

**Newly Elected Officials Course
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**Introduction to Municipal Finance
Financial Reporting**



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Financial Reporting Topics

- Fund accounting
- DCED Chart of Accounts
 - State reporting (DCED)
- Key Financial Reports
- Budgeting Tips

Fund Accounting

Nature and Purpose of funds

- Governments use fund accounting to measure and manage the financial resources received and expended.
- A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and changes in equity and are segregated for the purpose of carrying on specific activities or attaining certain objectives.
- This type of accounting allows for the separate accounting of financial resources that are restricted or otherwise earmarked for special purposes.

Fund Accounting

Fund Types and Classifications

- **Governmental Funds**: typically are used to account for tax-supported (governmental) activities.
 - general fund, special revenue, debt service, capital project fund
- **Proprietary Funds** – used to account government’s business-type activities which are supported, at least in part by fees or charges.
 - water funds, authorities
- **Fiduciary funds** – used to account for resources held by a government as a trustee or agent for parties outside the government and that cannot be used to support the government’s own programs.
 - Pensions, OPEB

Fund Accounting

Governmental Funds

- **Governmental Funds**

- **General fund** is the chief operating fund. Generally Accepted Accounting Principals (GAAP) states “It is used to account for all financial resources except those required to be accounted for in another fund”.

This is where tax revenues and other receipts are recorded as well as many typical governmental expenditures such as personnel costs, refuse collection and purchases.

- **Special revenue** – used for specific purpose – such as State Highway Aide (Liquid Fuels) activities.
- **Debt service** – used set outside resources to meet current and future debt services requirements on general long-term debt.
- **Capital project funds** – used to report major capital acquisition and construction of major capital facilities and infrastructure – such as street reconstruction or a new swimming pool.

DCED Chart of Accounts

- **Account Structure**
 - **Fund**
 - **Function**
 - **Object**

DCED Chart of Accounts - Structure

- **Fund**
 - The first two digits in an account number identify the fund and are referred to as fund prefix numbers.
 - **Example: 01 - General Fund**

DCED Chart of Accounts - Structure

- **Fund (cont'd)**
 - **Other Common Fund Designations**
 - 08 - Sewer Fund
 - 30 - Capital Fund
 - 35 – Highway Aid Fund
 - 60 – Police Pension Fund

DCED Chart of Accounts - Structure

▪ Function

- The second three digits in an account number identify the function or activity.
- Identify type of financial activity.
- Can be used to identify departments.
- Departments can be made up of multiple functions.

DCED Chart of Accounts - Structure

- **Function (Cont'd)**
 - **First digit identifies type of financial activity**
 - 100 Series = Assets
 - 200 Series = Liabilities and Fund Balance
 - 300 Series = Revenue
 - 400 Series = Expenses

DCED Chart of Accounts - Structure

- **Function (Cont'd)**
 - **Common 100 Series designations**
 - 100 Cash
 - 120 Investments
 - 130 Due from Funds
 - 14X Taxes and Accounts Receivable

DCED Chart of Accounts - Structure

- **Function (Cont'd)**
 - **Common 200 Series designations**
 - 200 Payables
 - 210 Payroll Liabilities
 - 230 Due to Funds

DCED Chart of Accounts - Structure

- **Function (Cont'd)**
 - **Common 300 Series designations**
 - 301 Real Estate Tax
 - 310 Act 511 Taxes
 - EIT, Real Estate Transfer Tax, Mercantile/Business Privilege Tax, Local Services Tax
 - 32X Licenses and Permits
 - 33X Fines
 - 34X Interest and Rent

DCED Chart of Accounts - Structure

- **Function (Cont'd)**
 - **Common 300 Series designations (cont'd)**
 - 35X Governmental Payments
 - 36X-37X Charges for Service
 - 39X Other Financing Sources

DCED Chart of Accounts - Structure

- **Function (Cont'd)**
 - **Common 400 Series designations**
 - 400-409 – General Government
 - 410-419 – Public Safety
 - 410 Police, 411 Fire
 - 426-429 – Sanitation
 - 426/427 Recycling and Solid Waste
 - 429 Sewage
 - 430-449 Public Works

DCED Chart of Accounts - Structure

- **Function (Cont'd)**
 - **Common 400 Series designations**
 - 450-459 Culture-Recreation
 - 470-474 Debt Service
 - 48X Insurance and Benefits
 - 49X Other Financing Uses

DCED Chart of Accounts - Structure

- **Object**
 - The final set of digits can be any number of digits (2-6)
 - Could be used to identify certain cost centers within a function.
 - Helpful to have uniformity across functions.

