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The budget as a tool for implementing local government tasks - an analysis of the budget of the city of Częstochowa

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ABSTRACT

The following study covers the topic of the budget of local government units, which is a tool for the implementation of local government tasks. The essence of the concept of budget was explained and its impact on shaping income and expenditure in local government units was described. In the empirical part of the study, the budget of the city of Częstochowa in 2014-2019 was analyzed, and the amount of individual revenues and expenses was indicated.

Keywords: Local government budget, local government unit, budget revenues, budget expenditures, budget of the municipal commune

1. INTRODUCTION

In the modern economy, the overriding element of effective financial resource management is having a budget for economic entities. It is a tool in which there are possibilities of using it for local government management. The local government budget is a fundamental element of public finances, it is connected with the political, economic and social functions of the commune [1].

The budget is usually defined in a descriptive way by indicating its most important features. This is a reflection of the ways and means used to achieve the assumed goals through influencing and influencing society's behavior. The budget is a centralized public fund for collecting cash. The budget and budget processes are not only about legally preparing the document. The budget planning process takes into account the political, management, planning, communication and financial dimensions. The local government budget is one of many elements that make up the resources of the financial system. The financial resources will be all those inflows that are engaged in the implementation of public tasks by local government units. Legal regulations regarding the preparation and adoption of the self-government budget are contained in the Public Finance Act. It reflects budgetary principles that have been modified and adapted to current economic and social needs and problems [2].

The economic and financial crisis has highlighted all the negative aspects of the traditional public finance model, especially in the local government sub-sector. Therefore, there has been a demand for modern public finance management instruments that would make optimal use of limited financial resources in the public sector. In addition, they would affect the rationalization of public expenditure, increase the efficiency and effectiveness of the local government subsector, as well as the transparency of public authorities. In addition, the development of civil society forces a change in the way management processes are shaped in the public sector. At present, there is a noticeable trend in which one moves from electoral democracy to a democratic society in which citizens are treated not only as voters, but also as co-decision makers, creators of the common good [3].

Contemporary management of public funds should refer to civil society, which is defined as a network of social organizations. The role of public authorities is to create conditions and facilitate interactive processes in networks to solve problems and manage complex communities by coordinating the activities of entities belonging to different sectors. In addition, power focuses on issues of involving citizens as stakeholders, not just consumers, and ensuring transparency and equal treatment. Contemporary management is participatory, partnership, interactive democracy characterized by social dialogue and emphasizes the role of ethics [4].

2. BUDGET AS A TOOL FOR IMPLEMENTING SELF-GOVERNMENTAL TASKS

The budget is understood as the basic financial plan of the state or local government units. Revenue and expenditure in the budget are included in the appropriate level of detail and within a specified period of time, usually, and in Polish conditions only during the year. Practice shows, however, that the period of annuality in the implementation of medium and long-term tasks, as well as investment tasks carries a high probability of ineffective use of public resources and erroneous assessments of decisions that have a negative impact, usually on future periods. The state budget adopted by the parliament under the budget law is the basic financial plan of the state. The supremacy of the state budget over other financial plans of the public finance sector results from the Constitution of the Republic of Poland, and its detailed structure and content are derived from the regulations contained in the Public Finance Act and regulations issued on its basis [5].

Public funds include public revenues (in particular public levies, receipts from the activities of public finance sector entities and income from the property of these entities), funds from the European Union budget and non-recoverable funds from aid granted by member states

of the European Free Agreement Trade, non-returnable funds from foreign sources, revenues of the state budget and budgets of local government units, and revenues of public finance sector entities. Public funds are allocated to public expenditure (incurred in order to implement public tasks) and public expenditure (in particular to repay loans and credits received, redemption of securities, granting loans and credits). A positive difference between revenues and public expenditure is a surplus of the public finance sector, while a negative difference is a deficit of the public finance sector.

