

MUNICIPAL FINANCE & COMPLIANCE OPERATIONS GUIDE

A Practical Handbook for Small Alaska Municipalities

For City Clerks and Finance Staff

Implementation Framework

Stabilize → Organize → Prepare → Sustain

Introduction: Who This Guide Is For

Running municipal finance in a small Alaska community is genuinely hard work. You are often doing the jobs of several people — managing accounts payable, tracking grant compliance, preparing council reports, coordinating with auditors, and keeping daily operations moving — sometimes with limited technology, limited staff, and no nearby backup.

This guide was written for you. It is not designed for large city finance departments with dedicated accounting teams. It is designed for the city clerk who is also the finance director, and the part-time bookkeeper who answers the phone too.

The guidance here is organized around four phases: Stabilize, Organize, Prepare, and Sustain. You do not need to accomplish everything at once. Start where you are. Use what applies. Return to this document as your capacity grows.

Core Assumptions

- Your municipality uses QuickBooks Desktop or QuickBooks Online as its primary accounting system.
- Finance and recordkeeping functions are handled by one to three staff members.
- You are subject to annual single audit or State of Alaska financial reporting requirements.
- Elected officials (mayor and council) require regular financial reporting but may have limited accounting backgrounds.
- Your municipality may receive federal or state grant funding, including pass-through grants from the State of Alaska DCED.

A Note on Compliance

Alaska municipalities are subject to Title 29 of the Alaska Statutes, DCED reporting requirements, and — where applicable — federal Uniform Guidance (2 CFR Part 200) for federally-funded programs. This guide is not a substitute for legal or audit advice. When in doubt, consult your auditor or the Alaska Municipal League.

PHASE 1

STABILIZE — Get Your Footing

Before you can organize or prepare for anything, you need to know where things stand. Phase 1 is about getting a clear, honest picture of your current financial records and making sure the basics are working reliably.

1.1 QuickBooks Setup and Chart of Accounts

Your chart of accounts is the foundation of everything. If it is set up incorrectly, every report, every audit schedule, and every council presentation will be harder to produce and harder to trust.

Recommended Chart of Accounts Structure

Account Range	Category
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1000–1999	Assets (cash, receivables, prepaid, fixed assets)
2000–2999	Liabilities (AP, payroll liabilities, deferred revenue)
3000–3999	Fund Balance / Equity
4000–4999	Revenue (taxes, grants, fees, state shared revenue)
5000–5999	Personnel Expenses (wages, benefits, payroll taxes)
6000–6999	Operating Expenses (supplies, utilities, contracts)
7000–7999	Capital Outlay
8000–8999	Debt Service

QuickBooks Tip: Classes and Locations

Use QuickBooks Classes to track expenses by fund (General Fund, Water & Sewer, Grant Fund). Use Locations (QBO) or Job codes (Desktop) to separate individual grants. This allows you to run fund-level P&L reports without maintaining separate company files — a significant time-saver at audit time.

1.2 Bank Reconciliation: Make It Monthly, Make It Non-Negotiable

Monthly bank reconciliation is the single most important internal control available to a small municipality. It catches errors, flags unauthorized transactions, and gives your auditor confidence that your cash balances are real.

- Reconcile every bank and investment account by the 15th of the following month.
- Print and sign the QuickBooks reconciliation report. File it in a dated folder (paper or digital).
- The person who reconciles should not be the same person who approves payments, where staffing allows.
- If a reconciliation item remains unresolved more than 30 days, escalate it to the mayor or council finance committee.

1.3 Stabilize Governance Checkpoint

Checkpoint	Who Owns It	Timing
Council adopts current fiscal year budget by ordinance	Clerk / Finance Staff	Before fiscal year begins
Bank signatories reviewed and updated	Mayor / Finance Staff	Annually or upon staff change
QuickBooks access roles reviewed (who can post, who can view)	Finance Staff	Annually
Prior year audit findings documented with response status	Finance Staff / Mayor	Within 90 days of audit receipt

Once you have a stable foundation, you can begin building the organizational systems that make day-to-day work faster and audit preparation far less stressful. Good organization is not about perfection — it is about knowing where things are and being able to find them quickly.

