



EXPLANATION OF CRITERIA

Budgets with a Fiscal Year Beginning 1/1/25 or later

#C1. | Table of Contents

Mandatory: Include a table of contents that facilitates easy access to information.

1. Is a comprehensive table of contents provided for easy navigation (may take a variety of forms related to the approach used to present budgetary information)?
2. Do all pages in the table of contents electronically link to the corresponding content location (pages in a traditional document or other content in an electronic form)?
3. Are the page numbers or similar reference points in the table of contents consistent with the referenced page numbers?

Make sure every page is sequentially numbered.

Explanation

The pages in an electronic table of contents should link to the corresponding pages within the body. Care should be taken in developing electronic page number references in the table of contents, so they agree with the related page numbers. The use of whole numbers as page numbers is encouraged. Links outside of the document are acceptable to put in the table of contents.

#P1. | Strategic Goals and Strategies

Mandatory: Provide a coherent statement of organization-wide, strategic goals and strategies that address long-term concerns and issues.

1. Are strategic goals included?
2. Is the process for creating the strategic goals explained?
3. Are action plans and/or strategies included to show how these goals will be accomplished?

Look at GFOA's best practice on Strategic Planning.

Explanation

This criterion relates to the long-term, entity-wide, strategic goals that provide the context for decisions within the annual budget. Mention how the goals were derived. Include action plans or strategies on how the goals will be achieved. Major goals may be summarized, with additional information on the strategic plan linked elsewhere. Specific budget initiatives may be linked to goals. Refer to GFOA's best practice on [Strategic Planning](#).

#P2. | Priorities and Issues

Mandatory: Provide a budget message that articulates priorities and issues for the upcoming year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (e.g., *transmittal letter, budget summary section*).

1. Does the message highlight the principal issues facing the governing body in developing the budget (e.g., *policy issues, economic factors, regulatory, and legislative challenges*)?
2. Does the message describe the actions to be taken to address these issues?
3. Does the message explain how the priorities for the budget year differ from the priorities of the current year?
4. Are major changes in service levels, fees, and/or taxes presented?

Discuss issues and offer solutions.

Explanation

This criterion requires a summary explanation of key issues and decisions made during the budget process. The budget message also should address the ramifications of these decisions. Focus on solution-oriented discussion. Include major changes in service levels, fees, and/or taxes.

#C2. | Budget Overview

Mandatory: An overview of significant budgetary items and trends should be provided. The overview should be presented within the budget as a separate section (e.g., *budget-in-brief*) or integrated within the transmittal letter.

1. Is an overview contained in the budget message/transmittal letter, executive summary, or in a separate budget-in-brief?
2. Is summary information on significant budgetary items conveyed in an easy to consume format?
3. Is summary information on budgetary trends provided?
4. Is a summary of changes presented between the proposed to adopted budget?

Present the budget overview in a concise manner.

Explanation

The intent of this criterion is to help readers quickly understand major budgetary items and trends (revenues, expenditures, and capital). Highlighting, indentation, bullet points, outlines, use of social media, dashboards, videos, tables, or graphs may help in communicating this information. If a budget-in-brief is published separately, provide that link. Summarize any significant changes between the proposed to adopted budget.

#O1. | Organization Chart

Mandatory: Provide an organization chart for the entire entity.

1. Is a legible organization chart provided that shows the entire entity?

Make sure the organization chart is legible.

Explanation

This criterion requires that a legible organization chart be presented only for the overall entity. Organization charts for individual units are not required. When organization charts are provided for individual units within the entity, those charts should be presented in such a way as to underscore the link between the individual unit and the overall entity. Consider explaining how the organization structure helps in achieving entity goals.

#F1. | Fund Descriptions and Fund Structure

Describe all funds that are subject to appropriation.

1. Are a narrative and/or a graphic overview of the entity's budgetary fund structure included in the document?
2. Do the materials indicate which funds are appropriated? (*Other funds for which financial plans are prepared also may be included in the document.*)
3. Is each individual major fund described?
4. If additional or fewer funds are included in the audited financial statements, is this indicated?

