund Balance should also include resources that have been specifically committed for use in satisfying contractual obligations (Q&A 2012-Z.54.11)
- Commitment can create a negative unassigned
 - Example Committed resources received but spent on unallowable expenses
- Cannot have a negative commitment
 - Example Over-spending committed resources

Assigned fund balance issues—

- Cannot cause a deficit to occur in unassigned
 - No guidance on order in which assignments are eliminated to reduce a deficit
 - General Fund cannot have a negative unassigned if there is a positive assignment
 - All funds combined with General Fund should be considered one large fund when eliminating a deficit
- Carryover of assigned fund balances (Q&A2012-Z.54.12)
 - Effective until the government commits or reassigns the resources
- Determination of the purpose and amount of an assignment can be made after the end of the reporting period (Q&A2012-Z.54.15)
 - Example Management assigns fund balances for many purposes after year-end but prior to audit
- Encumbrances cannot create a negative unassigned

Unassigned fund balance issues—

Use of fund balance policy

- Can be different for each fund
- If no policy established, use default policy when expenditures occur for purposes for which amounts in any unrestricted classification could be used
 - Committed
 - Assigned
 - Unassigned

Disclosures

- Encumbrances if not canceled and appropriated, disclose encumbrances
 - By major fund and nonmajor funds in the aggregate
- Nonspendable

- Amounts in the two nonspendable categories
 - On face of financials
 - Or in notes

(The slides from Mr. Crawford's GASB-54 presentation are in Appendix D.)

New GASB Standards

Mr. Crawford also covered the new GASB standards being considered and under review. The good news is that few new standards are being implemented in 2012. The bad news is that many new and significant standards will be implemented in 2013.

The standard having the greatest impact on the island governments is GASB-67 on pensions. The standard puts the entire pension liability (unfunded actuarial accrued liability, UAAL) on the financial statement. Thus, for example, Guam's total unrestricted net asset deficit would go from \$755,597,558 to about \$1.8 billion just due to this change.

Another standard impacting the islands is GASB-63, Reporting Deferred Outflows, Deferred Inflows and Net Position. The standard results from changes to Concepts Statement 4, which identifies five elements that make up a financial position:

- Assets
- Liabilities
- Deferred outflows of resources
- Deferred inflows of resources
- Net position

This statement differs from Statement 34 which only identifies assets, liabilities, and net assets. The new terms and concepts are defined as:

- Deferred outflows of resources
 - A consumption of net assets by the government that is applicable to a future reporting period
 - Has a positive effect on net position, similar to assets
- Deferred inflows of resources
 - ◆ An acquisition of net assets by the government that is applicable to a future reporting period
 - ◆ Has a negative effect on net position, similar to liabilities
- Net position
 - ◆ The residual of all elements presented in a statement of financial position
 - Net position= assets + deferred outflows liabilities deferred inflows

(More information about these standards and other standards under consideration can be found in Appendix D.)

GOVERNMENT UPDATES: SINGLE AUDITS, PERFORMANCE MEASURES, GASB-54 IMPLEMENTATION

Prior to the conference, each government was asked to prepare a brief presentation on its progress on the IGFOA sponsored financial improvement activities. During the conference each of the IGFOA member governments presented a summary of the status of their government's single audits and performance measurement projects. (The slides for each government are in Appendices E-1 through E-10.)

Single Audit Status

The island governments showed significant and steady improvement in both timeliness and quality of their audits from FY2003 through FY2009. Ten of the eleven governments consistently issued their audits by the June 30 deadline. However, this year's data show that timeliness is again becoming a problem. The governments of the Virgin Islands and the Republic of Palau have not yet issued their FY2010 audits. The CNMI issued its FY2010 audit in May 2012, 10 months late. It is expected that five of the eleven governments will be late with their FY2011 audits, though ASG and RMI are expected to issue within a month of the deadline. (See Appendix F for a summary of the timeliness of the audits.)

While the timeliness of the single audits has slipped, the quality of the financial reports has improved and continues to improve. Six of the island governments are expecting unqualified financial reports; Yap and Chuuk have only one qualification each, leaving the CNMI, USVI, and ASG with more significant qualifications. All the IGFOA member governments benefited from the Graduate School program, through Crawford Associates, to assist with reclassifying the fund balance section of the financial reports to comply with GASB-54.

The participating governments discussed their plans to address both the timeliness and quality issues. The finance officers remain very aware of the importance of audits and ensuring that their governments are not caught in the perpetual state of audit which comes with the downward cycle of slipping deadlines.

Finance Office Performance Measurement Project

At the June 2010 meeting the IGFOA took on a project to measure the performance of the finance operations. For that year and at subsequent meetings, each office determined and presented their individually chosen measures and targets. While the understanding of the process and the performance presentations generally showed some improvement, the progress was uneven and the variety of measures made it difficult to address best practices as a group. At the December 2011 meeting, the IGFOA participants voted on and agreed to a specific set of measures:

- Timeliness of bank reconciliations,
- Reduction in overdue travel advances,
- Accuracy of estimated revenues compared to actual collections,
- Completion of the fixed asset physical inventory,
- Completion of a documented cash management plan, and
- Number of days to process an invoice.

Each government was to determine its own targets and develop plans to collect the performance data and, if necessary, corrective action plans to address issues with the process being measured. (The status of performance measurement data is summarized in Appendix F.)

One of the challenges of IGFOA projects is maintaining consistency and progress between the semiannual meetings. The Graduate School meets this challenge by encouraging participants to share the conference sessions with finance staff, maintaining email contacts between sessions and following up on IGFOA projects when consultants or staff are on island for other training or assistance programs.

The performance measurement project in particular has been challenged by changing participants (for instance, those who voted to select specific measures in December where not necessarily those who attended this June) and competing financial issues. It has been obvious that the governments will work on and prepare performance data in anticipation of attending the IGFOA meetings as opposed to integrating performance measurement as part of their routine operations. This challenge is not unique to the IGFOA, as noted at one of the GFOA sessions entitled "Real Improvement or Window Dressing? The True Value of Performance Measurement".

Nonetheless, the performance measurement project is beginning to help the finance offices realize one of the benefits of measuring performance, which is to highlight those important areas in the finance operations which need improvement. And the government finance offices have, in part, started implementing plans to address problems.

Cash Management Plans is one of the areas where the group has requested assistance. The U.S. flag territories are required to submit the Treasury-State Agreement for use of federal funds. That agreement is not a comprehensive plan, but is a starting point articulating the drawdown methods and schedules for major grants. The freely associated states do not have written cash management plans, though they generally practice reimbursement methodology for federal funds and have various processes to ensure there is adequate cash available for payroll.

Timely bank reconciliations are a bedrock measure for every finance office. The measure of timeliness is usually 30 days after the receipt of the bank statement. Some of the more progressive finance offices are reconciling daily, on line, and complete the reconciliation within days after the end of the month. These best practices have been shared among the offices.

Most of the island governments (the exception being the USVI) issue a fairly substantial dollar amount of individual travel advances for travel funded by federal grants. Since the expenditure for the travel should not be recorded until the traveler has filed an expense report, the governments lose federal funds when grants expire and advances are still outstanding. The governments have started to show some progress towards managing these advances. The measurement results highlighted the total dollars tied up in advances and the percent of those dollars which are overdue. Now that a baseline has been established for each government, the true value of the measurement and management's response to the measure will show in future presentations.

Measuring the number of days to process an invoice can be difficult for some of the offices. Generally it was agreed that the number of days would be measured from the date of the invoice to the date of the check, but the dates vary due to late submission of the invoice from the vendor (well after the invoice date). The measure has been narrowed from the original agreement to include only those invoices which are paid with federal funds, since availability of cash should not be a factor in the process. Most of the offices have established targets between 3 and 5 days.

Most of the governments have a bi-annual requirement for completing a fixed asset physical inventory and most are on target to complete the inventory or, as with GovGuam, have a plan to get assistance. The USVI Department of Finance has no control over the Department of Property and Procurement which is tasked with the physical inventory. The alternative measurement proposed by the USVI is to ensure that all new assets are properly added to the new fixed asset module in their FMIS.

The measurement of the accuracy of estimated revenues is more closely linked to the financial health of the government than the efficiency of the finance operations. Often it is the Budget Office or a Legislative office which is responsible for estimating the revenues prior to the current year budget call. Since every IGFOA member government reported they have balanced budget requirements, deficits are caused by either overestimating revenues or overspending. The results of the accuracy rates indicate that most of the governments estimate fairly closely and that they are as likely to underestimate as to overestimate. Several suggestions were made as to how to refine the measurement, such as indicating when a revenue shortfall is expected and filled by short term financing or how responsive the government is to modifying the pace of expenditures.

The IGFOA members agreed to continue with the performance measurement project and to continue with the same set of measures through FY12. During the December 2012 meeting, it will be decided where and how the results of the measures will be published.

DEALING WITH AUSTERITY IN LEAN TIMES

Roseanna Benson, the Finance Director for the Village of Addison, Illinois, made a presentation on the measures her government has made over the past few years to manage its way through the fiscal crisis. After a brief description of her village, its governance structure, and financial situation, she discussed the impact the financial downturn had on their finances. In FY2009, expenditures decreased 5.6%, followed by an additional 6.09% drop in FY 2010. FY 2013 expenditures still have not returned to FY 2008 levels.

Addison made several decisions over the past few years to prepare for the possibility of economic hard times. The Village has:

- stimulated commercial development through the use of various incentives.
- used planned road improvement projects that include water/sewer infrastructure.
- Maintained at least a 25% fund balance.
- established an Equipment Replacement Fund to plan for and save the funds for new vehicles and heavy equipment.

As the downturn started early in FY09, all departments were told to find ways to cut expenses. Some of the steps taken to reduce spending were:

- Programs/purchases that were approved in the budget, but not ordered, were put on hold.
- Overtime was limited.
- Public works rescheduled snow plowing call outs to 12 hour shifts determined in advance.
- All departments curtailed spending.

Employees, both unionized and non-unionized, were asked to make concessions, but not until management committed to cut costs before cutting staff. Management said there would be no layoffs. Managers met with staff to discuss options and reinforce the commitment to no layoffs. As a result, they got employee buy-in and support. All employees took a COLA freeze for two years (although step increases were granted). The Village also instituted a hiring freeze and did not fill any vacant positions.

The Village took many other actions to reduce costs without impacting programs, services, or customers. Some of these actions were:

- ALL departments made cuts and limited requests for new programs and projects to only those necessary.
- Since Addison had been proactive in prior years regarding maintenance and replacement of
 equipment it was able to defer some maintenance...such as water tower painting and extending
 the life of some of higher ticket vehicles.
- Prior to the slump the Village did a \$1M rebuild of the clarifier at the one of the treatment plants.
 The decreased maintenance freed up 2 position, so when two employees left, they were not replaced.
- Some maintenance was done internally instead of outsourcing.
- Tree trimming was contracted out.
- The Village rearranged public works staff and duties.
- Addison offered 2 Voluntary Separation Incentive Programs (VSIP).
- The Village reduced overtime by 20%.
- It cut Community Days and replaced them with a circus.
- Addison deferred purchases, projects and maintenance, cut travel and conferences, office
 uniforms, coffee for departments, cancelled the annual awards/appreciation dinner, and scaled
 back other day to day purchases.
- The Village government cut summer part-time help and school crossing guards.
- It cut its fireworks display, joining three other communities for festivities throughout the year, and asked businesses to sponsor summer events.

Addison also made some changes to increase revenues. Some of these actions were:

- Added red light cameras to capture drivers running red lights.
- Implemented administrative adjudication for parking and non-moving traffic violations (both to reduce costs and increase revenue).

Ms. Benson closed with some advice from those who 'have been there and done that:

- Communication with staff is key
 - ◆ The more they know, the more buy-in you can have
 - Front line staff may have more functional suggestions as they work with the day to day operations more than mangers do
- Credibility is key.

- ◆ The Addison Village Manager was trusted by the employees and that increased their willingness to make concessions and help with the big picture.
- Cutting costs may not be enough, you may have to look at other revenue sources
 - Sources that may be minimal to everyone, but maximize returns
- Recognize your individual trigger points... and the lag when an industry closes or retools.
- Some of the items at the GFOA conference...re: technology in payments, receipts, may be good tools that may not be costly to implement

Ms. Benson ended her presentation by thanking the IGFOA members for their involvement and participation. She emphasized the austerity measures were sometimes painful, but given the overall economic situation, they were also absolutely necessary. She wished all the islands good fortune and bright financial futures. (See Appendix G for the slides from this presentation and Appendix H for a hand-out provided by Ms. Benson listing other austerity measures taken by local governments.)

CLOSING REMARKS

Angel Dawson, Commissioner of Finance for the U. S. Virgin Islands and the current President of IGFOA, thanked the participants for the dedication they showed throughout the conference. He stated his appreciation for the long distances they had to travel to attend IGFOA and the long hours they spent in the presentations and work sessions. He noted the great progress that has been made and challenged all of the governments to show even greater progress in December. He closed by thanking the Department of Interior, the Office of Insular Affairs, the Graduate School and its PITI/VITI program, and all of the staff who organized and managed the conference.

Stephen Latimer, the Program Manager for the Graduate School's Pacific and Virgin Islands Training Initiative (PITI/VITI), thanked the IGFOA members for their continued focus on improving financial management in the islands and the efforts they have made to support the IGFOA improvement initiatives. He thanked Commissioner Dawson for his leadership of IGFOA and the finance officers for their on-going support. He ended by expressing his appreciation for the dedication shown by the conference participants in their contributions to the meetings throughout the week.

CONFERENCE EVALUATION

At the end of the conference, participants completed an evaluation rating the conference on several dimensions and providing comments to open-ended questions (see Appendix I for a full Summary of the Conference Evaluations). On the key evaluative dimensions, the participants rated the conference extremely highly. On a scale of 1 - 5, with 5 being the highest score and 1 being the lowest score, the average ratings were:

1. The GFOA conference sessions were relevant and timely.

Score: 4.6

2. The IGFOA conference sessions were relevant and timely.

Score: 4.8

3. The conference's objectives were substantially met.

Score: 4.6

4. Logistics for bringing participants to and from Chicago were handled satisfactorily.

Score: 4.6

5. The conference site (hotel) was comfortable and conducive to the meeting.

Score: 4.4

6. Support services by the Graduate School staff during the conference were handled well and in a timely manner.

Score: 4.8

The narrative comments about the conference were equally positive. Participants particularly liked the sessions on performance measurement, employee engagement, lean government, and GASB 54.

APPENDIX A - AGENDA

ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION (IGFOA) Annual Meeting

Palmer House Hilton Hotel Chicago, Illinois June 10 – 15, 2012

The theme for the 106th Annual Conference of the GFOA is "Winds of Change: Public Finance in Transition." Several components of these 'Winds of Change' are engaging staff in finance office initiatives, continuing to ensure accountability and transparency, and keeping up to date with GASB announcements and requirements and their application in government finance. Another component of these "Winds of Change" is the need to implement austerity measures during difficult economic times. This IGFOA meeting will continue to focus on efficiency and effectiveness in finance office operations.

