

# EXPENDITURES AND FINANCIAL REPORTING

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## Types of Expenditure Budgets

- Expenditure budgets come in many forms
  - Incremental budget
  - Zero-based budget
  - Program or service-specific budget
- There is no wrong way
- Size doesn't matter
- Pick the appropriate one for your organization

## Horseshoes and Hand Grenades

- Budgets do not have to be 100% accurate
- The tolerance for inaccuracy depends upon a variety of things
  - Reserve levels within each fund
  - Governing body's acceptance of "errors"
  - Amendment process
- Concentrate on largest items and significant categories

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## Personnel Costs

- Personnel costs make up 65% - 75% of most budgets
- Easy to predict with reasonable accuracy
- Create a personnel calculator that includes
  - Salaries / Wages
  - Overtime
  - Taxes
  - Retirement
  - Insurance

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## Personnel Calculator

Position by Division	1010 Salary/ Wages	1070 Overtime	1210 Retirement/ TMRs	1220 F.I.C.A.	1230 Group Ins. Health/Dntl	Life AD&D EAP/Dent	1240 Workers Comp.	1250 T.W.C.	TOTAL
<b>POLICE OPERATIONS (052)</b>									
Police Officer	59,963	2,890	6,524	4,587	9,775	315	1,252	135	85,441
Police Officer	59,963	2,890	6,524	4,587	7,129	315	1,252	135	82,795
Police Officer	59,963	2,890	6,524	4,587	7,129	315	1,252	135	82,795
Police Officer	71,277	2,890	8,231	5,845	7,129	315	1,488	135	102,443
Police Officer	73,058	2,890	8,639	6,146	7,129	315	1,525	135	107,118
Police Officer	73,058	2,890	8,399	5,969	7,129	315	1,525	135	104,390
Police Officer	62,998	2,890	6,916	4,876	7,129	315	1,315	135	87,320
Police Officer	64,573	2,890	7,287	5,150	7,129	315	1,348	135	91,572
Police Officer	59,963	2,890	6,524	4,587	7,129	315	1,252	135	82,795
Police Officer	64,573	2,890	7,343	5,191	-	315	1,348	135	85,074
Police Officer	59,963	2,890	6,524	4,587	7,129	315	1,252	135	82,795
Police Officer	62,998	2,890	6,854	4,830	9,551	315	1,315	135	89,033
Police Officer	64,573	2,890	7,574	5,361	-	315	1,348	135	87,698
Police Officer	64,573	2,890	7,654	5,420	-	315	1,348	135	88,615
Police Officer	59,963	2,890	6,524	4,587	7,129	315	1,252	135	82,795
Police Officer	64,573	2,890	7,535	5,332	-	315	1,348	135	87,255
<b>DIVISION TOTAL</b>	1,814,636	72,250	203,901	144,747	154,209	7,875	37,890	3,375	2,516,365
<b>Division FTE Total =</b>	<b>1,892,120</b>	<b>72,250</b>	<b>203,910</b>	<b>144,750</b>	<b>162,090</b>		<b>37,890</b>	<b>3,380</b>	<b>2,516,390</b>

## Capital Outlay

- Annual expenditures for capital outlay should be planned in advance if possible
- Create a schedule for capital improvements
- Significant maintenance items could be included
- Update this schedule at least annually

## Capital Outlay

Project Type/ Project Summary	Estimated Project Expenditures by Fiscal Year Ending					Total
	2022	2023	2024	2025	2026	
<b>Public Safety Projects</b>						
Police Department South Parking Lot	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Police Department Secured Parking	-	-	30,000	-	-	30,000
Police Department Roof Replacement	325,000	-	-	-	-	325,000
City Facility Generators	105,000	-	-	-	-	105,000
<b>Total Public Safety Projects</b>	<b>430,000</b>	<b>30,000</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>490,000</b>
<b>Parks and Recreation Projects</b>						
Heritage Park and Park Lane Improvements	4,308,850	-	-	-	-	4,308,850
Library Interior Renovation	25,000	250,000	-	-	-	275,000
Standpipe Park	-	-	195,000	-	-	195,000
Historic Standpipe Restoration	-	-	240,000	-	-	240,000
Exercise and Playground Equipment for Parks	88,000	-	-	-	-	88,000
Splash Pad Improvements	90,000	-	-	-	-	90,000
Nolan Creek Hike & Bike Trail Replacement	36,000	-	-	-	-	36,000
<b>Total Parks and Recreation Projects</b>	<b>4,547,850</b>	<b>250,000</b>	<b>435,000</b>	<b>-</b>	<b>-</b>	<b>5,232,850</b>
<b>Streets and Sidewalks Projects</b>						
W Avenue D Extension	-	-	-	1,760,000	-	1,760,000
Southwest Pkwy Extension over Mitchell Branch	-	-	1,346,000	-	-	1,346,000
W 13th Avenue and N College Reconstruction	1,350,000	-	-	-	-	1,350,000
S Pearl and E Avenue J Reconstruction	-	-	-	750,000	-	750,000
Connell Street Reconstruction	-	973,000	6,527,000	-	-	7,500,000
Brenda Lane Reconstruction	-	-	1,000,000	-	-	1,000,000
E 13th Avenue Sidewalks	110,000	562,000	-	-	-	672,000
S Penelope Sidewalks	-	-	40,000	250,000	-	290,000
E 24th Avenue Widening at Main Street	-	-	-	-	1,000,000	1,000,000
Toll Bridge Road Reconstruction	-	-	5,050,000	3,950,000	-	9,000,000
<b>Total Streets and Sidewalks Projects</b>	<b>1,460,000</b>	<b>1,535,000</b>	<b>13,963,000</b>	<b>6,710,000</b>	<b>1,000,000</b>	<b>24,668,000</b>
<b>Total Expenditures For All Projects</b>	<b>\$ 6,437,850</b>	<b>\$ 1,815,000</b>	<b>\$ 14,428,000</b>	<b>\$ 6,710,000</b>	<b>\$ 1,000,000</b>	<b>\$ 30,390,850</b>

