



COWLITZ COUNTY

“BUDGET 102”

By Claire J. Hauge

OFM Director

March 2013

Budget Skills

The Real Life Budget Dilemma

by Reed Hansen, Pullman City Council/WSU Economic Professor

Skills required to write and administer budgets:

- *CPA background in accounting
- *Law degree with a specialty in Public Law
- *Ph.D.s in Economics, Mass Psychology and Public Relations
- *Experience as a veteran politician
- *Experience in collective bargaining
- *Background in Theology or Bartending!

Because, when all else fails, we can resort to either prayer or whiskey.

Cowlitz County

“Budget 102”

Topics in this Presentation:

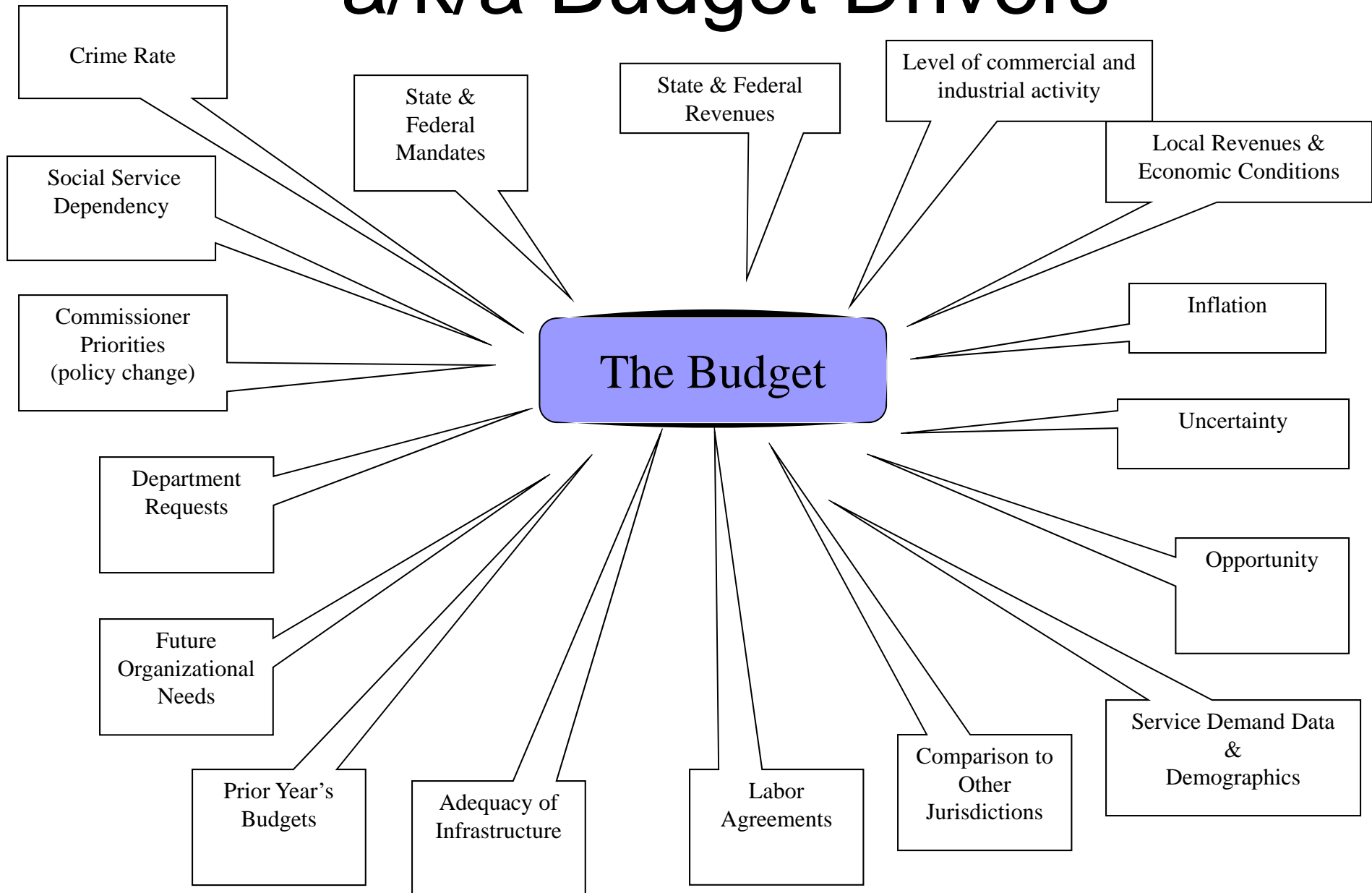
- *The Budget World a/k/a What Drives the Budget?
- *Budgeting Objectives
- *Basic Budget Terminology
- *The Law
- *Budget Process & Timelines
- *Your Responsibilities
- *Some Accounting
- *A Few Examples
- *Reports to Monitor Progress

“Budget 102” Goals

Goals for the discussion – what can you take away?

- *Develop a general understanding of County finances.
- *Understand where each department’s appropriations and estimated revenues fit into the overall County fiscal plan.
- *Distinguish between budget and cash.

The Budget World a/k/a Budget Drivers



Budget Objectives

- *Avoid Deficit Financing
- *Maintain Long-term Perspective
- *Fund Legal Requirements First
- *Ensure Restricted Revenues Are Spent Appropriately
- *Adequately Fund Physical Plant
- *Meet Community Priorities & Expectations Where Possible
- *Accurately Estimate Revenue
- *Maintain Service Levels for Internal Services

Budget Defined

A budget can be described as:

- (1) a financial plan that forecasts expenditures and expected resources then distributes those resources to achieve goals
- (2) appropriation control - a means to compare actual expenditures to plans
- (3) sum of all appropriations authorized by the BoCC
- (4) “a summation of your suspicions” (Frank A. Bishop)

Types of budgets:

Annual/Biennial Budget

Fiscal Budget

Operating Budget

Capital Budget

Preliminary Budget

Continuing Appropriation
(Debt Service)

Budget vs Cash

Budget \neq Cash

Plan

**Actual funds
on Deposit**

When the Budget (Plan) \neq Cash

The budget (plan) must be revised!

Statutory Authority & County Code Requirements

RCW 36.40

Cowlitz County Resolution # 4220 dated 7/14/1975

Cowlitz County Code: Chapter 3.02 Ordinance dated 5/14/2001

These statutes, resolutions and ordinances set out:

- *Areas of responsibility & authority
- *Time lines
- * Process

BoCC Responsibilities

RCW 36.32.120

- *Set the amount of taxes to be collected and ensure collection thereof
- *Allow all accounts legally chargeable against the county not otherwise provided for (i.e. establish budgets)
- *Adopt a balanced budget not later than December 31
- *Audit the accounts of all officers having the care, management, collection, or disbursement of any money belonging to the county or appropriated to its benefit (i.e. monitor the budget)
- *Have the care of county property and the management of the county funds and business

EO & DH Responsibilities

RCW 36.40.010

*File “detailed and itemized estimates” of revenues and expenditures
on or before 3rd Monday in August

RCW 36.40.040

*Auditor or CFO to prepare Preliminary Budget
format is prescribed

RCW 36.40.050

*Auditor to submit Preliminary Budget to BoCC
on or before 1st Tuesday in September

Violations/Penalties

(1) **RCW 36.40.30**

Penalty authorized for delay or refusal to submit estimates

\$50/day not to exceed \$250/year (deducted from salary)

(2) **RCW 36.40.130**

Penalty for over-expenditure or incurring liabilities in excess of approved budget – chargeable against surety bond

(3) **RCW 36.40.240**

Violations are also considered misdemeanors

With fines between \$25 and \$500 possible

Budget Time Lines

Odd-numbered years – prepare biennial (2-year) budget

July – Request to file estimates of expenditures & revenues

August – Preliminary estimates due

September – Estimates filed with BoCC

October – Set levies (can be amended)

December 31 – BoCC to adopt balanced budget

Even-numbered years – Mid-biennium review

Amending the Budget

Supplemental Budget (RCW 36.40.100 & 36.40.195)

Adopted by resolution following two public notices & hearing;
Recognizes unanticipated federal, state or local funds

Emergency Appropriation (RCW 36.40.140-180)

Adopted by resolution following one public notice & hearing
Authorizes unforeseen, unbudgeted expenditures

Transfers (RCW 36.40.100)

Adopted by resolution following regular or special public meeting;
May also be authorized by Memo to Auditor from OFM

(per Financial Mgt Policy);

Re-appropriates line item expenditures between or among line items
Usually from fund balance to appropriations

Appropriations Lapse

RCW 36.40.200

All appropriations expire at the end of the fiscal year

Budget can remain open up to 60 day to complete payments from prior years (“13th” month)

Fund Accounting

RCW 43.09.200

State Auditor's Office has responsibility to prescribe accounting and reporting requirements for local governments.

