



Cherry Bekaert^{LLP}

Your guide forward

2014 Local Government Benchmarking Study

Results Overview

Cherry Bekaert LLP
Government Services Group

John Gilberto, Partner

jgilberto@cbh.com
813.251.1010

Krista Edoff, Partner

kedoff@cbh.com
757.506.4440

Encouraged by growing participation over the past two years, Cherry Bekaert conducted the 3rd Edition of our Local Government Benchmarking Survey in March 2014. We have continued to listen to respondent feedback and tailored our 2014 survey questions accordingly. We are pleased to present the results of this year's survey, as well as share our three-year trend analysis data and thank the 180 government operational and financial leaders throughout the Southwest who participated.

The following survey results are a valuable tool that will allow government entities to compare their own performance, accomplishments and struggles with similar entities across the Southeast. We hope this report will help you better understand how your peers in the region are responding or planning to respond to a wide range of current issues.

We encourage you to use this information, not only today but well into the future, to help your organization benchmark, budget and plan your strategic goals and needs. We believe that this information can assist you in running your organization in the most efficient and effective manner possible.

Our utmost thanks goes out to the cities, towns, counties, school boards, authorities and agencies throughout the Southeast that contributed to this study, as well as the associations that encouraged their members to participate.

Sincerely,

A handwritten signature in blue ink that reads "John Gilberto". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

John Gilberto, CPA
Industry Leader, Government Services Group

Overview

The 2014 Cherry Bekaert Local Government Benchmarking Survey was fielded in March. The survey analysis includes aggregated responses from 180 government financial and operational leaders throughout the Southeast. This survey is designed to capture and identify significant trends on timely issues relevant to local government entities. This year's survey focused on the following issues:

- ▶ **Workforce and benefits** – Is your government, and the benefits it offers, right sized?
- ▶ **Financial Reporting** – Is your CARF understandable and of value to its users?
- ▶ **Use of technology** – Are local governments staying current with technology trends and needs?
- ▶ **Debt structure** – What direction will bond rating go and where are bond proceeds being spent?
- ▶ **Grant Reporting and Administration** – What is the future impact of sequestration on your government?
- ▶ **Budget** – Budget shortfall? How will your government overcome it?
- ▶ **Risk Assessment and the Audit Process** – Is your government prepared to identify potential fraud?

Highlights Based on Survey Results

- ▶ Staffing levels have increased, but it is harder to find qualified staff
- ▶ Employee benefits have remained relatively stable, despite rising healthcare costs
- ▶ Revenue shortfalls (actual to budget) are on the decline
- ▶ Entities are still in cost cutting mode to balance the budget
- ▶ IT will continue to play an important role in cost cutting measures – half of the survey respondents have a major IT overhaul planned in the next five years
- ▶ Majority of participants are closely following GASB's current project on OPEB and need education on the new grant reform rules



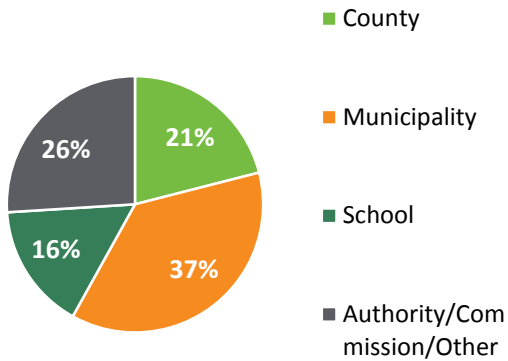
Cherry Bekaert^{LLP}

Your guide forward

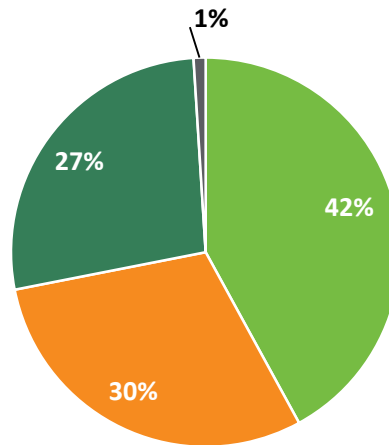
Participant Data

Respondent Information

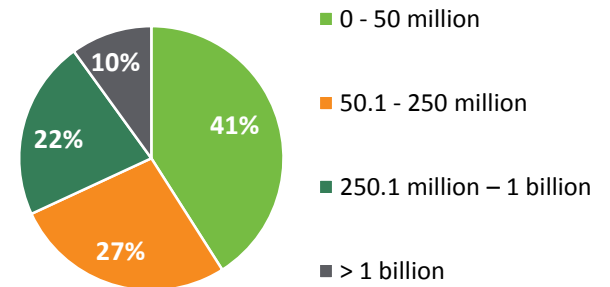
Type of Entity



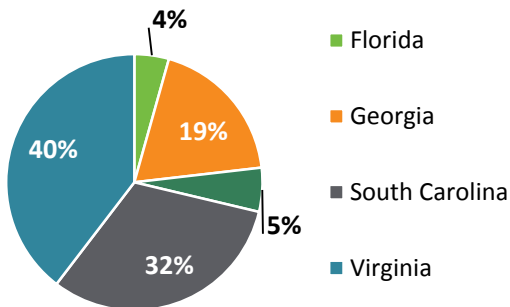
By Title



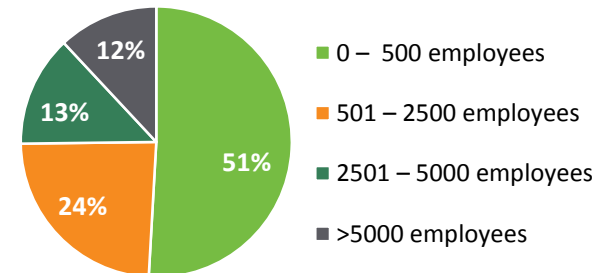
Size of Entity (by revenues)



By State



Size of Entity (by number of employees)





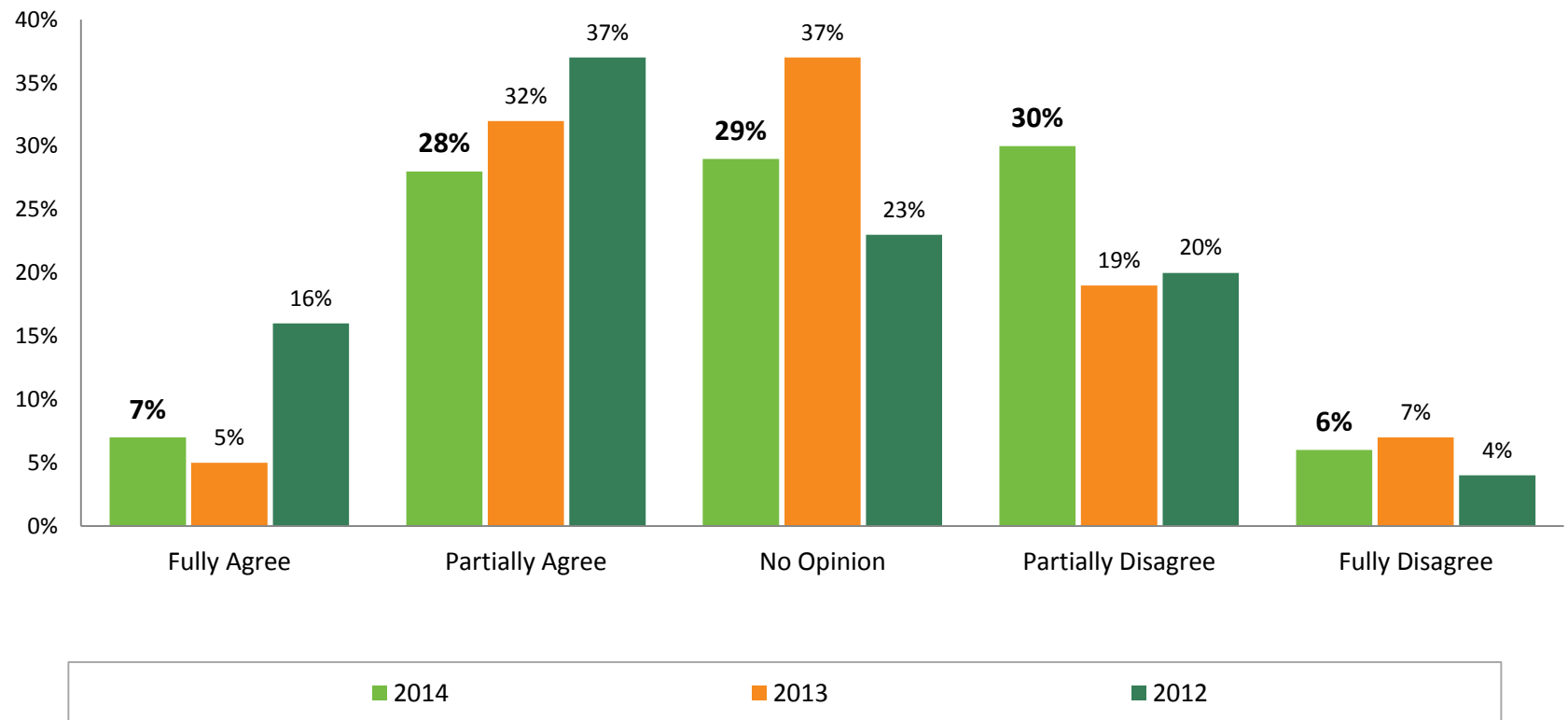
Cherry Bekaert^{LLP}

Your guide forward

Workforce and Benefits

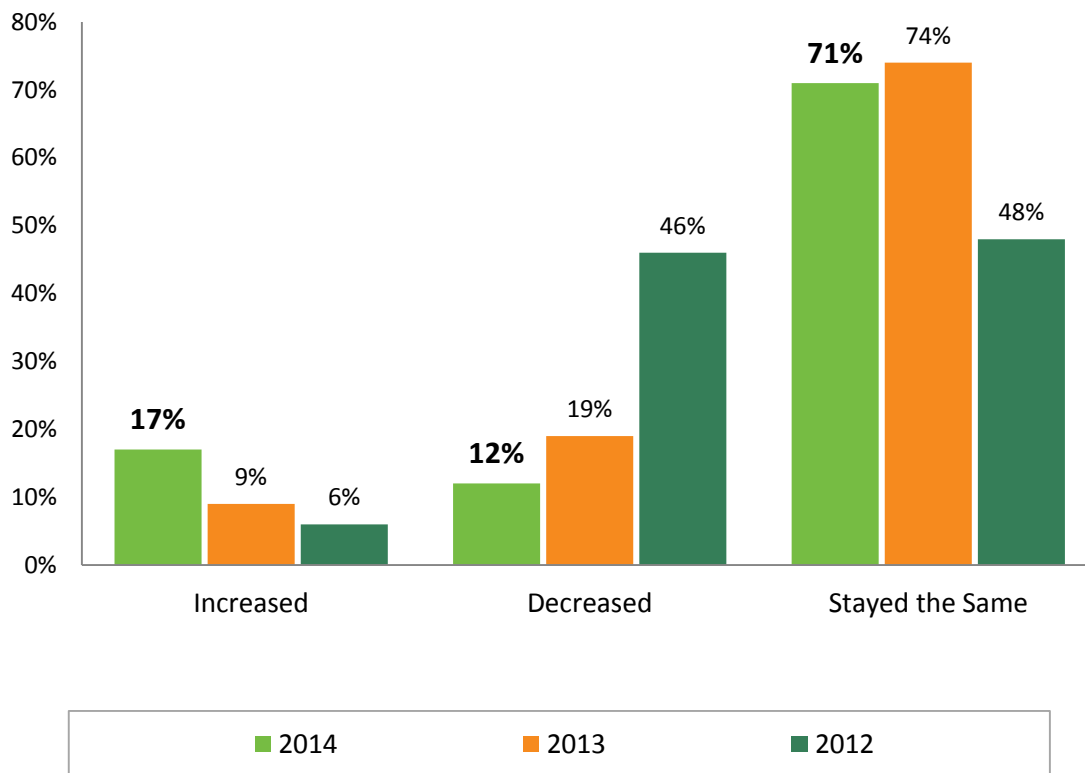
Workforce and Benefits

It is easier today to find qualified candidates for vacant financial and accounting positions than in the last budget cycle.