## Capital Outlay

Sources of Funding	Estimated Funding Amount by Fiscal Year					Total
	2022	2023	2024	2025	2026	
Bond Issuances	\$ -	\$ -	\$ 5,260,000	\$ 4,700,000	\$ 1,000,000	\$ 10,960,000
Grants	750,000	342,000	75,000	-	-	1,167,000
Operating Fund Revenues	-	30,000	175,000	250,000	-	455,000
BEDC Funding	-	-	-	1,760,000	-	1,760,000
TIRZ Funding	3,583,850	1,223,000	3,733,000	-	-	8,539,850
Other Funding	2,104,000	220,000	5,185,000	-	-	7,509,000
<b>Total Funding For All Projects</b>	<b>\$ 6,437,850</b>	<b>\$ 1,815,000</b>	<b>\$ 14,428,000</b>	<b>\$ 6,710,000</b>	<b>\$ 1,000,000</b>	<b>\$ 30,390,850</b>

Departments with O&M	Operations & Maintenance (O&M) Expenditures by Fiscal Year					Total
	2022	2023	2024	2025	2026	
Public Works - Streets	\$ (700)	\$ (700)	\$ (1,700)	\$ (2,200)	\$ (2,200)	\$ (7,500)
Parks and Recreation	27,000	27,000	32,000	32,000	32,000	150,000
<b>Total Change to O&amp;M Expenditures</b>	<b>\$ 26,300</b>	<b>\$ 26,300</b>	<b>\$ 30,300</b>	<b>\$ 29,800</b>	<b>\$ 29,800</b>	<b>\$ 142,500</b>

## Debt Service

- Debt service can be another substantial portion of the annual budget
- Payment schedules are created when bonds are sold
- Principal and interest should be included even in proprietary funds like utilities

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<h2 style="color: #C00000;">Debt Service</h2>					
		<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal Balance</u>
9/30/2021					\$ 10,233,400
FY 2022	✔	1,172,657	✔ 831,675	✔ 340,982	9,401,725
FY 2023	✔	1,188,169	✔ 875,387	✔ 312,782	✔ 8,526,338
FY 2024	✔	1,197,049	✔ 914,100	✔ 282,949	7,612,238
FY 2025	✔	1,198,571	✔ 947,812	✔ 250,759	6,664,426
FY 2026	✔	1,198,555	✔ 981,525	✔ 217,030	5,682,901
FY 2027	✔	1,199,424	✔ 1,015,238	✔ 184,186	4,667,663
FY 2028	✔	1,152,674	✔ 1,002,663	✔ 150,011	✔ 3,665,000
FY 2029	✔	1,044,400	✔ 930,000	✔ 114,400	2,735,000
FY 2030	✔	1,037,050	✔ 955,000	✔ 82,050	1,780,000
FY 2031	✔	588,400	✔ 535,000	✔ 53,400	1,245,000
FY 2032	✔	587,350	✔ 550,000	✔ 37,350	695,000
FY 2033	✔	585,850	✔ 565,000	✔ 20,850	✔ 130,000
FY 2034	✔	68,900	✔ 65,000	✔ 3,900	65,000
FY 2035	✔	66,950	✔ 65,000	✔ 1,950	-
<b>Grand Total</b>	✔	<b>\$ 12,285,999</b>	✔ <b>\$ 10,233,400</b>	✔ <b>\$ 2,052,599</b>	✔ <b>\$ -</b>

