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Effectively Communicating Financial Information to the Board

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Agenda



1. Building the Context
 - * Communication
 - * Professionalism
2. Financial Information for a Governing Body
 - * The universe
 - * Determining the focus
3. Delivering the Message Effectively

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Basics of Communicating



Communication is a process of passing information from one person to another.

The elements of communication are:

- * Sender
- * Receiver
- * Message
- * Medium or channel
- * Noise
- * Feedback

Effectiveness of Communication Channels



Information Channel	Information Richness
Face-to-face conversations	High
Videoconferencing	High
Telephone conversations	High
Emails	Medium
Handheld devices	Medium
Blogs	Medium
Written letters and memos	Medium
Formal written documents	Low
Spreadsheets	Low

How We Communicate Verbally



Method	Tips
<ul style="list-style-type: none">* In person* Over the phone (voice)* Virtually (voice and video)* Chatting, texting, posting* Informally and formally	<ul style="list-style-type: none">* Use a strong, confident speaking voice* Use active listening* Avoid filler words* Avoid industry jargon when appropriate

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How We Communicate Nonverbally



Method	Tips
<ul style="list-style-type: none">* Eye contact* Body language* Facial expressions* Tone of voice* Posture* Gestures* Appearance	<ul style="list-style-type: none">* Notice how your emotions feel physically* Be intentional about your nonverbal communications* Mimic nonverbal communications you find effective

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How We Communicate Using Visual Aids



Method	Tips
<ul style="list-style-type: none">* Image* Info graphic* Video* Visual presentation	<ul style="list-style-type: none">* Consider your audience* Only use visuals if they add value* Make visuals clear and easy to understand

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How We Communicate In Writing



Method	Tips
<ul style="list-style-type: none">* Emails* Text and instant messaging* Letters* Forms* Reports	<ul style="list-style-type: none">* Strive for simplicity* Don't rely on tone* Use proper spelling, grammar, and punctuation* Review before you click on <i>Send, Submit, or Print</i>* Keep a file of writing you find effective and enjoyable

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Points to Ponder



1. Of the 4 communications methods (verbal, nonverbal, visually, in writing) which are you best at?
2. To which communication method does your board respond to the most?
3. Which of these communication methods should be used when presenting financial information?

Communication Styles



- * Passive
- * Aggressive
- * Passive-Aggressive
- * Assertive

Characteristics of a Passive Communicator



- * Often acts indifferently, yielding to others
- * Fails to express their feelings or needs, and allows others to express themselves
- * Often displays a lack of eye contact, poor body posture, and inability to say *no*
- * Most likely will avoid a confrontation or defer to others
- * Easy to get along with
- * Goes with the flow

Characteristics of an Aggressive Communicator



- * Speaks in a loud demanding voice
- * Maintains intense eye contact
- * Dominates or controls others
- * Issues commands
- * Asks questions rudely
- * Fails to listen to others
- * Can be considered a leader and commands respect

Characteristics of a Passive-Aggressive Communicator



- * Appears passive on the surface, but within may feel powerless or stuck, building up resentment that leads to seething or acting out in subtle, indirect, or secret ways
- * Mutters to himself or herself
- * Has difficulty acknowledging his or her anger
- * Uses facial expressions that don't correlate with how he or she feels
- * Most likely to communicate with body language or a lack of open communication with others
- * Silent treatment, spreads rumors, sabotages others

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Characteristics of an Assertive Communicator




- * Openly communicates but is not overbearing
- * Can express their own needs, desires, ideas, and feelings while also considering the needs of others
- * Aims for both sides to win
- * Owns his or her own feelings and behaviors without blaming the other person

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Points to Ponder



1. Assess the situation or information, then consider which communication style is most appropriate.
2. Become aware of which style you're communicating in, and consider if you should change to another.

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Barriers to Communicating



- * Physical
- * Attitude
- * Emotional
- * Cultural
- * Language
- * Lack of focus and eye contact
- * Fear of mistakes
- * Psychological
- * Perceptual
- * Feedback issues

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Types of Business Messages We Communicate



1. Good news – receiver will love hearing this
2. Bad news – receiver doesn't want to hear this
3. Transmittal – here it is
4. Informative – here's what it says
5. Instructional – do this
6. Inquiry – please explain
7. Claim or complaint – I don't like this

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Communication Skills We Should Develop



- * Speaking
- * Writing and editing
- * Graphics
- * Nonverbal
- * Listening
- * Thinking

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Characteristics of a Professional



1. Trustworthy: dependable, responsible, and accountable
2. Believe passionately in what they do
3. Pursue happiness (not just content)
4. Committed to a path of true excellence and strict adherence to the highest values
5. Live by the slogan “You’re allowed to fail, you’re not allowed to not try”

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Characteristics of a Professional



6. Agree to be coached and managed to strictly enforced, agreed-upon standards
7. Teamwork is mandatory, not optional
8. Continually invest in getting better
9. Enforce excellence – in managing resources, projects, and people
10. Personal professional growth is a nonnegotiable minimum standard
11. Primary focus is on relationship building

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Is This What Your Governing Body Sees When They Read Your Financial Information?