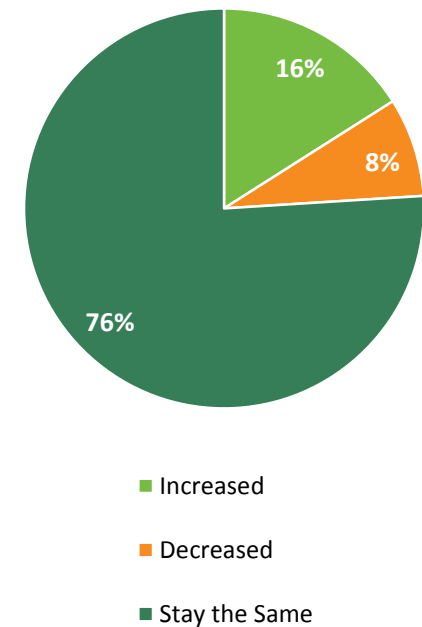


Workforce and Benefits

In the last budget cycle, has your staffing level for financial and accounting positions:

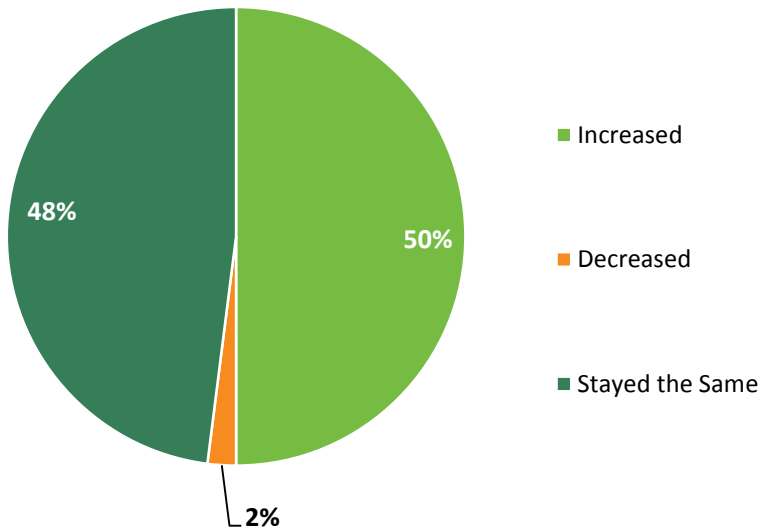


In the next budget cycle, do you anticipate that the number of filled financial and accounting staff positions will:

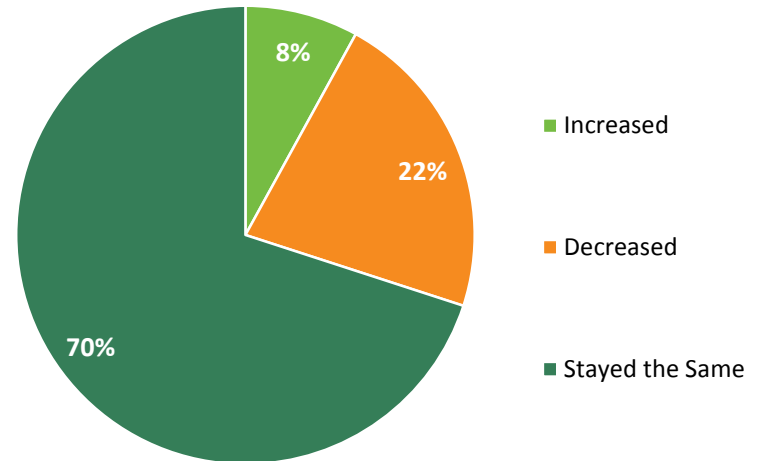


Workforce and Benefits

In the past year, have salaries throughout the entity:

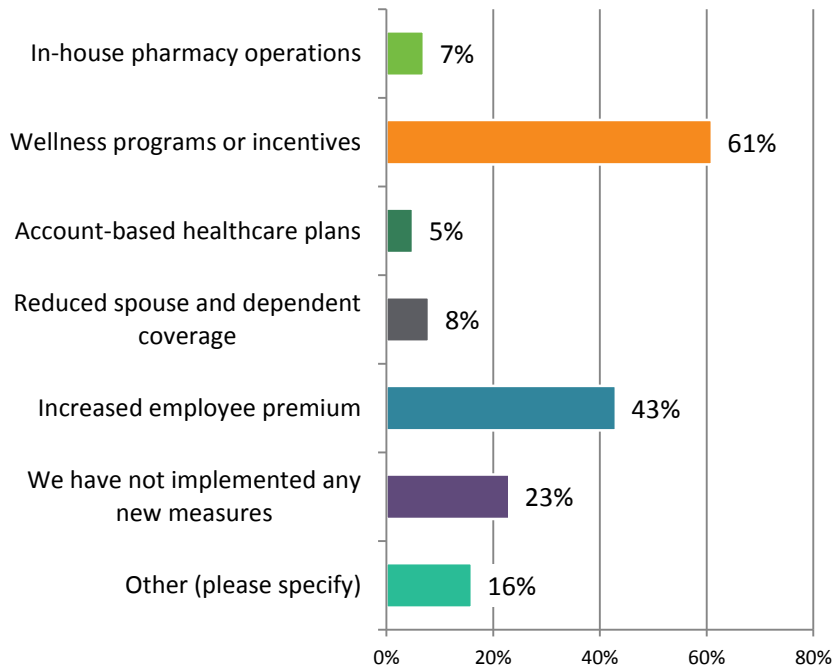


Over the last year, has the benefits package you offered to new employees:

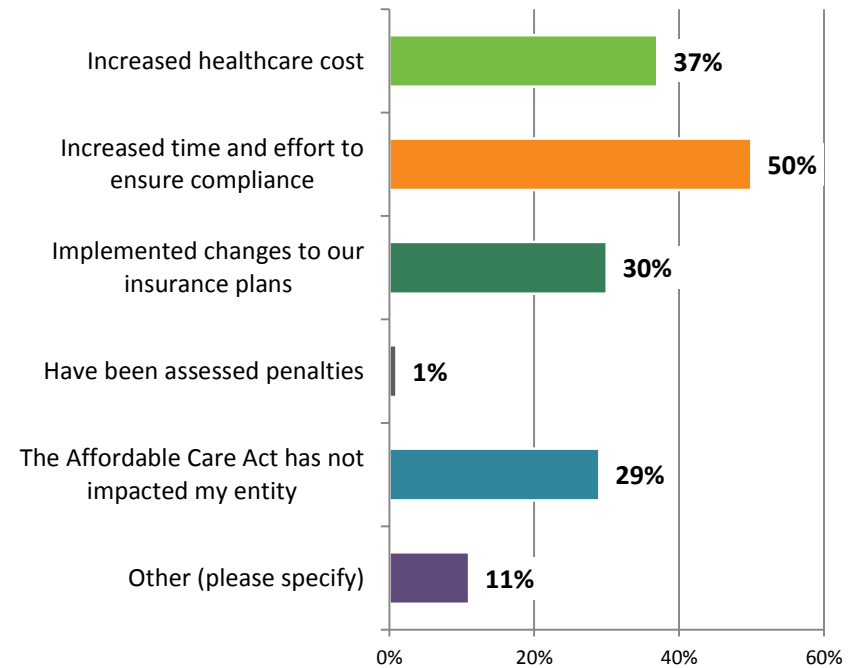


Workforce and Benefits

Given rising healthcare costs, has your entity implemented any of the following to help reduce healthcare costs:
(Check all that apply.)



What impact has the Affordable Care Act had on your entity?
(Check all that apply.)





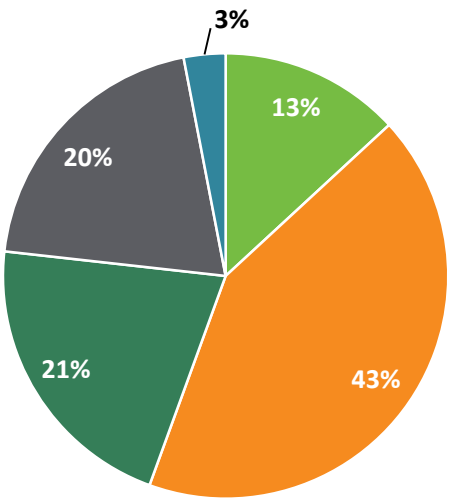
Cherry Bekaert^{LLP}

Your guide forward

Financial Reporting

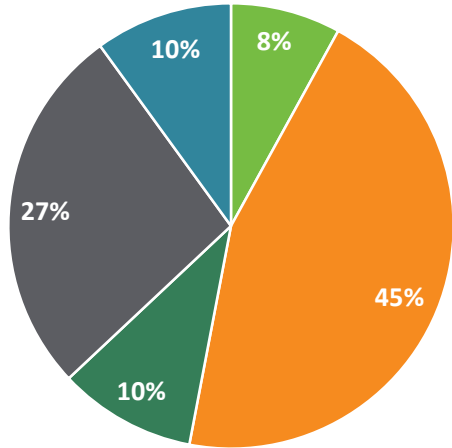
Financial Reporting

In general, the new standards issued by GASB meet the needs of its users.



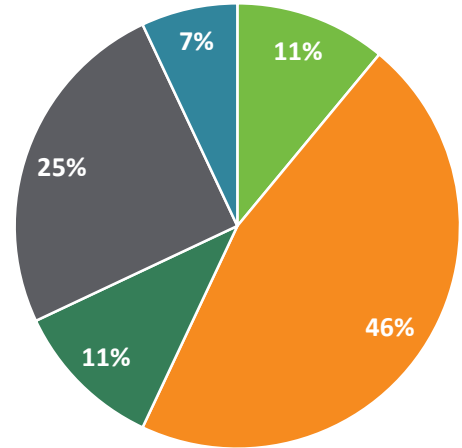
- Fully Agree
- Partially Agree
- No Opinion
- Partially Disagree
- Fully Disagree

The current financial reporting model is **understandable** to elected officials and constituents.



- Fully Agree
- Partially Agree
- No Opinion
- Partially Disagree
- Fully Disagree

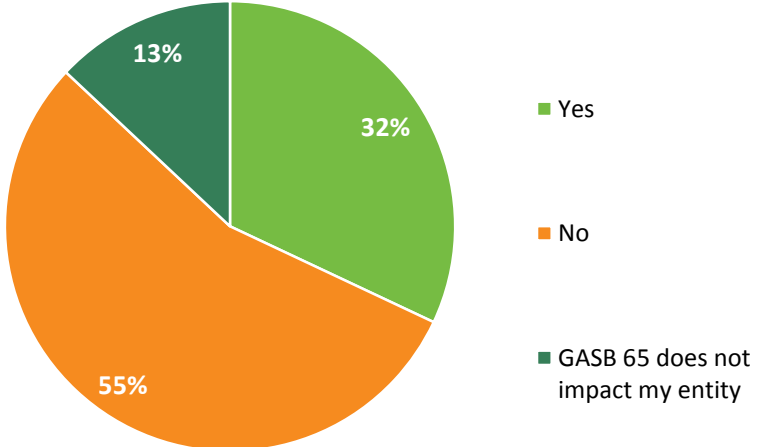
The current financial model is **useful** and **valuable** to elected officials and constituents.



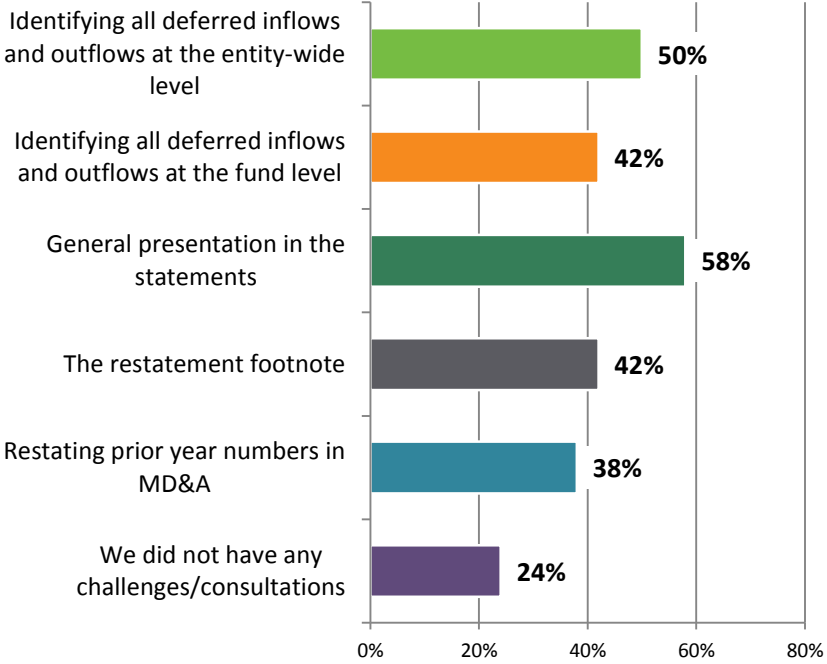
- Fully Agree
- Partially Agree
- No Opinion
- Partially Disagree
- Fully Disagree

Financial Reporting

Did you early implement GASB 65?

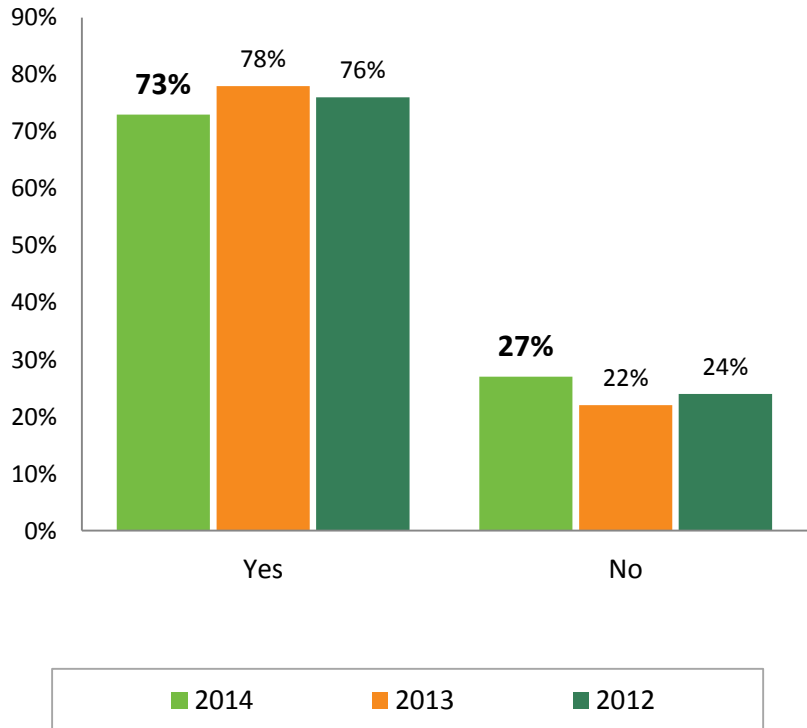


If your entity early implemented GASB 65, what challenges did you face or what consultations with your auditor did you have in early implementing: (Check all that apply.)