The processes of collecting and distributing public funds are implemented by public finance sector units, which include [6]:

- public authorities, including government administration bodies, state control and law protection bodies, and courts and tribunals,
- local government units,
- budgetary units,
- local government budgetary establishments,
- executive agencies,
- budgetary economy institutions,
- state earmarked funds,
- Social Insurance Institution and the funds it manages, as well as the Agricultural Social Insurance Fund and the funds it manages,
- National Health Fund,
- independent public health care facilities,
- public universities,
- Polish Academy of Sciences and its organizational units,
- state and local government cultural institutions and state film institutions,
- other state or local government legal entities established on the basis of separate acts to perform public tasks, excluding enterprises, research institutes, banks and commercial law companies.

The structure of public expenditure is a derivative of the social and economic policy of a given country. The list of public tasks and the size of public funds allocated for selected social tasks depend on the approved model of social policy, wealth of the society, and integration processes with the European Union. Attempts have been made for a long time to extend the time horizon in budget planning and to rationalize public expenditure. This is an expression of awareness of the importance of public spending as an important instrument in socio-economic policy. In order for the state budget to better fulfill its tasks, an attempt was made to bring its construction and functioning closer to the company's budget. When planning the budget of local government units, after determining the tasks to be carried out by public institutions, the corresponding goals are set. The process of setting goals for individual levels of the task structure is also not easy and requires external arrangements, e.g. in the form of legal regulations or available resources, i.e. financial, organizational, personnel and technical capabilities of the entity implementing the objectives. In addition, the objectives of the expenditure plan should be consistent with the objectives contained in the country's most important programming documents, in particular in line with the government's socio-economic policy directions and the medium-term objectives of the country's development strategy and other strategies.

Furthermore, they should be precise, specific, measurable, achievable, relevant, consistent, realistic and timely. Measures are used to assess the degree of achievement of objectives [7]. The modern budget is an extremely important tool of public finance, it plays an important socio-economic role by distributing national income developed in the country [6]. In addition, it is also of great political and political importance, as it is closely related to the functions of the state and public bodies. The budget of local governments is the annual plan of revenues and expenses as well as the revenues and expenses of this unit, adopted for the financial year, with the financial year being the calendar year. The basis of local government financial management in a given financial year is the budget resolution, which consists of the budget of the local government unit and annexes. The institution of the local government budget is limited to the catalog of revenues and expenses that result from tasks implemented by the local government unit from the Public Finance Act and specific acts regulating the manner of implementation of individual public tasks, and thus the annual budget does not contain information on the implementation of tasks beyond the financial year. The local government budget does not contain information on the involvement of non-budgetary resources of local government, which is of particular importance for the stability of the financial system [8].

The most important functions of the budget of local government units are [9]:

- optimization function - the budget may be conducive to optimizing the operation of a local government unit, but also may create conditions for wasting public funds. It all depends on how it is treated by the management of the local government unit and on what methods it is created,
- management function - it is the main function of the budget. The scope of management functions include: income and expenditure planning, monitoring, substantive and formal control of income and expenditure, the possibility of dividing the budget into the operational and investment part, creating the budget by various methods, the possibility of extending the periods for which the budget is drawn up, the possibility of preparing budgets in shorter periods (monthly budgeting), the option of preparing a cash budget that differs from the planning budget,
- democratic function - it depends on how the local government budget is created, when management at all levels including staff is involved in the budget creation process, we are talking about a democratic function. We see the opposite situation when talking about the autocratic function, then the budget is imposed in advance by the narrow management of the unit,
- promotion function - it is related to the relations of a given local government unit with the environment. A well-created and presented budget can be a key instrument promoting an entity's activities. This is considerable in the process of receiving contracts and orders or raising funds,
- integration function - consists of team integration around the implementation of tasks financed from the budget.

