

Municipal Clerks of Illinois Institute and Academy

Finance and Budget

Town of Normal, Il

October 2024

www.normalil.gov

Finance and Budget

- * **Become an Accountant/Budgeteer!**
- * **Chart of Accounts (COA)**
 - * There will be a COA test.....
- * **Town of Normal Overview**
 - * **Budget Exercise**
- * **Budget and Budgetary Accounting**
- * **Tax Increment Financing**

Chart of Accounts

- * The Chart of Accounts is a structured list of all accounts used in a ledger “accounting system”
- * Categories
 - * Assets (Balance Sheet)
 - * Liabilities (Balance Sheet)
 - * Fund Equity (Balance Sheet)
 - * Revenues (R&E)
 - * Expenditure (R&E)
- * Numbering convention - Important
- * Summarize and aggregate detailed transactions
 - * Meaningful Analysis
 - * Financial Reporting and Budgets



Assets – Liabilities = Fund Equity

Chart of Accounts – Assets

- * *Current Assets*
- * Generally numbered as “100” accounts and include:
 - * 101 Cash
 - * 102 Petty Cash
 - * 103 Investments – CD’s
 - * 105 Investments - Agencies
 - * 113 Taxes Receivable – Current
 - * 115 Accounts Receivable

Chart of Accounts – Assets

- * *Capital Assets (long-term physical assets)*
 - * 161 Land
 - * 162 Right-of-Way
 - * 163 Buildings
 - * 164 Improvements Other Than Buildings (Wells)
 - * 165 Machinery and Equipment
 - * 166 Construction in Progress



Chart of Accounts – Liabilities

- * *Current Liabilities*
- * Generally numbered as “200” accounts and include:
 - * 202 Accounts Payable
 - * 206 Retainage Payable
 - * 207 Interfund Payables
 - * 209 Accrued Wages Payable

Chart of Accounts – Liabilities

- * *Long-term Liabilities*
 - * 231 Bonds Payable (non-current)
 - * 231.1 General Obligation Bonds Payable
 - * 231.2 Revenue Bonds Payable
 - * 231.3 Special Assessment Bonds Payable
 - * 231.4 Debt Certificates Payable
 - * 237 Lease Purchase Agreements
 - * 238 Compensated Absences Payable

Chart of Accounts – Fund Equity

- * *Net Position*
 - * Governmental (fund balance)
 - * Proprietary fund types (fund equity)
- * **Fund Balance**
 - * *Reserved and Unreserved*
- * *Net Position (Balance or Equity)*
 - * 253 Restricted Fund Balance (External Constraint)
 - * 255 Assigned Fund Balance (Informal Constraint)
 - * 256 Unassigned Fund Balance (Available)

Chart of Accounts

- * Revenues
- * Expenses
 - * Functional Activity
 - * Department/Division
 - * Element/Object Code
 - * Program/Project Code

Chart of Accounts – Revenues

- * Revenues and Other Financing Sources are generally numbered as “300” accounts and include:
 - * 310 Taxes
 - * 311 Property Taxes
 - * 311.10-11 Property Taxes – IMRF Levy
 - * 311.10-12 Property Taxes – Social Security Levy
 - * 311.10-16 Property Taxes – Police Pension Levy
 - * 313 Local Taxes
 - * 313.10-00 Local Sales Tax
 - * 313.30-00 Hotel/Motel Tax
 - * 313.50-00 Food & Beverage Tax



Chart of Accounts – Revenues

- * 315 State Taxes
 - * 315.10-00 State Sales Tax
 - * 315.20-00 State Income Tax
- * 321 Licenses
 - * 321.05-00 Liquor license
 - * 321.10-10 Licenses – Apartments
 - * 321.10-15 Licenses – Hotel/Motel
 - * 321.10-20 Licenses – Mobile Home Park
- * 322 Permits
 - * 322.20-10 Building Permit
 - * 320.20-20 Electrical Permit
 - * 320.20-30 Plumbing Permit
 - * 320.20-40 HVAC Permit

Chart of Accounts – Revenues

- * 341 Charges for Services
 - * 341.10-00 Waste Collection Fees
 - * 341.16-00 Ambulance Fees
 - * 343.10-00 Water Use Fees (Water Fund)
- * 350 Fines and Forfeits
 - * 371.10 Police Tickets
 - * 371.20 Parking Fines
 - * 371.60 False Alarm Fines
- * 360 Investment Income
- * 370 Miscellaneous
- * Consistent across funds and functional activities, departments/divisions (if applicable)

