Understanding Public Finance

NATIONAL LEAGUE OF CITIES

NLC UNIVERSITY

Speakers:

Laura Allen
Town Administrator - Berlin, MD

Mike Mucha
Deputy Executive Director and Director - GFOA Research and Consulting Center
Understanding Public Finance

This session is designed to help local elected officials and city staff understand the role of elected officials in public finance. Attendees will walk away with an understanding of critical public finance topics along with best practices and resources that will allow them to better engage in managing a financially sustainable and well managed government. Specific focus will be on understanding financial reports and financial disclosure, the role of elected officials in establishing financial policies, best practices in budgeting. Register for this training if you would like to better understand critical elements of public finance and gain tools and techniques improving the financial management of your jurisdiction.

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<tr>
<th>Time</th>
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<tr>
<td>9:00 – 9:15</td>
<td>Overview of GFOA Best Practices</td>
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<td>9:15 – 9:45</td>
<td>Financial Policies (</td>
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<td>9:45 – 10:30</td>
<td>Planning and Budgeting</td>
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<td>10:30 – 11:15</td>
<td>Capital Finance</td>
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<td>11:15 – 11:45</td>
<td>Financial Reports</td>
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Congressional City Conference

Understanding Public Finance

March 12, 2017
Washington, DC

Laura Allen, Town of Berlin, MD
Mike Mucha, GFOA

#NLCU
Introductions:

Laura Allen – Town of Berlin, MD
Mike Mucha – GFOA

Government Finance Officers Association

- Established in 1906
- 19,000 Members
- Offices in Chicago and Washington DC
- GFOA offers resources, publications, training, networking/conferences, award programs, and consulting services.
- Recognized for providing best practice statements across several areas of financial management
Agenda

1. Best Practices
2. Financial Policies
3. Budgeting
4. Capital Finance
5. Financial Reporting
GFOA Best Practices

Best practices identify specific policies and procedures that contribute to improved government management. They aim to promote and facilitate positive change rather than merely to codify current accepted practice. GFOA has emphasized that these practices be proactive steps that a government should be taking.

Accounting, Auditing, and Financial Reporting
Budgeting and Management
Debt Administration
Treasury and Investment Management
Pension and Benefit Administration
Capital Planning and Economic Development

http://www.gfoa.org/best-practices
GFOA recommends that governments formally adopt financial policies.

Financial policies are central to a strategic, long-term approach to financial management.

Some of the most powerful arguments in favor of adopting formal, written financial policies include their ability to help governments:

1. Institutionalize good financial management practices. Formal policies usually outline their creators, and thus, promote stability and continuity. They also prevent the need to re-invent responses to recurring issues.
2. Clarify and crystallize strategic intent for financial management. Financial policies define a shared understanding of how the organization will develop its financial practices and manage its resources to provide the best value to the community.
3. Define boundaries. Financial policies define limits on the actions staff may take. The policy framework provides the boundaries within which staff can innovate in order to realize the organization’s strategic intent.
4. Support good bond ratings and thereby reduce the cost of borrowing.
5. Promote long-term and strategic thinking. The strategic intent articulated by many financial policies necessarily demands a long-term perspective from the organization.
6. Manage risks to financial condition. A key component of governance accountability is not to incur excessive risk in the pursuit of public goals. Financial policies identify important risks
Why Financial Policies?

- Institutionalize good financial management practices.
- Clarify and crystallize strategic intent for financial management.
- Define boundaries.
- Support good bond ratings and thereby reduce the cost of borrowing.
- Promote long-term and strategic thinking.
- Manage risks to financial condition.
- Comply with established public management best practices.
### Types of Policies

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<th>Essential Policies</th>
<th>Recommended Policies</th>
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<tr>
<td>• Fund Balance and Reserves</td>
<td>• Accounting and Financial Reporting</td>
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<td>• Operating Budget</td>
<td>• Revenues</td>
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<td>• Capital Budget and Planning</td>
<td>• Internal Controls</td>
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<td>• Debt Management</td>
<td>• Expenditures</td>
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<td>• Long-Range Financial Planning</td>
<td>• Purchasing</td>
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<td>• Investment</td>
<td>• Risk Management</td>
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<td>• Economic Development</td>
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Policy Dimensions

**Flexibility vs. Control**

- **Control** provides specific, detailed policy standards.
- **Flexibility** allows officials to exercise discretion.

