

# CITY OF CONNELL

Connell, Washington  
City Hall & Police Station  
EST. 1810

## BUDGET 101

September 12, 2016



# CLASS OBJECTIVES

- Explanation of the Budget Document
- Governmental Fund Types
- Basis of Accounting
- How the Budget is Created
- Resources
- Budget Calendar for 2017 FY Budget



# THE BUDGET DOCUMENT

- Legally required
  - RCW 35A.33

<http://apps.leg.wa.gov/rcw/>

- Accountability
- Planning
- Evaluation
- Direction

## Chapter 35A.33 RCW: BUDGETS IN CODE CITIES

### Chapter 35A.33 RCW

#### BUDGETS IN CODE CITIES

##### Complete Chapter

#### Sections

35A.33.010	Definitions.
35A.33.020	Applicability of chapter.
35A.33.030	Budget estimates.
35A.33.040	Classification and segregation of budget estimates.
35A.33.050	Proposed preliminary budget.
35A.33.052	Preliminary budget.
35A.33.055	Budget message—Preliminary hearings.
35A.33.060	Budget—Notice of hearing on final.
35A.33.070	Budget—Hearing.
35A.33.075	Budget adoption.
35A.33.080	Emergency expenditures—Nondebatable emergencies.
35A.33.090	Emergency expenditures—Other emergencies—Hearing.
35A.33.100	Emergency expenditures—Warrants—Payments.
35A.33.102	Registered warrants—Appropriations.
35A.33.105	Adjustment of wages, etc., of employees permissible budget notwithstanding.
35A.33.110	Forms—Accounting—Supervision by state.
35A.33.120	Funds—Limitations on expenditures—Transfers and adjustments.
35A.33.122	Administration, oversight, or supervision of utility—Reimbursement from utility budget authorized.
35A.33.125	Limitation on expenditures—Void.
35A.33.130	Funds received from sales of bonds and warrants—Expenditures program—Federal tax law.
35A.33.135	Levy for ad valorem tax.
35A.33.140	Funds—Quarterly report of status.
35A.33.145	Contingency fund—Creation.
35A.33.146	Contingency fund—Withdrawals.
35A.33.150	Unexpended appropriations.
35A.33.160	Violations and penalties.



# GOVERNMENTAL FUND TYPES

- Financial transactions are reported in individual funds depending on their *intended purpose*. Each fund uses a separate set of self-balancing accounts.

## GOVERNMENTAL FUND TYPES

- 000 - General (Current Expense) Fund  
Primary operating fund
- 100's - Special Revenue Funds  
Specific revenues that are restricted or committed
- 200's - Debt Service Funds  
Restricted revenues for principal & interest payments
- 300's - Capital Projects Funds  
Acquisition or construction of capital assets
- 700's - Permanent Funds  
Only operated off of earnings

## PROPRIETARY FUND TYPES

- 400's - Enterprise Fund  
Cost recovery/user charges
- 500's - Internal Service Funds  
One department that provides services to other departments

## FIDUCIARY FUND TYPES

- 600's - Money held for another agency

[http://www.sao.wa.gov/local/BarsManual/Pages/BarsManual\\_Cash.aspx](http://www.sao.wa.gov/local/BarsManual/Pages/BarsManual_Cash.aspx)



# CITY OF CONNELL FUNDS

## ORDINANCE NO. 966-2016

FUND #	FUND TITLE	REVENUES	EXPENDITURES
001	General Fund	3,198,800.00	3,198,800.00
002	General Reserve Fund	1,167,700.00	1,167,700.00
101	Street Fund	1,837,700.00	1,837,700.00
104	Hotel/Motel Tax Fund	44,340.00	44,340.00
111	General Support Fund	979,230.00	979,230.00
300	Capital Facilities Fund	715,500.00	715,500.00
401	Water Utility Department Fund	2,399,920.00	2,399,920.00
402	Sewer Utility Department Fund	2,012,200.00	2,012,200.00
403	Solid Waste Fund	75,950.00	75,950.00
414	DWSRF Loan (CTED)	26,990.00	26,990.00
415	Water/Sewer Bond Reserve	245,440.00	245,440.00
416	Water/Sewer Bond Redemption	913,930.00	913,930.00
633	State Remittance Fund	57,450.00	57,450.00
	<b>TOTAL</b>	<b>\$13,675,150.00</b>	<b>\$13,675,150.00</b>



# BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements.

## BASIS OF CASH ACCOUNTING

- Revenues are recognized only when cash is received
- Expenditures are recognized when paid. *An exception to expenditure recognition would be during the open period after the close of the fiscal year when expenditures can be charged against the previous period for claims incurred in the previous period. Open period is required by RCW 35A.33.150*

## BASIS OF GAAP ACCOUNTING (Generally Accepted Accounting Principles)

- Recognizes revenues in the accounting period in which they become available.
- Recognizes expenses in the accounting period in which the fund liability is incurred.
- Capital assets are depreciated over their estimated useful lives