DCED Chart of Accounts - Structure

- **Object (Cont'd)**
 - **Common Groupings**
 - Personnel
 - Base Wages
 - Overtime
 - Fringe Benefits
 - Contractual Services
 - Commodities
 - Capital

DCED Chart of Accounts - Structure

- Put it all together

Asset Accounts Example

Account	Description
01 100 000	CASH - DOLLAR BANK
01 130 000	DUE FROM SEWER FUND
08 100 000	CASH - DOLLAR BANK
60 120 005	CASH PNC Police Pension Cash
60 120 006	INVEST PNC Police Pension Securities

DCED Chart of Accounts - Structure

Liability and Fund Balance Accounts Example

Account	Description
01 200 000	PAYABLE - ACCOUNTS
01 201 000	PAYROLL - NET PAY
01 210 000	PAYROLL - FEDERAL TAX WITHHELD
01 279 000	FUND BALANCE
08 200 000	PAYABLE - ACCOUNTS
08 279 000	FUND BALANCE

DCED Chart of Accounts - Structure

Revenue Accounts Example

Account	Description
01 301 100	REAL ESTATE TAX - CURRENT YEAR
01 301 300	REAL ESTATE TAX - DELINQUENT
01 310 100	DEED TRANSFER TAX
01 310 210	EARNED INCOME TAX - CURRENT YEAR
01 310 220	EARNED INCOME TAX - DELINQUENT
01 341 110	INTEREST
01 342 100	RENTS - RENT OF LAND/BILLBOARDS
01 354 000	STATE GRANTS - GENERAL
01 367 800	CHG SVC - POOL ADMISSIONS
01 367 850	CHG SVC - POOL CONCESSION STAND

DCED Chart of Accounts - Structure

Expense Accounts Example

Account	Description
01 400 100	ADMIN - SALARIES
01 400 150	ADMIN - MIN MUNICIPAL OBLIG
01 410 130	POLICE - SALARIES
01 410 135	POLICE - WORKERS COMP
01 410 200	POLICE - SUPPLIES
01 410 231	POLICE - GASOLINE
01 411 200	FIRE - SUPPLIES
01 411 231	FIRE - GASOLINE
01 427 000	REFUSE COLLECTION - GENERAL
01 430 231	PW GEN - GASOLINE
35 432 200	PW SNOW REMOVAL - SUPPLIES
35 434 000	PW STREET LIGHTING

State Reporting (DCED)

- Report filing to the Pennsylvania Department of Community and Economic Development (DCED).
- Titled Annual Audit and Financial Report – known as DCED report.
- Performed annually - someone has to be responsible to compile the information and file the report.
- Includes all funds - balance sheet, statement of revenues and expenditures (income statement), debt and capital expenditures.
- Includes an audit opinion.
- Be aware of deadline requirements.
- Least amount of information of all types of financial reporting

Key Financial Reports

- Annual Budget
- Periodic Reporting
 - Budget vs. Actual
 - Budget vs. Actual with Prior Year-to-Date
- Payable Reports
- Cash Collection Reports
- Sample reports – Available to view thru Feb-2026

Budgeting Tips

- Areas of Focus
 - Revenue Trends
 - Personnel Costs
 - Variances
 - Fixed Costs
 - Capital Costs

Budgeting Tips

- Revenue Trends
 - Real Estate Tax Collection and Appeal Trends
 - Earned income sensitivity
 - Other tax sensitivity
 - Fees designed to cover expenses
 - Perpetual grants vs. one-time grants

Budgeting Tips

- Personnel Costs
 - Over 56% of the General Fund in Mt. Lebanon is Personnel Costs.
 - Cost drivers for your personnel: CBAs, Health Insurance, Pension Liabilities, Workers Compensation
 - Cost of a new employee: Salary + Benefits

Budgeting Tips

- Variances
 - Examine material variances
 - Explanation for variances of budget v. budget
 - Examine budget v. actual trends
 - Variances can spot cost increases and decreases

Budgeting Tips

- Fixed Costs

- A large majority of municipal budgets are fixed in nature. You may be able to reduce, but they will most likely always exist in the budget.
 - Debt Service
 - Solid Waste and Recycling
 - Utilities
 - Maintenance Contracts
- Understanding fixed costs can allow you to concentrate on available funds.

Budgeting Tips

- Capital Costs
 - Department Priority Listing
 - Cost of Owning vs. Leasing
 - New Debt for Capital Projects
 - Ongoing costs to any new capital item

Questions and Contact Information

- Questions?

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