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|---|--|---------------------|--|--|----|
| <h2 style="color: #C00000;">Capital Replacement Plans</h2>  |  |                     |  |  |    |
| <ul style="list-style-type: none"> <li>• GFOA recommends a written policy addressing capital asset reserves for the renewal and replacement of assets</li> <li>• Annual contributions ensure funding is available when assets must be replaced in the future</li> <li>• It also smooths the budgetary effect of acquisitions</li> <li>• Don't forget to evaluate contributions regularly</li> </ul> |  |                     |  |  |    |

## Tips for Budgeting Other Expenditures

- Use your general ledger to predict trends
  - Use averages to determine typical expenditure levels
  - Remove any one-time items
  - Adjust for seasonality if necessary
  - Determine historical growth rates
- Identify any large variances between years
  - What are the causes?
  - Will it continue or was it one-time?
- Avoid the “what-if” factor

## Supplies

- These accounts often have variable factors that determine the cost
- Examples include:
  - Fuel
  - Chemicals
  - Utilities
- Predict the variable factors using historical volume and updated costs per unit

## Maintenance

- Maintenance accounts can be difficult to predict due to the unknown nature of the expenditure (AKA “stuff happens”)
  - Streets, water, and sewer maintenance
  - Vehicle and building maintenance
- Budget typical expenditures for routine maintenance, amending the budget for unusual or substantial items

## Services

- Many of these accounts may have contractual provisions that call for specific prices or annual increases
  - Software agreements
  - Audit fees
  - Contracted personnel or consultants
  - Leases



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## Transfers Out

- Transfers between funds are common for governments
- They can be used to allocate costs among various funds
  - Payroll costs
  - Grant matches
  - Funding of capital project and replacement funds
- Year-end transfers into other funds can eliminate a budget surplus, but...

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## Sample of Budget Worksheet

2502-03 - PW Parks Maintenance

Account:	1100	Description:	CHEMICAL		
2014-15 Actual	\$7,041		2015-16 Actual	\$8,963	
Current Budget	\$14,100		Current 2016-17 Estimate	\$11,000	
Proposed Basic Budget	\$10,600	Proposed Supplemental	\$0	Proposed Final Budget	\$10,600

  

2017-2018	DESCRIPTION			
	BASIC BUDGET			
		Quantity	Cost/Quantity	Cost
8,500	Insecticides (bags)	30	\$ 160	\$ 4,800
	Herbicides (2.5 gallons)	6	105	630
	Fertilizers (bags)	122	25	3,050
			\$	8,480
600	Additional miscellaneous chemicals for landscaping purposes.			
1,500	Chemicals for Splash Pad			
	<b>Reason for change: Not using as much chemical for splash pad as expected</b>			
	Expenditure History:			Original Budget
	FY 12-13	\$ 8,966	8,800	
	FY 13-14	\$ 6,862	9,300	
	FY 14-15	\$ 7,041	19,300	
	FY 15-16	\$ 8,963	19,300	
	4 Year Average	\$ 7,958	\$	14,175

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## Financial Reporting: Data vs. Information

### Data

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	7.9	7.7	7.2	6.9	7.4	8.1	7.9	7.4	7.0	6.9	6.8	6.9
2013	7.6	7.2	6.9	6.7	7.0	7.6	7.4	7.1	7.1	6.9	6.5	6.2
2014	6.5	6.5	6.2	5.5	5.9	6.2	6.4	6.2	5.8	5.5	5.4	4.9
2015	5.4	5.0	4.7	4.3	4.6	4.9	5.0	4.7	4.7	4.6	4.4	4.1
2016	4.4	4.3	4.4	4.2	4.1	4.9	5.0	4.8	4.8	4.5	4.4	4.4
2017	4.9	4.9	4.5	4.1	4.1	4.4	4.4	4.4	4.1	3.8	4.0	3.8
2018	4.3	4.3	4.1	3.9	3.9	4.6	4.4	4.3	4.2	4.0	4.0	4.0
2019	4.6	4.2	3.9	3.3	3.4	4.2	4.2	4.0	3.7	3.6	3.6	3.4
2020	3.8	3.6	5.6	10.3	9.9	9.2	8.4	8.8	8.7	5.9	6.2	6.2
2021	6.7	6.7	6.4	5.7	5.6	6.4	5.9	5.6	5.2	5.0	4.8	4.4

### Information

Year	Rate
2012	7.9
2013	8.1
2014	6.2
2015	4.7
2016	4.8
2017	4.1
2018	4.2
2019	3.4
2020	6.2
2021	4.4

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## Periodic Financial Reporting

- Financial reports should be prepared at least quarterly
- Compare current year budget to actual
- Compare current year to previous year actual
- Note any large variances from budget

