Learning Outcomes

- Define funds and review the fund structure of a government
- Identify the components of fund financial statements
- Recall how fund balance is generated and what it should be used for
- Identify the laws affecting budget preparation and adoption
- Recognize the process of preparing, adopting and administering a budget
- Recall methods of budget communication
- Identify annual audit and financial reporting requirements
GASB AND GAAP

• The Governmental Accounting Standards Board (GASB) is the standard-setting body for state and local governments
• Generally Accepted Accounting Principles are conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements

What is a Fund?

• Separate accounting entity
• Separate set of self-balancing accounts
• Separate set of financial statements
• Three categories of funds

Minimum Number of Funds

Establish the minimum number of funds in order to
• Comply with laws
• Exercise sound financial administration
**Fund Accounting**

**Fund Categories**

- Reporting Entity
- Governmental Funds
- Proprietary Funds
- Fiduciary Funds

**Governmental Funds**

Generic Fund Types

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Permanent Funds

- E-911, Law Library, Hotel/Motel, Confiscated Assets
- GO Bonds, SPLOST

**Proprietary Funds**

Generic Fund Types

- Enterprise Funds
- Internal Service Funds

- Water/Sewer, Electric, Gas, Cable, Solid Waste, Mass Transit, Civic Center

Most government functions financed by these funds.

Do not belong to government – just holding for another external party and cannot be used for governments own programs.

Promoting Excellence in Government.
Fiduciary Funds
Generic Fund Types

- Court Fees
- Fiduciary Funds
  - Agency Funds
  - Investment Trust Funds
  - Pension Trust Funds
  - Private Purpose Trust Funds

Uniform Chart of Accounts

- TYPES of financial statements
  - Statements of Position
  - Operating Statements
Statements of Position

- Balance Sheet
- Statement of Net Position
Balance Sheet – Governmental Funds

- Focus on ability to pay the government’s bills
- Near-term cash inflows and outflows
- Does NOT include capital assets
- Does NOT include long term debt

Statement of Net Position – Proprietary Funds

- Focus on economic perspective of government
- BOTH current and non-current assets and current and non-current liabilities
  - Includes Capital Assets
  - Includes Long Term Debt
Operating Statement

- Revenues
- Expenditures/Expenses

Governmental Fund Operating Statement

<table>
<thead>
<tr>
<th>Revenues</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property taxes</td>
<td>313,311,083</td>
</tr>
<tr>
<td>Sales taxes</td>
<td>44,360,045</td>
</tr>
<tr>
<td>Franchise taxes</td>
<td>1,577,813</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>2,619,889</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>9,785,931</td>
</tr>
<tr>
<td>Charges for services</td>
<td>19,081,803</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
<td>6,670,565</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>3,810,960</td>
</tr>
<tr>
<td>Fees</td>
<td>33,870</td>
</tr>
<tr>
<td>Special assessments</td>
<td>4,614,780</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>125,530,324</td>
</tr>
</tbody>
</table>

Total Revenues: 155,530,324
## Governmental Fund Operating Statement

**Expenditures:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General service</td>
<td>39,796,632</td>
</tr>
<tr>
<td>Public safety</td>
<td>51,015,490</td>
</tr>
<tr>
<td>Education and training</td>
<td>54,613,070</td>
</tr>
<tr>
<td>Information and technology</td>
<td>8,116,887</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>3,705,013</td>
</tr>
<tr>
<td>Debt service</td>
<td>754,000</td>
</tr>
<tr>
<td>Transit</td>
<td>-</td>
</tr>
<tr>
<td>Bond interest and premium</td>
<td>150,000</td>
</tr>
<tr>
<td>Capital recovery</td>
<td>-</td>
</tr>
<tr>
<td>General asset</td>
<td>163,050</td>
</tr>
<tr>
<td>Net property</td>
<td>-</td>
</tr>
<tr>
<td>General liability</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>-</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>127,373,080</td>
</tr>
</tbody>
</table>

