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**FINANCIAL MANAGEMENT**

Institute of Government for County Officials  
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## Journey...

- About me:
- County gov't – 25 years
- Clemson – Masters 2016
- Love to travel, explore
- Family
- Bamberg County
- Teach part-time for various Universities



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## Today: Financial Management: Why it Matters

- Fund Accounting
- Cash Flow
- Fund Balance
- Budget Management
- Annual Audit
- Financial Policies
- GASB
- Governmental Accounting
- Credit Ratings
- Miscellaneous

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## What is Financial Management?

- A system that obtains, allocates, measures, and expends resources to achieve goals.
- Financial management provides information for decision making.
- Integral part of management
- Affects every employee in the organization
- Plays an indispensable role in the achievement of objectives



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## From Personal Financial Planning Course:

### What is financial planning?

- Financial planning is the process of setting, planning, achieving and reviewing your life goals through the proper management of your finances.



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## Why It Matters

- Good stewardship
- Elected and hired for the job
- Sense of pride
- Solid financial footing – weather the storms
- Two most important aspect: Budget and Annual Audit
- Credit/Bond ratings
- Expectation of citizens

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## From Personal Financial Planning Course:

### The financial planning process



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## Fund Accounting



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## Usage of Fund Accounting

- The accounts of governments are organized and operated on the basis of funds.
- A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.
- Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

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## Usage of Fund Accounting

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds

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## Governmental Funds: General Government activities

- Include the following types:
  1. General Fund- primary operating fund
  2. Special Revenue Funds- legally restricted for specific purposes
  3. Debt Service Fund – accounts for the accumulation of resources for, and the payment of, long-term debt obligations
  4. Capital Projects Funds – accounts for the construction or acquisition of major capital projects

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## Examples of Governmental Funds

- All Courts, Public Safety, General Administration, Treasurer, Auditor, Assessor
- Most grants
- General obligation bonds
- Construction projects

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## Proprietary Funds

- Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is to operate at a profit.  
Ex: Sewer, Solid Waste



- Internal Service Funds – used to account for activities that produce services to be provided to other County departments on a cost-reimbursement basis. Ex: Fleet Services



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## Fiduciary Funds

- Fiduciary funds account for assets held by a County in a trustee capacity or as an agent for individuals or other governmental units. Ex: Child Support
- An Agency Fund is an example of a Fiduciary Fund.
- The Agency Fund is custodial in nature and does not require a budget. Ex: Agency Funds that Treasurer uses to collect School taxes.



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## Similarities to the Private Sector

- Operate in the same economy and compete for same resources: financial, capital, and human
- Acquire and convert scarce resources into goods and services
- Use of accounting and other information systems
- Need to operate economically, effectively, and efficiently
- Provide goods and services, many of which may be similar



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## Differences from the Private Sector

- Organizational objectives
- Sources of financial resources
- Methods of evaluating performance and operating results



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## Organizational Objectives

### Businesses

- Operating Motive: maximize income from revenues and other resources
- Operational Focus: report quarterly but look to the long-term as well



### Local Gov't.

- Operating Motive: maximize services provided from revenues and other resources
- Operational Focus: operate on annual budget, so current year is of primary importance



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## Sources of Financial Resources

- Businesses raise resources from sales or from capital stock and debt transactions



- Governments raise resources from taxes, sales or debt transactions



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## Unique Government Revenue Sources

- Involuntary contributions—taxes!
- Donations
- Appropriations and grants from other governmental entities



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## Evaluating Performance and Operating Results

- In business, continuing a product or service determined by success in marketplace
- In G&NP organizations:
  - Profit not a motive and frequently cannot be measured
  - Services not found elsewhere so there is no competition
  - Face rules and regulations not found in private sector



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## Complexity

- Multiple “sets of books”, i.e. the funds
- Then multiple departments within the funds
- Different rules for each fund
- Much different than private sector, so less familiarity with it



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## Accountant

- Someone who solves a problem you didn't know you had in a way you don't understand at a price you can't afford.



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## Cash Flow



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## What is a Revenue

- Income generated by: Taxes, Business Licenses, User Fees, Fines and Forfeitures, Reimbursements, Investments, Sale of Assets, Federal and State support

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## A Word about User Fees

- Increasingly important, especially with statutory tax limitations
- Policymakers should encourage studies to identify potential revenue sources
- Fees should cover costs, unless public purpose is achieved by subsidizing the activity
- Formal policy for fees
- Periodic reviews of fee calculations

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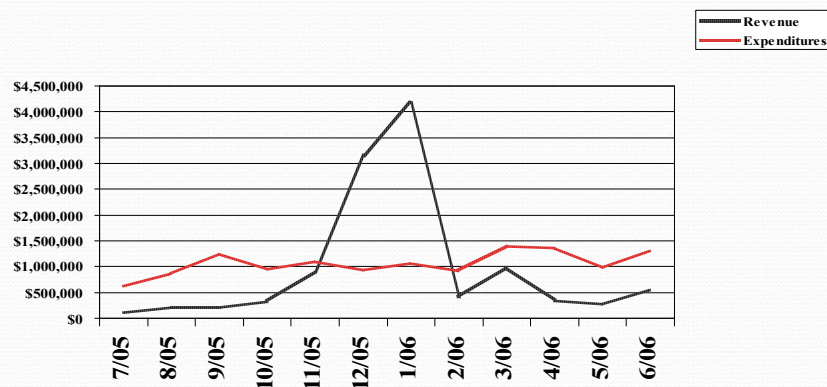
## What is an Expenditure?

- The amount of cash paid for a service rendered, goods received, or an asset purchased
- 3 Main Expenditure Categories
  - \* Personnel (Salaries, benefits)
  - \* Operating (Supplies, utilities, etc)
  - \* Capital (Equipment)

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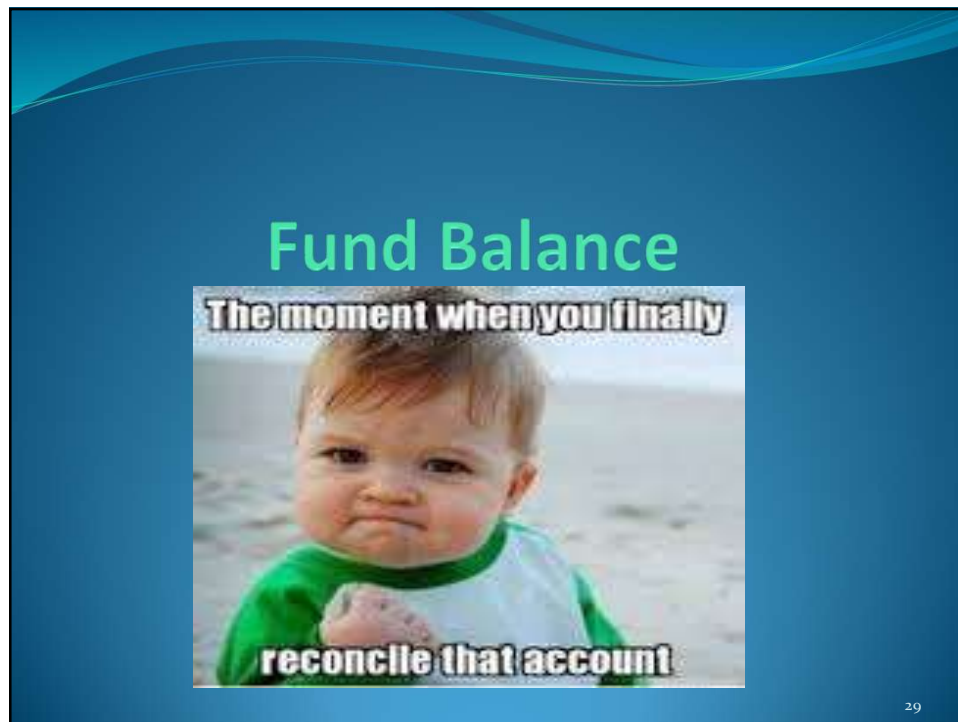
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## Typical Cash Flow of County Government



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## Cash Flow Impact on Fund Balance

- County governments must pay close attention to cash reserves
- Property tax revenues are cyclical
- Operating expenditures are relatively constant from month to month
- Each entity must examine their cash outflows versus inflows to determine what is adequate
- Cash reserves is an important factor to credit rating agencies

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## Fund Balance-Defined

- Most simply, fund balance is the difference between assets and liabilities
- The amount that would be left after the fund's assets have been used to pay the fund's liabilities
- Similar to "net worth" for an individual or owner's equity for a business entity
- Common misperception-fund balance is not all cash
- Cash reserves  $\neq$  fund balance

