

**CHAPTER 6: BUDGET**

- 6-101 Purpose
- 6-102 Responsibility
- 6-103 Definitions
- 6-104 Fiscal Year
- 6-105 Date of Adoption; Balanced Budget
- 6-106 Inspection
- 6-107 Public Hearing
- 6-108 Adoption and Amendment
- 6-109 Publication
- 6-110 Post-adoption Changes
- 6-111 Sinking Funds
- 6-112 Anticipated Revenues
- 6-113 Surplus
- 6-114 Account Balancing
- 6-115 Accounts
- 6-116 Accrual Basis
- 6-117 Financial Reports
- 6-118 Audit
- 6-119 Severability

\*\*\*\*\*

**6-101 Purpose**

The purpose of this article is to provide for a system of financial administration, accounting, fiscal, and budgetary control which conforms to generally accepted accounting practices.

**6-102 Responsibility**

The responsibility for the proper execution of the provisions of this article shall be with the Mayor except where the responsibility is explicitly given to the governing authority.

**6-103 Definitions**

1. Accrual Basis. The basis of accounting under which revenues are recorded when earned or when levies are made, and expenditures are recorded as soon as the result in liabilities, notwithstanding that the receipt of the revenue or payment of the expenditure may take place, in whole or in part, in another accounting period.
  
2. Appropriation. An authorization granted by the legislative body to make expenditures or to incur obligations for specific purposes.

3. Appropriation Balance. Unencumbered balance of appropriation or allotment, and unexpended balance of appropriation or allotment.
4. Assets. Property of all kinds of a government, including both current assets and fixed assets.
5. Audit. The examination of records, documents, reports, systems of internal control, accounting and financial procedures, and other evidence for one or more of the following purposes:
  - a. to ascertain whether the statements prepared from the accounts present fairly the financial position and the results of financial operations of the constituent funds and balanced account groups of the governmental unit in accordance with generally accepted accounting principles applicable to governmental units and on a basis consistent with that of the preceding year;
  - b. to determine the propriety, legality and mathematical accuracy of a governmental unit's financial transactions;
  - c. to ascertain whether all financial transactions have been properly recorded; and
  - d. to ascertain the stewardship of public officials who handle and are responsible for the financial resources of a governmental unit.
6. Balance Sheet. A statement ordinarily prepared from books kept by double entry showing assets, liabilities, reserves and surplus of a fund of a governmental unit at a specified date properly classified to exhibit financial position of the fund or unit at that date.
7. Budget. A plan of financial operation embodying an estimate of proposed expenditures for a given time and the proposed means of financing them. The annual budget refers to a period of one year.
8. Budgetary Control. The control of management of a governmental unit in accordance with an approved budget and keeping expenditures within the limitations of available appropriations or revenues.
9. Cash Basis. The system of accounting under which revenues are accounted for only when received in cash, and expenditures are accounted for only when paid.
10. Contingent Account. An appropriation to provide for unforeseen expenditures.
11. Current Surplus. The excess of the current assets of a fund over its current liabilities and reserves.

12. "Debit" and "Credit." Terms commonly used to indicate the manner in which a transaction is to be recorded. Every entry on the left side of the ledger sheet is called a "Debit." Every entry on the right side of the ledger sheet is called a "Credit."

13. Debt Service. The amount of money necessary annually to pay the interest on the outstanding debt and the principal of maturing bonded debt not payable from a sinking fund and to provide a fund for the redemption of bonds payable from a sinking fund.

14. Delinquent Taxes. Taxes remaining unpaid on and after the date on which a penalty for non-payment is attached. Even though the penalty may be subsequently waived and a portion of the taxes may be abated or canceled, the unpaid balances continue to be delinquent taxes until abated, cancelled or converted into tax liens.

15. Encumbrances. Obligations in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation and for which a part of the appropriations is reserved.

16. Fund. A sum of money or other resources (gross or net) set aside for the purpose of carrying on specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations. A fund is a distinct financial and legal entity.

17. Internal Audit. An audit made by persons on the staff on the governmental unit whose accounts are being audited primarily for the purpose of internal control. **NOTE:** An internal audit is usually a continuous audit.

18. Liabilities. Liabilities are debts owed.

19. Millage. A term used to express the property tax rate: Derived from the term "mill", which is 1 tenth of a cent. Thus, 10 mills equals one cent or 1%.

0.001	=	1 mill or 1/10 cent
0.010	=	10 mills or 1 cent = 1%
0.100	=	100 mills or 10 cents = 10%

Millage is determined by dividing the Total Amount of Money to be Raised by the Total Assessed Value of the Municipality.

**EXAMPLE:**

Taxes Needed		\$ 100,000
Assessed Value	=	\$8,000,000

$$\begin{array}{rcl} \$ 100,000 & & .0125 \text{ or } 12 \frac{1}{2} \text{ mills or} \\ \$8,000,000 & = & 1.25\% \text{ or assessed valuation.} \end{array}$$

20. Taxes Receivable. The uncollected portion of taxes which a governmental unit has levied.

21. Trust Funds. Amounts received or appropriated and held in trust in accordance with an agreement or legislative act which may be expended only in accordance with the terms of such trust or act.

#### **6-104 Fiscal Year**

The fiscal year shall begin on the first day of September and end on the last day of August.