**Excess (deficiency) of revenues over expenditures:** ($10,923,460)

---

## Governmental Fund – Operating Statement

**Other Financing Sources (OFS):**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>20,040</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(4,959,020)</td>
</tr>
<tr>
<td>Refunding bonds issued</td>
<td>20,040</td>
</tr>
<tr>
<td>Premiums on refunding bonds issued</td>
<td>0</td>
</tr>
<tr>
<td>Special assessment bonds issued</td>
<td>0</td>
</tr>
<tr>
<td>Discount on special assessment bonds issued</td>
<td>0</td>
</tr>
<tr>
<td>Payment to refunded fund security agent</td>
<td>0</td>
</tr>
<tr>
<td>Capital lease</td>
<td>110,847</td>
</tr>
<tr>
<td>Non-allocation of capital assets</td>
<td>31,050</td>
</tr>
<tr>
<td>Insurance adjustments</td>
<td>118,020</td>
</tr>
<tr>
<td>Total other financing sources (OFS)</td>
<td>(8,537,780)</td>
</tr>
</tbody>
</table>

**Net change in fund balance:** ($8,537,780)

**Fund balance, beginning:** 28,175,620

**Fund balance, deficit ending:** $19,638,840

---

## Proprietary Funds Page A-4

**Operating statement:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>3,072,470</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(290,470)</td>
</tr>
<tr>
<td>Change in operating surplus</td>
<td>2,782,000</td>
</tr>
</tbody>
</table>

**Operating expenses:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>1,259,900</td>
</tr>
<tr>
<td>Supplies</td>
<td>4,340</td>
</tr>
<tr>
<td>Fuel and supplies</td>
<td>2,653,185</td>
</tr>
<tr>
<td>Depreciation</td>
<td>304,000</td>
</tr>
<tr>
<td>Deferred charges</td>
<td>-</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>243,125</td>
</tr>
</tbody>
</table>

**Operating surplus:** ($2,782,000)

**Total revenue:** 3,072,470

**Total expenses:** (290,470)

**Net change in fund balance:** 2,782,000

---

**Proprietary Funds Page A-4**
**Relationship Operating Statement to Balance Sheet**

Ending fund balance – operating statement = ending fund balance on balance sheet

<table>
<thead>
<tr>
<th>Name of Government</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Source of Government</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
</table>

**Internal Report**

<table>
<thead>
<tr>
<th>Name of Government</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Source of Government</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
</table>

**Expenditures**

<table>
<thead>
<tr>
<th>General Government</th>
<th>Police</th>
<th>Parks</th>
<th>Total Expenditures</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Source of Government</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Source of Government</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total Expenditures</th>
<th>Date</th>
</tr>
</thead>
</table>

**Excess Revenues**

<table>
<thead>
<tr>
<th>Over/(Under) Expenditures</th>
<th>Date</th>
</tr>
</thead>
</table>

**Beginning Fund Balance**

<table>
<thead>
<tr>
<th>Date</th>
</tr>
</thead>
</table>

**Ending Fund Balance**

<table>
<thead>
<tr>
<th>Date</th>
</tr>
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</table>

**Review**

<table>
<thead>
<tr>
<th>Date</th>
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<th>Date</th>
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<table>
<thead>
<tr>
<th>Date</th>
</tr>
</thead>
</table>
Review

For reporting purposes, governments classify their individual funds within three categories -

A. Governmental, Proprietary, and Fiduciary
B. General, Special, and Debt Service
C. Governmental, Enterprise, and Fiduciary
D. None of the above

Review

For reporting purposes, governments classify their individual funds within three categories -

A. Governmental, Proprietary, and Fiduciary
B. General, Special, and Debt Service
C. Governmental, Enterprise, and Fiduciary
D. None of the above

Review

The five generic governmental funds are

G_________
S_______ R_______
C_______ P_______
D_______ S_______
P_______
Review
The five generic governmental funds are
General
Special Revenue
Capital Projects
Debt Service
Permanent

Review
The two generic proprietary funds are
E_______
I_______S_______

Review
The two generic proprietary funds are
Enterprise
Internal Service
Review

The four generic fiduciary funds are
P_______ P_______ T_______
P_______ T_________
I_________ T_______
A_______

Review

The four generic fiduciary funds are
Private Purpose Trust
Pension Trust
Investment Trust
Agency

Fund Balance
What is Fund Balance?

- Equity in Governmental funds
- Revenue increases fund balance and expenditures decrease fund balance

Is Fund Balance Equal to Cash and Investments?