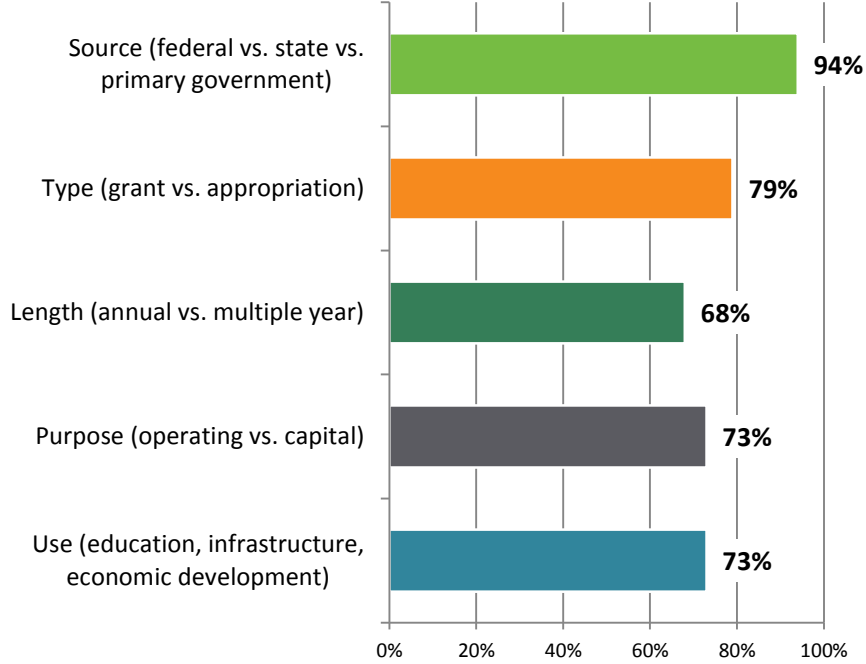


Financial Reporting

Given the current uncertainty of state and federal funding, should information regarding intergovernmental dependency be included in the financial report?

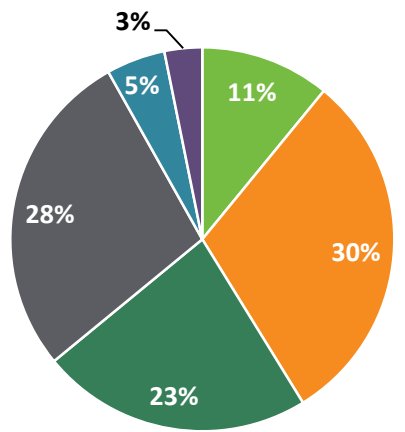


If yes, what type of information should be included? (Check all that apply.)



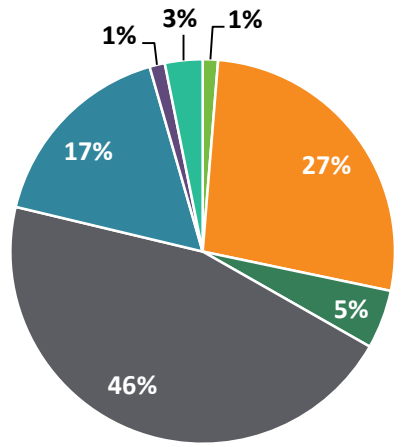
Financial Reporting

What do you consider to be the **most read** portion of your CAFR?



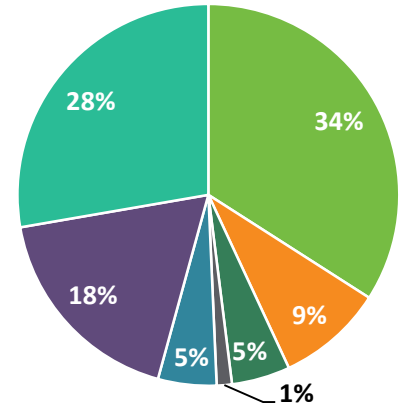
- The introduction section
- The MD&A
- The Auditor's Opinion
- The financial statements
- The footnotes
- The statistical section

What do you consider to be the **most valuable** portion of your CAFR?



- The introduction section
- The MD&A
- The Auditor's Opinion
- The financial statements
- The footnotes
- The required supplementary information
- The statistical section

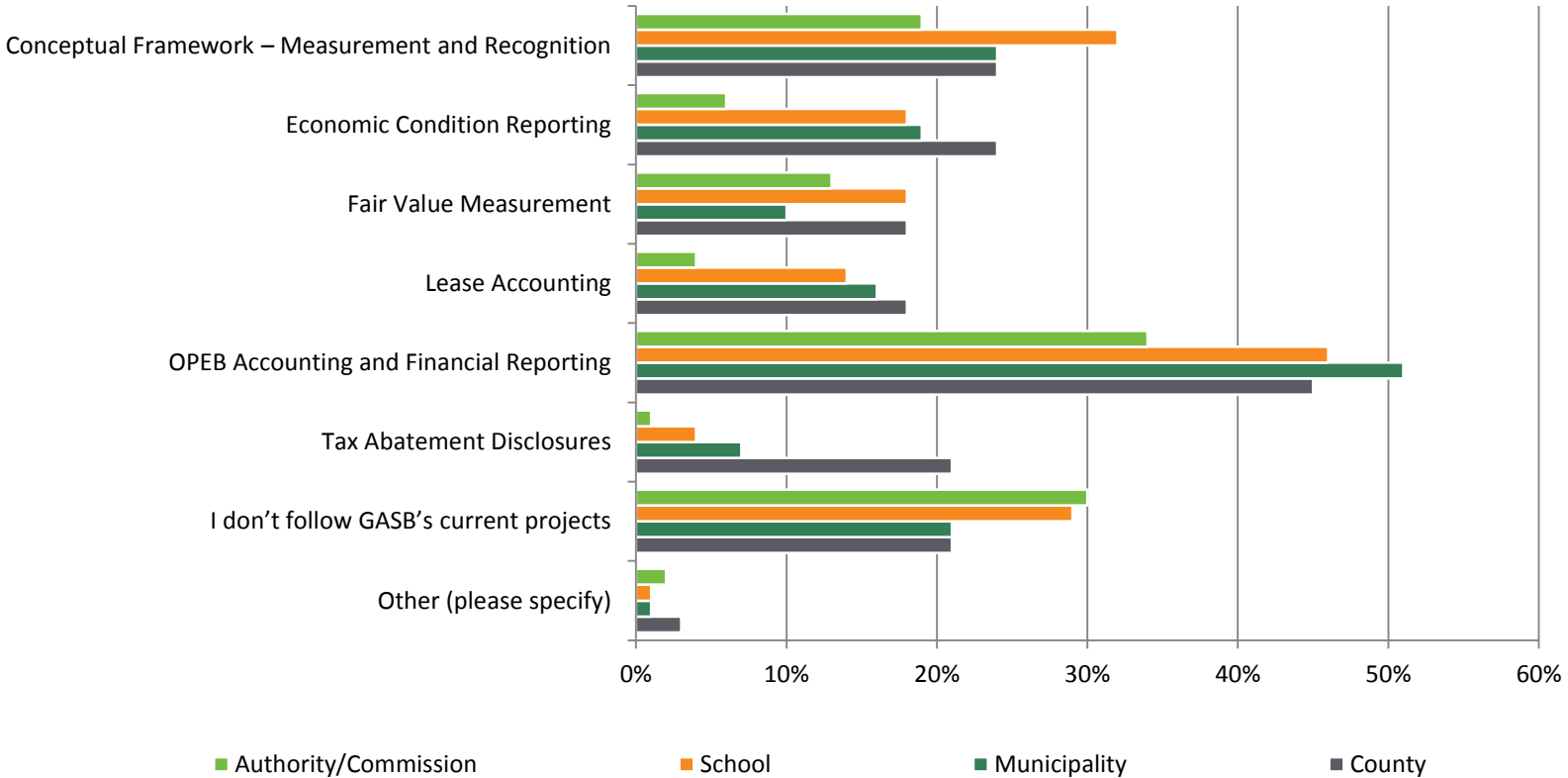
The current financial model is **useful** and **valuable** to elected officials and constituents.



- The introduction section
- The MD&A
- The Auditor's Opinion
- The financial statements
- The footnotes
- The required supplementary information
- The statistical section

Financial Reporting

Which GASB current project(s) are you following? (Check all that apply.)





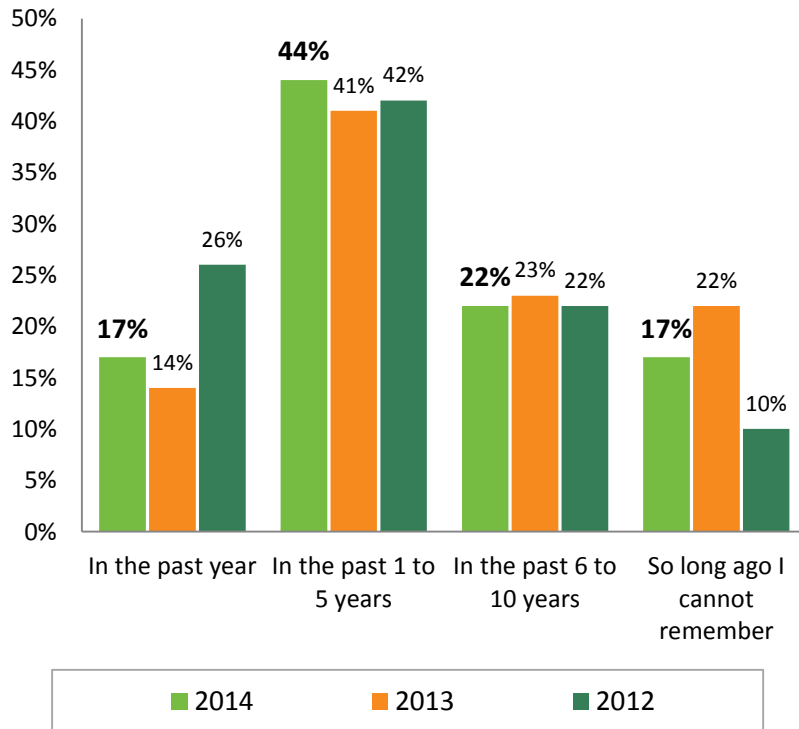
Cherry Bekaert^{LLP}

Your guide forward

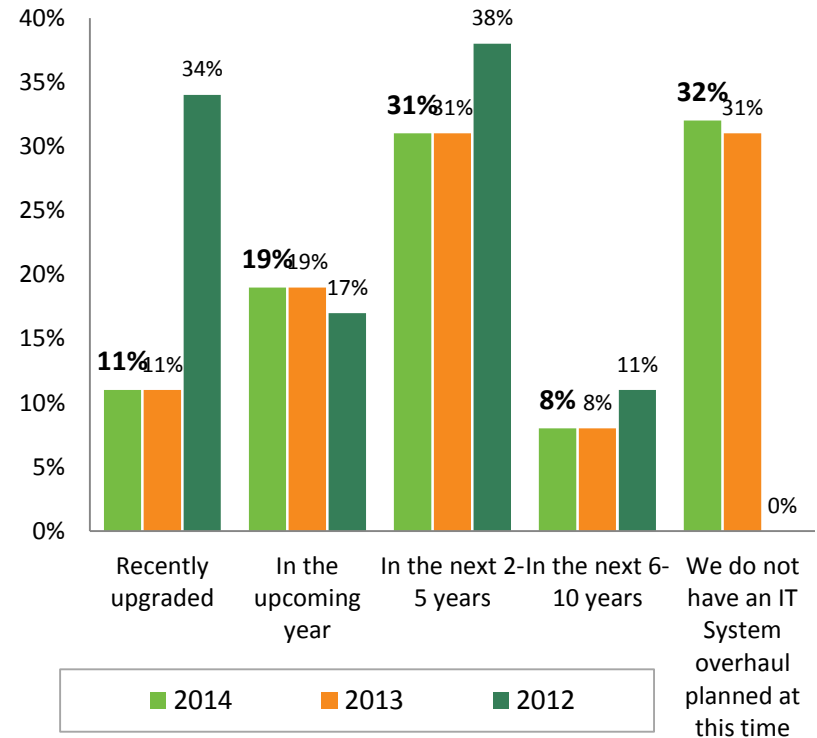
Use of Technology

Use of Technology

When was your last IT System overhaul (not including annual system updates)?