BARS – Budgeting, Accounting & Reporting System

- *utilize a standardized chart of accounts

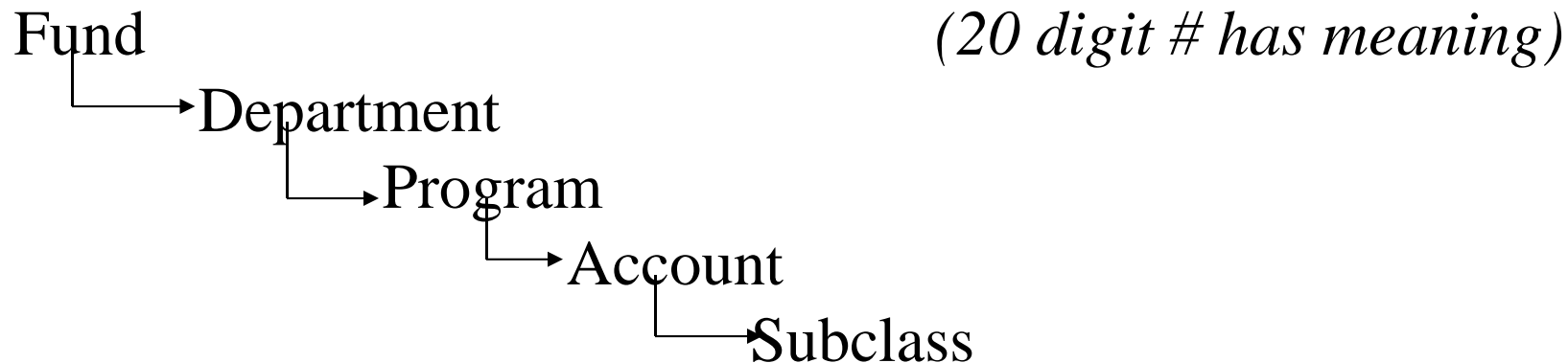
 - orderly means to classify transactions

- *specified financial reporting requirements

 - forms & procedures

Fund & Department

BARS prescribes a “simple” account structure:



Why are fund structures & department divisions important to me?

- *Cash Reserves & Fund balances
- *Revenue Restrictions
- *Asset Valuation & Tracking
- *Depreciation
- *Debt & Other Liabilities
- *Financial Reporting Requirements

Fund Accounting

Fund:

An accounting entity with a self-balancing set of accounts
(expenditures = revenues)

Used to record cash, receipts, equities and liabilities
separate from all other county activities

Separated to

carry out specific purposes & achieve objectives

comply with regulations to segregate activities

Fund Types

Governmental: account for general operations & programs

(i.e. General Fund, Special Revenue,
Debt Service & Capital funds)

Proprietary: focus on cost recovery

Internal Service: IT (Central Services), Risk Mgt

Enterprise Fund: Solid Waste, Expo

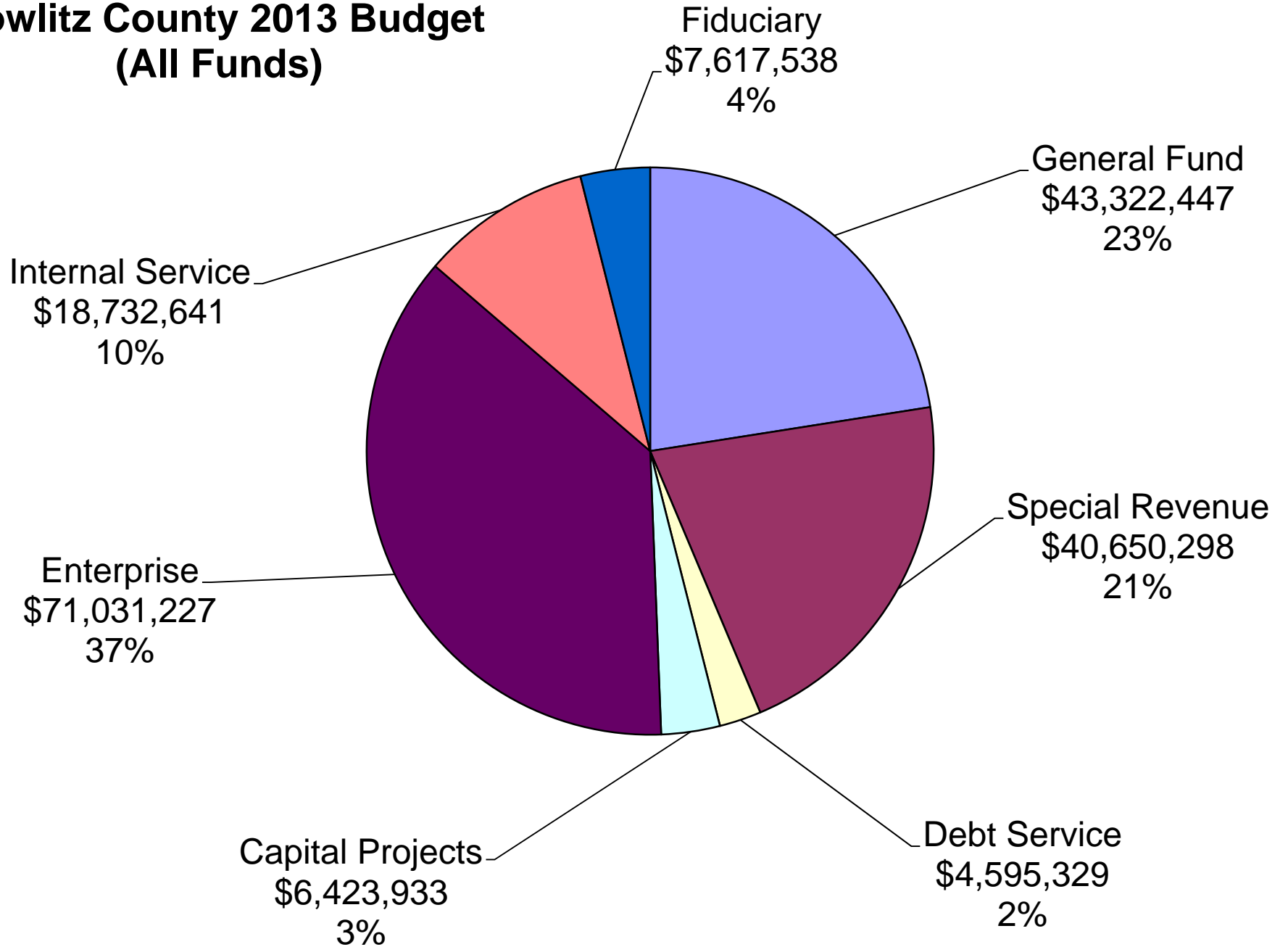
Fiduciary/Trust: account for restricted resources not available
for general government operations and programs

Diking district & pension funds

Fund Types

<u>Major Fund Types</u>		<u>Fund #</u>	<u>2013 Budget</u>
*General Fund	Governmental	<u>001</u> -xxx-xxx	\$ 43.3 million
*Special Revenue	Governmental	<u>100</u> -xxx-xxx	\$ 40.7 million
*Debt Service	Governmental	<u>200</u> -xxx-xxx	\$ 4.6 million
*Capital Projects	Governmental	<u>300</u> -xxx-xxx	\$ 6.4 million
*Enterprise	Proprietary	<u>400</u> -xxx-xxx	\$ 71.0 million
*Internal Service	Proprietary	<u>500</u> -xxx-xxx	\$ 18.7 million
*Agency	Fiduciary	<u>600</u> -xxx-xxx	\$ <u>7.6 million</u>
Total County Budget: FY 2013			\$192.3 million

Cowlitz County 2013 Budget (All Funds)



Department: Subdivision of a Fund

Department:

An expenditure classification based on programs, functional responsibilities or specific organizational structure

Expenditures within Departments

do not always equal revenues

Sheriff

Family Court

PAO

Jail

Probation

Parks

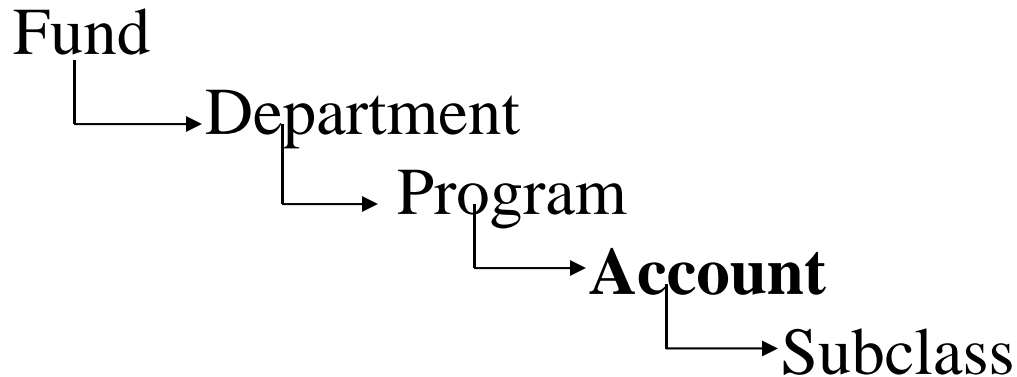
Therefore these activities rely on general tax and other unrestricted revenue to support their operations.