The objectives of the IGFOA Meeting are to:

- Review key issues and ideas presented during the GFOA Conference and discuss how they apply to the insular governments;
- Provide the Finance Directors and Managers with management skills intended to engage their employees in finance office initiatives;
- Review the progress of the insular government's single audits and attempts to measure finance office performance;
- Review recent GASB announcements and requirements with particular attention to GASB-54 implementation plans;
- Analyze options for implementing government austerity measures; and
- Build government specific plans to address single audit improvement, enhance finance office
 performance measures and process improvement, develop strategies for engaging employees in
 the office and, and develop austerity measures.

Sunday, June 10

10:00 – 11:30 am Overview of GFOA Conference/IGFOA Meeting

<u>Chicago Room - Palmer House Hilton Hotel</u>

Introductions

Review of GFOA Conference and IGFOA Meeting

1:30 pm GFOA Conference Concurrent Sessions Begin

McCormick Place West Convention Center

6:00 – 8:00 pm GFOA Conference Welcome Reception

The Field Museum

Shuttle buses to pick up in front of the Palmer House Hilton

Hotel at 5:45 pm

Monday, June 11

6:00 – 6:45 pm <u>Check-In on GFOA Conference</u>

Chicago Room - Palmer House Hilton Hotel

Wednesday, June 13

12:10 pm GFOA Conference Ends

Lunch on Own

1:30 – 1:45 pm Opening of IGFOA Meeting

<u>Chicago Room - Palmer House Hilton Hotel</u>

Welcome Remarks:

Commissioner Angel Dawson, IGFOA President, U.S. Virgin

Islands, Department of Finance

Stephen Latimer, Program Manager, Pacific and Virgin

Islands Training Initiatives, Graduate School USA

1:45 - 2:00 pm Review agenda and introductions

Steve Medlin, Facilitator

2:00 – 2:30pm Review GFOA Conference Highlights

Moderators: Debbie Milks and Steve Medlin

• What were the most important ideas, concepts, issues,

or practices you heard about during the GFOA

Conference?

How do they apply to you and your government?

2:30 – 3:15 pm	Leveraging the Power of Employee Engagement Robert Lavigna, Director of Human Resources, University of Wisconsin
3:15 – 3:30 pm	<u>Break</u>
3:30 – 4:30 pm	Leveraging the Power of Employee Engagement (cont) Robert Lavigna, Director of Human Resources, University of Wisconsin
4:30 – 5:00 pm	Small group discussions on applying Employee Engagement Back Home
5:00 – 5:15 pm	Wrap up Day One and Prepare for Thursday
7:30 pm	Group Dinner – Trattoria No. 10 Meet in front of the Palmer House Hilton Hotel on Wabash Street at 7:00 pm
Thursday, June 14	
8:30 – 8:45 am	Review results from Wednesday and overview of Thursday's agenda
8:45 – 10:00 am	GFOA Conference Review and Discussion Steve Medlin and Debbie Milks
10:00 – 10:45 am	GASB Updates: What's Up Next?
	and GASB 54: Hits and Misses Frank Crawford, CPA
10:45 – 11:00 pm	<u>Break</u>
11:00 - 11:30	GASB Updates and GASB 54(Continued) Frank Crawford, CPA
11:30 – 12:00 pm	Ask the Auditor
	Frank Crawford and Debbie Milks
12:00 – 1:15 pm	Frank Crawford and Debbie Milks <u>Lunch (To Be Provided)</u>
12:00 – 1:15 pm 1:15 – 3:00 pm	
•	Lunch (To Be Provided) Government Updates: Status of Single Audit, Finance Office Performance Measures, and GASB-54 Implementation

	Guam
	U.S. Virgin Islands
	FSM National Government
	Chuuk State
	Pohpei State
	Yap State
	Kosrae
	Republic of the Marshall Islands
	Republic of Palau
3:00 – 3:15 pm	<u>Break</u>
3:15 – 4:00 pm	Government Updates (Continued)
4:00 – 4:45 pm	Small group break-out session to identify financial management improvement opportunities within the insular government finance offices
	Group Report Outs
4:45 – 5:00 pm	Wrap up Day Two and Prepare for Friday
Friday, June 15	
8:30 – 8:45 am	Review results from Thursday and overview of Friday's agenda
8:45 – 10:15 am	<u>Dealing with Austerity in Lean Times</u> Roseanne Benson, CPA
	Finance Director, Village of Addison, Illinois
	Questions and Answers
10:15 – 10:30 am	<u>Break</u>
10:30 - 11:45 am	Action planning to address (1) audit improvement; (2) finance office performance measures; (3) employee engagement; (4) potential austerity measures Government Break-Out Groups
	Facilitators: Steve Medlin and Debbie Milks
11:45 am – 12:30 pm	Working Lunch

12:30 – 1:30 pm	Government Report Outs
1:30 – 2:00 pm	Conference Wrap-up
	Advancing the plans
	• Summary of progress during this session
	 Next steps
	Conference evaluation
2:00 pm	Adjourn

APPENDIX B - PARTICIPANT LIST

ANNUAL CONFERENCE OF THE

Island Government Finance Officers' Association (IGFOA) in conjunction with the Government Finance Officers' Association (GFOA) Conference Chicago, Illinois

June 13 - 15, 2012

American Samoa

Logovi'i Magalei, Treasurer, Department of Treasury
Florence Ale, Accountant, Department of Treasury
Alapasa Tuato'o, Grants Manager/Administrator, Department of Treasury
Tali'ilagi Amituanai, Territorial Office of Fiscal Reform
Vitalina Sauafea, Territorial Office of Fiscal Reform

CNMI

Guam

Benita Manglona, Director, Department of Administration Kathy Kakigi, Controller, Department of Administration Adelia San Nicolas, Accountant, Federal Grants Section, Department of Administration

FSM National Government

Roselain Nakanaga, Acting Secretary of Finance, Department of Finance Juliette Jimmy, Assistant Secretary, Department of Finance

Pohnpei State

Thomas Pablo, Director, Department of Treasury and Administration Francine Poll, Assistant Chief of Finance and Revenue Angelene K. Neth, Chief, Division of Revenue and Taxation

Kosrae State

Tiser Reynold, Director, Department of Administration and Finance Lipar George, Administrator for Statistics, Budget, and Overseas Development Assistance

Chuuk State

Kathy Sound, Chief of Finance

Yap State

Maria Laaw, Director, Office of Administrative Services Robert Fathaltamanbay, Chief of Finance

Republic of the Marshall Islands

Dennis Momotaro, Minister of Finance Clarence Samuel, Chief of Accounting, Ministry of Finance

Republic of Palau

Priscilla Soalablai, Chief of Finance and Accounting, Ministry of Finance Georgialynn Malsol, System Accountant, Ministry of Finance

U.S. Virgin Islands

Angel E. Dawson, Jr., Commissioner, Department of Finance Claudette Farrington, Deputy Director, Office of Management and Budget

U.S. Department of the Interior/Office of Insular Affairs

Marina Tinitali, Accountability and Insular Policy Specialist

Graduate School USA

Stephen Latimer, Program Manager Jason Aubuchon, Project Manager

Resource Consultants

Dr. Steve Medlin, Facilitator Deborah Milks, CPA Frank Crawford, CPA

Robert Lavigna, Director of Human Resources, University of Wisconsin Roseanne M. Benson, Finance Director/Treasurer, Village of Addison, Illinois

APPENDIX C - SLIDES FROM THE 'LEVERAGING THE POWER OF EMPLOYEE ENGAGEMENT' PRESENTATION

Harnessing the Power of Employee Engagement

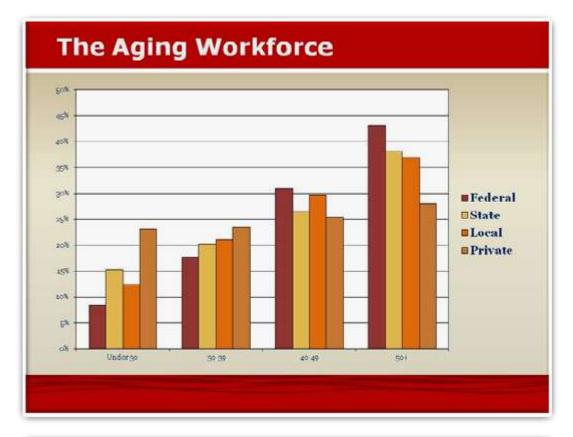
Island Government Finance Officers' Association Annual Meeting

Chicago June 13, 2012

Bob Lavigna rlavigna@ohr.wisc.edu

What We'll Cover

- 1. What is employee engagement?
- 2. Why does it matter?
- 3. How do we know if our employees are engaged?
- 4. How can we achieve high levels of engagement?
- 5. Our role as leaders

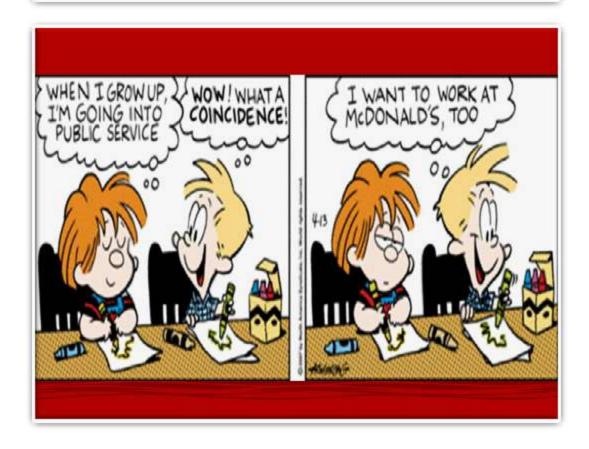


	New <u>Hires</u>	Annual <u>Turnover</u>	5-Year Retirem't.	10-Year Retirem't.
Guam	48%	11%	35%	50%
Palau	20%	7%	16%	28%
JSVI	24%	8%	27%	
CMNI	33%	14%	8%	25%
American Samoa	24%	5%	20%	35%
SM	31%	6%	10%	31%
/ар	64%	18%	4%	12%

So ... What's It All Mean?

- Workforce undergoing dramatic shifts
- Public sector feeling these effects first
- Government must adapt to the talent market, not viceversa





What are your biggest HR/talent/people issues?

What is Employee Engagement?

- Heightened connection to work, organization, mission or co-workers
- Beyond basic job satisfaction -- personal meaning in work
 - Pride
 - · Belief their organization values them
- More likely to go above minimum and provide "discretionary effort."

What is Engagement?

Discretionary Effort

- Goes the extra mile for customers
- Volunteers best ideas
- Works hard and smart
- Doesn't quit
- Calls in sick only when truly ill
- Alert to safety hazards.



Why Does Employee Engagement Matter?



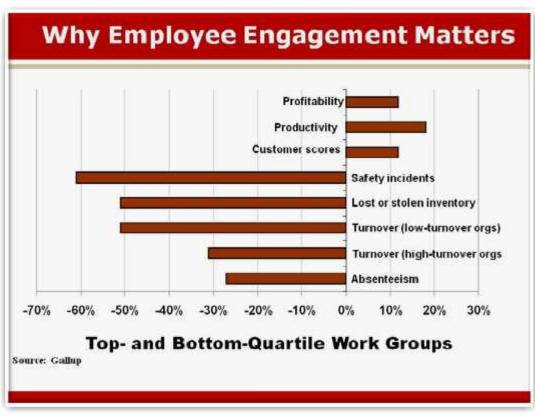
Why Employee Engagement Matters

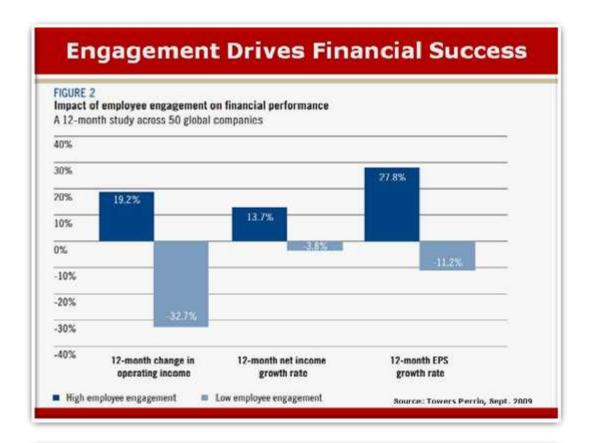
Engagement correlates with:

- Better customer satisfaction
- Less sick leave and missed time due to work-related injury/illness
- Higher retention
- Better performance
- Achievement of strategic goals









Engagement Drives Retention

	Total Percent Satisfied		
Satisfaction with:	Employees planning to stay for > 2 yrs	Employees planning to leave in < 2 yrs	Gap
Use of skills and abilities	83%	49%	34%
Ability of top management	74%	41%	33%
Organization sense of direction	57%	27%	30%
Advancement opportunities	50%	22%	28%
Opportunity to learn new skills	66%	38%	28%
Coaching and counseling from supervisor	54%	26%	28%

How Engaged Are Our Employees?

- Gallup
 - 29% engaged
 - 54% not engaged
 - 17% actively disengaged
- Towers Perrin
 - 16% highly engaged
 - 65% moderately engaged
 - 19% disengaged
- U.S. Merit Systems Protection Board
 - · 35% engaged
 - 47% somewhat engaged
 - 18% not engaged

What Do Young People Want in a Job?

- Culture that respects my individuality
- Work/life balance
- Base salary
- High level of responsibility
- Leaders who support development
- Good reputation
- Rapid promotion
- High ethical standards
- Exciting products and services
- Friendly work environment
- Creative, dynamic work environment.

The Top Attractors

- 1. Work/life balance (54%)
- 2. Good reputation (51%)
- 3. Creative, dynamic work environment (45%)
- 4. High ethical standards (44%)
- 5. Leaders who support development (41%)
- Friendly work environment (39%)
- 14. Competitive base salary (30%)
- 19. Exciting products and services (25%)
- 21. High level of responsibility (21%)
- 26. Culture that respects my individuality (19%)
- 27. Rapid promotion (18%).

Engaged

- Highly motivated to work hard
- Goes the extra mile
- Recommends your organization as good place to work
- Stays and stays for less money
- Has strong relationships within organization.



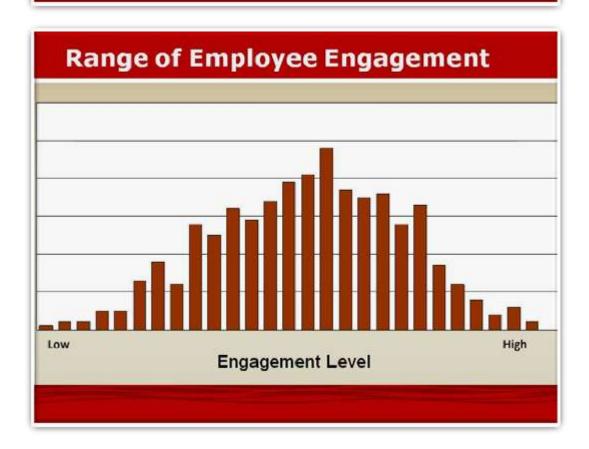
On the Other Hand ...