Spring 2022		TML Budget Workshop				21	
	Budget		Current Year Actual		Current Year Actual (Year-to-Date) as a % of Annual Budget	Prior Year Actual Year-to-Date	
	Annual	Year-to-Date	Year-to-Date <sup>1</sup>	Current Quarter			
	<b>Revenues</b>						
Ad valorem taxes	\$ 7,291,740	\$ 5,395,888	\$ 6,152,650	\$ 6,152,650	84%	\$ 5,340,512	
Sales taxes <sup>2</sup>	4,917,660	1,184,153	1,302,235	1,302,235	26%	1,125,084	
Franchise and other taxes	1,265,300	316,325	310,560	310,560	25%	309,982	
Permits and license Fees	293,720	73,430	120,961	120,961	41%	78,215	
Court fines and fees	303,070	75,768	59,068	59,068	19%	58,193	
Charges for service	2,662,540	665,635	573,325	573,325	22%	525,060	
Miscellaneous income	146,260	36,565	90,433	90,433	62%	22,600	
Other financing sources	589,910	147,478	157,932	157,932	27%	147,085	
<b>Total Revenues</b>	<b>17,470,200</b>	<b>7,895,240</b>	<b>8,767,164</b>	<b>8,767,164</b>	<b>50%</b>	<b>7,606,731</b>	
<b>Expenditures</b>							
Personnel	10,487,360	2,621,840	2,048,965	2,048,965	20%	2,010,357	
Supplies	535,860	133,965	153,918	153,918	29%	116,601	
Maintenance	1,015,100	253,775	117,704	117,704	12%	58,951	
Services	4,466,140	1,116,535	863,676	863,676	19%	950,743	
Other expenses	210,650	52,663	70,168	70,168	33%	106,201	
Capital outlay	-	-	-	-	-	19,598	
Transfers	755,090	188,773	183,273	183,273	24%	164,542	
<b>Total Expenditures</b>	<b>17,470,200</b>	<b>4,367,550</b>	<b>3,437,704</b>	<b>3,437,704</b>	<b>20%</b>	<b>3,426,993</b>	
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 3,527,690</b>	<b>\$ 5,329,460</b>	<b>\$ 5,329,460</b>		<b>\$ 4,179,738</b>	

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	Budget		Actual		Current Year Actual (Year-to-Date) as a % of Annual Budget	Prior Year Actual Year-to-Date	
	Annual	Year-to-Date	Year-to-Date <sup>1</sup>	Current Quarter			
	<b>General Government</b>						
City Council	\$ 205,950	\$ 51,488	\$ 75,192	\$ 75,192	37%	\$ 25,775	
City Manager's Office	1,199,440	299,860	127,296	127,296	11%	126,310	
Public Information	60,560	15,140	13,120	13,120	22%	22,503	
Retail Development	44,650	11,163	9,538	9,538	21%	8,239	
Finance	378,810	94,703	83,138	83,138	22%	95,068	
Human Resources	297,730	74,433	71,524	71,524	24%	52,016	
Legal	238,960	59,740	48,865	48,865	20%	55,234	
Other Costs	-	-	-	-	-	106,201	
<b>Total General Government</b>	<b>2,426,100</b>	<b>606,525</b>	<b>428,673</b>	<b>428,673</b>	<b>18%</b>	<b>491,346</b>	
<b>Public Safety</b>							
Police-Administration	373,780	93,445	73,865	73,865	20%	86,198	
Police-Operations	3,090,620	772,655	735,648	735,648	24%	721,530	
Police-Support Services	1,639,580	409,895	318,997	318,997	19%	253,880	
Police-Animal Control	103,400	25,850	53,081	53,081	51%	54,409	
Police-Code Enforcement	80,960	20,240	16,085	16,085	20%	17,230	
Fire-Suppression	2,956,850	739,213	652,202	652,202	22%	622,455	
<b>Total Public Safety</b>	<b>8,245,190</b>	<b>2,061,298</b>	<b>1,849,878</b>	<b>1,849,878</b>	<b>22%</b>	<b>1,755,702</b>	

## Annual Financial Reporting

- Cities should strive to prepare an Annual Comprehensive Financial Report (ACFR)
- It provides accountability and stewardship
- It allows some comparability to other communities
- It may be required to meet continuing disclosure requirements for debt that has been issued
- However...
  - It must be completed timely
  - The audience is limited

## If Your City Doesn't Prepare an ACFR

- You should still prepare financial statements using GAAP
- Those financial statements should still be audited
- As an elected official, I would want to see
  - The auditor's opinion
  - Fund financial statements
  - Long-term debt schedules
- If your town's finances are not audited, I would demand on seeing check registers and current bank reconciliations

## Annual Reporting to Other Agencies

- Compliance report to MSRB/EMMA
- Debt report
- Hotel occupancy tax report
- Tax increment financing report
- Economic development corporation report
- Chapter 380/381 report
- Eminent domain report

## Any Questions?

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