Departments

<u>Example of a Department</u>	<u>Fund #s</u>	<u>Department #s</u>
*Current Expense/General Fund	<u>001</u> -xxx-xxx	
Commissioners		<u>001-015</u> -000
Park & Recreation		<u>001-235</u> -000
*Special Revenue Funds	<u>100</u> -xxx-xxx	
Road Fund		<u>100-200</u> -000
GIS		<u>135-255</u> -000
*Enterprise Funds	<u>400</u> -xxx-xxx	
911 Communications		<u>412-535</u> -000
911 Equipment Reserves		<u>412-536</u> -000

Account Structure

BARS prescribes a “simple” account structure:



Account numbers are distinguished by the first number:

“500” series are expenditures

“300” series are revenues

The next two numbers further define function, activity or character

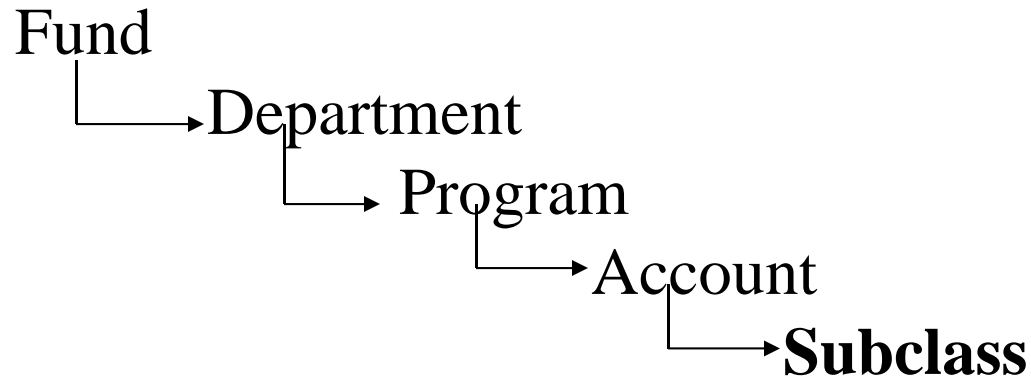
“511” designates the legislative function

“313” designates timber tax revenue

Account numbers are specific to your function, activity or type of revenue.

Subclass Structure

BARS prescribes a “simple” account structure:



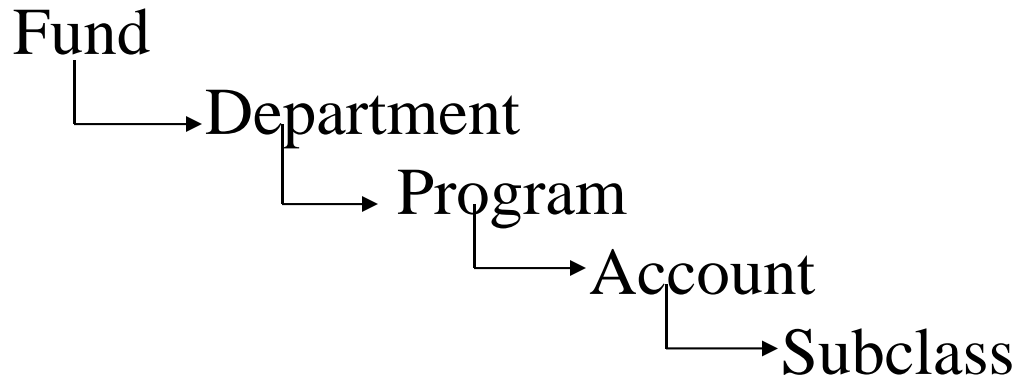
Subclass numbers further define the article purchase, service obtained or revenue received; for example

“5xxxxx-52002” designated Employee Medical Insurance

“3xxxxx-30735” denotes B&O Taxes, Privately Owned Utility

Putting it All Together

BARS prescribes a “simple” account structure:



Fund-	Department-	Program-	Account-	Subclass
001-	121-	000-	512400-	51001
=General Fund: District Court Direct Labor				

A similar structure is used for revenue accounts:

Fund-	Department-	Program-	Account-	Element
101-	200-	000-	311100-	30000
=Road Fund Property Tax				

General Fund (Current Expense)

The General Fund is a collection of 34 departments encompassing the legislative, public safety, judicial, legal, financial and administrative functions of Cowlitz County.

Examples of Current Expense Departments are:

Commissioners

Admin Services

Courts

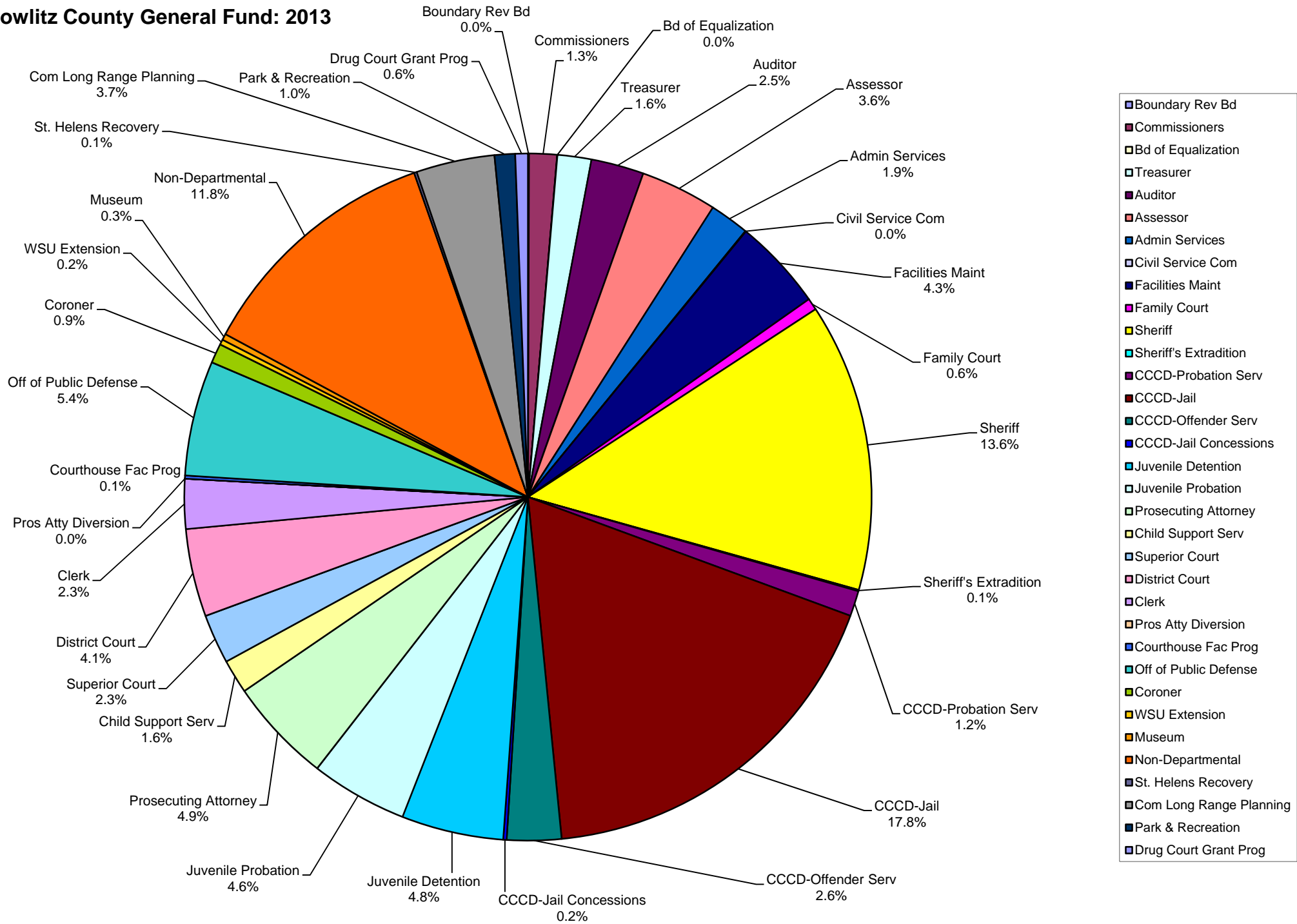
Community Long Range Planning

Sheriff

Corrections

Total 2013 budget is \$43.3 million including an estimated ending fund balance of \$3.3 million

Cowlitz County General Fund: 2013



Special Revenue Funds

Special revenue funds account for revenues derived from specific taxes, grants, or other sources which are **designated/restricted** to finance particular activities.