The management function seems to be the primary function of the budget. This is because in the context of money economy, all areas of the entity's activities must be reflected in the budget. The budget should expressly treat the implemented financial plan of local government units. It should be noted, however, that the budget of local government units is one of many elements that make up the resources of the local government financial system. The financial resources will be all those inflows that are engaged in the implementation of public tasks by the

local government [10]. The budget in the traditional approach focuses mainly on the distribution of funds in the broad sense, i.e. on the allocation of not only financial resources, but also human and technical resources. Its main measure is the amount of funds involved, and the basic dilemma is related to the amount of funds necessary to conduct business. The performance budget, on the other hand, serves as a tool that draws attention to the effects of spending public funds and provides more and qualitatively better information about the objectives and priorities of public expenditure, as well as about the participation of individual programs in achieving the objectives. This is favored by task-specific budgeting: multi-annual planning, hierarchical arrangement of expenses due to their importance and impact on the country's economic and social development, as well as expenditure efficiency analysis. The performance budget also gives the possibility of rational redistribution of public funds to obtain better effects, including development ones, creating a chance to control the management of public funds in terms of their effects [11].

A local government unit is a specific accounting entity, separated in legal, organizational, property, financial and personal terms, combining primarily the features of a public entity implementing separate public tasks to meet the needs of the local community. The implementation of public tasks requires a local government unit to conduct financial management in order to accumulate funds to finance its public tasks. The financial economy of the local government unit in each calendar year is associated with the procedure for adopting and implementing the budget. A local government unit is obliged to apply the principles of openness and transparency of public finances. For a local government unit, the principle of openness means publishing aggregate data on its finances and activities in the form of, among others, Balance sheet and report on the implementation of the budget in shaping. The principle of transparency obliges this entity, among others to use budget classification divisions at the planning, accounting and reporting stages. Openness and transparency of information provides more complete control over public funds, which improves liquidity management, has a positive effect on budgetary discipline and, as a result, on the financial situation of the local government unit. The financial statements, budget reports and the report on the implementation of the budget constitute a rich source of information and data on the financial situation of the local government unit [12].

The decision-making body of local government units may not adopt a budget in which the planned current expenditure is higher than the planned current income increased by the budget surplus from previous years and the so-called free funds. The ban on planning and making current expenses in the amount exceeding current revenues was introduced, mitigated by the possibility of covering a possible shortage from enumerated sources. This regulation is related to the division of budget revenues and expenses of local government units into current and property income as well as current and property expenditure. The restrictions referred to apply both to current expenditure amounts at the planning and implementation stages. They boil down to the introduction of a statutory requirement to balance the budget of local government units in the operational part, allowing for the possibility of covering the deficit with the budget surplus from previous years and free funds. An increase in the budget for taking out a loan can be said when it is intended to finance a planned deficit and advance financing of activities financed from European Union funds under pre-financing. There is no budget deficit when financing the temporary budget deficit and repayment of obligations previously incurred for the issue of securities, loans and credits. Therefore, a loan which is not a source of expenditure financing is not included in revenues resulting in an increase in the budget of the

local government unit. There are also no grounds to increase the planned expenditure of the budget by repayment of existing liabilities, financed from the consolidation loan. The planned outlays include funds disbursed from the budget, but intended for the actual repayment of loans previously incurred, as a result of which the borrowing of the commune decreases or is completely reduced [13].

Accounting of public finance sector units is a system for collecting, processing and presenting information (expressed in a monetary measure) reflecting processes related to budget implementation, i.e. the accumulation, distribution and consumption of public funds. This information enables the analysis, assessment and control of budget implementation, implementation of financial plans, as well as the property and financial situation of public finance sector entities. The budget result should be understood as the difference between budget revenues and expenses for a given accounting period (financial year). A positive difference is a budget surplus, a negative deficit difference. An important problem in both theoretical and practical terms is the essence of budgetary and financial balance and places of generating free funds in the budget. Budget balance is a state of the budget where expenditure is covered by income. The most important element is the planned economic result of the budget, indicating the problem of budget balance, as well as the financial result of the budget characterizing those phenomena that are also associated with the financial streams of budget revenues and expenses and are the same as the financial balance of the budget [14].

