

University of North Carolina at Greensboro

Political Science 560F

PUBLIC FINANCIAL MANAGEMENT

Fall 2008

Instructor: Kenneth A. Klase
Class Meeting: Thursday, 6:30 – 9:20 p.m.
Office and Hours: Graham 235, Thursday, 5:30 – 6:30, and by appointment
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COURSE OBJECTIVE

This two credit hour course is an introductory survey of selected topics in public financial management. The primary objective of the course is to provide students with a basic background in financial management to enable them to better understand financial concepts and techniques and consequently to better use financial information in making decisions in public organizations. The course is not intended to make students into accountants or financial technicians but rather to make them good users of financial information as public managers. Students will become conversant in the financial terms, concepts, and tools needed to ask the right questions of those generating financial information and to interpret the answers as they affect organizational decision making. The course provides exposure to public financial management in the context of management control concepts; planning and budgeting processes; managerial accounting or cost accounting techniques; long-term financing or debt management; management of short-term resources or cash management; accountability and control concepts and techniques; methods, processes, and tools of governmental accounting and financial reporting; and financial statement and financial condition analysis that provide information for improved organizational decision making. The course highlights the unique aspects of doing financial management in public sector organizations. Exercises and case analysis will be used to explore the important relationships between the management control process and financial management principles, practices, and procedures in public organizations. The analysis of financial statements and financial condition with respect to government entities is an important emphasis of the course. Computer applications will be utilized in accomplishing the analysis of financial statements and financial condition analysis. Although clearly not a course in governmental accounting, the development of a basic facility with fundamental principles of governmental accounting and financial reporting concepts and with the utilization of financial reports is an important course objective.

The course will emphasize both written and verbal presentations. Students will write two abstracts, a case study analysis paper, and a written analysis of a local government's Comprehensive Annual

Financial Report (includes an in-class presentation about analysis results). In addition, class members are expected to fully participate in class discussion, group exercises and case analyses. The class will be a combination of discussion of assigned course readings and assigned discussion questions and problems, group discussion of case studies and scenarios, and presentations by students.

REQUIRED READINGS

Finkler, Steven A. Financial Management for Public, Health, and Not-for-Profit Organizations. Second Edition. Upper Saddle River, NJ: Prentice-Hall, Inc., 2005.
Gauthier, Stephen J. An Elected Official's Guide to the New Governmental Financial Reporting Model. Chicago, Il.: Government Finance Officers Association, 2000.

In addition, all other required readings (required book chapters listed under course requirements below but not in Finkler or Gauthier and required articles) will be available in electronic form.

COURSE REQUIREMENTS

There are four course requirements (as detailed below) which students will complete for this course. The weighting of each of these activities as part of the final course grade is as indicated below.

1. Article Abstract/Discussion Questions/Discussion Leadership (20% of course grade)

Students will prepare and lead the discussion on two written abstracts on assigned readings. The abstracts will be due when the specific reading is scheduled for class discussion. There will be a sheet available to sign up for articles. Those assigned this responsibility should prepare relevant discussion questions and be prepared to lead a discussion of their article and its relevance to the topic under discussion. Copies of a detailed outline and discussion questions should be provided to class members for reference during class discussion. A written abstract should be turned in at the time of the discussion leadership in class. Grading will be based on the quality of the written abstract, the outline prepared for class use, discussion questions prepared and the leadership of discussion in class on the journal article and its importance for the topic under discussion.

2. Written Case Analysis and Discussion Leadership (30% of course grade)

The written analysis and case discussion leadership are weighted equally in evaluating this requirement. Each student will prepare a written analysis of one of the assigned case studies and will direct the class discussion of that particular case. The written analysis will be a brief, typed assignment (5-10 pages) which should, in the context of discussion, treat each of the specific questions raised in the case and also address critically the specific concerns raised in the assigned reading. Guidelines for the written case analysis and case discussion leadership will be provided. Students will be assigned cases during the first class session.

3. Analysis of Comprehensive Annual Financial Report (CAFR) (total 40% of course grade – 30% written and 10% class presentation)

Students will review and analyze a CAFR from a local government. The analysis will review the content and structure of the CAFR with respect to generally accepted accounting principles (GAAP) as well as identify areas needing further research and clarification. Spreadsheet computer applications should be utilized to analyze the government-wide financial statements of the local government following the guidelines from Finkler that pertain to the financial statement analysis process. In particular, a common size analysis of the financial statements should be performed using spreadsheet applications to determine which elements are important and where significant changes have occurred. In addition, either selected financial ratios (perhaps one from each class of ratios) and/or selected indicators of financial condition (one from each major type of indicators, e.g., revenues, expenditures, fund balance, etc.) should be calculated utilizing spreadsheet applications following the guidelines for financial condition analysis contained in Chapter 13 of Finkler and the ICMA Financial Trend Monitoring System and briefly interpreted. Each student will be required to prepare a 10 page analysis paper which will be based upon the data from the spreadsheet computer applications portion of this project. Detailed instructions will be provided in a handout. Students will be responsible for presenting the results of their analysis as an in-class presentation on December 4. The performance of students on the presentation in class will be evaluated individually as a portion of their individual grade on the assignment. **Due December 4.**