Examples of Special Revenue Funds:

County Roads

Storm Water Fund

G.I.S.

Tourism

Human Services

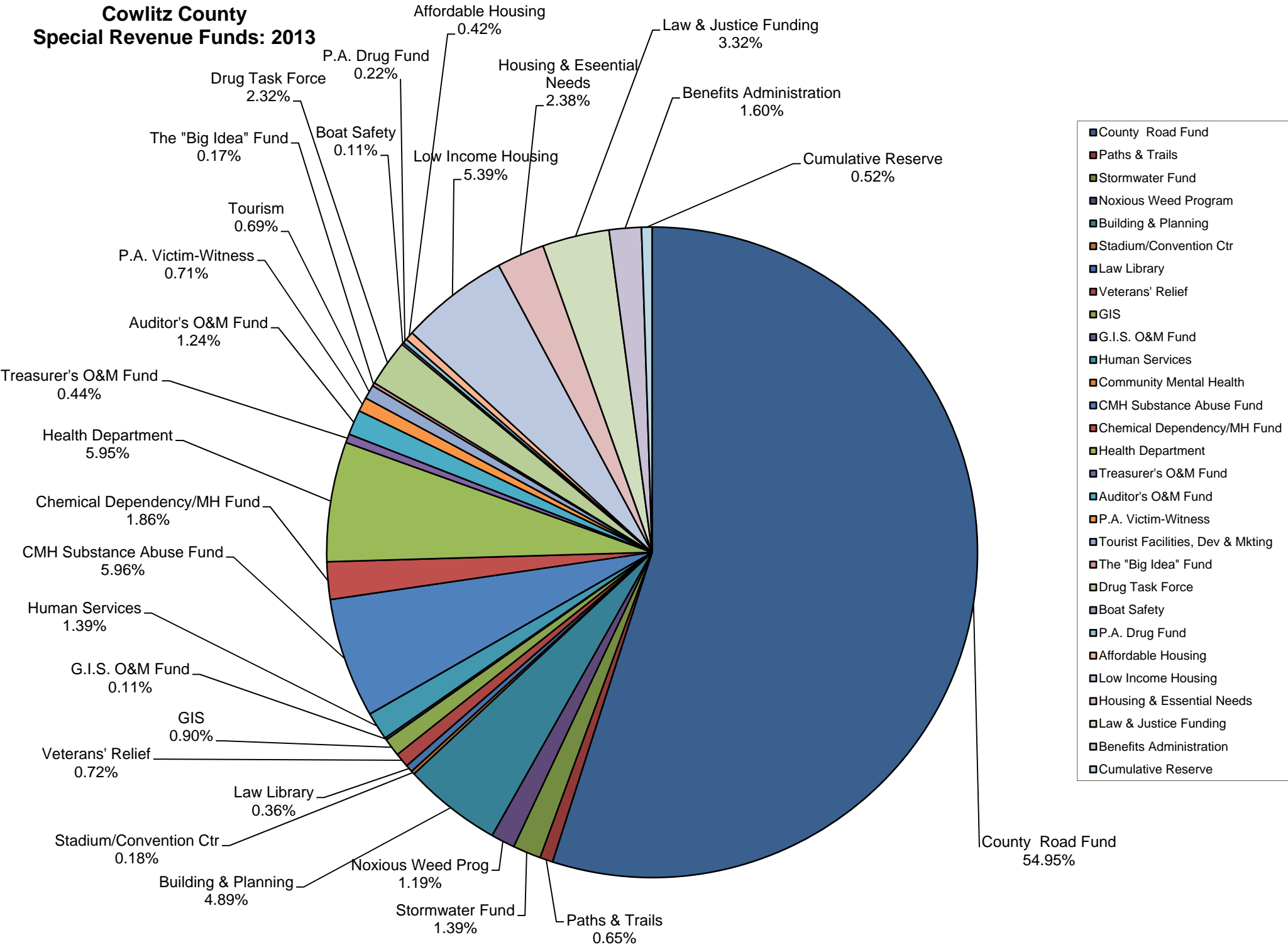
Health Department

Law & Justice Fund

Drug Task Force

Total 2013 budgets, including estimated ending fund balances are \$40.7 million.

Cowlitz County Special Revenue Funds: 2013



Debt Service Funds

Debt Service Funds account for the accumulation of resources to pay principal, interest and costs related to general and long-term bonded debt.

Current balances on County bonded debt:

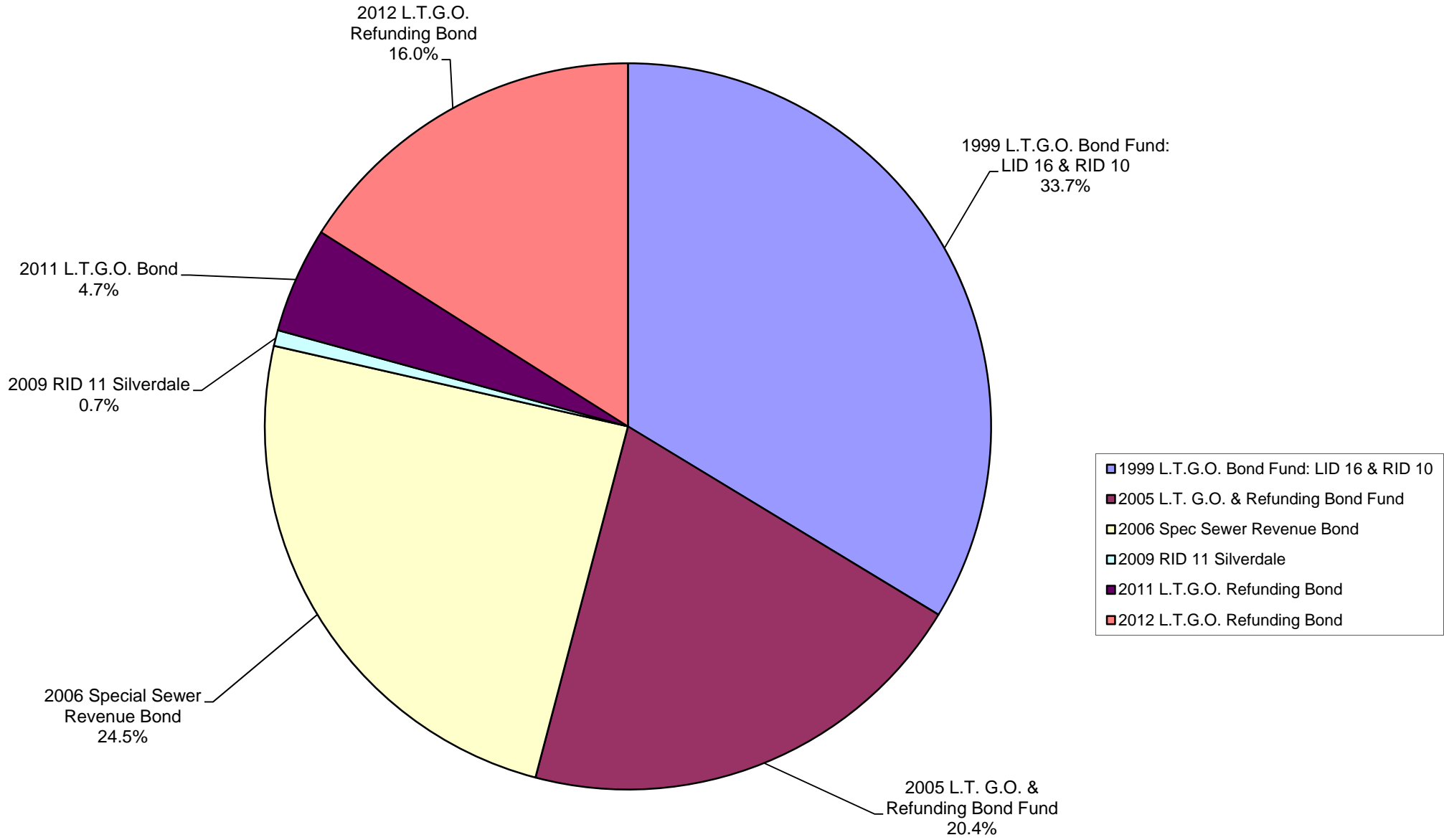
2005 LTGO Bond	\$6.2 million
(partial refunding of '98 & '99 bonds; includes: 1999 LID #16 & RID #10)	
2009 RID #11	\$95,600
2011 LTGO Bond	\$2.1 million (Energy Upgrades)
2012 LTGO Bond	\$3.7 million (refunding 2002 County Bonds)

2013 debt service payments are \$3.3 million

County debt issued on behalf of others or guaranteed:

2012 LTGO Refunding Bond	\$4.9 million
(refunding 2003 – Conference Ctr)	
2006 Special Sewer	\$10.6 million
(TRRWA Revenue Bond)	

Cowlitz County Debt Service Funds: 2013



Capital Projects Funds

Capital Projects Funds account for resources designated for the acquisition, construction or repair of capital facilities.