- Cash and investments are a part of fund balance
- Other parts of fund balance include amounts owed to your government, cash value of inventory and other assets
**Governmental Fund Equity**

Net Current Assets or Fund Balance

Calculated as follows:

\[
\text{Current Assets} \quad \text{&} \quad \text{Deferred Outflows} \quad - \quad \text{Current Liabilities} \quad \text{&} \quad \text{Deferred Inflows} = \quad \text{Fund Balance}
\]

**How the Fund Balance Evolved - Year 1**

Net result of the difference between revenues and expenditures from the inception of the government

- Revenues $100,000
- Expenditures $-90,000
- Net Revenue $10,000

**How the Fund Balance Evolved - Year 2**

- Revenues $110,000
- Expenditures $95,000
- Net Revenue $15,000

Fund Balance Year 1 $10,000
Fund Balance Year 2 $25,000
How the Fund Balance Evolved – Year 3

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$97,000</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$100,000</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>-$3,000</td>
</tr>
<tr>
<td>Fund Balance Year 2</td>
<td>$25,000</td>
</tr>
<tr>
<td>Fund Balance Year 3</td>
<td>$22,000</td>
</tr>
</tbody>
</table>

Use of Fund Balance

The fund balance should be used for
- One-time expenditures
- Unexpected events

Available Fund Balance

The entire Fund Balance may not be available to fund deficiency of revenues and expenditures
**Fund Balance—5 Categories**

- **Nonspendable**
  - Inventory
  - Advances to
  - Permanent fund principal

- **Restricted**
  - Debt Covenant
  - Enabling Legislation

- **Committed**
  - Formal Board Action to commit or de-commit

- **Assigned**
  - Intent
  - Not restricted or committed

- **Unassigned**
  - What’s left

**Fund Balance**

<table>
<thead>
<tr>
<th>Fund Balance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable</td>
<td>$100,000</td>
</tr>
<tr>
<td>Restricted</td>
<td>$250,000</td>
</tr>
<tr>
<td>Committed</td>
<td>$175,000</td>
</tr>
<tr>
<td>Assigned</td>
<td>$25,000</td>
</tr>
<tr>
<td>Unassigned</td>
<td>$133,000</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>$683,000</td>
</tr>
</tbody>
</table>

**Unrestricted Fund Balance**

- Unrestricted
- Committed
- Assigned
- Unassigned

Maintain balance sufficient to manage risk of revenue fluctuations and unexpected expenditures
What is the Right Amount of Unassigned Fund Balance?

- Unique to each government
- Government Finance Officers recommends 2 months of General Fund operating revenues or expenditures

Where Do You Stand?

Unassigned Fund Balance as a % of General Fund operating revenues:

Calculated as follows:

Unassigned Fund Balance / General Fund Revenues = %

Sample Calculation – Step 1

Identify Unassigned Fund Balance – Governmental Funds Balance Sheet
Sample Calculation – Step 2

Identify Total Revenues for the General Fund -

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>GENERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$ 28,981,063</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>45,492</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>56,496</td>
</tr>
<tr>
<td>Fees and fines</td>
<td>74,578</td>
</tr>
<tr>
<td>Charges for services</td>
<td>4,120,006</td>
</tr>
<tr>
<td>Contributions and donations</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>23,901</td>
</tr>
<tr>
<td>Misc Revenue</td>
<td>166,278</td>
</tr>
</tbody>
</table>

TOTAL REVENUES

Sample Calculation – Step 3

Perform the following calculation-

| General Fund Unassigned Fund Balance | $ 4,815,949 |
| Total General Fund Revenues | $ 34,620,817 |

Unassigned Fund Balance as a % of Revenues | 13.91%

Fund Balance vs. Contingency

- Fund Balance and Contingency are not the same
- The law is silent on how much contingency to budget
- Amounts are not charged to the contingency line item—budgetary only
- Budget adjustments are necessary to move contingency to appropriate account for spending
Fund Balance is defined as the difference between current assets & deferred outflows of resources and current liabilities & deferred inflows of resources.

True or False
Review

Georgia Law requires governments to budget a contingency in an amount no less than 3% and no greater than 5%.