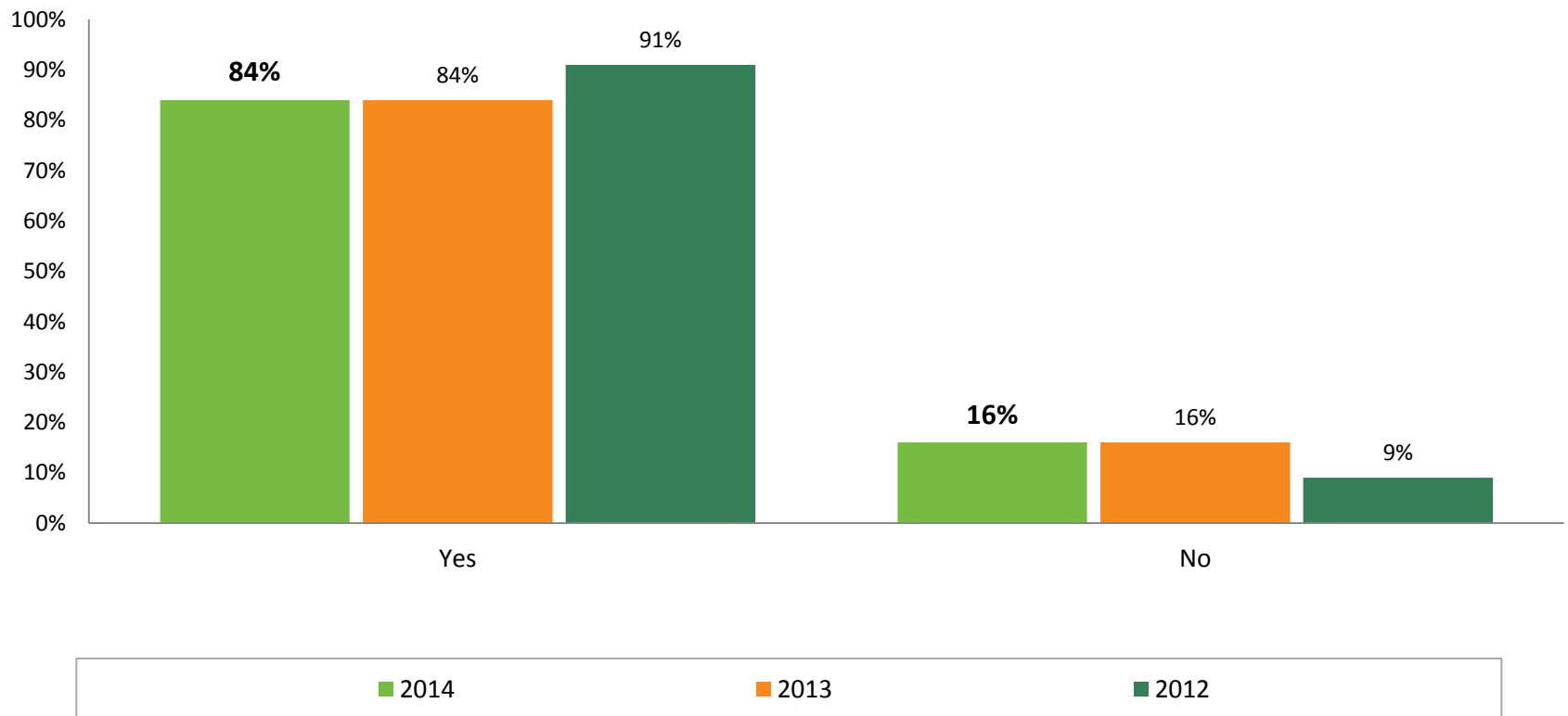


When do you plan your next IT System overhaul (not including annual system updates)?



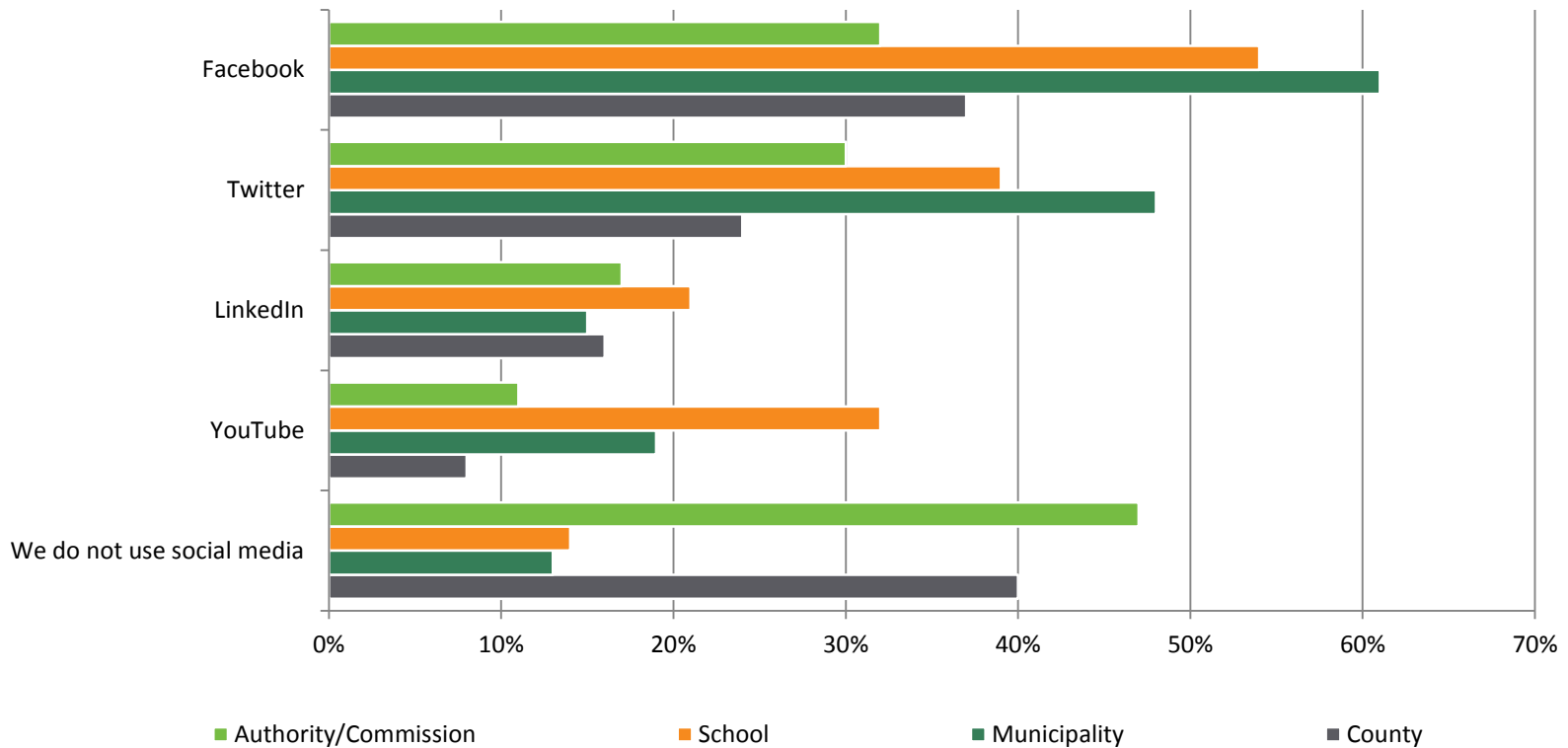
Use of Technology

Do you believe the increased use of technology will be necessary to keep cost under control?



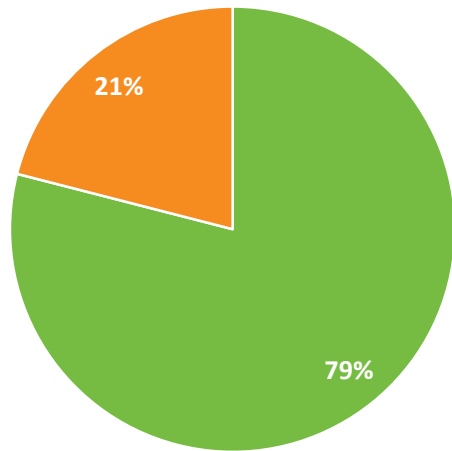
Use of Technology

On which of the following social media websites does your entity have an official presence (e.g. operated and overseen by the entity)?
(Check all that apply.)



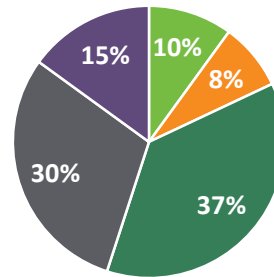
Use of Technology

Do you currently post your CAFR to your website?



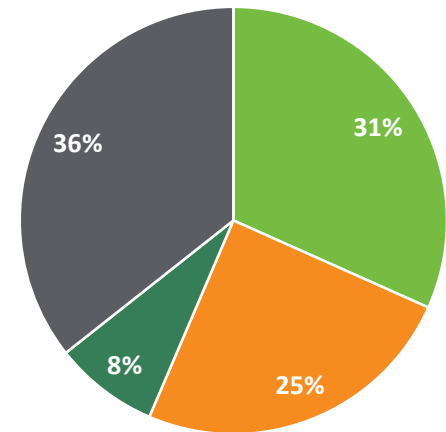
■ Yes ■ No

Are you concerned about confidential data being lost, stolen or misused given employees' ability to access your network through smartphone, tablet, thumb drive or other similar devices?



- Yes, regarding access via a smartphone, tablet or other similar device
- Yes, regarding the use of unencrypted thumb drives to transfer data
- Yes, to both
- No
- We do not allow this type of access

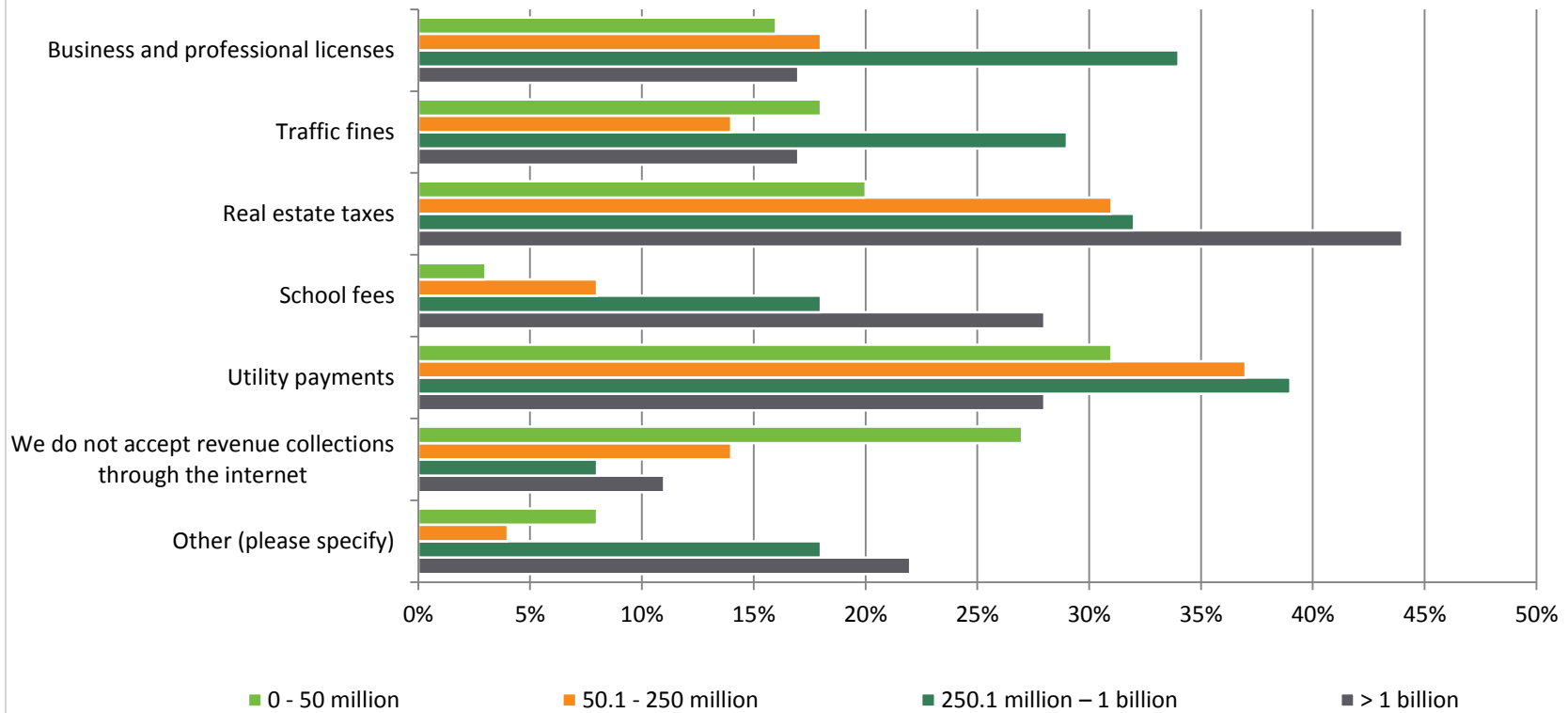
Is your locality wired such that web based access is available to all citizens locality wide?



- Yes, multiple services available
- Yes, 1 or 2 select services available
- No, but a plan is in place to implement
- No, with no plans to implement

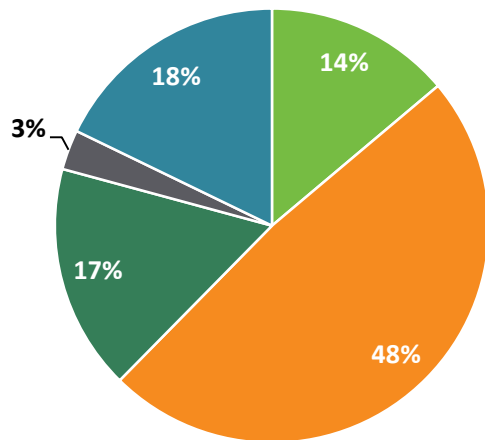
Use of Technology

My locality currently accepts revenue collections through the internet for: *(Check all that apply.)*



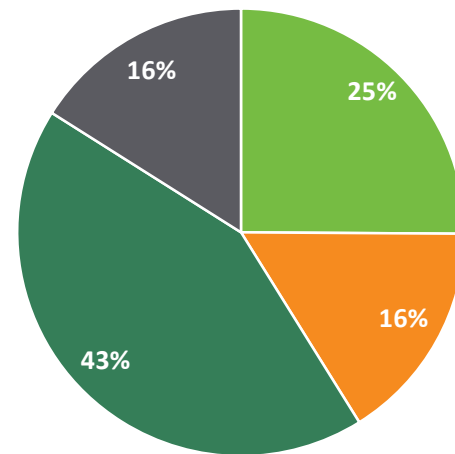
Use of Technology

How often does your entity undergo an IT Risk Assessment?



