

# **DOWNSTATE CHAPTER CONFERENCE**

**February 17 - 18, 2022**



**Illinois  
Government  
Finance  
Officers  
Association**

**Learning • Connecting • Progressing**

# IGFOA 2022 DOWNSTATE CHAPTER CONFERENCE

**February 17-18, 2022**

President Abraham Lincoln Springfield, A DoubleTree Hotel  
701 East Adams Street, Springfield IL 62701

## AGENDA

### THURSDAY, FEBRUARY 17, 2022

**9:30 – 10:00 AM            Check-in and Networking**

**10:00 – 10:10 AM            Welcome and Opening Remarks**

*Julie Kusturin, Assistant Chief Financial Officer, Peoria County and  
President, IGFOA Downstate Chapter*

**10:10 – 11:25 AM            Finance Officer or Firefighter: Stop Putting Out Fires with  
Effective Departmental Goal Setting**

*Speaker: James “Jim” Arndt, President/CEO, Arndt Municipal Support,  
Inc.*

Failure to prepare. Prepare to fail. You can choose to direct your daily, weekly, and monthly activities by setting achievable goals for you and your team or you can allow the daily ebb and flow to control your activities. The choice is yours!

***Learning Objectives:** Participants completing this session will be able to:*

- Understand the importance of setting actionable and achievable goals;
- Develop a participation-based methodology to set departmental goals;
- Understand the importance of assigning a champion to each goal;
- Develop an accountability system tied to accomplishing a goal; and
- Create a routine reporting mechanism for the department and City leadership.

**CPE:** About 1.5 hours **Field of Study:** Personal Development – Non-Technical **Level:** Overview

**11:25 – 11:40 AM            Break**

**11:40 AM – 12:30 PM       Illinois Municipal Bond Update**

***Speakers:** Shelly Scinto, Of Counsel, Ice Miller LLP*

**Robert P. Vail**, Senior Vice President/Managing Director of  
Public Finance, Bernardi Securities, Inc.

**John Vezzetti**, Vice President, Bernardi Securities, Inc.

**Kevin Wills**, Investment Banking Specialist, Bernardi Securities,  
Inc.

Join this panel for a discussion of current bond market trends, municipal bond issuance types for Illinois cities and villages, special service area and tax increment financing bonds, legislative updates, and pension obligation bonds.

*IGFOA Downstate Chapter reserves the right to modify the agenda and/or speakers.*

**Learning Objectives:** *Participants completing this session will be able to:*

- Learn about various bond issuance types available to Illinois cities and villages;
- Determine if pension obligations may be beneficial for your municipality;
- Gain an understanding of tax-exempt advanced refunding bonds and bank qualification;
- Explore financing alternatives for designated TIF areas and special service areas; and
- Learn how Illinois bond financing can be coupled with Federal grants and other available money.

**CPE:** About 1.0 hours

**Field of Study:** Finance – Technical

**Level:** Update

**12:30 – 1:30 PM**

### **Networking Luncheon**

**1:30 – 2:20 PM**

### **Financial Fraud Schemes: What You Should Know**

**Speaker:** **Randy Charles Wilborn**, Vice President and Product Owner,  
Regions Bank Treasury Management Products and Services

This session will discuss common financial schemes used by fraudsters and perpetrators planning to steal money and data. Learn how these schemes, such as Business Email Compromise and Cyber Fraud are carried out and the best practices to help prevent your community from becoming a victim. Participants will also learn about trends related to fraudulent losses.

**Learning Objectives:** *Participants completing this session will be able to:*

- Gain an understanding of commonly used financial related fraud schemes;
- Become aware of solutions used to combat these schemes and financial losses;  
and
- Appreciate why employee education and best practices such as dual-control can prevent financial losses.

**CPE:** About 1.0 hours **Field of Study:** Finance-Technical/Information Technology-Technical **Level:** Overview

**2:20 – 2:30 PM**

### **Break**

**2:30 – 3:20 PM**

### **The Top 3 Challenges in Local Government**

**Speakers:** **David Jelonek, CPA**, Partner, GW & Associates, P.C.

**John Wysocki**, Partner-in-Charge, GW & Associates, P.C.

There are many challenges facing local governments. Some challenges are shared among departments, others are not. This session will focus on the top challenges facing local governments from an audit perspective. From new GASB pronouncements to changes in funding sources, from the pandemic to audit preparedness, finance departments across Illinois face an environment of constant change and growing uncertainty. This session will address these topics and others.

**Learning Objectives:** *Participants completing this session will be able to:*

- Discuss with other local government professionals the challenges facing their communities and departments;
- Hear from audit professionals their perspective on the challenges found over the past few years; and
- Learn how to prepare your finance department to face these challenges and uncertainties.

**CPE:** About 1.0 hours

**Field of Study:** Accounting (Governmental) – Technical    **Level:** Overview

**3:20 – 3:30 PM**

**Break**

**3:30 – 4:45 PM**

**Legislative Update**

**Speakers:** **Brad Cole**, Executive Director, Illinois Municipal League (IML)  
**William D. McCarty II**, Director – Office of Budget and Management, City of Springfield, IGFOA President and Legislative Committee Chair

This session will provide participants with an update on State legislative matters relevant to Illinois local governments.

**Learning Objectives:** *Participants completing this session will be able to:*

- Gain knowledge of new Illinois Public Acts significantly affecting local governments;
- Understand pending Illinois General Assembly legislative proposals that may significantly affect local governments; and
- Explore recent developments in proposed pension reform legislation.

**CPE:** About 1.5 hours

**Field of Study:** Business Law – Technical    **Level:** Update

**4:45 – 5:00 PM**

**Open Discussion/Q&A**

**Julie Kusturin**, Assistant Chief Financial Officer, Peoria County and President, IGFOA Downstate Chapter

**5:30 – 7:30 PM**

**Networking Dinner at Saputo's Restaurant**

## **FRIDAY, FEBRUARY 18, 2022**

**8:00 – 9:00 AM**

**Breakfast**

**8:50 – 9:00 AM**

**Announcements**

**Julie Kusturin**, Assistant Chief Financial Officer, Peoria County and President, IGFOA Downstate Chapter

**9:00 – 10:15 AM****Common Reporting Deficiencies and How to Avoid Them****Speaker: Anthony Cervini, CPA, CFE**, Partner-in-Charge, Government Services, Sikich LLP

Tired of getting the same comments every year from GFOA or looking to ensure your report is free from some of the most frequently noted errors? Are you considering submitting your government's financial report for the GFOA award, but unsure whether it would be accepted? Worry no more as this session will discuss the most common deficiencies seen in governmental financial statements and how to avoid them. Learn how to ensure your Annual Comprehensive Financial Report (ACFR) submission is accepted and receives the GFOA Certificate of Achievement for Excellence in Financial Reporting. If you're still not ready to prepare an ACFR, this session will discuss the other GFOA award programs – one might be just right for your government!

**Learning Objectives:** *Participants completing this session will be able to:*

- Identify common reporting errors found in governmental financial statements;
- Learn best practices for identifying and correcting potential reporting errors when preparing and reviewing financial statements; and
- Gain an understanding of the criteria for various GFOA Award Programs and how to review your own ACFR.

**CPE:** About 1.5 hours**Field of Study:** Accounting (Governmental) – Technical    **Level:** Overview**10:15 – 10:30 AM****Break****10:30 – 11:45 AM****Inclusion, Accountability, and Transparency: How to Operationalize Equity within Your Organization****Speaker: Kimberly Richardson**, Assistant City Manager, City of Peoria

By starting from the internal environment of an organization and building a “learn-pilot-act-learn” culture based on equity approaches, learn how to strengthen government operations in order to respond comprehensively and collaboratively to the needs of your community.

**Learning Objectives:** *Participants completing this session will be able to:*

- Clearly define equity in the field of public administration;
- Learn how an equity impact analysis tool is used to improve the impact of policies and services; and
- Understand a few concrete examples of how to include equity in decision-making, team building, and leadership development.

**CPE:** About 1.5 hours**Field of Study:** Personnel/Human Resources – Non-Technical    **Level:** Overview

**11:45 AM – NOON**

**Open Discussion and Closing Remarks**

*Julie Kusturin, Assistant Chief Financial Officer, Peoria County and  
President, IGFOA Downstate Chapter*

**NOON – 12:45 PM**

**Luncheon with the IGFOA Executive Board**

**IGFOA Downstate Chapter Conference Speakers**  
**February 17 – 18, 2022**

**James “Jim” Arndt, President/CEO of Arndt Municipal Support Inc.**

James “Jim” Arndt has served in local government for more than 23 years. Jim recently served as the City Manager for Paducah Kentucky. Prior to becoming Paducah’s City Manager, he served eight years as the City Administrator of Effingham, Illinois. He also has been the Administrator for the City of St. Clair, Missouri and the Village of Union City, Ohio. Before entering the realm of city management, Arndt served six years as a police officer in Mattoon, IL. Arndt is a military veteran, serving three years in the United States Army. During his military career, Arndt spent time in Germany, North Carolina, Georgia, and South Carolina. Arndt has direct executive level experience in municipal finance, budgeting, human resources, executive level recruitments, collective bargaining, compensation and compression studies, succession planning, reinventing organizations, strategic planning, priority setting, City Council Retreats, Leadership Team Retreats, and City Council Orientations and Training.

**Anthony Cervini, CPA, Partner-in-Charge, Government Services, Sikich LLP**

Anthony M. Cervini, CPA, CFE, is responsible for providing technical services to Sikich’s governmental clients in all areas of governmental accounting, auditing, financial reporting, budget development, internal controls, revenue and expenditure forecasting, and cash and debt management. Anthony has participated in hundreds of audits of municipalities and other governmental entities since beginning his career with Sikich in 2005. He also has been responsible for serving as lead instructor for governmental accounting, auditing, financial reporting, cash management and internal control courses internally and throughout the Midwest. Anthony serves as a member of the GFOA Special Review Committee and is the current Chair of the Illinois CPA Society Government Report Review Committee. Anthony previously served as a budget reviewer for the Government Finance Officers Association Distinguished Budget Presentation Award.

**Brad Cole, Executive Director, Illinois Municipal League (IML)**

Brad serves as executive director of the Illinois Municipal League, which is the statewide association of 1,298 cities, villages, and towns. The League’s mission is to articulate, defend, maintain, and promote the interests and concerns of Illinois communities. Previously, Brad was Senior Vice President of Pepsi MidAmerica, a privately-owned soft drink bottling and distribution business servicing a five-state franchise territory. His duties involved supervision of all aspects of the company, including finance, administration, human resources, fleet management, equipment services, and sales. Prior to entering the private sector, he worked as Downstate Director for U.S. Senator Mark Kirk, of Illinois. In that position, he was a key member of the senator’s senior management team and was responsible for strategies initiative, outreach and constituent services in 95 (of 102) counties of Illinois. Cole served as Mayor of the City of Carbondale, Illinois for two four-year terms, which followed one four-year term on the City Council.

Before entering local government service, Brad was Deputy Chief of Staff to Illinois Governor George H. Ryan. He directly advised the Governor and coordinated the administration of government services relative to the southern 40 counties of Illinois. Active as a leader for numerous public and private organizations, he has served on a library board, a park district board, a school board, a regional healthcare system board, a multi-state economic development commission, and in many other similar posts. He has been appointed to commissions by four of the past five Governments of Illinois and was nominated to national board appointment by President George W. Bush. He is Chairman Emeritus of Sister Cities International (a citizen diplomacy organization based in Washington, DC), having served two years as chairman of its global board of directors. Brad Cole is a graduate of Southern Illinois University at Carbondale with a bachelor’s degree in a double major of Political Science and Biological Science, and a Master of Legal Studies degree from the SIU School of Law. He originally hails from Macon Illinois.

**David Jelonek, CPA, Partner, GW & Associates, P.C.**

Mr. Jelonek has over 16 years of experience in local government and has worked in public accounting specializing in local government audit and consulting and as an Assistant Finance Director and Finance Director of a local municipality. Mr.

Jelonek also hosted the IGFOA's podcast series, "Why Government Finance?", where he interviewed many finance professionals across the state. He also serves on the Illinois CPA Society's Government Report Review Committee.

**William D. McCarty II, Director of the Office of Budget and Management, City of Springfield, President - Executive Board - IGFOA Chair - IGFOA Legislative Committee**

William D McCarty II became Director of Budget and Management (OBM) on May 2, 2011. As Director of OBM, Director McCarty is responsible for overseeing tax administration, accounting, accounts payable, budgeting, payroll, purchasing, and citywide fleet maintenance services. From October 2007 through May 2011, Bill was Chief Financial Officer, Bureau of Property Management for the State of Illinois Central Management Services (CMS). Other State service includes federal finance manager for CMS and lead Medicaid analyst for the Governor's Office of Management and Budget.

From April 2005 through April 2009, he served as Village President of Williamsville, Illinois and prior to that spent three years as Village Trustee in Williamsville. He received a bachelor's degree in finance from the University of Notre Dame and holds a master's degree in public administration from the University of Illinois – Springfield.

Currently, Bill is President of the Illinois Government Finance Officers Association Executive Board and is Chair of the IGFOA Legislative Committee. He is also a member of the Illinois Municipal League (IML) Legislative Committee, a member of IML's Personnel and Pensions Policy Committee and is Chair of the National Association of Fleet Administrators (NAFA) U.S. Government Affairs Committee.

**Kimberly Richardson, Assistant City Manager, City of Peoria**

In January 2022, Kimberly Richardson became the Assistant City Manager for the City of Peoria. Prior to this position, Kimberly served as Deputy City Manager for the City of Evanston. In her role as Deputy City Manager, she oversaw the Fire Department, Health and Human Services Department, Parks, and Recreation Department, and the Finance and Economic Development Division within the City Manager's Office. In addition, she led a number of internal and external racial equity-focused efforts of the City.

Kimberly has spent nearly 20 years in municipal government. Prior to joining Evanston in 2016 as the Assistant to the City Manager, she served as the Assistant to the Village Manager in Flossmoor, IL for ten years, and holds both a bachelor's degree and a master's degree in Public Administration from Northern Illinois University.

Kimberly is currently a board member of the Illinois City/County Management Association (ILCMA) and League of Women in Government, and an active member of the International City/County Management Association's (ICMA) and National Forum for Black Public Administrators (NFBPA).

**Shelly Scinto, Of Counsel, Ice Miller LLP**

Shelly Scinto is Of Counsel in Ice Miller's Municipal Finance Group. Shelly has served as bond counsel in public finance transactions for municipal issuers in Illinois, including counties, cities, villages, community college districts, school districts, park districts, and various other entities. Shelly drafts and reviews bond documents, purchase contracts, official statements, offering circulars, tax certificates, ordinances, resolutions and closing certificates. In addition, Shelly works with clients to confirm and ensure compliance with federal securities and tax law, as well as other contractual, federal, and state law requirements associated with municipal financings. Shelly was an attorney in the municipal finance group at Chapman and Cutler LLP from 1998 to 2015 and has served as lead counsel during her career on more than 350 underwritten and privately placed municipal bond transactions throughout the State of Illinois with respect to municipal financings.

**Robert P. Vail, Senior Vice President/Managing Director of Public Finance, Bernardi Securities, Inc.**

Bob joined the firm in 1998 and manages the Public Finance office in Chicago. Bob is responsible for structuring general obligation, revenue backed, and special tax allocation bond issues for client's in both capped and non-tax capped counties. Bob has worked on 525 Illinois negotiated municipal bond transactions with a total par amount of approximately \$2.195 billion since 1998. Bob has helped numerous municipalities, counties, school districts, and park districts throughout Illinois find immediate and future financing, refinancing and debt restructuring solutions. He has extensive knowledge in advanced and current refunding bond issues, alternate revenue source bonds, enterprise system



revenue issues, and debt and levy structuring. Bob holds a B.S. in Finance from the University of Kentucky and the Series 52, 53, and 63 securities licenses.