True or False

Review

Georgia Law requires governments to budget a contingency in an amount no less than 3% and no greater than 5%.

True or False

Review

Ending fund balance on the operating statement must equal ending fund balance on the balance sheet.

True or False
Review
Ending fund balance on the operating statement must equal ending fund balance on the balance sheet.

True or False

Review
General Fund Balance categories include the following-
A. Nonspendable
B. Restricted
C. Committed
D. Assigned
E. Unassigned
F. All of the above
Review
What is the minimum fund balance reserve recommended by the Government Finance Officers Association?
A. 12 months  
B. 6 months  
C. 3 months  
D. 2 months

Budget and Other Laws
O. C. G. A.

Official Code of Georgia Annotated


Budget Law On-Line

https://cviog.uga.edu/publications/compliance-auditing-publication.html
What Governs the Budget?

Georgia Budget Law and Policy
- Official Code of Georgia Annotated (O.C.G.A) Sections 36-81-2 to 36-81-6
- Local Charters
- Financial Policies

O.C.G.A. §36-81-3

Balanced Budget
- Estimated Revenue Sources + Fund Balances = Appropriations
  - General Fund
  - Special Revenue Fund
  - Debt Service Fund
- Capital Projects
  - Project-length balanced budget

Option to adopt budgets for any remaining funds
- Adopt by ordinance or resolution
### Balanced or Unbalanced?

**Example 1**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$100,000</td>
</tr>
<tr>
<td>Difference</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Example 2**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$110,000</td>
</tr>
<tr>
<td>Difference</td>
<td>$(10,000)</td>
</tr>
</tbody>
</table>

**Example 3**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>$110,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$100,000</td>
</tr>
<tr>
<td>Difference</td>
<td>$10,000</td>
</tr>
</tbody>
</table>
Balanced or Unbalanced?

Example 4

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 80,000</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>$ 20,000</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Difference</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Sample Budget Resolution

See Sample Resolution Page A-7/A-8

Budget Amendments

Changes to original budget—require ordinance or resolution

Increase in appropriation—legal level of control

Change in revenues

Transfer of appropriations between departments
Budget Communication

O.C.G.A. §36-81-5

Citizens must have access to the budget document same day as it is made available to governing authority.

Advertise budget availability in newspaper during week budget is made available to governing authority as well as date of hearing for public comment.

http://georgiapublicnotice.com/

Must be easily identified—CANNOT be placed with legal ads.

Budget Communication

O.C.G.A. §36-81-5

At least one week before budget resolution or ordinance is voted on, a public hearing must be held.

Advertisement of the hearing date and time must occur one week prior to the hearing.

See "Sample Public Hearing Advertisement (Page A-9)."

Electronic Reports Submission

O. C. G. A. §36-80-21

Requirement to post documents to Carl Vinson Institute of Government website for governments with budget exceeding $1 million.

PDF of approved budget must be posted within 30 calendar days of adoption by ordinance or resolution.

PDF of completed audit must be posted as soon as practicable (also must submit to Department of Audits).
**Electronic Reports Submission**

O. C. G. A. §36-80-21  
Report of Forfeited Assets required by O.C.G.A. §9-16-19 must be submitted to the Vinson Institute as soon as practicable

https://ted.cviog.uga.edu/financial-documents/

**O.C.G.A. §13-10-91**

Requirement to post on the government's website federally issued user ID # and date of authorization used to determine employment eligibility of workers  
If government does not have a website, must post to Carl Vinson Institute of Government website
Property Taxes

O.C.G.A. §48-5-32

Must publish in newspaper one week before establishment of millage rates
  assessed taxable value of all property, by class and in total
  proposed millage rate
  total ad valorem taxes to be levied

Property Taxes

O.C.G.A. §48-5-32

Must be published for the current year and the preceding five years
  See Sample on Page A-6
  Must include date and time of meeting in which millage will be adopted
Review

By law, governments are required to adopt and operate under an annual balanced budget for the -

A. General fund, each special revenue fund and each debt service fund
B. All funds
C. Only the general fund
D. None of the above
Review
By law, governments are required to adopt and operate under an annual balanced budget for the -
A. General fund, each special revenue fund and each debt service fund
B. All funds
C. Only the general fund
D. None of the above