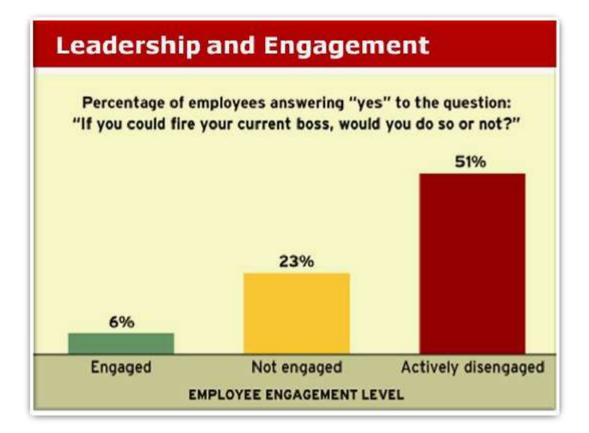
Not Engaged

- Not strongly committed to the organization
- Feels trapped by employment factors
- Gives only bare minimum

Actively disengaged

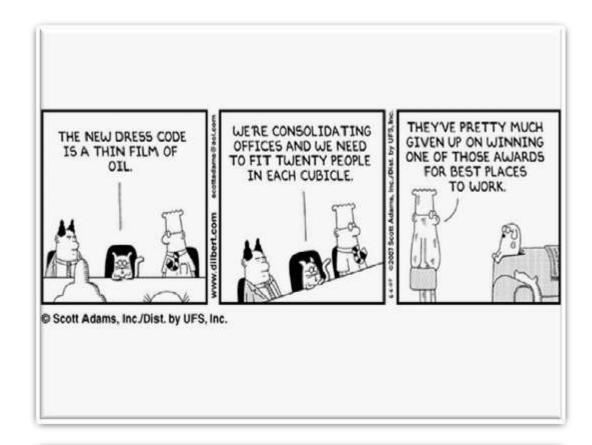
- Poor relationship with organization
- Only going through the motions
- Grass always greener ...





Discussion in Groups

- 1. Think of a highly successful work group/project you led or were part of
- 2. Were employees engaged?
- 3. How did engagement impact the project?
- 4. What created the engagement?



How Do We Know if Employees are Engaged?





Ask Them What?

Engagement Questions

Pride in work or workplace

- 1. My organization is successful at accomplishing its mission
- 2. My work unit produces high-quality products and services
- 3. The work I do is meaningful to me
- 4. I would recommend my organization as a place to work

Satisfaction with leadership

- 5. Overall, I am satisfied with my supervisor
- Overall, I am satisfied with managers above my immediate supervisor

Ask Them What?

Engagement Questions Opportunity to perform well

- 7. I know what is expected of me on the job
- 8. My job makes good use of my skills and abilities
- 9. I have the resources to do my job well
- 10. I have sufficient opportunities (such as challenging assignments or projects) to earn a high performance rating

Satisfaction with recognition received

- Recognition and rewards are based on performance in my work unit
- I am satisfied with the recognition and rewards
 I receive for my work

Ask Them What?

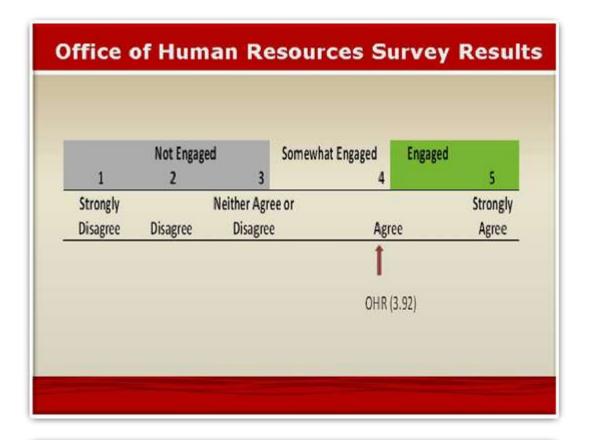
Engagement Questions

Prospects for personal and professional growth

13. I am given a real opportunity to improve my skills

Positive work environment and teamwork

- 14. I am treated with respect at work
- 15. My opinions count at work
- 16. A spirit of cooperation and teamwork exists in my work unit



I am treated with respect at work	4.26
I am comfortable providing feedback to	
my work unit on work issues	4.22
I know what is expected of me on the job	4.13
Considering everything, I am satisfied	
with my work unit	4.10
I am satisfied with the recognition	
I receive for my work	3.49
It is clear to me what I need to learn to be	
adequately prepared for promotional opportunitie	s 3.05

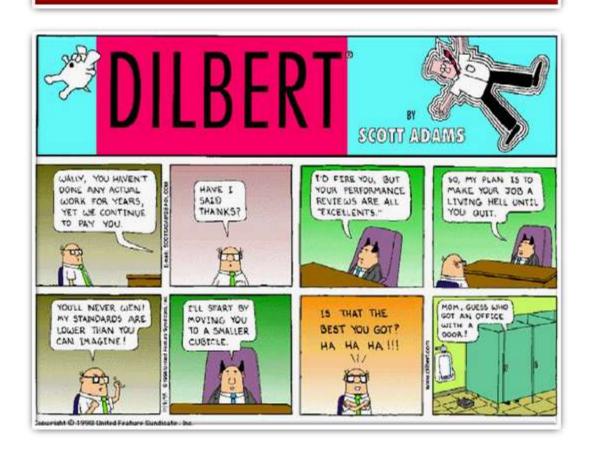
Taking Action

- Selected employee engagement team
- Developing and implementing strategies
 - Analyzed survey data -- identified areas/units of strength and where to improve
 - Identifying unit-specific outcome measures
 - Developing and will implement plan to build on strengths and address challenges
- Regularly communicating with employees on engagement strategies and progress
- Re-survey in 2013.

How Do We Achieve High Levels of Engagement?

Driving Employee Engagement

- Hire with care and use probationary period as part of selection process
- Make sure employees know what is expected of them -- and how their work relates to mission
- Meet regularly with each employee to review progress and provide feedback
- Give all employees opportunity to grow/develop
- Hold employees accountable for performance deal with low/poor performers.



Driving Employee Engagement

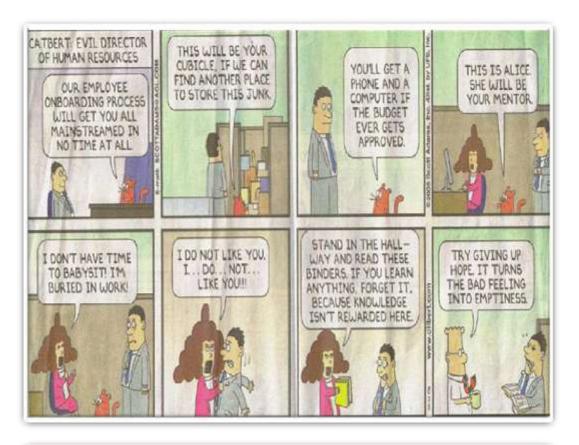
- Engage new employees through onboarding
- Link recognition and rewards to performance
- Recruit and select supervisors to supervise -- and then hold them accountable for performance management
- Give supervisors training, resources, and management support to manage employees
- Respect employees' need for work/life balance
- Measure engagement -- and act on data/results.

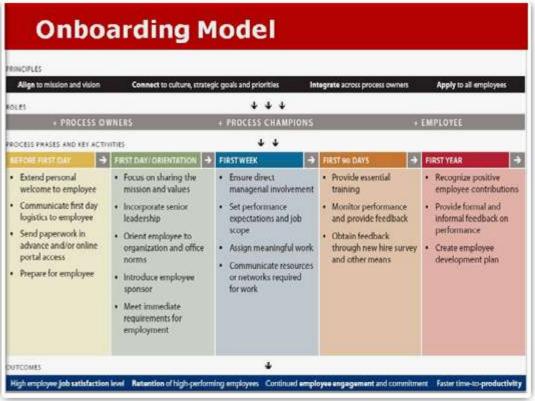
Onboarding – Why it Matters

"My first week was terrible."

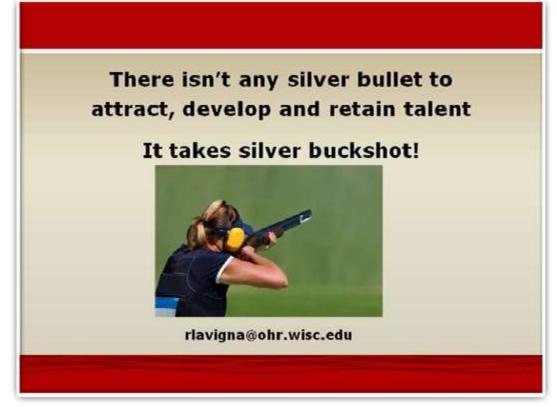
"By the end of the day I felt I had made a terrible mistake in leaving my old job."

"My agency lost its shine on my first day."









Taking Action - Groups

- 1. What are 3-4 steps you can take to maximize employee engagement within your team, unit, or yourself?
- 2. What challenges or barriers might you encounter?
- 3. Where will you find support for your action steps?

APPENDIX D - SLIDES FROM THE 'GASB-54 UPDATES: WHAT'S NEXT? WHAT HAS WORKED AND WHAT HAS NOT WORKED?' PRESENTATION

GASB 54: Hits and Misses and GASB Update IGFOA2012 Presented by Frank Crawford Crawford & Associates, P.C. www.crawfordcpas.com frank@crawfordcpas.com @fcrawfordcpa(Twitter)

What we will discuss today

- We will select certain topics from questions and answers in the GASB's Comprehensive Implementation Guide and explore them further as they relate to GASB 54 hits and misses
- These questions have popped up during the last year in a number of situations, including many that I feel are applicable to many of you
- There are still a number of misunderstandings related to GASB 54's implementation as evidenced by the errors found in Monday's presentation by the City of BH



GASB 54 Refresher

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned
- Note Disclosures
- Fund Type Classifications



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Nonspendable Fund Balance – Definition

- Amounts that cannot be spent because they are either
 - Not in spendable form
 - Items not expected to be converted to cash, i.e. inventories or prepaid items
 - · Long-term amount of loans and note receivable
 - · Property acquired for resale
 - Legally or contractually required to be maintained in tact
 - · Corpus (principal) of permanent funds



Nonspendable-Long-term Receivable

- Determining classification of fund balance of non-current portion of long-term receivable
 - Must be nonspendable if not restricted, committed or assigned (Q&A2012-Z.54.5)
 - · Example Housing benefit receivable
 - If proceeds from collection are restricted, committed or assigned, then fund balance would be also (Q&A2012-7.62.2)
 - Example Long-term receivable from economic development loans or revolving loans



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Nonspendable-Long-term Receivable

 Generally long-term receivables classified as nonspendable found in General Fund because all other funds will be restricted, committed or assigned (Q&A2012-Z.54.4)



Nonspendable-Other

- Over-expenditure of restricted, committed or assigned purpose should not reduce nonspendable fund balance (Q&A2012-Z.54.18)
- Disclosures -
 - Must distinguish amounts for the two components (Q&A2012-Z.54.6)
 - · Face of financials
 - · Notes to financials



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Restricted Fund Balance – Definition

- Constraints are placed on the resources byeither:
 - Externally creditor, grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitution provisions or enabling legislation



Restricted Fund Balance – Definition

- By Enabling Legislation
 - Must be new revenue stream (Q&A2012-7.24.11)
 - Must be legally enforceable
 - · Can be compelled by external party
 - · To use resources only for purposes specified by legislation



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Restricted Fund Balance -Implementation Issues

- Differences between restricted fund balance and restricted net assets
 - Nonspendable permanent funds reclassified as restricted
 - · Accrual entries (Exhibit 1)
 - · Internal service funds
 - Reclassification of governmental funds as business type activities (Exhibit 1)



Restricted Fund Balance -Implementation Issues

- Specific revenue classification issues
 - · Grant match transfers
 - · Interest earned on grant proceeds
- Type of restriction issues (enabling legislation or external party)
 - Restricted Sales Tax (Q&A2012-7.24.21)
 - Hotel/Motel Tax



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Restricted Fund Balance -Implementation Issues

- Public Trust
 - Indenture will determine restrictions
 - Determination will carry thru from fund level to government-wide level
 - Applies to governmental activities and businesstype activities
 - Q&A2012-7.24.28



Restricted Fund Balance -Implementation Issues

- Restricted cannot be negative
 - Example overspending restricted resources
- Restricted net assets only have to disclose enabling legislation restriction
 - Negative disclosure not required
 - Required to be disclosed in notes (GASB 46, para6)



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Committed Fund Balance -Definition

- Constraints imposed by formal action of the government's highest level of decisionmaking authority
 - · Ordinance city
 - · Resolution county
 - · Legislative bill state or insular government
- Constraint is separate from authorization to raise revenue
- Removal of constraint takes same action employed to commit the funds



Where City of BH made a mistake...

- Z.54.51. Q—A city council has the ability to take three formal actions. It can pass ordinances (which become part of the city code), resolutions (which confirm and memorialize council decisions), and take "other" council actions. Because the city council is the highest level of decision-making authority in this example, do all of those actions constitute commitments? (Q&A2011-Z.54.51)
- A—No. Only the action that constitutes the most binding constraint should be considered a commitment for fund balance classification purposes. In this case, an ordinance is the highest level action and represents the most binding constraint and therefore would give rise to committed fund balance.



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Committed Fund Balance - Definition

- Timing
 - Action to commit should occur prior to end of reporting period
 - Amount to commit can occur after end of reporting period



Committed Fund Balance -Implementation Issues

 Committed Fund Balance should also include resources that have been specifically committed for use in satisfying contractual obligations (Q&A 2012– Z.54.11)



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Committed Fund Balance -Implementation Issues

- Agreement between a government and a counterparty sufficiently binds the government to spending for a specific purpose and constitutes a commitment
 - Capital lease agreement paid out of a governmental fund without a non-appropriation clause
 - · Out-of-court settlement award
 - Commitment of fund balance cannot exceed existing resources.



Committed Fund Balance - Implementation Issues

- Commitment can create a negative unassigned
 - Example Committed resources received but spent on unallowable expenses
- Cannot have a negative commitment
 - Example Over-spending committed resources



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Assigned Fund Balance – Definition

- Constrained by the governments intent to be used for a specific purpose
 - · Exception is stabilization arrangements
 - Intent must be expressed by governing body, a body (budget or finance committee), or official which the governing body has given authority
 - Does not require highest level of decision makingauthority
 - Includes
 - All remaining amounts, except negative balances, not in another category, except in general fund
 - General fund amounts intended to be used for a specific purpose



Assigned Fund Balance – Implementation Issues

- Cannot cause a deficit to occur in unassigned
 (Exhibit 2)
 - No guidance on order in which assignments are eliminated to reduce a deficit
 - General Fund cannot have a negative unassigned if there is a positive assignment
 - All funds combined with General Fund should be considered one large fund when eliminating a deficit



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Assigned Fund Balance - Implementation Issues

- Carryover of assigned fund balances (Q&A2012-Z.54.12)
 - Effective until the government commits or reassigns the resources
- Determination of the purpose and amount of an assignment can be made after the end of the reporting period (Q&A2012-Z.54.15)
 - Example Management assigns fund balances for many purposes after year-end but prior to audit



Assigned Fund Balance -Implementation Issues

- Interest income
 - · Cemetery Care Fund?
 - · Allocation by management?
 - · Grant Funds?
- Use of existing fund balance in next year's budget
 - Revenues and transfers in that exceed expenditures and transfers out (Q&A2012-Z54.13)
- Encumbrances cannot create a negative unassigned



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Unassigned Fund Balance - Definition

- Not assigned to other funds
- Not restricted, committed, or assigned to specific purposes within the General Fund
- Positive balance only reported in the General Fund



Use of Fund Balance Policy

- Can be different for each fund
- If no policy established, use default policy when expenditures occur for purposes for which amounts in any unrestricted classification could be used
 - Committed
 - Assigned
 - · Unassigned



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Disclosures

- Encumbrances if not canceled and appropriated, disclose encumbrances
 - · By major fund and nonmajor funds in the aggregate
- Nonspendable
 - · Amounts in the two nonspendable categories
 - · On face of financials
 - · Or in notes



Fund Type Classification

- What if expenses change from year to year?
- What if a fund could be classified as more than one fund type?
- Can a special revenue fund have debt service and capital expenditures?
- Can a capital project fund have its major expenditures as debt service?
- Can a debt service fund have capital outlay expenditures?