2.1 Document Filing System

Whether you use paper files, a shared drive, or a document management system, the structure matters more than the medium. The following folder structure aligns with common audit request (PBC) categories:

Folder / Category	What Goes Here
01 – Budget & Appropriations	Adopted budget ordinance, amendments, council resolutions
02 – Bank & Investments	Monthly statements, reconciliation reports, investment policy
03 – Payroll	Timesheets, payroll registers, W-2s, 941s, leave records
04 – Accounts Payable	Invoices, check copies, purchase orders, vendor W-9s
05 – Grants	Award letters, budgets, drawdown records, reports submitted
06 – Capital Assets	Asset list, purchase documentation, depreciation schedule
07 – Debt	Loan agreements, amortization schedules, payment confirmations
08 – Audit	PBC requests, draft reports, final reports, management letters
09 – Council & Governance	Meeting minutes, resolutions, ordinances, signed policies

2.2 Grant Tracking

Grant compliance failures are among the most common audit findings for small municipalities. The good news is that a simple tracking system — maintained consistently — prevents most problems.

For each active grant, maintain a Grant File containing:

- Original award letter and agreement with all exhibits
- Approved project budget (and any approved modifications)
- Draw requests submitted and amounts received (matched to QB deposits)
- Copies of reports submitted (financial and programmatic)
- Correspondence with the grantor, including any compliance questions
- Documentation of allowable vs. unallowable costs for that specific program

QuickBooks Tip: Grant Drawdown Tracking

Create a separate QuickBooks Class for each grant (e.g., “ANA-FY25” or “USDA-WaterFY24”). When posting grant expenses, always assign the class. When recording grant drawdowns as revenue, use the same class. Run a P&L by Class report at quarter-end to compare cumulative expenses against the approved grant budget line by line.

2.3 Payroll Controls

Payroll is both your largest expense category and your highest-risk area for errors and fraud in a small-staff environment. These controls are achievable even with limited personnel:

- Timesheets must be signed by the employee and approved by a supervisor or elected official before payroll is processed.
- The person who processes payroll should not also be able to add new employees or change pay rates without a second approval.
- Run a QuickBooks Payroll Summary report after every payroll run and file it with that period’s timesheets.
- Reconcile your 941 quarterly tax filings against QuickBooks payroll totals before submission.
- Verify W-2 totals at year-end against the annual payroll summary before filing.

2.4 Organize Governance Checkpoint

Checkpoint	Who Owns It	Timing
Council receives monthly financial report (budget vs. actual)	Finance Staff	Monthly, within 20 days of month-end
Grant compliance calendar reviewed with program officer	Finance Staff / Grant Manager	Quarterly
Payroll approvals documented for all pay periods	Department Supervisors	Each payroll cycle
Vendor W-9s collected for all new vendors over \$600/year	Finance Staff	At vendor onboarding
Fixed asset additions reviewed and added to asset register	Finance Staff	Quarterly

PHASE 3

PREPARE — Audit-Ready, Year-Round

Audit readiness is not something you do in the weeks before your auditor arrives. It is the result of doing the right things consistently throughout the year. This phase describes what “audit-ready” looks like in practice — and how to get there without a dedicated accounting team.

3.1 Understanding the PBC List

PBC stands for “Prepared by Client.” Your auditor will provide a list of documents and schedules they need you to prepare before fieldwork begins. Getting a head start on this list — or better, maintaining documents throughout the year — dramatically reduces audit stress and audit fees.

Common PBC Items and Where to Find Them in QuickBooks

PBC Item	QuickBooks Source / Location
Trial balance as of fiscal year-end	Reports > Accountant > Trial Balance
General ledger for the full year	Reports > Accountant > General Ledger (by date range)

Revenue and expenditure detail by fund	P&L by Class (if classes used by fund)
Bank reconciliations – all months	Reconciliation reports filed monthly (your paper/digital file)
Payroll register for full year	Reports > Employees & Payroll > Payroll Summary
Accounts payable aging as of year-end	Reports > Vendors > A/P Aging Detail
Capital asset additions and disposals	Asset register (maintained separately or in QB Fixed Assets)
Grant revenue and expenditure by award	P&L by Class (grant-level classes)
Year-end journal entries	Reports > Accountant > Journal (filter for JEs only)

3.2 Year-End Close Checklist

Use this checklist in the 30–60 days following fiscal year-end. In Alaska, most municipalities operate on a calendar year (January–December) or a July–June fiscal year aligned with state reporting.

