



Date
March 13, 2024

Time
8:40 AM – 9:30 AM

Instructor
Diane B. Allison, CPA,
CGMA, CGFO
Director of Local
Government Services

Location
Live-Streamed and
Onsite at Louisiana
State Police Training
Academy

Method of Delivery
Classroom instruction
& Live-streamed

Learning Level
Basic

CPE Hours
1.0 Hours

CPA Subject Matter
Accounting and
Auditing

Prerequisite
None

Ten Easy Steps to Comply with the Local Government Budget Act

Description

Failure to comply with the Local Government Budget Act is the second most common audit finding of Louisiana's local governments. This session will break down compliance into 10 easy steps, explaining both the legal requirements and practical implementation suggestions.

Objectives

The objectives of this course are to

- (1) explain the legal requirements of the Local Government Budget Act (R.S. 39:1301-1315) and
- (2) provide practical steps to prepare, present, adopt, and amend the annual budget.

Who Will Benefit

- Elected Officials/Appointed Officials
- Local Government Employees/Local Government Auditors

About the Instructor

Diane Allison joined the Louisiana Legislative Auditor's office (LLA) in May 2021 as the Director of Local Government Services, having served as chief financial officer in three different local governments for a combined total of 17 years. LLA's Local Government Services primarily oversees the work of more than 280 independent CPA firms that conduct over 3,600 audits and other types of engagements, educates local governments on governmental accounting and internal controls, provides financial, operational and compliance advice to local governments, and prepares fiscal notes for the Louisiana Legislature. Diane's areas of expertise are accounting and financial reporting, financial management, budgeting, fiscal policies, internal controls, fiscal compliance, and school activity funds. Diane has over 30 years of accounting experience, including in the for-profit manufacturing, not-for-profit, public accounting, and local government sectors. She has been a Certified Public Accountant for over 25 years and also holds certifications as a Chartered Global Management Accountant and Certified Government Finance Officer. In 2019 she received the Woman to Watch Award from the Society of Louisiana CPAs. She received the Louisiana GFOA's Pelican Award at the fall conference on October 6, 2023.

Diane has presented at national, state, and regional accounting conferences, including the American Institute of CPAs (AICPA), Society of Louisiana Certified Public Accountants (LCPA), Government Finance Officers Association (GFOA), Accounting and Financial Women's Alliance, and both the Southern and Louisiana Associations of School Business Officials. In addition, she has written articles for various professional publications. She has served on and chaired various LCPA state and chapter committees. She currently is Chair of the national GFOA Accounting, Auditing, and Financial Reporting committee; serves on the LCPA state and local Governmental Accounting and Auditing committee; is President-Elect of the Accounting and Financial Women's Alliance, New Orleans Chapter; and is the incoming President of the Women in Public Finance, Louisiana chapter.

Diane is a graduate of Benjamin Franklin High School in New Orleans and graduated *Magna Cum Laude* from Wright State University in Dayton, Ohio with a Bachelor's degree in English and Accounting. She is a member of the following professional associations:

- American Institute of Certified Public Accountants
- Society of Louisiana Certified Public Accountants (Board Member-at-Large)
- Government Finance Officers Association of the United States and Canada
- Louisiana Government Finance Officers Association (past President)
- Accounting and Financial Women's Alliance (President of the New Orleans chapter)
- Louisiana Association of School Business Officials
- Association of Government Accountants
- Institute of Internal Auditors
- Women in Public Finance (President of the Louisiana chapter)

Ten Easy Steps to Comply with the Local Government Budget Act



March 13, 2024

Diane B. Allison, CPA, CGMA, CGFO
Assistant Legislative Auditor and
Director of Local Government Services

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BEST PRACTICES

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LEGAL ASSISTANCE

Resources regarding answers relating to audit matters and other topics of common interest.

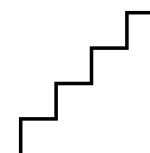
LOUISIANA GOVERNMENTAL AUDIT GUIDE

The Louisiana Governmental Audit Guide (LAGAG) provides resources to set forth the standards by which the engagements of local governments and quasi-public organizations (local auditees) are to be performed.