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Now let's talk about what's been going on at the GASB

They've been fairly busy lately....



Effective Dates—June 30

- June 30, 2012 (9/30/12 for insular governments)
 - Statement 57—OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans—provisions related to the frequency and timing of measurements (paragraph 8)
 - Statement 64—Derivatives: Application of Hedge Accounting Termination Provisions
- June 30, 2013 (9/30/13 for insular governments)
 - Statement 60—Accounting and Financial Reporting for Service Concession Arrangements
 - Statement 61—The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)
 - Statement 62—Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989 FASB and AICPA Pronouncements
 - Statement 63—Reporting Deferred Outflows, Deferred Inflows and Net Position



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Effective Dates—June 30

- June 30, 2014 (9/30/14 for insular governments)
 - Statement 65—Items Previously Reported as Assets and Liabilities
 - Statement 66—Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62



When Will This Impact you?

- GASB Exposure Draft on Pensions
 - September 30, 2013 Only required to apply requirements for a single employer
 - · No unconditional special funding situation
 - Plan net position of \$1 billion or more in plan's first fiscal year ending after June 15, 2010 (9-30-10)
 - Employer's plans are not reported by an entity that also reports
 - A pension plan with an unconditional special funding situation
 - · A multiple-employer Pension plan
 - Otherwise September 30, 2014



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Impact of Pension revisions example

- Guam's total unrestricted net asset deficit as of September 30, 2010 is \$ (755,597,558) and will increase by adding to the deficit a large share of the \$ (1,444,161,000) unfunded actuarial accrued liability of their pension plans (some of the UAAL will be allocated to the autonomous agencies)
- So assuming \$1,000,000,000 is Guam's, with the \$444,161,000 being spread to the autonomous agencies, holding everything else constant, Guam's unrestricted net asset deficit will balloon to \$ (1,755,597,558). That's \$1.8 billion, rounded.



GASB Statement 63 - Reporting Deferred Outflows, Deferred Inflows and Net Position



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Background

- Initiated in May 2010
- Concepts Statement 4 identifies 5 elements that make up a statement of financial position:
 - Assets
 - Liabilities
 - Deferred outflows of resources
 - Deferred inflows of resources
 - Net position
- Differs from composition required by Statement 34, assets, liabilities and net assets



Definitions

- Deferred outflows of resources
 - A consumption of net assets by the government that is applicable to a future reporting period
 - Has a positive effect on net position, similar to assets
- Deferred inflows of resources
 - An acquisition of net assets by the government that is applicable to a future reporting period
 - · Has a negative effect on net position, similar to liabilities
- Net position
 - The residual of all elements presented in a statement of financial position
 - = assets + deferred outflows liabilities deferred inflows

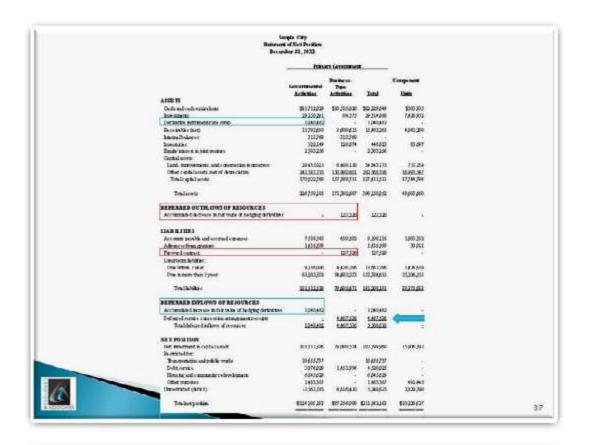


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Display Requirements

- Deferred outflows should be reported in a separate section following assets
- Deferred inflows should be reported in a separate section following liabilities
- Net position components resemble net asset components under Statement 34, but include the effects of deferred outflows and deferred inflows
 - Net investment in capital assets
 - Restricted
 - Unrestricted
- Governmental funds report fund balance





Disclosures

- Provide details of different types of deferred amounts if components of the total deferred amounts are obscured by aggregation on the face of the statements
- If the amount reported for a component of net position is significantly affected by the difference between deferred inflows or outflows and their related assets or liabilities—provide an explanation in the notes



Current and Possible Future Standards with Deferred Outflows/Inflows

CURRENT:

- Statement 53 Accounting and Financial Reporting for Derivative Instruments
- Statement 60 Service Concession Arrangements
- Stmt 65 Reporting Items Previously Recognized as Assets and Liabilities

FUTURE:

Pension Plans - Exposure Drafts



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GASB Statement 65

Items Previously Recognized as Assets and Liabilities



Project Approach

- Review balances to see if they meet the definition of an asset or a liability as defined in Concepts Statement
- If not, do they meet the definition of a deferred outflow or deferred inflow of resources
- Concepts Statement 4 provides that recognition of a deferred inflow or outflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after due process



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Project Approach

- Statement 53—requires the reporting of a deferred outflow or inflow of resources for the changes in fair value of hedging derivative instruments.
- Statement 60—requires the reporting of a deferred inflow of resources b a transferor government in a qualifying service concession arrangement.
- This statement amends the financial reporting elements previously classified as assets and liabilities to be consistent with the definitions in Concepts Statement 4.



Definitions

Assets

-Resources with present service capacity that the government presently controls

Deferred outflow of resources

- -A consumption of net assets by the government that is
- -Has a positive effect on net position, similar to assets >Outflow of resources
 - -A consumption of net assets by the government that is

>Liabilities

-Present obligations to sacrifice resources that the government has little or no discretion to avoid

> Deferred inflow of resources

- -An acquisition of net assets by the government that is
- -Has a negative effect on net position, similar to liabilities >Inflow of resources
 - -An acquisition of net assets by the government that is applicable to the reporting period



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Some Items That Retain the Classification as an Asset

- > Prepayments
- > Grants paid in advance of meeting eligibility requirements (other than timing)
- > Rights to future revenues acquired from outside the reporting entity
- "Regulatory" assets (capitalized incurred costs)
- Pension asset (Plan net assets exceed total liabilities)



Some transactions in which the resulting item should be reported as a deferred outflow of resources (currently classified as assets)

- > Grant paid in advance of meeting timing requirement
- Deferred amounts from the refunding of debt (debits)
- Costs to acquire rights to future revenues (intra-entity)
- > Deferred loss from sale-leaseback



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Some transactions in which the resulting item should be reported as an outflow of resources (currently classified as assets)

- >Debt issuance costs (other than insurance)
- Initial direct costs incurred by the lessor for operating leases
- >Acquisition costs for risk pools
- ≻Loan origination costs



Some Items That Retain the Classification as a Liability

- ➤ Resources received in advance of an exchange transaction
- Derived tax revenue received in advance
- > Premium revenues (risk pools)
- ➤ Grants received in advance of meeting eligibility requirements (other than timing)
- > Refunds imposed by a regulator



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Some transactions in which the resulting item should be reported as a deferred inflow of resources (currently classified as liabilities)

- >Grants received in advance of meeting timing requirement
- ➤Taxes received in advance
- Deferred amounts from refunding of debt (credits)
- Proceeds from sales of future revenues
- > Deferred gain from sale-leaseback
- >"Regulatory" credits (gains or other reductions)
- >"Unavailable" revenue in governmental funds



Some transactions in which the resulting item should be recognized as an inflow of resources (currently classified as liabilities) Loan origination fees (excluding points)







Effective Date

- Effective for financial statements for periods beginning after December 15, 2012
- Earlier application is encouraged
- Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practical, for all periods presented



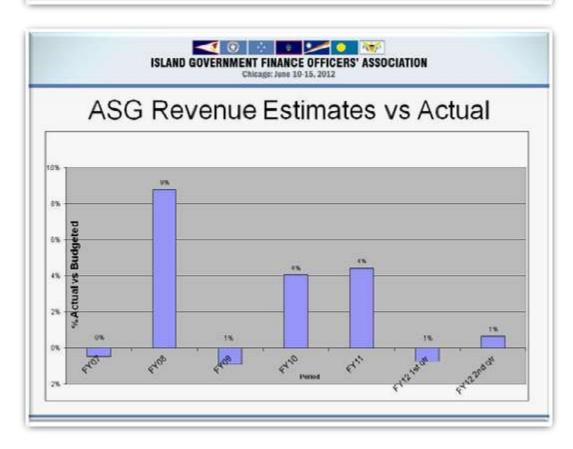


APPENDIX E-1 - SLIDES FROM GOVERNMENT STATUS REPORT—AMERICAN SAMOA



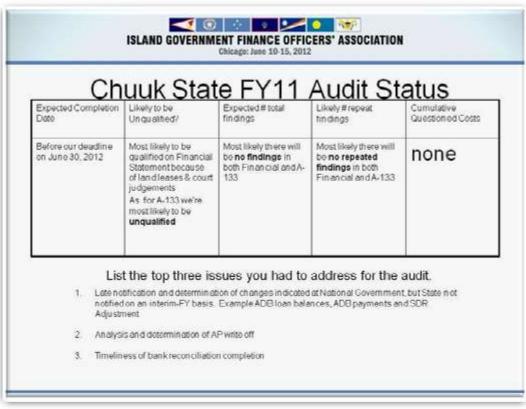
ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION ASG FY11 Audit Status Expected Completion Expected # total Likely #repeat Likely to be Cumulative Unqualified? findings findings Questioned Costs June/July 12 Financial Financial Financial unknown Maybe later A-133 A-133 A-133 NO List the top three issues you had to address for the audit. 1. New auditors 2. Outside departments

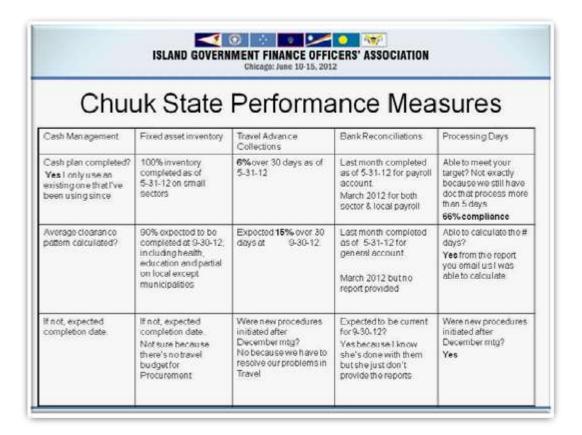
ASG Performance			Measures		
Cash Management	Fixed asset inventory	Travel Advance Collections	Bank Reconciliations	Processing Days	
Cash plan completed? Almost complete with the US Treasury State agreement for CY12	% inventory completed as of 5-31-12 63%	%, over 30 days as of 5-31-12 52%	Last month completed as of 5-31-12 for payroll account April	Able to meet your target? No Target*6 days Actual 1st qtr=16 days	
Average clearance pattern calculated? Yes	% expected to be completed at 9-30-12 100%	Expected % over 30 days at 9.30-12	Last month completed as of 5.31-12 for general account April	Able to calculate the #days? Yes	
If not, expected compiletion date. Oct 2012 submit new average clearance	If not, expected completion date.	Were new procedures initiated after December mtq?	Expected to be current for 9-30-127	Were new procedures initiated after December mtg	

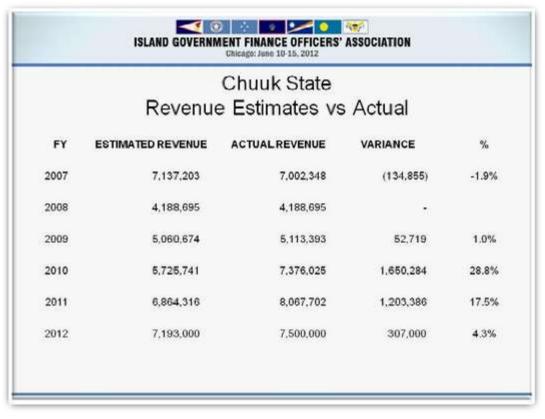


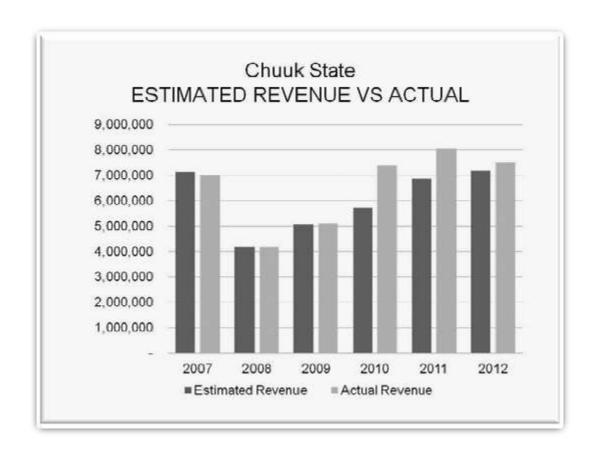
APPENDIX E-2 - SLIDES FROM GOVERNMENT STATUS REPORT—CHUUK









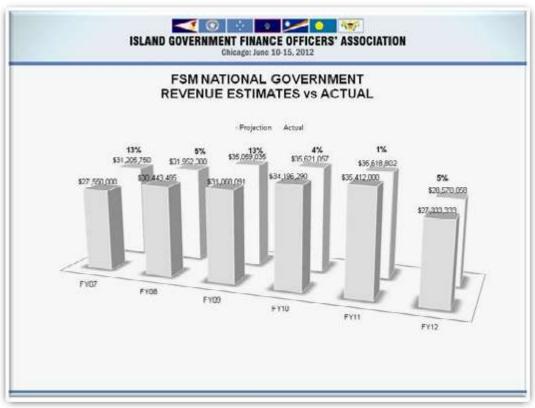


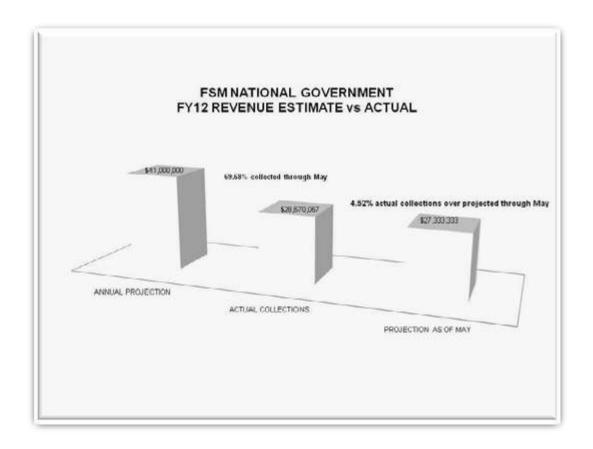
APPENDIX E-3 - SLIDES FROM GOVERNMENT STATUS REPORT—FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT



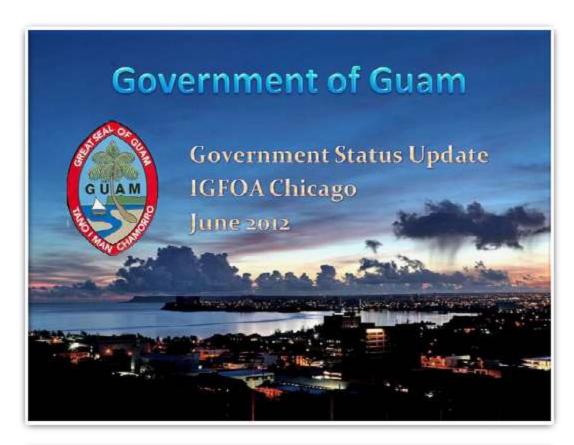


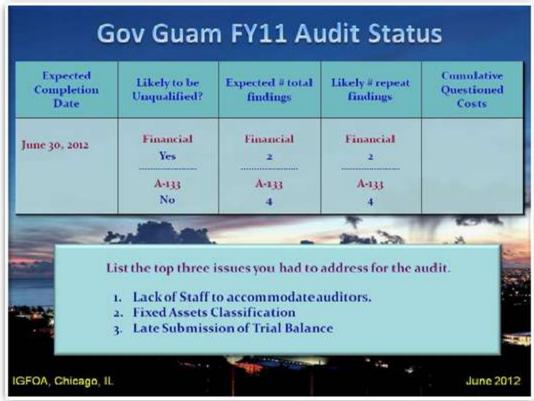






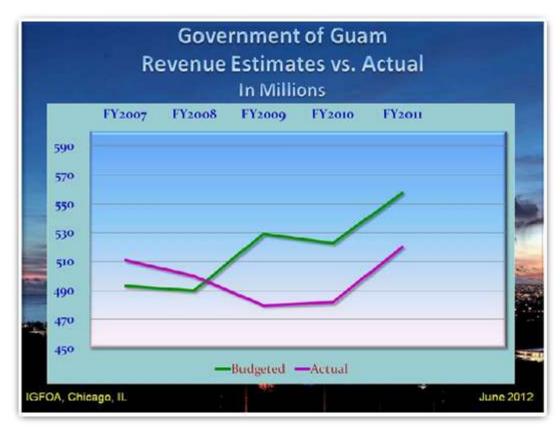
APPENDIX E-4 - SLIDES FROM GOVERNMENT STATUS REPORT—GUAM





	Cash Management	Fixed asset inventory	Travel Advance Collections	
PROCESS	➤ Cash plan completed?	> By 05/31/12 = 0% complete > Late Mar-2012: DOI Technical Assist Grant received	> As of 05/31/12 = 45.8% are over 30 days	
оптен	> New average clearance pattern calculated as of 04/30/12. > Updated: Local: 10 days Off-island: 17 days Payroll: 3 days	> By 09/30/12 = 35% complete	> Expected % over 30 days at 9-30-12. > By 09/30/12 = Expect 75% complete	
ULCOME	> Completed	> Expected completion date is February 2013	>No new procedures initiated after December meeting	

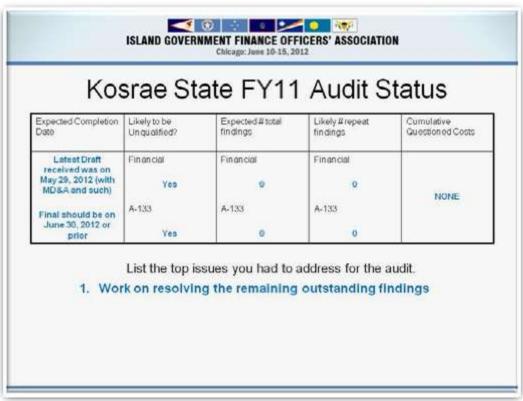
	Bank Reconciliations	Processing Days	Revenue Estimates
PROCESS	> As of 05/17/12 = Payroll Acct For Mar-2012 is complete > April pending upload from banks to AS400.	> 95% of target met due to the unexpected event	➤ See Slide 5 comparison Estimated vs. Actual FY07 thru 2 nd qtr FY12
OUTPUT	> As of 5/17/12 = 69 of 71 accts are reconciled for March > Average 10 working days > GF Checking Recon = daily > April and May pending	> 3 Days to Analyze and Process Invoices > 2 Days Pre-Audit of Data Entries	> Error rate average = 2%
NUTCOME	> By Mid Nov = reconciled accounts are expected At 09/30/12 Closing	➤ <u>No</u> new procedures done	Marita - a

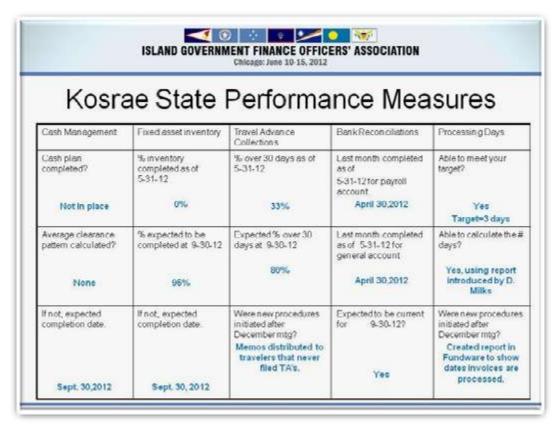


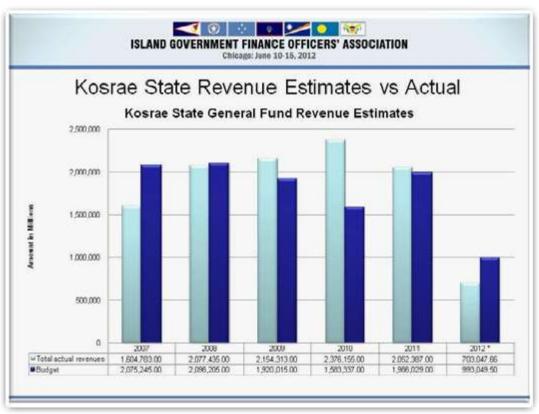


APPENDIX E-5 - SLIDES FROM GOVERNMENT STATUS REPORT—KOSRAE



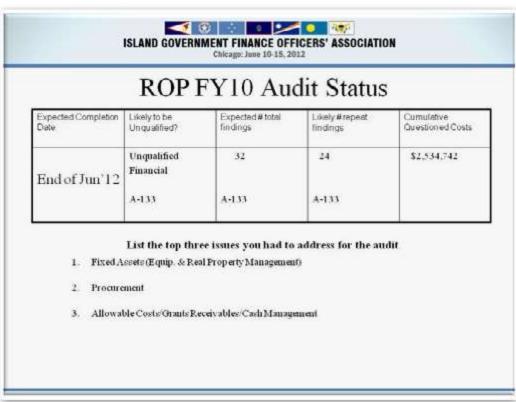






APPENDIX E-6 - SLIDES FROM GOVERNMENT STATUS REPORT—REPUBLIC OF PALAU





ROP FY11 Audit Status

Expected Completion Date	Likely to be Uniqualified?	Expected#total findings	Likely#repeat findings	Cumulative Questioned Costs
End of Dec'12	Unqualified Financial	30	20	\$1,800,000
	A-133	A-133	A-133	

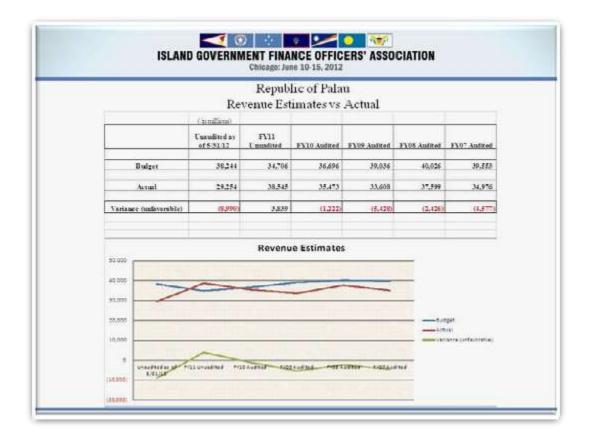
List the top three issues you had to address for the audit.

- 1. Fixed Assets (Equip. & Real Property Management)
- 2. Procurement
- 3. Allowable Costs/Grants Receivables/Cash Management



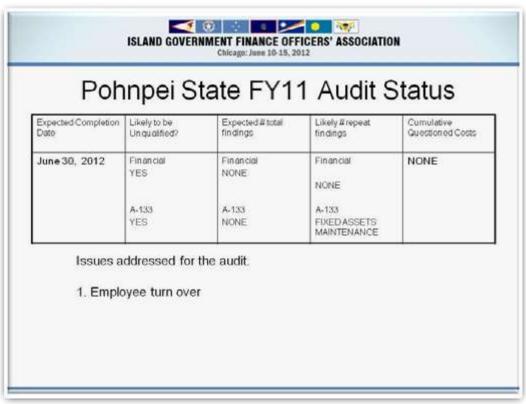
ROP Performance Measures

Cash Management	Fixed asset inventory	Travel Advance Collections	Bank Reconciliations	Processing Days
Cash plan completed? In the process	% inventory completed as of 5-31-12 Qtrly - 25% Bi-Annual - 0%	% over 30 days as of 5- 31-12 56%	Last month completed as of 5-31-12 for payroll account April 2012	Able to meet your target? yes
Average clearance pattern calculated?	% expected to be completed at 9-30-12 Qtrly 100% Bi-Annual - 100%	Expected % over 30 days at 9-30-12 50%	Last month completed as of 5-31-12 for general account Mar'12 - 100% Apr'12 - 65%	Able to calculate the # days? yes 3 - 5 days
If not, expected completion date. end of FY2012	If not, expected completion date	Were new procedures initiated after December stag? - Strongthon TA collections thru payroll deductions	Expected to be correct for 9-30-12? All acets 100%	Were new procedures initiated after December mtg? - Strongthon APV documentations.

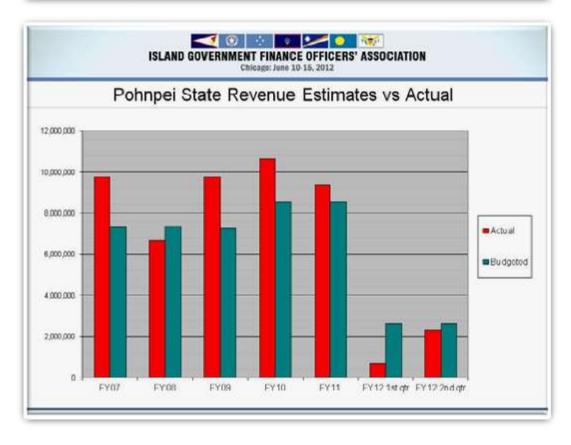


APPENDIX E-7 - SLIDES FROM GOVERNMENT STATUS REPORT—POHNPEI



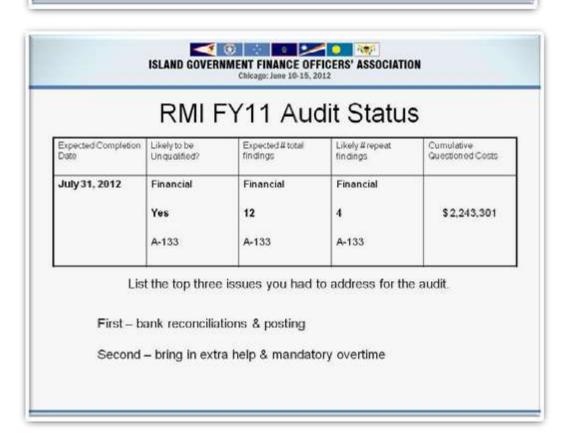


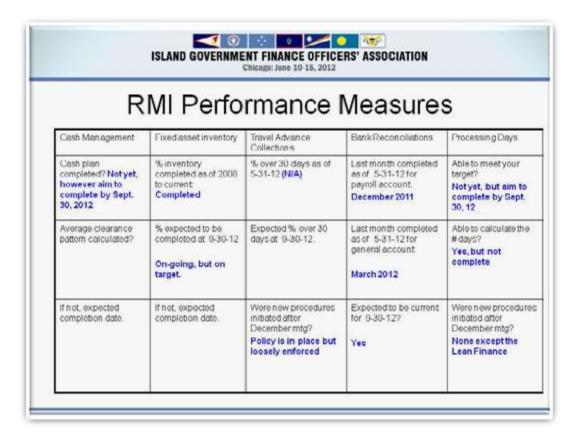
Pohnpei State Performance Measures				
Cash Management	Fixed asset inventory	Travel Advance Collections	BankReconciliations	Processing Days
	43% inventory completed as of 5-31-12	% over 30 days as of 5-31-12	Last month completed as of 5-31-12 for payroll account. SEPT 2011	Able to meet your target? NO Target=5 days
	100% expected to be completed by 9-30-12	Expected % over 30 days at 9-30-12.	Last month completed as of 5.31-12 for general account DEC 2011	Able to calculate the # days? YES Current Avg=11 days
Cash plan completed?	If not, expected completion date. SEP. 30, 2012	Were new procedures initiated after December mtg? COLLECTION: CURRENT/ACTIVE	Expected to be current for 9-30-12? YES	Were new procedures initiated after December mtg?

