SIGNIFICANT BUDGETARY POLICIES

Basis of Budgeting and Accounting

The basis of budgeting and the basis of accounting used in the preparation of the City's annual financial report are the same for all governmental funds (general fund, special revenue fund, debt service fund, and capital projects) without exception. Revenues and expenditures are budgeted consistent with the City's financial statements, which are prepared in accordance with GAAP for all governmental funds.

Governmental funds are accounted for on a modified accrual basis. This means that revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, with the exception of long-term liability.

Significant receivables (revenues) and liabilities (expenditures) are recorded in the prior year's budget up to sixty days after fiscal year end if they represent earned income or expenditures as of June 30, the last day of the fiscal year. This includes the cost of employees' time as well as supplies, services, and equipment delivered by June 30.

For Enterprise Funds, the budgeting and accounting basis are the same except for depreciation and non-current expenses. Enterprise Funds are accounted for on a full accrual basis. Revenues and expenses are recorded when they are earned/incurred. Enterprise Funds focus on expenses related to maintenance and operations, equipment purchases, and exclude depreciation and other allocations related to income determination. Revenues received and expenses paid for goods and services delivered by June 30 are credited or charged to the current fiscal year's budget.

Encumbrance accounting is used to reserve funds committed to vendors for supplies, services and equipment throughout the year in all funds. However, encumbrances for items not delivered by June 30 are canceled and re-established against the new fiscal year's budget for all operating budgets. Encumbrances do not establish expenditures/expenses or liabilities. Appropriations and encumbrances for capital project funds are maintained in effect until they are liquidated.

Reserves

In every budget since FY1982, the City's fund balance level has been a critical component of the City's financial management program. Likewise, the General Debt Service Fund balances have been budgeted to provide adequate reserves for debt service payments in the first seven months of the subsequent fiscal year. Pension fund contributions and employee health care costs have been funded with reserve components through the budget as well. These budgetary policies were recognized by City Council in the adoption of the financial policies previously mentioned.

Reserves exist in two forms:

- Those specifically created by ordinance, and
- Those maintained as unappropriated or unassigned ending fund balance.

Most of the City's budgetary reserves take the form of ending fund balances and are consequently the result of financial activity as presented in the City's financial statements.

General Fund Reserves

The following table shows the ending unassigned fund balance, the actual year end maintenance and operating costs for preceding fiscal years, the estimated year-end costs for the current fiscal year, and the proposed year-end costs for the subsequent fiscal year.

Historical Data FY2000 – FY2026
General Fund Available Fund Balances
($ thousands)

Fiscal Year	Unassigned Ending Fund Balance	M&O Expenditures
FY2000	66,590	1,064,160
FY2001	79,432	1,105,408
FY2002	80,335	1,206,160
FY2003	83,027	1,199,766
FY2004	88,659	1,235,994
FY2005	120,042	1,279,879
FY2006	175,832	1,368,746
FY2007	234,535	1,459,076
FY2008	253,514	1,567,484
FY2009	236,275	1,668,700
FY2010	165,383	1,676,367
FY2011	129,040	1,680,038
FY2012	171,677	1,590,044
FY2013	202,842	1,705,450
FY2014	222,620	1,821,588
FY2015	287,842	1,964,412
FY2016	236,946	2,001,911
FY2017	269,558	2,026,297
FY2018	328,346	2,931,146
FY2019	321,436	2,072,672
FY2020	282,068	2,063,529
FY2021	281,202	2,050,824
FY2022	356,331	2,219,090
FY2023	485,383	2,286,200
FY2024 Actual	566,726	2,420,540
FY2025 Estimate	380,798	2,590,816
FY2026 Budget	273,402	2,525,170