



# CGFO Budget

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# CGFO Stats – 2010 to Current

- 61 have tested
- 11 have failed
- Average score 79

# What is being Tested?

Knowledge of the material in study guides

Yes

Working knowledge

No

# How do you test?

Sarah, sweating, stress level a 100, and crying!!!!



Mike, cool, calm and collected.

# Budget & Capital Planning

- Concepts in Public Finance
  - Public Goods
    - National defense
    - Police & Fire
    - \_\_\_\_\_
    - \_\_\_\_\_

# Budget & Capital Planning

- Concepts in Public Finance
  - Private Goods
    - Food
    - Clothing
    - Public transit
    - \_\_\_\_\_
    - \_\_\_\_\_

# Budget & Capital Planning

- Concepts in Public Finance
  - Toll Goods
    - Toll road & bridges
    - Tennis Courts
    - \_\_\_\_\_

# GAAP

- Principle #1. Requires that accounts be maintained on a GAAP basis and demonstrate compliance with finance-related legal requirements.
- Principle #2. Specifies that funds must be the basis for maintaining accounting records.
- Principle #3. Identifies and defines the eleven basic types of funds used in governmental accounting.
- Principle #4. Governments should maintain a minimum number of funds and only those required by law.
- Principle #5. A distinction should be maintained in the accounting records among the capital assets of proprietary funds, fiduciary funds, and those of governmental funds.
- Principle #6. The historical cost of capital assets (land, buildings, equipment, infrastructure) and long-term debt should be maintained in the accounting records.
- Principle #7. Depreciation of capital assets should be recorded in the accounting records.
- Principle #8. The accounting records should maintain a clear distinction between long-term liabilities attributable to a specific fund and those to the general government.
- Principle #9. The accrual basis of accounting should be used for the government-wide financial statements. The fund-specific financial statements should use the modified accrual basis for governmental funds and the accrual basis for proprietary and fiduciary funds.
- Principle #10. An annual budget should be adopted, budgetary control is provided by the accounting system, and an annual comparison of budget with actual results of operations should be made.
- Principle #11. Interfund transfers must be recognized and reported depending on whether the transfer involves reciprocity or not.
- Principle #12. A common terminology and classification system should be used throughout all financial records.
- Principle #13. Interim financial reports should be prepared and the format of the comprehensive annual financial report (CAFR) should follow a specified format.



# Purposes of Government

- 3 major benefits:
  - Economic stabilization
  - The socially preferred distribution of wealth and income
  - The desired allocation of resources to various activities.

# Revenue Issues

- Equity
  - Horizontal equity is when tax payers in similar economic conditions are taxed equally.
  - Vertical equity is when those with a greater ability to pay for a service bears a greater portion of the burden.

# Administering a tax

1. Determine the tax base
2. Set the tax rate
3. Administer the tax rate
4. Process payments
5. Audit for compliance

# Budget Process

1. The budget call
2. Agency budget requests
3. Preparation of the proposed budget
4. Legislative consideration and adoption
5. Implementation
6. Audit and evaluation

# Elements of Budget and Fiscal Policies

- Operating Budget Policies
- Revenue Policies
- Budget Implementation Policies
- Debt Policies

# GFOAT BUDGET GUIDELINES

- Policy Statement
- Financial Plan
- Operations guide
- Communications device

# Costing Government Services

- Direct and Indirect Costs
- Fixed and Variable Costs
- Sunk Costs
- Marginal Costs
- Life-cycle costing

# Types of Budgeting

- Executive Budget
- Performance Budget
- Program Budget
- Program-Planning Budgeting System (PPBS)
- Zero-Based Budget
- Hybrid Budget & Outcome Budget



# Budgeting for Capital Expenditures

- Define Capital Expenditure
  - Building Improvements
  - New Streets or rebuilding of streets
- Distinguishing Capital Acquisition and Capital Consumption