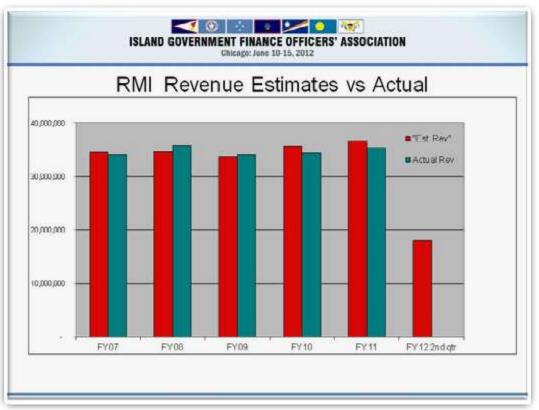


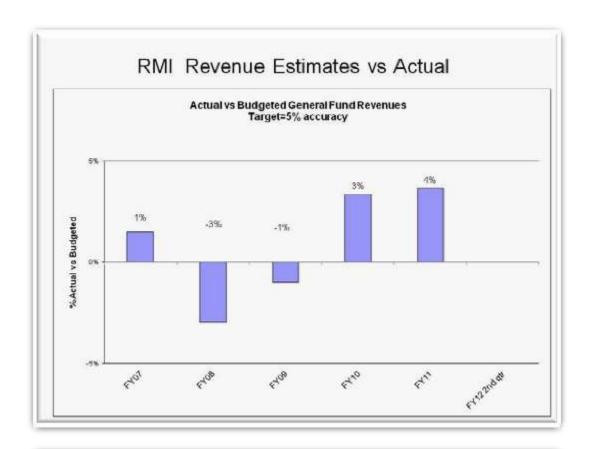
APPENDIX E-8 - SLIDES FROM GOVERNMENT STATUS REPORT—REPUBLIC OF THE MARSHALL ISLANDS











RMI Performance Measure Targets

Target Measurements:

- Completion of the fixed asset physical inventory: 100% of Fixed
 Assets accounted for and on master file by fiscal year end
- Reduction in overdue travel advances: 2 wks after completion of trip as per travel policy
- 3. Bank Reconciliation: 30 days after receipt of bank statement
- 4. Accuracy % of the revenue estimates: 5%
- 5. Completion of a cash management plan: Cash Management Plan development and implementation by year end
- 6. No. of days it takes to process an invoice: 5 working days

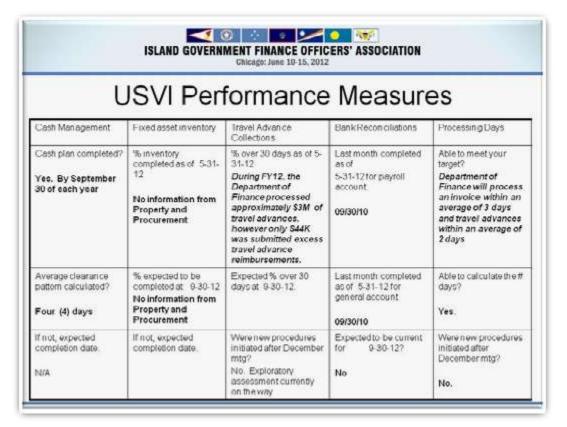
RMI Way Forward

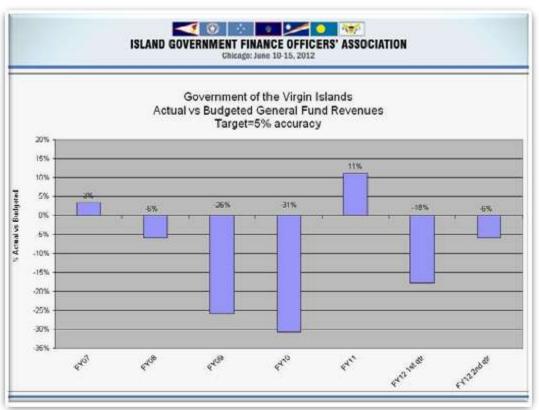
- Measurements as outputs for the Ministry' budget justifications for upcoming fiscal year
- · Tools for decision making
- · Improving customer service

APPENDIX E-9 - SLIDES FROM GOVERNMENT STATUS REPORT—U. S. VIRGIN ISLANDS



ISLAND GOVERNMENT FINANCE OFFICERS' ASSOCIATION USVI FY11 Audit Status Expected Completion Likely to be Expected#total Likely #repeat Cumulative Questioned Costs Unqualified? findings findings Fin an cial Financial Financial 03/13 \$307K No Eleven (11) Eleven (11) A-133 A-133 A-133 Forty five (45) Forty five (45) No List the top three issues you had to address for the audit. Off-ERP bank accounts (~250 accounts) Retro-active pay liability (statistically overstated) Landfill closure/post closure liability (reasonable estimation)

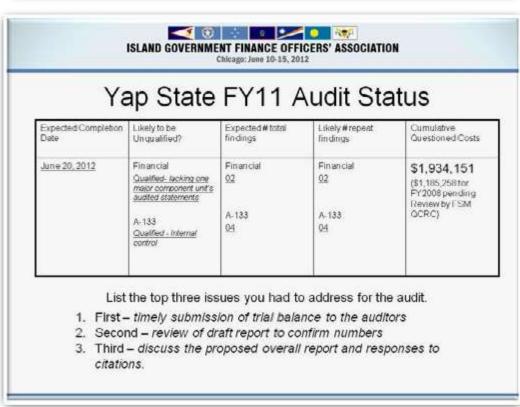


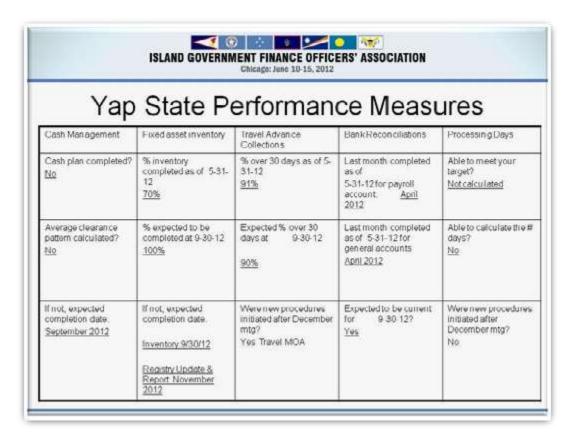


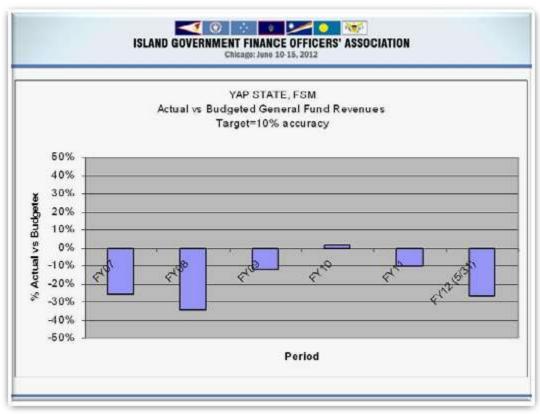
USVI Revenue Estimate vs. Actual						
PERIOD.		BUDGET	DIFFERENCE	ERROR RATE	NOTES	
FY07	672,329	650,546	21,783	3%		
FY08	668,538	710,300	-41,762	-6%		
FY09	569,446	768,137	-198,691	-26%	Expected shortfall addressed with short term financing	
FY10	592,477	854,000	-261,523	-31%		
FY11	675,789	608,383	67,406	11%		
FY12 1 ST Qtr	140,315	170,635	-30,320	-18%	Estimates	
FY12 2 ND Qtr	160,759	170,635	-9,876	6%	Estimates	

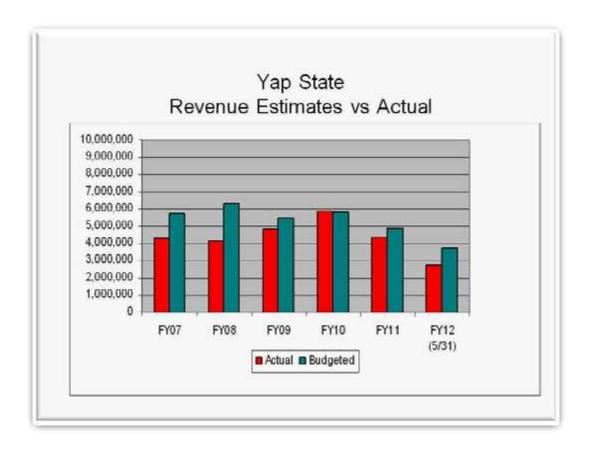
APPENDIX E-10 - SLIDES FROM GOVERNMENT STATUS REPORT—YAP











APPENDIX F - SLIDES FROM PERFORMANCE MEASURES SUMMARY PRESENTATION









APPENDIX G - SLIDES FROM 'DEALING WITH AUSTERITY IN LEAN TIMES' PRESENTATION

Surviving the Economic Downturn

Island GFOA Conference

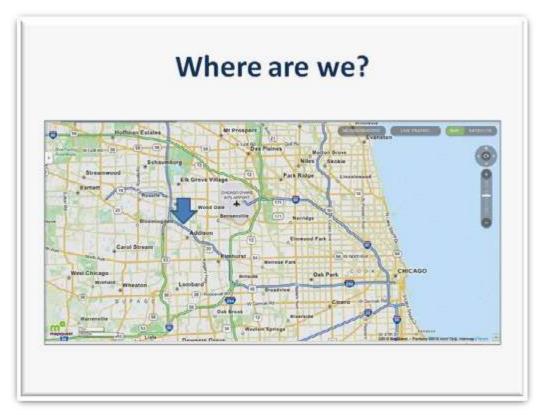
The Palmer House, Chicago, IL June 15, 2012



Presented by: Roseanne M. Benson, CPA Finance Director, Village of Addison

A little about Addison

- The Village was incorporated in 1884
- We are approximately 9 square miles with a 2010 population of 36,946
- The Village of Addison is located approximately 20 miles west of Chicago in DuPage County
- We are bounded by 2 major interstate highways which gives us easy access to O'Hare and access from our industrial park





A little about Addison, cont.

- Due to our location and interstate access, the Village is home to the second largest industrial park acreage by municipality in the Chicagoland area.
 - Challenges that come with that are
 - · increased daytime populations,
 - · increased truck traffic causing road deterioration
- Home Rule municipality

A little about Addison, cont.

- Mayor-Manager form of Government
- A mission Statement and 5 year Strategic Plan lay out priorities and direction.
- We have a AAA bond rating from Fitch and AA+ from Standard and Poors
- We have received the GFOA
 - Certificate of Achievement for Excellence in Financial Reporting since 1985
 - Distinguished Budget Presentation Award since 1989

Funds/Services

- Operating Funds are the General Fund and the Water/Sewer Fund supported by Internal Service Fund
- · Capital Projects including 4 TIF funds
- · Motor Fuel Fund
- Debt Service
- · Police Pension

NOT under Village Control

- · Fire Protection District
- · Park District
- · School Districts
 - Grade school and junior high
 - High School
- Library although the Village has to levy their appropriation and tax levies.
- · ALL have own elected boards

Setting the Stage for the Future

- Over the years, the Village has made decisions that have allowed us to weather the economic storm.
- The Village has stimulated commercial development thru the use of various incentives.
- The Village uses planned road improvement projects that include water/sewer infrastructure
- · The Village maintains at least a 25% fund balance
- · Equipment Replacement Fund

General Fund

- GF Revenues peaked in FY 09 at \$25,417,636 which lagged from the private sector drop.
 - FY 10 posted a \$2,085,845 DECREASE in revenues 8.2% drop or \$23,331,791
 - FY 13 revenues are budgeted at \$26,030,000
- Expenditures peaked in FY 08 at \$26,746,007
 - FY 09 had a \$1,353,732 5.6% drop
 - FY 10 had an additional \$1,546,608 -6.09% drop
 - FY 13 expenditures are budgeted at \$26,452,600 Still not at FY08 levels



- As the downturn started early in FY 09 ALL departments were told to find ways to cut expenses.
 - Programs/purchases that were approved in the budget, but not ordered were put on hold
 - Overtime was limited
 - Public works rescheduled snow plowing call outs to 12 hour shifts determined in advance
 - All departments curtailed spending

What did we do? Employee Concessions

- Commitment by management to cut costs before cutting staff... no layoffs!
- · Only 1 union to have to get concessions from
- Met with employee representatives to discuss options and commitment of no layoffs – got employee buy-in and support, went over options
- ALL employees took a COLA freeze COLA granted each year in Nov. However steps were granted. Freeze lasted 2 years
- · Hiring Freeze, not fill vacant positions

What did we do?

- ALL departments made cuts and limited requests for new programs and projects to only those necessary
- Since we had been proactive in prior years regarding maintenance and replacement of equipment we were able to defer some maintenance...such as water tower painting and extending the life of some of our higher ticket vehicles.
- Prior to the slump we did a \$1M rebuild of the clarifier at the one of the treatment plants. The decreased maintenance freed up 2 position...so when we lost 2 employees they were not replaced.

- Some Maintenance done internally instead of outsourcing
- · Tree Trimming contracted out
- · Rearranged public works staff and duties
- Police officer contract expired worked without contract and same COLA freeze for 2 years
- Offered 2 Voluntary Separation Incentive Program.
 - Feb 10 effects in FY 11 and out 6 took advantage.
 No replacements
 - Feb 11 effects in FY 12 and out 5 took advantage

What did we do?

FY 09-10

- 6 VSIP
- 1 resigned
- · 2 dismissed
- · 1 retired

FY 10-11

- 5 VSIP
- 2 resigned
- 1 Dismissed

FY 11-12

- No VSIP
- · 3 resigned
- 1 dismissed
- 1 retired

- FY 2010
- Reduce Overtime by 20%
- Cut Community Days replace with Circus
- Defer purchases, projects and maintenance
- Cut travel and conferences, office uniforms, coffee for departments
- Cancelled annual awards/appreciation dinner
- Scaled back other day to day purchases

What did we do?

- FY 2011
- Continue FY2010 cuts
- Cut summer part time help (20)
- Summer Events asked for business sponsorships
- · Changed newsletter from printed to electronic email
- FY 2012
- Cut fireworks, join with 3 other communities for joint festivities throughout the year.
- · Implemented Consolidated Dispatch
- Cut crossing guards

- Outsourced Branch Pick up and passed charges on to residents
- Village wide Utilize grant funding as much as possible. This is used extensively with road projects.
- State roads thru town are improved and we pay for any water/sewer infrastructure upgrades - Allows us to upgrade without having to "dig" the hole at a later date.

What did we do?

- Utilize Bond refinancing to reap interest savings
- Use HR Sales Tax to pay debt not on Property Tax roles
- Added HR Sales Tax to provide additional funding for road improvements...
 - Maintain plan
 - No extra MFT for industrial park

Revenue changes

- FY 10 added Red light cameras
- · Added administrative adjudication
 - Parking and non-moving violations now processed with a hearing officer instead of thru county court.
 - Hearing officer more cost effective than paying fees to county
- Downturn in economy and housing market has negative effects on Real Estate Transfer fees, permits, inspections & related fees

Obstacles along the way

- Prior Promises
 - Desire to keep promises made
 - Maintain credibility and trust
- Community demographics
 - Older/fixed income No Gas and Electric Tax
 - Negatively impact Business also
- Purchase of Driscoll bond for land not for employees
- Flood in 2009, Snow in 2011

Obstacles along the way

- State of Illinois financial crisis impact
 - Delay of Income Tax remittance between 3-4 months \$800,000 - \$1,000,000
 - Increase of Income Tax rate from 3% to 5%,
 - Increase not shared with local government no way to determine what we "should" be getting
 - Changes to Pension Funds
 - added 2nd tier
 - · Changed funding goals and time frame to accomplish
 - · Decreased investment revenues while increase in retirees

Obstacles along the way

- State of Illinois financial crisis impact
 - Could impact Bond ratings
 - New rating proposals by S & P would limit any municipal rating to State.
 - We currently have AA+ from S & P and AAA from Fitch
 - State rating is
 - Moody's A2 stable (down from A1 -negative Jan 2012)
 - Standard & Poor's A+ with Negative Outlook
 - Fitch A with Negative Outlook
 - A lower rating would increase interest paid on debt and possibility ability to sell

What others have done

- Cut staff
- · Furlough days
- Decrease benefits/increase employee contribution
- Increase fees and taxes (HR sales tax)
- · Cut mayor and trustee stipends
- Limit attorney attendance at committee meetings

What others have done, cont.