The result of the current budget is defined as the difference between current income and current expenditure (excluding interest expenses on existing and planned debt). Compliance of values means the identity of the amounts of revenues and expenses, local government debt and the budget result planned for a given financial year with the values included in the budget resolution of the local government unit. Separating the categories of current and property income as well as current and property expenses in the budgets of local governments has become the beginning of using the term of the operating surplus of the budget of local government units. Operating surplus, in the case of positive values, is the difference between current income and current expenditure (operating deficit, respectively, in the case of negative current result). The result of the operating budget indicates whether the local government unit is able to cover current expenses with current income. The higher the value of the operating surplus, the greater the possibility for the local government unit to implement new property ventures, both directly, allocating this amount for investments and indirectly, paying off previously incurred liabilities for investment purposes [15].

It should be emphasized that local governments have the right to choose a debt instrument, which is undoubtedly an expression of their great independence. This applies to the domestic and foreign financial market. The principles of incurring and repayment of liabilities by local government units and the principles of operation of these instruments are regulated by law, which in various ways limit the decisions of the units in question. The basis for debt limitation in local government units is the individual debt ratio, which refers to realized current income, property income and current expenditure for the last 3 years. The decision-making body of local government units may not adopt a budget, the implementation of which means that in the financial year and in each year after the financial year, the relation of the total amount of loan installments repayment and loan installments falling in a given financial year together with interest on loans and borrowings due in a given year, redemption of securities together with due interest and discount on securities, potential repayments of amounts resulting from granted sureties and guarantees to the planned total budget revenues will exceed the arithmetic average

of the ratio of its current income calculated for the last 3 years increased by income from the sale of property and decreased by current expenditure to total budget revenues [16].

3. ANALYSIS OF THE CITY BUDGET OF CZĘSTOCHOWA

In accordance with art. 267 of the Act of 27 August 2009 on public finances, the management board of a local government unit, by 31 March of the year following the financial year, shall submit to the decision-making body and the Regional Accounting Chamber an annual report on the implementation of the budget.

The report is prepared on the basis of data resulting from budget records. It contains:

- execution of budget revenues, expenses, revenues and expenses,
- revenues and costs of local government budgetary establishments,
- execution of separate income accounts of educational units,
- changes in the expenditure plan for the implementation of programs financed with the funds referred to in art. 5 paragraph 1 point 2 and 3 of the Public Finance Act made during the financial year,
- stage of completion of long-term projects,
- an annual report on the implementation of the financial plans of local government cultural institutions and independent public health care institutions, whose founding body is the City of Częstochowa.

The basis for the city of Częstochowa's financial management in 2018 was the City Council Resolution No. 733.XLVIII.2017 of December 22, 2017 regarding the adoption of the budget of the City of Częstochowa for 2018.

The main figures included in the budget resolution were as follows:

- total income 1 274695 908 PLN
- total expenses PLN 1,329,991,900
- planned deficit / - / 55295 992 PLN

The above-mentioned figures changed during the financial year. The changes resulted, among others, from from:

- adjustments to the amount of earmarked subsidies transferred to the City of Częstochowa from the state budget for the implementation of commissioned tasks in the field of government administration and own tasks,
- accepting tasks for implementation based on concluded agreements,
- acquiring external sources of financing during the budget implementation (including funds from the European Union) and changing the schedules of projects co-financed with external funds,
- supplement the expenditure plan mainly for education and upbringing departments, educational parenting and social assistance,
- adjusting the investment expenditure plan to the implementation schedules.