# Capital Budget Process

- Determine expenses
- Determine revenue source
- Financing for Capital Expenditures if necessary



# Accounting and Financial Reporting

# Role of Budgets

- Legislatively Sanction Plans
- In Government, more important than Financial Reporting

# GAAP

**This is in both sections --- MUST be important**

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# Fund Accounting

- Fund - formally defined as a fiscal entity with a set of self-balancing accounts
- Each fund contains the same basic types of accounts, but receives revenue from different sources.
- From few to many, less is better

# Type of Funds

- **Governmental Funds:**
- **Proprietary (Business-type) Funds**
- **Fiduciary Funds**

# Governmental Funds

- 1. General Fund
  - General Fund
- 2. Special Revenue
  - Hotel/Motel Tax Fund
- 3. Debt Service Funds
  - 2002 Series Debt Service Fund
- 4. Capital Projects Funds
  - Eagle Street Improvement Fund
- 5. Permanent Funds
  - Cemetery Perpetual Care Fund



# Proprietary (Business-type) Funds

- 6. Enterprise Funds
  - W/WW Fund
- 7. Internal Service Funds
  - Vehicle Pool Fund

# Fiduciary Funds

- 8. Investment Trust Funds
  - Investment Fund
- 9. Private-purpose Trust Funds Employees' Tuition Savings Fund
- 10. Pension Trust Funds
  - Municipal Employees Retirement Fund
- 11. Agency Funds
  - Local Sales Tax Fund

# GASB

- 34 as far as material goes

# Accounting Equation

- **Assets=Liabilities + Fund Balance**

# Components of Fund Balance

- For the Test Only
  - Undesignated, Unreserved
  - Designated, Unreserved
  - Reserved Fund Balance

# Recording and Reconciling Budget Transactions

- Taxes

Taxes Receivable 500,000

Revenue 500,000

# Budget Equation

- $\text{Assets} = \text{Liability} + \text{Fund Balance} - \text{Revenues} + \text{Exp/Enc} - \text{Appropriations}$

# Measurement Focus

- Flow of Financial Resources
- Flow of Economic Resources



# Reporting Format

- Understand difference between Accounting and Budgeting Reporting



# Public Finance

# Revenue

- **Basic Concepts**
  - Two Major Types of Revenue
  - Tax Instruments
    - Property Tax
    - Local Option Sales Tax (LOST)
  - Non-Tax
    - Fees, Charges, Fines, Forfeitures

# Property Tax

- Terms
  - Levy
  - Ad Valorem
  - Tax Avoidance
  - Tax Evasion
  - Tax Expenditures

# Equity

- Two competing principles
  - Benefits Received Principle
  - Ability to Pay Principle