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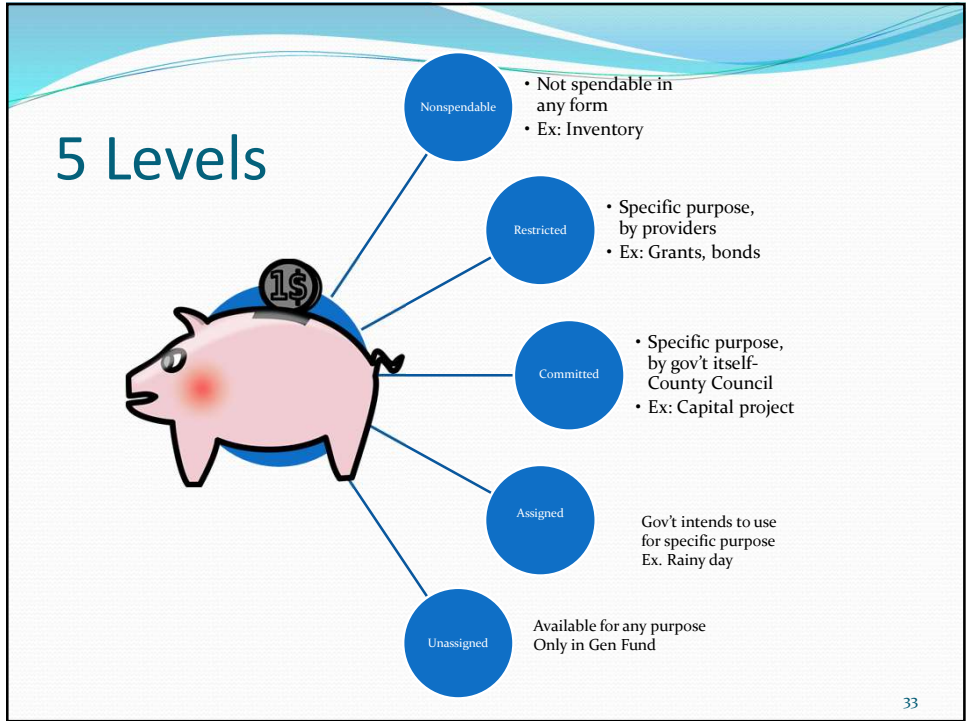
## GASB 54: 5 Levels of Fund Balance

- Issued Statement No.54: Fund Balance Reporting and Governmental Fund Type Definitions
- Why? For consistency and understandability
- Aid users in assessing the resources, assess liquidity and financial flexibility
- Effective FY11

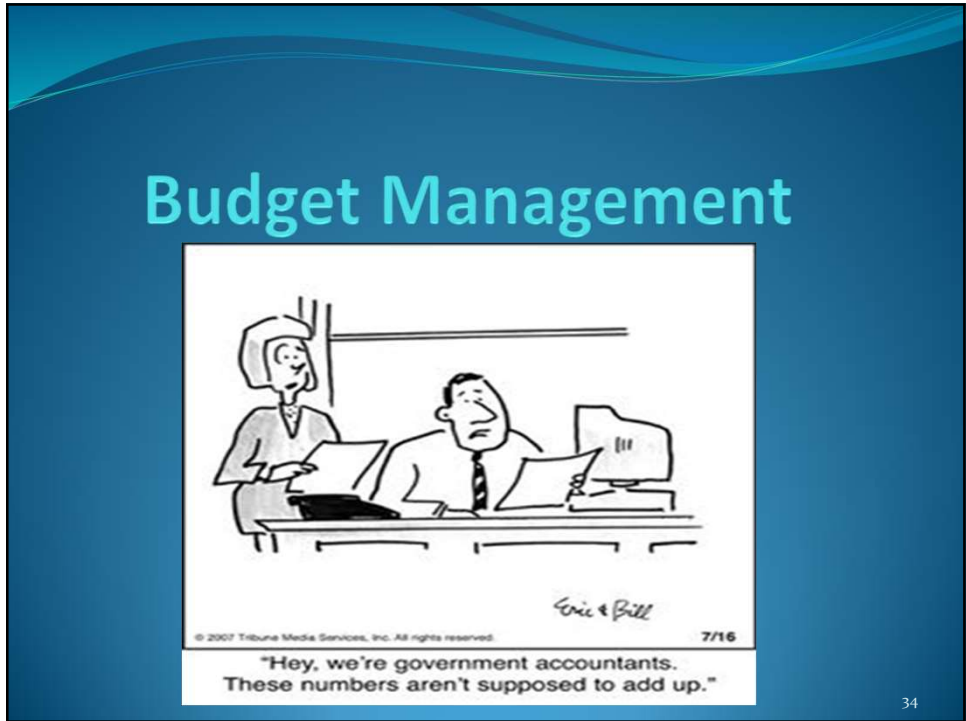
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## The Budget

- Fiscal plan
- ESTIMATE
- Perhaps the most important planning tool an elected body has
- Defines the work that is to be done
- Lays out the cost of that work, or the resources to be utilized

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## The Budget

- The purpose of a budget is to establish a plan for how resources will be deployed in such a way that realizes the vision and priorities of the citizens as expressed through their elected leaders.

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## The Budget

- The purpose of a budget is to create accountability and to measure the allocation and expenditure of resources.
- Resources: Human Capital, Cash, Time, Equipment
- A budget is a working plan and keeps staff accountable
- Accountable not only to management but ultimately to the public.

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## The Budget Process

- Most cities/counties begin preparing budget 4 to 6 months before beginning of fiscal year
- Typically department heads will prepare departmental budgets, then these are rolled up into divisional budgets.
- All departments and divisions are combined, along with all Elected Officials to form the total budget.

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## The Budget Process

- Council will often conduct a retreat, or a planning session before or during the budget process
- This sets the overall direction for the budget
- Can, and should, include specific goals and objectives to be achieved, and included in the budget
- Many goals span more than one fiscal year so it is important, especially as new Council members arrive, to review those goals annually.

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## The Budget Process

- Usually in April or May, staff will make a formal budget presentation to Council
- Council begins the process of reviewing the proposal and making changes to the plan
- The budget plan is codified in the form of a budget ordinance which requires three readings by Council for approval

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## The Budget Ordinance

- Legal document that describes and lists all sources of revenue and all planned expenditures
- Can be amended during the budget year in the same manner in which the original budget ordinance was approved, i.e. by three readings and a public hearing

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## The Budget – A Craft

- Budgeting is more than educated guessing
- Rely upon past trends to develop estimates
- Also must have in-depth knowledge of what may impact your budget in the future, such as inflation, new or pending legislation, employment issues, economy.

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## The Budget – A Craft

- Budgeting is an error-prone activity
- Good budget preparers learn from mistakes and try to correct the assumptions found to be in error
- Some errors are unavoidable
- A budget is a set of estimates, estimates based on anticipated behavior of revenue and expenditures
- Some of these estimates will be wrong

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## The Budget – Legal Requirements

- S.C. Code of Laws provides the legal framework in which all local gov entities in the state conduct their budgetary processes.
- Legislation found in Section 4 of the General Statutes
- Establishes provision that the chief executive is to prepare and then to submit to Council the operating and capital budget proposal.
- Section 4 dictates that before adoption of the budget, a public hearing must be held.
- Prescribes that by July 1 of each year a budget must be adopted for the upcoming fiscal year.

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## Section 4-9-140

### The Budget Process – Legal Requirements

**SECTION 4-9-140.** Designation of fiscal and budget years; annual fiscal reports; adoption of budgets; levying and collection of taxes; supplemental appropriations; obtaining reports, estimates, and statistics. [SC ST SEC 4-9-140]

The fiscal year of the county government shall begin on the first day of July of each year and shall end on the thirtieth day of June next following, and the fiscal year shall constitute the budget year of the county government. All county offices, departments, boards, commissions or institutions receiving county funds shall make a full, detailed annual fiscal report to the county council at the end of the fiscal year.

County council shall adopt annually and prior to the beginning of the fiscal year operating and capital budgets for the operation of county government and shall in such budgets identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budgets adopted. Council shall further provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources.

Council may make supplemental appropriations which shall specify the source of funds for such appropriations. The procedure for approval of supplemental appropriations shall be the same as that prescribed for enactment of ordinances.

For the purposes of this section a supplemental appropriation shall be defined as an appropriation of additional funds which have come available during the fiscal year and which have not been previously obligated by the current operating or capital budget. The provisions of this section shall not be construed to prohibit the transfer of funds appropriated in the annual budget for purposes other than as specified in such annual budget when such transfers are approved by the council.

In the preparation of annual budgets or supplemental appropriations, council may require such reports, estimates and statistics from any county agency or department as may be necessary to perform its duties as the responsible fiscal body of the county.

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### The Budget – Legal Authority

- South Carolina Code of Laws 4-9-140 states that “County Council shall adopt annually and prior to the beginning of the fiscal year operating and capital budget for the operation of county government and shall in such budgets identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budgets adopted.”
- “Council shall further provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources.”

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## The Budget – Balanced?

- A budget is balanced when the sum of estimated revenues and appropriated fund balances is equal to the sum of appropriations.
- I.E. Revenues = Expenditures
- South Carolina Code of Laws does not specifically state that each local government shall operate under a balanced budget, however, it is prudent to do so.