- Governments often emphasize control in areas of risk including debt, investments, procurement, fraud, or risk management.
- Governments often emphasize flexibility in areas that need to be more responsive such as budgeting.
Policy vs. Procedure

Financial policies provide guidelines for financial management decisions

- Goals or statement of direction

Administrative procedures cover the steps needed to accomplish the business process

- Focus on implementation
What makes a good policy

Written
Reviewed regularly
Concise and literal
Relevant to decision making
Understood and available to stakeholders
Process for Policy Development

- Establish Vision
- Define Problem
- Draft Policy
- Present to Officials (informally)
- Revise with Feedback
- Formally Adopt

What risks will the policy mitigate?
What are costs of mitigation strategies?
What supporting evidence is there for policy?
Is policy consistent with recognized best practice?
Who will be responsible for policy implementation?
General Fund Reserves

GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.

two months = 16.7%
Achieving a Structurally Balanced Budget

GFOA recommends that governments adopt rigorous policies, for all operating funds, aimed at achieving and maintaining a structurally balanced budget. The policy should include parameters for achieving and maintaining structural balance where recurring revenues are equal to recurring expenditures in the adopted budget.
Capital Planning

GFOA recommends that governments develop and adopt capital planning policies that take into account their unique organizational characteristics including the services they provide, how they are structured, and their external environment.
Debt Management

GFOA recommends that state and local governments adopt comprehensive written debt management policies. These policies should reflect local, state, and federal laws and regulations. The policy should include:

- Debt limits
- Debt structuring practices
- Debt issuance practices
- Debt management practices
- Use of derivatives
GFOA recommends that all governments regularly engage in long-term financial planning that includes:

- A plan should look at least five to ten years into the future.
- A plan should consider all appropriated funds.
- Governments should update long-term planning activities as needed.
- A plan should include an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and plan monitoring mechanisms, such as scorecard of key indicators of financial health.
- The public and elected officials should be able to easily learn about the long-term financial prospects of the government and strategies for financial balance.
GFOA recommends that all governing bodies adopt a comprehensive written investment policy and review and update its policies, if necessary on an annual basis.
Policy Examples

GFOA website has many policy examples

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<th>Example Policies</th>
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<td>General Fund Reserves</td>
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<td>Reserves in Other Funds</td>
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<td>Revenues</td>
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<td>Expenditures</td>
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<td>Operating Budget</td>
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<td>Internal Control and Risk Management</td>
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<td>Economic Development</td>
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<td>Procurement</td>
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http://www.gfoa.org/financial-policy-resource-center
Congressional City Conference

Planning and Budgeting
What is a budget?

### 2015 Budget Detail

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What is a performance budget?
Putting together a budget should not be a balancing “game”

- Interim cost cuts (freeze vacancies)
- Shifting funds from other accounts
- Using reserves/sell assets
- Deferring capital replacement and maintenance
- Making employees take furlough
- Borrowing – shifting costs to next generation
- Taking pension contribution holidays or borrowing for pension costs
- Making across the board cuts
TINA, PUT TOGETHER A DOCUMENT SHOWING HOW OUR BUDGET ALIGNS WITH OUR PRIORITIES.

WRITE IT SO IT SEEMS LIKE IT DOES.

IT DOESN'T.

ISN'T THAT LYING?

I CALL IT LEADERSHIP BY WORDS.
The budget process includes:

**Strategic planning** is the process by which governments define their objectives. **Budgets enable organizations to prioritize resources to attain objectives in strategic plans.**

**Operations management** is the process by which local governments carry out tasks related to service delivery. **Budgeting defines the scope of specific operational activities.**

**Financial control** is the process by which governments attempt to direct the use of resources toward more efficient and effective services. **Budgeting outlines the financial plan.**
The Document vs. The Process

The budget document is the tool to facilitate public understanding by communicating key policies, plans, decisions, and issues/challenges.

The budget process is how we got there.
What is purpose of budget process?