An "organization chart" of the government's funds is useful.

Explanation

Showing an entity's budgetary fund structure is essential for understanding its financial configuration. An overview of the budgeted funds should be included in the document. This overview should include each major fund's name and either (1) an indication of whether the fund is a governmental, proprietary, or fiduciary fund or (2) an indication of the fund type of each fund (e.g., general, special revenue, enterprise fund). Any fund whose revenues or expenditures/expenses, excluding other financing sources and uses (governmental funds), excluding transfers in and transfers out (proprietary funds) constitute more than 10% of the revenues or expenditures/expenses of the appropriated budget should be considered a major fund for this purpose. The entity should identify its major funds.

#O2. | Department/Fund Relationship

Provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and nonmajor funds in the aggregate.

1. Is the relationship between the entity's functional units, major funds, and nonmajor funds in the aggregate explained or illustrated?

The department/fund relationship can be shown using a matrix.

Explanation

Since most entities use more than one way of classifying financial and operational information, this criterion provides an explanation or illustration of the relationship between functional units, programs, major funds, and nonmajor funds in the aggregate. A matrix is a common way to show this relationship.

#F2. | Basis of Budgeting

Explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

1. Is the basis of budgeting defined (*e.g., modified accrual, cash, or accrual*) for all funds?
2. If the basis of budgeting is the same as the basis of accounting used in the entity's audited financial statements, is that fact clearly stated?
3. If the basis of budgeting is not the same as the basis of accounting used in the entity's audited financial statements, are the differences described?

Governments should ensure that the basis of budgeting and accounting used and described in the budget document and audited financial statements are consistent.

Explanation

Clearly identify the basis of budgeting (*e.g., modified accrual, cash, accrual, or a general description of the basis if not standard employed by the entity for each category of funds represented (governmental, proprietary, and fiduciary)*). Governments should review the basis of budgeting used and described in the audited financial statements to ensure consistency with what is used and described in the budget document. Refer to GFOA's best practice, [Basis of Accounting versus Budgetary Basis](#).

#P3. | Financial Policies

Mandatory: Include a coherent statement of entity-wide long-term financial policies.

1. Is there a summary of financial policies?
2. Do the financial policies include the entity's definition of a balanced budget?
3. Does the budget comply with relevant financial policies?

Look at GFOA best practice on Adoption of Financial Policies.

Explanation

This criterion requires a discussion of the long-term financial policies. Financial policies that should be included (but not limited to) and formally adopted relate to: (1) financial planning policies, (2) revenue policies, and (3) expenditure policies. The entity should adopt a policy(s) that defines a balanced operating budget and indicates whether the budget presented is balanced. The entity should adopt a policy(s) that supports a financial planning process that assesses the

long-term financial implications of current and proposed operating and capital budgets, budget policies, and cash management and investment policies. The entity should adopt a policy(s) to inventory and assess the condition of all major capital assets. Revenue policies should consist of diversification, fees and charges, and use of one-time and unpredictable revenues. Expenditure policies should consist of debt capacity, issuance, management policy, fund balance reserves, and operating/capital budget versus actual monitoring. If any policy is not in compliance, please explain the strategy to achieve conformance. Consider including revision dates for adopted policies. It is acceptable to include links to your policies, especially if the policies are lengthy, but do provide a summary in those instances.

Refer to GFOA's best practices on (1) [Adopting Financial Policies](#), (2) [Long-Term Financial Planning](#), (3) [Multi-Year Capital Planning](#), (4) [Establishing Government Charges and Fees](#), (5) [Debt Management Policy](#), (6) [Fund Balance Guidelines for the General Fund](#), (7) [Working Capital Targets for Enterprise Funds](#), (8) [Enterprise Risk Management](#), and (9) [Establishing an Effective Grants Policy](#).

#P4. | Budget Process

Mandatory: Describe the process for preparing, reviewing, and adopting the budget for the coming fiscal year. Also, describe the procedures for amending the budget after adoption.