- Complete and sign all 12 monthly bank reconciliations for the year.
- Post all outstanding invoices and ensure accounts payable is complete as of year-end.
- Reconcile grant drawdowns: confirm all funds received are recorded; confirm all expenses are coded to the correct grant class.
- Run and save a final QuickBooks trial balance as of the last day of the fiscal year. Do not post transactions to the closed year after this point without auditor coordination.
- Confirm all fixed asset additions during the year are documented and added to the asset register with cost, date, and funding source.
- Prepare a schedule of outstanding debt (principal balance, interest rate, maturity date) for all loans.
- Reconcile payroll: confirm 941 totals match QuickBooks annual payroll summary; confirm PERS/TRS contributions are current.
- Prepare a list of all grant awards active during the year, with period of performance, total award, cumulative drawn, and balance remaining.

Segregation of Duties in Small Teams

When you have one or two finance staff, true segregation of duties is difficult. Compensating controls matter. These include: elected official review and approval of monthly financial reports; council approval of all expenditures above a threshold set by ordinance; dual signatures on checks above a set amount; and documented surprise reviews of bank statements by the mayor or a council member. Document these compensating controls — your auditor will ask about them.

3.3 Responding to Audit Findings

If your auditor issues findings — material weaknesses, significant deficiencies, or compliance findings — it does not mean something catastrophic has happened. It means there is a documented gap that needs to be addressed. Here is how to handle findings professionally:

- Read every finding carefully. Understand whether it is a one-time error, a system issue, or a policy gap.
- Draft a written management response for each finding: acknowledge the issue, describe the corrective action, and give a realistic timeline.

- Present the findings and your responses to the full council in open session. Transparency builds trust.
- Track your corrective actions in a simple log and report progress to council quarterly until resolved.
- Prior year findings that recur are a serious risk. If you are struggling to close a finding, contact the Alaska Municipal League or your auditor for technical assistance.

3.4 Prepare Governance Checkpoint

Checkpoint	Who Owns It	Timing
Council formally accepts audit report by resolution	Mayor / Council / Clerk	Within 9 months of fiscal year-end (DCED requirement)
Management responses to audit findings approved by council	Mayor / Finance Staff	At audit acceptance meeting
DCED Annual Financial Report submitted	Finance Staff	180 days after fiscal year-end
Federal Single Audit submitted (if >\$1M in federal expenditures)	Finance Staff / Auditor	9 months after fiscal year-end
IRS Form 941 filed for each quarter	Finance Staff	Quarterly (April, July, Oct, Jan)
W-2s and 1099s issued	Finance Staff	January 31 following calendar year

PHASE 4

SUSTAIN — Keep It Going

The hardest part of municipal finance in a small community is not learning the rules — it is maintaining consistent practices year after year, especially through staff turnover, emergency situations, and the inevitable busy seasons. Phase 4 is about building systems that survive beyond any one person.

4.1 The Annual Finance Calendar

A written finance calendar, shared with the mayor and council, is one of the most effective tools available. It sets expectations, reduces last-minute scrambles, and helps elected officials understand the rhythm of the work you do.

Month / Period	Key Finance Activities
July–August	Begin new fiscal year budget process; review prior year actuals; update grant tracking files
September–October	Draft budget for council review; confirm all prior year PBC items are filed
November	Council adopts budget by ordinance; confirm audit engagement letter signed
December	Year-end prep begins: reconcile AP, confirm payroll is current, pull grant summaries
January	Fiscal year-end close (if calendar year); issue W-2s and 1099s by Jan 31
February–March	Auditor fieldwork; provide PBC documents; respond to auditor questions promptly
April–May	Receive draft audit; prepare management responses; schedule council review

June	Council accepts final audit; submit DCED report; begin mid-year budget review
Monthly (all year)	Bank reconciliation, budget-vs-actual report to council, grant drawdown review

4.2 Staff Transition Planning

Staff turnover is one of the greatest risks to financial continuity in small municipalities. A simple transition plan does not require a lot of time to create and can save enormous disruption when someone leaves.