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## Monitor with Periodic Reports

- Budgeting process should include periodic reports to governing body
- Negative variances should be highlighted and remedied when necessary
- Administrators should notify elected officials if new developments require budgetary modifications

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## Monitor with Periodic Reports

- Budget is not a static document
- Dynamic process requiring continuous monitoring and occasional revisions
- Mid-year budget review is a good practice
- Publish interim financial information

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## Interim Financial Reports

- What type of interim financial reports are being provided to management/Council?
- Typically interim financial information should be available at least mid-year, sometimes late January is a good time so that property tax revenue can be included in the analysis.
- It is important to know that your revenues are tracking according to the budget, or as expected. A shortfall of revenue can necessitate mid-year budget reductions

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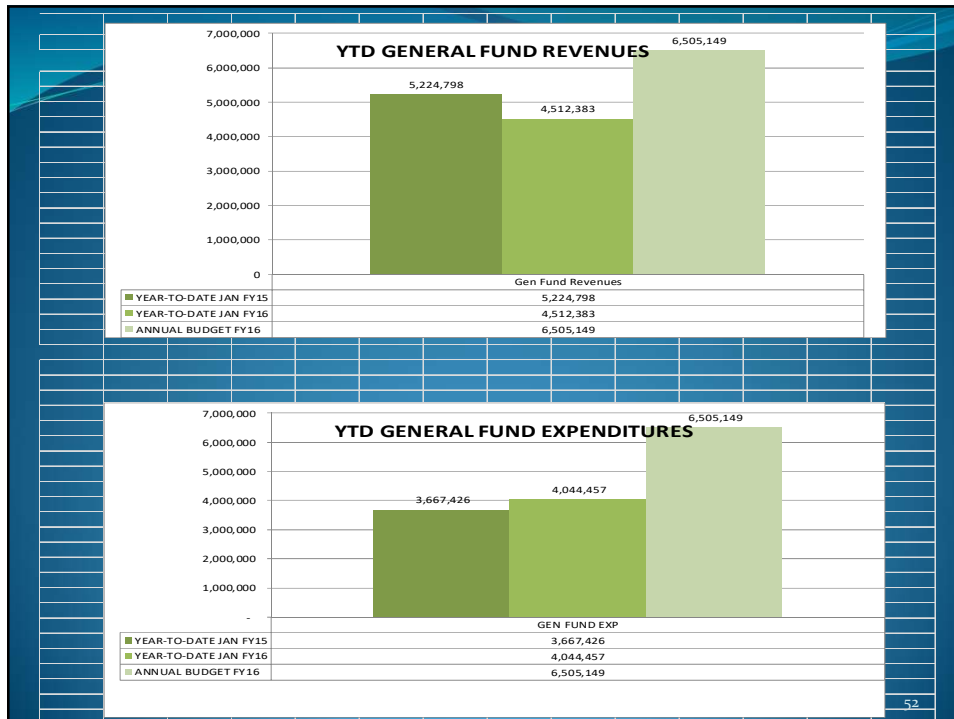
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## Interim Financial Reports

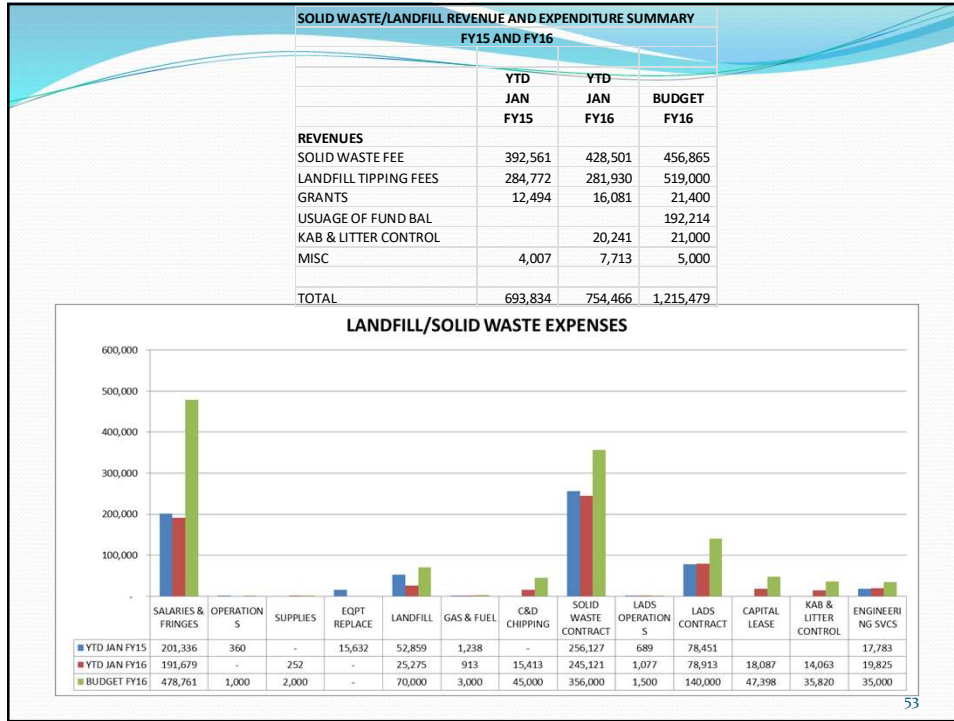
- Equally important, although more predictable is to ensure expenditures are also tracking according to the budget, or as planned.
- Some counties use a monthly expenditure plan to monitor outflows
- Most counties delegate this function to the chief executive officer and his/her department managers

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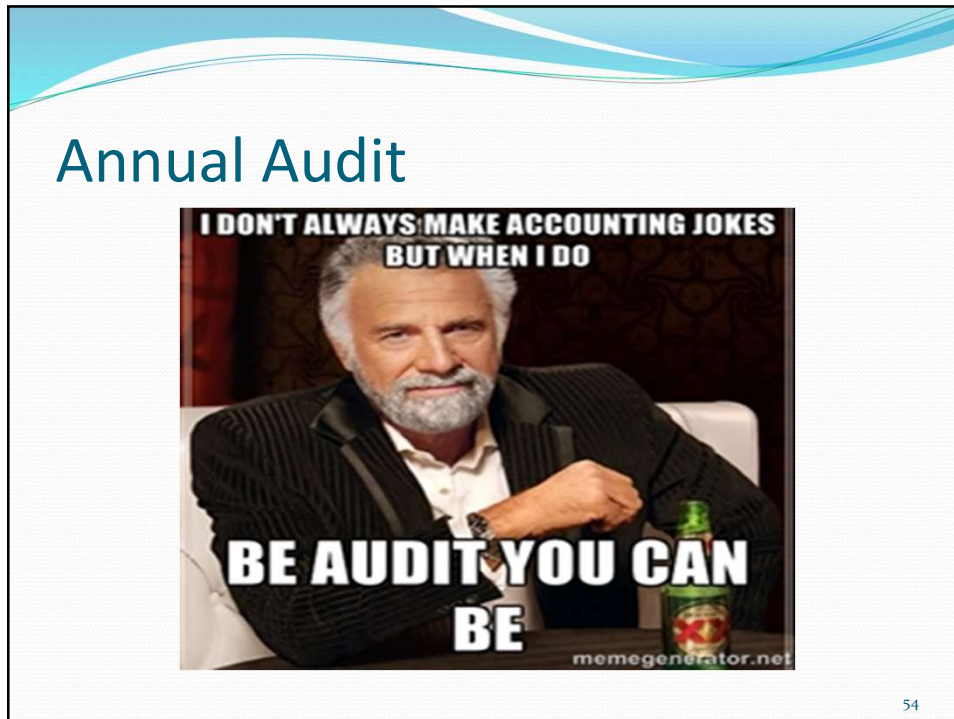
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# The Audit- State law

**SECTION 4-9-150.** Audits of county records; designation of auditors; public inspection of report.

The council shall provide for an independent annual audit of all financial records and transactions of the county and any agency funded in whole by county funds and may provide for more frequent audits as it considers necessary. Special audits may be provided for any agency receiving county funds as the county governing body considers necessary. The audits must be made by a certified public accountant or public accountant or firm of these accountants who have no personal interest, direct or indirect, in the fiscal affairs of the county government or any of its officers. The council may, without requiring competitive bids, designate the accountant or firm annually or for a period not exceeding three years. The designation for any particular fiscal year must be made no later than thirty days after the beginning of the fiscal year. The report of the audit must be made available for public inspection. A copy of the report of the audit must be submitted to the Comptroller General no later than January first each year following the close of the books of the previous fiscal year.

If the report is not timely filed, or within the time extended for filing the report, funds distributed by the Comptroller General to the county in the current fiscal year must be withheld pending receipt of a copy of the report.

State Law Section 4-9-150

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is entered into between the Office of the State Treasurer and the Office of the Comptroller General for the purpose of ensuring the timely receipt of county financial audits and implementing the laws of the State.