Review
Georgia law states that governments are required to adopt and operate under a project-length balanced budget for -
A. All funds
B. The general fund
C. Each capital project fund
D. The general fund, special revenue fund and each debt service fund

Review
Georgia law states that governments are required to adopt and operate under a project-length balanced budget for -
A. All funds
B. The general fund
C. Each capital project fund
D. The general fund, special revenue fund and each debt service fund
Review
A budget ordinance or resolution is balanced when –
A. Assets minus liabilities equal fund balance
B. Credits equal debits
C. The sum of estimated revenues and appropriated fund balances is equal to appropriations
D. Expenses/expenditures equal appropriations
Purpose of a Budget

Tool for financial management
Plan for providing services
Tool for communicating to the public
Fiscal and management policies
How services are to be funded
Priorities for services delivered

Budget Process—Overview

The budget process influences
Political goals and objectives
Maintain services without increasing taxes
Departmental revenue and staffing limitations
Mandated programs and services
Changes to service levels
Increase parks/recreation services
Increase fire and police

Budget Process—Overview

Process centers around start of fiscal year
Budget calendar sets a timeline to ensure budget is adopted before beginning of fiscal year
Deadlines for departments to submit information
Dates for advertising and hearings
Governing Authority Review and Adoption
Budget Calendar


Budget Process—Overview

The Budget Officer
- Develops and distributes budget forms and instructions to departments
- Compiles all information submitted into a single document
- Estimates revenues; combines with departmental expenditures
- Meets with government's chief executive regarding changes

Budget Process—Overview

The governing body
- Sets priorities for the upcoming year
- Reviews proposed budget
- Asks questions about increases and decreases and recommended allocation of resources
Budget Process—Revenues
Common Revenue Sources
- Property taxes
- Title ad valorem taxes
- Insurance premium taxes
- Sales taxes
- Franchise fees
- Beer and wine license and excise taxes

Budget Process—Revenues
Common Revenue Sources
- Business licenses
- Building permits
- Fines and forfeitures
- Intergovernmental revenues

Revenue Projection
Requires knowledge of
- Present and past conditions
- Government's financial condition
- Good judgment
Revenue Projection

Property taxes—estimated by using tax digest information
Sales tax—current economic condition
Be conservative
Better to be too low than too high

Budget Process—Revenue

Basic Considerations
Acceptability—Will the tax fairly impact those affected?
Example—sales tax
Stability—Will tax collections remain stable in times of economic fluctuations?

Budget Process—Revenue

Basic Considerations
Self-sufficiency—avoid becoming dependent on state or federal grants
Cost efficiency—providing the best quality of services in the most efficient manner
Understanding the revenue stream is essential to prudent planning. Most of these policies seek stability to avoid potential service disruptions caused by revenue shortfalls. At a minimum, jurisdictions should have policies that address:

1. **Revenue Diversification**—A government should adopt a policy/policies that encourages a diversity of revenue sources in order to improve the ability to handle fluctuations in individual sources. (NACSLB Practice 4.6)

2. **Fees and Charges**—A government should adopt policy(s) that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. (NACSLB Practice 4.2)

3. **Use of One-Time Revenues**—A government should adopt a policy(s) limiting the use of one-time revenues for ongoing expenditures. (NACSLB Practice 4.4)

4. **Use of Unpredictable Revenues**—A government should adopt a policy(s) on the use of major revenue sources it considers unpredictable. (NACSLB Practice 4.4a)

---

Revenues should be estimated on an objective and conservative basis.

True or False
The four basic considerations when budgeting revenue

A. _______
S. _______
S. _______ S. _______
C. _______ E. _______

The Budget is

A. Tool for financial management
B. Plan for providing services
C. Tool for communicating to the public
D. All of the above
Review

The Budget is
A. Tool for financial management
B. Plan for providing services
C. Tool for communicating to the public
D. All of the above

Property Tax Revenue

Property Taxes

Oldest form of taxes levied in U.S.
Primary revenue source for counties
Once considered a stable revenue source
Property Taxes
Real and personal property
Real – real estate, land and buildings
Personal – inventory, equipment of businesses, boats and motors, airplanes and financial system assets.
Public utilities
For the majority of governments, Georgia law requires that property be valued at the fair market value then taxed at an assessed value of 40%

