



# **Projected Budget for Fiscal Year Ending June 30th, 2018**

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*The City of the Village of Douglas*

Presented By: City of Douglas Finance Department

# Budgeting Policies & Procedures

## A Reader's Guide to Budgeting

The budgeting and accounting policies of the City of the Village of Douglas conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following are the significant budgetary policies followed by the Village.

## Uniform Budgeting Act

The City of the Village of Douglas is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act.

- Budgets must be adopted for the General Fund and Special Revenue Funds.
- The budgets must be balanced.
- The budgets must be amended when necessary.
- Debt cannot be entered into unless permitted by law.
- Expenditures cannot exceed budgeted appropriations.
- Expenditures cannot be made unless authorized in the budget.
- Public hearings must be held before the budget is adopted by City Council.

## Basis of Budgeting

The adopted budget is prepared on a basis consistent with GAAP and modified accrual basis of accounting is used for all government fund types. Expenditures on long-term debt are recorded at the time liabilities are incurred and revenues are recorded when cash is received except when accruals of revenues are necessary to properly record the revenues in correct fiscal year.

The full accrual of accounting is utilized in the Enterprise Fund and capital outlay expenses are recorded as an expense for budgetary purposes instead of adjusting balance sheet accounts.

## Fund Structure of Approved Budget

The Annual Budgets are adopted according to law under the Uniform Budgeting Act for General Fund and Special Revenue Funds. The Capital Improvement Fund and Enterprise Fund have prepared budgets for financial and project management purposes.

## Fund Accounting

The accounts of the City of the Village of Douglas are organized by funds and departments. Funds are established to segregate specific activities or objections of a government in accordance with special regulations, restrictions, or limitations for the monies in each fund. The various funds are grouped into generic fund types in three broad categories as follows:

### Governmental Funds

**General Fund:** The general Fund contains the accounting of the ordinary activities of the City. The General Fund expenditures are financed mostly by property tax revenues and some state shared revenues.

**Special Revenue Funds:** Special Revenue funds are used to account for the proceeds of earmarked revenue from financing activities requiring separate accounting because of legal or regulatory requirements. The City's Special Revenue Funds are Major Street Fund, Local Street Fund, Special Events Fund, Schultz Park Launch Ramp Fund and the Water & Sewer Revolving Fund.

**Debt Service Funds:** Debt service Funds are used to account for the annual payment of principal and interest concerning long-term debt other than the debt payable from the operations of an enterprise fund. The City does not use a Debt Service Fund and records principal and interest payments for the City Hall loan and Blue Star Bridge Rehabilitation Project in the General Fund. The city records the principal and interest in this manner because the City does not levy a millage for its debt and covers the expenditures as part of operating expenditures.

**Capital Projects Fund:** Capital Projects Funds are used to account for the development of capital facilities and projects. The City has one Capital Project Fund and that is the Blue Star Bridge Capital Project Fund.

**Permanent Funds:** Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used to support government programs. The City does not have any Permanent Funds.

## Proprietary Funds

**Enterprise Funds:** Enterprise Funds are funds that are accounted for on a full accrual basis of accounting and are used for business-type activities. The City does not have any Enterprise Funds.

**Internal Service Funds:** The City has one Internal Service Fund and that is the Equipment Rental Fund. The Equipment Rental Fund is financed by rental charges to the General Fund, Major Street Fund and Local Street Fund for the use of equipment by the Public Works Department. The rental charges are used to finance the purchase of equipment for the Public Works Department.

## Fiduciary Funds

**Trust and Agency Funds:** Trust and Agency Funds are used to account for the assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. The City does not have any Trust and Agency Funds.

**Pensions Trust Funds:** Pension Trust Funds are used to report the resources required to be held for the members and beneficiaries of defined benefit pension plans, defined contribution plans and other post-employment benefits. The City does not have a Pension Trust Fund because Michigan Employers Retirement System (MERS) accounts and records necessary information and resources. Pension information accounted for by MERS is displayed in City's Annual Financial Statements.

**Investment Funds:** Investment Funds are funds whose legal purpose is to hold separate governments' pool of investments. The City does not have an Investment Fund.

**Private-purpose Trust Funds:** Private-purpose Trust Funds are used report trust arrangements not reported in other trust funds, which has limited provisions to the monies held in the fund. The City does not have a Private-purpose Trust Fund.

## Budgeting Procedures

The annual budget covers a twelve month period beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>. The budget is an ongoing process that includes phases of development, adoption, implementation and oversight throughout the year.

Several goals are associated with the preparation and development of the City's annual budget document. First, the budget is a policy document. The budget should help foster comprehensive community problem solving and policy making. Second, the budget is a financial plan and management tool. The document should help staff in monitoring revenue and expenditures and in evaluating the effectiveness of City programs and services. Third, the budget serves as an important reference document. It should provide the City Council, staff and the public with extensive information on the nature and scope of municipal operations and services.

