

# BASIC BUDGETING

## for Small Municipalities



**Utah League of Cities and Towns**  
**100<sup>th</sup> Annual Convention**  
**September 14, 2007**

# What is a budget?

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- Spending plan



- Authority to spend money

# Keys to successful budgeting:

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- Start early
- Everyone needs to “buy in” to the budget process.
- Cooperative effort



# The Budget Process

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- ❑ Utah State Code sets forth laws which define the budget process.
- ❑ Laws are in place to protect both the taxpayer and the public official.



# The budget officer

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- First and Second Class Cities – City Auditor
- Third, Fourth and Fifth Class Cities – Mayor or someone appointed by the Mayor
- Towns - Mayor

# Budget Preparation

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- ❑ Utah Code requires preparation of budgets on State Auditor forms.
- ❑ Must use required format.



# State Budget Form

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# Budget Process

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- ❑ Complete “prior year actual” and “current year estimate” columns
- ❑ Gather information to help in the estimate of “ensuing year budget” column
- ❑ Mayor presents his “tentative budget” to the council at the first meeting in May
- ❑ Tentative budget should be available to the public



# Budget Process Continued

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- Before the public hearing held on the budget:
  - Council shall “review, consider and adopt” the budget.
  - Council may “amend or revise”
  - Council shall set date, time and place of public hearing

# Budget Process Continued

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- If the utility enterprise fund is subsidizing the operations of the general fund, the council must:
  - Mail written notice to all customers of the date, time, place and purpose of the hearing.



# Budget Process continued

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- Hold public hearing to receive public comment
- Adopt final budget.

# Budget Adoption Deadlines:

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- Before June 22<sup>nd</sup> if no tax rate increase
- By August 17<sup>th</sup> if tax rate increase is proposed.



# Advertising Requirements:

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- ❑ Town – Advertise hearing 7 days before hearing or if no newspaper is available, post notice in 3 places 48 hours prior to hearing.
- ❑ City – Advertise hearing 7 days before hearing or if no newspaper is available, post notice in 3 places prior to hearing. Available for inspection 10 days before adoption.

# Required budgets:

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General Fund


Special Revenue Fund

Debt Service Fund

Capital Projects Fund

Enterprise Fund

# What is a “Balanced Budget?”



Revenues Equal  
Expenditures

# How to budget revenues and expenditures to equal (balance) in the General Fund.

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<b>Revenues</b>	<b>\$100,000</b>	<b>Expenditures</b>	<b>\$90,000</b>
		<b>Budgeted Inc. in Fund Balance</b>	<b>\$10,000</b>
<b>Total Revenue</b>	<b>\$100,000</b>	<b>Total Expenditures</b>	<b>\$100,000</b>



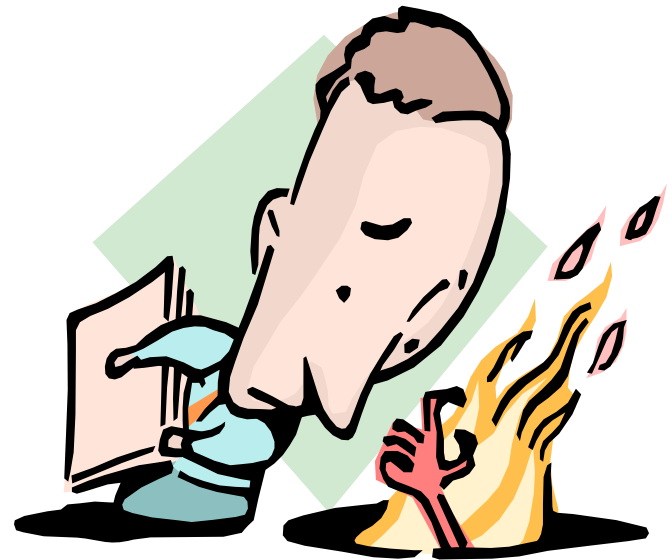
## If you plan to spend more than you bring in:

<b>Revenues</b>	<b>\$90,000</b>	<b>Expenditures</b>	<b>\$100,000</b>
<b>Approp. Begin. Fund Balance</b>	<b>\$10,000</b>		
<b>Total Rev.</b>	<b>\$100,000</b>	<b>Total Expenditures</b>	<b>\$100,000</b>

Things to watch out for:

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**TRANSFERS!**



# What are transfers?

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- A transfer is the movement of money from one fund to another fund.
  
- Example: A town wishes to accumulate funds to build a playground area in the park. The project will cost approximately \$75,000 and will take three years to accumulate the funds to finish the project.



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Transfers must be LABELED  
and they must EQUAL!