- Whenever there is a major change to our IT Environment
- Annually
- Once every 3 years
- Once every 5 years
- We do not complete IT Risk Assessments

With regards to the above question, are these assessments performed:



- Internally
- Externally
- Both
- We do not complete IT Risk Assessments



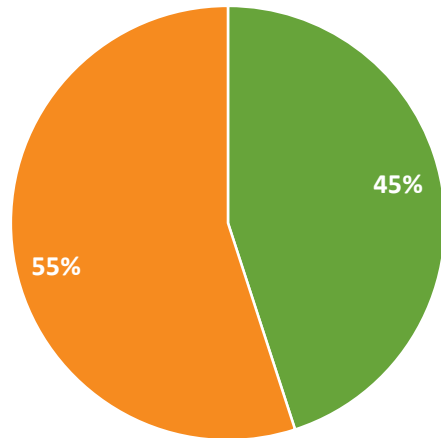
Cherry Bekaert^{LLP}

Your guide forward

Debt Structure

Debt Structure

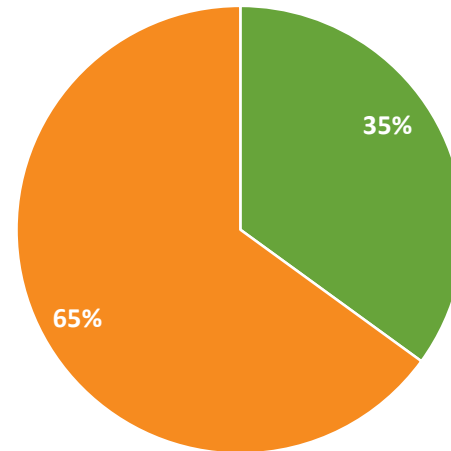
Should the Securities and Exchange Commission (SEC) have the authority to directly regulate issuers of municipal securities and set timelines, content requirements, and have enforcement capabilities over issuers?



■ Yes

■ No

Should the SEC be allowed to establish the form and content of financial statements for entities that issue municipal securities?

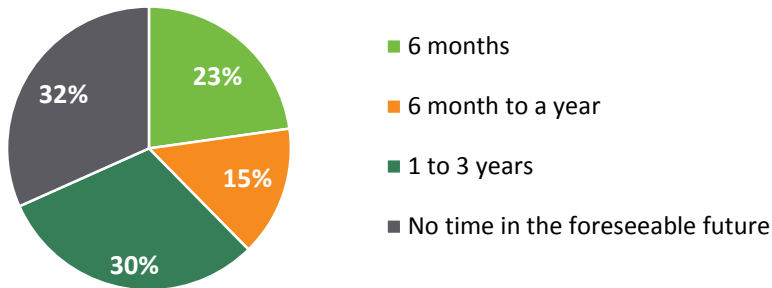


■ Yes

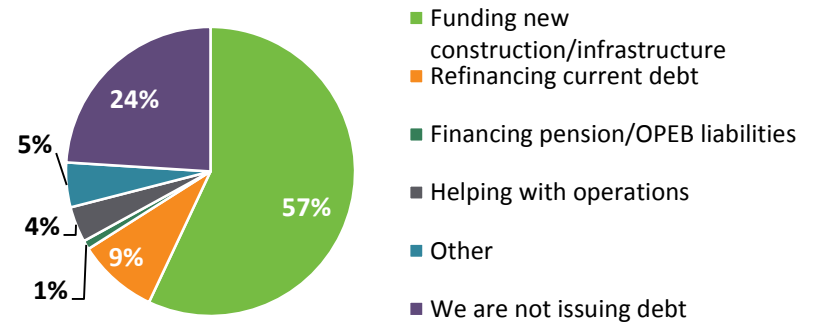
■ No

Debt Structure

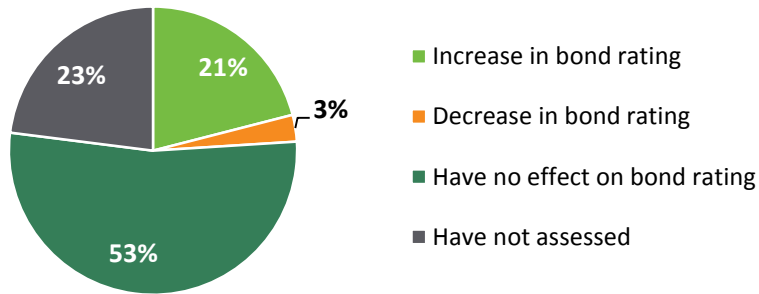
Do you plan to incur debt in the next...?



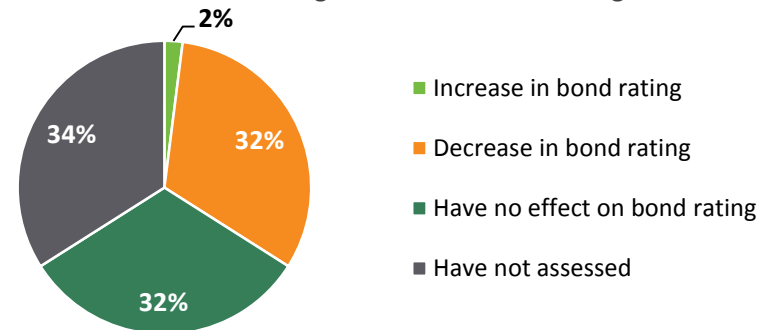
What will you use your next financing for?



Based on your entity's economic outlook, where do you see your bond rating in the next 5 years?



What affect will recording the pension liability required by GASB Statement No. 68 have on governmental bond ratings as a whole?





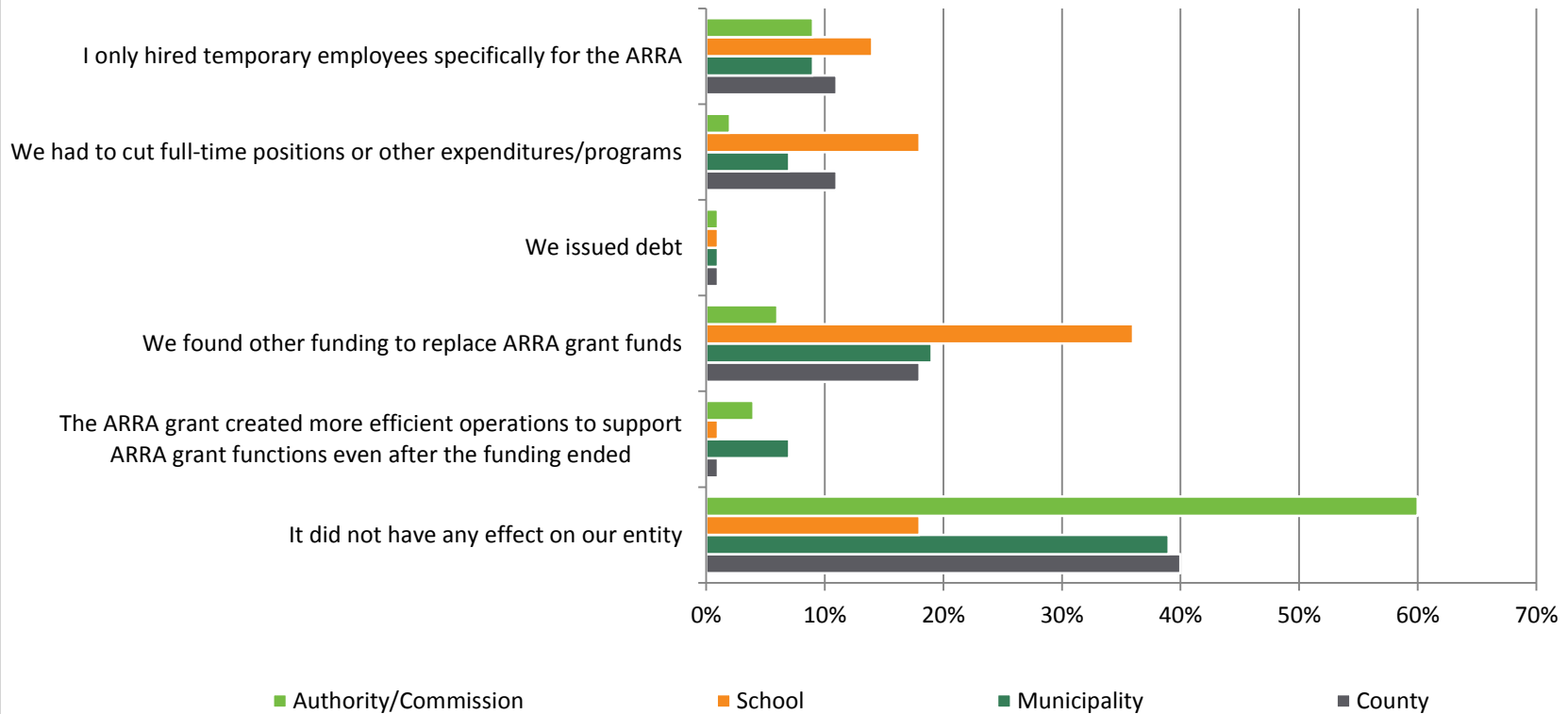
Cherry Bekaert^{LLP}

Your guide forward

Grant Reporting & Administration

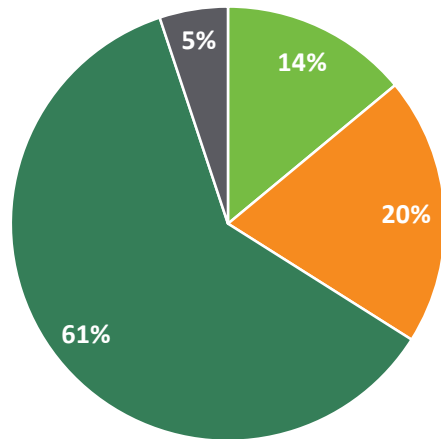
Grant Reporting & Administration

If you received ARRA grant money, how have you been able to replace that funding? (Check all that apply.)



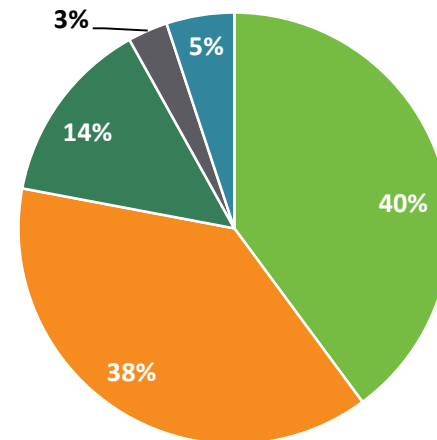
Grant Reporting & Administration

Which of the recently revised grant reform rules are most significant to your entity:



- We will no longer be subject to a single audit under the new \$750,000 threshold
- Consolidating the cost principles
- I have not read the final grant reform rules
- Other

Do the financial accounting and grant management departments collaborate to ensure grant funds are properly distributed and reported?