Examples of Capital Budgets are:

Capital Improvement Fund

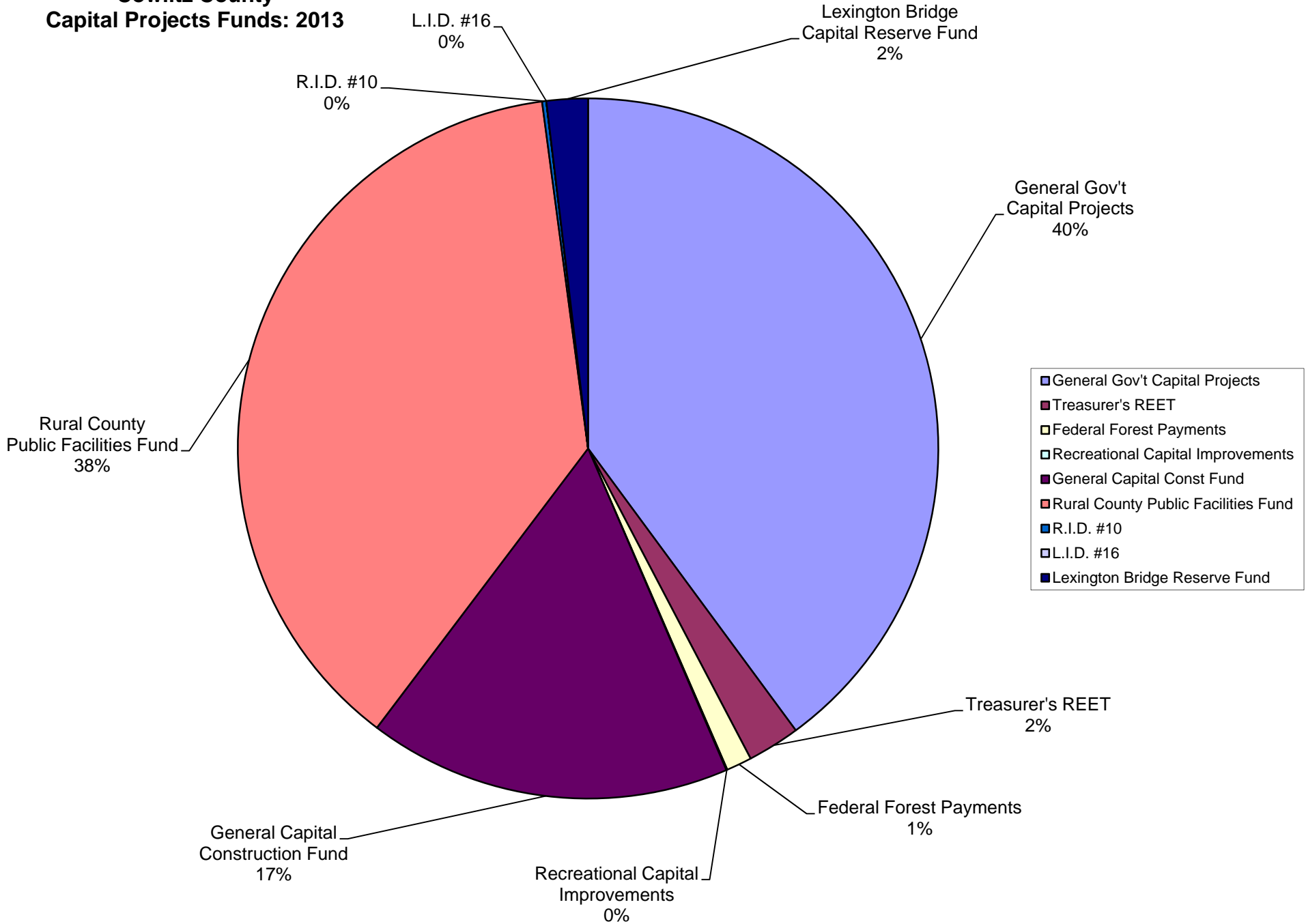
Federal Forest Payments

General Capital Construction

Rural County Public Facilities

Total 2013 Capital budgets, including estimated ending fund balances are \$6.4 million.

**Cowlitz County
Capital Projects Funds: 2013**



Enterprise Funds

Enterprise Funds account for operations where revenues are derived primarily through user fees such as classified public utilities.

The County has nine Enterprise Funds
(with multiple Departments):

Solid Waste Facility

Water/Sewer Utility

911 Communications

Emergency Management

Public Shooting Range

Conference Center

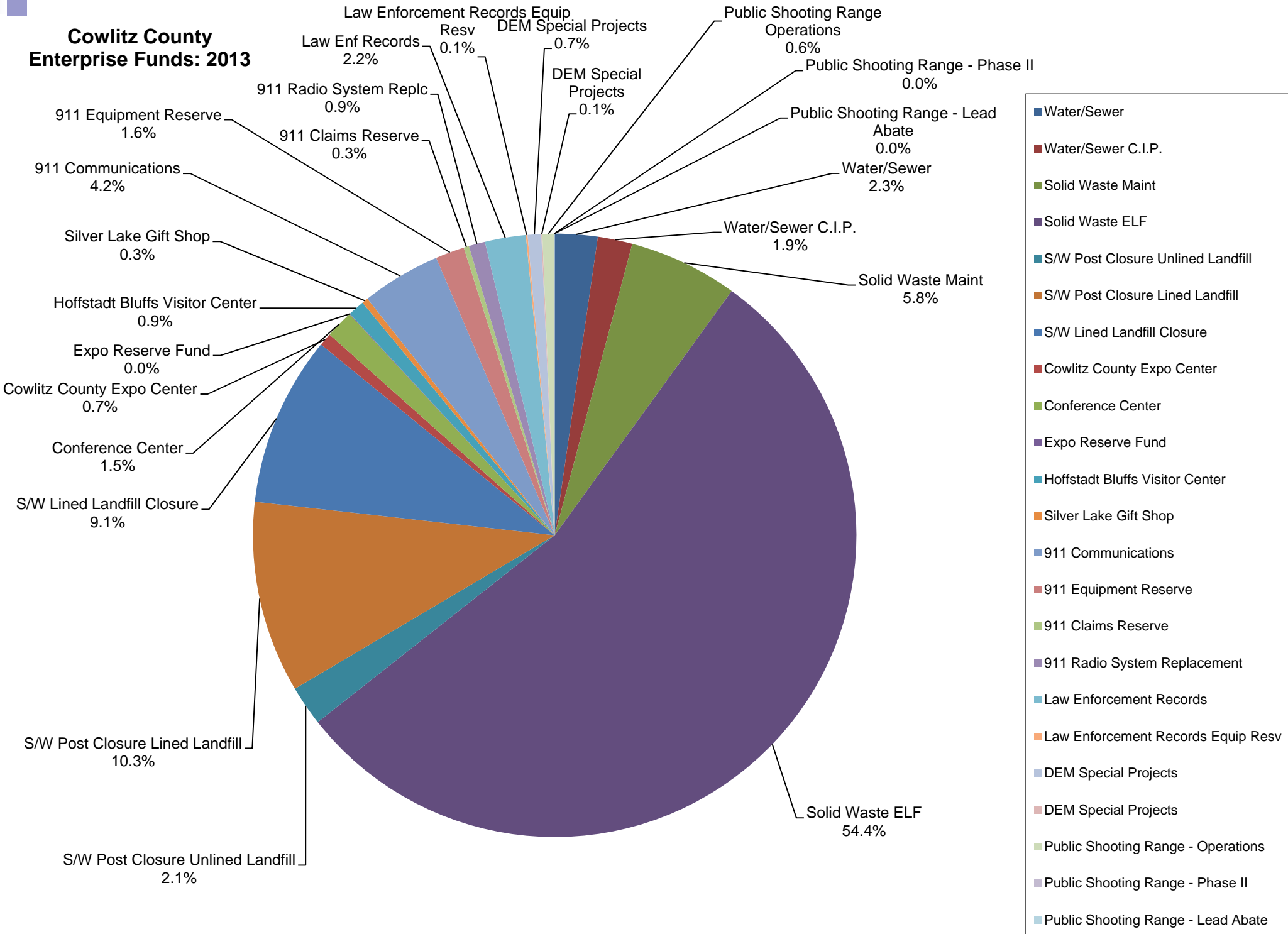
Exposition Center

Hoffstadt Bluffs

Law Enforcement Records

Total 2013 budget for Enterprise Funds, including ending fund balances is \$71.0 million.