WHEREAS, S.C. Code Ann. Section 4-9-150 requires counties to perform annual independent financial audits annually and to provide a copy of the audit to the Office of the Comptroller General by January 1 each year, and if a county fails to do so, the distribution of certain funds to the county by the State may be withheld pending receipt of the audit;

WHEREAS, S.C. Code Ann. 14-1-206(E) requires counties to include in aforementioned audits supplementing schedules so the Office of the State Treasurer can monitor compliance with the reporting and remitting of court fines to the State;

WHEREAS, the General Assembly consolidated funding for counties under one Aid-To-Subdivisions section in the Fiscal Year 2009-2010 Appropriations Act; and

WHEREAS, the aforementioned offices believe that continued cooperation in the collection, receipt and maintenance of county audits is in the best interest of the State and complies with the intent of the General Assembly;

NOW THEREFORE, the Office of the State Treasurer (OST) and the Office of the Comptroller General (OCG), hereby agree as follows:

1. The OST shall maintain all county audits received by it or the OCG for three (3) years and thereafter shall deliver those audits to the Department of Archives and History for retention pursuant to the applicable laws and regulations of the State. The OCG will deliver to the OST any county audits received by it. The OST will provide the OCG access to any county audits it maintains upon request by the OCG.
2. The OST and OCG shall cooperate in withholding funds of the State to be distributed to a county that fails to submit its audit to the OST or OCG on a timely basis in accordance with the aforementioned laws and to reinstate such funding upon receipt of that audit.
3. The OST and OCG shall review this Memorandum of Understanding annually and to amend it as necessary to effect the intent of the General Assembly.

Agreed to on this 23rd day of April, 2010.

Office of State Treasurer

By: [Signature]

Title: DEPUTY STATE TREASURER

Office of the Comptroller General

By: [Signature]

Title: Chief of Staff

## Selection of Auditors

- Normally accomplished through a competitive bidding process
- Use of RFP or RFQ
- Best to not rely solely on price
- Selection and evaluation process should also consider: the breadth and depth of the firm's experience in similar engagement, the quality and responsiveness of the audit work plan, and the auditor's knowledge of upcoming accounting and auditing pronouncements

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## Audit Purpose

- To provide **reasonable** assurance that the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP)
- Audit includes examining, on a test basis, evidence supporting the disclosures in the financial statements

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## Audit Purpose

- Principles of transparency and accountability for the use of public resources are key to the governing process
- Auditing is essential for that accountability
- Provide key information to stakeholders
- Also improves performance, reduces costs, facilitates decision making, stimulate improvements, identifies trends that affect government

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## Audit Opinion

- Unqualified (Clean)- this means that the auditor can state, or attest, that the entities financial statements present fairly the results of operations
- Qualified – this means that the auditor cannot state, or agree, that the financial statements are presented fairly.
- Disclaimer – no opinion
- Adverse – an opinion that the financial statements do not present fairly the results of operations
- Additionally, the auditor will state whether the audited financial statements are prepared in accordance with generally accepted accounting principles or other principles applicable to the organization.

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## Audit Standards and GAO

- Private sector auditing performance standards are set forth by a variety of private organizations such as the American Institute of Certified Public Accountants (AICPA).
- Government agencies auditing performance standards are set by U.S. Government Accountability Office.
- Yellow Book- latest revision Dec 2011 but new revision coming for 2017

[www.gao.gov/yellowbook](http://www.gao.gov/yellowbook) for e-copy(free)

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## Government Auditing Standards

- GAS (the Yellow Book) contains standards for audits of government organizations
- Normally referred to generally accepted government auditing standards (GAGAS)
- GAGAS pertain to auditor's professional qualifications, the quality of the audit effort, and the audit reports

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## Other Professional Audit Standards

- American Institute of CPA (AICPA) publishes Statement's on Auditing Standards (SAS)
- Public Company Accounting Oversight Board (PCAOB)
- International Auditing and Assurance Standards Board (IAASB)
- Auditors use GAGAS in conjunction with all these standards

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## Auditor Independence



- Auditor must be free from personal, external, and organizational impairments to independence
- Must avoid the appearance of such impairments
- If not independent, then auditors are rendered incapable of giving an objective opinion

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## Single Audit

- During the 1960's and 1970's federal grants grew to become a significant funding source for state and local governments
- There were thousands of federal programs being administered by different federal agencies, in many instances, each agency required its own accounting practices.
- Thus, keeping track of the accounting, reporting, and auditing demands was a heavy burden for state and local governments receiving federal assistance.

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## Single Audit

- Efforts were made to standardize in the 60's, but no real success made until late 70's
- Finally, the Single Audit Act passed in 1984, which required that audits be conducted on an agency wide basis instead of grant by grant.
- The Single Audit requires the auditor to report not only on the fair presentation of the financial statements, but also on the entity's internal controls and compliance with legal requirements.
- A separate report is issued and is called the "Single Audit" report.
- The Single Audit is broader in scope than the financial statement audit.

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## Other Types of Audits

- Performance audits – provides assurance or conclusions based on an evaluation of evidence against stated criteria. Typically used to evaluate a programs performance or operations.
- Compliance audits – used to measure adherence to regulations relating to a federal award
- Attestation engagements – covers a broad range of financial or non-financial objectives and provides different levels of assurance

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## Internal Control

- Management's responsibility
- As with any organization responsible for large sums of money, governmental entities are subject to risks of fraud, embezzlement, misrepresentation, misappropriation, incompetence, and related problems.

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## Internal Control

- Incorporates a much broader risk management focus
- Safeguarding of assets
- Legal compliance
- Management of financial risks
- Preparation of reliable financial reports

Tone at the Top  
Very Important!

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## Fraud



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# Fraud



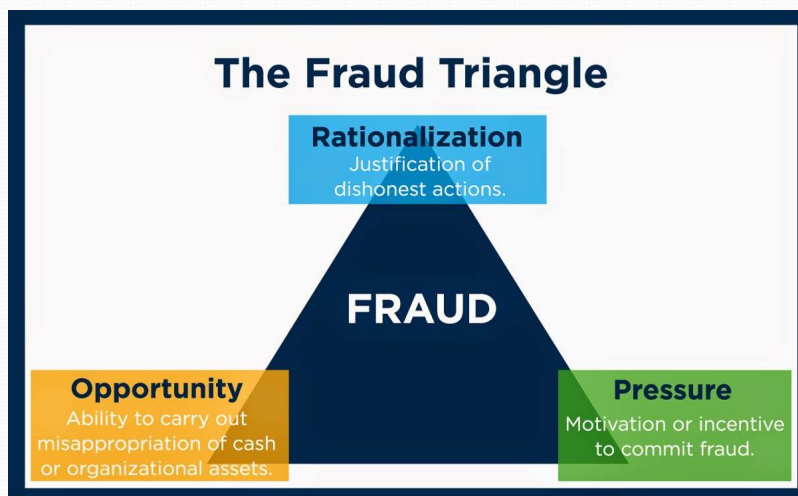
## Fraud Triangle

- Forensic Accountants relies on the Fraud Triangle to find weak points in business processes and identify possible suspects in cases of fraud or criminal activities.
- It consists of three core concepts that together create a situation ripe for fraud; incentive, opportunity and rationalization.
- People must have the incentive and opportunity to commit financial fraud as well as the ability to justify it.
- Recent analysis has suggested adding a fourth concept to make a diamond: **capability**.
- Just because someone has the opportunity or incentive to steal, it doesn't mean that they have the capability to do so.
- For example, if someone doesn't understand how to do journal or ledger entries, they wouldn't know how to manipulate the numbers no matter what the incentive or opportunity.

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# Fraud Theory



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## Fraud Theory



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## Fraud Triangle

- When **all** the elements come together, then fraud will occur.
- The three elements of the fraud triangle are interactive
- In order to reduce the occurrence of fraud, one of the elements must be eliminated.
- Most of the efforts to reduce fraud are concentrated on one of these elements: **opportunity**.

