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| <br><b>FLORIDA ATLANTIC UNIVERSITY</b>                                                                                                                                                                                                                                                                | <b>COURSE CHANGE REQUEST</b><br><b>Graduate Programs</b>                                                               |                                                                                                                                                                                                                    | UGPC Approval _____<br>UFS Approval _____<br>SCNS Submittal _____<br>Confirmed _____<br>Banner _____<br>Catalog _____ |
|                                                                                                                                                                                                                                                                                                                                                                                        | <b>Department</b> School of Public Administration<br><br><b>College</b> Dorothy F. Schmidt College of Arts and Letters |                                                                                                                                                                                                                    |                                                                                                                       |
| <b>Current Course Prefix and Number</b> PAD 6227                                                                                                                                                                                                                                                                                                                                       |                                                                                                                        | <b>Current Course Title</b> Seminar in Public Budgeting Techniques                                                                                                                                                 |                                                                                                                       |
| Syllabus must be attached for <b>ANY</b> changes to current course details. See <a href="#">Guidelines</a> . Please consult and list departments that may be affected by the changes; attach documentation.                                                                                                                                                                            |                                                                                                                        |                                                                                                                                                                                                                    |                                                                                                                       |
| <b>Change title to:</b><br>Public Budgeting and Finance<br><br><b>Change prefix</b><br>From: _____ To: _____<br><b>Change course number</b><br>From: _____ To: _____<br><b>Change credits*</b><br>From: _____ To: _____<br><b>Change grading</b><br>From: _____ To: _____<br><b>Academic Service Learning (ASL) **</b><br>Add <input type="checkbox"/> Remove <input type="checkbox"/> |                                                                                                                        | <b>Change description to:</b><br>[Please see attached Catalog language]<br><br><b>Change prerequisites/minimum grades to:</b><br><br><b>Change corequisites to:</b><br><br><b>Change registration controls to:</b> |                                                                                                                       |
| * Review <a href="#">Provost Memorandum</a><br>** Academic Service Learning statement must be indicated in syllabus and approval attached to this form.                                                                                                                                                                                                                                |                                                                                                                        | Please list existing and new pre/corequisites, specify AND or OR and include minimum passing grade.                                                                                                                |                                                                                                                       |
| <b>Effective Term/Year for Changes:</b> Spring 2022                                                                                                                                                                                                                                                                                                                                    |                                                                                                                        | <b>Terminate course? Effective Term/Year for Termination:</b>                                                                                                                                                      |                                                                                                                       |
| <b>Faculty Contact/Email/Phone</b> Robin Larson rlarsen2@fau.edu 561-297-4569                                                                                                                                                                                                                                                                                                          |                                                                                                                        |                                                                                                                                                                                                                    |                                                                                                                       |
| <b>Approved by</b><br>Department Chair <u>A. Sapat</u><br>College Curriculum Chair <u>[Signature]</u><br>College Dean <u>Eric Berlatsky</u><br>UGPC Chair _____<br>UGC Chair _____<br>Graduate College Dean _____<br>UFS President _____<br>Provost _____                                                                                                                              |                                                                                                                        | <b>Date</b><br>9/16/2021<br>9/27/21<br>09/27/2021<br>_____<br>_____<br>_____<br>_____<br>_____                                                                                                                     |                                                                                                                       |

Email this form and syllabus to [UGPC@fau.edu](mailto:UGPC@fau.edu) 10 days before the UGPC meeting.

PAD 6227

**New Title:** Public Budgeting and Finance

**New Catalog Description:** Examines the theory and practice of public budgeting and finance as it relates to the administrative processes of control, management and planning. Special emphasis will be placed on policy development and decision-making relating to fiscal decisions that helps shape the policy direction of public organizations. MPA core course.