**John Vezzetti, Vice President, Bernardi Securities, Inc.**

John Vezzetti joined the firm in December of 2009 and works in our Peru office. John is responsible for structuring general obligation and revenue-backed bond issues for clients in both capped and non-taxed capped counties. John has helped numerous municipalities, counties, school districts and park districts throughout Illinois find immediate and future financing and debt restructuring solutions. He has extensive knowledge in advanced and current refunding bond issues, alternate revenue source bonds, enterprise system revenue issues, and debt and levy structuring. John is also responsible for performing credit analysis, refunding analysis, and executing transactions involved with the closing of municipal bond issues. John holds a B.A. in Finance from Augustana College and the Series 52 and Series 63 securities licenses.

**Randy Charles Wilborn, Vice President and Product Owner, Regions Bank Treasury Management Products and Services**

Randy is vice president and a senior product manager within the Treasury Management division of Regions Bank headquartered in Birmingham, Alabama. In his current position, he serves as a product manager for the banks' Treasury Management Disbursements Products, Fraud Prevention solutions and payroll card services.

With over twenty-five years of banking and financial services experience, Randy has held a variety of banking roles. Prior to his current position, he served as a product manager for ACH, EDI (Electronic Data Interchange), and Wire Transfer. Earlier in his career, he worked with Mellon Bank in Pittsburgh, Pennsylvania as a product manager for Business Banking solutions and at Compass Bank where he managed commercial retirement accounts. He also worked as a market research analyst.

Randy earned a B.S. in Accounting with a minor in Marketing from Tuskegee University, a Master of Arts in Public and Private Management from Birmingham-Southern College and completed the BMA School for Bank Marketing and Management held at the University of Colorado, Boulder.

Randy earned his Accredited ACH Professional (AAP) designation in 2003 and became a Certified Treasury Professional (CTP) in 2002. He has previously served on the Board of Directors for the Alabama Treasury Management Association (ATMA) and the Alabama ACH Association (ALACHA).

**Kevin Wills, Investment Banking Specialist, Bernardi Securities, Inc.**

Kevin joined Bernardi Securities in December 2018 and has over 18 years of financial services experience with over 14 years of experience in Illinois public finance. He is responsible for structuring taxable and tax-exempt bond issues in tax capped and non-tax capped counties and has served as lead banker on hundreds of Illinois bond issues, assisting many types of issuers including public school districts, community college districts, cities/villages, airport authorities, park districts, forest preserve districts, counties, public building commissions, and water/sewer districts. Kevin's knowledge and experience in all types of municipal bonds helps him routinely meet the issuers financing needs. He holds a B.A. in Finance and Economics from Illinois State University and is Series 7 and Series 66 licensed.

**John Wysocki, Partner-in-Charge, GW & Associates, P.C.**

John Wysocki is the partner in charge of GWA's audit practice overseeing over 35 government and not-for-profit audits each year. John was previously a senior manager/executive in the government audit practice of a large national firm. There he ran the audits of numerous Illinois municipalities as well as community colleges, transit agencies and the second largest state university in Illinois. In addition to over 20 years of public accounting experience John also spent five years as the finance director for a Chicago suburb with a population of 58,000. He has developed and conducted training sessions on management and leadership skills, accounting and auditing standards, and internal controls. He has published articles on mentoring and coaching. John also holds the advanced single audit certification from the AICPA.

# Finance Officer or Firefighter?

IGFOA

Downstate Conference

Feb 17, 2022

Springfield, IL



# ARNDT

MUNICIPAL SUPPORT, INC.

# Stop Putting Out Fires with effective departmental goal setting: session objectives

- Understand the importance of goal setting
- Set Departmental Goals through collaboration
- Assign a champion
- Accountability matters
- Create a reporting system





# What is your goal?

Does your organization have goals?

Does your department have goals?

Do your team members have goals?

Do you have professional goals?

Do you have personal goals?



# Goal setting...why?

Its Biblical...

Its wise...

Its a management  
best practice...

Its tried and  
true...

It will allow you  
to steer the ship,  
not \_\_\_\_...

Your guaranteed  
not to accomplish  
it if you don't.

# Biblical...

“ And the Lord answered me, and said, Write the vision, and make it plain upon tables, that he may run that readeth it.”

KJV Habakkuk 2:2





# Wise

**“A good plan, violently executed now, is better than a perfect plan next week.” General George Patton**

**“If you don’t design your own life plan, chances are you’ll fall into someone else’s plan. And guess what they have planned for you? Not much.” Jim Rohn**

**“The world makes way for a man who knows where he is going.”**

**Ralph Waldo Emerson**



# Best Practice

“A goal is a dream with a deadline.” Napoleon Hill

“Setting goals in the first step in turning the invisible into the visible.”

Tony Robbins

“ I think setting a goal, getting a visual image of what you want. You’ve got to see what it is you want to achieve before you can pursue it.”

Chuck Norris

“The main thing is to keep the main thing the main thing.”

Stephen R. Covey

“ You will never reach your destination if you stop and throw stones at every dog that barks.” Sir Winston Churchill





# Tried and True

Tried and from the words  
of a Cheshire Cat!



# Who is steering the ship?

- Bags are packed
- The produce is loaded
- All fueled up
- It's embarkation time
- You are on board
- What if there was no plan, no destination, no route, no navigator, no captain?
- Cruise anyone?



# Goal Success

- People who write down their goals are 20% more likely to achieve them.
- Goals coupled with regular reporting and actionable tasks are 40% more likely to be achieved.
- 90% of people perform better with relevant and challenging goals.
- Setting goals keeps you persistent in business success.
- 100% of people who do not set a goal will not accomplish it.





# Collaborate to effectively navigate!

Don't develop your Departmental Goals in a vacuum. Involve your team!

People have more motivation and interest to accomplish a goal that they own.



# Champion anyone?

- Now that you have identified the goal to accomplish, you need to identify who is going to champion that goal to success.
- Who possesses the strengths and skillsets that align with the goal?
- Who has a passion for the goal?
- Who proposed the goal?
- Who can you trust to work on the goal to successful completion?
- Champions DO NOT have to have fancy titles and/or degrees. They just need supported and have an intrinsic motivation to achieve the goal.

# The “A” word...

Accountability is not a dirty word! It is a leadership tool used to effectively make progress toward desired goals.

1. Employee performance evaluations
2. Link to annual merit increases
3. Discuss during employee one-on-one meetings
4. Discuss during staff meetings
5. Share publicly on City Website
6. Put it in writing!
7. Provide the tools and resources they need!



# Reporting – it works!

Develop an effective routine reporting system for your goals!

1. How often? Weekly, monthly, or quarterly?
2. Who to? City Administrator, City Manager, Mayor, the community?
3. Share it – on your webpage, your internal reports, at your staff meetings.
4. When you have to provide an update – it inspires you to make progress on your goals!



# Effective goals...

1. Be committed.
2. Write them down.
3. Report on your progress.
4. Share the goals with others.
5. Hold yourself and others accountable.
6. Be realistic.
7. Select a small number of goals to achieve in a defined timeline.
8. Have fun with it!





# Your goal setting takeaways?

- What one thing stood out to you the most today? What is one of your success nuggets?
- Are you prepared to successfully set departmental goals that will allow you to steer your ship?



# To summarize:

Written goals are important. Set actionable and achievable goals.

Develop your goals as a team.

Assign champions to each goal.

Hold each other accountable to achieve the goals.

Report your progress on a regular basis.



# Enjoy the rest of your conference



**Illinois Government  
Finance Officers Association**

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# Contact Information

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# Illinois Government Finance Officers Association

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## Illinois Municipal Bond Update

February 17, 2022

Bob Vail  
Sr. Vice President  
Bernardi Securities, Inc.

John Vezzetti  
Vice President  
Bernardi Securities, Inc.

Kevin Wills  
Investment Banking Specialist  
Bernardi Securities, Inc.

Shelly Scinto  
Of Counsel  
Ice Miller LLP



# *Available Bond Issuance Types in Illinois*

TYPE OF DEBT	SECURITY	GENERAL REQUIREMENTS
General Obligation <i>Home Rule</i>	Full faith and credit; backed by the ad valorem taxing power of the Issuer.	No statutory debt limit and no need for voter approval to issue bonds. Flexibility. 40 Year maximum term.
General Obligation <i>Non-Home Rule</i>	Full faith and credit; backed by the ad valorem taxing power of the Issuer.	Referendum unless exception. Statutory debt limit of 8.625% of EAV. BINA hearing required. In tax capped counties, non-voted general obligation bonds may be issued as limited bonds payable from debt service extension base. Generally 20 year maximum term.
Alternate Revenue Bonds	“Double-barreled” – payable from a specific revenue source with the general obligation of the municipality serving as backup security.	Pledged revenues must meet coverage requirement of 1.25 times debt service. Backdoor referendum procedures and BINA hearing required. 40 year maximum term.
Debt Certificates	No separate tax levy backing; obligation is a promise to pay from lawfully available funds.	Borrow money by entering into installment contract agreement. No backdoor referendum or BINA hearing required. Statutory debt limit of 8.625% of EAV. 20 year maximum term.
Revenue	Specific revenue source.	Varies by type of revenue. Referendum and BINA hearing not required. 40 year maximum term.
Special Service Area	Full faith and credit of the taxable real property in the special service area.	Need hearings, notice and various other requirements. 30 year maximum term.
Tax Increment Finance Revenue	Future incremental property tax growth from project, TIF area or contiguous TIF district.	Validly created TIF; TIF eligible costs only.

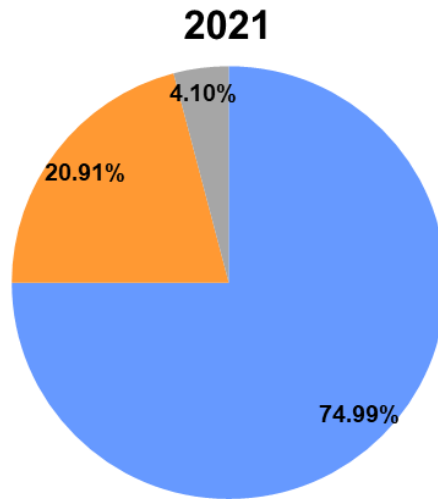
# *Available Bond Issuance Types in Illinois*



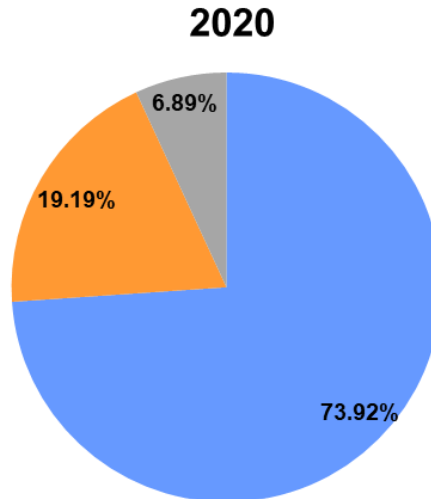


# Available Bond Issuance Types in Illinois

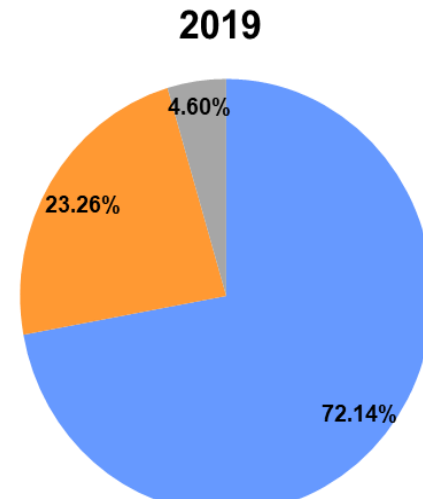
■ 2021: \$475.9.4 Billion ■ 2020: \$484.7 Billion ■ 2019: \$449.0 Billion



■ Negotiated ■ Competitive ■ Private Placement



■ Negotiated ■ Competitive ■ Private Placement



■ Negotiated ■ Competitive ■ Private Placement

# *Pension Obligation Bonds “POBs”*

- “Taxable” bonds that local governments may issue as part of an overall strategy to pay down the unfunded portion of certain (police and/or fire) pension liabilities.
- Risk-bearing arbitrage play, replaces “hurdle rate” or “discount rate” with interest rate on financing. Recent influx of financings due to historic low interest rates.
- Often issued as pure “General Obligation” bonds for home rule units of government and “Alternate Revenue Source” bonds for non-home rule units of government. Issuer has option to abate ad valorem tax in either instance.
- Can replace “Amortization Contribution” column with “Debt Service” on typical actuary projected funding analysis, depending on funding level.
- Financing can be amortized over same term as unfunded liability

# *Pension Obligation Bonds “POBs” (cont’d)*

## Pros

- Potentially save taxpayers money
  - Budget stability
- Liability “neutral” at the outset
- Lowers “hurdle rate” or “discount rate”
- Compounding interest on increased assets
- State funding compliance (90% by 2040)

## Cons (per GFOA)

- **INVESTMENT RISK**
  - Complex financings
  - Legal Debt Margin
    - Structure
  - Credit Rating

# *Pension Obligation Bonds “POBs” (cont’d)*

## *Earnings on POB Proceeds*

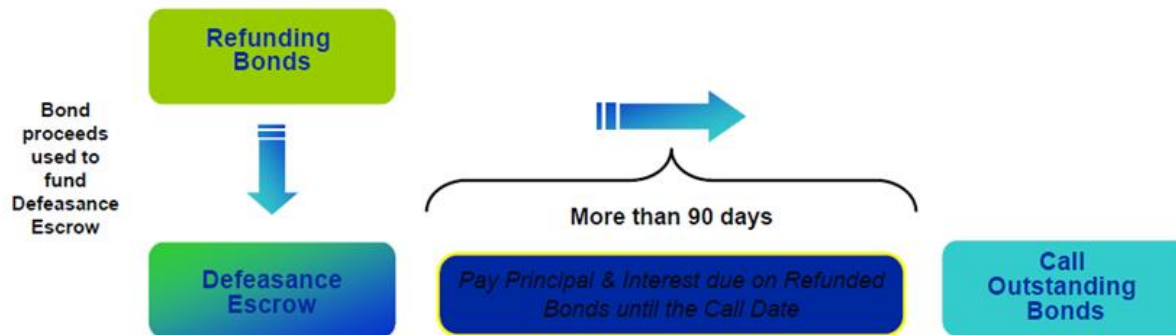
> current hurdle/discount rate
= current hurdle/discount rate
< current hurdle/discount rate, but > POB interest
= POB interest
< POB interest

## *Result*

savings > forecasted
savings = forecasted
savings < forecasted
NO SAVINGS
"Find a good attorney"

# Common Types of Refundings

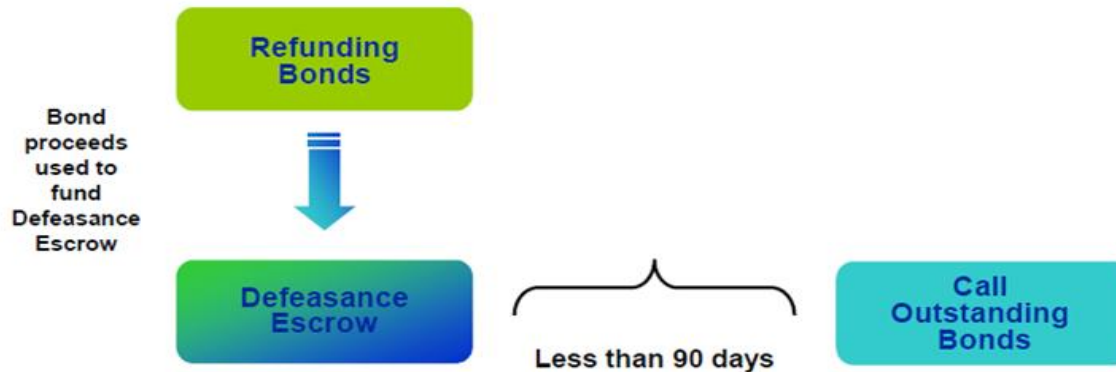
## Advance Refunding



- Refunding bond issue that settles more than 91 days in advance of the stated optional redemption date
- Proceeds are invested in an irrevocable escrow fund until the call date
- Currently, tax-exempt advance refundings are not allowed according to the U.S. Tax Code