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## Prevention

- Set clear standards – tone at the top
- Check employee references/background
- Security over checks, ex. Person who “cuts” or has custody of the checks should not also have authority to sign
- Independent review of general ledger balances because theft often occurs when bookkeeping is sloppy/unsupervised
- Annual audit-motivates staff to keep things honest



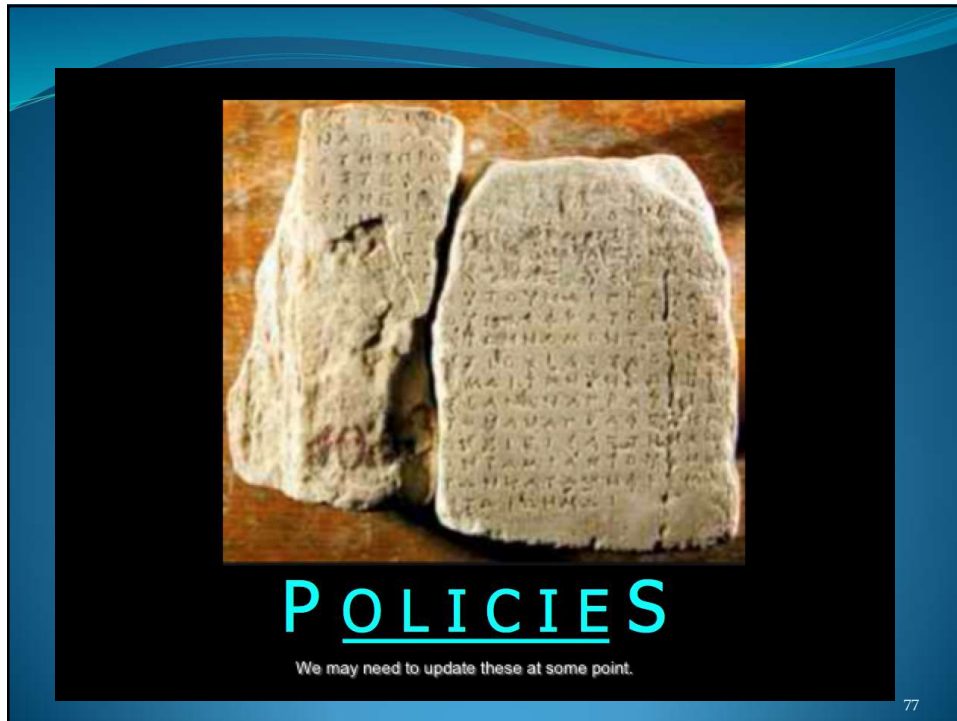
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### *Accountant Jokes*

Mr Evans was the Chief Accountant of a large manufacturing concern. Every day, on arriving at work, he would unlock the top drawer of his desk, peer at something inside, then close and lock the drawer. He had done this for 25 years. The entire staff was intrigued but no-one was game to ask him what was in the drawer. Finally the time came for Mr Evans to retire. There was a farewell party with speeches and a presentation. As soon as Mr Evans had left the building some of the staff rushed into his office, unlocked the top drawer and peered in. Taped to the bottom of the drawer was a sheet of paper. It read, "The debit side is the one nearest the window."

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## Financial Policies-Principles

- Well prepared elected officials can assume leadership role in creating and sustaining long-term financial policies
- Professional finance managers share experience, insights
- Thereby supporting elected officials
- Achieving common goal of serving the public interest
- Long-term perspective far more important than short-term
- Each governmental entity should adopt prudent, long-term policies



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## Financial Policies-Why?

- Public office is a public trust
- Responsible leaders realize that a long-term perspective will produce a legacy far more important than short-term expedience
- Each governmental entity should adopt prudent, long-term policies



LONG-TERM LEGACY VS. SHORT-TERM EXPEDIENCY

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## Adopt Prudent, Long-Term Financial Policies

- Budgets should be based on realistic revenue estimates, and current operating expenses should be fully budgeted – not deferred to future years
- Non-recurring (one-time) revenues and fund balances should be used for \_\_\_\_\_ (what type) of expenses?
- Not to be used as wallpaper over ongoing deficits

**KNOW THE RULES!**



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## Financial Policies-Fund Balance

- Fund Balance Policy. How much?
- Necessary to ensure stable operations without overburdening current taxpayers
- Incorporated into long-term financial plan
- Sometimes referred to as rainy-day or fiscal stabilization funds
- Consider putting fund balance policy in your budget ordinance

### SECTION 15. FUND BALANCE POLICY

The County Council hereby declares any revenues remaining pursuant to Section 12, or otherwise legally available shall be maintained as an unencumbered general fund fund balance and the amount of the unencumbered general fund balance shall be equal to at least ninety days of County general fund expenses for the budget year in question.

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## Financial Policies-Fund Balance

- Temptation is strong to compensate for chronic budgetary shortfalls by using previously accumulated fund balances
- The more volatile a government's revenue stream and the longer the lead time necessary to reduce operating expenditures, the greater the financial cushion must be.



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## Financial Policies-Fund Balance

- Cash flow must be examined so that a sufficient cash balance is maintained to avoid undesirable borrowing
- Remember that lower fund balances reduce interest/investment income and thus weaken future revenues



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## Financial Policies-Fund Balance

- Excessive fund balances may reflect stockpiling or lack of financial management
- Taxpayer resistance may emerge
- Policymakers should review fund balances at least annually



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## Financial Policies-Fund Balance

- Desired level of fund balance to be maintained
- Circumstances in which they would be used
- How they would be replenished, and
- Over what time period they would be used

Policy should Address:

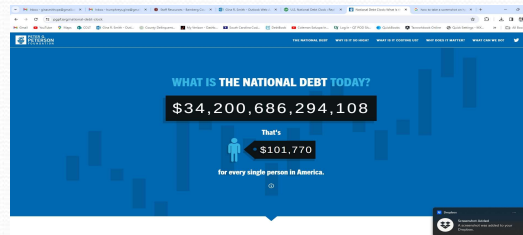


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## Financial Policies-Debt

- Debt – use frugally. Plan to achieve the most favorable borrowing rates.
- Debt should be openly and widely debated
- Manage your credit rating
- A component of capital improvement plan
- Debt service payments should be evenly planned



From Peter G. Peterson Foundation  
<https://www.pgpf.org/national-debt-clock>  
 Another interesting source: usdebtclock.org

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## Financial Policies-Procurement

- Procurement Policy. Competitive and value-based to ensure best buy for taxpayer dollars.
- Purchasing procedures should be codified
- Staff should be trained annually

### SECTION 10.

### COMPLIANCE WITH COUNTY CODE AND ACCOUNTABILITY

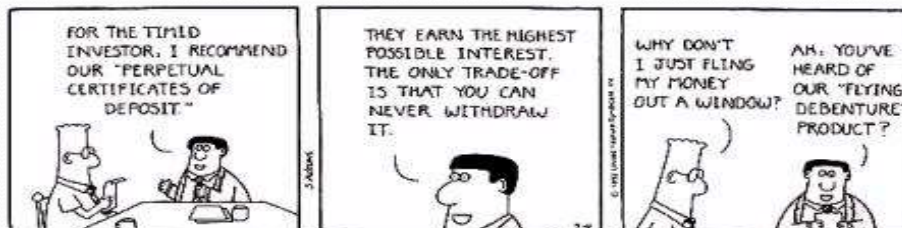
All funds for County ordinary purchases and procurements shall be obligated in accordance with the County Code through the County Administrator's Office and will be disbursed by the Finance Department so as to provide for necessary auditing, unless specifically exempted by County Council in public session.

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## Investment Policies

- As in S.C., many states control basic investment authority through statutes
- Most counties delegate the authority to County Treasurer
- Section 12-45-220 Investments by county treasurers



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SECTION 12-45-220. Investments by county treasurers.

(A) A county treasurer may invest or reinvest any sum of money not necessary for current expenses in:

- (1) obligations of the United States and its agencies;
- (2) general obligations of this State or any of its political subdivisions;
- (3) savings and loan associations if their deposits are insured by an agency of the federal government;
- (4) certificates of deposit where the certificates are collaterally secured by securities of type described in items (1) and (2) of this subsection held by the third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest, but the collateral is not required to the extent the certificates of deposit are insured by an agency of the federal government; or
- (5) no load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that county treasurer, if the particular portfolio of the investment company or investment trust in which the investment is (i) limited to obligations described in items (1) and (2) of this subsection, and (ii) have among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method. The portfolio may also consist of repurchase agreements when collateralized by obligations described in items (1) and (2) of this subsection.

(B) The governing body may delegate the investment authority provided above to the county treasurer who shall assume full responsibility for the investment transactions until the delegation of authority terminates or is revoked.

(C) The State Treasurer may assist local governments in investing funds that are temporarily in excess of operating needs.

(D) All interest and other earnings, when collected, must be added to the fund and paid out as other funds of the same sort are paid.

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### Providing local governments an opportunity to acquire maximum returns

LGIP is an investment mechanism authorized by the Legislature and signed into law on May 13, 1983, to provide local governments an opportunity to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions. Section 6-6-10, Section 12-45-220 and Section 11-1-60 of the 1976 Code of Laws of South Carolina authorize the State Treasurer to sell to all political subdivisions of the State participation units in the Pool, which shall be legal investments for the subdivisions.

- As of December 2023, there are more than 1,000 accounts within the pool, totaling more than \$12 billion.
- Participants include 112 municipalities, 75 school districts, 40 counties, 71 special purpose districts and more.