## **PAD 6227 Public Budgeting and Finance**

Spring 202X (CRN \*\*\*\*)

MPA Core Course

3 Credits

Professor: TBD

Email: TBD

Office Location: SO 202

In-Person Office Hours: Wednesday's 3:00 pm – 5:30 pm

Virtual Office Hours: By appointment

### **COVID-19 Statement**

Due to the surge in COVID-19 cases and the delta variant, all students regardless of vaccination status are expected to wear masks while indoors in any FAU facilities, including classrooms and laboratories. Students experiencing flu-like symptoms (fever, cough, shortness of breath), or students who have come in contact with confirmed positive cases of COVID-19, should immediately contact FAU Student Health Services (561-297-3512). Symptomatic students will be asked to leave the classroom to support the safety and protection of the university community. For additional information visit <https://www.fau.edu/coronavirus/>. In classes with face-to-face components, quarantined or isolated students should notify me immediately as you will not be able to attend class. I will not be able to offer an online version of the class but will make reasonable efforts to assist students in making up the work. Vaccinated students have much lower chances of needing to quarantine and a much lower chance of missing class time.

### **Course Description**

(Catalog): Examines the theory and practice of public budgeting and finance as it relates to the administrative processes of control, management and planning. Special emphasis will be placed on policy development and decision-making relating to fiscal decisions that helps shape the policy direction of public organizations. MPA core course.

(Expanded): As a core course in the MPA curriculum, PAD 6227- Public Budgeting and Finance provides students with a theoretical and practical understanding of public budgeting and financial management in the United States. Topics covered in this course include budgetary approaches, revenue policy and administration, taxation, short-term asset management, capital project financing, debt management and public procurement. Basics of government accounting and financial condition analysis are also introduced.

Students will gain familiarity with current academic research in public budgeting and finance, along with practical knowledge of budgeting techniques and analytical approaches, by emphasizing best practices and smart approaches. Upon completion of this course, students will be expected to identify critical fiscal issues confronting society; appreciate the political nature of resource allocation decisions; conduct financial analysis that leads to better decisions; develop budgets that establish strategic priorities; differentiate between the management and control function of budgeting; and communicate findings and recommendations of financial analysis in a professional manner.

After completing this course, students will be able to:

- Understand the process, structures, and underlying logic of financial administration in the public sector;
- Develop knowledge of basic principles in public finance, accounting, and economics that relate to public finance;
- Identify the phases of the budget process and associated dynamics of the political process;
- Recognize different budget formats and identify budget reforms in the United States;
- Develop an understanding of government revenues and expenditures and the various systems used by governments in determining how to collect and allocate resources;
- Read government financial statements and analyze the financial conditions of governments; and
- Understand the importance of financial management systems, revenue forecasting, efficient delivery systems and effective audit procedures.

## **Contact Information**

Instructor Accessibility: Please do not hesitate to email me with any questions you may have during the semester. All email will be responded to as promptly as possible, usually within twenty-four hours from Monday-Friday. Weekend response times may be longer. Please use my \*\*\*\* email address unless otherwise instructed. This helps me better organize email questions, and therefore I can respond to your questions as quickly as possible.

Please note that unless your question is personal in nature, all questions should be posted to the specific Discussion Board item on Canvas under the heading of Student Questions. Please make sure to read this link before posting your question, because the answer to your question may already be posted.

## **Office Hours**

I will have both in-person and virtual office hours as posted on the cover page of this syllabus. For virtual office hours, I typically use WebEx or Skype. WebEx is available in your Canvas page. Skype is a public access program that can be downloaded for free ([www.skype.com](http://www.skype.com)). Also, I am available via other electronic means (Google Talk, VonPhone, etc.), or I can step up a chat

session in Canvas. In order to make sure that we can communicate throughout the semester, please let me know ahead of time that you will need to talk with me so we can decide.

## Time Commitment Per Credit Hour

This course has three (3) credit hours. For traditionally delivered courses, not less than one (1) hour of classroom or direct faculty instruction each week in the Fall or Spring semester, and a minimum of two (2) hours of out-of-class student work for each credit hour. Equivalent time and effort is required for Summer Semesters, which usually have a shortened timeframe. Fully On-line courses, hybrid, shortened, intensive format courses, and other non-traditional modes of delivery will demonstrate equivalent time and effort.

## Text Books

- Mikesell, J. (2016). *Fiscal administration*. Cengage Learning. 10th edition
- John Bartle, W. Bartley Hildreth, and Justin Marlowe (2012). *Management Policies in Local Government Finance*, 6th Edition, ICMA

## Student Assessment

All student work submitted for this subject must be original work prepared and submitted for this course only. Work or parts of work submitted for other courses or subjects are not acceptable for assessment in this course unless prior permission is granted.