Cowlitz County Enterprise Funds: 2013



- Water/Sewer
- Water/Sewer C.I.P.
- Solid Waste Maint
- Solid Waste ELF
- S/W Post Closure Unlined Landfill
- S/W Post Closure Lined Landfill
- S/W Lined Landfill Closure
- Cowlitz County Expo Center
- Conference Center
- Expo Reserve Fund
- Hoffstadt Bluffs Visitor Center
- Silver Lake Gift Shop
- 911 Communications
- 911 Equipment Reserve
- 911 Claims Reserve
- 911 Radio System Replacement
- Law Enforcement Records
- Law Enforcement Records Equip Resv
- DEM Special Projects
- DEM Special Projects
- Public Shooting Range - Operations
- Public Shooting Range - Phase II
- Public Shooting Range - Lead Abate

Internal Service Funds

Internal Service Funds account for operations that provide goods and services to other departments of the county or to other governmental units on a cost-reimbursement basis.

Examples of Internal Service Funds include:

IT (Central Services)

Risk Management

ER&R

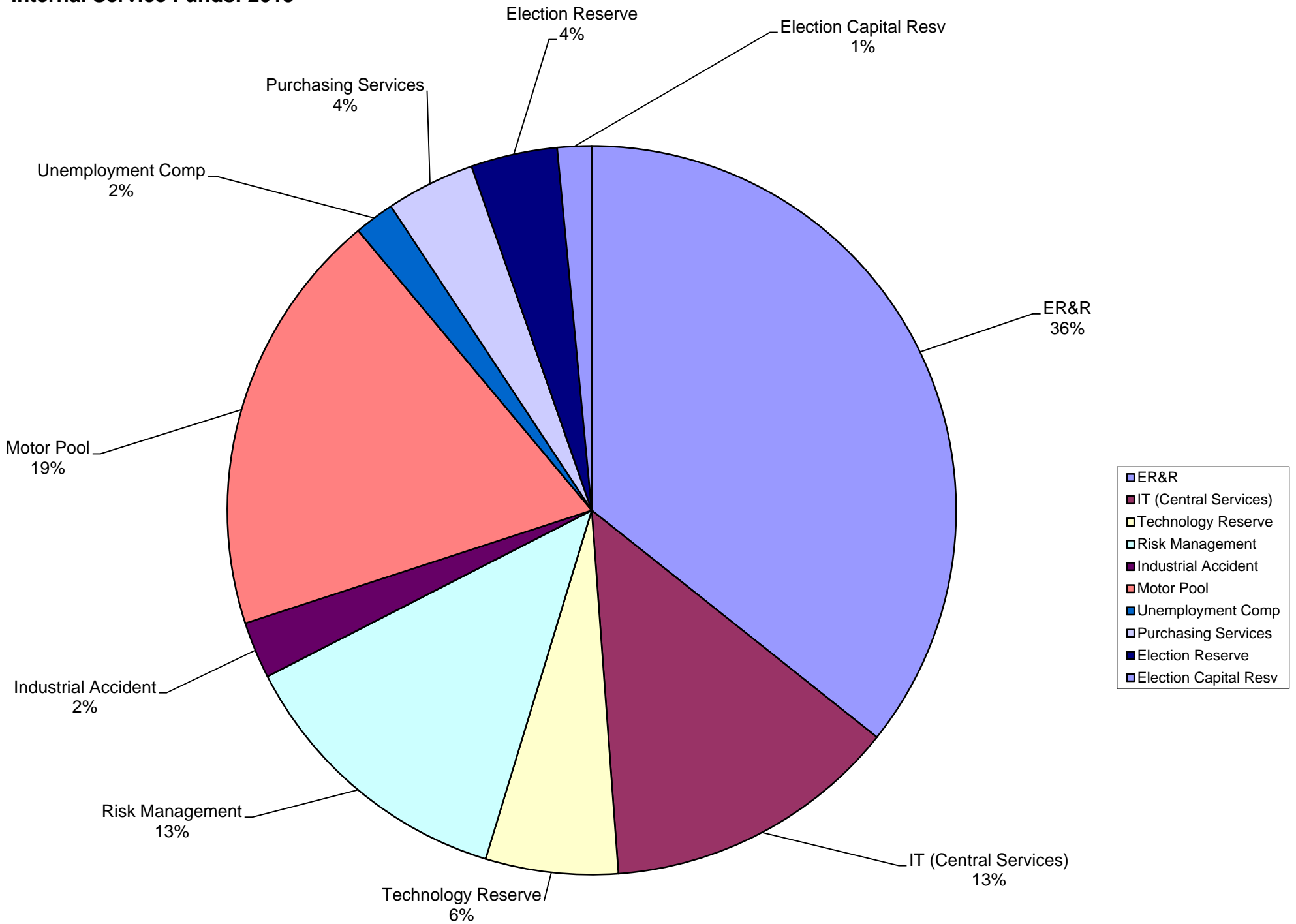
Motor Pool

Elections

Unemployment Compensation

Total 2013 budgets, including estimated ending fund balances are \$18.7 million.

**Cowlitz County
Internal Service Funds: 2013**



Fiduciary (Trust/Agency) Funds

Fiduciary funds, also known as trust or agency funds, account for assets held by Cowlitz County in a trustee capacity or as an agent for individuals, private organizations or other governmental units or funds.

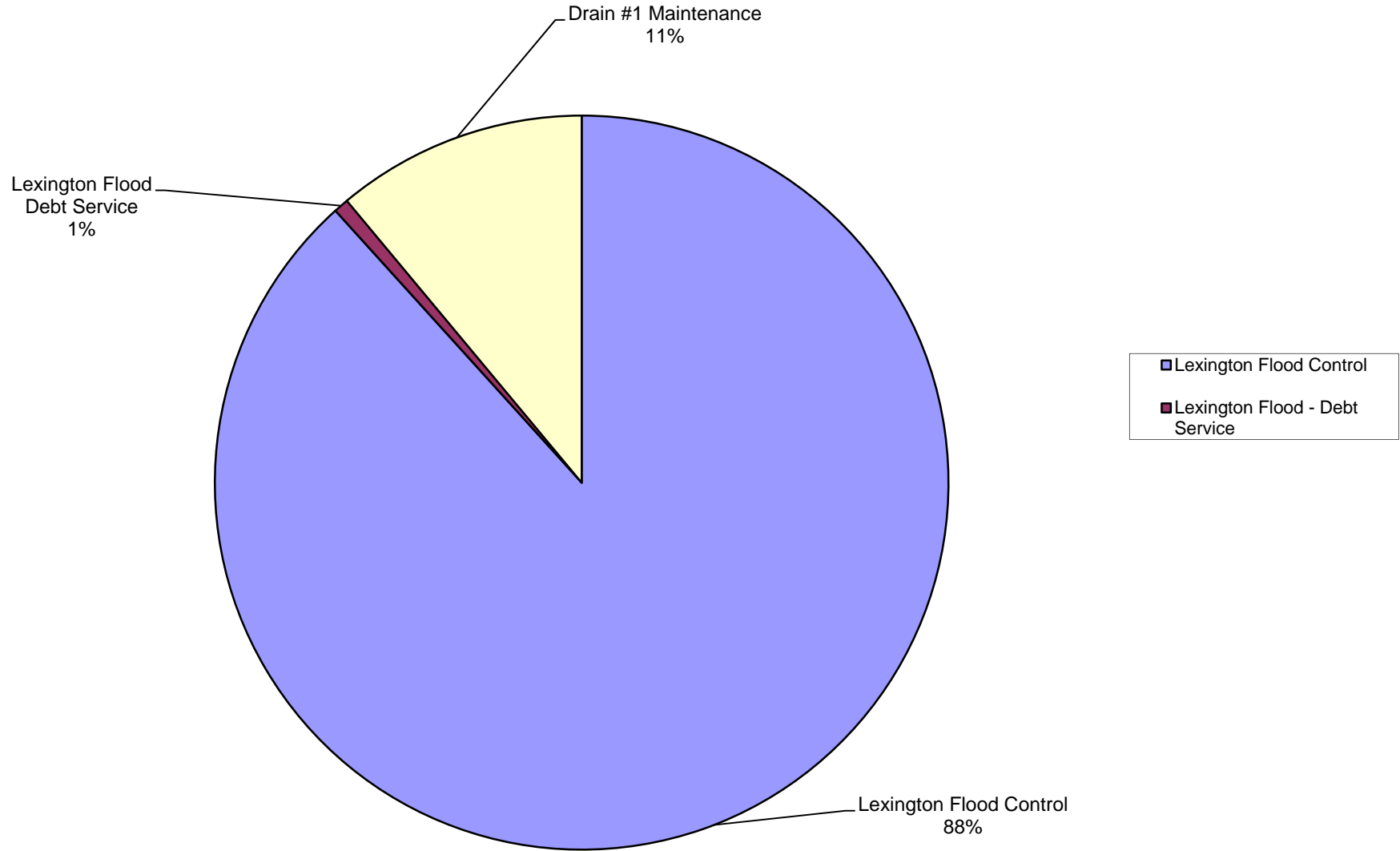
Examples of Fiduciary Funds include:

Lexington Flood Control

Drain #1 Maintenance

Total 2013 budgets, including estimated ending fund balances is \$7.6 million.