**Eligibility extends to all South Carolina public entities including:**



■ Counties	■ Special Purpose Districts
■ Municipalities	■ Other Political Subdivisions
■ School Districts	■ Charter Schools

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**AVERAGE MONTHLY RATES**

LGIP Average Monthly Rates

*The average monthly rates, reflect an average of the daily rate to participants. Please refer to your statements for actual monthly rate.*

Month	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
July	0.28	0.71	1.08	2.07	2.42	0.50	0.11	1.72	5.42
August	0.30	0.70	1.06	2.10	2.28	0.34	0.10	2.32	5.59
September	0.35	0.78	1.08	2.09	2.18	0.28	0.10	2.62	5.60
October	0.40	0.77	1.10	2.26	2.08	0.21	0.10	3.24	5.64
November	0.39	0.78	1.12	2.31	1.92	0.17	0.11	3.94	5.68
December	0.49	0.86	1.24	2.39	1.84	0.16	0.14	4.32	5.67
January	0.57	0.90	1.35	2.43	1.81	0.16	0.15	4.57	
February	0.63	0.92	1.44	2.43	1.74	0.14	0.17	4.75	
March	0.70	0.97	1.68	2.47	1.58	0.13	0.34	4.85	
April	0.67	1.01	1.88	2.45	1.40	0.13	0.52	5.10	
May	0.69	1.01	1.94	2.41	1.00	0.11	0.87	5.27	
June	0.70	1.07	2.01	2.30	0.76	0.09	1.26	5.35	

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**Governmental Accounting Standards Board**

[www.gasb.org](http://www.gasb.org)

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## What is the GASB?

- Established in 1984, the Governmental Accounting Standards Board (GASB) is the independent, private-sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

The GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPAs (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.

The Financial Accounting Foundation (FAF) supports and oversees the GASB. Established in 1972, the FAF is the independent, private-sector, not-for-profit organization based in Norwalk, Connecticut responsible for the oversight, administration, financing, and appointment of the GASB and the Financial Accounting Standards Board (FASB).

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## GASB Purpose

- The collective mission of the GASB, the FASB, and the FAF is to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports and educate stakeholders on how to most effectively understand and implement those standards.

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## What is the FASB?

- Established in 1973, the Financial Accounting Standards Board (FASB) is the independent, private-sector, not-for-profit organization based in Norwalk, Connecticut, that establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow Generally Accepted Accounting Principles (GAAP).

The FASB is recognized by the Securities and Exchange Commission as the designated accounting standard setter for public companies. FASB standards are recognized as authoritative by many other organizations, including state Boards of Accountancy and the American Institute of CPAs (AICPA). The FASB develops and issues financial accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to investors and others who use financial reports.

The Financial Accounting Foundation (FAF) supports and oversees the FASB. Established in 1972, the FAF is the independent, private-sector, not-for-profit organization based in Norwalk, Connecticut responsible for the oversight, administration, financing, and appointment of the FASB and the Governmental Accounting Standards Board (GASB).

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## FASB Purpose

- The collective mission of the FASB, the Governmental Accounting Standards Board (GASB) and the FAF is to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports and educate stakeholders on how to most effectively understand and implement those standards.

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## Why do they Matter?

- Set the standards
- Not following standards impact audit opinion
- Standards matter, enables comparisons
- Investors, banks, lenders
- Public – need to understand government activities
- Elected Officials – need to know finances are sound



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## Stay in Touch

- [www.gasb.org](http://www.gasb.org)
- [www.sccounties.org/webinars](http://www.sccounties.org/webinars)

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# Governmental Accounting

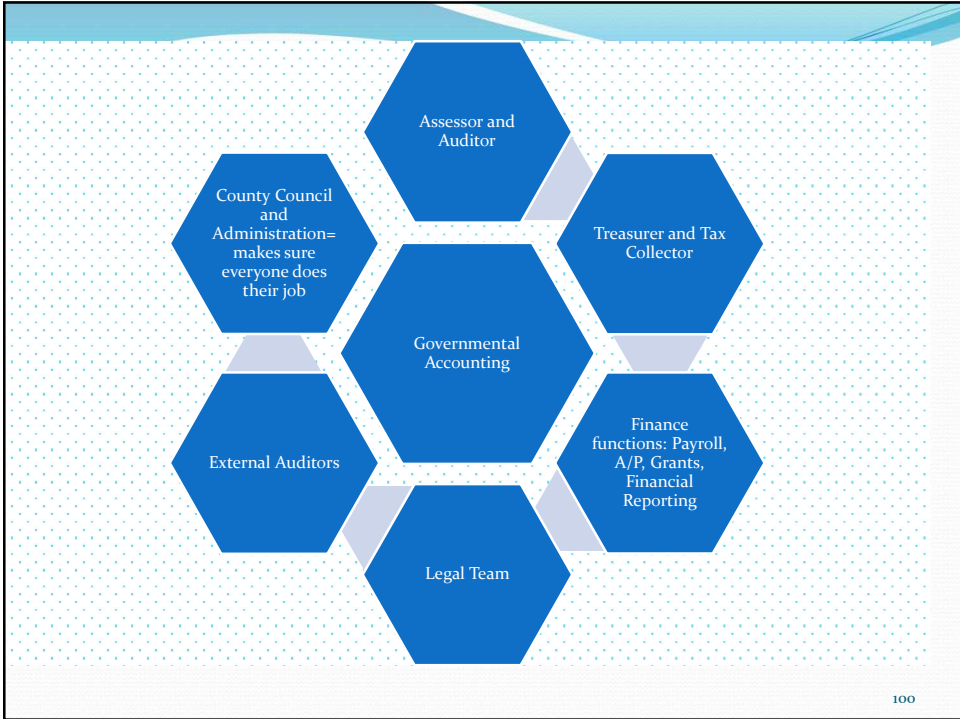
Who does what and how we make it all come together



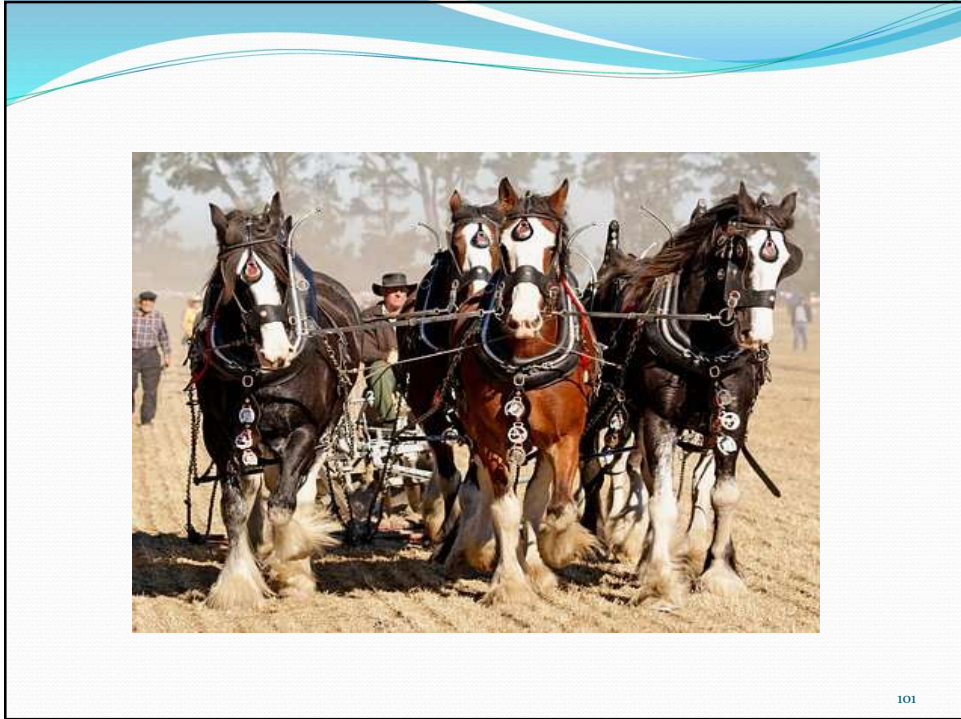
**TEAMWORK**  
Together Each Achieves More

FreePosterMaker.com 99

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# Credit Rating



The Big 3 Credit Rating Agencies



The slide features a blue background with a white wavy border at the top. The title 'Credit Rating' is in large, light blue font. Below it is a green rectangular sign with the text 'AAA rating' and a white arrow pointing to the right. At the bottom, there is a black-bordered box containing the text 'The Big 3 Credit Rating Agencies' in blue, and below that, the logos for Fitch Ratings (red and black), Moody's (yellow and black), and Standard & Poor's (yellow and black).

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## Credit Rating

- A credit rating is very important for a county's financial health
- A credit rating is an opinion of an entity's creditworthiness
- The rating captures the entity's ability to meet its financial commitments as they come due
- A number of firms provide credit ratings and each firm has its own unique method to arrive at a rating
- There are several major rating agencies:
  1. Standard & Poor's
  2. Moody's Investors Service
  3. Fitch

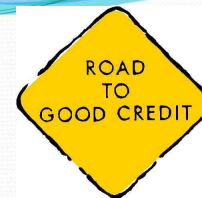


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## Credit Rating

- Council has the ability to impact this very important criteria
- Through the hiring of professional administrators, and
- Through sound policy setting and guidance that maintains county on solid financial footing, and
- Through approving budgets that provide adequate revenue streams to maintain and grow county services, and
- Through participation in Bond Rating presentations



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## Factors that rating agencies look for:

- **Financial factors**

1. Fund Balance
2. Budgetary controls
3. Investment policies



- **Debt factors**

1. General obligation debt per capita
2. General obligation debt as a percentage of assessed value
3. Legal debt margin

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## Factors that rating agencies look for:

- **Economic factors**

1. Existing industries
2. Capital investments
3. Diversity and strength of tax base
4. Economic outlook, technical training, per capita income, unemp



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## Management factors:

- Overview of the County, mission statement, and key staff
- Growth trends and progress in terms of population, building permits, demographics
- Extensive use of planning, monitoring and updates to those plans, ex. Sewer, land use, parks & recreation, transportation
- Budget control and budget practices, such as monthly financial reporting
- Long-term outlook as opposed to short-term expediency

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## How are these factors communicated?

