

Understanding the Budget Process

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Division of Local Government and School Accountability



New York State Comptroller
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Training Objectives

- Budgeting Overview
- Budgetary Accounts
- Tools and Resources
- Estimating Fund Balance
- Monitoring the Budget
- Modifying the Budget

What is a Budget?

- A budget is an orderly financial plan for the operation of the government.
 - The plan sets forth the proposed appropriations necessary to carry out activities for a year and the proposed means of financing.
 - An appropriation is the maximum amount you can expend for a certain purpose.

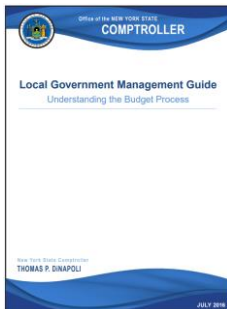
Benefits of the Budget Process

- Compels local officials to examine spending plan.
- Provides taxpayers with information on proposed programs.
- Indicates funding sources and determines tax levy.
- Gives an overview of the year's programs.

The Budget Officer

Entity	Who May Serve As Budget Officer
Town	The supervisor, or eligible person appointed by the supervisor to serve at his/her pleasure; cannot be a member of the town board.
Village	The mayor or, in a village which has adopted the village manager plan, the village manager. Either may designate another village officer or employee to be budget officer, to serve at his/her pleasure.
County	Generally, the chief fiscal officer or any eligible person appointed by the governing board, to serve at the pleasure of the governing board; cannot be a member of the governing board other than the chair of the board or the chair of a committee of the board designated or created to review the tentative budget.
City	No State statutory designation; generally, provided for in a city's charter. Depending on pertinent charter provisions, the duties of the budget officer may be performed by those serving in positions or offices such as the manager, mayor, commissioner of finance, comptroller, or the finance committee of the city council, the board of estimate and apportionment or the city council itself may perform the functions of a budget officer.
School District	No State statutory designation; typically, the board of education designates the chief school officer (superintendent) as budget officer.
Fire District	No State statutory designation; the board of fire commissioners is charged with the duty of preparing the proposed budget.

Know Your Budget Calendar



<https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf>

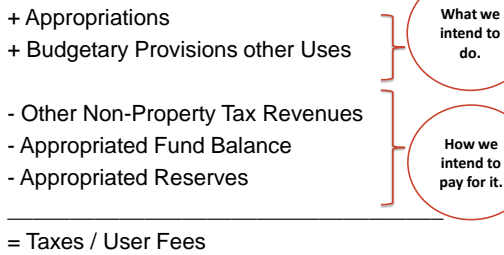
Appendix B

- County
- Town
- Village
- City
- Fire Districts
- Schools
 - <https://www.p12.nysed.gov/mgt/serv/budgeting/>

What is a Structurally Balanced Budget?

- Finance recurring operations with recurring revenues.
- Avoid reliance on one shot funding sources.
 - Grants, Sale of properties, FEMA funds
 - Surplus fund balance
- Sufficient contingencies
- Reserves in place

Budget Formula



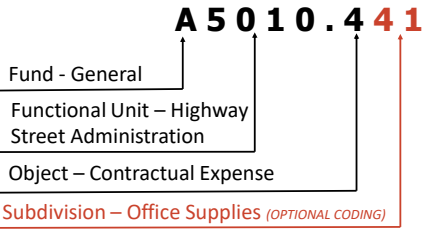
Budget Account Codes

- 510 Estimated Revenues
- 511 Appropriated Reserves
- 530 Obligations Authorized – Budget Notes
- 599 Appropriated Fund Balance
- 960 Appropriations
- 962 Other Budgetary Purposes
- 990 Unappropriated Revenues

Object of Expenditure

- .1 Personal services
- .2 Equipment and capital outlay
- .4 Contractual
- .6 Debt principal
- .7 Debt interest
- .8 Employee benefits
- .9 Interfund transfers

Legal Level of Control



Subsidiary Accounts

ACCOUNT	APPROPRIATION AVAILABLE
A1040.1- Clerk Personal Services	\$75,000
A1040.11- Clerk	\$50,000
A1040.12- 1 st Deputy	\$25,000
A1040.4- Clerk Contractual	\$100,000
A1040.41- Electric	\$50,000
A1040.42- Supplies	\$25,000
A1040.43- Postage	\$25,000
A3120.1- Police Personal Services	\$500,000
A3120.11- Chief	\$100,000
A3120.12- Detectives	\$250,000
A3120.13- Sergeants	\$150,000
A3120.2- Police Equipment	\$50,000
A3120.21- Radios	\$25,000
A3120.22- Police Car	\$25,000
A1990.4- Contingency	\$100,000

Budgeting Tools and Resources

- Estimate from department heads
- Prior year's budget
- Actual results of operations
 - Prior and current years
- Capital plan or capital activities
- Wage and salary schedules
 - Including fringe benefits
- Contractual payments
 - Debt service and other

Budgeting Tools and Resources

- Insurance
- Legislation
- Other
 - Interest rates
 - Volume or rate increases

Other Considerations

- Reserve Needs
- Appropriations for contingencies
- Interfund Transfers
- Other
 - Local economic changes
 - Changes in utility rates or fuel costs