**Cowlitz County
Fiduciary Funds: 2013**



Line Item Detail

Budgets are adopted by resolution at the fund or department level.

They are a compilation of detailed expenditure requests
& revenue estimates

Line item expenditures:

salaries & wages

supplies

capital outlays

transfers

employee benefits

other services & charges

debt service/lease payments

Line item revenues:

taxes

intergovernmental revenue

miscellaneous

licenses & permits

finances & penalties

other financing sources

Line Item Detail: Expenditures

Salaries & Wages (Acct #510...)

Salaries for full time employees
Wages for other than full time employees
Other pay: overtime, holiday, differential, etc.

Personnel Benefits (Acct #520...)

Medical Insurance
Retirement Contributions
Social Security
Unemployment Comp
Severance (Vac/Sick Leave payments)

Supplies (Acct # 530...)

Office Supplies
Small Tools
Drugs
Fuel

Other Charges & Services (Acct #540...)

Professional Services
Communications (telephone, etc.)
Travel
Advertising
Rentals/Leases
Insurance
Utilities
Repairs & Maintenance
Other Miscellaneous (Printing, etc.)

Intergovernmental Services/Interfund Payments (Acct #550...)

Technology Services
Motor Pool Costs

Capital Outlay (Acct #560...) [cost exceeds \$5,000]

Furniture
Machinery & Equipment
Land & Building Improvements
Construction
Capital Leases

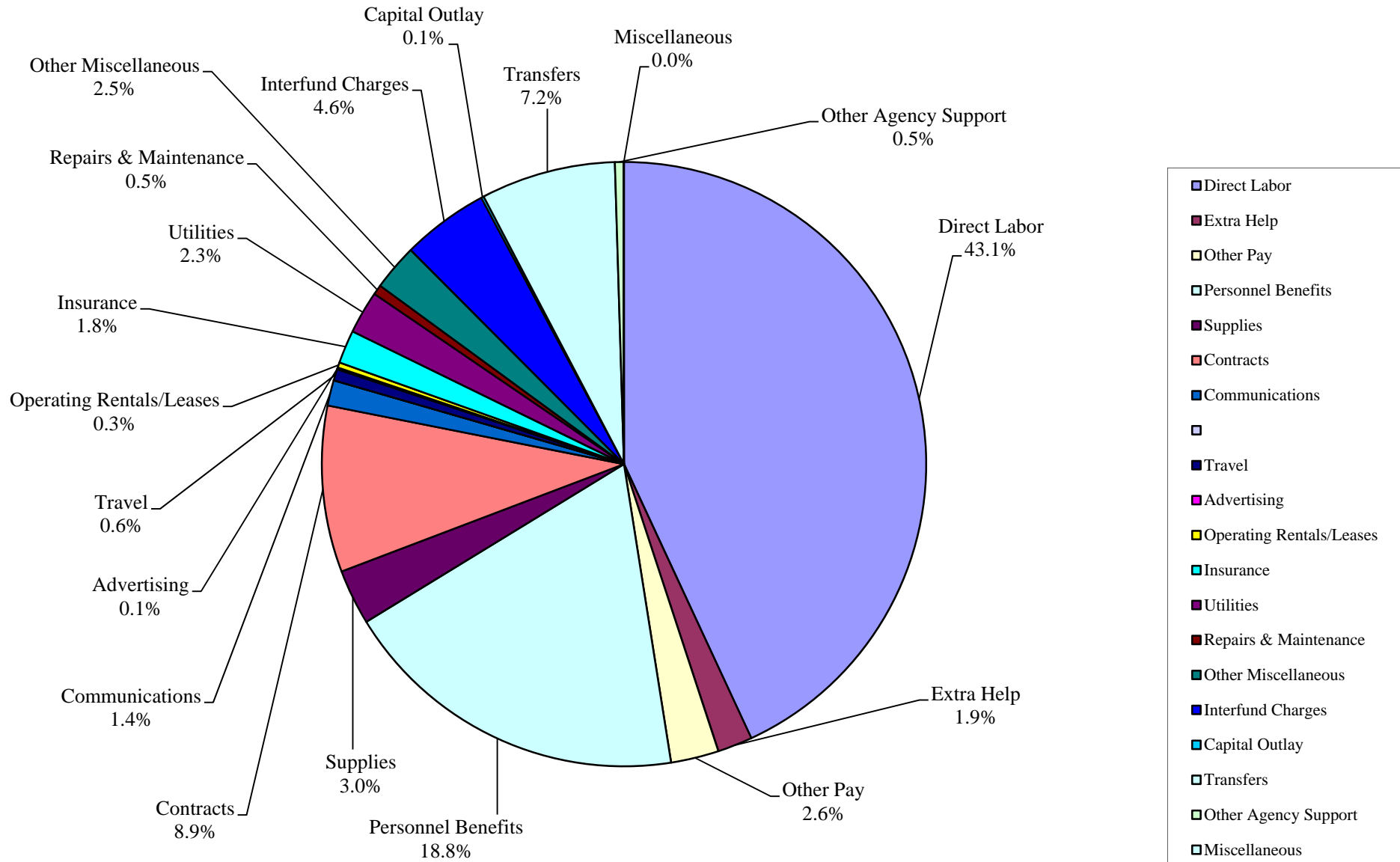
Debt Service (Acct #570...& 580...)

Principal & Interest Payments on bonds & notes
Intergovernmental Loans
Debt Issuance Costs

Transfers (Acct #590...)

Agency Support (COG, EDC, SCS, Kelso Airport)
Fund to Fund Operating Support
(i.e. General Fund cash contribution to Health Dept.)

Cowlitz County General Fund Expenditures: 2013



Line Item Detail: Revenues

Taxes (Acct #310...)

Real & Personal Property Taxes
Diverted County Road Taxes
Timber Harvest
Sales & Use Tax
Leasehold Excise Tax
Gambling Tax

Licenses & Permits (Acct #320...)

Landfill Fees
Land Use Permits
Building Permits
Special Use Permits
Marriage Licenses

Intergovernmental Services (Acct # 330...)

Federal Reimbursements & Grants
State Reimbursements & Grants
Local Agency Fees

Charges for Services (Acct #340...)

Filing Fees
Recording Fees
Xerox Charges
Offender Services
Probation Fees
Deferred Prosecution Fees
Drug Court Participant Fees
Board/Room Prisoners – cities, state, INS
Plan Checking Fees

Fines & Forfeits (Acct #350...)

Civil Penalties
Criminal Fines
Juvenile Fines
Traffic Fines

Miscellaneous Revenues (Acct #360...)

Interest Earnings
Coffee Shop Concessions
Park Fees
Private Donations
Miscellaneous