Millage Rate
Millage rate—applied to the appraised value of a parcel of property and determines the tax due

Mill = $1 per $1,000 of assessed property value
Expressed in terms of the following;
- 1/1000 of a dollar or
- 0.001 x assessed value
**Millage Rate**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal value</td>
<td>$100,000</td>
</tr>
<tr>
<td>Assessed at 40% (state law)</td>
<td>$40,000</td>
</tr>
<tr>
<td>Less exemptions</td>
<td>-$10,000</td>
</tr>
<tr>
<td>Taxable value</td>
<td>$30,000</td>
</tr>
<tr>
<td>$30,000 x 12.5 mills (county)</td>
<td>$375</td>
</tr>
<tr>
<td>18.2 (schools)</td>
<td>$546</td>
</tr>
<tr>
<td>2.83 (cities)</td>
<td>$85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,006</strong></td>
</tr>
</tbody>
</table>

**Determining the Correct Millage**

Property tax revenues cover the gap between the planned expenditures and forecasted revenues.

\[
\text{Tax Rate} = \frac{\text{Amount Required}}{\text{Assessed Value}}
\]

Estimated expenditures = $1,560,000
Estimated revenues = $1,420,000
Total assessed value = $10,000,000

Calculate the millage necessary to balance the budget.
Determining the Correct Millage

Estimated expenditures = $1,560,000
Estimated revenues = $1,420,000

Amount needed to balance the budget
$140,000

Tax Rate = Amount Required / Assessed Value
$140,000
10,000,000

Millage required to cover the gap: 0.014
Taxpayer Bill of Rights

O.C.G.A. §48-5-32.1

- In any year of revaluation, levying authorities must rollback millage rates to offset total increase of tax digest due to revaluation or advertise “Notice of Property Tax Increase” and hold three public hearings
- Tax Commissioner/Chief Appraiser computes rollback rate and certifies same to each levying authority

“Rollback rate” means the previous year’s millage rate minus the millage equivalent of the total net assessed value added by reassessments

Rollback rate is computed by either Tax Commissioner or Tax Assessor on prescribed form from the DOR. Form must be submitted with digest
Taxpayer Bill of Rights

- Essentially, any inflationary increase in the digest must be offset by a rollback of the millage rate, or public hearings must be held and additional newspaper ad must be run.
- In instances in which there is no revaluation, if millage rates are increased, the public hearing requirement may apply.
Review

For the majority of governments, Georgia law requires that property be valued at the fair market value then taxed at an assessed value of -

A. 30%
B. 35%
C. 40%
D. 45%

Review

For the majority of governments, Georgia law requires that property be valued at the fair market value then taxed at an assessed value of -

A. 30%
B. 35%
C. 40%
D. 45%

Review

One mill of tax is equivalent to $1 per thousand of taxable assessed value.

True or False
Review
One mill of tax is equivalent to $1 per thousand of taxable assessed value.

True or False

Review
For a government that has a net taxable digest of $2,093,130,182, the value of one mill of tax would be equivalent to -

A. $209,313,000
B. $2,093,130
C. $209,313
D. None of the above are correct
Review
If a governing authority levies a millage rate that is greater than the roll back rate they must hold _____ hearings to comply with the Tax Payer Bill of Rights.
A. One
B. Two
C. Three
D. Four

Review
_____ weeks prior to setting the millage rate, Georgia governments are required to advertise, in the legal organ of their jurisdiction, the current year tax levy and five year history of the tax levy.
A. One
B. Two
C. Three
D. Four
Review

_____ weeks prior to setting the millage rate, Georgia governments are required to advertise, in the legal organ of their jurisdiction, the current year tax levy and five year history of the tax levy.