# *Common Types of Refundings (cont'd)*

## Current Refunding



- Refunding bond issue that settles within 90 days of the optional redemption date
- Currently, tax-exempt current refundings are allowed under the US. Tax Code
- No regulations limiting the number of current refundings by an issuer

## *Reasons to Issue Refunding Bonds*

- Annual principal and interest (P&I) payments are established at the time the bonds are sold
- Refunding an outstanding bond issue provides the issuer with an opportunity to change the existing P&I payments
  - Interest savings may be realized by replacing the existing P&I payments with new, lower P&I payments
  - Restructure existing P&I payments based on current cash flow situation
  - Restructure to “roll in” with a new money financing
  - Change of control

# *Taxable Advance Refundings*

## PROS

- Refunding bonds are issued on a taxable basis
- Allows issuer to benefit from current market interest rates
- Can oftentimes be done with minimal legal proceedings
- No Internal Revenue Service monitoring for the bonds

## CONS

- Interest rate will be higher
- Costs are oftentimes higher
  - Escrow verification
  - Negative arbitrage



# *Alternatives to a Taxable Advance Refunding*

## Forward Settlement Current Refunding

Bonds are sold now but are not officially issued until a future date that is within 90 days of the optional redemption date

### PROS

- Provides the issuer with an opportunity to lock in current tax-exempt interest rates

### CONS

- Issuer is locked into the deal regardless of market movement
- A premium may be required by the purchasers

# *Alternatives to a Taxable Advance Refunding (cont'd)*

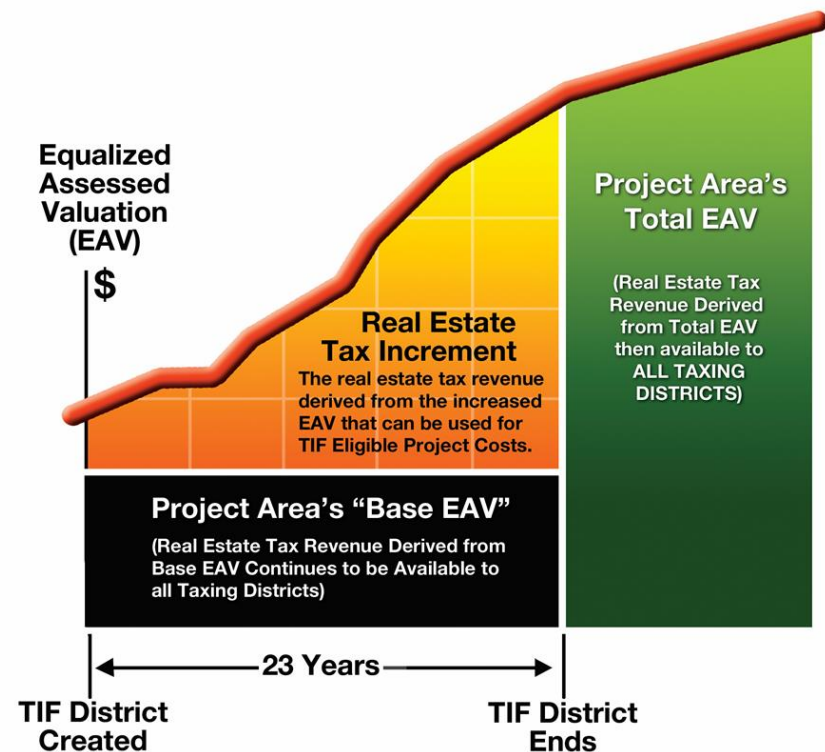
- Cinderella Bonds
- Derivative Products
- Waiting for the bond issue to become “currently callable”
  - Interest rate risk
  - Negative arbitrage is eliminated

## *Things to Consider....*

- Present value savings amount
  - Typically calculated as a percent of the par amount of the refunded bonds
  - Minimum savings target
- Break-even interest rate
- New money financing needs
- Federal legislative changes

# How Does Tax Increment Financing (TIF) Work?

- Real Estate Tax Increment (RETI) results from an increase in Equalized Assessed Value (EAV) above the Base EAV that occurs during the life of the TIF District.
- Annual increases in EAV are then multiplied by the total real estate tax rate.
- The County sends RETI to Municipality for deposit to a Special Tax Allocation Fund.



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# TIF-Eligible Project Costs

- Studies, surveys and planning costs
- Professional services such as architectural, engineering, accounting and legal fees.
- Property assembly costs including land acquisition, demolition and site preparation.
- Rehab, renovation and repairs to existing structures within the TIF District Redevelopment Project Area
- All public works and infrastructure costs
- Financing costs



# Tax Increment Financing Example

## City of Waukegan, Lake County



- **On March 4, 2021, the City refinanced certain redevelopment project costs in connection with the redevelopment of the McGaw Business Center TIF.**
- The TIF encompasses the 225-acre former Cardinal Health, Inc. campus. Over a period of 15 months, the redevelopment demolished 11 buildings and over one million square feet of the former Cardinal Health campus to make the property ready for new construction.
- The TIF currently consists of approximately 3,000,000 square feet of industrial/warehouse space. Corporate users located in the TIF include: Amazon, Bolke Miller, Thermoflex, Abbot, Walgreens and Abvie. Numerous new jobs have been created by the redevelopment.
- The base value EAV of the TIF established in 2014 was approximately \$13 million. The new redevelopment has nearly tripled the EAV to approximately \$36 million in tax year 2019. New incremental property taxes for tax year 2019 were approximately \$2.7 million.
- Bond proceeds were used to refinance an existing developer note from a rate of 5.50% down to 2.50%, which generated a net savings of over \$10 million.
- Bonds were structured with a 17-year debt amortization to coincide with the expiration of the TIF in 2037. The bonds were issued with a 10-year call feature to enable the City to pay off the bonds in 2030 if excess TIF property tax increment is accumulated.

# Tax Increment Financing Example

## Village of Sauk Village, Cook County



- On 2019, the Village refinanced prior 2002A, 2008 and 2009 TIF Bonds and issued new capital TIF bonds for its contiguous tax increment financing districts TIF II and TIF III. Both TIF districts have been extremely successful for the Village.
- TIF II was established in 1998, extended and expires in 2023. The TIF encompasses approximately 108 acres. The base value of the TIF when established was \$63,280 and has grown to \$6,953,752 in tax year 2019, generating approximately \$1.05 million annually in property tax increment. Since the TIF was created in 1998, total TIF revenue of \$25.155 million has been generated.
- TIF III was established in 1993, extended and expires in 2028. The TIF encompasses approximately 350 acres. The base value of the TIF when established was \$281,916 and has grown to \$30,343,454 in tax year 2019, generating approximately \$4.20 million annually in property tax increment. Since the TIF was created in 1993, total TIF revenue of \$41.45 million has been generated.
- Bond proceeds were used to refinance the prior TIF bonds from an aggregate rate of approximately 5.34% down to 2.44%, which generated a net savings of over \$2.5 million.
- The Village monetized the interest savings from the refinancing of the prior TIF bonds to generate approximately \$2.4 million in new money capital TIF funds. The new projects funds were used to finance various TIF improvements including public infrastructure project related to a new Gas N Wash fuel station.



# Waukegan and Sauk Village TIF Projects



# Special Service Area Financing:

- Special service area (SSA) financing is a taxing mechanism used by a municipality to finance additional services, improvements, or facilities desired in a certain portion of its jurisdiction.
- This type of district allows local governments to establish such areas without incurring debt or levying a tax on the entire municipality. In short, an SSA allows local governments to tax and deliver services to limited geographic areas within their jurisdictions.
- These taxes would be extended by the county clerk and would appear on the real estate tax bill of each property within the boundary of the special service area.
- Authority is provided in the Illinois Constitution and Illinois Statutes:

“To levy or impose additional taxes upon areas within their boundaries in the manner provided by law for the provision of special services to those areas and for the payment of debt incurred in order to provide those services.”

# Special Service Area-Eligible Project Costs

- Street Improvements and Curbs
- Alley Repaving
- Sidewalks
- Sanitary and Stormwater Improvements
- Water System Improvements
- Streetscaping/Landscaping
- Lighting
- Parking Lots or Garages
- Certain Land Redevelopment



# Special Service Area Example

## Village of Johnsburg, McHenry County



Over a period of many years, the Village has financed extensions to its municipal sewer system for existing residents by utilizing SSA financings and subsidizing certain associated costs, along with road improvements:

- Special Service Area No. 27
  - Financed sanitary sewer service connections and infrastructure to approximately 60 existing residences. Bond maturity of 20 years, ad valorem tax backed and non-rated.
- Special Service Area No. 28
  - Financed sanitary sewer service connections and infrastructure to two existing commercial parcels. Bond maturity of 18 years, ad valorem tax backed and non-rated.
- Special Service Area No. 32
  - Financed sanitary sewer service connections to approximately 33 existing commercial parcels. Bond maturity of 20 years, special tax backed and non-rated.
- Special Service Area No. 33
  - Financed road improvements and storm sewer improvements to an area consisting of approximately 53 residences. Bond maturity of 20 years, special tax backed and non-rated.

# Special Service Area Example

## Village of North Barrington, Lake County



- **In June 2019, the Village financed the repair and replacement of certain existing sanitary sewer facilities, including lagoon rehabilitation, lift station pump replacement, well repair and water storage facilities, as well as refinanced prior 2010 SSA bonds.**
- The SSA consisted of the Wynstone development, a 750-acre subdivision located within the Village consisting of 406 single-family homes, eight duplexes, a golf course and 14 commercial parcels.
- Refinancing of the 2010 bonds lowered the net interest rate from 7.52% to 3.67% and generated a net present value savings of over 10.75%.
- Bonds were rated Moody's "A1" and qualified for Build America Mutual Insurance.
- A surety bond was purchased at the cost of 225 basis points from Build America Mutual Insurance to cover 50% of the required debt service reserve. This approach saved taxpayers approximately \$170,000 in interest costs.
- The bonds were issued with a 25-year maturity and were backed by a special tax included on the property tax bill. The special tax is billed per water meter.



# Special Service Area Example

## Village of Round Lake, Lake County



- In 2017, the Village refinanced SSA No. 1 – 2007 Bonds, SSA No. 3 – 2007 Bonds and SSA No. 4 – 2007 Bonds for interest savings. The prior bonds were refunding bonds that refinanced 2003 bonds. The original 2003 bonds were issued to finance storm management, grading, public water and sewer infrastructure, roads, lighting, sidewalks and other public improvements.
- The SSA's consist of three Lakewood Grove subdivisions located within the Village.
- The 2017 financing consolidated SSA No. 1, SSA No. 3 and SSA No. 4 bonds into one refunding bond issue.
- The consolidated approach allowed the bonds to qualify for Build America Mutual Insurance. The insurers generally only qualify SSA bond issues with a minimum 500 residential parcels. Neither of the three SSA's hit this minimum parcel count threshold on their own.
- A surety bond was purchased at the cost of 325 basis points from Build America Mutual Insurance to cover 25% of the required debt service reserve. This approach saved taxpayers approximately \$150,000 in interest costs.
- The combined refinancing of the 2007 bonds lowered the net interest rate from 5.22% to 3.76% and generated a net present value savings of over 7.10% or \$1,820,000.
- The bonds were issued with a 16-year maturity and were backed by a special tax included on the property tax bill.

# INFRASTRUCTURE INVESTMENT AND JOBS ACT

(Became Law 11/15/2021) Funds available:

- **TRANSPORTATION (\$288 billion)**
  - Roads, Bridges, and Major Projects (\$110 billion)
  - Rail (\$66 billion)
  - Public Transit (\$39 billion)
  - Airports (\$25 billion)
  - Ports (\$17 billion)
  - Safety (\$11 billion)
  - Electric Vehicles (\$8 billion)
  - Electric Buses (\$8 billion)
  - Other (\$4 billion)
- **ENERGY, ENVIRONMENT, CLIMATE (\$191 billion)**
  - Power Infrastructure (\$65 billion)
  - Water Infrastructure (\$55 billion)
  - Resilience (\$50 billion)
  - Environmental Remediation (\$21 billion)
- **BROADBAND (\$65 billion)**
- **OTHER (\$6 billion)**



# INFRASTRUCTURE INVESTMENT AND JOBS ACT cont'd

But what do these numbers mean? In part, the objectives of this legislation are to:

- Deliver clean water to millions of households and schools as well as replace all of the nation's lead pipes and service lines;
- Ensure every American has access to reliable, affordable high-speed internet;
- Build out the first-ever national network of Electric Vehicle charging infrastructure;
- Rebuild economically significant bridges in communities across the country;
- Make the largest investment in public transit in history and the largest investment in rail since Amtrak's creation;
- Make our communities safer and our infrastructure more resilient to the impacts of climate change and other threats;
- Build thousands of miles of new transmission power lines to facilitate the expansion of renewable energy.

# Impact of IIJA on Illinois

- **Roads, Bridges, and Major Projects** – Based on formula funding alone, Illinois can expect to receive \$9.8 billion for federal-aid highway apportioned programs and \$1.4 billion for bridge replacement and repairs over five years.
- **Transit** – Based on formula funding alone, Illinois can expect to receive nearly \$4 billion over five years to improve transportation options across the state.
- **Electric Vehicles** – Illinois can expect to receive \$149 million over five years to support the expansion of an EV charging network. Illinois can also apply for the \$2.5 billion in grant funding dedicated to EV charging.
- **Broadband** – Illinois will receive a minimum allocation of \$100 million to help provide broadband coverage across the state. 2,926,000 or 23% of Illinoisans will be eligible for the Affordability Connectivity Benefit, which will help low-income families afford internet access.
- **Resiliency** – Illinois can expect to receive \$27 million over five years to protect against wildfires and \$22 million to protect against cyberattacks. Illinoisans will also benefit from the bill's historic \$3.5 billion investment in weatherization to reduce energy costs for families.
- **Water Infrastructure** – Based on the formula funding, Illinois can expect to receive \$1.7 billion over five years to improve water infrastructure and ensure that clean, safe drinking water is available in all communities.
- **Airports** – Airports in Illinois would receive approximately \$616 million for infrastructure development for airports over five years.