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Ten Easy Steps To Comply with the Local Government Budget Act (R.S. 39:1301-1315)

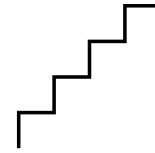


1. Do your research: become familiar with the laws and your government's budgeting policies
2. Establish the budget calendar
3. Provide budget worksheets to department heads
4. Create Round 1 (first draft) budget
5. Arrive at a structurally balanced budget

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Ten Easy Steps To Comply with the Local Government Budget Act (R.S. 39:1301-1315)



6. Assemble the budget document
7. Seek the public's input: make the budget available, post the notice, and hold the public hearing
8. Adopt the budget before the start of the fiscal year
9. Monitor revenues and expenditures monthly
10. Amend the budget when there's a variance of at least 5%

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1. Do Your Research



- Local Government Budget Act [R.S. 39:1301 - 1315](#)
 - Different governments have different requirements
- Local Government Budget Act (LGBA) [FAQs](#) and [Flowchart](#)
- Lawrason Act or home rule charter
- Your government's budget policies and procedures
 - Most are required to adopt a budget for the general fund and all special revenue funds
 - Some are required to adopt capital outlay budgets
 - May adopt budgets for other funds
- On-behalf payments

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The Local Government Budget Act Applies to

- ✓ Parish governing authorities and all districts, boards, or commissions created by them
- ✓ Municipalities and all boards and commissions created by them
- ✓ School boards
- ✓ Special districts
- ✓ City courts
- ✓ District public defenders offices
- ✓ Housing authorities
- ✓ Mortgage authorities
- ✓ Political subdivisions of the state
- ✓ Registrar of voters
- ✓ Independently elected parish officials, including the office of assessor, clerks of district court, coroner, district attorney, sheriff, and judges

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Flowchart of Statutory Budget Mandates

Action	Political Subdivisions	Elected Officials
Budget preparer	Chief executive or administrative officer	Elected official
Budget message prepared by	Chief executive or administrative officer	Elected official
Budget instrument for adoption	Ordinance or resolution	Letter authorizing implementation signed by elected official
Completed and submitted for public inspection	15 days prior to beginning of fiscal year	15 days prior to beginning of fiscal year
Adoption	At open meeting before end of prior fiscal year (for most)	No public meeting required
Amendments	Adopted at public meeting after publication on the agenda	Publication in official journal

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2. Establish the Budget Calendar

- The date the budget will be **adopted** (at least 15 days prior to the beginning of the fiscal year for most)
- Working backwards, the date of the **public hearing** (required if proposed expenditures are \$500,000 or more), which is required to occur before the budget is adopted
- The date the **notice of the hearing is published**, required to be at least 10 days before the date of the hearing
- The date the notice should be provided to the official journal to meet the **publication deadline**
- The date the budget is **available for public inspection**, required to be 15 days before the start of the fiscal year (for most governments)

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2. Establish the Budget Calendar

Various due dates for the internal process

- Establish budget priorities, goals, objectives
- Create budget worksheets, receive budget requests from department heads
- Develop Round 1 (first draft)
- Develop a final budget
- Create all the contents of the budget document
 - Budget message
 - Budget summary
 - Budget adoption instrument
 - Other (organization chart, summary of budget policies, capital outlay, long-term financial planning, statistical data, etc.)
- Assemble the budget document

Sun	Mon	Tue	Wed	Thu	Fri
			1	2	3
3	4	5	6	7	8
9	10	11	12	13	14
15	16	17	18	19	20
21	22	23	24	25	26
27	28	29	30	31	

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Sample Budget Timeline for FYE June 30

- January – create budget worksheets
- January – February – research revenues and expenditures (insurance, major initiatives, capital outlay, etc.), trends, economic drivers
- March – determine staffing levels, salaries, benefit costs
- March – April - develop first draft
- April – May - develop final version
- May – June – complete the budget document