## Strategic Planning Process

The City Council holds multiple workshop meetings throughout the year with the City Manager and department heads to discuss and develop both long and short-term goals and objectives. These workshop meetings give the City Manager and department heads a guidance and understanding of the goals the City Council would like to have completed and in a general order.

## Budget Review and Analysis

All department heads meet with the City Treasurer for review and evaluation of their respective budgets. The objective of this phase is to:

- Ensure that the intent of all budget requests are understood
- Gain greater understanding of departmental objectives and standards of performance and operations for the upcoming fiscal year.
- Determine how proposed departmental projects and programs are related to the goals and objectives set by Council.
- Balance the needs of each department to the total City needs.

Analysis in this phase include analysis of levels of service, evaluation of historical expenditure trends, projection of inflationary increases, and review of departmental operations.

## Building the Proposed Budget

The City Treasurer and City Assessor work towards reasonable estimates of property tax income based on projections and reasonable estimates of property tax values. Property tax revenues generally account for about two-thirds of the City's Revenue.

The Treasurer meets with the different department heads to determine the costs of proposed projects and operating expenditures. The Treasurer then meets with the City Manager to review the budget as a whole and bring a proposed budget to City Council.

The proposed budget is then prepared for Council to review. Workshop sessions are held with the City Council to ensure that the proposed budget is in alignment with the Council's goals and objectives, as well as their vision for the City. The Treasurer adjusts the budget as directed by the City Council and makes a recommended budget document for adoption.

## City Council Adoption

After completion of the budget workshop sessions, the proposed budget is published on the City's website and public hearings are held for the budget and the City's millage rate. After completion of the public hearings, the City Treasurer would make any adjustments as necessary under the direction of the City Council. The budget is then adopted at the next scheduled City Council meeting.

## Budget Amendment Process

After the budget is adopted, the primary responsibility for managing the budget falls to individual departments and the Treasurer reviews expenditures on a monthly basis. Management is given flexibility to each department of exceeding a line item within a department if it can be compensated for within the same department. Budget amendments that require transfers from fund balance or other departments require approval by the City Council.

## General Fund

The General Fund is the main operational fund for the City. It contains all of the activities of the City that are not required to be accounted for in another fund, such as special revenue or an enterprise fund. The main sources of revenue for the General Fund are property taxes, police department reimbursement from City of Saugatuck and state shared revenue. Expenditures occur for administrative activities, community development, public safety and public works.

### The City of the Village of Douglas

Projected Budget FY Ending 6/30/2018

#### General Fund

<b>Revenues</b>	<b>Current Fiscal Year</b>	<b>Fiscal Year Ending 6/30/2018</b>	<b>% of Change</b>
Property Taxes	\$ 1,845,000	\$ 1,863,450	1.0%
Other Taxes	\$ 119,500	\$ 129,500	8.4%
State Revenue Sharing	\$ 106,500	\$ 131,000	23.0%
Income Tax	\$ -	\$ -	
Fines & Fees	\$ 123,745	\$ 124,420	0.5%
Licenses & Permits	\$ 85,000	\$ 87,250	2.6%
Interest Income	\$ 9,000	\$ 9,000	0%
Grant Revenues	\$ -	\$ -	
Other Revenues	\$ 665,075	\$ 551,335	-17.1%
Interfund Transfers (In)	\$ 15,480	\$ 11,500	-25.7%
<b>Total Revenues</b>	<b>\$ 2,969,300</b>	<b>\$ 2,907,455</b>	<b>-2.1%</b>

<b>Expenditures</b>	<b>Current Fiscal Year</b>	<b>Fiscal Year Ending 6/30/2018</b>	<b>% of Change</b>
General Government	\$ 590,670	\$ 597,068	1.1%
Police and Fire	\$ 1,292,750	\$ 1,087,171	-15.9%
Other Public Safety	\$ -	\$ -	
Roads	\$ 261,227	\$ 271,990	4.1%
Other Public Works	\$ 89,050	\$ 82,258	-7.6%
Health and Welfare	\$ -	\$ -	
Community & Economic Dev.	\$ 207,315	\$ 225,180	8.6%
Recreation & Culture	\$ 202,200	\$ 204,180	1.0%
Capital Outlay	\$ -	\$ -	
Debt Service	\$ 92,788	\$ 89,000	-4.1%
Other Expenditures			
Interfund Transfers (Out)	\$ 354,800	\$ 350,600	-1.2%
<b>Total Expenditures</b>	<b>\$ 3,090,800</b>	<b>\$ 2,907,447</b>	<b>-5.9%</b>
<b>Net Revenue/ Expenditures</b>	<b>\$ -121,500</b>	<b>\$ 8</b>	
<b>Beginning Fund Balance</b>	<b>\$ 2,786,826</b>	<b>\$ 2,665,326</b>	
<b>Ending Fund Balance</b>	<b>\$ 2,665,326</b>	<b>\$ 2,665,334</b>	

Assumptions: In the process of completing this document several assumptions were made to determine expected revenues and expenditures.