**Late or Make-up work.** I will not accept any work late, but will always accept work prior to the date it is due. Each semester I will be asked by students if they can turn their work in late – or that they missed an assignment and can they make it up. Listen, the answer is always going to be the same – **NO**. I have listed all assignments on Canvas, and each is currently open and will be closed on the final date and time they are due as identified on the course schedule. Therefore, you could actually complete all the assignments today and don't worry about being late.

**Assessment:** Student performance will be assessed based on the following criteria:

|                                  |                 |     |
|----------------------------------|-----------------|-----|
| Homework Assignments             | (3 Assignments) | 15% |
| The Daycare Budget               | 5%              |     |
| Reading a Budget                 | 5%              |     |
| Costing Government Services      | 5%              |     |
| Financial Condition Analysis     |                 | 30% |
| (1) Financial condition analysis | 20%             |     |
| (2) Presentation                 | 10%             |     |
| Quizzes                          | (15 Quizzes)    | 30% |
| Attendance and Participation     |                 | 10% |

The following grading scale will be used to evaluate students:

|                      |        |         |         |         |         |         |         |         |         |         |         |     |
|----------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----|
| <b>Grade Average</b> | 100-93 | 92.9-90 | 89.9-87 | 86.9-83 | 82.9-80 | 79.9-77 | 76.9-73 | 72.9-70 | 69.9-67 | 66.9-63 | 62.9-60 | <60 |
| <b>Letter Grade</b>  | A      | A-      | B+      | B       | B-      | C+      | C       | C-      | D+      | D       | D-      | F   |

## Homework

### *The Daycare Budget*

This exercise aims to reinforce key concepts in public budgeting through practical application and to develop student skills using computer spreadsheets for budget preparation and analysis.

You only need to work on part one of this exercise. In the role of budget analysts for the city, you need to complete several specific steps in preparing a spreadsheet analysis of the proposed day care center budget that will enable the Mayor to evaluate it.

Case descriptions and instructions will be provided later.

Grading for the Daycare Budget is based on the following:

| Category  | 0 points                       | 1 point                                                                    | 3 points                                                                       | 5 points                                                   |
|-----------|--------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------|
| Claims    | None made                      | Claims are made, but not directly relevant                                 | Claims are clear and relevant                                                  | Claims are correct and support the response                |
| Evidence  | None given                     | Evidence is given, but does not support the claim                          | Evidence is given and relevant to the claim                                    | Evidence directly supports the claim                       |
| Clarity   | Response is off- topic         | Response is on- point, but unclear and not well organized                  | Response is clear, but occasionally misses key details or lacks organization   | Response is well organized and well- thought- out          |
| Mechanics | Response is not understandable | Response contains errors in spelling or grammar that do hamper readability | Response contains errors in spelling or grammar that do not hamper readability | Response is relatively free of spelling and grammar errors |

### *Reading a Budget Homework*

This assignment involves learning to read and use the information in public budgets. As part of this assignment you will be looking at budgets for an agency in a state or local government, or an agency of the federal government. You need to pull off the internet all the budgeting information on that agency, as well as summary tables about the overall government budget (some can be rather long, so you may want to just save it without printing it). For the U.S. Budget, find a division or agency within one of the cabinet departments (e.g., Bureau of Land Management in the Dept. of the Interior), and find summary tables for the full department. I would suggest sticking to a local city budget.

For the budget that you have selected, this assignment involves reading the budget documents and pulling out specific information.

Choose one agency or department within the budget and answer as best you can the following;

- What is the mission(s) of this agency?
- What are the major programs carried out by this agency?
- What is the percent increase in total requested expenditures over last year?
- What object of expenditure category is the most important; which is growing the fastest?
- Is this organization growing faster or slower than the budget for the whole government?
- If you are new budget analyst reviewing this agency for the first time, what information does this budget give you on the productivity and performance of this agency? What information would you like to see?

Summarize your answers in a two-page memo! Please include web addresses for the information that you present and specific page numbers, and include attachments as you feel appropriate.