# REVENUE AND EXPENDITURE CODES

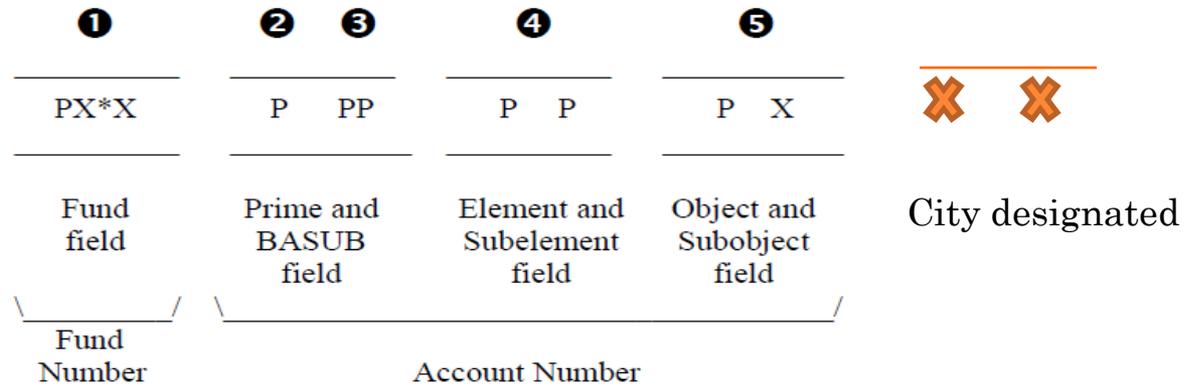
## Revenues 300's

Revenues are coded according to the source (origin or originating category) from which revenues are obtained.

## Expenditures 500's

Expenditures are coded according to the use to identify different categories of operations for which expenditures are incurred.

1.1.2.30 The account structure is designed to provide for complete identification of each transaction. The same Account Number is used for budgetary estimates and for actual resources or outlays.



- P = Specific coding is prescribed in the BARS Manual.
- X = Fields are established in the BARS Manual, but specific numbers are assigned by each local government.
- \* = Except for fiduciary funds where the second digit is prescribed.



# CREATING THE BUDGET

Current year ending fund balance

- = 's beginning fund balance for next year
- Look at expenses to date
- Determine if we are on target
- Project expenses for the remaining calendar year (open period)
- Determine if a budget amendment is needed for the current year



## 2016 BUDGET POSITION TOTALS

City Of Connell  
MCAG #: 0286

Time: 13:03:11 Date: 09/12/2016  
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Fund	Revenue Budgeted	Received		Expense Budgeted	Spent	
001 General Fund	2,098,800.00	1,489,513.51	71.0%	2,114,140.00	1,299,543.09	61.5%
002 General Reserve Fund	147,700.00	100,036.57	67.7%	161,400.00	0.00	0.0%
101 Street	1,427,700.00	144,181.68	10.1%	1,704,990.00	136,877.37	8.0%
104 Hotel/Motel Tax Fund	12,350.00	7,709.57	62.4%	21,840.00	21,872.31	100.1%
111 General Support Fund	126,730.00	125,832.06	99.3%	0.00	0.00	0.0%
300 Capital Facilities Fund	518,900.00	32,378.91	6.2%	500,000.00	33,368.82	6.7%
401 Water Fund	1,447,920.00	1,189,151.57	82.1%	2,021,700.00	1,622,552.49	80.3%
402 Sewer Fund	780,600.00	649,179.74	83.2%	734,970.00	450,672.00	61.3%
403 Solid Waste Fund	850.00	42,233.67	4968.7%	0.00	7,632.56	0.0%
414 DWSRF Loan(CTED)	26,990.00	0.00	0.0%	26,990.00	26,984.47	100.0%
415 Water/Sewer Bond Reserve	0.00	0.00	0.0%	106,760.00	106,760.00	100.0%
416 Water/Sewer Bond Redemption	815,930.00	790,892.21	96.9%	814,470.00	796,438.10	97.8%
633 State Remittance Fund	48,950.00	17,049.38	34.8%	48,950.00	14,845.52	30.3%
	7,453,420.00	4,588,158.87	61.6%	8,256,210.00	4,517,546.73	54.7%

# CREATING THE BUDGET CONTINUED..

Determine inflation factor Consumer Price Index (CPI)

## Consumer Price Index

- The Consumer Price Index (CPI) is a measure of the change in prices paid over time for a fixed market basket of goods and services. The Consumer Price Index for All Urban Consumers (CPI-U) measures the percentage change in prices faced by urban consumers and covers approximately 87 percent of the population. The Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) is sometimes referred to as the "blue collar measure." It is a subset of the CPI-U. Its market basket reflects the expenditures of urban households that derive more than half their income from clerical and hourly wage jobs. It covers approximately 32 percent of the population.
- Data for each of these indices for the United States as a whole are compiled on a monthly basis. The results are available during the third week of the following month.
- **The Bureau of Labor Statistics recommends the use of one of the national indices for all contracts.** Not only are the Seattle-Tacoma-Bremerton and Portland-Salem versions published less frequently, they also are based on a smaller sample and are, therefore, more volatile and subject to measurement error. None of these indices measures price changes in rural areas. But realizing that towns in rural areas need some indicator to use, we recommend one of the U.S. indices. Always write your contracts so that you will be adjusting on the basis of actual CPI figures. Never use estimates for contract adjustments.