- Property Tax Revenues were determined by multiplying the City's Taxable Value by the CPI (1.0%). There has been a lot of new development in the City and should result in an increase of tax revenue.
- Health Insurance Costs were estimated with a 10% increase from current budget
- Utility expenses, liability insurance and gasoline expenses were kept as the same as prior year budgeting
- Pension costs are figured on wages and appropriate rate multiplier per division
- All other line item expenses are budgeted with no increase from current year including wages or averaged over the past couple years.



## Government – Wide

The Government – Wide projected budget includes all government funds including:

- General Fund
- Major Street Fund
- Local Street Fund
- Downtown Development Authority
- Kalamazoo Harbor Authority
- Schultz Park Launch Ramp Fund
- Sewer & Water Fund
- Equipment Rental Fund

### The City of the Village of Douglas

Projected Budget FY Ending 6/30/2018

#### Government-Wide

<b>Revenues</b>	Current Fiscal Year	Fiscal Year Ending 6/30/2018	% of Change
Property Taxes	\$ 1,864,900	\$ 1,883,549	1.0%
Other Taxes	\$ 119,500	\$ 129,500	8.4%
State Revenue Sharing	\$ 281,550	\$ 311,050	10.5%
Income Tax	\$ -	\$ -	
Fines & Fees	\$ 181,745	\$ 191,420	5.3%
Licenses & Permits	\$ 109,000	\$ 121,121	11.1%
Interest Income	\$ 11,550	\$ 11,550	0.0%
Grant Revenues	\$ -	\$ -	
Other Revenues	\$ 665,075	\$ 551,335	-17.1%
Interfund Transfers (In)	\$ 545,280	\$ 537,200	-1.5%
<b>Total Revenues</b>	<b>\$ 3,778,600</b>	<b>\$ 3,736,725</b>	<b>-1.1%</b>

<b>Expenditures</b>	<b>Current Fiscal Year</b>	<b>Fiscal Year Ending 6/30/2018</b>	<b>% of Change</b>
General Government	\$ 590,670	\$ 597,068	1.1%
Police and Fire	\$ 1,292,750	\$ 1,087,171	-15.9%
Other Public Safety	\$ -	\$ -	
Roads	\$ 772,872	\$ 792,509	2.5%
Other Public Works	\$ 275,550	\$ 212,258	-23.0%
Health and Welfare	\$ -	\$ -	
Community & Economic Dev.	\$ 253,565	\$ 271,500	7.1%
Recreation & Culture	\$ 232,775	\$ 229,955	-1.2%
Debt Service	\$ 92,788	\$ 89,000	-4.1%
Interfund Transfers (Out)	\$ 359,300	\$ 355,100	-1.2%
<b>Total Expenditures</b>	<b>\$ 3,870,270</b>	<b>\$ 3,634,561</b>	<b>-6.1%</b>
<b>Net Revenue/ Expenditures</b>	<b>\$ -91,670</b>	<b>\$ 102,164</b>	
Beginning Fund Balance	\$ 3,980,472	\$ 3,888,802	
Ending Fund Balance	\$ 3,888,802	\$ 3,990,966	

## Debt Service Report

**Local Unit Name:** The City of Douglas  
**Payment Source:** General Fund  
**Current Fiscal Year End Date:** 6/30/2016

**Debt Name:** Chemical Bank- City Hall Loan  
**Issuance Date:** 3/15/2004  
**Issuance Amount:** \$448,403

Years Ending	Principal	Interest	Total
2017	\$ 22,950	\$ 86	\$ 23,036
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
<b>Totals</b>	<b>\$ 67,416</b>	<b>\$ 680</b>	<b>\$ 68,096</b>

**Local Unit Name:** The City of Douglas  
**Payment Source:** General Fund  
**Current Fiscal Year End Date:** 6/30/2016

**Debt Name:** Chemical Bank- City Hall Loan  
**Issuance Date:** 3/17/2006  
**Issuance Amount:** \$190,000

Years Ending	Principal	Interest	Total
2017	\$ 14,754	\$ 3,510	\$ 18,264
2018	\$ 15,530	\$ 2,734	\$ 18,264
2019	\$ 16,347	\$ 1,916	\$ 18,263
2020	\$ 17,208	\$ 1,056	\$ 18,264
2021	\$ 11,156	\$ 203	\$ 11,359
	\$ -	\$ -	\$ -
<b>Totals</b>	<b>\$ 89,011</b>	<b>\$ 13,667</b>	<b>\$ 102,678</b>

**Local Unit Name:** The City of Douglas  
**Payment Source:** General Fund  
**Current Fiscal Year End Date:** 6/30/2016

**Debt Name:** Chemical Bank- Capital Improvement Bonds  
**Issuance Date:** 10/1/2010  
**Issuance Amount:** \$325,000

<b>Years Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 50,000	\$ 1,825	\$ 51,825
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
<b>Totals</b>	<b>\$ 100,000</b>	<b>\$ 5,375</b>	<b>\$ 105,375</b>