- We do not have a separate financial accounting and grant management department
- Yes, the departments collaborate fully
- Yes, the departments collaborate sometimes
- No, the departments do not collaborate
- We do not receive grant funds



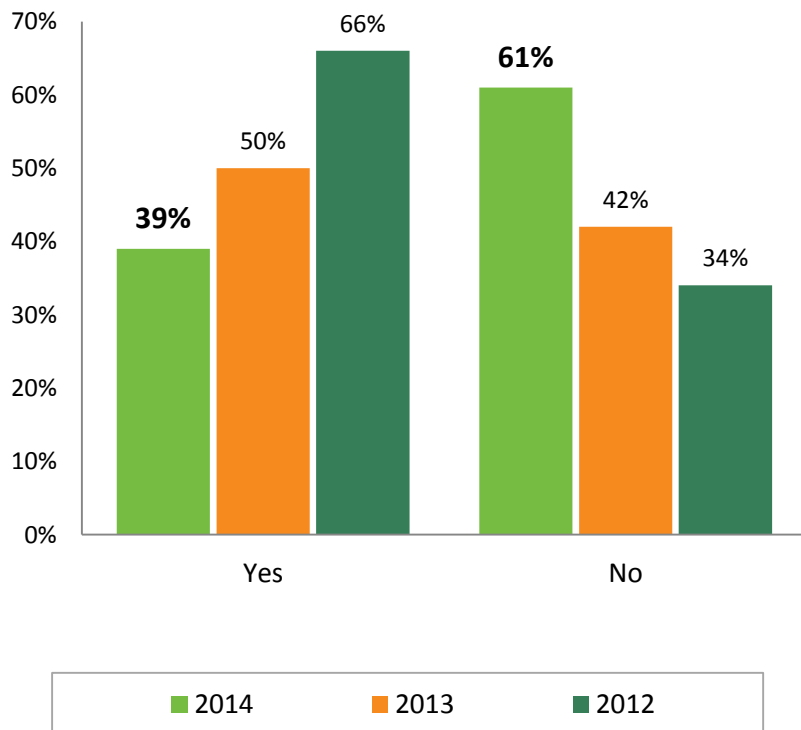
Cherry Bekaert^{LLP}

Your guide forward

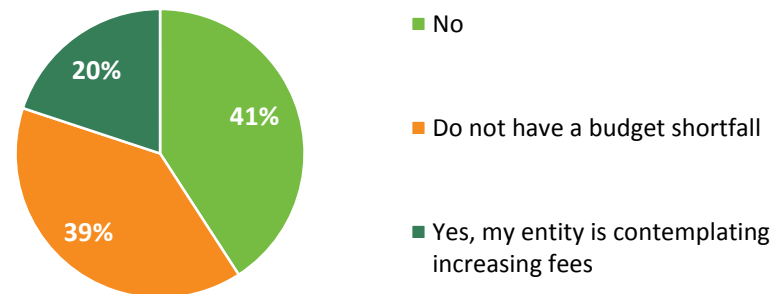
Budget

Budget

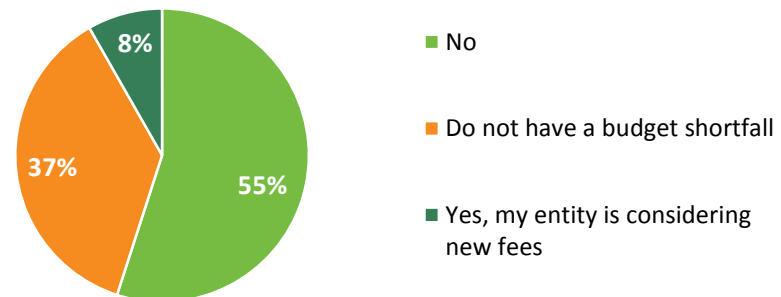
My entity experienced shortfalls in actual revenues compared with budgeted revenues.



To address budget shortfalls, is your entity contemplating increases in **existing** user or service fees?

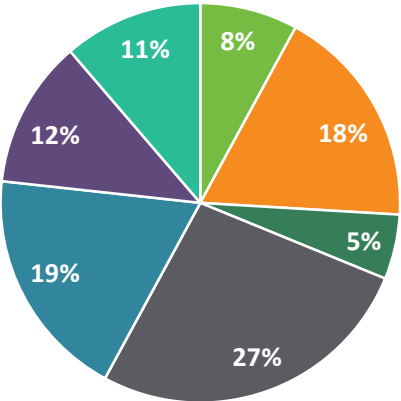


To address budget shortfalls, is your entity contemplating **new** user or service fees?



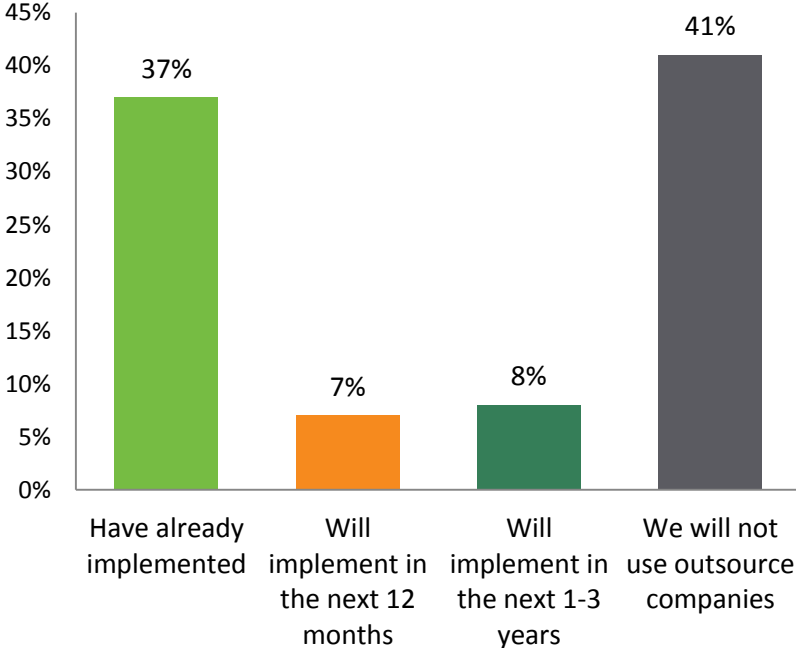
Budget

Do you believe reliance on federal/state government for funding will:



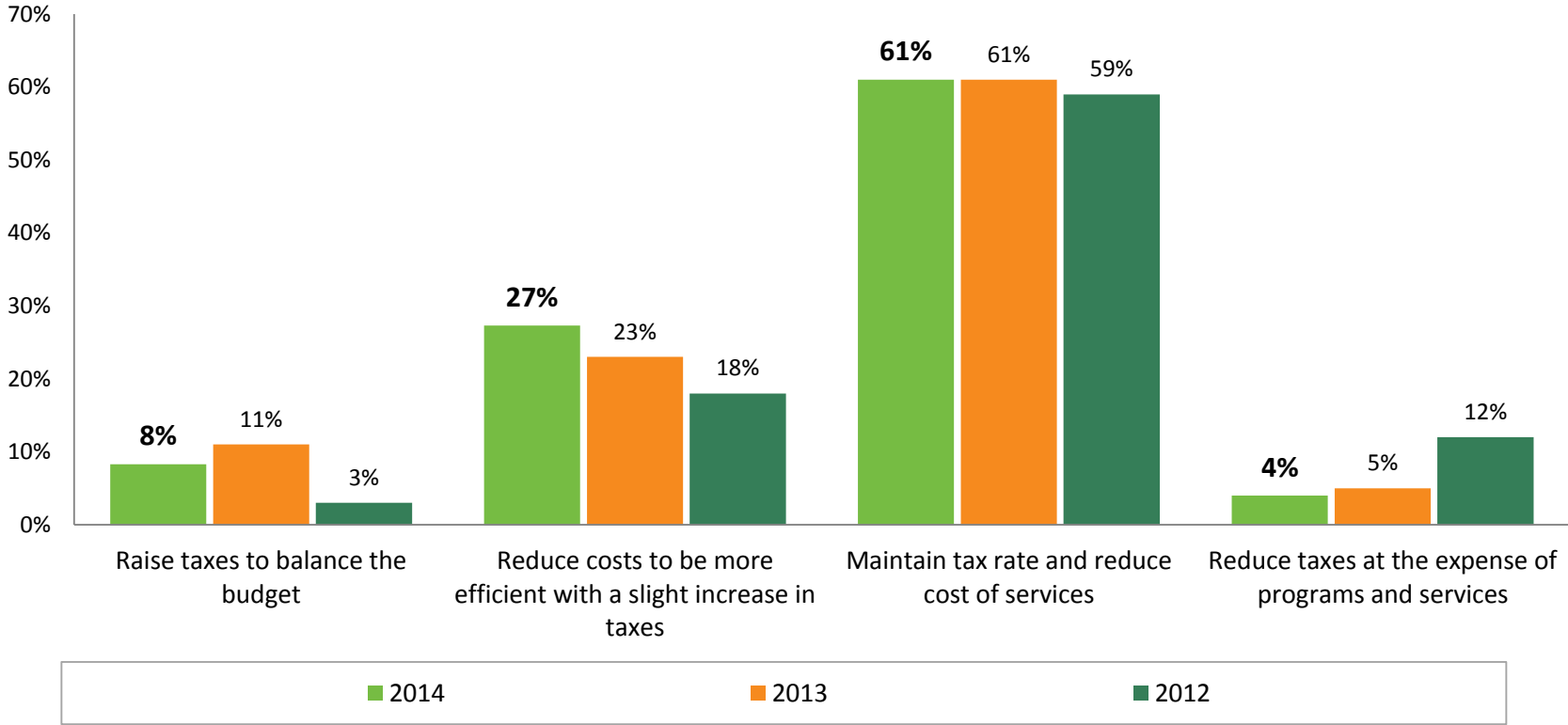
- Increase in the upcoming year
- Increase in the next 3 years
- Increase in the next 5 years
- Decrease in the upcoming year
- Decrease in the next 3 years
- Decrease in the next 5 years
- We have no reliance on the federal/state government

Has your entity investigated any outsourcing opportunities that can reduce costs?



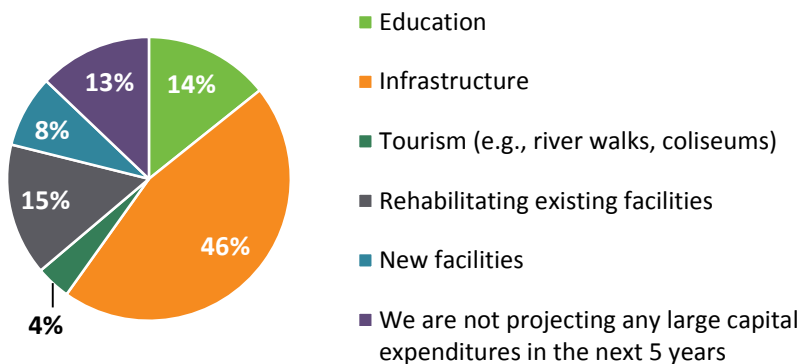
Budget

What is the Board or Commission position on property taxes?

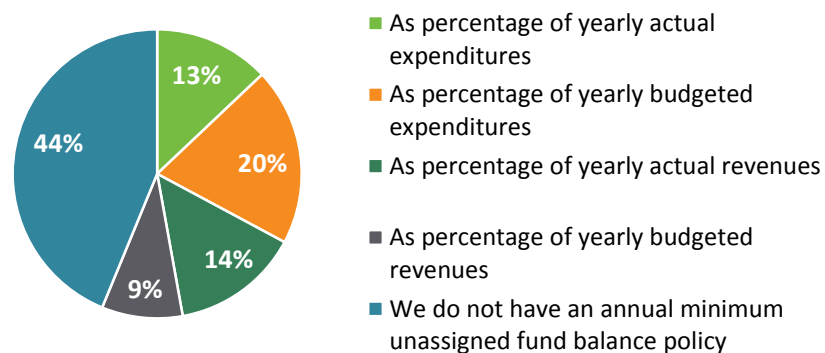


Budget

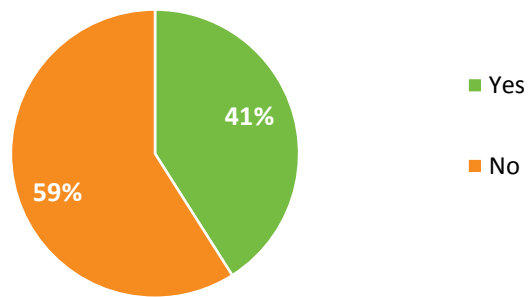
Where are you projecting to spend the majority of your capital budget in the next 5 years?



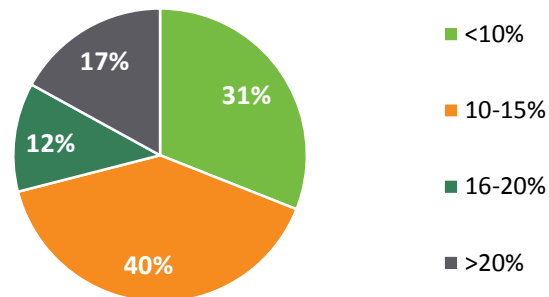
How is your annual minimum unassigned fund balance policy determined?



Does your entity have a "rainy day fund" policy?

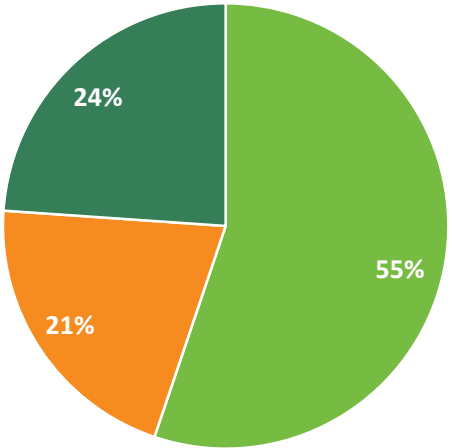


What percentage does your "rainy day fund" policy plan for?



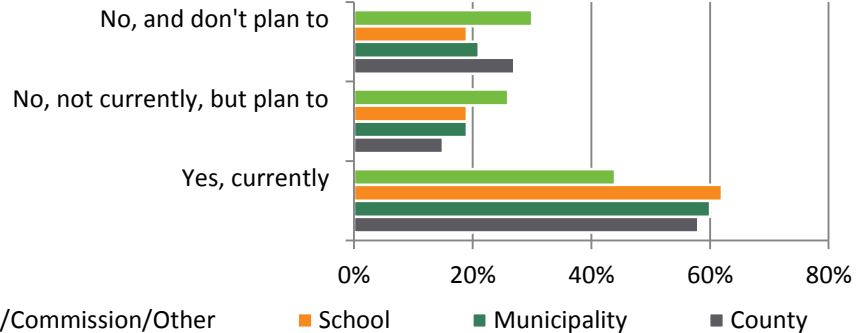
Budget

Is your entity currently producing multi-year revenue forecasts and/or budgets?