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.
Using the NACSLB Framework for Budgeting

NACSLB Assumptions:

- The budget process goes beyond
  - Balancing revenues and expenditures one year at a time
  - Traditional line-item expenditure control
- The budget also
  - Is strategic
  - Includes a multi-year financial perspective and strategies reflecting long-term goals
  - Provides flexibility to managers to be efficient and effective
  - Focuses budget decisions on results and outcomes
  - Involves and promotes effective communication with stakeholders
NACSLB Principles

1. Establish Broad Goals
2. Develop Approaches to Achieve Goals
3. Develop a Budget Consistent with Approaches To Achieve Goals
4. Evaluate Performance And Make Adjustments
**Priority / Goal Alignment**

**No Alignment**
- Focus:
  - Set department by department
  - No coordination of efforts
  - Lack of defined goals

**Alignment**
- Focus:
  - Achieve organization wide goals through alignment of resources
  - Well defined and understood goals
There are two sides to a budget

Revenues and Expenses

Money and Results
  • “Goals with price tags”
What are your city’s priorities?

Are budget allocations consistent with these priorities?

Does the budget document communicate this?
Budgeting with program focus

Changes focus from department to program

Program is an organized set of related activities that are directed towards achieving a common purpose or goal that an agency or department undertakes to carry out its responsibilities.

Budget decisions made at greater level of detail

Programs

Inputs → Activities → Outputs
Simple Questions All Programs Should Answer

Programs will describe

• **What** (what solution is being proposed to address the purchasing strategy?)

• **Why** (why is this the best solution to create results in response to the identified need?)

• For **Who** (who is to be benefited by this? Who is the intended customer?)
How do you communicate link between priorities and $$?

Are expectations of service clear?

Do your budget discussions involve discussion of $$ and service levels?
Communicate the Budget

Transparency = Understanding

• Producing hundreds of pages or thousands of lines of data doesn’t mean that decisions and plans will be understood.

• Summarize to a meaningful level for each audience
Performance measures help understand priorities

There is no “correct” number of measures

“Outcome” measures are not better than “workload” measures
  • If you don’t know the difference that’s even better 😊

Audience is important

Key question:
  • What do you need to know to be informed, make decisions, evaluate, and understand?
Performance budgeting includes discussion on results

Approaches resource allocation priorities from a citizen (customer) perspective

Focuses the process on how best to spend the revenue (on what) we have rather than just on what to cut

Much greater transparency in what was funded and what wasn’t

Accountability for performance
Consider the Audience

Does the “normal” citizen understand which services are provided by each department

• Does he/she care?

Does he/she have the time to read 800+ pages?

• What level of information is appropriate?
How do you communicate your budget?

Is the message heard?
## Traditional Budget Roles

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<th>Budget Preparation</th>
<th>Budget Analysis</th>
<th>Decision Making</th>
<th>Communication</th>
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<td><strong>Departments</strong></td>
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<td><strong>Citizens</strong></td>
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</table>
# Improved Budget Roles

<table>
<thead>
<tr>
<th></th>
<th>Budget Guidance</th>
<th>Budget Preparation</th>
<th>Budget Analysis</th>
<th>Decision Making</th>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected Officials</td>
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Capital Planning

GFOA recommends that governments develop and adopt capital planning policies that take into account their unique organizational characteristics including the services they provide, how they are structured, and their external environment.
Capital Planning is Essential

- Focuses attention on organizational priorities and needs
- Builds public support for projects
- Requires coordination across the organization
  - Policy makers, finance, public works
- Allows for proper planning
  - Ensures financial stability
Essential Components of CIP

- Identify needs
- Determine costs
- Prioritize capital projects
- Develop financing/funding strategies
CIP Process

A centralized agency-level process replaces decentralized processes.
# Infrastructure

## Economic Infrastructure

**Transportation Sector**
- Surface (e.g., roads, bridges, railroads, parking)
- Public transit (e.g., urban rail, bus rapid transit)
- Aviation (airports, navigation aid systems)
- Water transportation (e.g., inland and seaports)

**Environmental Sector**
- Water supply and treatment (drinking)
- Wastewater treatment (sewerage)
- Solid waste management
- Pollution control facilities