- Often through a live presentation to the rating agencies
- Agencies keep track of County's data through interim submission of CAFR's and other information
- Conference calls are also used for updates and to give the agencies the opportunity to ask questions of management



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## Why do we care about our credit rating?

- Two main reasons
  1. Credit ratings affect the cost of debt, i.e. the interest
    - \* Credit ratings and interest rates are inversely related
    - \* Higher cost of debt limits the number of new projects
  2. Affect the marketability of county bond issuances
    - \* Many investors cannot, or will not purchase non-investment grade bonds
    - \* A decrease in credit rating can restrict the county's growth and future prosperity



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## Credit Rating

- Council members should know their county's credit rating
- Improvement in ratings can save hundreds of thousands of dollars when a county borrows

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## Ratings Explained

- Hierarchy of letters and number scale
- Each agency has a different rating scale



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	Moody's	S&P	Fitch	Meaning
Investment Grade	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	High Grade
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Upper Medium Grade
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Lower Medium Grade
Baa2	BBB	BBB		
Baa3	BBB-	BBB-		
Junk	Ba1	BB+	BB+	Non Investment Grade Speculative
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Highly Speculative
	B2	B	B	
	B3	B-	B-	
	Caa1	CCC+	CCC+	Substantial Risks
	Caa2	CCC	CCC	Extremely Speculative
	Caa3	CCC-	CCC-	In Default w/ Little Prospect for Recovery
	Ca	CC	CC+	
		C	CC	In Default
		CC-		
	D	D	DDD	

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County Credit Ratings			
County	Fitch FY 2021	Moody's FY 2021	S&P FY 2021
Abbeville	*	*	*
Aiken	*	Aa2	AA
Allendale	*	*	*
Anderson	*	*	*
Barnberg	*	*	A
Barnwell	*	*	A
Beaufort	*	Aa1	AA+
Berkeley	*	Aa2	AA+
Calhoun	*	*	*
Charleston	AAA	Aaa	AAA
Cherokee	*	Aa3	*
Chester	*	*	A+
Chesterfield	*	*	*
Clarendon	*	*	A+
Colleton	*	Aa3	AA-
Darlington	*	*	*
Dillon	*	*	*
Dorchester	*	Aa1	AA
Edgefield	*	*	*
Fairfield	*	*	A
Florence	*	Aa2	*
Georgetown	*	Aa2	AA-
Greenville	AAA	Aaa	AAA
Greenwood	*	*	*
Hampton	*	*	*
Horry	AA+	Aa1	AA+
Jasper	*	*	AA-
Kershaw	AA+	Aa2	*
Lancaster	*	Aa1	AA-
Laurens	*	Aa3	*
Lee	*	*	*
Lexington	*	Aaa	AA+
Marion	*	*	*
Marlboro	*	*	*
McCormick	*	*	*
Newberry	*	AA	*
Oconee	*	Aa2	AA
Orangeburg	A	*	A-
Pickens	*	Aa2	AA
Richland	*	Aaa	AAA
Saluda	*	*	*
Spartanburg	AA+	Aa1	AA+
Sumter	*	Aa2	A+
Union	*	*	*
Williamsburg	*	*	A
York	*	Aaa	AA+

Ratings Defined		
Fitch	AAA	Highest credit quality
	AA	Very high credit quality
	A	High credit quality
	BBB	Good credit quality
Moody's	Aaa	Exceptional financial security
	Aa	Excellent financial security
	A	Good financial security
	Baa	Adequate financial security
S&P	AAA	Extremely strong capacity
	AA	Very strong capacity
	A	Strong capacity
	BBB	Adequate capacity

Note: In some cases, Fitch and Standard & Poor's use a plus or minus sign to show relative standing within a rating category. Similarly, Moody's uses the numerical modifiers 1, 2, and 3 with 1 signifying the higher end of a rating category and 3 signifying the lower end.

From County Profiles:  
www.sccounties.org

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# Importance of Credit Rating

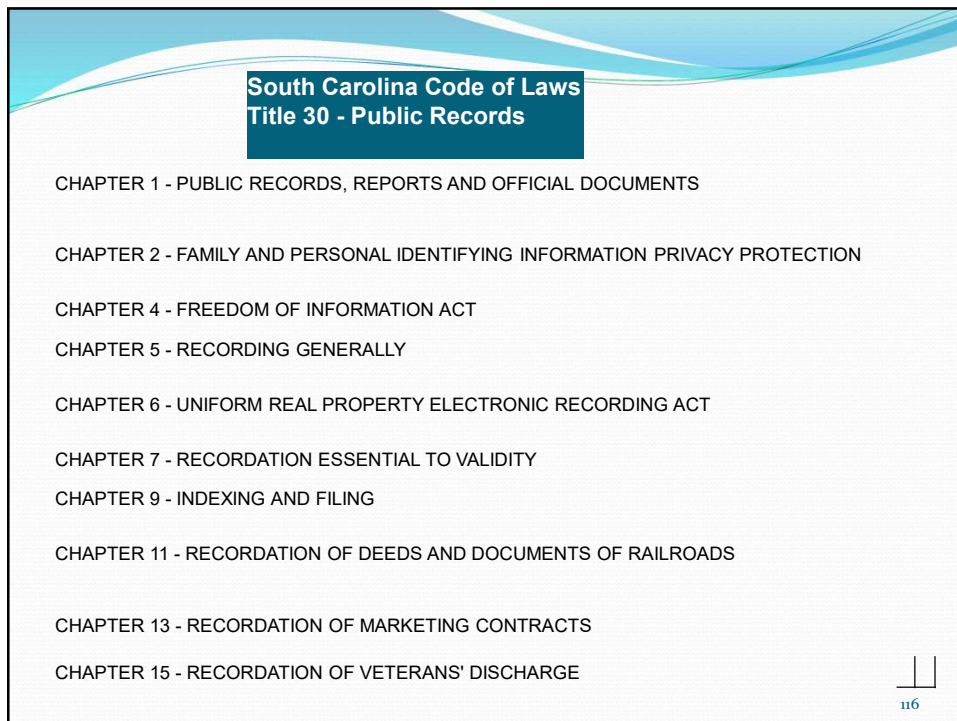
- All about access to financial markets



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## FOIA

- Recent updates to the law
- SCAC has various resources:  
<https://www.sccounties.org/public-records-and-freedom-information-act-foia>
- 10 business days to respond if documents are 2 years old or less, 20 business days if older than 2 years
- Respond in 30 calendar days if 2 years old or less, 35 calendar days if over 2 years old
- 25% Deposit, production time begins from date deposit is received

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## FOIA

- Fees for copying cannot exceed actual cost of searching for and making copies
- Must be posted online
- Lowest paid employee who has the skills necessary to do the searching/copying
- Records can be withheld until full cost is paid
- 25% deposit can be required before making copies

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## FOIA

- § 30-2-50 Prohibits a person or private entity from knowingly obtaining personal information for commercial purposes
- Must provide prohibition notice
- \$500 fine/jail up to one year

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## Section 30-2-50

### Disclosable personal information, commercial solicitation use, local governments

SECTION 6. Section 30-2-50 of the 1976 Code is amended to read:

"Section 30-2-50. (A) A person or private entity shall not knowingly obtain or use personal information obtained from a state agency, a local government, or other political subdivision of the State for commercial solicitation directed to any person in this State.

(B) Each state agency, local government, and political subdivision of the State shall provide a notice to all requestors of records pursuant to this chapter and to all persons who obtain records pursuant to this chapter that obtaining or using public records for commercial solicitation directed to any person in this State is prohibited.

(C) All state agencies, local governments, and political subdivisions of the State shall take reasonable measures to ensure that no person or private entity obtains or distributes personal information obtained from a public record for commercial solicitation [Emphasis Added].

(D) A person knowingly violating the provisions of subsection (A) is guilty of a misdemeanor and, upon conviction, must be fined an amount not to exceed five hundred dollars or imprisoned for a term not to exceed one year, or both."