A. One
B. Two
C. Three
D. Four

EXPENDITURES

Line Item

Traditional budgeting
Most frequently used by local governments
Most simple
Primary emphasis – CONTROL
Focus is on inputs (what is to be spent)
## Line Item Example

<table>
<thead>
<tr>
<th>Account</th>
<th>Current Budget</th>
<th>Proposed Budget</th>
<th>% Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$55,000</td>
<td>$57,200</td>
<td>4%</td>
</tr>
<tr>
<td>Overtime</td>
<td>$5,000</td>
<td>$5,500</td>
<td>10%</td>
</tr>
<tr>
<td>Part-time</td>
<td>$10,000</td>
<td>$12,000</td>
<td>20%</td>
</tr>
<tr>
<td>Supplies</td>
<td>$4,000</td>
<td>$4,500</td>
<td>12.5%</td>
</tr>
<tr>
<td>Travel</td>
<td>$1,000</td>
<td>$1,500</td>
<td>50%</td>
</tr>
<tr>
<td>Total</td>
<td>$75,000</td>
<td>$80,700</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

## Line Item

### Disadvantages
- Encourages incrementalism
  - Base initial budget requests on the amount of budgeted resources in last year’s budget
- Does not require departments to consider alternative methods to spending or delivering services.
- Does not consider if the service should even be offered.

## Activity Budget

Next step up from line-item budgeting
- Various activities within the same department are recognized
Activity Budget

Finance Department

<table>
<thead>
<tr>
<th>Account</th>
<th>Accounting</th>
<th>Treasury</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$50,000</td>
<td>$57,300</td>
<td>$60,000</td>
</tr>
<tr>
<td>Overtime</td>
<td>$5,000</td>
<td>$5,500</td>
<td>$1,000</td>
</tr>
<tr>
<td>Part-time</td>
<td>$10,000</td>
<td>$12,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>$4,000</td>
<td>$4,500</td>
<td>$3,000</td>
</tr>
<tr>
<td>Travel</td>
<td>$1,000</td>
<td>$1,500</td>
<td>$2,000</td>
</tr>
<tr>
<td>Total</td>
<td>$75,000</td>
<td>$80,700</td>
<td>$70,000</td>
</tr>
</tbody>
</table>

Activity Budget

Activities within other departments:
- Police
- Fire
- Public Works

Program Budget

- Organizes proposed expenditures according to broader overall functions
- Focus is no longer on what is purchased
- Focus is on what services are being provided
- Goals are defined and expenses are allocated based on the defined goal
Program Budget

Example: Enhance accessibility of official records for public use by expanding services available via the Internet

Provide on-line access of recorded court and real estate documents by September 2010

Program Budget

<table>
<thead>
<tr>
<th>Sample Program Budget</th>
<th>Program: Record</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior Court Clerk</td>
<td></td>
</tr>
<tr>
<td>accessibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure Classification</th>
<th>Previous Fiscal Year</th>
<th>Actual</th>
<th>Current Fiscal Year Budget</th>
<th>Next Fiscal Year Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Supplies</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Program Budget

Drawbacks

- Reorganization of the budget
- Many activities contribute to more than one objective
- Not all resources can be assigned to a single program.
Performance Budget

Advantages
- emphasizes department performance objectives rather than purchases of resources
- emphasizes efficiency and effectiveness of services

Disadvantages
- more complicated than line-item or program budgets
- does not require departments to consider alternatives
- does not consider whether the service is worth the cost of providing it

Zero-Based Budget

Departments show various levels of service that can be provided at different levels of funding

Advantages
- makes governments more flexible, eliminates unproductive programs, improves effectiveness by forcing department heads to consider total programs each year
Zero-Based Budget

Disadvantages
generates a lot of paperwork, not realistic to consider zeroing some programs, does not take into account state and federally mandated services, does not compare service costs with what a service is actually worth

Review

The budget that offers the most control is –

A. Line-item
B. Zero-base
C. Performance
D. Activity
Review
The budget that offers the most control is –

A. Line-item
B. Zero-base
C. Performance
D. Activity

Review
What kind of budget is this?