εαν ταις γλωσσαις των ανθρωπων λαλω και των
 αγγελων αγαπην δε μη εχω γεγωνα χαλκος ηχων η κυμβαλον
 αλαλαζον
 και εαν εχω προφητειαν και ειδω τα μυστηρια παντα και πασαν
 την γνωσιν και εαν εχω πασαν την πιστιν ωστε ορη
 μεθιστανειν αγαπην δε μη εχω ουδεν ειμι
 και εαν ψωμισω παντα τα υπαρχοντα μου και εαν παραδω το
 σωμα μου ινα καυθησωμαι αγαπην δε μη εχω ουδεν ωφελουμαι
 η αγαπη μακροθυμει χρηστευεται η αγαπη ου ζηλοι η αγαπη ου
 περπερευεται ου φυσιουται

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Financial Information to Consider Providing to the Board Monthly




1. General Fund Budget-to-Actual (income statement)
2. Projection for how the fiscal year will end (best available estimate)
3. General Fund balance sheet
4. Narrative explanation of major variances and summary of financial results (“financial highlights”)
5. Visual information on most volatile revenue (sales tax?)
6. Other?

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Financial Information to Consider Providing to the Board Quarterly



1. Income statement and balance sheet for
 - a. Internal service funds
 - b. Enterprise funds
2. List of investments
3. Other?

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Financial Information to Consider Providing to the Board Twice a Year



1. Income statement and balance sheet for
 - a. Special revenue funds
 - b. Debt service funds
 - c. Capital projects funds
 - d. Fiduciary funds?
2. Other?

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Financial Information to Consider Providing to the Board Annually




1. The budget, for adoption
2. Schedule of debt principal and interest payments
3. List of bank accounts (name, not account number), purpose, and signers
4. Presentation of the annual audit (review/attestation, compilation) report
5. Adopt millage rates
6. Other?

Purpose of Presenting Financial Information to the Board



- * Provide information so the governing body can make informed financial decisions
- * To show transparency and accountability to the public
- * To prove compliance with laws, regulations, and policies




Key Financial Information

Of all the numbers on all the reports, what are the 3-5 numbers that a board member should focus on?

- * Sales tax revenues?
- * Total revenues?
- * Overtime?
- * Total expenditures?
- * Other sources or uses of funds?
- * Excess or deficit?
- * Cash balance?
- * Receivables?
- * Payables?
- * Restricted fund balance?
- * Unrestricted fund balance?

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Suggestions for Presenting Budget-to-Actual (income statement): Columns


February			Year-to-Date		
2022		2021	2021-2022		2020-2021
Actual	Budget	Actual	Actual	Budget	Actual

February	Year-to-Date	Year-to-Date
Actual	Actual	Budget

Variance Positive (Negative)	
%	Amount

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Suggestions for Presenting Budget-to-Actual (income statement): Rows



<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>...</td><td></td></tr> <tr><td>Total Revenues from State Sources</td><td></td></tr> <tr><td></td><td></td></tr> <tr><td>Total Revenues from Federal Sources</td><td></td></tr> <tr><td></td><td></td></tr> <tr><td>Total Revenues</td><td></td></tr> </table>	...		Total Revenues from State Sources				Total Revenues from Federal Sources				Total Revenues		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>...</td><td></td></tr> <tr><td>Debt Service</td><td></td></tr> <tr><td></td><td></td></tr> <tr><td>Total Expenditures</td><td></td></tr> <tr><td></td><td></td></tr> <tr><td>Other Financing Sources (Uses)</td><td></td></tr> <tr><td> Other Sources (Inflows) of Funds</td><td></td></tr> <tr><td> Other Uses (Outflows) of Funds</td><td></td></tr> <tr><td>Other Sources (Uses) of Funds</td><td></td></tr> <tr><td></td><td></td></tr> <tr><td>Excess (Deficit)</td><td></td></tr> </table>	...		Debt Service				Total Expenditures				Other Financing Sources (Uses)		Other Sources (Inflows) of Funds		Other Uses (Outflows) of Funds		Other Sources (Uses) of Funds				Excess (Deficit)	
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Excess (Deficit)																																			

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Suggestions for Presenting Budget-to-Actual (income statement)



- * High level of detail
 - * Every line item (regular salaries, overtime salaries, health insurance, pension, etc. for each department and function)
- * Medium level of detail
 - * By department (HR, IT, finance, etc.)
- * Low level of detail
 - * By function (general government, public safety, streets, etc.)