Chart of Accounts – Expenditures

- * Expenditures Accounts
- * Most significant and numerous accounts
 - * Cost Center
 - * Fund
 - * Functional Activity
 - * Department
 - * Division
 - * Activity (Accounts shared by all Cost Centers)
 - * Element
 - * Object

Chart of Accounts – Expenditures

Department and Division

- * Cultural Arts - Department
 - * Children's Discovery Museum
 - * Theater
- * Parks and Recreation
 - * Aquatics
 - * Park Maintenance
 - * Community Activity Center
 - * Youth Programs
 - * Golf Course
 - * Before and After School
- * Public Works
 - * Engineering
 - * Streets
 - * Waste Removal

Chart of Accounts – Expenditures

- * Element and Object Codes:

- * 1 Personnel Services

- * Salaries and Wages

- * 10-10 Regular Salaries
 - * 11-10 Part-time Salaries
 - * 12-10 Overtime

- * Benefits

- * 16-10 Employer Social Security
 - * 17-10 IMRF Retirement
 - * 18-10 Health and Dental

- * 2 Professional Services

- * Construction Services

- * 27-10 Major Facility Projects
 - * 27-30 Traffic Signals
 - * 27-40 Street Resurfacing
 - * 27-70 Sidewalks

Chart of Accounts

* Accounting Line

- * Language of the Chart of Accounts
- * Translates thousands, some cases millions of transactions into an understandable summary

Account Number 001-1210-451-10-10

Fund	001	General Fund	Cost Center
Department	12	Cultural Arts Department	Cost Center
Division	10	Children's Discovery Museum	Cost Center
Activity	45	Culture and Recreation	Cost Center
Sub Activity	1	Recreation	Cost Center
Element	10	10 = Salaries and Wages	Activity - Shared by all Cost Centers
Object	10	10 = Regular Salaries	Activity - Shared by all Cost Centers

Chart of Accounts – Game Q1

- * 200 accounts are?
 - * Asset
 - * Liability
 - * Revenue
 - * Expenditure

Chart of Accounts – Game Q2

- * Which is a cost center?
 - * Element
 - * Division
 - * Object

Chart of Accounts – Game Q3

- * The City Manager wants you to track soccer field rentals by the community leagues?
- * Set up an account code
 - * What is the Dept?
 - * What account series are we talking about?

Chart of Accounts – Game Q4

- * What is the account series number for Bonds Payable?
 - * 100 series
 - * 200 series
 - * 300 series
 - * 400 series
- * Is it a current liability or long-term liability?
 - * Current Liability
 - * Long-term Liability
 - * Both

Chart of Accounts – Learning Points

- * Don't lose control of your chart of accounts
- * Be thoughtful about new set ups and eliminations
- * Understand your chart of accounts
- * Find the correct balance (use, need, transactions)
 - * What do you need for Financial Reporting
 - * What to you need for compliance
 - * What to you need for analysis
 - * What can you let others decide (project accounts)
- * Educate new staff on the chart of accounts

Town of Normal Overview

- * **Town Departments Overview**
- * **Money (Taxes and Other)**
 - * **Where Does It Come From?**
 - * **What Does It Pay?**
- * **Game (Fun Financial Fact)**
- * **Budget Exercise**

Introduction to Government

- * **Population:** 52,497
- * **Town Services** (370 Fulltime Position)
- * **Police and Fire**
- * **Public Works Department**
 - * Waste Collection
 - * Street Maintenance and Repair
- * **Parks and Recreation**
 - * Pools
 - * Golf Course
 - * Theater
- * **Inspections**
- * **Utility Operations**
 - * Water
 - * Sewer
- * **Administrative (Mayor/Council, Administration, Clerk, Legal, Human Resources, Finance, and Information Technology)**

