

Finance Committee Meeting

Topic: Accounting and Budgeting

Basics



City of Lockport, NY

February 9, 2021

Why is it Important to Understand Basic Accounting and the Budget?

- Budgets and financial plans provide a framework on how organizations operate and plan to operate in the future.
- In public organizations, the budget is vital as it organizes and dictates priorities and initiatives through the allocation of limited resources.
- Today, we will review the City's current budget and explain some basic principles.

Fund Accounting

- Governmental organizations abide by fund accounting, that is, separating functions and activities into their own financial centers.
- A key characteristic of fund accounting is that we have multiple 'funds' which each house a number of various departments that intendedly serve the function of the fund.
- We consider each fund distinctly separate from another for most purposes.

Budget Fundamentals and Coding

- Inside the departments of each fund are revenues (or incomes) and expenditures (or costs).
- Expenditure and revenue codes are divided out by fund, department, category, and line item. For example, A.3410.51010 means:

A.	3410.	51	010
<i>Fund</i>	<i>Department</i>	<i>Category</i>	<i>Line Item</i>
General Fund	Fire Department	Personnel	Full Time Wages

Common Coding Key

Common Funds	
A	General
CL	Refuse
FX	Water
G	Sewer
H	Capital

Expenditure Categories	
51	Personnel
52	Capital & Equipment
54	Contractual
56 & 57	Loan Repayments
58	Employee Benefits

Revenue Categories	
31	Tax Based
32	Charges and User Fees
33	State Aid
34	Federal Aid
35	Interfund Revenue

A full detail of department coding and line item coding can be found in the FY 2022 budget document.

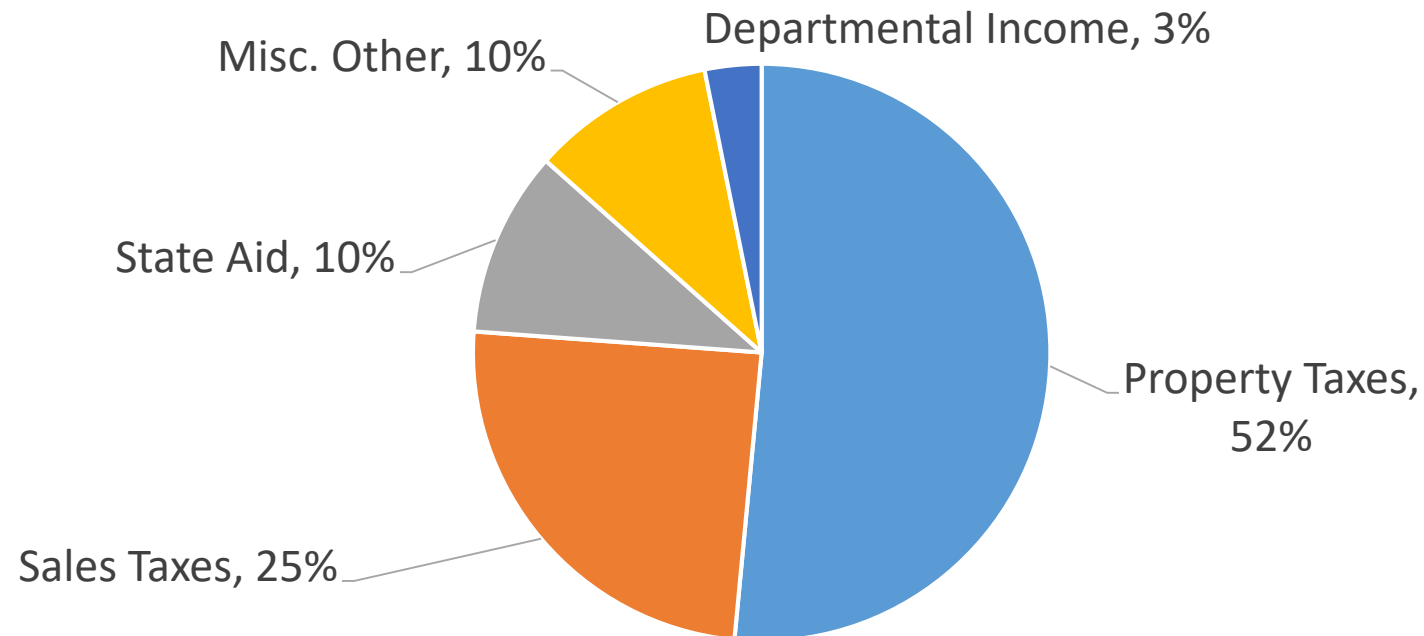
What Budgeted Funds Do We Have?

- General Fund
- Enterprise Funds
 - Water
 - Sewer
 - Refuse and Recycling
- Internal Service Funds
 - Health Insurance
 - Worker's Compensation



Major Characteristics of the General Fund

- The General Fund is our primary fund and houses a number of more typical 'governmental activities' such as fire, police, assessment, administrative offices, etc...
- Revenues include:



Main Characteristics of Enterprise Funds

- Enterprise funds such as refuse and recycling, water, and sewer each houses departments that are central to the functions of the fund.
- Revenues are based on user fees and charges that we charge for the fund activities. If expenditures increase, the user fees and charges typically increase as well.



Main Characteristics of Internal Service Funds

- Internal service funds are slightly dissimilar to other funds in that they are supported in revenue from other funds through the payroll process.
- Expenditures are locked to specific activities that serve the function of each fund (in our case, we have a health insurance and worker's compensation fund).
- Expenses in A/FX/G payroll get transferred to these funds as revenue and are used to pay medical claims, etc..



Fund Balance

- While we budget each fund to be balanced, that is, to have revenues equal expenditures, funds will end the year with either a surplus, where there is excess revenue over expenditures, or a deficit, where costs are higher than total revenues.
- The accumulation of prior year surpluses and deficits is referred to as fund balance.
- A positive fund balance means you have had prior budget surpluses greater than your deficits, while a negative fund balance means you have had prior deficits greater than surpluses.

Example – Refuse Fund FY 2018 – FY 2021

Refuse and Recycling Fund	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Amended
Revenues				
Departmental Income	1,305,382	1,306,808	1,317,794	1,307,000
Use of Money and Property	209	0	0	1,000
Sale of Property	2,318	0	0	0
Miscellaneous	0	0	3,673	0
State Aid	0	0	0	0
Total Revenues	1,307,909	1,306,808	1,321,467	1,308,000
Expenditures				
Equipment and Capital Outlay	20,000	36,337	25,455	25,211
Contractual	1,204,595	1,214,949	1,259,195	1,328,507
Debt Principal	25,890	27,200	28,515	29,825
Debt Interest	10,537	9,242	7,882	6,457
Total Expenditures	1,261,022	1,287,728	1,321,047	1,390,000
<i>Excess (Deficit)</i>	<i>46,887</i>	<i>19,079</i>	<i>420</i>	<i>-82,000</i>
Fund Balance at End of Year	396,573	415,652	416,071	334,071
<i>As a Percent of Expenditures</i>	<i>31%</i>	<i>32%</i>	<i>31%</i>	<i>24%</i>

~Accounting and Budgeting Basics Takeaways~

- There are three primary types of funds:
 - General, which is supported by property taxes
 - Enterprise (water/sewer/refuse), which are supported by user fees
 - Internal Service (health/worker's compensation), which are supported by premiums
- Each fund houses departments that contains revenues and expenditures.
- At the end of the year, if a fund has more revenue than expenditures, it has a surplus. If not, it has a deficit.
- Fund balance is the accumulation of prior year surpluses/deficits.