<table>
<thead>
<tr>
<th>Finance Department</th>
<th>Account</th>
<th>Accounting</th>
<th>Treasury</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$55,000</td>
<td>$57,200</td>
<td>$62,000</td>
<td></td>
</tr>
<tr>
<td>Overtime</td>
<td>$5,000</td>
<td>$5,500</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Part-time</td>
<td>$10,000</td>
<td>$12,000</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>$4,000</td>
<td>$4,500</td>
<td>$3,000</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>$1,000</td>
<td>$1,500</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$75,000</td>
<td>$80,700</td>
<td>$70,000</td>
<td></td>
</tr>
</tbody>
</table>

Review
What kind of budget is this? Activity

<table>
<thead>
<tr>
<th>Finance Department</th>
<th>Account</th>
<th>Accounting</th>
<th>Treasury</th>
<th>Budget</th>
</tr>
</thead>
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<td>$57,200</td>
<td>$62,000</td>
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<td>$1,000</td>
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<td>$2,000</td>
<td></td>
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<td>Total</td>
<td>$75,000</td>
<td>$80,700</td>
<td>$70,000</td>
<td></td>
</tr>
</tbody>
</table>
Review
What kind of budget organizes proposed expenditures according to broader overall functions?
A. Program
B. Activity
C. Line item
D. Basic

Administering the Budget
Budget Administration

Responsibility—Chief Executive (Manager, Mayor)

Five Major Components

- Authorization
- Appropriation
- Allocation
- Allotments
- Adjustments

Budget Administration Components

- Authorization
  - Law that permits spending money (ordinance or resolution)

- Appropriation
  - Legal authority to spend up to a certain amount

- Allocations
  - Provide further detail to the amounts approved by governing body

- Allotments
  - Divide appropriation into periods of time

- Adjustments
  - Necessary when spending varies from initial budget
Expenditure Controls

Purchase orders—method of authorizing expenditures and controlling spending
  May encumber contracts and budgeted expenditures
Unallocated reserves—may hold a portion of the budget in a contingency line for unexpected expenditures or in case of revenue shortfall
Line-item appropriations—travel, supplies, etc.

Expenditure Controls

Position control—ensures positions are limited to those funded in the budget process
Ceilings or freezes—used in financial crisis to freeze spending on some or all items or cap expenditures for some or all purposes

Communicating the Budget
Budget Increases

Use an example that the public can relate to:

The millage rate increase of $.46 per $1,000 would result in a property tax increase for a homeowner with a $140,000 house and $10,000 homestead exemption of $21.16, about the cost of a hardback book.

Financial Reporting and Audits

Accounting

O.C.G.A. §36-81-3
Requires use of a uniform chart of accounts
Preparation of External Financial Statements

Required to be prepared in accordance with statements of the Governmental Accounting Standards Board as follows:

- Management’s Discussion and Analysis
- Government-wide financial statements
- Fund-level financial statements
- Note disclosures
- Budgetary comparison schedules on the General Fund and each fund that has a legally adopted budget

Audit Opinion

An opinion on the fair presentation in all material respects of financial statements

- Unmodified opinion
- Modified opinion
- Qualified opinion
- Adverse opinion
- Disclaimer of opinion

Report Requirements

Auditor compliance with GAGAS (Generally Accepted Government Auditing Standards)

- Reporting on internal control and compliance with provisions of laws, regulations, contracts, and grant agreements
- Deficiencies in internal control, fraud, noncompliance with provisions of laws, regulations, contracts, grant agreements, and abuse
Report Requirements

- Views of responsible officials
- Confidential or sensitive information
- Distribution requirements

Georgia Law Requirements

O.C.G.A. §36-81-7

Each unit of local government with a population over 1,500 or expenditures of $300,000 must have an annual audit.

Units of local government with a population of 1,500 or less or expenditures less than $300,000 are required to complete an audit every two years for both fiscal years.

Georgia Law Requirements

Audit is due 180 days after the year-end of your local government to the State of Georgia Local Government Division Department of Audits and Accounts.

Corrective action plan is due 30 days after your audit is due to the state Department of Audits.
Auditor Selection

Independent
Qualified to perform government audits
CPE—required to complete every two years 24 hours of CPE pertaining to government audits or government environment as part of an 80-hour total requirement
RFP sample—Georgia Department of Audits

http://www.audits.ga.gov/NALGAD/Files/RFP_Revision_2015.doc

Other Types of Audits

Performance Audits
Measure efficiency of performance of various activities

Program Audits
Evaluate the overall effectiveness of programs

Both Performance and Program Audits help governments make better decisions about whether services and programs are worth the investment of revenues.

DCA—Reporting

Georgia law requires completion of Report of Local Government Finances.
Report form references uniform chart of account numbers to facilitate consistency in information reported.