#### **6-105 Date of Adoption; Balanced Budget**

An annual budget will be adopted by the City Council prior to the first day of the fiscal year. If the budget, is not adopted prior to the beginning of the fiscal year, a resolution authorizing the continuation of necessary and essential expenditures to operate the City shall be adopted prior to the beginning of the fiscal year. The proposed budget shall be prepared by the Mayor and transmitted to members of the City Council for its review no later than July 1, before the required date of adoption. The budget shall be adopted by the City Council, in accordance with the City Charter, during the first Mayor and Council meeting conducted in the month of August. The budget as adopted shall be a balanced budget with anticipated revenues equal to appropriated expenditures. All funds within the budget shall also be balanced.

#### **6-106 Inspection**

At the time the proposed budget is transmitted to members of the governing authority, a copy of the proposed budget shall be made available for public inspection in the office of the City Clerk during regular office hours.

#### **6-107 Public Hearing**

A public hearing shall be held to give the public the opportunity to present written and oral comments upon a proposed budget. Notice of such public hearing shall be given in a newspaper of general circulation in the municipality no more than twenty days and no less than five days in advance of the hearing when the budget is to be adopted.

#### **6-108 Adoption and Amendment**

The adoption of the budget shall be accomplished by the approval of a budget Ordinance which specified the anticipated revenues by appropriate categories and the appropriated

expenditures for each department and each non-departmental expense and for each fund covered by the budget. Amendments to the budget shall be approved by Ordinance.

**6-109 Publication**

Upon adoption of the budget a notice that the approved budget is available for public inspection in the office of the City Clerk during regular office hours shall be published in a newspaper of general circulation within thirty days of adoption. Within six months after the close of the fiscal year, a statement of revenues and expenditures shall be made available for public inspection in the office of the City Clerk during regular office hours.

**6-110 Post-adoption Changes**

Any increase in appropriation in a department budget or in a nondepartmental expense category, whether accomplished through a change in anticipated revenues or through a transfer of appropriations among departments and non-department expenses, shall require the approval of the City Council in the form of an amendment to the budget Ordinance. The transfer of appropriations among the various accounts within a departmental budget or within a non-departmental expense category shall only require the approval of the Mayor, except that any transfer of appropriations within a departmental budget so as to increase the salary appropriation for the purpose of employing additional personnel shall require the approval of the City Council.

**6-111 Sinking Funds**

No appropriation transfer shall be made from a sinking fund or debt retirement fund until all the legal obligations and requirements of such fund have been satisfied.

**6-112 Anticipated Revenues**

The Mayor shall present the statement of anticipated revenues on the basis of the ordinary and reasonable revenues which can be expected for the fiscal year. Property tax revenue estimates shall be based upon the anticipated tax digest, less a stated discount for delinquent taxes based on a consideration of the taxes which were delinquent at the close of the three prior fiscal years, plus a stated amount of delinquent taxes, including penalties and interest, to be collected in the fiscal year based on consideration of the actual experience in the collection of delinquent taxes in the three prior fiscal years.

**6-113 Surplus**

All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year shall lapse and shall become a part of the unencumbered surplus which may be appropriated for the next fiscal year.

#### **6-114 Account Balancing**

A complete, self-balancing group of accounts shall be established and maintained for each fund used. This group of accounts shall include all general ledger accounts and subsidiary records necessary to reflect compliance with legal provisions to set forth the financial position and the results of financial operations of the fund.

#### **6-115 Accounts**

Additional accounts shall be maintained as follows:

1. To the extent possible, a fixed asset account for the purpose of accounting for those assets which (a) are of a tangible nature; (b) have a life longer than one fiscal year; and (c) have a significant value. Fixed assets shall be recorded at original cost, shall not be depreciated and shall be removed from the account when disposed of.
2. A general long term debt account for the purpose of accounting for long term debt which is supported by general revenues and for recording and fairly representing the liability for long term debt at any time from date of issuance until the debt is retired.

#### **6-116 Accrual Basis**

To the extent possible, the modified accrual basis of accounting shall be used so that expenditures, other than accrued interest or long term debt, are recorded at the time liabilities are incurred and revenues are recorded when cash is received, except for material or available revenues which shall be accrued to reflect properly the taxes levied and the revenues earned. All receipts and disbursements shall be posted promptly and at least on a monthly basis. To the extent possible, all interfund transfers shall be cleared by the end of fiscal year.

#### **6-117 Financial Reports**

Financial reports showing the current conditions budgetary and proprietary accounts shall be prepared and presented to the governing authority at least every three (3) months. No later than six (6) months after the close of the fiscal year, a comprehensive annual financial report covering all funds and financial operations shall be prepared. A summary of this report, containing at least a statement of revenues and expenditures as of the close of the preceding fiscal year and the combined balance sheet for all funds and account groups will be published in a newspaper of general circulation.

#### **6-118 Audit**

All the funds, accounts and financial transactions of the City shall be subjected to an annual audit by an independent certified public accountant who is to be selected by the City Council. The audit shall be conducted according to the standards set forth in the American

Institute of Certified Public Accountants' Publications, Audits of State and Local Governmental Units.

**6-119 Severability**

In the event any section of this article shall be declared or adjudged unconstitutional or invalid, such adjudication shall in no manner affect the other sections of this article, which shall remain in full force and effect, as if the invalid section were not originally a part hereof.