GRANT NAME	BRIEF DESCRIPTION
Rebuilding American Infrastructure Sustainably and Equitably (RAISE) Grants	This existing competitive grant program at the Department of Transportation provides \$7.5 billion with an additional \$7.5 billion subject to Congressional approval in funding for road, rail, transit, and other surface transportation of local and/or regional significance.
Infrastructure for Rebuilding America (INFRA) Grants	This Department of Transportation program supports highway and rail projects of regional and economic significance.
Safe Streets and Roads for All	This new \$5 billion competitive grant program at the Department of Transportation will provide funding directly to and exclusively for local governments to support their efforts to advance “vision zero” plans and other complete street improvements to reduce crashes and fatalities, especially for cyclists and pedestrians
Reconnecting Communities	The Bipartisan Infrastructure Law creates a first-ever \$1 billion program at the Department of Transportation to reconnect communities divided by transportation infrastructure. This new program will provide dedicated funding to state, local, metropolitan planning organizations for planning, design, demolition, and reconstruction of street grids, parks, or other infrastructure to address these legacy impacts.
Rural Surface Transportation Grant	This new \$2 billion competitive grant program at the Department of Transportation will improve and expand surface transportation infrastructure in rural areas, increasing connectivity, improving safety and reliability of the movement of people and freight, and generate regional economic growth.
Brownfields Remediation Program	This existing EPA program will provide \$1.2 billion in grants and technical assistants to communities to assess and safely clean-up contaminated properties and offer job training programs. Communities are currently able to request funding for Targeted Brownfields Assessments through their regional EPA office.
Energy Improvement in Rural or Remote Areas	This new Department of Energy program will provide \$1 billion to entities in rural or remote areas (defined as cities, towns, or unincorporated areas with fewer than 10,000 inhabitants) to increase environmental protection from the impacts of energy use and improve resilience, reliability, safety, and availability of energy.
ReConnect Program	This existing Department of Agriculture program will provide almost \$2 billion in loans and grants for projects that provide broadband in rural areas. Award funds may be used to pay for the following costs: (1) To fund the construction or improvement of facilities required to provide fixed terrestrial broadband service. (2) To fund reasonable pre-application expenses. (3) To fund the acquisition of an existing system that does not currently provide sufficient access to broadband (eligible for 100 percent loan requests only).

GRANT NAME	BRIEF DESCRIPTION
Transportation Infrastructure Finance and Innovation Act (TIFIA)	The IIJA makes changes to TIFIA project eligibility and appropriates an additional \$1.25B to the program, which is managed by DOT and offers low interest loans and loan guarantees to public and private borrowers for regionally and nationally significant transportation projects. Eligible projects are (1) Shovel-ready with all permits and licensing completed; (2) Investment grade rating from a nationally-recognized agency; and (3) Loan repayment source must be a general obligation pledge, dedicated tax revenue pledge, or government appropriations.
Lead Service Line Replacement	This provision of the IIJA allocates a pot of money to Drinking Water State Revolving Funds specifically for the identification, planning, design, and replacement of lead service lines. This allocation is free from cost-matching requirements, and 49% of these funds are to be made available for loans with 100% cost forgiveness, grants, or a combination of both. Lead service lines were banned in 1986 — these funds will help cities speed up efforts to complete replacements.
Bridge Investment Program	The IIJA establishes this program which will fund projects that repair or replace bridges of all sizes that are in poor or fair condition on any public road, as well as funding projects to improve the safety, efficiency, and reliability of the movement of people and freight over bridges. The program encourages the bundling of multiple bridge projects for efficiency. USDOT will cover up to 50% of project costs for large projects and up to 80% for small projects. This program supplements the \$27.5B in the IIJA of new state formula funds for bridge rehab and replacement primarily targeting bridges on the federal highway system.
Broadband Equity, Access, and Deployment Program	The IIJA establishes this program to provide funding to reshape broadband access across the country and build staff capacity to oversee broadband systems going forward. States will be allotted formula grants of no less than \$100M for projects that extend or improve access in poorly connected areas, including within multi-family residential buildings and community anchor institutions like schools and health clinics. Grants can also support activities like data collection and the provision of affordable internet-capable devices. 10% of the funding will be set aside for areas where the cost of broadband projects is higher than the national average. Notice of funding opportunity will be available no later than 180 days after the enactment of the act.
Electric Vehicle Charging and Refueling Grants	The IIJA establishes this program which creates two new competitive grant programs: General Grants (\$1.25B) and Community Grants (\$1.25B). General Grants will be awarded to applicants committed to expanding alternative charging stations on DOT-designated alternative fuel corridors, which, at time of the act's passage, mostly include portions of the national highway system. These grants must go toward contracts with a private entity for acquisition and installation of publicly accessible electric vehicle charging infrastructure. Community Grants, by contrast, will be awarded to applicants targeting new charging infrastructure located on public roads, schools, parks, and in publicly accessible parking facilities. These grants will be prioritized for rural areas, low- and moderate-income neighborhoods, and communities with low ratios of private parking or high ratios of multiunit dwellings. These grants are capped at \$15M per award. Unlike the general grants, community grants can go toward development and planning activities (feasibility analyses, environmental reviews, etc.) or the acquisition and installation of new charging infrastructure. They represent the most relevant bucket of EV charging funds for cities.

## Case Study of Combining Bonds with Federal and State Funds

In 2021, the County of Sangamon, Illinois, embarked on a capital project the cost of which approximated \$110 million.

<u>PROJECT</u>	<u>TOTAL COST</u>	<u>COUNTY BONDS</u>	<u>OTHER</u>
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\*Source: County of Sangamon, Illinois

# TIME FOR YOUR QUESTIONS

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# FINANCIAL FRAUD SCHEMES:

## What You Should Know

Randy C. Wilborn, CTP - Commercial Product Management

Springfield, IL

February 17, 2022

Illinois Government Finance Officers Association

2022 Downstate Chapter Conference



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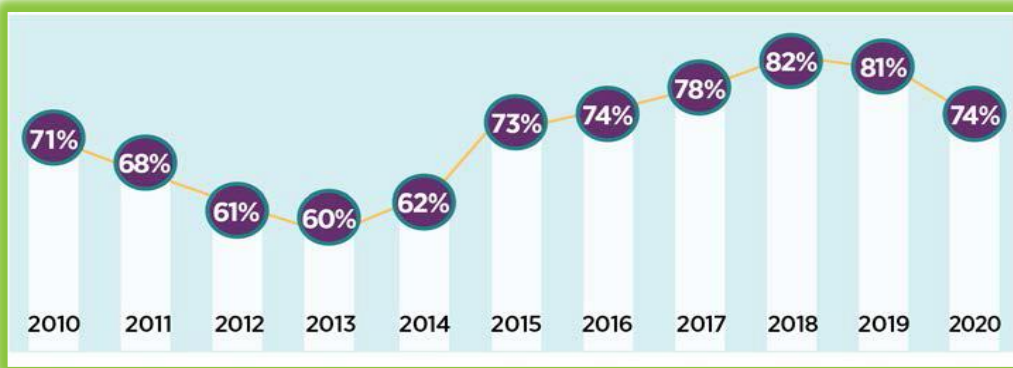


# Agenda

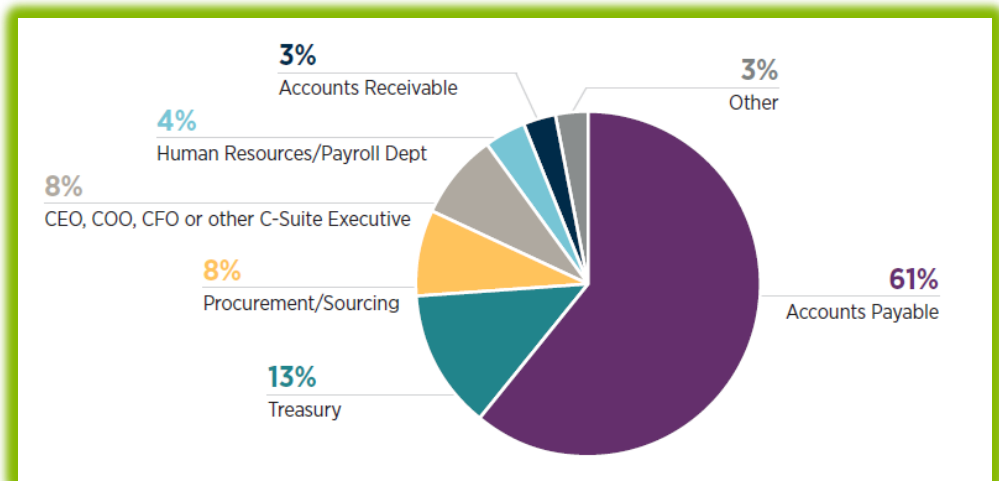
- Introductions
- AFP Payment Fraud Highlights
- Commercial Fraud Schemes - Recaps
- Incident Response Plan
- Questions

# Payment Fraud and Control Survey Highlights

**Percent of Organizations that Experienced Attempted and/or Actual Payments Fraud, 2010-2020**

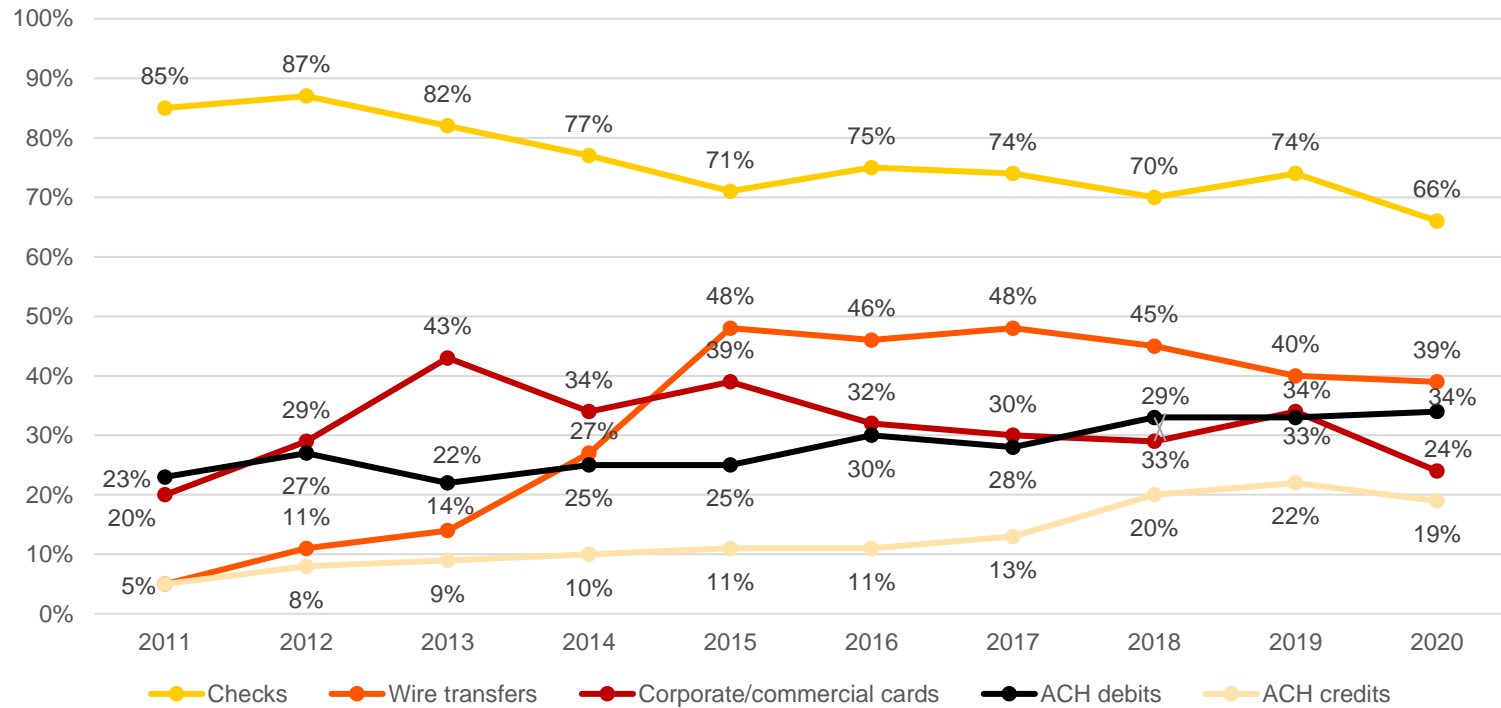


**Departments Most Vulnerable to Being Targeted by BEC Fraud (Percentage Distribution of Organizations)**



## Trends in Payments Fraud Activity

(Percent of Organizations that Experienced Attempted and/or Actual Payments Fraud by Payment Type)



Source: 2021 AFP Payments Fraud & Control Survey



- 112 Associates – Backgrounds include former U.S. Secret Service, FBI, Federal Prosecutor, local law enforcement
- 57 Investigators located throughout the Regions footprint
- In 2021, Corporate Security worked 131,560 Alerts/Cases; 7,233 Cases worked by Field Investigators; 624 cases with a net loss of over \$10,000



# Bookkeeper Fraud



## Bookkeeper Fraud Recap

- › Arises when full authority has been given to a single employee to issue and reconcile payments, especially associated with checks
- › 85% of all fraud is perpetrated by a trusted employee
- › Creates bogus accounts payable/vendors and generates payments
- › Opens bank account in similar name to business and diverts checks meant for business

# BEST PRACTICES

## 1 Reconcile to spot abnormal activity

- Reconcile your accounts in a timely manner.
- Segregate your accounts by purpose, type, and/or payment method.



## 2 Place stop payments on any checks that have been lost or stolen

## 3 Convert paper payments to electronic payments



### For Employees

- Use Automated Clearing House (ACH).
- If an employee does not have a bank account, offer to deposit their pay directly to a payroll card that allows them to use it like a bank debit card.

### For Vendors

- Pay via ACH or purchasing card.
- Use wire transfers for high-value or time sensitive payments as well.

## 4 Securely store check stock, deposit slips and bank statements, then destroy securely



## 5 Use Positive Pay

This powerful tool allows you to send information to your bank about the checks you've written so that when checks come in to pay, they are matched to what you've told them. Positive Pay is also available for ACH. If you've authorized a supplier or other partner to draft money from your account you can pre-approve these transactions.



# Business Email Compromise (BEC) -



# Business Email Compromise - Recap

- Targets employees with access to company finances
- Directs employee to release funds to bank accounts thought to belong to trusted partners

## Iterations Over Time:

- **Executive email intrusion:** criminal impersonates senior executive requesting payment or order to purchase gift cards
- **Vendor email intrusion:** criminal impersonates vendor requesting the company to change payment remittance information
- **Employee email intrusion:** criminal impersonates an employee requesting the vendor to send payment account information or requesting the company change employee's direct deposit information

## Most Prevalent Types of BEC Fraud (Percent of Organizations)

	LESS THAN 25 INSTANCES ANNUALLY	26-100 INSTANCES ANNUALLY	101-200 INSTANCES ANNUALLY	200+ INSTANCES ANNUALLY
Emails from other third parties requesting changes of bank accounts, payments instructions, etc.	88%	9%	2%	1%
Emails from fraudsters pretending to be senior executives using spoofed email domains directing finance personnel to transfer funds to fraudsters' accounts	87%	9%	2%	2%
Emails from fraudsters impersonating as vendors (using vendors' actual but hacked emails addresses) directing transfers based on real invoices to the fraudsters accounts	87%	11%	1%	1%

# BEC – Means of Deception



- **Phishing** – bogus emails prompt victims to reveal confidential information
- **Social Engineering** – phone calls/conversations to gain trust
- **Identity Theft** – deliberate use of someone's identity for financial gain
- **E-mail Spoofing** – slight variations on legitimate email addresses
- **Malware** – infiltration of networks



# BEC - Helpful Practices to Avoid these Schemes

- Create email rules to identify suspicious emails
- Implement two factor authorization for payment changes
- Phone verification for transfer requests
- Provide employee training and awareness
- Use 'Forward' instead of 'Reply'
- DON'T RELY ON E-MAIL ALONE



# Ransomware



# Ransomware

- Fraudsters target an organization by placing malware on the organization's computer system and locking the system with encryption.
- Payment (ransom) is demanded before the fraudster releases the code to unlock the system.
- Fraudsters access the computer system through:
  - Infected software applications
  - Infected documents and files
  - Infected external storage devices
  - Compromised websites

## Examples or ransomware in the public sector

■ A U.S. county was infected by Ryuk, taking almost all of the county's systems offline. The county had backup servers, but they were not isolated from the network, allowing them to be infected as well. The county paid a \$132,000 ransom.

■ A U.S. city's systems were infected by Robbinhood with a ransom demand of 13 Bitcoins (\$76,000). The attackers entered the network through old, out-of-date hardware and software. The ransom was not paid, but service restoration was estimated to cost over \$9 million.