**Utility Sector**
- Electric power systems
- Gas supply

**Telecommunication Sector**
- Telephone lines and networks
- High-speed Internet

## Social Infrastructure

**Education Sector**
- Elementary schools and facilities
- University buildings and facilities

**Public Health**
- Healthcare facilities
- Hospitals

**Judicial and Correctional Facilities**
- Prisons and jails
- Court houses

**Housing and Community Development**

**Government Buildings and Facilities**
- Government administration buildings
- Public safety and welfare facilities

**Civic and Cultural Buildings**
- Libraries, convention centers, others
- Parks and recreation
Funding Infrastructure

Pay-as-you-Go (Cash)
• Capital Reserves
• State and Federal Grants

Pay-as-you-Use (Debt)
• General Obligation Bonds
• Revenue Bonds

• Alternative Funding
  • Public Private Partnership
Infrastructure

In 2015 alone, nearly 12,000 tax-exempt bonds were issued to finance more than $362 billion in infrastructure investments.
Capital Budgeting

GFOA recommends that governments prepare and adopt a formal capital budget as part of their annual or biennial budget process. The capital budget should be directly linked to the multi-year capital improvement plan.
Capital Budget → Operating Budget

GFOA recommends that governments discuss and quantify the operating impact of capital projects in the budget document.
Congressional City Conference

Debt Management
Why Municipal Bonds?

Governmental entities have been using debt (most often in the form of “municipal bonds”) for over 200 years

What is the benefit of issuing bonds?

- Lower interest rates than taxable debt
- Part of your overall financial strategy
- They are well suited to fund public infrastructure such as government buildings, water distribution systems, schools, police stations and many other projects that require significant capital investment.

What are the risks of governmental debt, generally?

- Primary and continuing disclosure responsibilities
- Political risks of increasing leverage
- Intergenerational equity
Who is on the Financing Team?

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
</table>
| Bond Counsel                  | • works directly for the Issuer.  
• is an attorney (or team of attorneys), typically with specialized experience in municipal financings, that generally issues two legal opinions in the offering. |
| Municipal Advisor/Financial Advisor | • a professional consultant that works directly for the Issuer.  
• must give fiduciary care in advising the Issuer by putting the Issuer’s interests above their own financial interests in a transaction. |
| Underwriter/Investment Banker | • the key conduit between the Issuer and ultimate investor. In a financing, they are ultimately working for the investors.  
• The Underwriter, via the bond sale, agrees to buy the bonds and resell them to investors. |
| Other Participants            | • Paying Agent/Trustee  
• Rating Agency  
• Bond Insurance Provider or Other Credit Enhancer |

Why Do We Need a Lawyer?

Issuers must comply with local, State and federal laws, and enter into a number of legal agreements with various parties.

It is critical that Issuers consult with specialized legal counsel (Bond Counsel) to determine

- if they are authorized to issue debt
- what actions are required to authorize issuance
- and any constraints placed on debt issuance
What Does Structuring Mean?

The primary goal of an Issuer should be the proper administration of the bond issue at the least possible cost and interest rate.

Projects should be thoroughly reviewed as to

• scope – feasibility – cost – useful life of the asset – capacity to repay debt...

Sufficient revenues should be available to meet ongoing debt payments and jurisdiction needs to understand what type of revenues are pledged to support (or “secure”) the debt.

Various types of debt are typically available to Issuers and jurisdictions may want to look at different types per capital project.
How do Bonds Get Sold?
Most local governments do not have the in-house expertise or resources to find investors for their proposed bond offerings, and will require the services of a specialized municipal securities dealer, underwriter or a syndicate of underwriters to sell the bonds for them.

**Competitive Bid Process**
- Underwriters submit closed bids to the Issuer on the day and time designated in the official notice of sale.
- The bonds are awarded to the underwriter that has submitted the best price (i.e., the lowest true interest cost bid).

**Negotiated Sale Process**
- After the underwriter is selected, the Issuer and the underwriter will begin the process of structuring the bond issue and completing the other origination tasks.