### *Costing Government Services Homework*

The purpose of this exercise is to provide hands-on learning in how to conduct a cost analysis for contracting out government services.

Read the Costing Government Services Part Two – Masstown Exercise very carefully (Posted on Canvas). Based on the calculations you are to complete, should Masstown contract out the service? What are the total savings/costs associated if it were to contract the service? Please complete the form on Page 39 and write the Board a one-page memo explaining your recommendation.

## **Financial Condition Analysis**

Please refer to Appendix A for a complete discussion of this project. Basically, this project will require you to conduct an analysis of the financial condition of a local government or a nonprofit organization following the procedure discussed in the class.

The instructions for completing the project is attached to this syllabus (Attachment A).

## **Quizzes**

There are weekly quizzes required in this course. For each quiz, students must complete them on Canvas by the beginning of class time of that week. The quizzes are based on the assigned readings for that specific Module. Each quiz will be 5 questions, and will use multiple-choice, true/false, and fill-in-the-blank questions.

## **Participation**

Students are required to participate in all on-line class discussions, bring relevant personal experiences to the attention of the class, and be able to discuss in an intelligent manner the assigned reading material. Failure to participate in the various activities in this course will result in a student receiving a F in this class.

## **Attendance Policy**

Students are expected to attend all of their scheduled University classes and to satisfy all academic objectives as outlined by the instructor. The effect of absences upon grades is determined by the instructor, and the University reserves the right to deal at any time with individual cases of non-attendance.

Students are responsible for arranging to make up work missed because of legitimate class absence, such as illness, family emergencies, military obligation, court-imposed legal obligations or participation in University-approved activities. Examples of University-approved reasons for absences include participating on an athletic or scholastic team, musical and theatrical performances and debate activities. It is the student's responsibility to give the instructor notice prior to any anticipated absences and within a reasonable amount of time after an unanticipated absence, ordinarily by the next scheduled class meeting. Instructors must allow each student who is absent for a University-approved reason the opportunity to make up work missed without any reduction in the student's final course grade as a direct result of such absence.

## **Counseling and Psychological Services (CAPS) Center**

Life as a university student can be challenging physically, mentally and emotionally. Students who find stress negatively affecting their ability to achieve academic or personal goals may wish to consider utilizing FAU's Counseling and Psychological Services (CAPS) Center. CAPS provides FAU students a range of services – individual counseling, support meetings, and psychiatric services, to name a few – offered to help improve and maintain emotional well-being. For more information, go to <http://www.fau.edu/counseling/>

## **Disability Statement**



In compliance with the Americans with Disabilities Act Amendments Act (ADAAA), students who require reasonable accommodations due to a disability to properly execute coursework must register with Student Accessibility Services (SAS) and follow all SAS procedures. SAS has offices across three of FAU's campuses – Boca Raton, Davie and Jupiter – however disability services are available for students on all campuses. For more information, please visit the SAS website at [www.fau.edu/sas/](http://www.fau.edu/sas/).

## Code of Academic Integrity Policy

Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty is considered a serious breach of these ethical standards, because it interferes with the University mission to provide a high quality education in which no student enjoys an unfair advantage over any other. Academic dishonesty is also destructive of the University community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see the Code of Academic Integrity in the University Regulations at [http://www.fau.edu/regulations/chapter4/4.001\\_Code\\_of\\_Academic\\_Integrity.pdf](http://www.fau.edu/regulations/chapter4/4.001_Code_of_Academic_Integrity.pdf).

## Useful Web Sites

Some useful websites for your references:

- Selected Statistics for United States: all levels of government, selected agencies <http://www.fedstats.gov/>
- Association for Budgeting and Financial Management <http://www.abfm.org/>
- National Association of State Budget Officers [www.nasbo.org](http://www.nasbo.org)
- American Association for Budget and Program Analysis [www.aabpa.org](http://www.aabpa.org)
- Citizen's Budget Commission <http://www.cbcny.org/>
- Government Finance Officer's Association <http://www.gfoa.org/>
- Government Accountability Office <http://www.gao.gov/>

## Course Schedule

(Subject to change. Readings, in-class case studies and discussions may be added.)