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Sample Budget Timeline for FYE June 30

In May or June:

- Send notice of public hearing to the official journal to publish
- Notice is published in the official journal (10 days before the hearing)
- Hold the public hearing (before adoption)
- Adopt the budget (15 days before the start of the fiscal year)
- Make the budget available for public inspection (15 days before the start of the fiscal year)
- Publish notice certifying completion of the process

June							2024
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
						1	
2	3	4	5	6	7	8	
9	10	11	12	13	14	15	
16	17	18	19	20	21	22	
23	24	25	26	27	28	29	
30							

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3. Budget Worksheets

- Spreadsheet columns can include, by individual line item
 - Account name and number
 - Prior one or more years actual
 - Current year budget (original, final amended)
 - Actual year-to-date (for example, month 1 through month 8)
 - Current year projected total (for all 12 months)
 - Proposed budget for next year (to be completed by the department head)
 - % (and amount) change between current and proposed budgets
- Department head should explain major increases or decreases
- Can include various reports showing detail of amounts spent in each line item

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Sample Budget Worksheet

	a	b	c	d	e	f	(f-c)
	2021	2021	2022	2022	2022	2023	Budget
	Actual	Final	Original	Actual	Projected	Budget	Request
	Expenditures	Budget	Budget	Through Mo. 5	Actual	Request	Variance
Travel Expense Reimbursement	\$1,504	\$3,220	\$9,500	\$6,275	\$9,200	\$23,000	(\$13,500)
Professional Certifications	3,320	3,700	6,700	2,305	4,700	10,665	(3,965)
Dues and Subscriptions	913	1,080	2,300	597	2,300	2,730	(430)
Office and Computer Supplies	0	0	0	0	0	300	(300)
Professional Services	0	0	0	0	0	15,000	(15,000)
Total	5,737	8,000	18,500	9,177	16,200	51,695	(33,195)

Major initiatives:

1. Hire a new person to create a library of educational resources
2. Offer CLGE both in-person and livestreamed
3. Finish the project of creating an audit findings database
4. Have personnel who want to attend at least one in-state conference

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4. Create Round 1 (First Draft) Budget

- Lead budget analyst completes a master budget, by line item detail, including each department's initial request
 - Compiled from all those budget worksheets
- Lead budget analyst completes any unfilled lines (various revenues, administrative expenditures, etc.) or amounts that apply organization-wide (such as X% increase in health insurance, payroll taxes, pension rates, etc.)

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4. Create Round 1 (First Draft) Budget



- Usually conservative on the revenue side (understated) and liberal on the expenditure side (include what all department heads *want*, even though it's much more than they *need*)
- Need to provide amounts for every line item in every column
 - Revenues itemized by source
 - Expenditures by agency, department, function, and character
 - Other financing sources and uses (by source and use)
 - Beginning and ending fund balances
- If there's a deficit, then the government is spending fund balance

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Budget Example - Summary

Revenues	
Taxes	\$35,213
Licenses and permits	2,939
Intergovernmental	15,632
Internal services and interfunds	9,503
Fees, fines, and forfeitures	277
Charges for services	220
Other	<u>321</u>
Total Revenues	64,105
Expenditures	
Legislative, executive, and judicial	3,959
Finance, human resources, legal	9,886
Public works	13,239
Planning and development	1,210
Public safety and civil service	35,502
Community services	<u>5,063</u>
Total Expenditures	68,859

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Budget Example - Detail

Taxes:	
Taxes - Ad Valorem	3,849
Taxes - Franchise	510
Sales and Use Tax - 1976	7,696
Sales and Use Tax - 1998	15,392
Sales and Use Tax - 2005	7,696
Interest - Delinquent Taxes	60
Housing Authority - PILOT	<u>10</u>
Total Taxes	35,213
Licenses and Permits:	
Licenses - Occupational	2,754
Licenses - Compentency Cards	5
Permits - Building	170
Permits - Zoning	<u>10</u>
Total Licenses and Permits	2,939