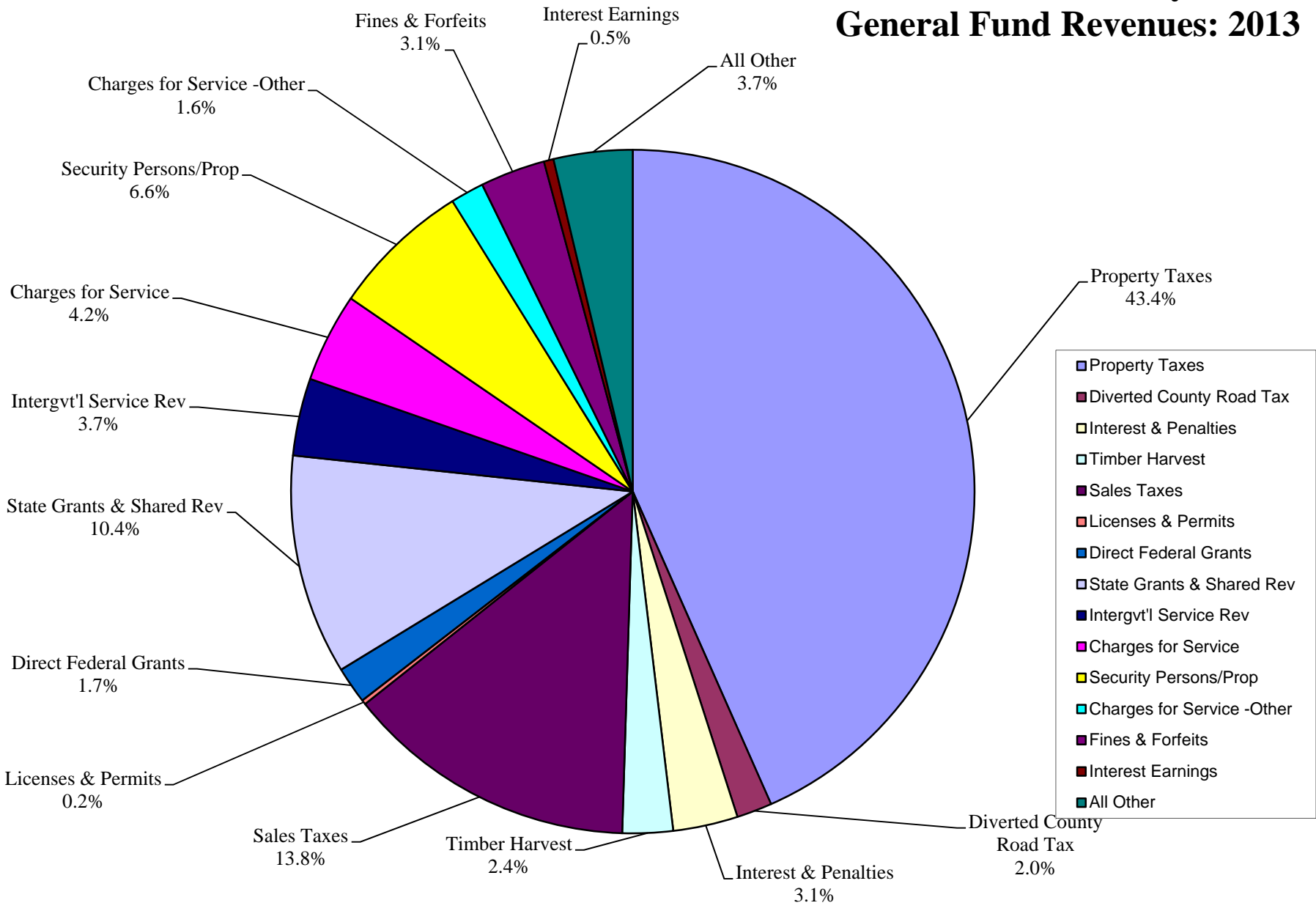
Other Financing Sources (Acct #390...)

Timber Sales - DNR
Sale of Capital Equipment

Non-Revenues (Acct #380...)

Transfers from other Funds

Cowlitz County General Fund Revenues: 2013



Reserves & Fund Balances

Reserves:

*Cash Flow:

cash set aside to pay bills when monthly expenditures exceed monthly revenues

*Restricted Balances:

cash or anticipated revenues set aside for future use

not available for current expenses (i.e. technology upgrades/replacement)

*Beginning Fund Reserve:

cash anticipated to be carried over *from* previous years

*Ending Fund Reserve:

cash anticipated to be carried over *into* future years

Reserves & Fund Balances

How large a fund balance is required by the General Fund?

IT DEPENDS ON LOCAL POLICY

County Financial Policy	8.3%	\$ 3.3 million	(= one month's expenditures)
County Target #1	10.0%	\$ 4.0 million	
County Target #2	12.0%	\$ 4.8 million	
GFOA Best Practice	16.6%	\$ 6.6 million	(= two month's expenditures)
GASB Best Practice	15.0%	\$ 5.7 million	(= 15% of expected revenues)
Maximum allowed by law		\$10.8 million	(\$1.25/\$1,000 of assessed value)

AND

Reserves & Fund Balances

How large a fund balance is required by the General Fund?

IT DEPENDS ON CURRENT NEEDS

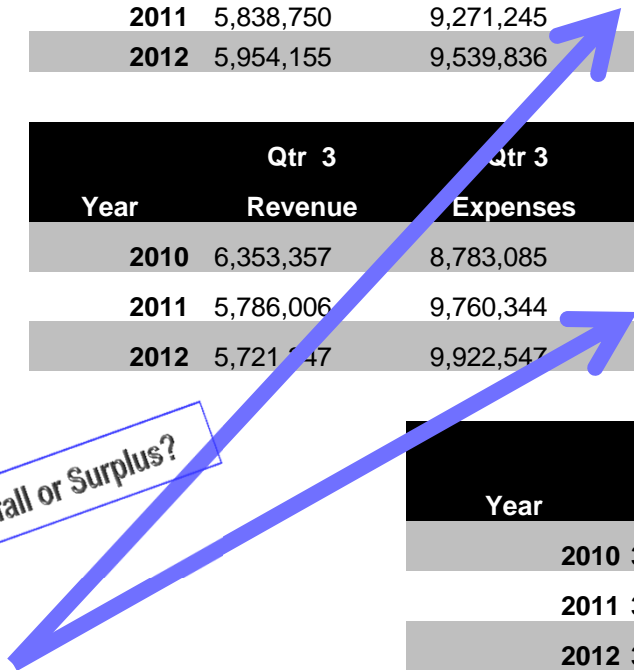
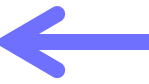
(EXPENDITURE & REVENUE TRENDS)

Year	Qtr 1 Revenue	Qtr 1 Expenses	Shortfall	Year	Qtr 2 Revenue	Qtr 2 Expenses	Surplus
2010	6,383,536	9,003,140	(2,619,604)	2010	14,105,260	9,283,716	4,821,544
2011	5,838,750	9,271,245	(3,432,495)	2011	13,549,011	10,823,973	2,725,037
2012	5,954,155	9,539,836	(3,585,681)	2012	14,835,327	8,953,964	5,881,363

Year	Qtr 3 Revenue	Qtr 3 Expenses	Shortfall	Year	Qtr 4 Revenue	Qtr 4 Expenses	Surplus
2010	6,353,357	8,783,085	(2,429,728)	2010	12,050,453	9,358,618	2,691,835
2011	5,786,006	9,760,344	(3,974,339)	2011	11,207,847	9,006,568	2,201,278
2012	5,721,147	9,922,547	(4,201,201)	2012	12,022,233	9,904,077	2,118,156

Year	Total Revenue	Total Expenses	Surplus or (Shortfall)
2010	38,892,605	36,428,558	2,464,047
2011	36,381,613	38,862,131	(2,480,518)
2012	38,533,061	38,320,424	212,638

Shortfall or Surplus?



Fund Balance Calculations

2014 Beginning Unreserved Cash Balance Calculation			
Cash on Deposit with Treasurer 07/31/2013		\$	
Petty Cash on Deposit with Treasurer 07/31/2013	+	\$	
Investments with Treasurer 07/31/2013	+	\$	
Anticipated Revenues (Aug-Dec)	+	\$	
Anticipated Expenses (Aug-Dec incl 13 th mo payables)	-	\$	
Cash Balance expected 12/31/2013	=		\$
(Note: this also the ending adjusted cash balance 12/31/2013)			

2014 Ending Unreserved Cash Balance Calculation			
Anticipated Revenues: 2014 (excluding fund balance)		\$	
Proposed Expenditures: 2014 (excluding fund balance)	-	\$	
Anticipated Cash Balance	=		\$
(Note: this becomes the beginning cash balance 01/01/2015)			



Progress Reports

Both the Auditor and Treasurer are required by law to provide monthly reports.

These reports are available both electronically and in paper form.

Electronic information is also available in the CHAMPS system.

For assistance in obtaining or using these reports, contact the Auditor, Treasurer or OFM

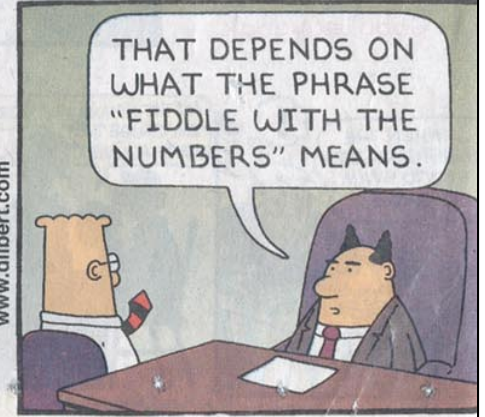
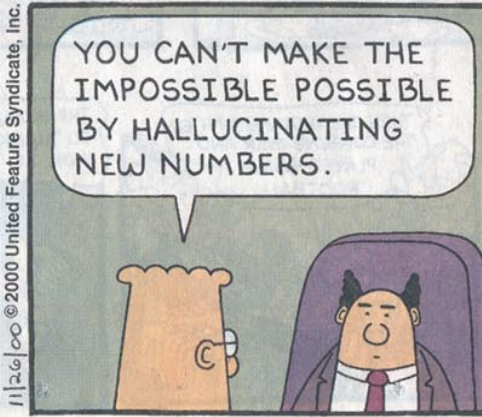
Cowlitz County “Budget 101”

Questions



Conclusion

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