

POTENTIAL FACTORS THAT COULD CAUSE DETERIORATING FINANCIAL CONDITION

Local Factors

I. Lack of Timely, Accurate, and Usable Financial Information

- A. Annual Financial Reports
- B. Audit Reports
- C. Budgets
- D. Accounting Records
- E. Interim Financial Reports
- F. Performance Indicators
- G. Information on Cost of Goods/Services

Note: Each of the above may be a cause of fiscal stress if one or more of the following conditions exist:

- 1. They are not prepared.
- 2. They are not accurate.
- 3. They are not timely.
- 4. They are not given to the appropriate personnel.
- 5. They are not in a useable format.

II. Lack of Knowledge

- A. Time
- B. Interest
- C. Education
- D. Training
- E. Ability (Physical or other)
- F. Access to Information (Accounting updates, financial management guide, law books, etc.)

III. Lack of Management Action, Oversight, Planning, and Continuity

- A. Lack of Management Action – Management is aware of fiscal stress but fails to act.
- B. Management Policies and Procedures – Management fails to adopt or adopts incomplete policies and procedures (e.g., internal controls, budgetary controls, investment, procurement, etc.). This includes the failure to periodically review, ensure compliance with, or to designate responsibilities for policies and procedures.
- C. Lack of an Adequate Information Technology System – Decision makers do not receive the information needed or do not receive it in a timely fashion.
- D. Lack of Long-term Capital Asset Planning – This includes failure to adequately plan for maintenance of, and future replacement or renovation of, capital assets. Evidence of this could include the following:
 - 1. Lack of multi-year operating budget
 - 2. Lack of capital outlay plan
 - 3. Deferred maintenance
- E. Lack of Cash Management System

- F. Frequent Turnover of Key Employees/Officials
- G. Lack of Cost Controls (e.g., lack of purchase orders, budgetary controls, etc.)
- H. Overlapping Services (e.g., Police)
- I. Increasing Levels of Unfunded Obligations – This includes the failure to ensure that future financing sources will be sufficient to cover future debt service requirements.

Environmental Factors

- IV. Unfavorable Economic Conditions
 - A. Inflation
 - B. Decreasing Economic Activity (e.g., Retail Sales)
 - C. Downsizing of Industries
 - D. Lack of Business Diversity
 - E. Business Failure Rate
 - F. Unemployment
 - G. Failure to Create Jobs
 - H. Increase in the Number of Abandoned Properties
 - I. Household Vacancy Rates
 - J. Increase in Unpaid Taxes
 - K. Level or Decreasing Real Property Assessments
 - L. Overlapping Tax Burden

- V. Unfavorable Population Trends
 - A. Significant Increase/Decrease in Population
 - B. Change/Fluctuation in Age of Population
 - C. Decrease in Per Capita Personal Income
 - D. Decrease in Household Income
 - E. Increase in Demand for Social Services
 - F. Increase in Crime Rate

- VI. Lack of Local Control Over Spending or Income

Spending

- A. Natural Disasters
- B. Essential Services:
 - 1. Police
 - 2. Fire
- C. State and Federal Mandates
- D. Binding Arbitration
- E. Litigation
- F. Increase in Health Care Costs
- G. Long-term Contracts

Income

- H. Cuts in State and Federal Assistance
- I. Cuts in Other Intergovernmental Revenues
- J. Debt and Tax Limits
- K. Increase in Exempt Properties
- L. Reliance on Outside Income
- M. Dropping Real Property Tax Assessments