- · Concessions from unions
- · Reduce department head salaries
- · Eliminate crack sealing

Things to keep in mind

- · Communication with staff is key
 - The more they know, the more buy-in you can have
 - Front line may have more functional suggestions as they work with the day to day
- For us, credibility was key.
 - Our Village Manager was trusted by our employees and that increased their willingness to make concessions and help with the big picture.

Things to keep in mind, cont.

- Cutting costs may not be enough, you may have to look at other revenue sources
 - Sources that may be minimal to everyone, but maximize returns
- You know your individual trigger points... and the lag when an industry closes or retools.
- Some of the items at conference...re: technology in payments, receipts, may be good tools that may not be costly to implement

It can always be worse!



Contact Information



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APPENDIX H - HAND-OUT OF 'MUNICIPAL ACTIONS AND CUTS' PROVIDED BY MS. BENSON

MUNICIPAL ACTIONS and CUTS 2009 – 2012 BUDGETS

ADDISON

<u>2010 budget</u> – COLA and hiring freeze; not fill vacant positions; reduce overtime 20%; cut Community Days and other events; deferred purchases, projects and maintenance; cut travel and conferences; scaled back other day-to-day purchases.

<u>2011 budget</u> – Continue the above with possible additional cuts; employees taking Voluntary Separation Incentive Plan AND NOT REPLACED: 6 in FY 2011; 5 additional in FY 2012. Terminations in FY 2010 not replaced: 3 in FY 2011; 3 still unfilled; cut Part Time Summer Help, 20 in FY 2011; 20 still unfilled; No COLA raises since 11/1/09; and limit overtime, did not raise fees, limit amount of capital programs.

*AURORA

<u>2010 budget</u> – Cut \$19 million from General Fund; concessions from unions: AFSCME (10 furlough days), Fire Management (forgo 3.5 hours of pay per bi-monthly pay period), Fire Union (forgo 3.5 hours of pay per bi-monthly pay period), still negotiating with police officers to obtain \$1 million in concessions; deferral of capitals projects.

<u>2011 budget</u> – Cut \$18 million from General Fund: concessions/anticipated concessions from employee groups, including benefit costs (\$7,200,000); voluntary reduction in force (\$1,000,000); elimination of staff positions (\$2,800,000); general reductions in operating line-items (\$4,300,000); reduction in contribution to employee compensated benefits fund (\$800,000); sales tax improvement (\$1,300,000); home-rule sales tax improvement (\$600,000).

BENSENVILLE

2010 budget – Laid off 11% of its work force.

BLOOMINGDALE

<u>2010 budget</u> – Cut \$1.6 million; cut capital projects, purchases, and programs; personnel vacancies not filled; used reserves.

<u>2011 budget</u> – \$2.6 million deficit; personnel reductions; cuts in expenses; potential tax increases.

BURR RIDGE

<u>2010 budget</u> – Budget deficit was \$400,000; elimination of two positions; layoff part-time receptionist; reduce non-union hourly work week from 40 hours to 35 hours; reduction in department head salaries; five furlough days for non-union salaried employees; 10% cut for mayor and trustees; eliminate village attorney participation at Plan Commission and Village Board meetings; elimination of crack filling and striping program; suspension of paratransit program; elimination of economic development committee newsletter; a total of six full-time positions and one part-time position (10% of the Village's workforce) has been eliminated.

2011 budget — budget deficit is almost \$500,000; no salary increase; cutting Christmas recognition, Burr Ridge Briefs newsletter, EDC breakfast and newsletter, new business gift certificate program, chamber lunch attendance; reduced tree program; cut national and state conferences for department heads and normal training for all departments; deferred police vehicle; reduced annual street sign replacement program; eliminate administration vehicle; eliminated one police officer position and will eliminate one full time public works position in favor of two part time positions. Since 2009 the Village has eliminated a total of 9 full time positions and 2 part time positions (15% of the workforce). For the third year in a row, all national and state conferences for department heads have been eliminated. Equipment reserve funds have not been fully funded for the past four years and therefore equipment scheduled to be replaced has been deferred. For the third year in a row the annual road program has been reduced by 50%. For the third year in a row the annual tree replacement program has been cut by 50%. Needed capital projects have been deferred. The Village newsletter is no longer mailed to residents' homes. The list goes on and on. Future year budgets show significant deficits due to dwindling sale tax and other revenue and additional cuts in the future are inevitable. The elimination of our share of state income tax revenue would be catastrophic.

CAROL STREAM

<u>2010 budget</u> – \$1.1 million of cuts; 1 public works employee, 1 emergency services coordinator, and 1 police officer were eliminated; using fund balance to fill the gap.

<u>2011 budget</u> – Initial projected deficit of \$1.9 million. Decreased total authorized regular staffing by 7.2% or 11.75 positions by eliminating Emergency Management Coordinator, 3 Inspectors, Police Sergeant, Police Officer, Community Service Technician, Asst. Police Records Supervisor, and 3.5 Public Works staff. Did not recruit an additional 4 authorized but vacant positions. Imposed an additional .25% home rule sales tax and towing fee. Final adopted budget reduced to \$513,000 deficit.

<u>2012 budget</u> – Initial projected deficit of \$1.2 million was reduced to \$135,000 entirely through expenditure cuts. No new revenues introduced. Further reduced authorized Village staffing by 4.9% by eliminating 2 Police Officers, Community Service Technician, Crime Analyst, Investigative Aide, Records Clerk, and 2 Public Works staff. No non-union salary increases. Staffing levels now reduced by 16% compared to 3 years ago. Total FY2012 budgeted expenditures reduced by \$4.5 million or 18% compared to 3 years ago.

CLARENDON HILLS

<u>2010 budget</u> – Deferred and cut \$1,360,000 from capital projects, including public safety equipment and public works projects.

<u>2011 budget</u> – Reduced general fund expenditures by \$300,000 resulting in reduction of snow removal services in downtown; reduced police and fire vehicles and equipment.

*DOWNERS GROVE

<u>2010 budget</u> – \$2.53 million budget reduction; operating efficiencies for vehicle fleet; changes to health insurance plan; eliminate full and part time positions (25.65 FTE); suspend 2010 Heritage Festival expenses; eliminate Pro Criterion Bike Race; elimination of the Ice Sculpture Festival; modify July 4 Parade; modify Taxi Subsidy Program; suspension of Community Grants Program; eliminate DuPage Senior Citizen Grant.

ELMHURST

<u>2011 budget</u> – Reduced budget by \$4 million (10% of the budget); hiring freeze (4 full-time, 6 part-time, and 4 interns); reduced Public Works seasonal by 50%; increased rubbish fees; elimination of out of state conferences and travel; reduction in training; eliminated membership in DuPage Convention & Visitors Bureau; eliminated 5:00-7:00 p.m. City Hall hours twice a month; reduced police and fire public education; eliminated business recruitment contract; reduced street sweeping; deferred vehicle, equipment, computers replacement; deferred video equipment replacement; eliminated City contribution to sidewalk repair, rear yard drain program, parkway tree planning; reduced sidewalk slabjacking program; implemented fee for block parties; reduced Community Grant Program; eliminated contingency account.

GLEN ELLYN

<u>2010 budget</u> – Reduced budget by \$2 million; 3 unfilled police officer positions not funded, 3 full-time positions eliminated, 2 full-time positions reduced to part-time, and 2 part-time positions eliminated; reduced hours of some employees; deferred downtown capital projects, deferred building maintenance; reduced forestry efforts; limited general employee pay increase to 1.5%; no increases for management team; implemented 1% home rule sales tax to fund increased pension obligations.

<u>2011 budget</u> – Reduced budget by \$1 million 3 unfilled police officer positions still not funded; part-time maintenance position eliminated; deferred downtown capital projects; deferred building maintenance; increased fines and fees and implemented contractor registration fee.

The draft proposed General Fund budget for FY11/12 which begins on May 1 is balanced with expenditures adjusted to meet projected revenues for the coming year. This is the result of months of planning, analysis and discussions at the management team level to work toward bridging the gap between planned expenditures and forecasted revenues. It should come as no surprise that in our current economic climate, preliminary departmental expenditure requests exceeded our estimates of available revenues in the coming fiscal year. As such, we began the budget process out of balance in the General Fund by approximately \$900,000.

<u>2012 budget</u> – *Staffing Requests:* Due to the current economic uncertainty and relatively flat revenues, we will not be adding any positions. We also held back on some current staffing. The Police Department will be holding an additional officer position vacant, the Cashier's Office staff will remain at reduced

hours and temporary help was lowered in several departments. (\$196,000) *Maintenance:* Various maintenance projects were either moved up in the previous year or deferred, including street painting work and the repair of fences at the Train Station and Crescent Blvd. (\$194,000) *Facilities Maintenance Reserve Fund:* Each year, the General Fund is scheduled to contribute \$175,000 to the Facilities Maintenance Reserve Fund to fund future significant rehabilitations/replacements of major municipal building systems and components. Due to budget shortfalls no transfer has been made for the past two fiscal years. (\$175,000) *Equipment:* We were required to defer several small equipment replacements across departments. (\$104,000) *Police Radios:* Police Department must purchase new radios as part of the new DuPage County interoperable radio network. (\$100,000) *Miscellaneous:* Numerous small cuts were made across all departments such as training and supply expenditures. (\$65,000) *Emerald Ash Borer:* Originally proposed at \$196,000, Public Works scaled back the Village's EAB program for 2011 to \$160,000. (\$36,000)

HANOVER PARK

<u>2011 budget</u> - Revision of payroll plan for newly hired employees; delayed hiring for some new hires; and no contribution to Vehicle Replacement Fund.

<u>2012 budget</u> - No increase in property tax levy; revision of employee health plan options for new hires; no contribution to Vehicle Replacement Fund from General Fund; reduced purchase of police equipment.

HINSDALE

<u>2010 budget</u> – Cut \$1.2 million; eliminated 8 full-time positions; converted 3 full-time positions to part-time; eliminated 2 part-time positions; cut non-public safety work hours from 40 to 37.5; wage freeze for management employees; eliminated end-of-summer concert, contribution to Hinsdale Center for the Arts, and Village Leaf Removal program.

<u>2011 budget</u> – Anticipate another \$1.2 million shortfall; preliminary plan to eliminate 7 full-time positions (including 2 police and 2 fire); and Village-wide wage freeze – plus another \$300,000 to cut.

<u>2012 budget</u> — Over the past 2 years, we have reduced full-time positions from 116 to 94 (a 20.3% reduction) and next year we are reducing 1 more full-time position. The totals include 3 sworn patrol officers, 4 sworn firefighters and 5 telecommunications officers. For the past 2 years we have had a total wage freeze (except FOP members per the contract), reduced working hours from 40 to 37.5, eliminated several programs include leaf removal, senior taxi program, senior leaf program, contributions to HCA, significantly reduced training & education budgets.

ITASCA

<u>2010 budget and 2011 budget</u> – \$2 million budget deficit, primarily due to reduction in sales tax revenue; payroll freeze and hiring freeze; furlough days, layoff part-time personnel; suspended training; cut back on equipment maintenance; deferred new equipment and fleet purchases; suspended building additions and remodeling; cut back consulting, engineering and development services; no new planning projects without Board approval; cut overtime in Police department and Public Works, uniform purchasing; cut publication subscriptions; cut all non-essential maintenance; reduced road program; eliminated employee appreciation event.

<u>2011 budget and 2012 budget</u> - Reduced, by attrition, two police positions; eliminated Conferences; reviewed consolidation of our 911 operators; eliminated our road rehabilitation program; deferred purchases of all vehicles including police cars (3 years now); streamlined the water shutoff for none payment process; severally reduced the community affairs officers duties; continued deferral of much needed road rehabilitation; limited purchasing of police cars; continued elimination of positions due to retirement, this year 2 Public Works Employees; reduction in catch basin repair/maintenance program; no out of state conferences or training; elimination of 1 police car from fleet to match loss of officers; continued review of consolidation of 911 dispatchers; review of garbage/recycling program; and may reduce salt purchase for winter activities.

LISLE

2009/10 and 2010/11 budget – Non-union employees have not had a pay increase for the last two years.

2010/11 and 2011/12 budget – Deferrals of vehicle and equipment, capital projects continues.

Last three years: tuition reimbursement, fitness reimbursements eliminated. Conference/travel restricted.

<u>2011/12 budget</u> – No increases budgeted for non-union; voluntary separation plan 10 employees leaving, no replacement hires.

LOMBARD

<u>2010 budget</u> – Cut \$2,576,996 (7% of budget) in 2009; Fire Department Public Education program cut; vacant positions frozen (2 full-time and 5 part-time); laid off 4.5 staff; delayed fleet purchases.

2011 budget – Vacant positions from FY 2010 remained frozen; decreased number and type of vehicles.

NAPERVILLE

2010 budget – 23 vacant positions cut; 20 filled positions cut (total 43 positions); \$3.3 million savings.

2011 budget – Budget gap of \$14.1 million filled during budget process

- Second year of reduction in force actions: an additional 22 filled positions and 27 vacant eliminated for a total of 100 positions eliminated over the two years, which is greater than a 10% workforce reduction. FY11 eliminations included 9 public safety positions: 2 filled police officer positions and 7 vacant sworn positions.
- Revenue actions taken Local motor fuel tax increased by 2 cent per gallon and for the first time a residential refuse fee implemented of \$2 per month per household
- Increased employee health care contributions and plan design modifications to increase co-pay and deductibles

- Second year without raises for non-union
- Defer maintenance, repairs and supply purchases
- Dramatic reduction or elimination of various employee programs including training and tuition reimbursement
- Defer replacement of fire fighting gear
- Reduce overtime, especially in fire with revision to minimum staffing management
- Reduce brush collection, street sweeping and parkway tree planting programs
- Capital budget cut almost 20% lower than the prior year, and was effectively 35% lower than the FY09 capital budget

2012 budget - Budget gap of \$7.8 million filled during recently completed budget process

- Additional 17.5 positions eliminated including 11 public safety positions: 6 filled police officer positions, 2 vacant police and 3 vacant firefighter/paramedic positions. Work force reduction across the 3 years is now a total of 118 positions, over 14%.
- Property tax levy reduced by \$1.25 million, a reduction of 2.5%, which is included
 in the budget gap that needed to be covered by cost cuts
- Defer vehicle replacements including two ambulances
- Cancellation of streetlight maintenance contractor, work to be provided free of charge by city electric utility
- Further reduce maintenance and supplies, especially of city owned buildings
- Reduce communications frequency to residents and eliminate paper mailings
- Further reduce street sweeping, leaf collection and parkway tree planting programs
- Continue to manage down overtime across all departments
- Capital budget cut further, down 42% below the FY09 level before the budget cuts began

Five year view provided to Council projects increasing deficits due to declining property tax revenue as EAVs decline, potential reduction in grant funding, wage and benefit cost increases including pension and healthcare and the need fund those things deferred for the last several years such as vehicle replacements, supplies, equipment and maintenance. The financial gap by FY2016 could be as much as \$25 million versus the current year.

***OAK BROOK**

<u>2009 budget</u> – 6.5 FTE eliminated; 3 furlough days for non-union employees; 5 furlough days for management.