Finance Continuity Binder: Keep one physical or digital binder containing:

- QuickBooks login and access instructions (stored securely, not in the binder itself)
- List of all bank accounts with account numbers, signatories, and contact information
- List of all active grants with contacts, reporting deadlines, and drawdown schedule
- Payroll processing steps with pay dates and tax remittance due dates
- Current vendor list with key contacts (auditor, bank, state agencies)
- Location of all key financial files (digital folder path or physical cabinet)
- Recurring deadlines calendar for the current fiscal year

Do This Now

If your municipality does not have a written finance continuity binder or document, this is the highest-value hour you can spend. You do not need to finish it today — but start it. Even a one-page list of “where things are” is better than nothing. Update it any time a system or process changes.

4.3 QuickBooks Maintenance and Backups

- Back up your QuickBooks file every time you reconcile (at minimum monthly). Store one copy offsite or in cloud storage.
- Review QuickBooks user access annually. Remove access for former employees immediately upon separation.
- Run a QuickBooks File Verify/Rebuild Data operation annually to catch file integrity issues before they cause data loss.
- If using QuickBooks Desktop, confirm you are running a supported version. Intuit typically retires versions after three years, which affects payroll updates.
- If your municipality is considering moving from QuickBooks Desktop to QuickBooks Online, plan the transition for a slow period — not during audit or year-end close.

4.4 Sustain Governance Checkpoint

Checkpoint	Who Owns It	Timing
Finance continuity binder reviewed and updated	Finance Staff / Clerk	Annually or upon any staff change
Annual finance calendar distributed to council	Finance Staff	At start of each fiscal year
QuickBooks backup verified (file restorable)	Finance Staff	Monthly

Checkpoint	Who Owns It	Timing
Financial policies reviewed by council (e.g., procurement, travel, investment)	Finance Staff / Mayor	Every two years or upon significant change
Council receives audit finding status update	Finance Staff	Quarterly until findings closed

Quick Reference: Implementation Roadmap

Use this table to assess where your municipality is today and identify your next priority actions.

Phase	If You Are Here	Priority Actions	Success Looks Like
STABILIZE	Reconciliations are behind; chart of accounts is unclear; audit findings are unresolved	Get reconciliations current; clean up chart of accounts; document prior year findings	Bank recs current; QB chart of accounts matches fund structure; council knows audit status
ORGANIZE	Records are hard to find; grants tracked informally; payroll controls are loose	Build folder structure; create grant files; document payroll approval process	Any document findable in under 5 minutes; grant files complete; payroll approvals on file
PREPARE	PBC list is stressful every year; year-end close takes months; findings repeat	Start PBC prep in November; complete close checklist; address prior findings formally	PBC documents ready before auditor arrives; no repeat findings; council accepts audit on time
SUSTAIN	Finance depends entirely on one person; calendar year not planned; no backup plan	Create continuity binder; distribute finance calendar; verify QB backups	Any staff member could locate key documents; council anticipates finance deadlines

Resources and Support

- Alaska Municipal League (AML): www.akml.org — technical assistance, training, and policy templates for Alaska municipalities.
- Alaska DCED Municipal Assistance: finance reporting templates and guidance at commerce.alaska.gov/web/dca/dnn/DCRA.aspx
- QuickBooks Help Center: quickbooks.intuit.com/learn-support for step-by-step guidance on any QB function.
- Alaska Statutes Title 29 (Municipal Government): accessible at www.akleg.gov — the governing legal framework for municipality operations.
- GFOA (Government Finance Officers Association): gfoa.org — best practice guidance, sample policies, and professional development resources.

This guide is intended as a practical operational reference and does not constitute legal, accounting, or audit advice. Consult your auditor or legal counsel for jurisdiction-specific guidance.