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**From:** FOIA [mailto:foia@buildzoom.com]  
**Sent:** Saturday, June 17, 2017 7:21 PM  
**To:** Bill Johnson <johnsonb@bambergcounty.sc.gov>  
**Subject:** Freedom of Information Act Request: Building Permit Records

To whom it may concern, I am writing to request permit records from Bamberg County, South Carolina on behalf of Buildzoom. BuildZoom helps people hire the best local contractors, and we strive to give consumers a clear picture of contractors' track records. In particular, we post information on building permits pulled by every contractor online as a free service to the public. We do business in Bamberg County and would like to provide the service to its residents. Can you please provide us with a report of all building permits processed by your department to date? Such reports typically: - Are referred to as a Permit Activity Report, a Permit Fee Log or a Monthly Permit Report. - Cover at least the last ten years. - Include all permits broadly related to work on new and existing structures, such as structural, electrical, plumbing, mechanical, demolition, solar, HVAC, and gas permits, as well as any other kind of permit related to construction, renovation and maintenance. - Contain (i) property address fields, (ii) permit type fields, (iii) a permit value or estimated job value, (iv) a permit status field and (v) dates associated with the permit, such as an application date, an issue date and an expiry date, as well as (vi) the details of the contractor(s) who performed the work and, of course, (vii) a description of the permitted work. We would like to request the records either via FTP or email delivery. An Excel or CSV format would be ideal, but a PDF or scanned file would also work. We intend to ask for this data regularly: monthly for the prior month. What do you recommend as the best process to acquire this data? Please feel free to email me or call Vidhan Agrawal, the Product Manager for our Data Platform at (415) 890-3706. We greatly appreciate your help and thank you in advance for your assistance!

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#### Sharon Williams

**From:** Kay Thomas [kthomas@smartprocure.us]  
**Sent:** Wednesday, September 24, 2014 10:03 AM  
**To:** swilliams@bambergcountysc.gov  
**Cc:** thomasm02@bellsouth.net  
**Subject:** SmartProcure Public Records Request Status Update

Morning Sharon,

SmartProcure is requesting a status update on our public records request submitted on 09/04/2014.

SmartProcure is submitting a public records request to the County Of Bamberg for an electronic record (without scanning or printing) of purchase orders dated January 1st, 2010 to current.

The information requested is:

1. Purchase order number or equivalent
2. Purchase order date
3. Line item details
4. Line item quantity
5. Line item price
6. Vendor ID number, name and/or address

Please email the information or use the following web link. There is no file size limitation:  
<http://upload.smartprocure.us/?st=SC&org=CountyOfBamberg>

If you have any questions, please feel free to respond to this email or I can be reached at 954-363-0729.

Regards,

Ms. Kay Thomas  
 SmartProcure, LLC  
 Office: (954) 363-0729  
 Fax: (954) 339-7067  
 Email: [kthomas@smartprocure.us](mailto:kthomas@smartprocure.us)  
 Website: [smartprocure.us](http://smartprocure.us)

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**From:** South Carolina <[SouthCarolina@openthebooks.com](mailto:SouthCarolina@openthebooks.com)>  
**Date:** July 6, 2017 at 6:36:41 PM GMT+2  
**To:** "wadams@newberrycounty.net" <[wadams@newberrycounty.net](mailto:wadams@newberrycounty.net)>  
**Subject:** New Open Records Act - County of Newberry submitted on 07/06/2017  
 07/06/2017

Wayne Adams:

Pursuant to the Open Records Act, this is a request for a copy of the following records: An electronic copy of any and all employees for years of 2016, (fiscal or calendar year). Each employee record should contain the employer name, employer zip code, year of compensation, first name, middle initial, last name, hire date (mm-dd-yyyy), base salary amount, bonus amount, overtime amount, gross annual wages and position title. This data should be broken down by employer, employee and year.

The principal purpose of this is to make this information more accessible to the public and to access and disseminate information regarding the health, safety, and welfare of the general public. This request is not principally for personal or commercial benefit. Our agency is just exercising the general rights of the public. For these reasons, we are requesting a waiver of fees. If there is a charge for this service, please obtain my approval in writing prior to proceeding with request.

All documents can be e-mailed to [SouthCarolina@openthebooks.com](mailto:SouthCarolina@openthebooks.com) or mailed in electronic format (preferred format would be .csv or .xls). If any documents are not provided in the format specified, please provide the state or federal statutes relied upon for that decision. If any record or portion of a record responsive to this request is contained in a record or portion of a record deemed unresponsive to the request, I would like to inspect the entire document. Under the Open Records Act/Freedom of Information Act, all non-exempt portions of any partially-exempt documents must be disclosed. If any records or portions of records are withheld, please state the exemption on which you rely, the basis on which the exemption is invoked, and the name of the individual responsible for the decision.

Thank you for your prompt consideration of my request. If you have any questions, or if I can be of any assistance, please e-mail me at [SouthCarolina@openthebooks.com](mailto:SouthCarolina@openthebooks.com)

Sincerely,  
 Luke McCoy  
 American Transparency  
 P.O. Box 970999  
 Boca Raton, FL 33497-0999

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This letter acknowledges the receipt of, and is in response to, your correspondence dated 07/06/2017. Your request is subject to the South Carolina Freedom of Information Act, codified as Sections 30-4-10 et seq., Code of Laws of South Carolina, 1976, as amended (the "Act"), and has been processed as such. Your request is approved for identifiable, non-exempt records in existence and within Bamberg County's possession, in specific compliance with the Act.

Because your request is broad and extensive, Bamberg County will have to utilize significant Bamberg County resources to compile the documents you demand. Therefore, this request will take some time and efforts outside of Bamberg County's normal daily operations. While Bamberg County appreciates your stated desire to provide information to the public at-large, because of the time, effort, and public expense this broad request requires, I am unable to approve your request to waive the fees associated with it.

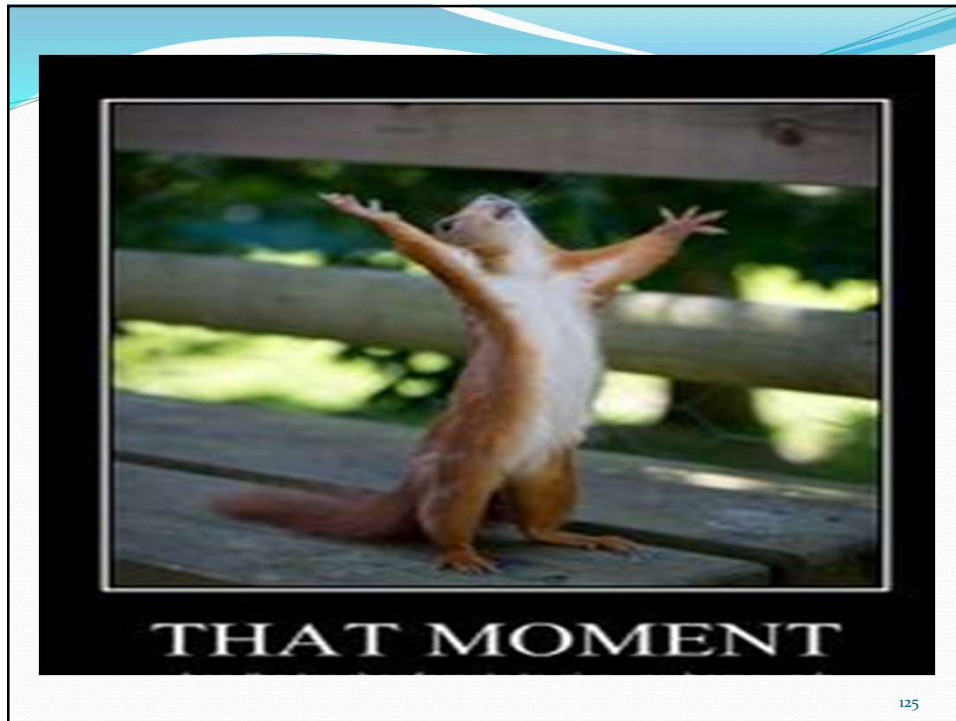
Bamberg County can provide you access to identifiable, non-exempt records in existence and within Bamberg County's possession. Nevertheless, Bamberg County does not maintain its records in the enhanced and segregated format you seek. Section 30-4-30 of the Act grants you the right to inspect or copy any public record during the normal hours of operation. Therefore, the employees of Bamberg County will direct you to the location where such records are kept, accompany you (at actual labor rate) while you review the records, and copy any records which you select for copying.

We are in the process of calculating the per hour personnel costs to search for and assemble the records so that we can provide you with an accurate deposit amount of not more than twenty five percent (25%) of the total cost of your request. Once we provide that estimated cost to you, we respectfully request that you remit a deposit check payable to Bamberg County as well as a signed statement that the documents you request will not be used for commercial purposes (use for commercial solicitation is a criminal offense under South Carolina law). Once Bamberg County receives your deposit payment and signed statement, we estimate it will take approximately ten (10) days to assemble the responsive records pursuant to your request. Final payment for any costs and copies you request must be paid when we provide access and copies to you.

Thank you for your interest in Bamberg County and its matters.

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*The End*

**Thank you for your time today!**

Gina R. Smith, CPA, CFP, CGMA  
[smithgr@bambergcounty.sc.gov](mailto:smithgr@bambergcounty.sc.gov)  
[ginasmithcpa@gmail.com](mailto:ginasmithcpa@gmail.com)

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