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Budget Example – Highest Level

Revenues	\$64,105
Expenditures	<u>68,859</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,754)
Other Financing Sources	0
Other Financing Uses	<u>(4,869)</u>
Total Other Financing Sources (Uses)	(4,869)
Net Change in Fund Balance	(9,623)
Fund Balance, Beginning of Year	<u>26,719</u>
Fund Balance, End of Year	\$17,096

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5. Arrive at a Structurally Balanced Budget

- Structurally balanced budget is defined as **recurring** expenditures not exceeding **recurring** revenues
- Second choice is expenditures (and other uses of funds) do not exceed revenues (and other sources of funds) in the fiscal year
- **Not spending fund balance**
 - The LGBA requires that “total proposed expenditures not exceed the total estimated funds available for the ensuing year” (proposed revenues plus beginning fund balance)
- “Living within your means”
- Best to use **one-time revenues for one-time expenditures**
- Involves **making the hard decisions** (services, costs, programs, perhaps positions to reduce) **every year**

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Tips for Better Budgeting

1. Proposed revenues should be realistic – neither overstated nor understated
2. Consider increasing expenditures for inflation
3. Expenditures need to be highly researched and analyzed
 - a. Staffing levels, benefit costs (retirement rate, health insurance rate, other benefit costs and rates)
 - b. Expenditures that are continuing and those that will not recur
 - c. Be frugal during financial distress (and explain why)
 - d. Delay or cancel noncritical projects, purchases or contracts
 - e. Delay or cancel programs or events that are low priority
 - f. Reassess personnel equipment needs (desktop printers, cell phones, vehicles, etc.)



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Tips for Better Budgeting

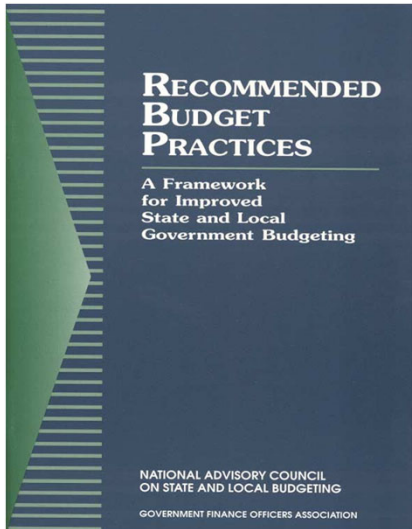
4. Consider adjusting expenditures for timing
 - a. Budget for that capital outlay later in the fiscal year (when have a better idea of total revenues), or perform in phases over multiple fiscal years
 - b. Incorporate a long-term perspective
5. Ensure that value is received for the money spent
6. Sometimes have to spend money to save money (e.g. labor-saving technology, bringing in outside technical expertise to fill a staff knowledge gap)
7. Some cuts will be temporary (short-term hiring freeze, cutting out-of-state travel, spending caps, etc.)
8. Focus on results and outcomes



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To Learn More Tips for Better Budgeting

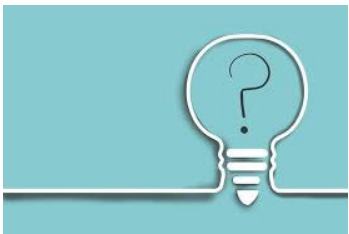


gfoa.org/best-practices/budgeting

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Any questions on the first five steps of complying with the Local Government Budget Act?