4. Participation (10% of course grade)

As a graduate level course, students are expected to contribute extensively to the conduct of the entire class. Classes will generally be in a seminar format with general discussion. Students are expected to complete all reading assignments, to attend class and participate fully in class discussions, and to apply learned concepts to assigned problems and in-class cases and exercises. Failure to contribute in a positive way to the class will adversely affect your course grade. Students will be assigned Questions for Discussion/Problem sets that will count toward the Participation grade.

Questions for Discussion/Problems will be due at the beginning of the class session where assigned. Students should make a copy of problem sets for reference during class discussion.

COURSE REQUIREMENTS FOR UNDERGRADUATES

For upper level undergraduates taking this as a 500-level elective course, requirements will be modified to eliminate the financial condition analysis as a requirement and to substitute a final examination. The final would then be weighted at 40% of the course grade. Other course requirements would be the same.

SOCIAL JUSTICE AND THE LEARNING ENVIRONMENT

I am committed to and expect to maintain a positive learning environment based upon open communication, mutual respect, and non-discrimination. Any suggestions as to how to further such an environment will be appreciated and given serious consideration. If you are a person with a disability and anticipate needing any type of accommodation in order to participate in this class, please advise me and make appropriate arrangements.

POLICY ON ORIGINAL WORK

The general policy on original work is that papers, presentations and other submitted work must be original for the specific course and for each student. Because some activities related to the course involve working in groups, it is important to consider where individual work is required rather than group activity. Working together where it is clearly indicated is entirely appropriate, but if you are preparing a written product that will be submitted for evaluation, that product is expected to be the result of your work alone. Where questionable situations arise, always ask for clarification from the instructor.

COURSE OUTLINE

The following are the topics to be discussed at each class meeting. The reading assignment indicated should be completed prior to each class meeting. Participation based on attendance and active involvement in class sessions (students' involvement in weekly discussions of course readings; preparation for, discussions of, and participation in and completion of class or assigned problems and exercises) will be considered in the assignment of the course grade.

AUG 28

Introduction and Overview of Course; The Objectives and Characteristics of Public Organizations; Public Financial Management and Management Control; The Management Control Environment; Planning and Budgeting as a Part of Financial Management

Finkler – Ch. 1-3

Suggested reading: Anthony & Young, Ch. 1-2, Ch.7

Prepare “New York City Sanitation Department” (A&Y Case 7-3) for discussion on SEP 4.

Financial Analysis Techniques in Management Control Systems
Cost Analysis Techniques: Understanding Costs; Basic Cost Concepts and
Definitions; Cost Behavior; Break-Even Analysis

F – Ch. 4 (pp. 126-144)

Prepare “New York City Sanitation Department” (A&Y Case 7-3) for class discussion.

Prepare the "Town of Belmont" (A&Y Case 5-5) for class discussion for SEP 11.
Discussion Questions and Problem Set #1 --Due SEP 11.

SEP 11 **Cost Analysis Techniques Continued: Cost Allocation and Activity-Based Costing**

F – Ch. 4 (pp. 144-158)

Prepare the "Town of Belmont" (A&Y Case 5-5) for class discussion.

Discussion Questions and Problem Set #1 due.

Prepare the "Harbor City Children's Center" (A&Y Case 4-3) for class discussion on Sep. 18.

Discussion Questions and Problem Set #2 --Due Sep. 18.

Abrahams, Mark D, Reavely, Mary Noss. Activity-based costing: Illustrations from the state of Iowa. Government Finance Review 14 no2:15-20 Apr '98

SEP 18 **Long-Term Financing: Program/Investment Analysis; Debt Management**

F – Ch. 5

Prepare the "Harbor City Children's Center" (A&Y Case 4-3) for class discussion.

Prepare the “Downtown Parking Authority” (A&Y Case 9-2) for class on Sep. 25.

Discussion Questions and Problem Set #3 --Due Sep. 25.

Hackbart, Merl M.; Leigland, James State Debt Management Policy: A National Survey. Public budgeting & finance. Volume 10, Number 1. pp. 37-54. Spring 1990.