# Equity

- Two Types of Equity
  - Horizontal Equity
  - Vertical Equity

**This is in both sections --- MUST be important**

# Types of Tax Structure

- Two Types of Tax Structure
  - Progressive
  - Regressive

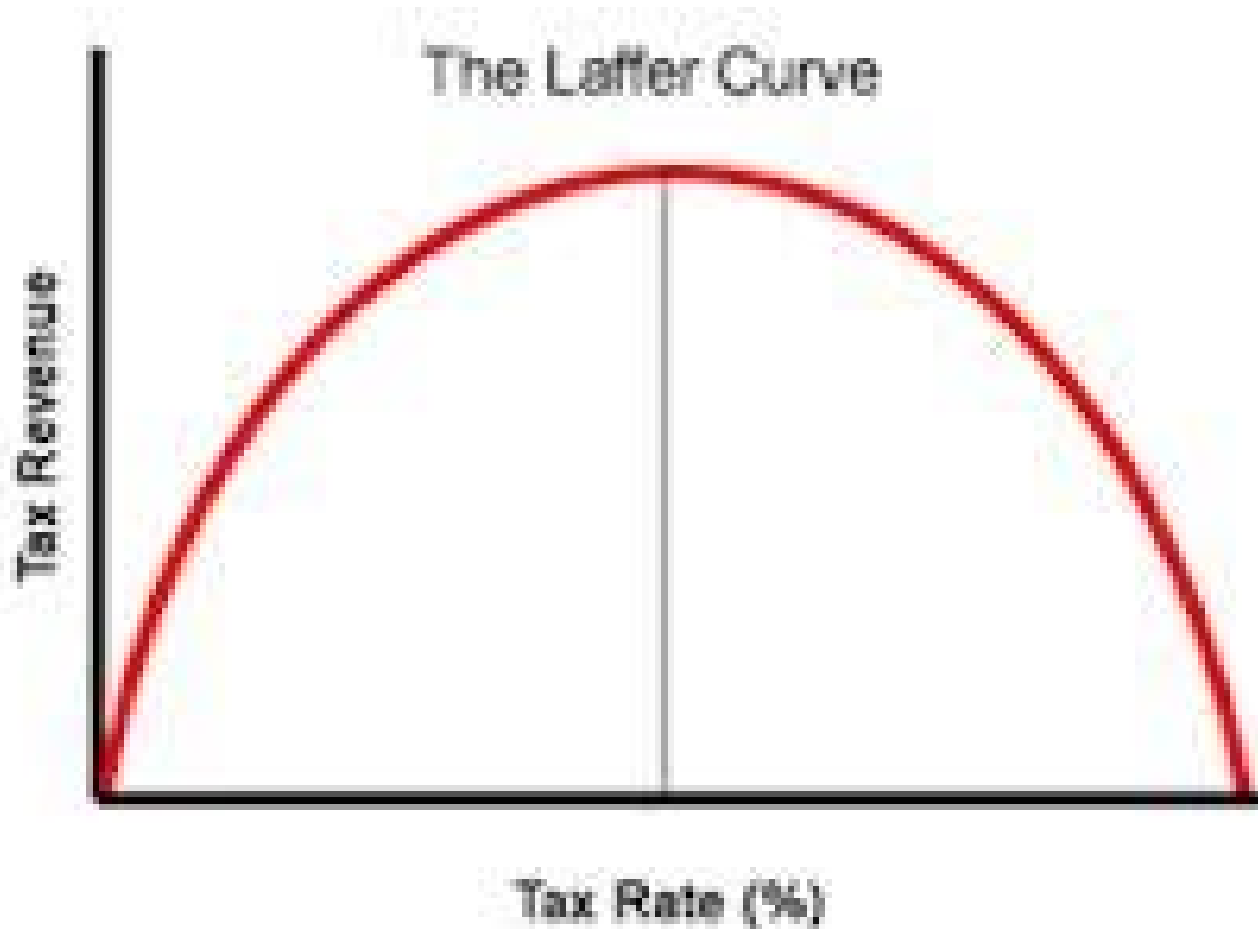
# Steps to Administrating Tax

- Administrative Feasibility
  - Determine the Tax Base
  - Set the Tax Rate
  - Administrate the Tax
  - Process Payments
  - Audit of Compliance

**This is in both sections --- MUST be important**



# Tax Incidence



# Revenue Sources

- **Property Tax**
  - Assessment
  - Tax Rates, Billings and Payments
  - Property Tax Relief

# Revenue Sources

- Non-Property Tax
  - General Sales and Use Tax
    - Benefits
    - Disadvantages
  - Excise Tax
  - Income

# Revenue Sources

- Non-Tax
  - User Fees and Charges
  - Licenses and Permits
  - Development Impact Fees
- Grants
  - Categorical
  - Block

# Revenue Estimation

- **Methods**
  - Informed Judgment
  - Trend Analysis
  - Econometric
  - Simultaneous Equations
- **Assessing Tax Expenditures**

# Revenue System Administration

- Minimize Cost of Collection
- Maximize the Percentage Collected
- Protect the Resources from Theft