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Suggestions for Presenting Balance Sheet



- * Consider using the same level of detail as in the audit report
- * Present for the date this year and same date last year to be able to make a comparison

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Suggestions for Presenting Balance Sheet



	<u>Jan. 31, 2022</u>	<u>Jan. 31, 2021</u>
Assets		
Cash		
Investments		
Total Cash and Investments		
Accounts Receivable		
Due From Other Funds (Net)		
Total Accounts Receivable		
Inventory		
Prepaid Expenditures		
Total Other Assets		
Total Assets		
Liabilities		
Accounts Payable		
Salaries and Payroll Payable		

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Suggestions for Presenting Projection for Fiscal Year



1. Allocate your annual budget among the 12 months of your fiscal year (14 columns of numbers, including a total and the annual budget)
2. As a month closes and you have actual information, replace that month's budget with the actual amount
3. Excess or deficit for the year (bottom of the total column) will change every month

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Suggestions for Presenting Projection for Fiscal Year



Annual Budget	Actual			Budget				Total
	Jan	Feb	March	April	May	Dec		
TOTAL EXPENDITURES								
OTHER SOURCES OF FUNDS								
OTHER USES OF FUNDS								
EXCESS (DEFICIT)								
YEAR-TO-DATE EXCESS (DEFICIT)								
BEGINNING FUND BALANCE								
ENDING FUND BALANCE								

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Suggestions for Presenting Narrative Explanation of Major Variances




Provide an executive summary

- * “Actual revenues of \$X were \$Y (Z%) over budget, primarily *ad valorem taxes*”
- * “Total expenditures of \$A were \$B (C%) over budget due to *the purchase of 3 school buses*”
- * “The actual excess of \$D was \$E (F%) more than the budgeted excess of \$G”

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Suggestions for Presenting Narrative Explanation of Major Variances




Provide Key Financial Indicators

For the Year	For the Month
* Projected excess (or deficit)	* Actual excess (or deficit)
* Budgeted excess (or deficit)	* Budgeted excess (or deficit)
	* Actual revenues
	* Budgeted revenues
	* Actual expenditures
	* Budgeted expenditures

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Suggestions for Presenting Narrative Explanation of Major Variances




Provide an explanation of major variances

- * Provide brief comment on each of the major revenue sources – what happened in the month and what you know that could affect future months
- * “Total expenditures of \$A were \$B (C%) over (or under) budget” (repeated from executive summary), then
- * Describe the reason for the major variances
 - * Explain timing and consider accruing in the future
 - * State whether the expenditure was budgeted or not

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Suggestions for Presenting Narrative Explanation of Major Variances




Provide brief comments on the balance sheet

- * Describe the reason for major variances
- * What happened in the ensuing 12 months to cause the variance?
- * Consider offering an interpretation of the fund balance amount
 - * Above the 15% recommended by GFOA
 - * Still weak, but getting better
 - * Weak – was higher last year

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Suggestions for Presenting Narrative Explanation of Major Variances




Provide other important information

- * Projects
- * FEMA accounting
 - * How much has been spent
 - * How much is obligated by FEMA
 - * How much FEMA has paid
 - * How much has been spent that is not reimbursable
 - * Number of project worksheets – obligated and not