Introduction to Government

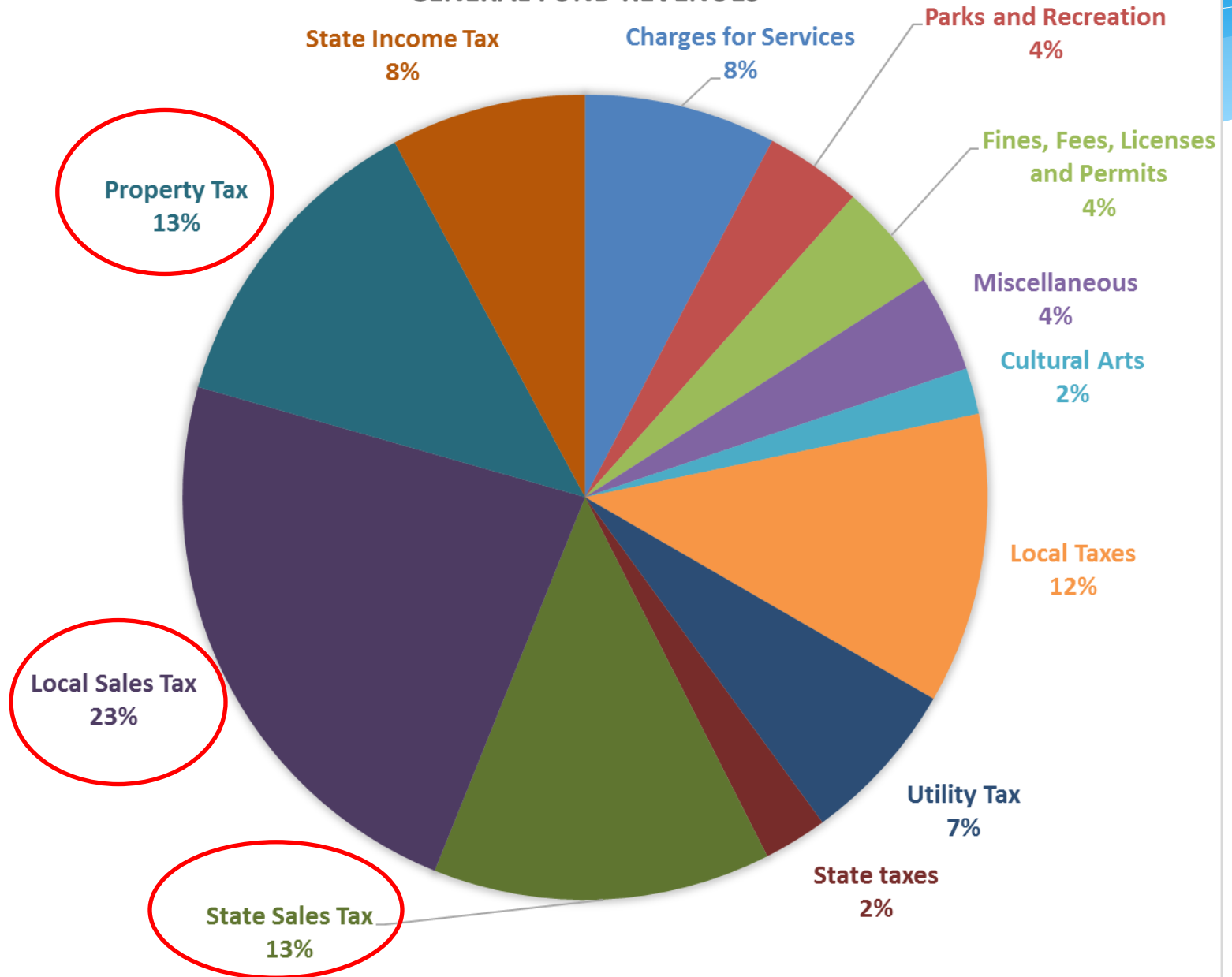
***Ready for a Silly Game..?**

Fun Finance Question #1

- * How much does \$1.0 million dollars in one dollar bills weigh?
- * a) 20 lbs
- * b) 200 lbs
- * c) 2,000 lbs

Where Does the
Money Come From?