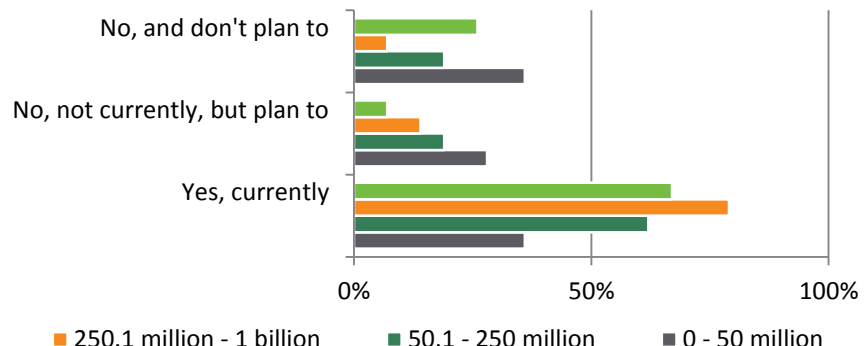
- Yes, currently
- No, not currently, but plan to
- No, and don't plan to

Is your entity currently producing multi-year revenue forecasts and/or budgets?
(by Entity Type)



- Authority/Commission/Other
- School
- Municipality
- County

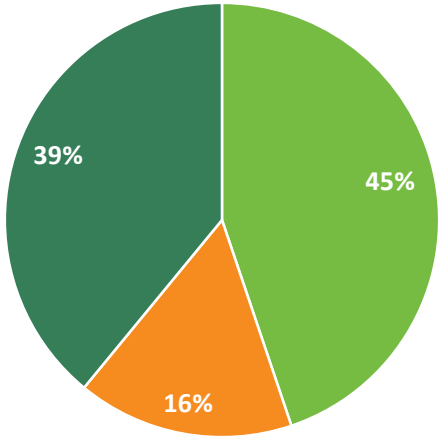
Is your entity currently producing multi-year revenue forecasts and/or budgets?
(by Revenue)



- > 1 billion
- 250.1 million - 1 billion
- 50.1 - 250 million
- 0 - 50 million

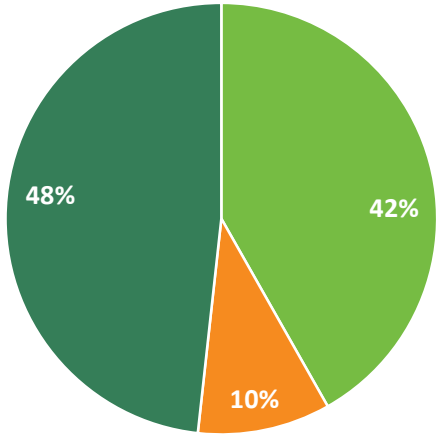
Budget

Are you seeing programs that were historically state- or federally-run pushed down to be run at your local government level?



- Yes, we have had some programs pushed down to the local level
- No, we haven't had any programs pushed down, but expect to
- No, we haven't had any programs pushed down and don't expect to

Outside of federal grants, does your entity budget for security and terrorism preparedness?



- Yes, currently
- No, not currently, but plan to
- No, and don't plan to



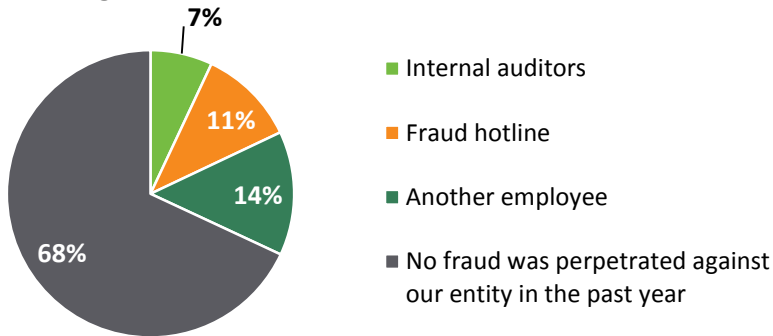
Cherry Bekaert^{LLP}

Your guide forward

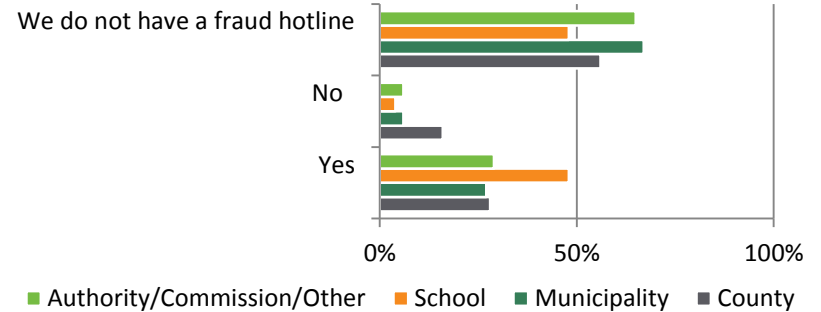
Risk Assessment & the Audit Process

Risk Assessment & the Audit Process

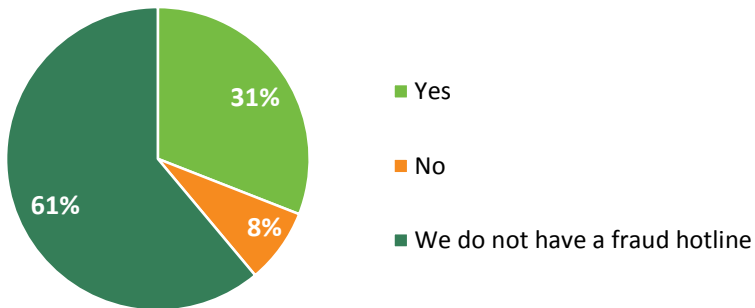
If a fraudulent event occurred at your entity in the last year, how was it caught?



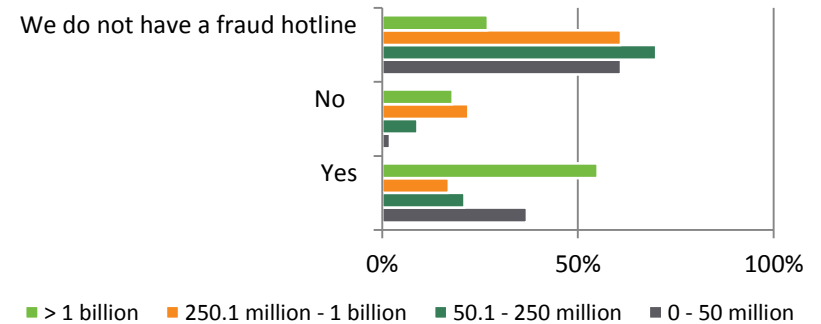
Our fraud hotline is an effective tool in preventing fraud and abuse? (by Entity Type)



Our fraud hotline is an effective tool in preventing fraud and abuse?

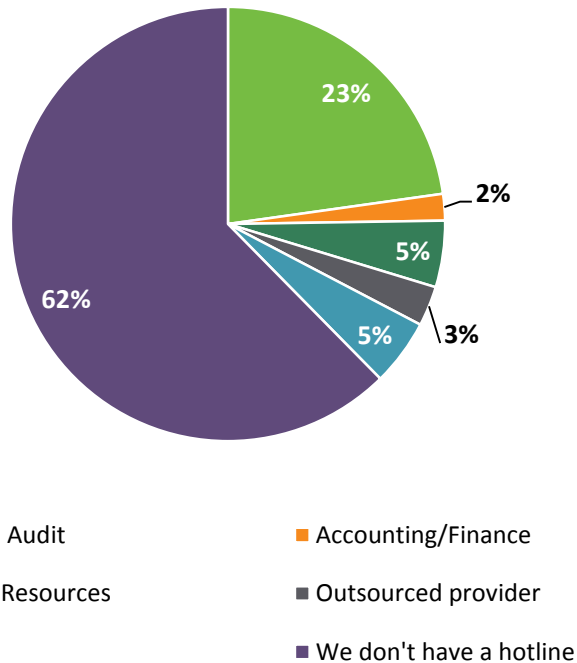


Our fraud hotline is an effective tool in preventing fraud and abuse? (by Entity Type)

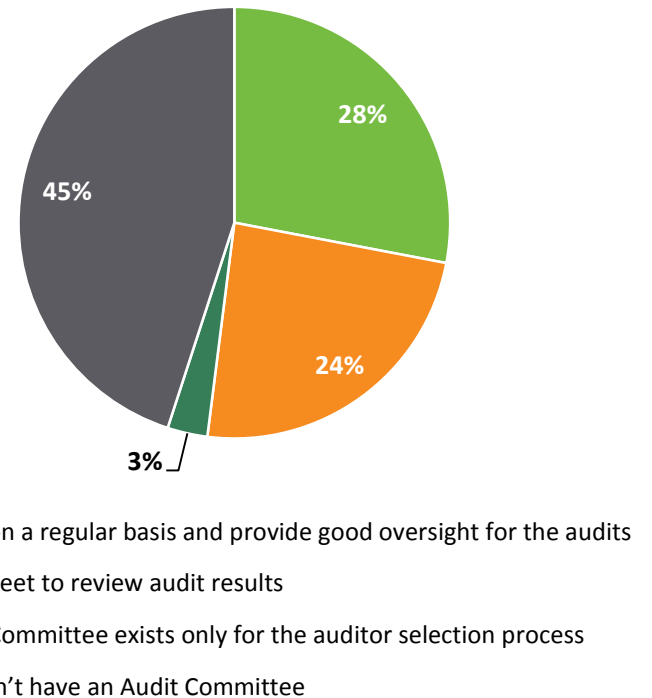


Risk Assessment & the Audit Process

Who oversees the Fraud Hotline?

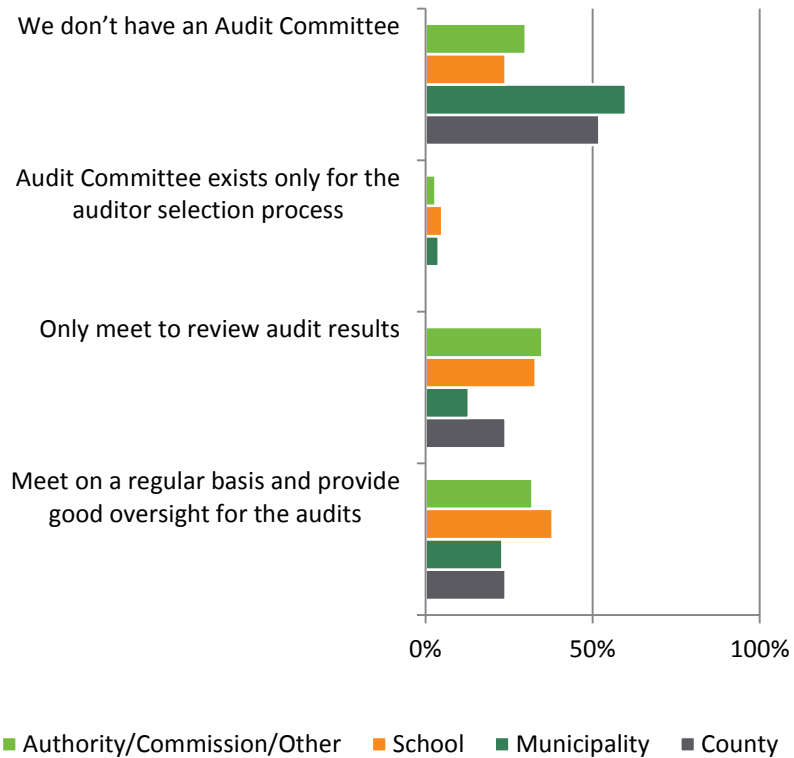


How valuable and effective is your Audit Committee or similar governance committee?