1. Is a description of the process (including amendments) used to develop, review, and adopt the budget included?
2. Is a budget calendar provided to supplement (not replace) the narrative information on the budget process?
3. Is there a discussion of how the public is involved in the budget process?

Include the public in your budget process.

Explanation

This criterion requires a concise narrative description of the budget process, including an explanation of relevant legal or policy requirements. This description should include the internal process to prepare the budget, the opportunities for public input, and the actual adoption of the budget. A budget calendar should be included (noting both key operating and capital dates), although its format may vary. Inclusion of dates in the narrative description of the budget process will not satisfy this criterion. The process for amending the budget after adoption should be covered. Clearly identify the legal level of budgetary control. Refer to GFOA's best practice on [Public Engagement in the Budget Process](#).

#F3. | Consolidated Financial Schedule

Mandatory: Present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

1. Is an overview of revenues and other financing sources and expenditures and other financing uses of all appropriated funds included?
2. Are revenues and other financing sources and expenditures and other financing uses presented either (1) together in a single schedule or (2) in separate but adjacent/sequential schedules or (3) in a matrix?

3. Are revenues presented by major type in this schedule (e.g., property taxes, intergovernmental, sales taxes, fees and charges)?
4. Are expenditures presented by function, program, or spending component in this schedule?

Break out revenues by type and expenditures by function, program, or spending component for the all funds total.

Explanation

This criterion requires a summary of the revenues and other financing sources and expenditures and other financing uses of all appropriated funds in one place in the budget document. Other funds may be included in this schedule, but appropriated funds must be included. Both revenues and other financing sources and expenditures and other financing uses must be presented either (1) together in a single schedule OR (2) in separate but adjacent/sequential schedules OR (3) in a matrix. Merely showing fund totals in a summary schedule is not proficient. Revenues should be presented by type (e.g., property tax, sales tax, fees and charges, intergovernmental) for all appropriated funds in total. Expenditures should be presented either by function, program or spending component.

#F4. | Three Year Consolidated and Fund Financial Schedules

Include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and the proposed budget year.

1. Are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and the budget year presented together on the same schedule(s) or on schedules presented on adjacent/sequential pages?
2. Is this information presented for the appropriated funds in total?
3. Is this information also presented at a minimum for each major fund and for other (i.e. nonmajor) funds in the aggregate (or for each significant fund and other funds in the aggregate if no appropriated funds are included)?
4. Are revenues presented by major type in this schedule (e.g., *property taxes, intergovernmental, sales taxes, fees and charges*)?
5. Are expenditures presented by function, program, or spending component in this schedule?

Break out revenues by type and expenditures by function, program, or spending component for the all funds total and individual funds.

Explanation

This criterion requires a schedule(s) that includes both revenues and other financing sources and expenditures and other financing uses for at least three budget periods (prior year actual, current year, and budget year). The data for the prior year should be the actual revenues and expenditures. However, the entity may choose whether to use the current year budget and/or estimated figures. Alternately, the schedules may include both the current year budget and the current year

estimated amounts. Any fund whose revenues or expenditures, excluding other financing sources and uses, constitute more than 10% of the revenues or expenditures of the appropriated budget should be considered a major fund. Of course, information for other funds also may be presented. Information for individual major funds, nonmajor funds in the aggregate, and the entity as a whole may be presented on a single schedule or on separate schedules. Regardless of the format selected, the information for both revenues and expenditures must be included (1) on the same schedule(s) or (2) on schedule(s) presented on adjacent/sequential pages. Revenues should be presented by type (e.g., property tax, sales tax, fees and charges, intergovernmental) and expenditures should be presented either by function, program, or spending component.

#F5. | Fund Balance

Mandatory: Include projected changes in fund balance/net position for appropriated funds included in the budget presentation.