The changes made the plan for December 31, 2018 as:

- on the revenue side, PLN 1 319 516 662,
- on the expenditure side, PLN 1 382 990 902.
- planned deficit / - / 63 474 240 PLN,
- The changes were presented in detail in the part of the report on the report on changes to the budget resolution in 2018.
- Finally, as at 31/12/2018, the implementation of the budget of the City of Częstochowa ended with the following amounts:
- total revenues achieved reached the level of PLN 1 264 045 836.18, i.e. 95.8% of the plan after changes,
- total expenditure achieved reached the level of PLN 1 304 050 783.94, ie 94.3% of the plan after changes.

The basic budget reports of the City of Częstochowa for 2018 are presented in the table.

Table 1. The budget of the City of Częstochowa for 2018.

No.	Specification	2018		
		Plan after changes to	Execution	% (4:3)
1	2	3	4	5
1.	TOTAL REVENUE, of which:	1 319 516 662	1 264 045 836,18	95,8
a)	Current income	1 208 176 927	1 201 830 521,73	99,5
b)	Property income	111 339 735	62 215 314,45	55,9
2.	TOTAL EXPENDITURE, of which	1 382 990 902	1 304 050 783,94	94,3
a)	Current expenses	1 144 065 623	1 111 359 597,76	97,1
b)	Property income	238 925 279	192 691 186,18	80,6
3.	BUDGET RESULT (1 - 2)	/-/ 63 474 240	/-/40 004 947,76	63,0
4.	TOTAL REVENUE	102 182 398	102 471 591,10	100,3
5.	TOTAL EXPENDITURE	38 708 158	38 708 155,42	100,0

[Source: Order no 239.2019 Of the president of the city of Częstochowa dated 29 March 2019 on the adoption of the report on the implementation of the budget of the city of Częstochowa for 2018 and submission to the City Council of Częstochowa and the Regional Accounting Chamber]

Budget revenues planned for 2018 at the level of PLN 1 319 516 662 were realized in the amount of PLN 1 264 045 836.18, i.e. in the amount of 95.8% of the plan after changes, including:

- current income was realized in the amount of PLN 1 201 830 521.73, ie at the level of 99.5% of the plan after changes.
- property income was realized in the amount of PLN 62 215 314.45, representing 55.9% of the plan after changes.

Current revenues were made below the assumed plan by PLN 6,346,405.27. The above amount results mainly from the incomplete execution of shares in corporate income tax (PLN 2 506 690.95 below the set plan) and changes in task implementation schedules, as well as lengthy procedures for reimbursing expenses previously incurred by the city co-financed by the European Union (7 060 501, PLN 54 below the agreed plan).

Property income was made in 55.9%, i.e. in the amount of 62 215 314.45 PLN. Lower than planned revenues resulted mainly from changes in the schedules of tasks implementation and long-lasting procedures of reimbursement of expenses previously incurred by the city co-financed by European Union funds.

Detailed data on the implementation of income are presented in the annexes to the budget resolution and in the further explanatory part.

The budget expenses planned for 2018 at the level of PLN 1 382 990 902 were realized in the amount of PLN 1 304 050 783.94, i.e. in 94.3% of the plan after changes, including:

- current expenses were realized in the amount of PLN 1 111 359 597.76, ie at the level of 97.1% of the plan after changes.
- property expenses realized in the amount of PLN 192 691 186.18, ie in 80.6% of the plan after changes.

The division structure of current expenditure of the City of Częstochowa in 2018 is presented in the table below.

Table 2. Division structure of current expenses of the City of Częstochowa in 2018

No.	Specification	Execution in PLN	% participation in expenses current
1	Education and educational parenting	428 643 522,09	38,6
2	Social assistance, family and other tasks in the field of social policy	296 544 224,27	26,7
3	Transport and communications	83 952 263,56	7,5
4	Public administration	71 022 265,47	6,4
5	Municipal economy and environmental protection	66 372 903,03	6,0
6	Housing economy	54 478 531,00	4,9

7	Culture and protection of national heritage	32 461 483,47	2,9
8	Public safety and fire protection	28 037 653,68	2,5
9	Health care	15 238 928,24	1,4
10	Health care	15 131 782,82	1,4