**Bond Rating**
- Municipal bond credit ratings measure the Issuer’s risk of paying all interest and principal back to investors.

**Credit Rating Agencies**
- Investors use the bond ratings to determine the level of repayment risk associated with the specific issue and determine a minimum rate of return for the risk involved.
Ok, We Issued! We’re Done, Right?

The Issuer is more than just a participant in the sale of the bonds. The agency is the owner of the transaction and the obligor of the debt until “maturity” when the debt is fully repaid - perhaps a period of 20 to 30 years.

• Once the deal closes, staff will need to **book the transaction** in the general ledger/balance sheet.
• Staff will also need to **set up a tickler file** with key dates of when bond payments are due and when continuing disclosure information needs to be filed is extremely useful.
• During the period when there are unspent bond proceeds or reserve funds, staff will want to **determine how these funds should be invested**.
• Finally, the organization needs to **keep detailed records** as to how the bond proceeds were spent in order to comply with arbitrage law.
What are our Ongoing Compliance Responsibilities?

Continuing Disclosure

• Once bonds have been issued, the Issuer commits through a Continuing Disclosure Agreement to provide certain annual financial information and material event notices to the public.
• In accordance with SEC Rule 15c2-12, those filings must be made electronically at the Electronic Municipal Market Access (EMMA) portal

Tax Compliance

• To assist the Issuer with Tax Compliance, the National Association of Bond Lawyers (NABL) and the Government Finance Officers Association (GFOA) have jointly developed a checklist to assist Bond Counsel in discussing with Issuers and conduit borrowers, as applicable, post issuance compliance matters.
• The checklist is divided into three parts: tax, securities and State law matters.
Public vs. Private

Provision of services
- Means to end (profit motive)
- End in itself (service motive)

Amount charged
- Dependent on services received (private sector)
- Often unrelated to services received (public sector)

Opportunity to recover cost
- Limited to point-of-sale (private sector)
- Possible in future periods (public sector)
Public vs. Private

Management ability to apply resources

• Essentially unlimited (private sector)
• Severely limited (public sector)
  • Restrictions imposed by grantors
  • Restrictions imposed by lenders
  • Limitations imposed by the legal budget
As a Result

Different financial objectives for different activities

• Business-type activities
  • Are revenues sufficient to recover cost?

• Governmental activities
  • Are near-term inflows sufficient to cover near-term outflows (liquidity)?

Heightened focus on accountability
Effect on Financial Reporting

Fund accounting
Dual measurement focus/basis of accounting
Budgetary reporting
Budget Document

Function

- Policy document
- Financial plan
- Operations guide
- Communications device

Focus on future

“Custom fit”

Not audited
Financial report

**Function**

- Allow assessment of
  - Operational accountability
  - Fiscal accountability

**Focus on past**

“One size fits all”

**Audited**
What is a fund?

Separate fiscal and accounting entities used to segregate resources related to specific activities

- Originally separate bank accounts
- Now just accounting devices

Types of Funds

- **Tax-supported activities**
  - Governmental funds
- **Business-type activities**
  - Proprietary funds
- **Resources held as an agent or trustee**
  - Fiduciary funds
Level of Detail
(Basic Financial Statements)

By major fund
• Governmental funds
• Enterprise funds

By fund type
• Internal service funds
• Fiduciary funds
From Funds to Government-wide Financial Statements

<table>
<thead>
<tr>
<th>Financial Reporting Entity</th>
<th>Primary Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Activities</td>
<td></td>
</tr>
<tr>
<td>Business-type Activities</td>
<td></td>
</tr>
<tr>
<td>Total Primary Government</td>
<td></td>
</tr>
<tr>
<td>Component Units</td>
<td></td>
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</tbody>
</table>

Fund Financial Statements

- Governmental Funds
- Internal Service Funds
- Enterprise Funds
- Fiduciary Funds
## Format of Statement of Activities

<table>
<thead>
<tr>
<th>Function/Program</th>
<th>Program Revenues</th>
<th>Primary Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Charges for Services</td>
<td>Operating Grants and Contributions</td>
</tr>
<tr>
<td><strong>Governmental Activities:</strong></td>
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<td></td>
</tr>
<tr>
<td>A</td>
<td>$500</td>
<td>$100</td>
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<tr>
<td><strong>Business-type Activities:</strong></td>
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<td>B</td>
<td>$120</td>
<td>$140</td>
</tr>
</tbody>
</table>