1. Is the entity's definition of fund balance/net position included?
2. Is the fund balance/net position information presented for the budget year?
3. Is there a schedule showing (1) beginning fund balances/net positions, (2) increases or decreases in total fund balances/net positions, and (3) ending fund balances/net positions for appropriated governmental funds?
4. Is this information presented at a minimum for each major fund and for nonmajor governmental funds in the aggregate?
5. If the fund balances of any major fund or the nonmajor funds in the aggregate are anticipated to increase or decline by more than 10%, does the document include a discussion of the causes and/or consequences of these changes in fund balance?
6. If an entity has no governmental fund, is the change in net position presented for (1) the entity as a whole, (2) the main operating fund, and (3) each significant fund?
7. If an entity has no governmental funds and the net position is anticipated to change by more than 10%, do the materials include a discussion of the causes and/or consequences of those changes?

Discuss fund balances/net position changes over ten percent.

Explanation

This criterion requires that beginning and ending fund balances/net positions, as defined by the entity, be shown for the budget year, as well as revenues, expenditures/expenses, and other financing sources/uses. This information must be provided for each major fund and for the nonmajor governmental funds in the aggregate. The information may be included on the schedule(s) with the three-year data or may be presented on a separate schedule(s). Both the beginning and ending fund balances/net positions must be clearly labeled. If the entity budgets on a cash basis, the schedule may show beginning and ending cash rather than fund balance/net position. If the fund balances/net positions of any major fund or the nonmajor funds in the aggregate are expected to change by more than 10%, the changes should be discussed in the budget message/transmittal letter or at the bottom of the schedule identifying the change. If the ending fund balances/net positions are greater than the amount or percentage that the financial policies require to be set aside, the entity is encouraged to state that fact. Changes in net position for entities with no governmental funds should be reported.

Refer to GFOA's best practice on [Fund Balance Guidelines for the General Fund](#) and [Working Capital Targets for Enterprise Funds](#).

#F6. | Revenues

Mandatory: Describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

1. Are individual revenue sources described?
2. Do the revenue sources that are described represent at least 75% of the total revenues of all appropriated funds?
3. Are the methods used to estimate revenues for the budget year described (e.g., *trend analysis, estimates from another government or consulting firm*)?
4. If revenues are projected based on trend information, are both those trends and the underlying assumptions adequately described?

Trend graphs can be useful in revenue analysis.

Explanation

This criterion requires that the major revenues of the appropriated funds in the aggregate be identified and described. If an outside source (e.g., another government or consulting firm) provides an estimate of the revenue for the budget year, that fact must be clearly stated. If the entity uses trend analysis to project revenue, a discussion of the revenue trend is required in addition to any schedules or graphs depicting the revenue trend. If the projections are based on trend analysis, the discussion must identify factors that affect the trend, such as changes in the local economy, a new housing development, or fee increases. Do not just focus on General Fund revenues. Refer to GFOA's best practice on [Financial Forecasting in the Budget Preparation Process](#).

#F7. | Long-range Operating Financial Plans

Explain long-range operating financial plans and their effect upon the budget and the budget process.

1. Do your long-range financial plans for major funds (beyond just the General Fund) extend out at least two years beyond the budget year?
2. Are the assumptions used in the long-range operating financial plans identified?
3. Is there a concise explanation of the significance of the long-range operating financial plans in its relation to achieving strategic goals?

Describe long-range operating financial plans that extend beyond the budget year.

Explanation

This criterion requires the identification of long-range operating financial plans that extend at least two years beyond the budget year. The impacts of the long-range operating financial plan upon the current budget and future years should be noted. Assumptions for both revenues and expenditures should be included. Include discussion so the reader can understand the key points

of the projections. Pension obligations and other long-term unfunded liabilities should be considered when developing your long-range financial plans. Provide long-range financial projections beyond just the General Fund. Refer to GFOA best practices on [Long-Term Financial Planning](#) and [Strategic Planning](#).

#F8. | Capital Program

Mandatory: Include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

1. Are “capital expenditures” defined?
2. Do the materials indicate the total dollar amount (for both sources and uses) of the capital program for the budget year(s) and/or multi-year capital plan?
3. Are significant nonrecurring capital expenditures described along with dollar amounts?
4. What is the process to identify funded projects?
5. Is there a description and quantification of how specific nonrecurring capital projects will affect the entity’s current and future operating budget?