<u>2010 budget</u> – Reduced budget by \$2.25 million; work force reduced by 22 FTE. <u>2011budget</u> – We have instituted our third either early retirement or reduction in force program in the last three years. We have already reduced staff by 24 Full time equivalents since 2009. Employee sharing of health insurance premium costs have increased from 7.5% in 2008 to 17.5% now and is expected to go to 20% July 1. We have made significant reductions in our vehicle fleet inventory.

OAKBROOK TERRACE

<u>2011 budget</u> – Diverted revenues from capital to operations (\$500,000); reduced 2 police officers through attrition (\$187,293); public service cuts including tree trimming, equipment, vehicle and lawn maintenance, (\$53,000); reductions in legal services, litigation, and part-time staff (\$111,776); cutting building and zoning program (\$51,000); and cut backs on special events (\$64,760). Total cuts are 8.4% of city budget.

*ROSELLE

The economic downturn that has negatively impacted the country for the last 24-36 months has dealt a severe blow to the fiscal health of the organization. This led to an unprecedented \$1,000,000 revenue shortfall in 2009, thereby requiring corresponding Village Board policy directives designed to mitigate declines in revenues no one ever thought possible. Revenue shortfalls in 2010 and 2011 have led to general operating budget deficits of \$600,000 in 2010 and \$650,000 in 2011. Since 2008, the Village has experienced a reduction in state shared sales and income tax revenue of \$700,000 annually. On September 14, 2009, the Village Board authorized the Village Administrator to implement a Personnel Expenditure Reduction Plan designed to offset that particular year's revenue shortfall. The plan saved the Village \$900,000 in personnel expenditures in 2009 and 2010. From October 2009 through December 2010, all non-union employees took 15 unpaid furlough days. That program continued in 2011 as 12 unpaid furlough days and a moratorium on cost of living increases remained in effect for all non-union employees. Concessionary bargaining agreements with the public works and firefighter union employees led to similar personnel expenditure reductions in 2010. Because no concessionary bargaining agreement was reached with the police union employees, two police officers were laid off on January 1, 2010. One has since been rehired as a result of another officer's military deployment to Afghanistan.

2009 budget

 Reduced full-time work force from 115 employees to 103 employees through reorganization of several departments, layoffs, consolidation of emergency communications services to DUCOMM, and retirements.

- Approved budget amendment ordinances reducing operational expenses by \$325,000.
- Eliminated non-essential services such as brush pick-up, 50/50 shared cost tree program, and entertainment at special events such as the July 4 Fireworks Celebration.
- Placed a moratorium on management team performance pay and out of state professional conference attendance.
- Delayed capital improvement projects to street and municipal building infrastructure.
- Delayed the purchase of police patrol and public works vehicles and equipment.
- Implemented less costly Tier 2 benefits for part-time employees.

2010 budget

- Laid off two police officers effective January 1, 2010.
- Eliminated Police D.A.R.E. and other crime prevention programs.
- Increased fees for vehicle stickers, planning and building permits, liquor licenses, and CPR training.
- Implemented a Voluntary Separation Plan designed to further reduce authorized full and part-time staffing levels.
- Reduced funding reserve levels in the General and Water and Sewer operational funds below Village fiscal policy.
- Replaced traditional PPO health insurance plan with high deductible plan to reduce insurance premium costs.
- Reduced July 4 special event funding and terminated membership with Northwest Municipal Conference.
- Continued unpaid furlough days of one per month and a moratorium on cost of living increases for all non-union employees.
- Continued moratorium on management team performance pay and out of state professional conference attendance.

2011 budget

Further reduced authorized full-time workforce from 103 employees to 99
 employees by eliminating a police deputy chief position, police sergeant position,

village engineer position, and fire secretary position. These employees retired and were not replaced.

- Continued 12 unpaid furlough days and a moratorium on cost of living increases for all non-union non-management and other management employees.
- Eliminated \$407,000 annual funding for future purchase and replacement of police and fire emergency vehicles, public works maintenance vehicles, and various computer equipment.
- Eliminated funding for special events such as the July 4 Fireworks Celebration,
 National Night Out, Green Sustainability Night, and Concerts in the Park.
- Eliminated sidewalk snow removal operations for all downtown public sidewalks.
- Implemented a new eating establishment tax and increased ambulance user fee charges.
- Continued moratorium on management team performance pay and out of state professional conference attendance.

VILLA PARK

<u>2010 budget</u> – 8 employees took early retirement; 2 management positions terminated; all employees agreed to 2 furlough days; no salary increase; increased co-pays for health benefit; no vehicle purchases; all capital projects delayed.

WARRENVILLE

<u>2010 budget</u> - Implemented wage freeze of all non-represented personnel, cut pay of union police officers, reduced health insurance benefits, delayed the hiring of one part-time and two full-time positions, and eliminated one public safety position through a re-organization. Also made smaller operational cuts or eliminations such as training/seminar travel, office supplies, equipment purchases, and employee appreciation incentives. All cuts totaled \$478,041.

<u>2011 budget</u> – Reduction in tuition reimbursement program; reduced COLA and reduced raises for union police/sergeants, elimination of employee appreciation dinner, picnic and safety luncheon; maintain reductions on training/seminar travel, office supplies, and equipment purchases; evaluation of overtime.

<u>2012 Budget</u> — City considering study to reduce assess staffing and service levels, reduction in tuition reimbursement program; continuing reductions on training/seminar travel; reduced contractual services, reduced cost of living increases (COLA) for non union employees, and reduced pay increases for union police/sergeants, reduced purchase of office supplies, and continuing to use older equipment by extending the replacement of equipment and City vehicles, extended the life and maintenance on basic infrastructure such as streets and sidewalks, reviewing a voluntary employees early retirement incentive program, possible elimination of public safety position(s), holding vacancy positions open for extended periods; reduced general liability and workers compensation costs, reduced City telephone charges,

elimination of administrative vehicles in police Department, and intergovernmental sharing of City and contractual services with other local taxing bodies.

WAYNE

<u>2009 budget and 2010 budget</u> – Used reserves and expect to continue that trend into the future; Police Department put off buying new radio equipment; in-car video systems and computers for squad cars have been postponed; considering rejuvenation plan for roads – spray-on asphalt treatment instead of complete resurfacing.

<u>2011 budget</u> – With the exception of police officers on step-programs, all salaries were frozen; extended the useful life of remaining squad cars; suspended hiring a part-time administrative assistant for police department, as well as full-time Police Officer; deferred purchase of misc. equipment for Police Dept.; deferred road program; closed Village Hall one day per month.

<u>2012 budget</u> — Anticipate continued salary and hiring freeze; continued deferral of equipment purchases; additional decrease in hours budgeted for Police protection coverage; continued deferral of road program; close Village Hall every Friday; eliminate mosquito spraying.

WEST CHICAGO

2010 budget – Used \$1 million in reserves; revenues down 15%.

<u>2011 budget</u> – Using another \$1 million in reserves; the City privatized the street sweeping and fleet maintenance operations, and continue not to fill twelve vacant positions.

<u>2012 budget</u> – Do not anticipate any additional cuts at this time for 2012, though of course that will most definitely change should our shared revenue amount from the State be decreased.

WHEATON

<u>2010 budget</u> – Eliminated 17 employee positions; reduced property tax allocation to library by \$300,000; increased home rule sales tax by one-half percent; reduced annual road program by \$945,000; eliminated all capital projects (\$355,000); no COLA for non-union employees; no salary increases for administrative staff; eliminated 13 vehicles from city fleet; reduced General Fund expenditures by \$3 million; significant reductions in training/conferences/meetings.

<u>2011 budget</u> – Eliminated another 17 employee positions; reducing property tax allocation to library by \$100,000 to \$300,000.

2012 budget – After 2 years of significant reductions, we are not reducing anything this year.

WILLOWBROOK

<u>2010 budget</u> – 5.8% (\$457,139) reduction in spending; not filling one vacant patrol officer position; deferring and/or eliminating vehicle purchases, building improvements, training, village sign improvements, ditching, tree maintenance and other various items.

<u>2011 budget</u> – 4.9% (\$386,753) reduction in spending; outsourcing Village Administrator position; revamp police department vehicle replacement schedule; minimal capital spending (\$114,000 instead of \$400,000); more reductions in training and education; reduce spending on community events and partnering organizations; no pay increases; reducing spending in other areas.

WINFIELD

<u>2011 budget</u> – Elimination of a sworn officer position, bringing our Police force to its lowest staffing in years; major reduction of budgeted overtime; elimination of our only fulltime HR/Accounting position; elimination of funding for crossing guards; elimination of our leaf vacuuming program; delays to necessary repairs and maintenance on facilities and equipment; and minimal training budget.

WOODRIDGE

<u>2010 budget</u> – Hiring freeze and separation program (13 positions eliminated so far); laid off 9.5 employees; no pay increases for exempt and non-union employees; reduced operational expenses (10% overall); deferred all non-grant funded capital improvements vehicle purchases; cut \$827,000 (4% of budget).

<u>2011 budget</u> – Eliminated events and charge groups for out-of-pocket expenses for special events; outsourcing engineering and inspections; non-union employees no merit or COLA; postponed police building expansion and pedestrian bridge; transferred funds; reduced expenses by \$2 million.

^{*}Municipalities with an asterisk have a calendar year budget. All others have a May-April budget.

APPENDIX I - SUMMARY OF CONFERENCE EVALUATIONS

Government Finance Officers Association (GFOA) Conference Island Government Finance Officers' Association (IGFOA) Meeting

Pacific Islands Training Initiative Virgin Islands Training Initiative

Chicago, Illinois
June 10 - 15, 2012

EVALUATION SUMMARY (19 Evaluations Completed)

To ensure that conferences and meetings that the Graduate School USA conducts for the PITI and VITI programs are as responsive as possible, please take a few minutes to fill out this evaluation. Your input and comments will be very useful to us in planning future events.

On a scale of 1 - 5, with 5 being the highest score and 1 being the lowest score, please rate the GFOA Conference and IGFOA Meeting by circling the appropriate number.

GFOA CONFERENCE

1. The GFOA Conference sessions were relevant and timely.

Strongly Agree Agree		Neutral Disagree		Strongly Disagree
(63%)	(37%)	(0%)	(0%)	(0%)

Score: 4.6

- 2. What sessions of the GFOA Conference would you suggest should be followed up by PITI/VITI through training and/or other types of seminars?
 - Using Performance Measures for Performance Management

- GASB 54
- Financial Policies (X2)
- Lean Finance (X2)
- More accounting sessions
- Fraud Detection, Lean Finance, Financial Policies
- Transparency through usage of IT
- · Assessing your financial management capabilities
- Performance Measurement
- Audit Reporting; GASB (esp. for upcoming changes in FY13); Lean Finance

IGFOA MEETING

3. The IGFOA meeting sessions were relevant and timely.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
J	Ü		Ü	· ·
(84%) (16%)		(0%)	(0%)	(0%)

Score: 4.8

4. The meeting's objectives were substantially met.

Strongly Agree Agree		Neutral	Disagree	Strongly Disagree
(63%)	(37%)	(0%)	(0%)	(0%)

Score: 4.6

5. Logistics for bringing participants to and from Chicago were handled satisfactorily.

Strongly Agree	Agree	Neutra	l Disagree	Strongly Disagree
(74%) (26%))	(0%)	(0%)	(0%)

Score: 4.7

6. The IGFOA meeting site (Palmer House Hilton Hotel) was comfortable and conducive to the meeting.

Strongly Agree Agree		Neutral	Disagree	Strongly Disagree
(53%)	(37%)	(5%)	(5%)	(0%)

Score: 4.4

7. Support services by the Graduate School USA staff during the meeting were handled well and in a timely manner.

Strongly				Strongly
Agree	Agree	Neutral	Disagree	Disagree
(84%)	(16%)	(0%)	(0%)	(0%)

Score: 4.8

- 8. What sessions of the IGFOA Meeting were the most relevant and meaningful to you?
 - The sessions / discussions on accounting for capitol assets since it directly relates to my work
 - All sessions are relevant although I believe the Performance Measures are the most meaningful.
 - Lean Finance, Employee Engagement, Performance Measurements
 - Leveraging the power of employee engagement
 - Lean Finance, Employee Engagement
 - Performance Measures, Employee Engagement,
 - Finance Measures, Employee Engagement
 - Performance Measures, Employee Engagement
 - Hearing the status of each island government and comparing/aligning it with our own.
 - Sharing the measurements
 - Harnessing the power of employee engagement
 - Employee empowerment
 - All, especially Austerity Measures
 - Performance Measurement and Employee Engagement
 - Everything
 - Speakers Lean Government, Employee Engagement, Performance Measurements
 - Speakers were great!
 - GASB and Power of Engagement
- 9. What are the two most important items that you learned during the week, and how will you apply each when you return home?
 - That I have been appointed the new lead person for tracking our performance measures. I
 have been disappointed in the fact that we have been unprepared in our presentations, so
 this will put the burden on my shoulders which I gladly accept.
 - Finance Office Measures

- Bank reconciliations. Travel advances not learn but reminder to be on top of these two issues and ensure that whatever is necessary to be done timely.
- Lean finance continue improving and streamlining process
- Employee engagement develop plan for implementation
- Performance Measures change 30 days policy to 10 days
 Employee Engagement Orientation and employee negotiation
 GASB 54, Leveraging Employee Engagement
- Cash Management how our office may go about putting together a plan. Get model and work on it to modify to fit needs.
- Employee Engagement, Transparency through IT
- Performance Measure and just simply sharing of information among the island groups.
- Employee Engagement will apply with the staff back home and have them feel involved, engaged and able to communicate
- Employee Engagement on-boarding model
- Develop Sustained Budget, Austerity Measures
- Lean Finance
- Performance Measurement as an outflow of regular work process and Power of Employee
 Engagement
- Performance Measurement
- Employee Engagement, Spending Cuts
- Lean Finance the concept of e-purchasing to reduce the number of processing days
- 10. What sessions or aspects during the week were the least relevant and meaningful to you?
 - None everything is very meaningful and enjoyable.
 - Found most GFOA useful though some speakers wasn't especially inspiring
 - Audit in Review
 - GASB update
 - Need to reflect a bit more.
 - None (X3)
 - None. They were all relevant.
- 11. Please provide any other comments concerning the GFOA Conference and the IGFOA Meeting that will make future conferences and meetings more meaningful and enjoyable.
 - The format of the conferences was perfect. It's great that we are presented a module in which we all have to follow.
 - Give us time to adjust to time difference before starting on the important session.

- Many thanks to Stephen, Jason, Steve and Debbie for this awesome week of learning. I've learned a lot. Thanks.
- To include a session to see what other insular government best practices are being implemented
- Thanks to Graduate School personnel, consultants and all!!!
- Keep knocking and eventually all islands will have unqualified audits. Don't give up on us!
- Same format is good
- This has been a productive conference starting with the GFOA conference until the end of our IGFOA
- Fellow participants need to be a bit more respectful of speakers by minimizing talking at inappropriate times.
- Would like to recommend for IGFOA meetings to end little earlier so can try to see and enjoy the city! Maybe at 4pm
- Provide sim card to participants.

APPENDIX J – PARTICIPANT CONTACT INFORMATION

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