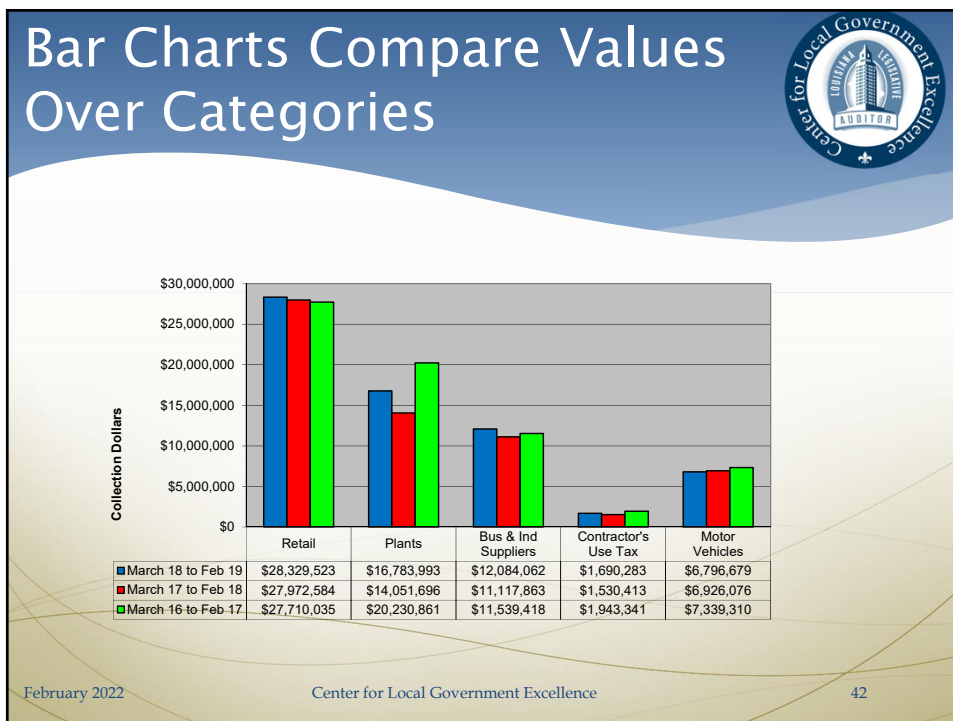
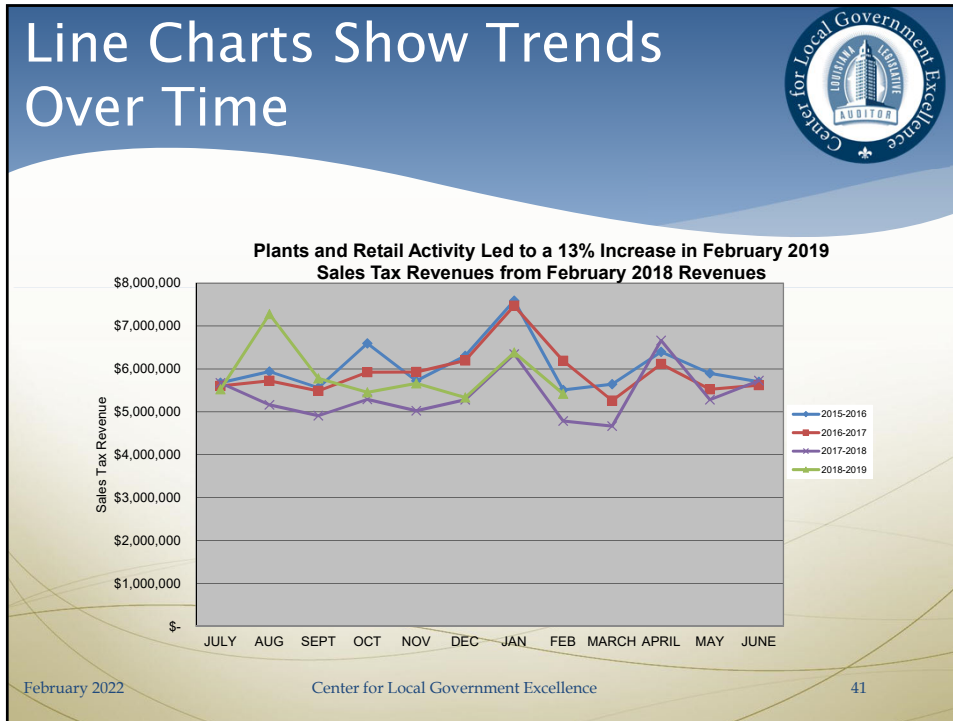
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Suggestions for Presenting Information Visually




- * Use the appropriate graphic for the information you're trying to convey
- * Make the title of your chart say what the chart is showing
 - * i.e. "Sales Taxes are Higher This Month Than the Same Month in the Last 3 Years" rather than "Sales Tax Revenues Over the Last Three Years"
- * State the units of measurement and label both axes
- * The scale should not distort or hide any information

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Suggestions for Presenting Information Quarterly




Enterprise Fund				
Jan.-March	April-June	July-Sept.	Oct.-Dec.	Total

July-Sept.	Year-to-Date
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Tips To Keep Everyone On Track



1. Make a calendar of major financial events in a year and provide to the governing body, such as
 - a. adopt millage rates in May
 - b. approve salaries in October
 - c. present a budget in November
 - d. adopt the budget in December
 - e. present audit results in July
2. When you get a question, consider incorporating that information into a monthly report

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Tips to Keep Everyone On Track



3. Create a schedule by month of which extra reports to prepare for the board, for example
 - a. October – list of investments, capital projects funds financial statements and internal service fund financial statements
 - b. April – list of investments, debt service funds financial statements, ARPA report


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Wrap Up




- * How will I effectively communicate
- * What financial information
- * To my governing body
- * So they can make prudent and informed financial decisions?
- * What are the 3-5 key numbers I need to focus on for my board this month?
- * How can I say all the important things in 5 minutes?

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Thank you!



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