GENERAL FUND REVENUES



Sales Tax Distribution

Retail Clothing Store

Shirt	
Jeans	\$30.00
Shoes	\$70.00
<hr/> Total Charge	<hr/> \$100.00
State and Local Sales Taxes (8.75%)	\$8.75
<hr/> Total Bill	<hr/> \$108.75

Govt	Tax Rate	Tax Amt
State	5.00%	\$5.00
City	3.50%	\$3.50
County	0.25%	\$0.25
<hr/> Total	<hr/> 8.75%	<hr/> \$8.75

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Restaurant

Steak Dinner	\$60.00
Ice Cream Fudge Cake	\$20.00
Wine	\$20.00
Total Charge	\$100.00
State and Local Sales Taxes (8.75%)	\$8.75
Food & Beverage Tax (2.0%)	\$2.00
Total Bill	\$110.75

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Fun Financial Fact

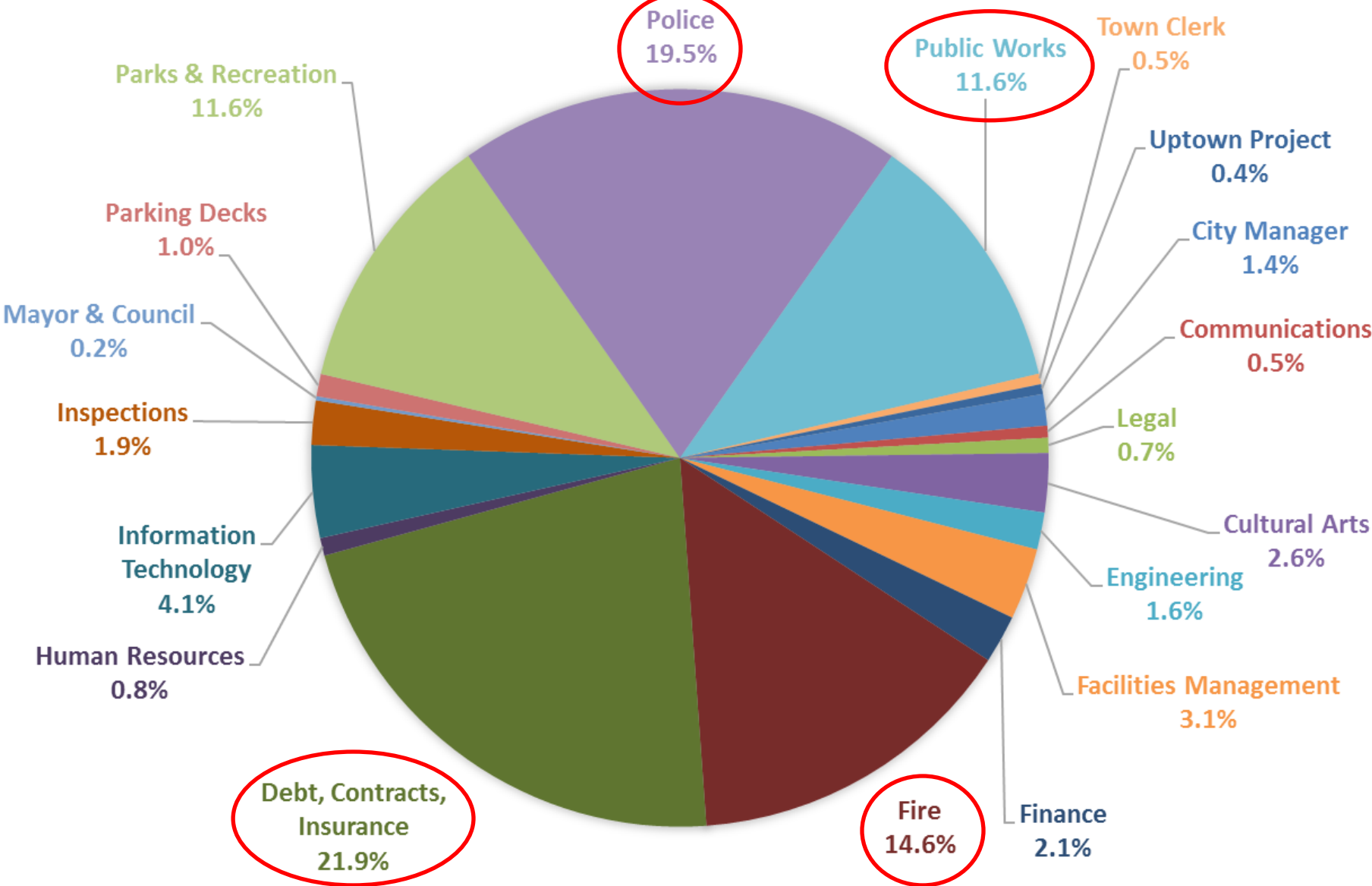
Quick Game Time

Fun Finance Question #2

- * If you had \$10 Billion and Spent \$1.0 every second you would run out of money in?
- * a) Just over 3 years
- * b) Just over 30 years
- * c) Just over 300 years

What Does the Money Pay For?