When fraud occurs, what are the industry suggested next steps?



# CYBER FRAUD BEST PRACTICES

## 1 Use dual control for transaction initiation

- Use Wire and ACH.
- Use email alerts for approvals.

## 2 Reconcile your accounts daily to look for fraudulent activity.

## 3 Use a secure environment

- Back up and test regularly.
- Limit web surfing.
- Use firewall, anti-virus, anti-malware, anti-spyware.

## 4 Use strong passwords and protect them

- Create passwords that are **not easy to guess.**
- **Change your password** at least every 60 days.



\*\*\*\*\*

- **Keep your passwords secure.** Do not store a list of passwords or keep them near your computer. Do not share passwords or login with anyone.
- **Be careful of social engineering.** Know that the bank will never call you to ask you for your ID or password.

## 5 Beware of your email

- **Do not click on links** that look suspicious.
- **Be aware of advertising scams for virus scanners** showing what looks like a real virus scan of your computer.
- **Never click a popup that states software needs to be installed/purchased** to solve a problem.
- **Be aware of banner ads.** They are being used by hackers to hide malware that can be installed on a PC without the user ever clicking on them.

### RESOURCES

**Regions:** [regions.com/stopfraud](https://regions.com/stopfraud)

**Internet Crime Complaint Center:**  
[www.ic3.gov](https://www.ic3.gov)

# Check Fraud



# Traditional Check Fraud - Recap

## Check Fraud

### 1. Alteration

- › Change to face or back of checks
- › Results in non-conforming

### 2. Counterfeit

- › Illegal, unauthorized printing of checks

### 3. Forgery

- › Unauthorized maker's signature – produced manually or via fax
- › Unauthorized endorsements/payee claims
- › payments instructions/endorsements

### 4. Improper/missing endorsements

- › Endorsement is missing or doesn't confirm to the way check was drawn

### 5. Non-negotiable check copy

- › Photocopy of check processed as an original check



# Check Fraud - Helpful Practices to Avoid these Schemes

**Positive Pay detects fraudulent checks by comparing check serial number, amount, and payee name.**

- **Positive Pay Options**
  - Reverse Positive Pay
  - Next Day Positive Pay
  - Same Day Positive Pay
  - Payee Name Verification
  - No Check Positive Pay



# Paper Payments Best Practices

- › Convert paper payments to electronic.
- › Securely store check stock, deposit slips and bank statements then destroy securely.
- › Place stop payments on any check that are outstanding over a period of time.
- › Utilize Positive Pay services for checks and ACH



# ACH Positive Pay

## **ACH Alert – An email notification for authorized and unauthorized debits**

- › Based upon notification rules set by the client
- › Can be account level or transaction level
- › Ability to return unauthorized debits
  - › Review and update pay/return decision for each transaction, regardless of default
- › Authorized Company IDs managed by the client
  - › Start Date, Ending Date, maximum dollar amount, and frequency
- › Clients notified by 7:00 AM (central)
  - › Delivered via email
- › Decisions due by 2:00 PM (central).
  - › Submitted via ACH Alert application



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# Education and Awareness are Key to Prevention

▶ Are your **internal controls** strong enough?

▶ Over the past 18 months, have you experienced a **financial loss** related to fraud?

▶ Is access to your **networks and data** secure?

▶ Do you have a strong **vendor management program**?

▶ Do you have software in place to detect and stop **phishing & malware**?

▶ Do you have a **cybersecurity employee education & awareness program**?

▶ Do you have a **cybersecurity action & governance plan**?

# Three Industry Suggested Practices

## Guard Your House

1

- Conduct a thorough IT vulnerability assessment
- Work with your IT Department to create efficient and effective firewall protocols that guard and protect your systems and confidential information
- Regularly patch and update security systems and back up critical data offline
- Leverage fraud prevention tools - Positive Pay, ACH Positive Pay & Account Reconciliation

## Create an Associate Training Program

2

- Utilize the videos and information to educate critical payment stream positions. Resources include: [www.regions.com/stopfraud](http://www.regions.com/stopfraud) and [www.regions.com/fraud\\_prevention](http://www.regions.com/fraud_prevention)
- Perform regular phishing testing on Associates
- Encourage Associates to be aware of potential points of compromise

## Create a Fraud and Risk Governance Plan

3

- Identify and document risk tolerance
- Establish internal controls like a call-back procedure for changes in payments
- Create a robust vendor management program
- Document a detailed fraud response plan

# Call Back Control

If you receive an email requesting a change to the account number for payments:



**STOP** – **DO NOT** process the request received via email



**CALL** – Call the “sender” using a legitimate phone number known to you. **DO NOT** reply to the email, and **DO NOT** call the number listed in the email



**CONFIRM** – Verify that the real vendor or employee did, in fact request the change



## Additional Website Information

### Federal Government

Internet Crime Complaint Center-----	<a href="https://www.ic3.gov">https://www.ic3.gov</a>
Federal Bureau of Investigation-----	<a href="https://www.fbi.gov">https://www.fbi.gov</a>
Cybersecurity & Infrastructure Security Agency-	<a href="https://www.CISA.gov">https://www.CISA.gov</a>
Federal Trade Commission-----	<a href="https://www.ftc.gov">https://www.ftc.gov</a>
National Security Agency-----	<a href="https://www.nsa.gov">https://www.nsa.gov</a>
CISA, Homeland Security & Secret Service-----	<a href="https://www.stopransomware.gov">https://www.stopransomware.gov</a>

### Regions

Stop Fraud -----	<a href="https://www.regions.com/stopfraud">https://www.regions.com/stopfraud</a>
Doing More Today -----	<a href="https://www.doingmoretoday.com/">https://www.doingmoretoday.com/</a>
Fraud Prevention -----	<a href="https://www.regions.com/fraudprevention">https://www.regions.com/fraudprevention</a>

# QUESTIONS

Randy C. Wilborn, CTP - Commercial Product Management

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# REGIONS



# The Top 3 Challenges in Local Government

David Jelonek, CPA, Partner  
John Wysocki, CPA, Partner  
GW & Associates, P.C.

# Back in the Day

- It's Friday, March 6, 2020
  - You were getting ready for the December 31, 2019 audit
  - You were going out to the new restaurant in town for dinner
  - A resident was in your office yelling at you about a water bill (without a mask!)
  - You posted for summer jobs for high school and college kids at the rec center
  - You just submitted to the Board a proposal for an increase in local tax rates and permit fees
  - You had no idea who Dr. Fauci is

# A Couple Weeks Later

- Your audit will now be “virtual”
- The new restaurant is closed as they figure out how to open for carry out – sales tax not being generated.
- Residents are yelling at you over the phone now because City Hall is closed.
- You call off interviews for summer jobs
- You have new tax rates and permits – more people will be doing renovations to their properties – more revenues
- You know who Dr. Fauci is

# One Thing Became Certain - Uncertainty

- Delays
- Illness
- Closures
- Mandates
- Finances



# You're Used To It

- Changes and uncertainty is the day in the life of a government finance professional
  - Budget changes
  - Change in direction from the Board/Elected Officials
  - “Find money”
  - Is that on my schedule?
  - The auditors are here!?!?!?

# Everything Runs Through Finance

- You are the quarterbacks of your organization
  - Budgeting
  - Analysis
  - HR/Personnel
  - IT
  - Legal
  - Custodian
  - Audit
  - Financial Reporting



# #1 - Reporting Changes

# How Do You Prepare?

- How do you prepare for new GASBs?
  - Seminars/Training
  - Articles
  - Discuss with your auditor
  - Rely on your auditor

# Death, Taxes, and New GASBs

- I started my career on June 1, 2003 – the number of GASBs issued by that date was 41
- Today, we stand at 98
- The financial statements continue to evolve
  - What's important to you and your financial statement users?
- Trust your auditor, but don't overly rely on them

# Representation Letter

- “**We have fulfilled our responsibilities**, as set out in the terms of the audit engagement letter dated (MONTH, DAY, YEAR), including **our responsibility** for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.”
  - If your auditor is preparing your financial statements, you still are responsible for the fair presentation of the financial statements.
  - What steps do you take to ensure that the auditor has prepared the statements so that they present fairly?

# Clarification of Roles

- As part of your audit, you (the auditor) assisted with preparation of the financial statements and disclosures [and schedule of expenditures of federal awards]. We acknowledge **our responsibility** as it relates to those nonaudit services, including that we assume **all management responsibilities**; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and **accept responsibility** for the results of the services. We have reviewed, approved, and **accepted responsibility** for those financial statements and disclosures [and schedule of expenditures of federal awards].

# #2 - Funding Changes



# Changes in Revenue Streams

- Property tax collection rates
- Sales and local taxes
- Building permits
- Recreation fees
- Grants
- Utilities
- Other changes?

# Changes in Expenditures

- Headcount
- Public safety overtime
- Special events
- Seasonal expenses
- PPE & ventilation
- Other changes?

# Going Forward

- Budget process
  - Dealing with uncertainties
  - Are there revenue streams you fear may not rebound?
  - Are there expenditures that have been eliminated and not coming back anytime soon?
- Unused Assets
  - Are there buildings or land going unused?
  - Discontinued operations?
    - How are you deciding what stays or goes?
    - How long do you hope for a rebound?

# Going Forward

- Open Positions
  - What areas are hardest to fill right now?
- Rate Hikes
  - Receivables
- Infrastructure
  - Grants
  - Bonds
  - User fees
- Local Businesses
  - Closures
  - Unused/little used properties

# #3 - Audit Preparedness

Subtitle

# Changes in Process

- Remote audits
  - Pros/Cons
- Control structure
  - Major changes? Temporary or Permanent?
- Time
  - More or less?
  - Coordination of services (pension audits, actuaries, etc.)
- Headcount
  - Open positions?

# Slowdowns

- Not being ready by the start date
- Assembling primary requests, but fall behind on secondary requests
- Starting and stopping
- Reliance on the auditor for fixing balances
- Inability to identify federal awards/expenditures
- Tardiness of others
  - Actuarial reports
  - Component unit financial statements
  - Pension financial statements

# Speed Up the Process

- Stay on top of requests – move your calendars up a week
- Keep your auditor busy
- Make accruals and scan the trial balance for irregularities/unchanged balances from the prior year
- Commit to separate accounts for grant revenues and expenditures
- Contact your actuaries early
- Set a timetable with your component units



# Restricted Funding

- Monitor the activity in your special revenue and capital project funds
  - Bond proceeds
  - TIFs
  - MFT
  - Grants (i.e. CDBG)
  - Watch out for growing interfunds!

# Single-Audits

- Single-audit is required if combined federal expenditures in excess of \$750,000
- Keep track of your grants in a central location
- Contact granting agencies to determine the funding source (federal, state, local, etc.)
  - If Federal, obtain the CFDA number
- Prepare your Schedule of Expenditures of Federal Awards
  - Utilize grant specific general ledger accounts, project codes, or separate funds
  - Compare revenues received and expenditures paid
    - If expenditures exceed revenues, you have a receivable to book
    - If revenues exceed expenditures, you have an unearned revenue to book

# Single-Audit Documentation

- Make copies of invoices paid with grants
- Keep invoice copies with requests for grant drawdowns
- Review procurement policies
  - Quotes vs. Bid
- Exhibit that your government is matching grant expenditures paid by the grant, if required
- Have copies of reports filed with granting agencies handy
- Keep copies of grant receipts and deposit slips
- If passing through funding to other entities, create a process to monitor their use of the funding
- Google “White House Compliance Supplement” for the audit procedures your auditor should be performing on the selected grant.

# Common Errors in Single-Audits

- Lack of controls
  - Secondary reviews of grant funding and drawdown requests/reports
- Procurement policies aren't updated
- Exhibit that vendors paid with federal funds are reviewed to determine if they are suspended or debarred ([sam.gov](http://sam.gov))
- Lack of subrecipient monitoring
- Amounts drawn down do not trace to the trial balance or supporting documentation.
- Keeping track of equipment purchased with federal funding
- Requesting reimbursement prior to payment (if a reimbursement based grant as opposed to lump sum).
- Spending on unallowable activities

# Consequences

- Future funding can be put in jeopardy
- May have to pay back misused funds
- May be monitored directly by the Federal agency
- Assessed as a high risk auditee
- Ensure your auditor has necessary experience to perform this portion of the engagement

# Helpful Tips

- Track capital purchases
  - Group by project
  - Keep an eye on retainage
- Less audit entries = lower audit fee
- Tie-out your draft
- Keep communication lines open

# Contact Info

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(708)755-8182



# Legislative Update

## February 17, 2022

**Speakers:** Brad Cole, Executive Director, Illinois Municipal League (IML) and Bill McCarty, Director, Office of Budget and Management, City of Springfield, IGFOA President and Legislative Committee Chair



Illinois  
Government  
Finance  
Officers  
Association

Learning • Connecting • Progressing



## Questions or Comments?

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Bill McCarty

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[william.mccarty@springfield.il.us](mailto:william.mccarty@springfield.il.us)

### Additional Resources

Illinois Municipal League

[iml.org](http://iml.org)

National GFOA

[gfoa.org/federal-advocacy](http://gfoa.org/federal-advocacy)

# **IGFOA 2022 Downstate Chapter Conference – February 18, 2022**

## **Common Reporting Deficiencies (and How to Avoid Them)**

Anthony Cervini, CPA, CFE  
Partner-in-Charge, Government Services  
630.566.8574  
Anthony.Cervini@Sikich.com



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# AGENDA

**Local governmental financial reporting can be complex and reporting requirements are in what seems like a constant state of flux**

## **Our objectives**

- Identify common reporting errors found in governmental financial statements
- Learn best practices for identifying and correcting potential reporting errors when preparing and reviewing your financial statements
- Gain an understanding of the GFOA Award Programs and how you can effectively review your own annual report

# How to Avoid Common Reporting Issues

## **GASB**

- Governmental Accounting Research System (GARS)

## **GFOA**

- Award Checklist ([https://gfoaorg.cdn.prismic.io/gfoaorg/b5bd83c3-9e9e-4fe1-abe7-473ef50576e3\\_COAGeneralPurposeChecklist120821.pdf](https://gfoaorg.cdn.prismic.io/gfoaorg/b5bd83c3-9e9e-4fe1-abe7-473ef50576e3_COAGeneralPurposeChecklist120821.pdf))
- [https://gfoaorg.cdn.prismic.io/gfoaorg/04cc38e2-de55-4cd7-91ea-c638ed0a2f64\\_GAAFR2020AppendixD.pdf](https://gfoaorg.cdn.prismic.io/gfoaorg/04cc38e2-de55-4cd7-91ea-c638ed0a2f64_GAAFR2020AppendixD.pdf)

## **Illinois CPA Society**

- Government Report Review Checklists (and Training)

## **Additionally**

- Keeping your general ledger up-to-date and complete (i.e. GASB 34 Fund)
- Communicate!