# Transfer from PTIF?

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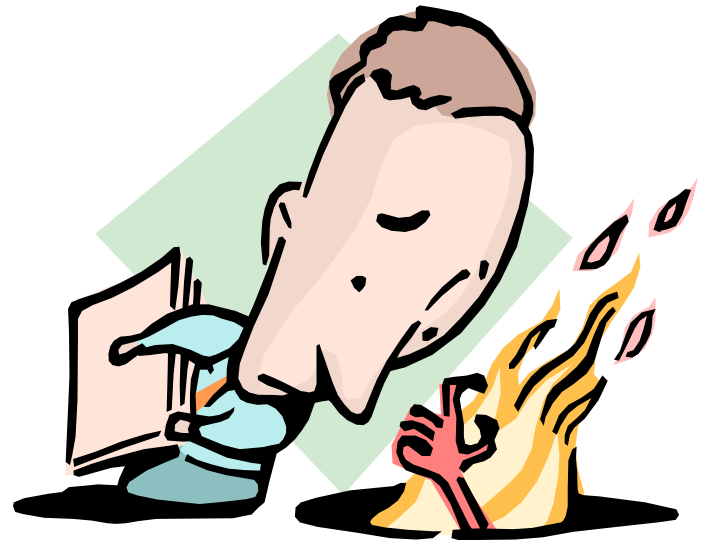
- To use money that is on deposit with the PTIF is an “**appropriation of beginning fund balance**” . . .

**. . . Not a transfer!**

# More to watch out for:

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- Don't budget a deficit fund balance!



# The Budget Is NOT Cast In Stone!

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- Revenue shortfalls.
- Cost overruns.
- Unexpected cost.
- Unanticipated grants.
- Other

# Wise & Critical Counsel:

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**CONSISTANTLY MONITOR  
BUDGET VERSES ACTUAL  
REVENUES & EXPENDITURES!**





# How Do You Amend a Budget?

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- From one account to another within the same department?

*With the consent of the budget officer.*



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- From one department to another within the same fund?

*With the approval of the city council.*



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- To increase the budget in any fund except the enterprise fund?

*the town council must advertise and hold a public hearing before the budget can be amended.*





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□ Amending Enterprise fund budgets:

- *An enterprise fund budget can be increased by resolution without a public hearing.*

# NOTE:

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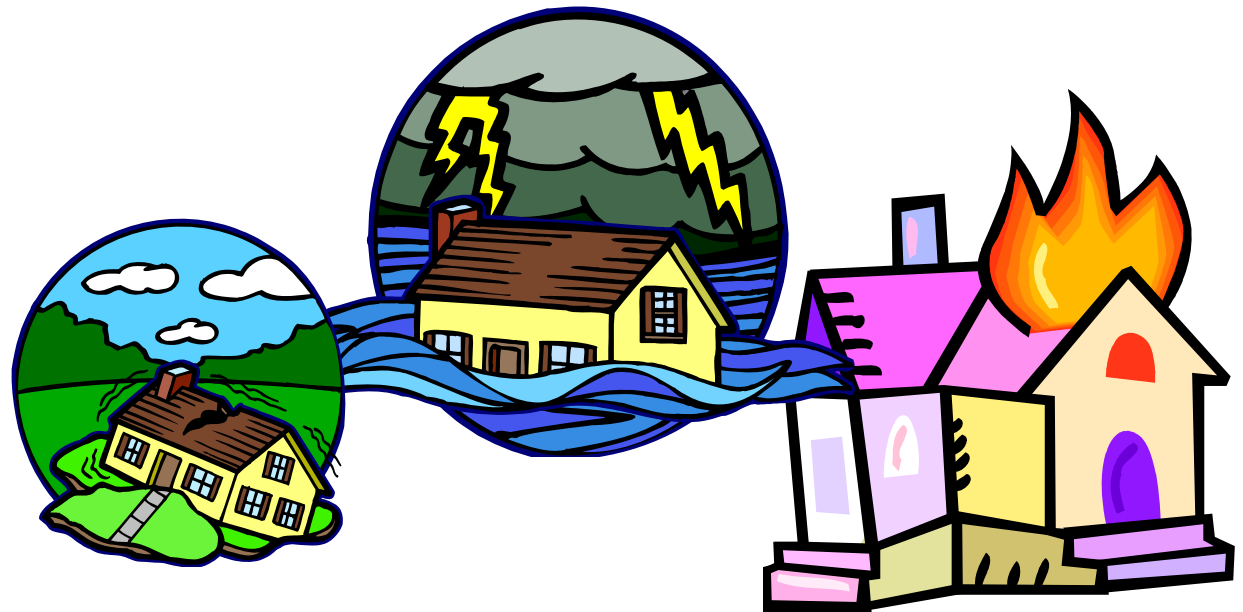
Do not send any budget amendments to the State Auditor's Office.

# Question:

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- Under what circumstances can a city or town legally spend money that has not been budgeted?

- UC 10-6-121



Where should class C road funds be budgeted?

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In the general fund.





# QUESTIONS?

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