GENERAL FUND EXPENSES



Fun Financial Fact

Quick Game Time

Fun Finance Question #3

- * How many times can you fold a \$1 bill before it will tear?
- * a) 40 times
- * b) 400 times
- * c) 4,000 times
- * d) 40,000 times

Fun Finance Question #4

- * How much play money (in total) is in the game of Monopoly?
- * a) \$5,540
- * b) \$15,140
- * c) \$50,220

Budget Exercise

- * Budget Committee
- * Break into Teams
- * Your Team will review budget items
 - * List of projects and the cost
 - * Total budget to allocate
 - * Prioritize projects
- * Discuss your reasons for your team's selections
- * Review all team selections
- * Introduce new factors into the analysis

Budget Exercise #1

Government Day Budget Exercise #1

\$3,000,000 Available in the Budget (Team Name _____)

Description	Projects	Funding?	Comments
Lazy River at Fairview	2,000,000		Great community attraction - will help pool attendance and revenue
New soccer field	2,000,000		Huge community sport
Firetruck	700,000		Mild coverage issues
Pot hole repair	500,000		Constant complaints from citizens
New skate park	500,000		Small, but active group pushing for this new skate park
Replace gas golf carts with electric	500,000		Helps move the city towards its eco friendly goals
Driving range lights	300,000		Golf community pushing hard for this - would mean more revenue for the Town
Ambulance	250,000		Serious need, the old one is constantly breaking down and at times unavailable for calls
New concession stand at Fairview	250,000		A new high tech concession stand - very cool - good for marketing the pool and attendance
Total Project Cost	7,000,000	-	

Step 1 - Select projects for funding from the available \$3,000,000

Step 2 - Prioritize which projects get done first

Step 3 - Discuss why certain projects were not selected

Budget Exercise #2

Government Day Budget Exercise #2

\$3,000,000 Available in the Budget (Team Name _____)

Description	Projects	Funding?	Comments
Lazy River at Fairview	2,000,000		Great community attraction - will help pool attendance and revenue
New soccer field	2,000,000		Huge community sport
Firetruck	700,000		Mild coverage issues
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New concession stand at Fairview	250,000		A new high tech concession stand - very cool - good for marketing the pool and attendance
Total Project Cost	7,000,000	-	

Bike Lanes	500,000		Helps move the city towards its eco friendly goals
LED Street Lights	500,000		Helps move the city towards its eco friendly goals
Expanded Dog Park	500,000		The Mayor is a huge dog lover and spend all of his off time supporting canine associations
High Tech Exhibit at the Museum	500,000		Interactive video gaming experience
New Playground equipment	500,000		The old equipment is dangerous, kids are getting hurt daily on the equipment due to its age and degraded state
Recycle Drop off	500,000		Helps move the city towards its eco friendly goals
New Project Cost	3,000,000	-	

Total	10,000,000		
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Step 1 - Cut \$1.0 million of projects from exercise #1