**General Revenues:**
- Taxes: $300
- Investment earnings: ___ $5 ___
- Change in net position: $10 $25 $35
What is a Comprehensive Annual Financial Report (CAFR)

Three basic sections

• Introductory section
  • Letter of transmittal

• Financial section
  • Basic financial statements
  • Combining and individual fund statements and schedules

• Statistical section
Basis of Accounting

Measurement focus = what to measure

Basis of accounting = when to measure change

Accrual

Transactions and events recognized when they occur, regardless of when cash is received or disbursed

• Revenue when earned
• Expense when liability incurred

Cash

Transactions and events recognized only when related cash flows occurs

• Revenue when cash is received
• Disbursements when cash is spent
Middle Way: *Modified* Accrual Basis

**Starting point = accrual**
- When the underlying transaction or event occurs

**Modification**
- Only to the extent that near-term liquidity is affected
  - Revenue recognized only if *available* to make payments soon after year end
  - Expenditures recognized only if payments normally are made during the period or soon after year end

**Practical result**
- More aggressive recognition than cash basis
- Less aggressive recognition than accrual basis
Why are governmental funds different?

Focus = providing information useful for making budgetary decisions

• Balanced budget = focus on near-term liquidity
  • Will existing resources + inflows be sufficient to cover outflows?
Reporting Residual Balance

**Governmental funds**

Assets + deferred outflows

- Liabilities + deferred inflows

Fund balance

**Other funds**

Assets + deferred outflows

- Liabilities + deferred inflows

Net position
Classifying Fund Balance

**Two principles of classification**
- Limitation on spending
- Source of limitation

**Components of Fund Balance**
- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned
Financial Reporting and Financial Systems

Financial reports are only as good as the information going into them

ERP = Enterprise Resource Planning
- Integrated data
- Flexible reporting tools
- Process automation
- Chart of Accounts
What is a Popular Annual Financial Report?

GFOA established the Popular Annual Financial Reporting Awards Program (PAFR Program) in 1991 to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize individual governments that are successful in achieving that goal.
Example PAFRs

http://www.gfoa.org/pafr
Budgetary Reporting

Budget to Actual Reports
Online Dashboards
Grant Reports
Program Reports
Project Reports
Public Reporting

How is information finance Information reported to the public?
Online Transparency

Operating Budget

FY17 Revenues

$5.39 Billion

Projected Revenues For Fiscal Year 2017

The dataset details all revenues by agency, fund type, and fund. The revenue schedules include data for the following County agencies: MCB, DCCS, MCPS, Montgomery College, and MHCPC. Not included are: MSSC, MDC, and the Montgomery County Revenue Authority.

FY17 County Council Approved Expenditures

$5.30 Billion

The Montgomery County Charter (Section 302) Requires The County Executive To Submit An Annual Comprehensive Six-Year Program For Public Services And Fiscal Policy Called The Public Services Program (PSP).

Approved Budget Highlights:

- $2.46 billion Montgomery County Public Schools
- $312 million Montgomery College
- $1.96 billion Montgomery County Government
- $142 million Maryland-National Capital Park and Planning Commission

Example: Montgomery County

https://data.montgomerycountymd.gov/
Understand the role of an elected official in public finance
Elected officials play an important role in sustainable and well-managed governments. This session will provide information on how officials can better understand its organization’s financial reports, disclosures, and finance processes. The session will also provide information on identifying best practices and providing tools for evaluating practices within your government.

Learn how elected officials can be part of establishing sound financial policies
Financial policies are central to a strategic, long-term approach to financial management. GFOA recommends that governments formally adopt financial policies. This session will provide information on the scope of financial policies, the role of elected officials in developing policies, and, example policies.

Identify best practices in local government budgeting
The budget process facilitates key decision making on both the financial and operational plan for the organization. This session will provide information on components of an effective budget process, description of roles throughout the process, and methods for ensuring accountability to budget decisions throughout the year.