

BUDGET PROCESS

The County Manager develops budget guidelines for operating departments for the upcoming fiscal year. These guidelines are based, in part, on revenue and expenditure estimates developed by the Department of Management and Finance (DMF), Budget Section. This section also prepares the necessary instructions and forms for use by departments in preparing budgets, and distributes to the departments budget preparation worksheets. The budget preparation worksheets are part of the County's integrated accounting/purchasing/budget/human resources enterprise resource planning (ERP) program known as PRISM.

Operating departments prepare expenditure and revenue budgets. The DMF Budget Section is chiefly responsible for developing revenue budgets for taxes and other revenues not directly under the control of an operating department.

The County Board develops budget planning estimates which set limits on expenditure levels based on preliminary revenue and expenditure forecasts developed by the Budget Section of DMF. The County Manager is in charge of presenting a proposed budget within the planning estimates established by the County Board.

After proposed budgets are submitted by departments, the DMF Budget Section, the County Manager, the Deputy County Managers and the Executive Leadership Team review and discuss the proposed departmental budgets and, after negotiations, agree on a final amount for presentation to the County Board in the County Manager's proposed budget.

The proposed budget includes a pay-as-you-go capital budget funded from current operations. A six-year capital improvement program is developed and approved separately from the operating budget. The School Board prepares a separate operations budget, supported to a large degree by transfers from the County general fund.

The County Board conducts budget work sessions with the departments and holds public hearings prior to final adoption of the budget and setting of tax rates for the upcoming fiscal year.

After adoption, the budget is updated in the budget system and then loaded to the accounting system into a chart of accounts. Annual appropriations are adopted for the general, utilities, special revenue and internal service funds. Appropriations are controlled at the department level in the general fund, although appropriations are loaded to cost center, natural account, project, source of funds and task levels within the department.

The County Board must approve changes to adopted appropriation levels. These changes can be in the form of allocations from previously established contingent accounts, appropriations from new or additional revenues, especially grants from the state or federal government, and from reappropriations from a previous fiscal year. These changes, when approved by the County Board, are loaded to the financial system by doing budget revisions which are approved through DMF, which acts as the control for supplemental appropriations. Approved supplemental appropriations are noted in the County Board minutes for the particular County Board meeting. DMF tracks these adjustments on a balancing spreadsheet.

Operating departments, as well as DMF staff, regularly monitor financial reports and on-line financial tables by comparing actual results to budgeted amounts. Special detailed financial reviews are completed and presented to the County Board at mid-year (mid-year review), third-

quarter (third-quarter review) and at the end of the fiscal year (closeout report). Funds not spent in one fiscal year may be reappropriated in a subsequent fiscal year.

Departments are charged with making sure that approved budget levels reflect any supplemental appropriations approved by the County Board. In addition, with DMF concurrence, funds may be moved within a department's budget as long as the total departmental appropriation is not changed. No County Board approval is required for these internal reallocations.

A graphical representation of the annual budget cycle is shown on the following page.

Budgetary Basis:

The budgets of the general government fund types, which include the General Fund, Special Revenue Funds, and General Capital Projects Funds, are prepared on a modified-accrual basis of accounting. Under this basis, expenditures are recorded when the associated payables liabilities are incurred, but revenues are generally recognized if they are received within 45 days of the end of the fiscal year.

The Enterprise Funds (Utilities, Ballston Public Parking Garage), Internal Service Funds, and Pension Trust Funds are recorded using the accrual basis of accounting - revenues are recorded when earned and expenditures are recorded when the associated payables liabilities are incurred.

The Comprehensive Annual Financial Report (CAFR) shows the status of the County's finances on the basis of generally accepted accounting principles ("GAAP"). Effective with Fiscal Year 2002, in order to be in compliance with GAAP, the County is required to display its financial statements in two ways. In one set of statements, the "Government-wide Financial Statements", all funds are reported using the accrual basis of accounting, similar to the Enterprise Funds. In the other set of statements, the "Fund Financial Statements", the governmental fund types (General and Special Revenue Funds) are reported using the modified-accrual basis of accounting.

In most cases, this second set of statements conforms to the way the County prepares its budget. Exceptions include the following:

- Depreciation expense is recorded on a GAAP basis only.
- Compensated absence liabilities, expected to be liquidated with expendable available financial resources, are accrued as earned by employees (GAAP) as opposed to being expended when paid (budget).
- Principal payments on long-term debt, within the Enterprise Funds, are applied to the outstanding liability on a GAAP basis as opposed to being expended on a budgetary basis.
- Capital outlays within the Enterprise Funds are recorded as assets on a GAAP basis and expended on a budgetary basis.