[Source: Order no 239.2019 the president of the city of Częstochowa of 29 March 2019 on the adoption of the report on the implementation of the budget of the city of Częstochowa for 2018 and submission to the City Council of Częstochowa and the Regional Accounting Chamber]

Current expenditure was intended for the implementation of own tasks, commissioned in the field of government administration, accepted for execution on the basis of concluded agreements, tasks entrusted to entities not included in the public finance sector and tasks co-financed by the European Union. Property expenses in 2018 amounted to PLN 192 691 186.18.

Analyzing the implementation of revenues, it should be stated that the budget revenues at the end of 2018 were made in the amount of PLN 102,471,591.10. The above implementation consisted of:

- free funds (understood as a surplus of cash on the local government unit account resulting from settlements of loans and advances from previous years) - PLN 27 057 441.10
- loan from the European Investment Bank - PLN 74,000,000.00
- repayment of loans granted by the City - PLN 1,414,150.00
- On the other hand, the outlays of the budget at the end of 2018 totaled PLN 38 708 155.42, of which:
- repayment of foreign loans 27,712,485.38 (loan taken out from the European Investment Bank)
- repayment of domestic loans and credits PLN 10,995,670.04,
- The repayment of all liabilities was carried out in accordance with the repayment schedules resulting from the concluded contracts.

When analyzing the report, attention should be paid to budget indicators. The basic operational indicators include current income, operating income, current expenditure, operating expenses, current result, operating result and operating surplus.

The budget figures achieved in 2018 allowed to generate an operating surplus of PLN 100 123 536.04 and an operating margin of 8.3%.

Current revenues in accordance with the Public Finance Act constitute all budget revenues, with the exception of subsidies and funds allocated for investments, income from the sale of assets and from the transformation of the perpetual usufruct right into ownership. Current income was made in the amount of PLN 1 201 830 521.73.

Operating income is total income less proceeds from the transformation of the right of perpetual usufruct into the right of ownership vested in natural persons, the paid acquisition of property rights and the right of perpetual usufruct of real estate, sale of assets, investment income and interest on bank deposits. The operating income for 2018 is PLN 1 201 499 882.64.

The operating revenues were covered by:

- operating expenses in the amount of PLN 1 101 376 346.60,
- repayment of loan installments in the amount of PLN 38 708 155.42,
- debt servicing expenses in the amount of PLN 9,983,251.16,
- capital expenditure in the amount of PLN 51 432 129.46.

Total current expenses were made in the amount of PLN 1 111 359 597.76. Current expenses in accordance with the Public Finance Act include:

- expenses of budgetary units, including remuneration and contributions calculated from them, as well as expenses related to the implementation of their statutory tasks, which were carried out in the amount of PLN 734 520 584.19
- subsidies for ongoing tasks that were carried out in the amount of PLN 151 268 464.12,
- benefits for natural persons that were made in the amount of PLN 201,757,430.37,
- expenditure on programs financed with the participation of EU funds in the part related to the implementation of the tasks of the local government unit - made in the amount of PLN 13 829 867.92,
- payments due to sureties and guarantees - due to the timely fulfillment of obligations by entities to which the City granted sureties, there was no need to spend funds in this respect,
- debt service - performed in the amount of PLN 9,983,251.16.

Operating expenses are current expenses less costs of servicing the loans and borrowings raised. These expenses for 2018 were made in the amount of PLN 1 101 376 346.60.

The above ratios were carried out at a good level ensuring financial liquidity, repayment and debt service, and generating own funds for investment.