|        |                                                                                                                             |
|--------|-----------------------------------------------------------------------------------------------------------------------------|
| Week 1 | <b>Introduction: Environment of Public Financial Administration</b><br><br>READ:<br>Mikesell. Ch. 1<br>ICMA, Chapters 1 – 3 |
|--------|-----------------------------------------------------------------------------------------------------------------------------|

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|        | Quiz #1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Week 2 | <p><b>Budgeting Process and logic</b></p> <p>READ:<br/>Mikesell. Ch. 2-4<br/>ICMA, selected chapters</p> <p>Quiz #2</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Week 3 | <p><b>Budget Format &amp; Performance Measure</b></p> <p>READ:<br/>Mikesell Ch. 6<br/>Musell, 2009, excerpt<br/>How to Measure Performance--A Handbook of Techniques and Tools<br/><a href="http://www.orau.gov/pbm/documents/handbook1.html">http://www.orau.gov/pbm/documents/handbook1.html</a><br/>Section 1.0, 1.1, 1.2, 1.3 and 1.4</p> <p>Quiz #3</p>                                                                                                                                                                                                                                                                |
| Week 4 | <p><b>Expenditures and Cost Analysis</b></p> <p>READ:<br/>Mikesell, Ch. 5<br/>Finkler, Ch. 4<br/>Marvin Friedman. 1996. Calculating Compensation Cost. Chapter 26 in <i>Budgeting: Formulation and Execution</i>, edited by Jack Rabin, W. Bartley Hildreth, and Gerald Miller. Athens, GA: Carl Vinson Institute of Government.<br/>Ammons, David. Identifying the Full Costs of a Program. Chapter 46 in <i>Budgeting: Formulation and Execution</i>, edited by Jack Rabin, W. Bartley Hildreth, and Gerald Miller. Athens, GA: Carl Vinson Institute of Government<br/>Chen et al: Spreadsheet Basics</p> <p>Quiz #4</p> |
| Week 5 | <p><b>Cash and Investments</b></p> <p>READ:<br/><i>ICMA, Chapter 13</i></p> <p>VIEW:<br/>Cash Mgt: <a href="https://youtube.com/watch?v=HBYwpqn1FMk">https://youtube.com/watch?v=HBYwpqn1FMk</a><br/>Treasury Mgt: <a href="https://youtube.com/watch?v=AOIm117KVx0">https://youtube.com/watch?v=AOIm117KVx0</a></p>                                                                                                                                                                                                                                                                                                        |