Miller, Gerald J. Debt Management Networks. Public administration review. Volume 53, pp. 50-58. January 1993.

SEP 25 **Reporting Results: Financial Accounting, Accounting Concepts, Balance Sheet, Activity and Cashflow Statements**

Finkler – Ch. 8-9.

Prepare the “Downtown Parking Authority” (A&Y Case 9-2) for class discussion.
Discussion Questions and Problem Set #3 due.

Prepare the "City of Douglas" (Anthony &Young Case 3-7) for class discussion

Allison, Gregory. "How to Read Governmental Financial Statements, Part I," Popular Government, Spring 2000, Vol. 65, No. 3. (available through UNC-CH IOG web page)

Allison, Gregory. "How to Read Governmental Financial Statements, Part II," Popular Government, Fall 2001, Vol. 67, No. 1. (available through UNC-CH IOG web page)

OCT 2 Unique Aspects of Governmental Accounting

Finkler – Ch.11, Gauthier – pp. 1-72.

Prepare the "City of Douglas" (Anthony & Young Case 3-7) for class discussion.

Bruce W. Chase and Laura B. Triggs. How to Implement GASB Statement 34: Prepare for the Largest Innovation Ever in State and Local Government Financial Reporting, Journal Of Accountancy, Nov. 2001, V.192, Issue 5, p.71(7).

Edward M Klasny and James M. Williams. Government Reporting Faces an Overhaul. Journal of Accountancy, Jan. 2000, V.189, Issue 1, p.49.

Laurence E. Johnson and David R. Bean. GASB Statement 34: The Dawn of a New Governmental Financial Reporting Model, The CPA Journal, Dec. 1999, V.188, Issue 12, p.14.

OCT 9 Financial Statement Analysis; Ratio Analysis; Financial Condition Analysis of Local Governments

F – Ch. 12 and 13; In-class Preparation for Group Financial Analysis Projects
Lewis & Walker, pp. 300-309; Berne & Schramm, pp. 66-85; 372-388; Groves,
pp. 1-7, 14-31, 35-40, 44-51, 61-85, 107-111, 120-122, 128-129, 147-156, 160,
169.

Honadle, Beth Walker; Lloyd-Jones, Mary. Analyzing Rural Local Governments Financial Condition: An Exploratory Application of Three Tools. Public Budgeting & Finance. Vol. 18, Number 2, pp.69 . 1998.

Brown, Ken W. The 10-Point Test Of Financial Condition: Toward An Easy-To-Use Assessment Tool For Smaller Cities. Government Finance Review. Volume 9, Number 6, pp. 21, December 1993

Brown, K. W. Trends in Key Ratios Using the GFOA Financial Indicators Databases 1989-1993. Government Finance Review. Volume 12, Number 6, pp. 30, 1996.

OCT 16 – OCT 23 NO CLASS -- Initial Preparation of Analysis of CAFR

Working Capital Management: Cash Management and Investment

F – Ch. 6

Discussion Questions and Problem Set #4 --Due NOV 6.

Mattson, Kyle; Hackbart, Merl; Ramsey, James R. State and Corporate Cash Management: A Comparison. Public budgeting & finance. Volume 10, Number 4, pp.18-27. Winter 1990.

Petersen, John E. Managing and Investing Public Money, Governing 6 (March 1993):43-54.

NOV 6**Accountability and Control: Variance Analysis**

F – Ch.7

Discussion Questions and Problem Set #4 due.

Discussion Questions and Problem Set #5 --Due NOV 13.

DuPont-Morales, M. A. and Harris, Jean E. Strengthening accountability: incorporating strategic planning and performance measurement into budgeting. Public Productivity & Management Review 17:231-9 Spring '94

Schrader, R. W. An Empirical Investigation into the Decision Usefulness of Service Efforts and Accomplishments Measurements. International journal of public administration. Volume 18, Number 2-3, pp. 443. February 1995.

NOV 13-20 Additional Work Sessions for Preparation of In-Class Analysis of CAFR Presentation

NOV 27 NO CLASS -- THANKSGIVING RECESS

DEC 4**In-Class Presentations on Analysis of CAFR
Analysis of CAFR due.****SOURCES FOR SYLLABUS READINGS NOT IN REQUIRED TEXTS**

Anthony, Robert N. Management Control in Nonprofit Organizations, Sixth Edition, Boston, MA: Irwin/McGraw-Hill, 1999.

Berne, Robert T. and Richard Schramm. The Financial Analysis of Governments. Englewood Cliffs, NJ: Prentice Hall, 1986.

Groves, Sanford M. and Maureen Godsey Valente. Evaluating Financial Condition. Washington, D.C.: The International City Management Association, 1994.