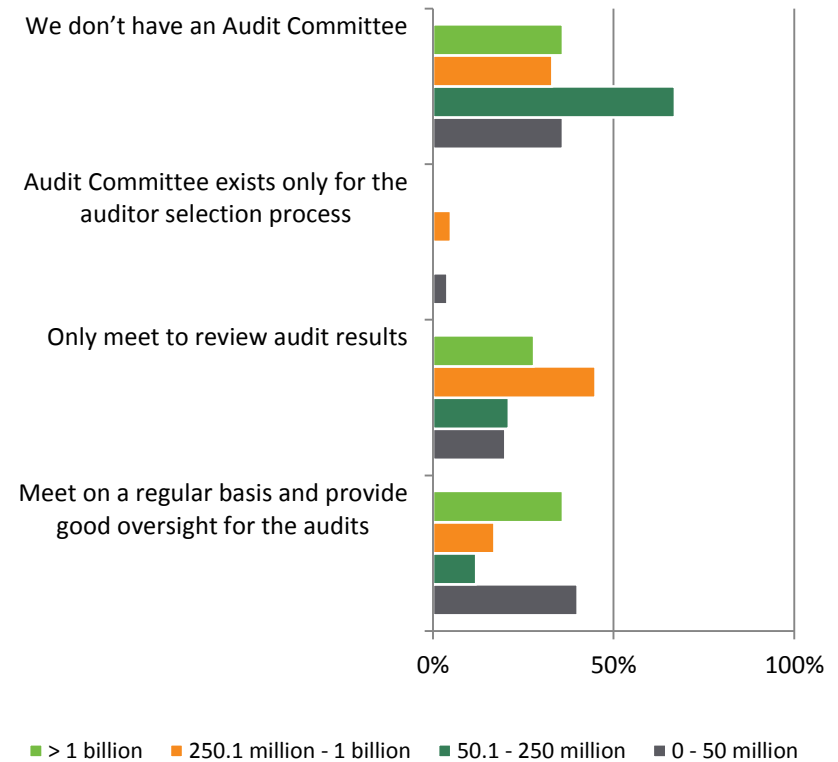


Risk Assessment & the Audit Process

How valuable and effective is your Audit Committee or similar governance committee? *(by Entity Type)*

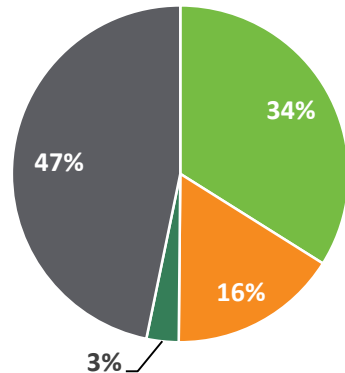


How valuable and effective is your Audit Committee or similar governance committee? *(by Entity Type)*



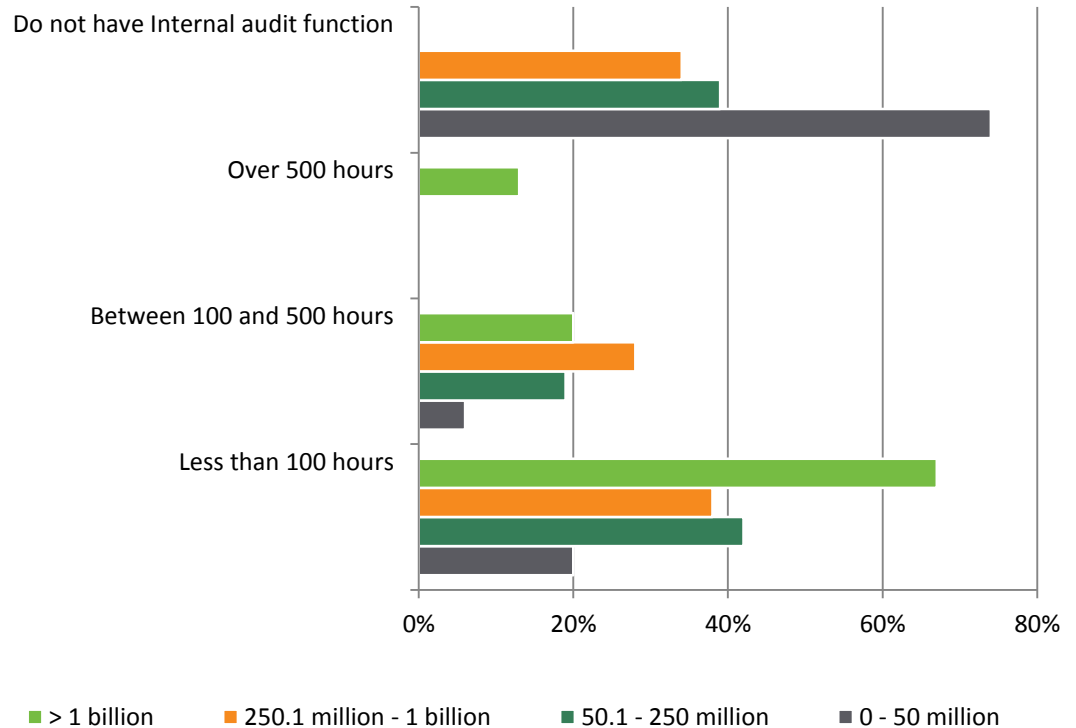
Risk Assessment & the Audit Process

Which of the following statements best describes the allotted time your Internal Audit department assists the external auditor?



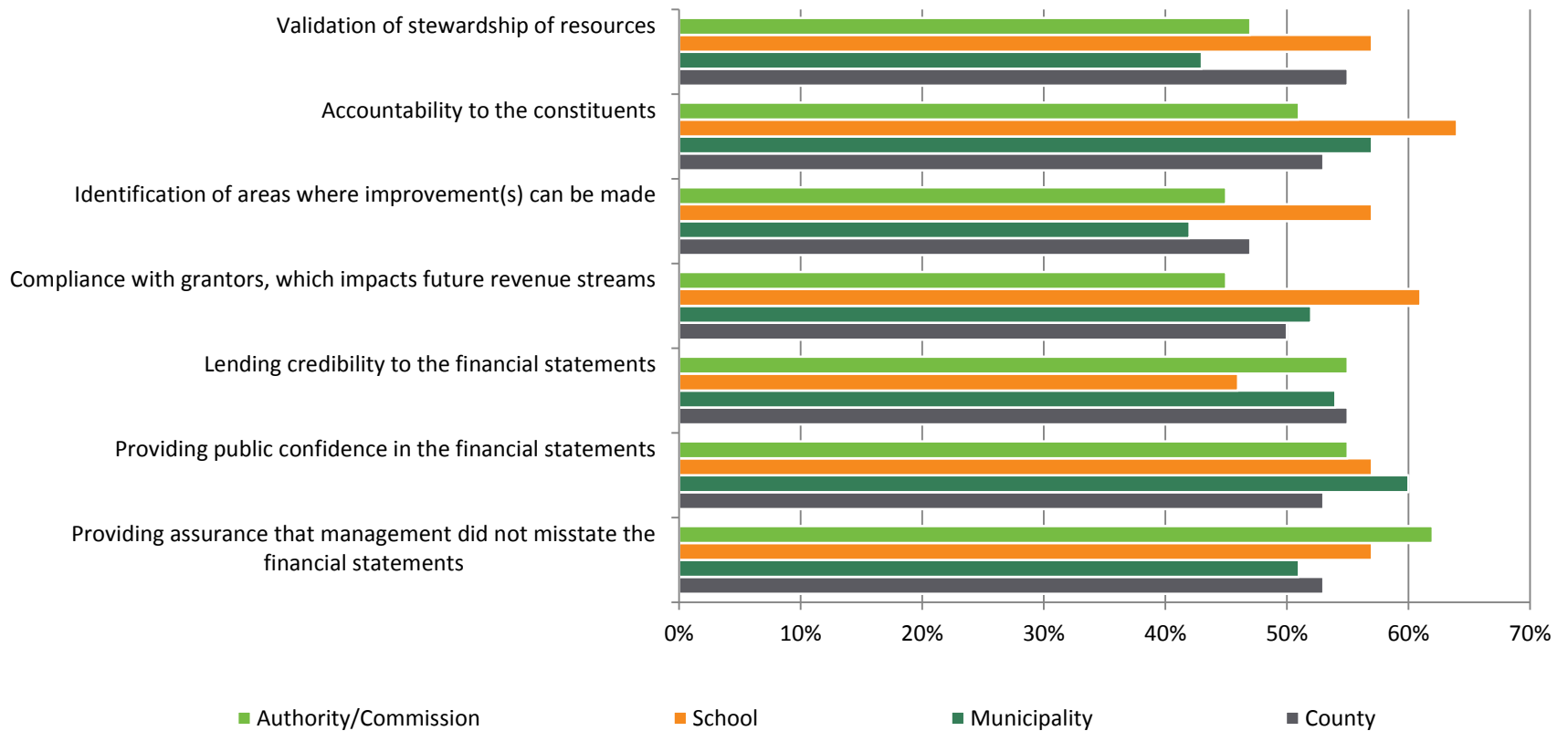
- Less than 100 hours
- Between 100 and 500 hours
- Over 500 hours
- Do not have Internal Audit function

Which of the following statements best describes the allotted time your Internal Audit department assists the external auditor? *(by Revenue)*



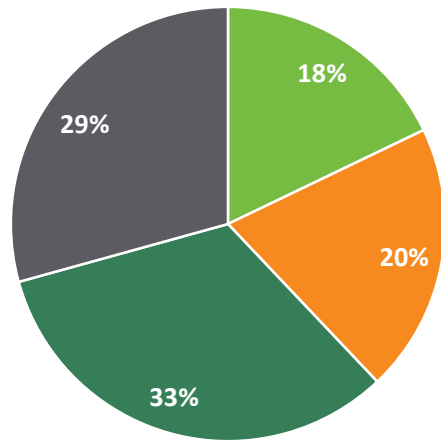
Risk Assessment & the Audit Process

The performance of an annual external financial statement and compliance audit provides clear value through: *(check all that apply)*



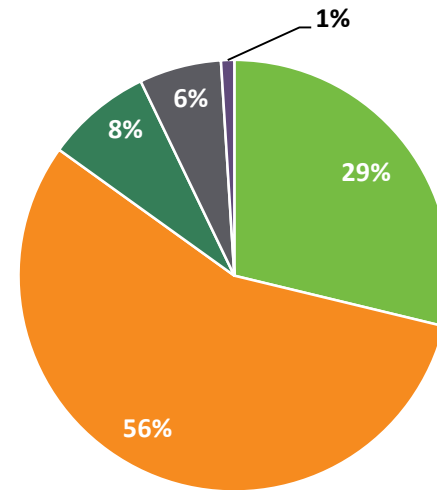
Risk Assessment & the Audit Process

Has your entity re-assessed its internal control environment under the 2013 COSO framework?



- Yes
- No, but we plan to in the next year
- No, but we plan to in the future (beyond a year)
- We have no plans to

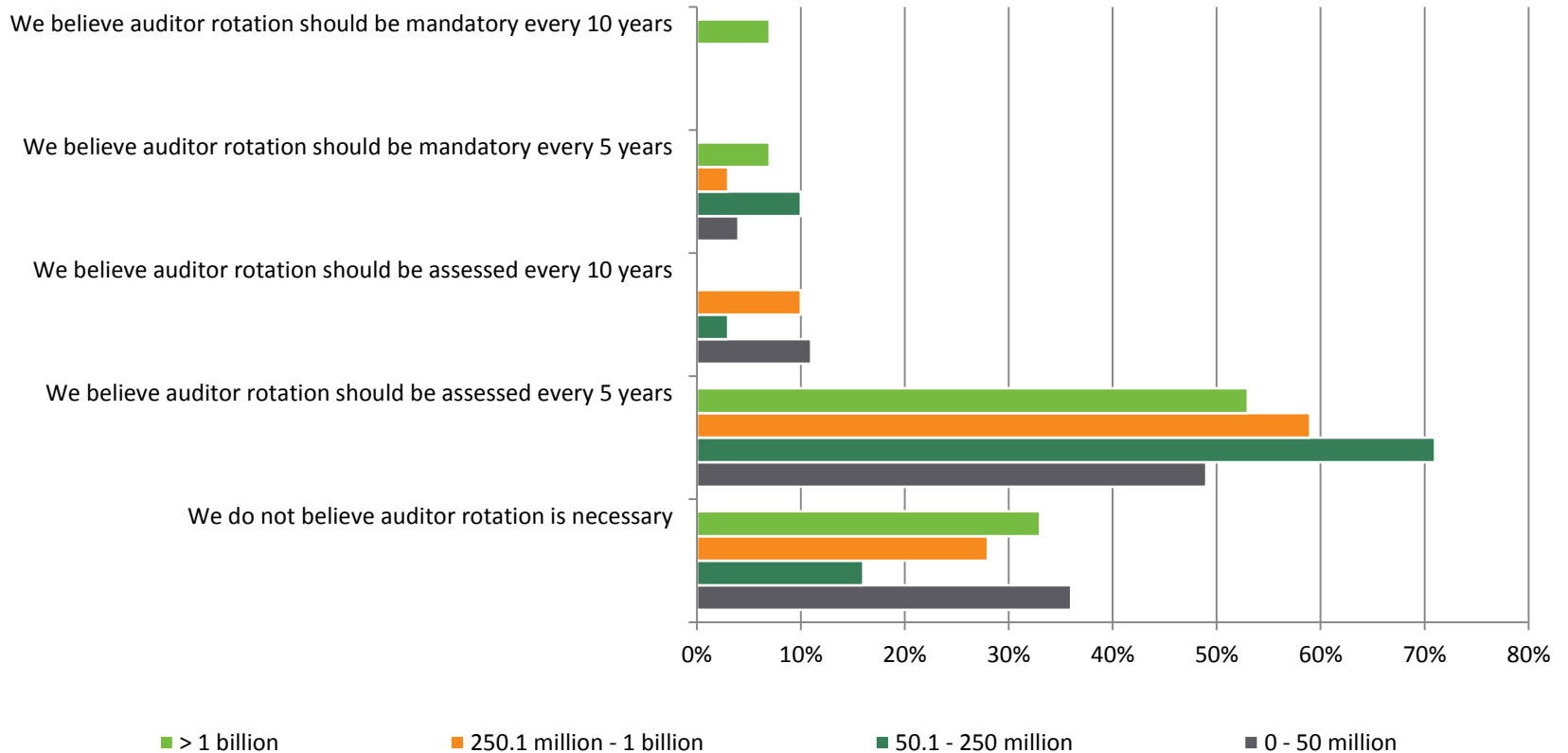
What is your entity's opinion on the need for auditor rotation?



- We do not believe auditor rotation is necessary
- We believe auditor rotation should be assessed every 5 years
- We believe auditor rotation should be assessed every 10 years
- We believe auditor rotation should be mandatory every 5 years
- We believe auditor rotation should be mandatory ever 10 years

Risk Assessment & the Audit Process

What is your entity's opinion on the need for auditor rotation? *(by Revenue)*





Cherry Bekaert^{LLP}

Your guide forward

2014 Local Government Benchmarking Study

Results Overview

Cherry Bekaert LLP
Government Services Group

John Gilberto, Partner

jgilberto@cbh.com
813.251.1010

Krista Edoff, Partner

kedoff@cbh.com
757.506.4440