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|         | <a href="https://youtube.com/watch?v=-qwnrMpwatA">https://youtube.com/watch?v=-qwnrMpwatA</a><br>Investment Mgt: <a href="https://youtube.com/watch?v=OBP52lxU5vY">https://youtube.com/watch?v=OBP52lxU5vY</a><br><b>Case: Daycare comes to Northville</b><br>Quiz #5                                                                                                                                                                                                                                                                                                                                                         |
| Week 6  | <b>Tax Policy Principles</b><br>READ:<br>Mikesell, Ch. 8<br><br>VIEW:<br><br>Equity v. Equality: <a href="https://youtube.com/watch?v=wB8d1Tene2E">https://youtube.com/watch?v=wB8d1Tene2E</a><br>Progressivity: <a href="https://youtube.com/watch?v=sWUfQvhbByA">https://youtube.com/watch?v=sWUfQvhbByA</a><br>Who pays the tax? <a href="https://youtube.com/watch?v=1H5uU_6Ax_4">https://youtube.com/watch?v=1H5uU_6Ax_4</a><br><br>Quiz #6                                                                                                                                                                              |
| Week 7  | <b>Wealth-based Revenue Sources: Income Tax</b><br><br>READ:<br>Mikesell, Ch. 9<br><br><b>Due: Budget Reading Project</b><br>Quiz #7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Week 8  | <b>Wealth-based Revenue Sources: Property Tax</b><br>READ:<br>Mikesell, Ch. 11<br>ICMA Chapter 8<br><br>Quiz #8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Week 9  | <b>Transaction-based Revenue Sources: Consumption Taxes and Non-tax revenue</b><br>READ:<br>Mikesell, Ch. 10 & 12<br>ICMA Chapter 9<br><br>VIEW:<br>Consumption Tax? <a href="https://youtube.com/watch?v=7PvyboFYgV4">https://youtube.com/watch?v=7PvyboFYgV4</a><br>Bill Gates: <a href="https://youtube.com/watch?v=ar0ri9NLArs">https://youtube.com/watch?v=ar0ri9NLArs</a><br>Value Added Tax: <a href="https://youtube.com/watch?v=7Pa0HjywfeM">https://youtube.com/watch?v=7Pa0HjywfeM</a><br>Excise Tax: <a href="https://youtube.com/watch?v=F1f4_HfP7M8">https://youtube.com/watch?v=F1f4_HfP7M8</a><br><br>Quiz #9 |
| Week 10 | <b>Financial Accounting</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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|         | <p>READ:<br/>Finkler, Ch. 10, 11</p> <p>Quiz #10</p>                                                                                                                                                                                                                                                                                                             |
| Week 11 | <p><b>Government Accounting</b></p> <p>READ:<br/>Finkler, Ch. 14</p> <p><b>Due: Daycare Comes to Northville</b></p> <p>Quiz #11</p>                                                                                                                                                                                                                              |
| Week 12 | <p><b>Financial Condition Analysis</b></p> <p>READ:<br/>Finkler, Ch. 15<br/>Ten point test of financial condition:<br/><a href="http://www.gfoa.org/services/dfl/bulletin/BUDGET-Ten-point-test.pdf">http://www.gfoa.org/services/dfl/bulletin/BUDGET-Ten-point-test.pdf</a></p> <p>Quiz #12</p>                                                                 |
| Week 13 | <p><b>Time Value of Money and Capital Budget</b></p> <p>READ:<br/>Mikesell, Ch. 7<br/>ICMA Chapter 11</p> <p>VIEW:<br/>Capital Budgeting: <a href="https://youtube.com/watch?v=EAeEIu50uTQ">https://youtube.com/watch?v=EAeEIu50uTQ</a></p> <p>Quiz #13</p>                                                                                                      |
| Week 14 | <p><b>Capital Financing &amp; Debt Management</b></p> <p>READ:<br/>Mikesell, Ch. 15<br/>ICMA, Chapter 13</p> <p>Costing Government Services Homework</p> <p>Quiz #14</p>                                                                                                                                                                                         |
| Week 15 | <p><b>Procurement</b></p> <p>READ:<br/><i>ICMA, Chapter 15</i><br/>McCue's Power Point Presentation</p> <p>VIEW:<br/>A Career of Change: <a href="https://youtube.com/watch?v=gIKZ8rmhsL8">https://youtube.com/watch?v=gIKZ8rmhsL8</a><br/>UK: <a href="https://youtube.com/watch?v=WQKOqtaYdGo">https://youtube.com/watch?v=WQKOqtaYdGo</a></p> <p>Quiz #15</p> |

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| Week 16 | <p><b>Revenue Forecasting</b></p> <p>READ:<br/>An Introduction to State and Local Public Finance, Thomas A. Garrett and John C. Leatherman, PART 2 - SELECTED APPLICATIONS IN PUBLIC FINANCE, IV. Revenue Forecasting, located on Canvas.</p> <p>VIEW:<br/><a href="https://youtube.com/watch?v=fp-1_9mLlbc">https://youtube.com/watch?v=fp-1_9mLlbc</a></p> <p><b>Financial Condition Analysis Presentation</b><br/><b>Due: Financial Condition Analysis Report</b></p> |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## **ATTACHMENT A**

### **Financial Condition Project**

**OBJECTIVE:** The objective of this project is to allow you to apply what you have learned concerning government financing and reporting through an analysis of a local government financial statement (Comprehensive Annual Financial Report – CAFR).

**OBTAIN CAFR:** Your assignment is to download a city’s most recent CAFR and analyze its financial condition given the parameters identified below.

**READ FINANCIAL CONDITION LITERATURE:** I have posted three readings on Canvas that can help you on this assignment. Please read them, since they will give you a lot of information regarding what to use, and why you are to use it. Also, you are more than encouraged to seek additional references for your project.