Estimating Fund Balance

General Fund	Unreserved Fund Balance
Beginning Balance of current year -1/1/20XX	\$2,000,000
Plus: Revenues to date - for period- 9/30/20XX	6,500,000
Less: Expenditures to date - for period- 9/30/20XX	6,000,000
Balance to date 9/30/XX	\$2,500,000
Plus: Projected Revenues to year end - 12/31/20XX	2,500,000
Less: Projected Expenditures to year end -12/31/20XX	4,000,000
Estimated balance end of year - 12/31/20XX	\$1,000,000
Breakdown	
Appropriated for next year's budget	\$300,000
Encumbered	\$50,000
Unappropriated	\$650,000

Monitoring the Budget

- Board needs to ensure that controls are in place by using:
 - A purchase order system or alternative method
 - An encumbrance system
 - Budgetary reports
 - Budget modifications when necessary

Budgetary Reports

- Budgetary reports should be:
 - Completed for all major operating funds
 - Prepared monthly
 - Distributed to all department heads
 - Reviewed with department heads

Budgetary Reports

- Will assist the Board with:
 - Monitoring progress
 - Identifying variances
 - Controlling expenditures
 - Correcting identified problems

Town of XYZ – General Fund Budget vs. Actual Report as of June 30, 20XX

A	B	C	D	E	F	G
Revenues	Actual Last Year	Adopted Budget	Modified Budget	Actual to Date	Current Variances	Comments
Property Taxes	\$215,000	\$220,000	\$220,000	\$220,000	\$0	
State Aid	\$310,000	\$325,000	\$225,000	\$175,000	(\$50,000)	
User Charges	\$14,000	\$17,000	\$17,000	\$9,000	(\$8,000)	
Departmental Income	\$27,000	\$30,000	\$30,000	\$17,000	(\$13,000)	
Sales Tax	\$245,000	\$270,000	\$250,000	\$100,000	(\$150,000)	
Federal Aid	\$17,000	\$25,000	\$25,000	\$10,000	(\$15,000)	
Interfund Transfers	\$0	\$0	\$0	\$0	\$0	
Total Revenues	\$828,000	\$887,000	\$767,000	\$531,000	(\$236,000)	

Town of XYZ – General Fund Budget vs. Actual Report as of June 30, 20XX

A	B	C	D	E	F	G
Expenditures	Actual Last Year	Adopted Budget	Modified Budget	Actual to Date	Current Variances	Comments
General Government	\$120,000	\$142,000	\$122,000	\$80,000	\$42,000	
Public Safety	\$280,000	\$300,000	\$300,000	\$162,000	\$138,000	
Health	\$17,000	\$19,000	\$19,000	\$7,000	\$12,000	
Transportation	\$255,000	\$272,000	\$172,000	\$145,000	\$27,000	
Economic Assistance	\$14,000	\$12,000	\$12,000	\$18,000	(\$6,000)	
Home and Community	\$30,000	\$37,000	\$37,000	\$21,000	\$16,000	
Employee Benefits	\$39,000	\$42,000	\$42,000	\$24,000	\$18,000	
Debt Service	94,000	63,000	\$63,000	\$30,000	\$33,000	
Total Expenditures	\$839,000	\$887,000	\$767,000	\$487,000	\$280,000	

Using Reports Effectively

- If the board is reviewing reports monthly, they may need to modify the budget during the year.
 - Modifications must be made prior to purchase being made.

Modifying the Budget

- It is the governing board's responsibility to make budget modifications.
- Legal
 - By Board Resolution
- Accounting
 - By General Journal Entry

Modifying the Budget

- Sometimes it is necessary to increase the overall budget:
- Increasing total appropriations
 - Unassigned fund balance and unanticipated revenues
 - Gifts, Grants, Insurance Recoveries
 - Budget Notes, Deficiency Notes
- Reducing total appropriations

Unanticipated Revenues

- May be appropriated with resolution of governing board:
- Grants – NYS or Federal
- Disaster Aid – FEMA or SEMO
- Insurance Recoveries
- Restricted Gifts
- Other Unanticipated Revenue
 - i.e. Sale of scrap or equipment, unrestricted gifts/grants.

Appropriating Additional Fund Balance - Does it Exist?

Estimated Revenues:	\$1,500,000
Estimated Appropriations:	\$1,500,000
Actual Revenues to Date:	\$1,000,000
Estimated Revenues to be collected:	<u>\$100,000</u>
	\$1,100,000

Actual Appropriations to date:	\$800,000
Estimated Appropriations to be realized:	<u>\$700,000</u>
	\$1,500,000

We currently have an expected budget deficit of: **(\$400,000)***
 *This deficit must be covered first, before we can spend any additional unanticipated revenues or use any additional fund balance.

Summary

- The governing board:
 - Has the authority and responsibility to adopt realistic, structurally balanced budgets.
 - Has numerous tools available achieve a structurally balanced budget.
 - Must continuously monitor the budget.
 - Need access to timely financial information.
 - Should communicate their information needs.

Questions?

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