# Formatting

**Financial Statement Presentation is a significant source of many of the most frequently identified errors**

- Do not report cents
- If rounding, clearly indicate on the face of the financial statements
- Use of correct terminology

# Terminology

Correct	Outdated	Applicable to
Basic financial statements	General purpose financial statements	All
Expenditure	Expense	Governmental funds
Prepaid items (or prepaids)	Prepaid expense	Governmental funds
Issuance of debt	Proceeds from debt	Governmental funds
Revenues, expenses, gains or losses	Other financing sources/uses	Proprietary funds, fiduciary funds, and government-wide financial statements
Expense	Expenditure	Proprietary funds, fiduciary funds, and government-wide financial statements

# Terminology

Use	Instead of	In connection with
Fair value	Market value	Assets and liabilities
Acquisition value	Fair value or market value	Donated assets and liabilities
Interfund services provided and used	Quasi-external transaction	Internal transactions on an exchange or exchange-like basis
Capital assets	Fixed assets	All
Net investment in capital assets	Invested in capital assets, net of related debt	All
Assigned or unassigned fund balance	Reserved or unreserved fund balance	Governmental funds

# Terminology

Use	Instead of	In connection with
Unearned revenue	Deferred revenue	Prepayments received and properly reported as liabilities
Net position	Net assets	All
Unmodified	Unqualified	Auditor's Report
Net pension liability/asset or Net OPEB liability	NPO or NOPEBO	Pension and OPEB
Actuarial Determined Contribution	Actuarially required contribution	Pension and OPEB



# Cover

- “Fiscal year ended...”
- Include state name
- On Cover/Title Page
  - Include name of responsible individual or department

NAME OF GOVERNMENT, STATE  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
for the fiscal year ended  
June 30, 2027



Prepared by:  
Department of Finance and Administration

# Table of Contents

- Clearly define the separate report sections
- Distinguish between basic financials, RSI, etc.
- Identify all statements/schedules
  - Including page number reference

NAME OF GOVERNMENT  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2027

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# Introductory Section

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## INTRODUCTORY SECTION

# Introductory Section

- List of Principal Officials
  - Elected, Appointed, or combination allowed
  - In place during year, at date of issuance, or combination
- Organizational Chart
- Certificate of Achievement
  - Include if received in prior year

## APPENDIX D • ILLUSTRATIVE ACFR

### NAME OF GOVERNMENT List of Elected and Appointed Officials as of June 30, 2027

#### Elected Officials

Mayor	Joseph McCauley
Council Member - Ward I	Venessa Young
Council Member - Ward II	Erica Huddle
Council Member - Ward III	Julie Benner
Council Member - Ward IV	Natalie Laudadio
Council Member - Ward V	Diane Griffin
Council Member - Ward VI	Daniel Le

#### Appointed Officials

Manager	Lorraine M. Desmarais
Assistant Manager	Taher Khalil
Attorney	James M. Falconer
Clerk	James A. Phillips
Culture and Recreation Director	Robert Kotchen
Library Director	Qun Wang
Finance Director	Betty Louise Conder
Accounting/Financial Reporting Director	Kim Hua
Fire Chief	Christine Hisick
Fleet Management Director	Dashaunta Waddell
Internal Audit Director	Zhikuan Hu
Management Information Systems Director	Delores Smith
Human Resource Director	Julius G. Howard III
Police Chief	Peg Hartnett
Public Relations Director	Kate Southard
Sanitation Director	Zaklina Lakic
Streets and Highways Director	Tami Garrett
Transit Manager	Sarah Marrs
Public Safety Employees Retirement System President	Quijian Jiang
Water Authority Chair	John Fishbein

# Letter of Transmittal

- Must be dated on or after the date of the Independent Auditor's Report
- Direct readers to the Management's Discussion and Analysis (MD&A)
- Key Components
  - Profile of the Government
  - Local Economy
  - Long-Term Financial Planning and Major Initiatives
  - Relevant Financial Policies
  - Awards and Acknowledgements

# Financial Section

APPENDIX D • ILLUSTRATIVE ACFR

## FINANCIAL SECTION

# Independent Auditors' Report

- Identification of GAAS/GAGAS Audits
- Format changes forthcoming for 12/31/2021 year-end and thereafter

## OFFICIAL LETTERHEAD OF THE INDEPENDENT AUDITOR

### INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the Governing Council  
City, State

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the NAME OF GOVERNMENT, State, as of and for the year ended June 30, 2027, and the statement of revenues, expenditures and changes in fund balance – budget and actual for the General Fund, and the related notes to the financial statements, which collectively comprise the NAME OF GOVERNMENT's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the NAME OF GOVERNMENT's nonmajor governmental, internal service, and fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2027, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Urban Renewal Agency and Cable Television discretely presented component units, which represent 100%, 100%, and 100%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Urban Renewal Agency and Cable Television, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

# Management's Discussion and Analysis (MD&A)

- Amounts reported must agree with amounts reported elsewhere in the ACFR/AFR
- Discussion of the overall financial position should include all applicable financial statement elements (e.g. assets, deferred outflows of resources, liabilities, and deferred inflows of resources)
- Need to do more than simply present the numbers and disclose the amounts of the change – the most important and valuable piece of the MD&A is the analysis component



# Management's Discussion and Analysis (MD&A)

- Include the line items “total assets” and “total liabilities” and include deferred outflows and deferred inflows below these totals
  - Optional totals for total assets and deferred outflows and total liabilities and deferred inflows
- Discussion of the general and major governmental funds original and final budget variances and final budget and actual variances
- Analysis of balances and transactions of individual major funds

# Reporting Entity

Fund presentation – verify that fund classification meets fund definitions/requirements

## Component unit considerations

- Public library presentation – fund vs. discretely presented component unit vs. separate entity
- Presentation of multiple **major** discretely presented component units (DPCU)
  - Separate columns in government-wide financial statements
  - Combining statements included with basic financial statements
  - Condensed financial statements included within notes to financial statements

# Government-Wide Financial Statements

## Statement of Net Position

- Government-wide balance sheet

## Statement of Activities

- Government-wide income statement

# Statement of Net Position

- Interfunds between Governmental Activities and Business-Type Activities should be presented as “internal balance”
- Net pension/OPEB liability should be presented under noncurrent liabilities due in more than one year
- Deferred outflows/inflows of resources related to pensions/OPEB
  - OPEB and pension amounts must be reported separately; amounts for multiple pension plans may be reported separately or combined
  - Amounts arising from differences between projected and actual pension/OPEB plan investment earnings in different measurement periods should be aggregated and reported as a net amount

# Statement of Net Position

- Net position classifications
  - Restricted net position
    - Should equal fund balance restricted classifications adjusted for impact of government-wide adjustments
- Net investment in capital assets (NICA) calculation
  - Debt issued for capital purposes should not be included until proceeds have been used to acquire capital assets
    - Liability related to unspent portion of capital-related debt should be included in same component of net position as the unspent proceeds
  - Premiums, discounts, and deferred amounts on refunding associated with capital-related debt should be included
  - Debt used to refund capital-related debt should be considered capital-related

# Statement of Activities

- Intergovernmental revenue
  - Grants and contributions with a restricted purpose should be reported as program revenue
  - Unrestricted intergovernmental revenues (sales tax, income tax, etc.) should be reported as general revenues and clearly identified as unrestricted
- Gain/loss on sale of capital assets
  - Gain – general revenue
  - Loss – direct expense
- Transfers between Governmental Activities and Business-Type Activities should net

# Reconciliations

- Reconciling Statements
  - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
  - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Internal service fund impacts reported separately from other reconciling amounts
- If amounts netted in reconciliation, detail required to be presented in the notes to the financial statements

# Fund Financial Statements

- Financial statement articulation
  - Governmental fund balance sheet
    - Fund balance on income statement
  
- Proprietary fund statement of net position
  - Statement of changes in net position
  
- Proprietary fund statement of net position
  - Statement of cash flows



# Fund Financial Statements

- Major fund calculation/reporting
  - General fund is always major
- Total Assets + Deferred Outflows, Liabilities + Deferred Inflows, Revenues or Expenses
  - > 10% of total for that category
    - Governmental funds
    - Enterprise funds
  - >5% of total for both categories
  - Same element
- Can choose to classify more as major\*

# Governmental Funds Balance Sheet

- Property tax receivable recognition
  - Receivable when the levy attaches as lien on property
    - January 1 of the levy year in Illinois
    - Must be levied to be measurable
  - Revenue recognized in the year intended to finance
    - Must be collected within 60 days after year
- Unearned revenue versus deferred revenue
  - Liability versus a deferred inflow of resources
- Classification of debt payable as a fund liability (park districts)
  - Maturity < 1 year of date of issuance

# Governmental Funds Balance Sheet

- Fund balance classification
  - Nonspendable not reported for non-spendable assets that will be converted to spendable assets in funds other than the general fund
  - Advances to other funds
  - Loans receivable
- Restricted fund balance for unspent restricted tax levies
- Negative restricted, committed or assigned fund balance not allowed
- Assigned fund balance can not create an unassigned deficit
- Assigned fund balance in the general fund use to balance next year's budget
- Unassigned fund balance reported only in the general fund
  - Unless a deficit in other governmental funds

# Governmental Flow Statement

- Reporting debt issues
  - Face amount versus proceeds
- Reporting flows from the inception of a lease
- Reporting flows from issuance of notes to developers/others
- Reporting refunding transactions
  - Paid from existing resources versus proceeds of new debt issue
  - Paid to escrow agent for current refundings
    - AICPA ASLGU – other financing use
    - GFOA GAAFR – expenditure
    - AICPA ASLGU takes precedent at Category B GAAP.

# Proprietary Fund Position Statement

- Balance Sheet or Statement of Net Position
  - Classified presentation required for a balance sheet
  - Classified or order of liquidity presentation for statement of net position
  - Where to put the double underscore? =====
- Restricted assets and liabilities payable from restricted assets
- Components of net position
  - NICA
  - Restricted
    - Does not apply to unspent bond proceeds
  - Unrestricted

# Proprietary Fund Flow Statement

- Classification of operating versus nonoperating
  - Classification of grant revenue
    - Nonoperating revenue unless restricted for capital purposes
    - Capital grants and contributions if restricted for capital purposes
- Reporting transfers between funds
- Reporting capital grants and contributions
- Reporting capital asset transfers with governmental activities

# Proprietary Fund Statement of Cash Flows

- Reporting only cash inflows and outflows
- Classification of cash flows for operating activities
  - Separate cash received from (paid to) other funds
  - Default category for other revenue
- Classification of grants received
  - Nonoperating revenue = noncapital financing activities
  - Capital grants and contributions = capital financing activities
- Change in accounts payable
  - Change in non-capital AP impacts cash paid to suppliers
  - Change in capital AP impacts cash paid for capital assets
- Reconciliation to position statement
- Reporting non-cash capital, financing and investing activity

# Fiduciary Funds

- Equity is net position, not fund balance
- Labeling pension and OPEB net position
  - GASB S-67 and GASB S-73
- Reporting repayment of debt not obligated in any manner for
  - Custodial fund versus debt service fund
- Reporting investment expenses
  - Reduction of investment income
- Labeling under GASB S-84



# Notes to the Financial Statements

## APPENDIX D • ILLUSTRATIVE ACFR

### NAME OF GOVERNMENT Notes to the Financial Statements June 30, 2027

#### I. Summary of significant accounting policies

The financial statements of the NAME OF GOVERNMENT have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The NAME OF GOVERNMENT's significant accounting policies are described below.

##### A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

##### B. Reporting entity

The NAME OF GOVERNMENT (government) is a municipal corporation governed by an elected mayor and six-member Governing Council (Council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government.

**Blended component unit.** The Water Authority (Authority) serves all the citizens of the NAME OF GOVERNMENT and is governed by a board composed of the NAME OF GOVERNMENT's elected Council. The rates for user charges and bond issuance authorizations are approved by the NAME OF GOVERNMENT's Council and the NAME OF GOVERNMENT is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from any other remedies. The Authority is reported as an enterprise fund and does not issue separate financial statements.

**Discretely presented component units.** The Urban Renewal Agency (Agency) was created in 1964 by state law for the purpose of eliminating and preventing the development and spread of

# Notes to the Financial Statements - SSAP

- Reporting entity disclosures
- Missing Definition of the reporting entity
  - Disclosing Foundations or Friends not included due to not significant
    - Libraries and park districts
- Disclosing pension/OPEB funds as fiduciary component units

# Notes to the Financial Statements - SSAP

- Revenue recognition policies
- Measurement Focus/Basis of Accounting for custodial funds
- Definition of general fund vs. other funds
- Major funds
- Funds voluntarily classified as major

# Notes to the Financial Statements - SSAP

- Investments
  - Defining what is reported at cost/amortized cost versus fair value
- Capital assets
  - Asset classes /useful lives do not agree to detailed capital asset note
- Valuing contributed assets
  - Acquisition value
- Fund balance targets
- Budgetary disclosures
  - Notes to financial statements versus notes to required supplementary information

# Notes – Cash & Investments

- Disclosure segmentation
  - Separate presentation for primary government, pension funds, and discretely presented component units
  
- Deposit and investment policies
  - General policies and policies associated with GASB 40 risks should be disclosed
  - If no formal policy exists, fact should be disclosed

# Notes – Cash & Investments

- GASB 40 risks – disclosure exposure to each type of risk
  - Custodial credit risk – deposits
  - Custodial credit risk – investments
  - Interest rate risk
  - Credit risk
  - Concentration of credit risk
  - Foreign currency risk – uncommon
  - Investments highly sensitive to interest rate changes – uncommon
- Amounts should agree to financial statements and other cash and investment disclosures

# Notes – Cash & Investments

- Fair value measurement (GASB 72)
  - Valuation techniques to be described for all fair value hierarchy levels
  - Identify investments calculated using net asset value (NAV) per share (for example, Illinois Funds)
- Disclose whether any external investment pools are not registered with the SEC and the nature of any regulatory oversight

## Notes – Capital Assets

- Construction in progress activity (additions and deletions) should be disclosed gross, not net
- Transfers of capital assets between GA and BTA should be disclosed in separate “transfers” column
- Enterprise depreciation expense should trace to the basic financial statements
  - Either within the table itself or in a separate presentation that can be traced to the basic FS



# Long-Term Debt Note Disclosures

- Separately identify each major class of long-term liability
  - Different types of debt should be separately identified – bonds vs. notes vs. loans
- Due within one-year amounts must be identified for each type of long-term liability and trace to basic financial statements
- Identify funds used to liquidate long-term liabilities other than debt
- Changes in other long-term liabilities (compensated absences, net pension liability, total/net OPEB liability, claims payable, etc.) should report separate increase and decreases
  - This may change as it relates to compensated absences due to an upcoming GASB pronouncement

# Long-Term Debt Note Disclosures

- Disclosures for issuance of refunding debt include
  - Refunding bonds principal issued
  - Principal being refunded
  - Interest rate on refunding and refunded bonds
  - Cash flow requirements on refunding and refunded bonds
  - Economic gain/loss amount

# Long-Term Debt Note Disclosures

- Short-term debt activity
  - Even if no outstanding short-term debt at year-end, disclose existence and provide schedule of changes in short-term debt
  - “Short-term” debt with a maturity date greater than one year is a long-term liability reported on the full accrual statements

# Long-Term Debt Note Disclosures

- GASB 88 disclosures
  - Identify and segregate direct placement debt and direct borrowings
  - Unused lines of credit
  - Assets pledged as collateral for debt
  - Terms related to significant events with finance-related consequences (such as accelerated payments) resulting from events of default, termination events, and subjective acceleration clauses

# Long-Term Debt Note Disclosures

- Tax rebate vs. note payable
  - Rebate agreement = arrangement in which a developer receives a rebate based upon an actual event or scope of activity occurring
    - These arrangements are considered tax abatements in accordance with GASB 77
    - Ex.: A business receives an annual rebate from the municipality equal to 50% of sales tax paid by the business up to a maximum of \$100K for 5 years
- Note payable = arrangement in which payments to the developer are guaranteed
  - Ex.: Municipality agrees to pay a developer \$100K over 5 years as part of a development agreement

# Pension Note Disclosures

- Disclosure of type of plan
- Availability of separately issued pension plan report
  - IMRF is for plan as a whole, not by employer
- Disclosure by measurement period or employer fiscal year end, if different
  - Pension liability and related disclosures (e.g., assumptions) as of measurement date
  - Employer contributions based on employers most recent fiscal year