Step 2 - Add \$1.0 million of projects from new list

Step 3 - Explain your reasoning behind the cuts and adds

Budgets and Budgetary Accounting

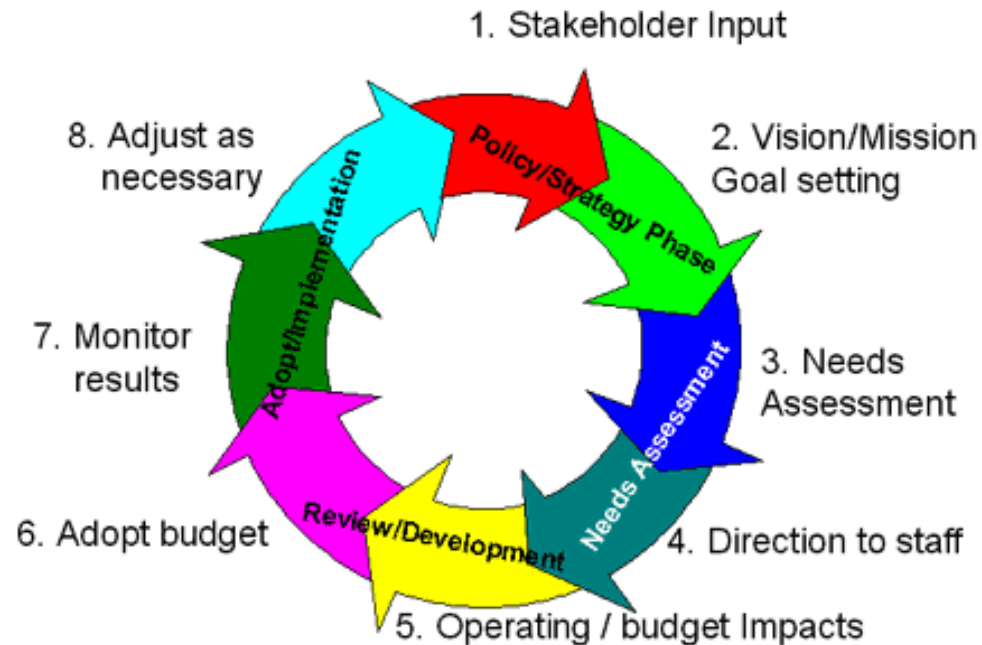
- * Local Government Budgets
 - * Internal and external value
 - * Contrast to the commercial sector – mostly an internal planning tool – not usually available to the public
- * Since governments utilize taxpayer money, budgets are prepared with input from:
 - * Internal Sources (Depts and Employees)
 - * External Sources (IML, IDOR, Peer Organizations, Community Partners, Business Groups, Taxpayer Associations, Unions)
- * Budget development, monitoring and adjustment is a year-long process with significant public discussion

Budgets and Budgetary Accounting

Annual Budgets

- * Development of the budget
 - * Evaluation of community needs
 - * Visioning
 - * Development of strategic goals and objectives
- * Tightly controlled deadlines for the process
 - * Personnel Services
 - * Operating
 - * Capital

Budgets and Budgetary Accounting



Budgets and Budgetary Accounting

Legal Requirement for an Annual Budget

- * A budget is prescribed by ILCS
- * The budget is:
 - * Collection of separate legal budgets for individual funds
 - * Comprehensive planning and control device
- * Governing boards adopt annual operating budgets for funds to *establish authority* for spending even though the legal authorization for spending of funds is sometimes *already provided*
 - * *Bonds*
 - * *Grants (ARPA)*
 - * *Mid Year Adjustments – Governing body can approve changes*

Budgets and Budgetary Accounting

Budget Integration into General Ledger (GL)

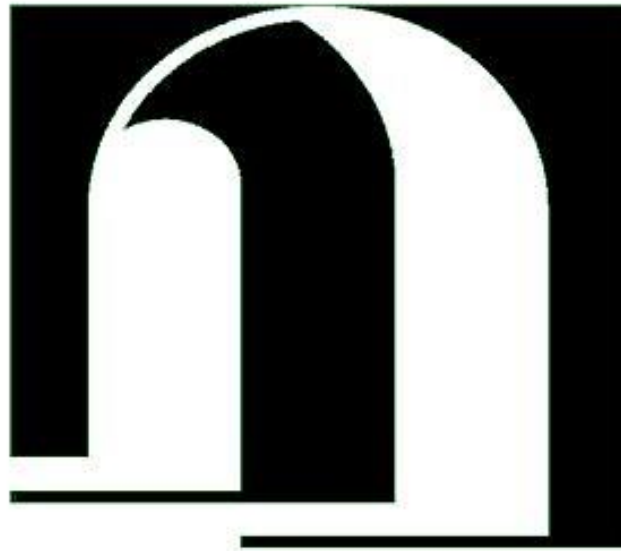
- * Budget accounts should be integrated into general ledgers. Budget accounts:
 - * Reports estimated amounts
 - * Records the legal operating budget
 - * Facilitates control

Budgets and Budgetary Accounting

Budget Integration into General Ledger

- * Budget accounts remain unchanged unless the budget is amended (process of amendment varies from government to government)
- * Each revenue and expense account line in the GL should have a budget amount
- * Provides spending control and planning control
 - * Spending control – encumbrance
 - * Planning – expectations to actuals (Variance analysis)

Town of



Normal