Include discussion on major capital projects.

Explanation

This criterion does not mandate any particular definition of “capital expenditures,” only that whatever definition is being used by the entity be disclosed. After defining capital expenditures, the entity should indicate the total dollar amount of sources and uses for the budget year(s) and/or multi-year capital plan. Include a summary of the capital program by major revenue source and uses by major project, type, fund, or program. Make sure that some discussion on the process of how capital projects are identified is included. If the entity has any significant, nonrecurring capital expenditures, the materials should describe these items. Individual capital project sheets for major items in the plan may be helpful. The budget can include a summary, with additional detail elsewhere. The operating impacts of capital projects should be discussed and quantified.

Refer to GFOA best practices on (1) [Capitalization Thresholds for Capital Assets](#), (2) [Estimated Useful Lives of Capital Assets](#), (3) [Capital Budget Presentation](#), and (4) [Multi-Year Capital Planning](#).

#F9. | Debt

Mandatory: Include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current operations.

1. Are debt limits and coverage requirements described and calculated?
2. Is the amount of principal and interest payments presented through maturity for each fund?
3. Are bond ratings shown?
4. Is the purpose of the different debt obligations included?

Debt to maturity schedules breaking out principal and interest are useful.

Explanation

Entities should describe and calculate their legal debt limits and coverage requirements. The legal debt limits may be expressed in terms of total dollars, millage rates, or percentages of assessed value. The entity should discuss coverage requirements and actual coverage for revenue backed debt. Include debt to maturity schedules. An entity may wish to discuss debt that it anticipates issuing. An entity should concisely describe the purpose of its debt obligations and associated bond ratings.

#O3. | Position Summary Schedule

Mandatory: A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.

1. Is a summary table of position counts provided for the entire entity?
2. Does the table include the prior year, the current year, and budget year position counts?
3. Are changes in staffing levels for the budget year explained?

Position counts are frequently presented showing individual department totals summing to a grand total.

Explanation

This criterion requires a presentation of position counts or full-time equivalents (FTEs) within the entity. Presentation may be by position and/or by summaries of positions. Position summaries within individual departments may supplement, but not be a substitute for, the position counts on the consolidated schedule. If presented, position counts on the departmental summaries should tie to the consolidated position count schedule for the entity. Staffing level changes must be explained. Refer to GFOA's best practice on [Effective Budgeting of Salary and Wages](#).

#O4. | Departmental/Program Descriptions

Mandatory: Include departmental/program descriptions.

1. Are organizational units clearly presented (e.g., *divisions, departments, offices, agencies, or programs*)?
2. Are descriptions provided along with major priorities in each organizational program?

Discuss major financial or program changes occurring in the different departments/programs.

Explanation

This criterion requires a clear presentation of the organizational/programs. A narrative description of the assigned services, functions, programs and activities of organizational units should be included. Major priorities within each organizational unit should also be addressed. Refer to GFOA's best practice on [Departmental Presentation in the Operating Budget Document](#).

#O5. | Departmental/Program Goals and Objectives

Include clearly stated goals and objectives of the department or program.

1. Are departmental/program goals and objectives described?
2. Are departmental/program goals clearly linked to the strategic goals of the entity?
3. Are objectives quantifiable?
4. Are time frames on objectives noted?

Consider a matrix linking department/program goals to the entity's strategic goals.

Explanation

This criterion requires that departmental/program goals and objectives be described. The relationship of departmental/program goals to the strategic goals of the entity should be apparent. For purposes of this criterion, goals are long-term and general in nature, while objectives are more short-term oriented and specific. Note when goals and objectives are expected to be accomplished.

#O6. | Performance Measures

Mandatory: Provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific departments and programs.

1. Are performance data for individual departments or programs included in the document?
2. Are performance data directly related to the stated goals and objectives of the department or program?
3. Do performance measures focus on results and accomplishments (e.g., *output measures, efficiency and effectiveness measures*) rather than inputs (e.g., *dollars spent*)?