# Pension Note Disclosures

- Summary of total pension expense, total net pension liability, total deferred outflows and total deferred inflows if the employer participates in more than one defined benefit plan
- Calculation of pension expense
  - Adjust for employer contributions made during the year
- Timing of the actuarial valuation calculating the net pension liability
  - Same as pension fund's fiscal year end
  - No more than 1 year > employer balance sheet date
- Long-term real rate of return not net of inflation/costs
- Discount rate test

# OPEB Note Disclosures

- Disclosure of type of plan
- Disclosure of types of benefits provided
  - Implicit
  - Explicit
    - Public Safety Employee Benefit Act (PSEBA)
- Cost of benefits to include
- Alternative measurement method
  - No deferred outflows or deferred inflows
- Allocation of PSEBA expense/liability
  - Governmental activities
- Utilization rate
  - Projected versus current



# Individual Fund Note Disclosures

- Interfund balances and transfers
  - Ensure that the purpose of interfund activity is disclosed
  
- Risk Financing
  - Disclosures dictated by nature of the government’s risk financing (insurance) activities
  - Self-insurance – Include table of claims liability for two most recent fiscal years, distinguishing 1) beginning of year claims liability, 2) claims incurred during year, 3) Changes in estimate for claims prior years, 4) payments on claims, and 5) claims liability at end of year

# Individual Fund Note Disclosures

- Fund balance / net position
  - If detail/purpose of fund balance classifications not included in basic financial statements, disclosure required
  - Net investment in capital asset calculation should be included if not readily determinable from the basic financial statements
- Tax abatements
  - Abatements that shift instead of reduce the tax burden should be disclosed if significant

# Individual Fund Note Disclosures

- Other disclosures
  - Fund deficits
  - Fund expenditures over budget
  - Going concern
  - Prior-period adjustments – Impact on each opinion unit (financial statement column) must be disclosed
  - Subsequent events

# Budget Versus Actual

- Legal compliance
  - Appropriation
  - Budget
    - Legal budget (budget act)
    - Working or management budget (all else)
  - Combined appropriation and budget (park districts, special districts)
- Must report the legal appropriation or legal budget
  - Can include additional column for working/management budget
- General fund and major special revenue funds
- Original and final amended budget
- Actual on budgetary basis

# Budget Versus Actual

- Labeling variances
  - Prior year actual can not be presented in RSI
- Disclosures
  - Funds budgeted/not budgeted
  - Legal level of budgetary control
  - Expenditures in excess of budget/appropriation
    - Governmental funds, not all funds

## Pension/OPEB Required Supplementary Information (RSI)

- Not all required years presented for a pension fund
  - 1 more year than employer disclosures unless the pension fund issues a separate report
- Annual money weighted rate or return
  - Not calculated correctly
- Schedule of employer contributions
  - Employers' fiscal year, not IMRF fiscal year (if different)
  - 10 years of data required now, no prospective reporting of this schedule
  - Actuarial Determined Contribution
    - Based on actual funding methodology used, not a wished for ADC

# Combining and Individual Fund Financial Statements

- Combining statements are required when the following columns in the basic financial statements aggregate data from more than one fund:
  - Nonmajor governmental funds
  - Nonmajor enterprise funds
  - Internal service funds
  - Private-purpose trust funds
  - Pension (and other employee benefit) trust funds
  - Investment trust funds
  - Custodial funds
- Combining statement totals should agree to basic financial statements

# Combining and Individual Fund Financial Statements

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  - Private-purpose trust funds
  - Pension (and other employee benefit) trust funds
  - Investment trust funds
  - Custodial funds
- Combining statement totals should agree to basic financial statements



# Combining and Individual Fund Financial Statements

- Discretely presented component units
  - Combining statements required when not reported as 1) separate column in the government-wide financial statements or 2) separate column in a component unit combining statement included in the basic financial statements
  - If separate report not issued, all fund information normally required by GAAP should be provided

# Combining and Individual Fund Financial Statements

- Individual fund statements
  - Located in subsection to which they relate, behind the combining statements, and sequenced in the same order as the related columns in the combining financial statements
  - Individual fund statements should provide additional information not already contained in combining financial statements – i.e. budgetary comparisons
    - Individual fund statements not required if fund does not have an approved budget/appropriation
    - Budgetary comparisons should be reported at the legal level of budgetary control (the level at which management cannot overspend/transfer the budget without governing body approval)

## Combining and Individual Fund Financial Statements

- If not in basic FS or RSI, budgetary comparison schedules for the general fund and major special revenue funds reported at the legal level of budgetary control are required

## Statistical Section

- Agree with financial statements
- Discussing variances
- Ratio of debt service as a percentage of noncapital expenditures
- Disclosing revenue and debt raising caps/limits
- Not disclosing sources of data
- Debt tables not including all debt (as defined by GASB S-88)
- Reporting net debt (net of premiums/discounts)

# REFERENCES

- Slides 5-7 – GFOA
- Slides 8-11, 13-14 – GFOA

# Questions?

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PRESENTER:  
KIMBERLY  
RICHARDSON

FEBRUARY 18, 2022

# Inclusion, Accountability and Transparency:

## How to Operationalize Equity within Your Organization

# Big picture

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By starting from the internal environment of the state and building a culture based on racial equity approaches, we seek to strengthen government so it can respond comprehensively and collaboratively to the new American public of the 21st century.



# Common challenges

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- “Low trust in government” communities all across the state
- Decades of “defund corrupt government” narrative
- Loss of experienced “good” staff, retention of underperforming “bad” staff
- State agencies starved of resources to train staff, administrative burden crushes spirit of public service

# Proposed Outcomes

---

- Cover examples on how government entities have implemented and expanded racial equity policies and practices,
- Quick introduction to the racial equity impact analysis tool to improve the impact of policies and services
- Understand a few concrete examples of how you can include racial equity in decision-making, team-building and leadership development

# Agenda

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10:30 - 10:35	Introduction
10:35 - 11:05	Main lecture
11:05 - 11:35	Let's Practice
11:35-11:45	Q&A

# Introduction

Who are we? Why are we here? What is today about?

---

# Who am I?



**Kimberly Richardson**

Assistant City Manager  
City of Peoria, Illinois  
[she/her/hers]

# Why this work?

Operationalizing equity goes beyond policy analysis, it relies on public administrators to lean in and work on implementing policies and programs that make a tangible difference in the lives of staff and the communities we serve.



# What is equity? Why are we talking about it?

---

Going beyond the buzzword, what does this actually mean in practice?

# DE&I - Not a single concept



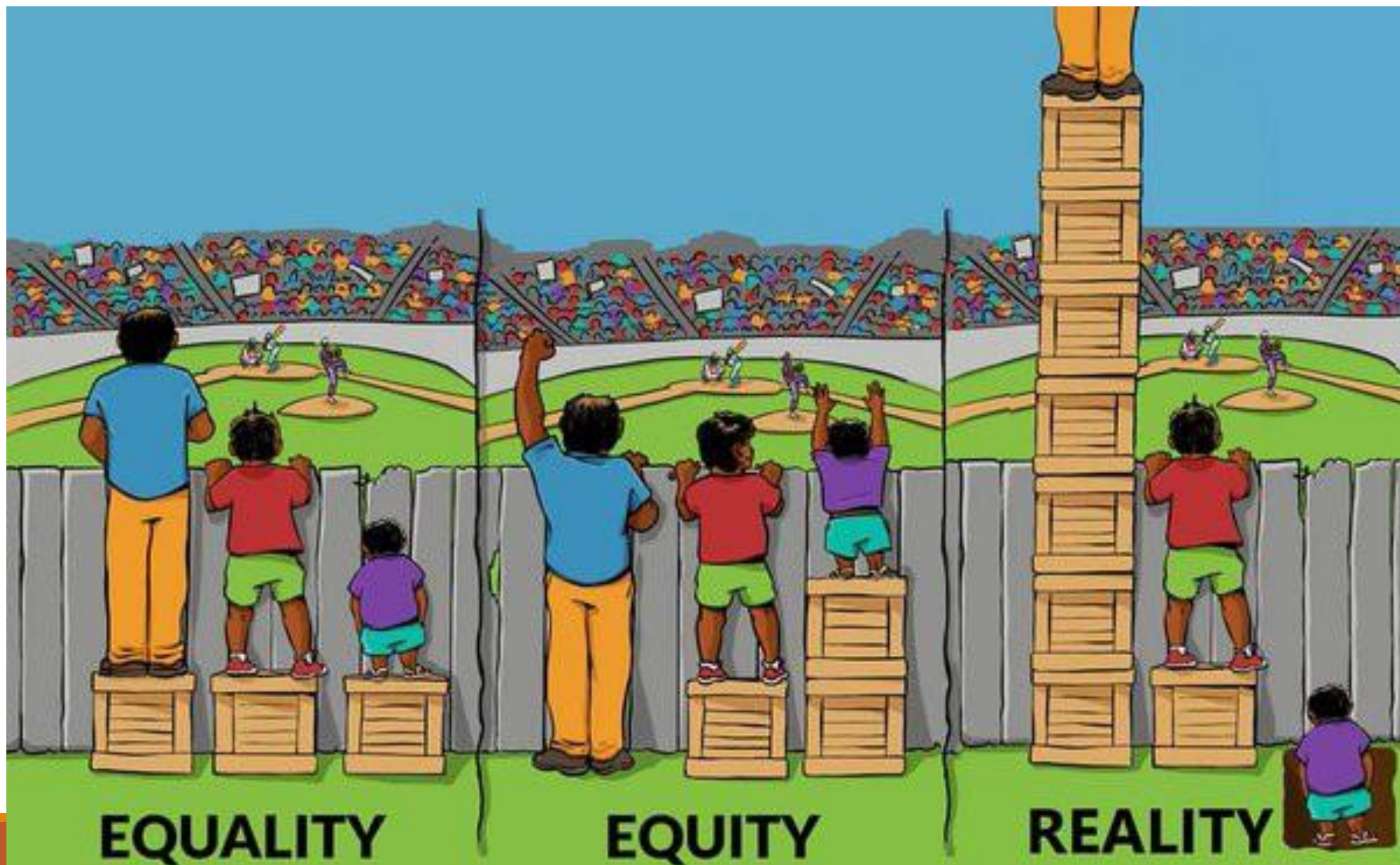




**EQUALITY**

**EQUITY**

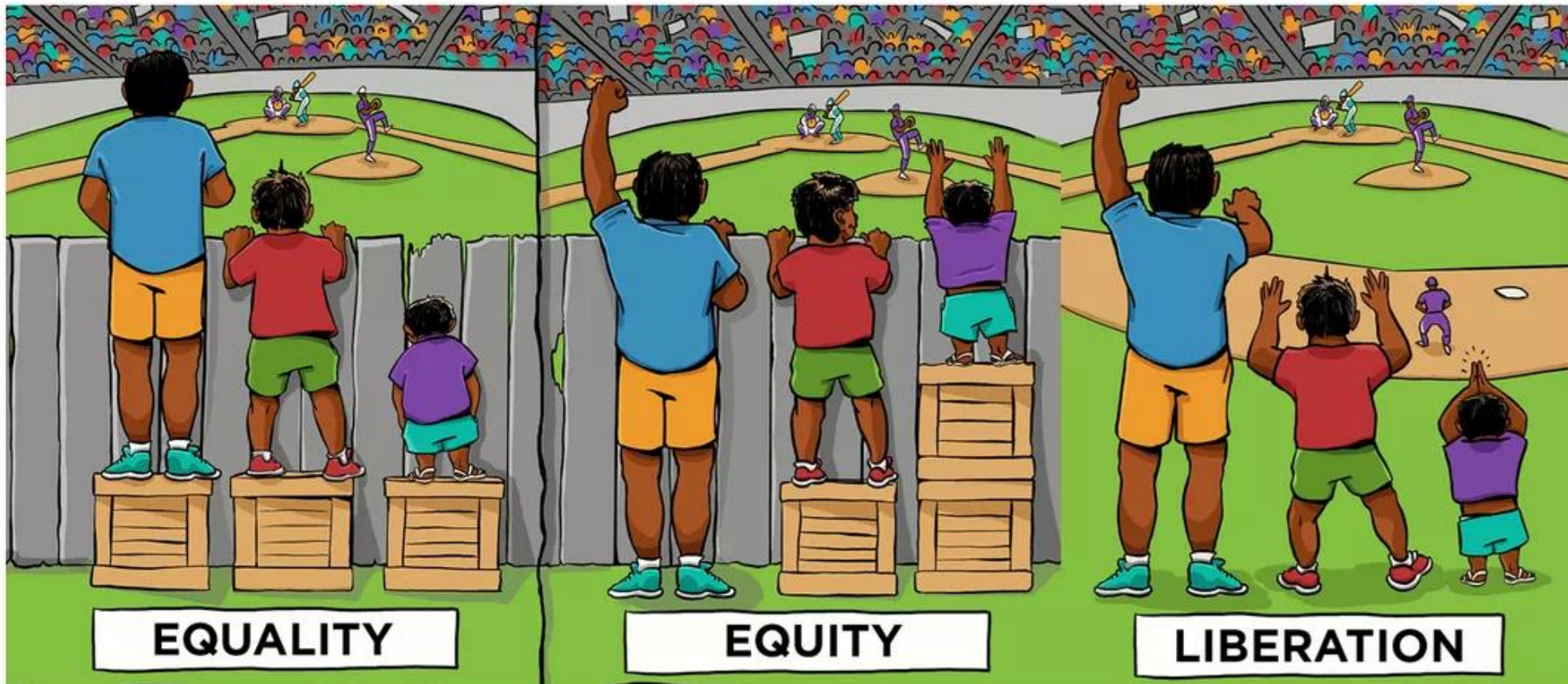








*Don't just tell a different version of the same story.*  
**Change The Story!**





**EQUALITY**



**EQUITY**



**LIBERATION**



**INCLUSION**



## INDIVIDUAL-LEVEL RACISM

**INTERNALIZED RACISM** lies within individuals. These are our private beliefs and biases about race and racism, influenced by our culture. Internalized racism can take many different forms including racial prejudice toward other people of a different race; internalized oppression, the negative beliefs about oneself by people of color; or internalized privilege, beliefs about superiority or entitlement by white people. An example is a belief that you or others are more or less intelligent, or beautiful, because of your race.

**INTERPERSONAL RACISM** occurs between individuals. These are biases that occur when individuals interact with others and their private racial beliefs affect their public interactions. Examples include racial slurs, bigotry, hate crimes, and racial violence.

## SYSTEMIC-LEVEL RACISM

**INSTITUTIONAL RACISM** occurs within institutions and systems of power. It is the unfair policies and discriminatory practices of particular institutions (schools, workplaces, etc.) that routinely produce racially inequitable outcomes for people of color and advantages for white people. Individuals within institutions take on the power of the institution when they reinforce racial inequities. An example is a school system that concentrates people of color in the most overcrowded schools, the least-challenging classes, and the least-qualified teachers, resulting in higher dropout rates and disciplinary rates compared with that of white students.

**STRUCTURAL RACISM** is racial bias among institutions and across society. It involves the cumulative and compounding effects of an array of societal factors including the history, culture, ideology, and interactions of institutions and policies that systematically privilege white people and disadvantage people of color. An example is the overwhelming number of depictions of people of color as criminals in mainstream media, which can influence how various institutions and individuals treat people of color with suspicion when they are shopping, traveling, or seeking housing and employment – all of which can result in discriminatory treatment and unequal outcomes.

# Institutionalized racism hampers public service impact

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We connect racial equity to the **internal environment of organizations** because we know when we start building better internal processes and structures, all programs will improve and communities will see more tangible impacts.

We must remind ourselves that all of us working within government are also **part of our communities**. We cannot go out and engage with external partners authentically when we don't include ourselves and the barriers we face in our internal environment.

# Racial equity is not race exclusive.

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Centering race improves outcomes for all.