<http://mrsc.org/Home/Explore-Topics/Finance/Economic-and-Population-Data/Consumer-Price-Index.aspx>



# CREATING THE BUDGET CONTINUED..

Start analyzing revenues

- Did we meet our projections for the current year?
- Do we need to increase or decrease projections for the upcoming year?
- Is there any legislation action taking place that is going to impact our revenues?
- Look at AWC website
- Look at MRSC budget suggestions
- Use MRSC tool for revenue projections from the State. <http://mrsc.org/getdoc/c934134c-6be9-442c-9273-ca34e69154c7/State-Shared-Revenue-Estimator.aspx>
- Do we have City utility rate increases?
- Are there capital project revenues to account for?



# CREATING THE BUDGET CONTINUED..

Start analyzing expenditures

- Did we meet our projections for the current year?
- Do we need to increase or decrease projections for the upcoming year?
- Contact agencies for new dues/service fees amounts
- Get amounts for medical insurance and benefit premiums
- COLA increase, step increases?
- Do we have capital projects that we need to account for?
- Is there any equipment that needs to be replaced?
- Are our expenditures more than our revenues?



# PRESENTING THE BUDGET

- The Preliminary budget is presented to Council
- Council provides direction to staff as to what additional items they may want included in the budget or excluded from the budget.
- Public Hearings are held to allow for input from the public.
- Workshops are held if additional information is needed for Council.
- Budget must be adopted prior to the beginning of the fiscal year RCW 35A.33.075



# RESOURCES

- MRSC <http://mrsc.org> Publications  
2017 Budget Suggestions  
Open Public Meetings Act  
Revenue Guide for WA Cities
- AWC <http://www.awcnet.org> Data & Resources  
<http://www.awcnet.org/TrainingEducation/eLearning/BudgetingbasicseLearn.aspx>
- WA State Auditor's Office <http://www.sao.wa.gov>  
BARS Manual  
City of Connell's Audit Reports
- WA State Legislature <http://leg.wa.gov/>  
WAC's & RCW'S



# 2017 BUDGET CALENDAR

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**August 1** - Request by City Clerk to all department heads to prepare detailed estimates of revenues and expenditures for next fiscal year budget. (Must be done by before second Monday in September)

**September 2** - Estimates are to be filed with City Clerk/Treasurer (before the 4<sup>th</sup> Monday in September)

**September 16** - Proposed preliminary budget presented to City Administrator (before the first business day in the October)

*September 23 - Send notice to Graphic for public hearing to be published on October 3*

**October 3- Public Hearing** Revenue Estimates-Amount to be Raised by Ad Valorem Taxes to Legislative Body (before the first Monday day in October) File with county (RCW 35A.33.135)

**September 20**-Preliminary Budget Filed with Clerk (before first day of October) (RCW 33A.33.052)

**October 3**-Preliminary Budget and Budget Message filed with Legislative Body (before October 31)

**Public Notice of Budget Hearings** (no later than the first two weeks in November)

**October 17<sup>th</sup>** - **Public Hearing** 2017 Fiscal Year Preliminary Budget (no later than first two weeks in November) (RCW 35A.33.070)

**November 7<sup>th</sup>**- **Public Hearing**-2017 Final Budget (must be before first Monday of December and maybe continued from day to day but no later than the 25<sup>th</sup> day prior to next FY (December 7) Final Budget must be adopted prior to beginning of the next year.

*October 7– Send notice to Graphic that the preliminary budget has been filed and notice of Preliminary Budget hearing for October 17 to be published on October 13. (no later than first two weeks in November) (RCW 35A.33.060)*

*October 14- Send notice to Graphic of final budget hearing for November 7 to be published October 20 and October 27. (must be published two consecutive weeks and no later than first two weeks of November) (no later than first two weeks in November) (RCW 35A.33.060)*

*November 14, Preliminary Budget Available to Public (no later than six weeks before January 1)*

**November 21** - Adoption of final budget by ordinance. Budget must be adopted prior to the beginning of the next calendar year. (RCW 35A.33.075)

After budget adoption – Copy of final budget to be transmitted to the State Auditor's Office & MRSC State Auditor's Office Transmit, email- [WASateAuditorSubscriptions@sao.wa.gov](mailto:WASateAuditorSubscriptions@sao.wa.gov) MRSC-[mrsc@mrsc.org](mailto:mrsc@mrsc.org)—[ezwick@mrsc.org](mailto:ezwick@mrsc.org)