1. Do your research
2. Establish the budget calendar
3. Provide budget worksheets to department heads
4. Create the first draft
5. Arrive at a structurally balanced budget

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6. Assemble the Budget Document

1. Prepare the **budget (spreadsheet)** in a clearly presented side-by-side comparison
 - for the general fund and all special revenue funds

Required columns

- Proposed budget
- Current year year-to-date actual
- Current year projected
- % change (between proposed budget and current year projected)

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Budget Spreadsheet Columns

Recommended columns

- Current year original budget
- Current year final amended budget
- Current year year-to-date actual
- Current year projected
- % change between last adopted budget and current year projected
- Proposed budget
- % change between current year projected and proposed budget

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Required columns

- Proposed budget
- Current year year-to-date actual
- Current year projected
- % change (between proposed budget and current year projected)



6. Assemble the Budget Document

2. Prepare the **budget message** with the required elements

- Summary description of proposed financial plan
- Policies
- Objectives
- Assumptions
- Budgetary basis
- Discussion of the most important features



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6. Assemble the Budget Document

3. Prepare the **budget adoption instrument**

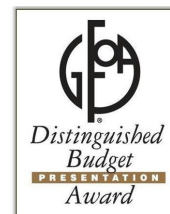
- Ordinance
- Resolution
- Letter authorizing implementation signed by the elected official



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6. Assemble the Budget Document



Consider adding more information in your budget document

- Mission statement and core values
- Members (with photos) of the governing body
- Organization chart and departments
- Fund structure
- Overview of the budget process and timeline
- Fiscal guidelines (internal controls, purchasing, long-term financial planning, etc.)
- Show budgets for every fund, even if not legally adopted
- Information on capital projects, debt, strategic planning
- Statistical data (historical, operational, demographic, etc.)

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7. Seek the Public's Input



- Publish notice in the official journal that the budget is available for public inspection and the date, time, and place of the public hearing
 - Publication date has to be at least 10 days before the date of the hearing
- The hearing has to occur before the budget can be adopted
- The budget is required to be adopted 15 days before the start of the fiscal year (for most governments)
- The budget is required to be available for public inspection at least 15 days before the start of the fiscal year (for most governments)

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7. Seek the Public's Input



- Provide the budget to the governing body when it's ready
- Post the budget document on the website as soon as it is available
- Have a few printed copies at your main location
- If your government crosses multiple parishes, then required to have a budget available for public inspection in each parish
- Consider making the budget available for public inspection as an opportunity for a social media announcement and press release

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8. Adopt the Budget at Least 15 Days Before the Start of the Fiscal Year

- Except school boards, which have until September 15 to adopt
- Except parishes, which have until the 30th day of the fiscal year for which the budget is applicable
- Political subdivisions - at an open meeting by ordinance or resolution
- Elected officials - no meeting is required; budget is adopted by letter authorizing implementation
- Certify completion of all action by publishing a notice in the official journal

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9. Monitor Revenues and Expenditures Monthly

- Statewide agreed-upon procedure #2 – Board or Finance Committee
 - Monthly budget-to-actual comparisons for the **general fund**
 - Quarterly budget-to-actual comparisons for all **proprietary funds**
 - Semi-annual budget to actual comparisons for all **special revenue funds**
- List on agenda, discuss, record in Minutes



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Sample Budget-to-Actual Comparison Columns

February				July Through February			
		Variance				Variance	
Actual	Budget	Amount	%	Actual	Budget	Amount	%

Actual		Budget	
February	July - February	Annual	Remaining

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10. Amend the Budget When There's a Variance of at Least 5%

- The chief executive or administrative officer is required to notify the governing body in writing of unfavorable variances
 - Actual **revenues** will be **less than** budgeted revenues
 - Actual **expenditures** will be **more than** budgeted expenditures
 - Actual **beginning fund balance** is **less than** estimated beginning fund balance and using fund balance to fund current year expenditures
 - Also, when there's a change in operations
- The amendment has to occur **before** the fiscal year ends
- Additional revenues have to be budgeted (appropriated) before they can be spent

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10. Amend the Budget When There's a Variance of at Least 5%


Steps to amend the budget

- Political subdivisions – by ordinance or resolution adopted at a public meeting after publication on the agenda (same as regular meetings)
- Elected officials – by publishing the amendment in the official journal
- State agencies – legislature amends



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Any questions on the last five steps of complying with the Local Government Budget Act?

6. Assemble the budget document
7. Seek the public's input
8. Adopt the budget
9. Monitor the budget monthly
10. Amend the budget when necessary

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Thank You!

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