# Social and racial equity

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So why not just use “social” instead of “racial” equity?

From our perspective and practice, **race** is the salient determinant of institutionally produced inequity across all major policy areas in all major metropolitan statistical areas: education, policing, criminal law, human services, public health, housing...

In order for our analyses and efforts to be effective, we must start with a **shared acknowledgement that structural and institutional racism has and continues to diminish our efforts to govern ourselves effectively**



# In racially homogenous areas, is any of this relevant?

---

Yes.

Absolutely.

Decades of creating programs in a narrative to punish those who are poor does not fall onto one race or ethnicity. But the reason why programs are designed this way is because of a legacy of anti-Blackness and White supremacy that has impacted us all.

All of the barriers, administrative red-tape, endless paperwork and monitoring creates exclusion and marginalization, whether you live in rural, predominantly “White” communities or urban, People of Color communities.



# What is a racial equity impact analysis?

How can we connect them more clearly?

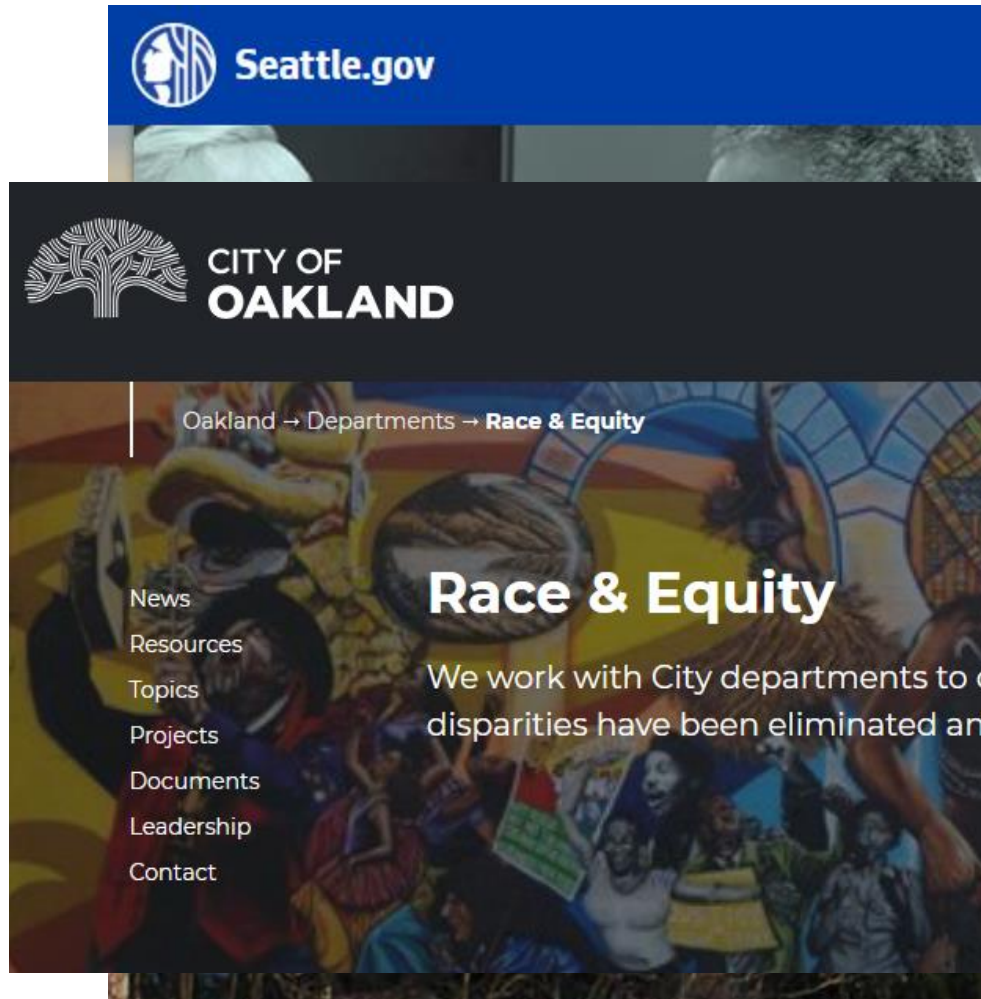
10:35 – 11:05 a.m.

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It is a field of practice that emerged outside of public administration, from practitioners and academics connected largely with the Government Alliance on Race Equity and the Haas Institute - now the Center for Social Inclusion.

- **Concrete analytical methods and tools** to help agencies incorporate equity-driven approaches into their policy-making and other administrative processes
- **Builds upon** existing budget, human resources, organizational management, ethics and policy analysis processes
- **Intensive** consulting, training and analytical support needed in startup phases

# What cities have done this?



# Who does this work?



haas institute  
FOR A FAIR AND INCLUSIVE SOCIETY



LOCAL AND REGIONAL  
GOVERNMENT ALLIANCE ON  
**RACE & EQUITY**

# **It is both a concrete policy tool and a values-driven public service approach**

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**When you use a racial equity analysis you begin to place at the center of your managerial or leadership style an informed and authentic acknowledgement that barriers still exist and bridges must be built so that....**

**Democracy is strengthened....**

**through more impactful and equitable public policies and programs.**



# What is the actual tool itself?

Step by step. The Racial Equity Analysis is made up of six steps from beginning to completion:

## Step 1. Set Outcomes.

Leadership communicates key community outcomes for racial equity to guide analysis.

## Step 2. Involve Stakeholders + Analyze Data.

Gather information from community and staff on how the issue benefits or burdens the community in terms of racial equity.

## Step 3. Determine Benefit and/or Burden.

Analyze issue for impacts and alignment with racial equity outcomes.

## Step 4. Advance Opportunity or Minimize Harm.

Develop strategies to create greater racial equity or minimize unintended consequences.

## Step 5. Evaluate. Raise Racial Awareness. Be Accountable.

Track impacts on communities of color overtime. Continue to communicate with and involve stakeholders. Document unresolved issues.

## Step 6. Report Back.

Share information learned from analysis and unresolved issue with Department Leadership and Change Team.

## While applying racial equity can be complex, there are some simple rules of thumb:

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- How inclusive is your workplace? Does it support single parents, those with disabilities, veterans, others?
- Do you and staff hold yourselves accountable to deadlines, goals and agreements with each other? community members?
- How transparent are your decision-making processes? When do different stakeholders have meaningful opportunities to contribute and engage?

# **Short case study and lessons/challenges**

Lessons from the Evanston, Illinois

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# The Issue

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- 78,000 population
- 740 staff, 10 departments
- 2018 and 2019 Budget - multi-year budget deficit
- **Perception:** Reduction in funding for social service programs
- **Challenge:** growing calls from city residents to “practice what you preach” since Evanston had committed to racial equity and hired a chief equity officer in 2017/2018

How do we  
“Ensure equity  
in all city  
operations?”

## City Council Goals

	<b>Invest</b> in City Infrastructure and Facilities
	<b>Enhance</b> Community Development and Job Creation Citywide
	<b>Expand</b> Affordable Housing Options
	<b>Ensure</b> Equity in All City Operations
	<b>Stabilize</b> Long-term City Finances

### Mission Statement

The City of Evanston is committed to promoting the highest quality of life for all residents by providing fiscally sound, responsive municipal services and delivering those services equitably, professionally, and with the highest degree of integrity.

### Vision Statement

Creating the Most Livable City in America

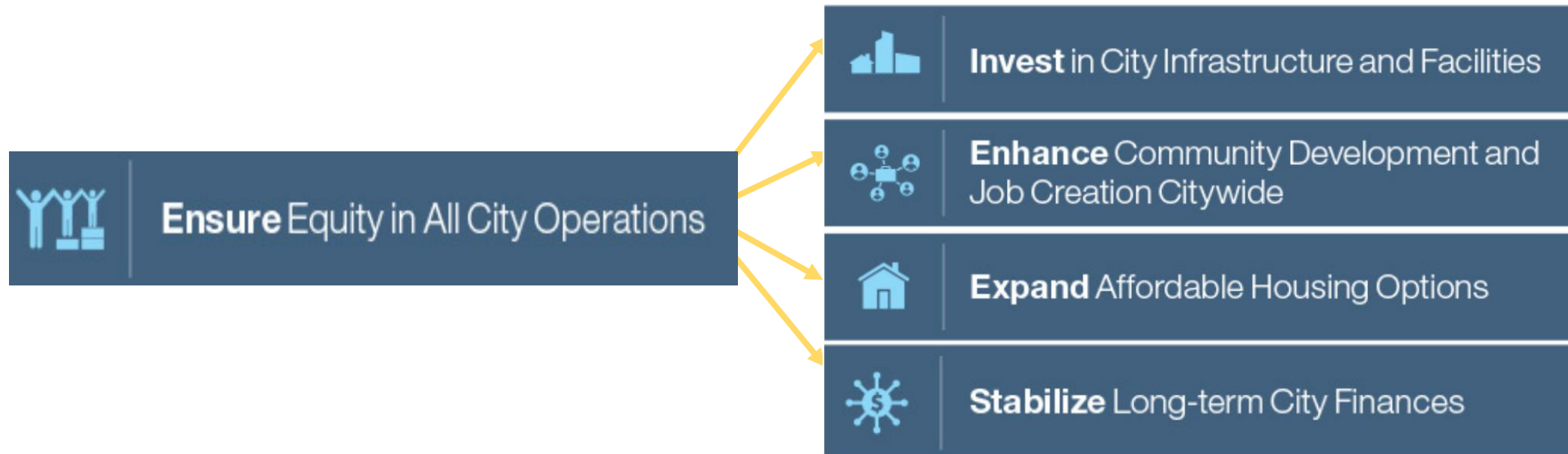
### Organizational Values

- Excellent Customer Service
- Continuous Improvement
- Integrity
- Accountability



City of  
**Evanston**<sup>™</sup>

# Racial equity is the process through which we implement City Council goals



City of  
**Evanston**™

# The Response

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- Created a Social Services Core Committee of members from the 6 programs scattered across city departments
- In-depth training connected to internal staff to empower them to adapt a racial equity impact analysis to social services
- Emphasis on listening to internal staff first, then external partners, social service clients, and general public to drive policy response



City of  
**Evanston**<sup>TM</sup>

# The Impacts

- Support from internal staff, external partners, clients and general public to NOT cut the budget and to coordinate services more
- Creation of a social services department un-siloed programs, allowed programs to reassess job positions and keep all staff on-board
- Anecdotal evidence that COVID-19 responsiveness and impact increased significantly in social services programs



City of  
**Evanston**<sup>TM</sup>

# Common challenges

- More public agencies are being asked/told to implement racial equity
- No one knows what racial equity means on a practical level
- Once they find out it may mean a shifting in focus and resources, backlash happens
- Even if there is political will and very smart people involved, there is a loss of what the next steps are



# Operationalizing Equity

## Why is this so important to emphasize?

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- Changing the standard operating procedures of government is where the real impacts are felt
- No one workshop or training can give the deep support needed to transform public service - REDI is a model for sustainable and scalable success
- Ongoing partnerships between government agencies and university partners to increase the availability of training and practical implementation of racial equity is needed to move to the next level

# How to Implement a REIA Process?

Group Exercise

11:05 - 11:35 am

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# Let's practice!

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## Identify a project a group

- Recruitment toolkit
- Interview best practices
- New city fees

Now let's go through each step of the REIA and apply it to how we develop a plan for this toolkit.

# Step 1: Set Outcomes

## Step 1. Set Outcomes.

1a. What does your department define as the most important racially equitable **community outcomes** related to the issue? *(Response should be completed by department leadership in consultation with RSJI Executive Sponsor, Change Team Leads and Change Team. Resources on p.4)*

1b. Which racial equity **opportunity area(s)** will the issue primarily impact?

- ☐ Education
- ☐ Community Development
- ☐ Health
- ☐ Environment

- ☐ Criminal Justice
- ☐ Jobs
- ☐ Housing

1c. Are there impacts on:

- ☐ Contracting Equity
- ☐ Workforce Equity

- ☐ Immigrant and Refugee Access to Services
- ☐ Inclusive Outreach and Public Engagement

Please describe:

# Step 2: Involve Stakeholders

## Step 2. Involve stakeholders. Analyze data.

**2a. Are there impacts on geographic areas?** ☐ Yes ☐ No

Check all neighborhoods that apply (*see map on p.5*):

- ☐ All Seattle neighborhoods
- ☐ Ballard
- ☐ North
- ☐ NE
- ☐ Central

- ☐ Lake Union
- ☐ Southwest
- ☐ Southeast
- ☐ Delridge
- ☐ Greater Duwamish

- ☐ East District
  - ☐ King County (outside Seattle)
  - ☐ Outside King County
- Please describe:

**2b. What are the racial demographics of those living in the area or impacted by the issue?**

(*See Stakeholder and Data Resources p. 5 and 6*)

**2c. How have you involved community members and [stakeholders](#)?** (*See p.5 for questions to ask community/staff at this point in the process to ensure their concerns and expertise are part of analysis.*)

**2d. What does data and your conversations with [stakeholders](#) tell you about existing racial inequities that influence people's lives and should be taken into consideration?** (*See Data Resources on p.6. [King County Opportunity Maps](#) are good resource for information based on geography, race, and income.*)

**2e. What are the root causes or factors creating these racial inequities?**

*Examples: Bias in process; Lack of access or barriers; Lack of racially inclusive engagement*

# Step 3: Determine Benefit and/or Burden

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## Step 3. Determine Benefit and/or Burden.

Given what you have learned from data and from stakeholder involvement...

**3. How will the policy, initiative, program, or budget issue increase or decrease racial equity?** What are potential unintended consequences? What benefits may result? Are the impacts aligned with your department's community outcomes that were defined in Step 1.?

# Step 4: Advance Opportunity or Min. Harm

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## Step 4. Advance Opportunity or Minimize Harm.

**4. How will you address the impacts (including unintended consequences) on racial equity?** What strategies address immediate impacts? What strategies address root causes of inequity listed in Q.6? How will you partner with stakeholders for long-term positive change? If impacts are not aligned with desired community outcomes, how will you re-align your work?

Program Strategies? \_\_\_\_\_

Policy Strategies? \_\_\_\_\_

Partnership Strategies? \_\_\_\_\_

# Step 5: Eval. Raise Awareness. Be Accountable

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## Step 5. Evaluate. Raise Racial Awareness. Be Accountable.

**5a. How will you evaluate and be [accountable](#)?** How will you evaluate and report impacts on racial equity over time? What is your goal and timeline for eliminating racial inequity? How will you retain stakeholder participation and ensure internal and public accountability? How will you raise awareness about racial inequity related to this issue?

**5b. What is unresolved?** What resources/partnerships do you still need to make changes?

# Step 6: Report Back

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## **Step 6. Report Back.**

Share analysis and report responses from Q.5a. and Q.5b. with Department Leadership and Change Team Leads and members involved in Step 1.

# Q&A

And thank you!

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# Resources

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In the context of public administration, we can refer to the work of several key scholars:

**Gooden, S. T.** (2015) Race and Social Equity: A Nervous Area of Government

**Riccucci, N. M. and Van Ryzin, G. G.** (2017), Representative Bureaucracy: A Lever to Enhance Social Equity, Coproduction, and Democracy. *Public Admin Rev*, 77: 21-30.

**Frederickson, H. G.** (2010). Social equity and public administration: Origins, developments, and applications. Armonk, NY: M.E. Sharpe.

**Denhardt, R. B. and J. V. Denhardt.** (2000) The New Public Service: Serving Rather Than Steering, *Public Administration Review*, vol. 60, No. 6 (Nov. - Dec., 2000), pp. 549-559

**Meier, K., Wrinkle, R., & Polinard, J.** (1999). Representative Bureaucracy and Distributional Equity: Addressing the Hard Question. *The Journal of Politics*, 61(4), 1025-1039.

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