#### **ASSIGNMENT:**

1. Introduce and explain the composition of the reporting entity you have selected. (10 points). This is to be no more than two paragraphs, where you introduce the entity you are examining, what you are going to accomplish in this report, and a general statement about the financial condition of the entity.
2. Analyze the financial condition of the city. (80 points)
  - a. Your analysis should include a financial ratio analysis. You can use the Budget 10-Point scale article or the Financial Condition Analysis Master Thesis located on Canvas. Using the information from the CAFR calculate the ratios that you believe will be useful in conducting the analysis. Please show your ratio calculations in a table included as part of your paper.
  - b. Your analysis should consider each of the following items. That does not mean that you need to discuss every item listed below, but these are items that you may want to consider when evaluating a governmental unit. The ratios calculated in part a) should be selected to help in addressing and supporting your analysis.
    - i. Analysis of revenues and revenue sources
      1. How stable and flexible are the city’s revenue sources in the event of adverse economic conditions?
      2. Is the revenue base well diversified, or does the city rely heavily on one or two major sources?

3. Has the city been relying on intergovernmental revenues for an excessive portion of its operating expenditures?
4. What percentage of total expenses of governmental activities is covered by program revenues? by general revenues?
5. Do any extraordinary or special items reported in the statement of activities deserve attention?
6. Discuss any other observations you have about revenues that you consider important.

ii. Analysis of reserves

1. Are the levels of financial reserves (i.e., fund balances, contingency funds, and unrestricted/restricted fund balances) adequate to meet unforeseen operational requirements or catastrophic events?
2. Is insurance protection adequate to cover losses due to lawsuits or damage to property?
3. Is an adequate amount of cash and securities on hand, or could the city borrow quickly to cover short-term obligations?

iii. Analysis of expenditures and expenses

1. Do any components of expenditures and, at the government-wide level, expenses exhibit sharp growth?
2. Is adequate budgetary control being exercised over expenditures?
3. How does the growth pattern of operating expenditures and expenses over the past 10 years compare with that of revenues?

iv. Analysis of debt burden

1. What has been the 10-year trend in general obligation long-term debt relative to trends in population and revenue capacity?
2. Are significant debts of other governments (e.g., a school district, a county) supported by the same taxable property? What has been the trend for this “overlapping” debt?
3. Are there significant levels of short-term operating debt? If so, has the amount of this debt grown over time?

4. Are there significant debts (e.g., lease obligations, unfunded pension liabilities, accrued employee benefits) or contingent liabilities?
  5. Are any risky investments such as derivatives disclosed in the notes to the financial statements? Are the types of investments adequately explained, and are their risks adequately disclosed?
- c. Socioeconomic factors: What have been the trends in demographic and economic indicators, such as real estate values, building permits, retail sales, population, income per capita, percent of population below the poverty level, average age, average educational level, employment and unemployment, and business licenses? (Note: Many of these items and other potentially useful information can be obtained from the City and County Data Book published by the U.S. Bureau of the Census. See the library or get selected data from the Census Bureau's Web site [www.census.gov](http://www.census.gov).)
- d. Potential "red flags" or warning signs.
- i. Decline in revenues
  - ii. Decline in property tax collection rate
  - iii. Expenditures increasing more rapidly than revenues
  - iv. Declining balances of liquid resources and fund balances
  - v. Reliance on nonrecurring (i.e., special item) revenues to support current-period operations
  - vi. Growing debt burden
  - vii. Growth of unfunded pension and other employee-related benefits such as compensated absences and post-employment health care benefits
  - viii. Deferral of needed maintenance on capital plant
  - ix. Decrease in the value of taxable properties, retail sales levels, or disposable personal income
  - x. Decreasing revenue support from federal or state government
  - xi. Increasing unemployment
  - xii. Unusual climatic conditions or the occurrence of natural disasters
  - xiii. Ineffective management and dysfunctional political circumstances



PROJECT REPORT: You are to write a 10 – 12page report on your City’s financial condition. The Report must be double-spaced, 12-point font, one-inch margins, typed. Your assignment is not to answer each specific question identified in the readings or listed above, but to write a narrative that discusses the financial condition of the City – as you were writing it to the Mayor who has no idea about financing. Reports will be graded on content, analysis/discussion, and construction (organization, use of Standard English, grammar, syntax, etc.). (10 points for format section)