Link performance measures to departmental/program goals and objectives and include efficiency and effectiveness measures.

Explanation

Performance measures should include the outputs of individual departments or programs and provide a meaningful way to assess their effectiveness and efficiency. The measures should be related to the mission, goals, and objectives of each department or program. Include information for at least three years (the prior year actual, current year estimate or budget, and budget year). Present anticipated results. Refer to GFOA's best practice on [Performance Measures](#).

#C3. | Statistical/Supplemental Section

Include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.

1. Is statistical information that defines the community included (e.g., *population, composition of population, land area, and average household income*)?

2. Is supplemental information on the local economy included (e.g., *major industries, top taxpayers, employment levels, and comparisons to other local communities*)?
3. Is other pertinent information on the community (e.g., *local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure*) included?

Do not just copy the ACFR statistical/supplemental section.

Explanation

Background information should be included in the budget in the form of statistical and supplementary data, either in a separate section or throughout the document. The goal is to provide a context for understanding the decisions incorporated into the budget document. The presentation should include factors that will affect current or future levels of service (e.g., population growth, economic strength in the region, or a change in the size of the school age population). Refer to GFOA's best practice on [The Statistical/Supplemental Section of the Budget Document](#) for information that should be included as part of this discussion.

#C4. | Glossary

A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to an informed lay reader.

1. Is a glossary that defines technical terms related to finance and accounting, as well as non-financial terms related to the entity?
2. Are acronyms or abbreviations used in the document defined in the glossary?
3. Is the glossary written in non-technical language?

Make sure acronyms and non-financial terms are also included.

Explanation

The use of technical terms and acronyms ought to be kept to a minimum, to enhance the value of the information to the public. When technical terms and acronyms are used, they should be clearly and concisely described in the glossary. Entities should not include accounting terms, acronyms, and abbreviations that are no longer used in practice. Inclusion of accounting terms should be limited to ones that are current GAAP and applicable to state and local governments. For example, the terms "capital lease" and "operating lease" no longer exist, there are only "leases" reported in financial statements; governments use the term "capital assets" not private sector terms "fixed assets" or "property, plant and equipment;" the fiduciary fund type "agency fund" no longer exists and has been replaced with "custodial fund." Links may be included, especially on non-financial terms.

#C5. | Charts and Graphs

Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

1. Are charts and graphs used in the document to convey essential information (e.g., key policies, trends, choices and impacts)?
2. Are graphics explained?

Including captions with graphs is helpful.

Explanation

This criterion requires that graphics be used to communicate key information. Graphics should enhance the budget presentation and clarify significant information. The entity determines the most effective format to present graphic information. Graphics may be consolidated or included throughout the document. Normally, narratives should accompany the graphs. Graphs can be used for such topics as revenues, expenditures, fund balances, staffing, economic trends, capital expenditures, service levels, performance measures, or general statistical information. Originality is encouraged, but not at the expense of clarity and consistency. Use captions to explain the significance of graphs.

#C6. | Understandability and Usability

The budget information should be produced and formatted in such a way as to enhance its understanding for the average reader. It should be attractive, consistent, and oriented to the reader's needs.

1. Are page formatting and font consistent?
2. Is the level of detail appropriate?
3. Are text, tables, and graphs legible and accurate?
4. Are links included to other forms of budget communication, like videos, social media, etc.?

Make sure the document is easy to read.

Explanation

The goal of this criterion is to make sure that the document contributes to the effectiveness of the communication to readers. Sequential page numbering throughout the document is encouraged. Budget numbers (both financial and operational) should be accurate and consistent throughout the document. Put similar topics in the same section.

Do not have the file size too large. Links to other forms of budget communication are encouraged. Consider limiting the number of links so it does not become overwhelming. Be aware of ADA requirements on websites and financial documents. Refer to GFOA's best practice on [Making the Budget Document Easier to Understand](#) and [Website Posting of Financial Documents](#).