Table 3. Operational indicators of the budget

No.	Specification	PLN		%
		Plan after changes to	Execution	
				(4/3)
1	2	3	4	5
1.	Total income, including:	1 319 516 662	1 264 045 836,18	95,8
a)	Current income	1 208 176 927	1 201 830 521,73	99,5
2.	Total expenses, including:	1 382 990 902	1 304 050 783,94	94,3
a)	Current expenses	1 144 065 623	1 111 359 597,76	97,1
3.	Budget result (1-2)	/-/ 63 474 240	/-/ 40 004 947,76	63,0
4.	Current budget result (1a-2a)	64 111 304	90 470 923,97	141,1

5.	Operating income	1 207 076 927	1 201 499 882,64	99,5
6.	Operational expenditure	1 134 043 652	1 101 376 346,60	97,1
7.	Operating result (5-6)	73 033 275	100 123 536,04	137,1
8.	Operating margin (7/5)	6,1	8,3	136,1
9.	Debt to total income ratio	37,7	39,4	104,5
10.	Debt servicing ratio to total revenues	3,7	3,9	105,4

[Source: ORDER NO. 239.2019 OF THE PRESIDENT OF THE CITY OF CZĘSTOCHOWA of 29 March 2019 on the adoption of the report on the implementation of the budget of the city of Częstochowa for 2018 and submission to the City Council of Częstochowa and the Regional Accounting Chamber]

The 2018 budget closed with the following results:

- 1) Budget deficit in the amount of / - / 40 004 947.76 PLN with the planned / - / 63 474 240 PLN.
- 2) Operating surplus in the amount of PLN 100 123 536.04 and an operating margin of 8.3%. The operating surplus generated was secured by both repayment of loans and borrowings in the amount of PLN 38,708,155.42 and debt servicing expenses in the amount of PLN 9,983,251.16. The surplus remaining after repayment amounts to PLN 51 432 129.46 earmarked for property expenses.
- 3) Cash on the current account of the city budget at the end of 2018 amounted to PLN 50,667,010.54. This balance of funds was influenced, among others, by:
 - subsidies and targeted subsidies provided by the Ministry of Finance for salaries for teachers, services and inspections payable in 2019 in the total amount of PLN 24 229 238,
 - EU funds remaining on separate bank accounts for the implementation of specific projects PLN 4 015 003.94,
 - funds transferred to the non-expiring expenses account of PLN 12 431 288.

The correct relationship resulting from art. 242 of the Public Finance Act, i.e. current expenses found their coverage in current income generated. The city's debt at the end of 2018 amounts to PLN 498 113 319.29, representing 39.4% of total revenues. The above results confirm the good financial condition of the City. The amount of operating surplus shows that after financing all current expenses and repayments of installments of previously drawn loans, the City still has significant own funds to finance the investment. In 2018, 61.6% of investment expenditure was financed from the city's own funds and non-returnable funds, which significantly reduced both the demand for loans and the actual investment costs

4. CONCLUSIONS

We distinguish several types of budget today. Individual budget variations testify to the development of new public management and to the progress in the way local government units

are managed. An indication of this is the existence of the budget as a formal document and a functional budget used in managing local governments. Currently, the most common budgets in municipalities are traditional and task-based budgets. Despite the big advantages of the activity-based budget, most municipalities prefer to remain constant with the classic budget. This is often associated with the high costs of implementing a new type of budget, tradition passed down from generation to generation, and a reluctant attitude to change. It can be seen that the traditional budget is the most widely used budget form used by local governments. This type of budgeting focuses on the tasks that will be carried out. However, it does not provide the owners with the information they need for effective management, and also reduces innovation processes. For this reason, it can be noted that the authorities of local government units are increasingly deciding to introduce a new financial management instrument, which is the performance budget. Currently, local government units are expected to be effective, effective and the quality of public services provided by private sector entities. An important instrument supporting the achievement of sustainable public finance stability is the improvement in the efficiency of public expenditure planning, which is possible to achieve through the effective application of the state budget task system or local government unit. The task budget should be understood as a financial and river plan prepared for an entity from the public finance sector, in which the activities are presented in the form of a set of tasks [17].

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