

GUIDE TO THE BUTTE COUNTY BUDGET

This Guide is provided to explain in everyday terms how Butte County government plans and accounts for its finances in order to meet its obligation to be stewards of public's money. Butte County government provides for the basic safety, health, and welfare of its citizens by providing a variety of services to the public. The County provides such a wide variety of social, health, environmental, public safety, and other services it is a challenge to keep citizens informed and involved in the business of government. Hopefully, this Guide will make it easier to understand how at least some of the County's financial activities work.

WHAT IS THE BUDGET?

The annual budget of Butte County government is a statement of the financial policy and plan for the coming fiscal year. The budget document presents in detail, the financial plan for the County, including its sources of revenue (resources) and the allocation of these resources to the programs of the County. The Board of Supervisors adopts the budget by passing a Resolution authorizing an appropriation of funds.

WHAT IS AN APPROPRIATION?

An appropriation is the common term for the authorization granted by the Board of Supervisors to make expenditures and incur obligations for specific purposes. An appropriation is time limited and must be expended before the end of the fiscal year.

WHAT ARE REVENUES?

Revenues consist of income received through taxes, licenses and permits, grants from other governments, charges for services, fines and forfeits, and other miscellaneous sources. Revenues are one component of available financial resources which are used to fund appropriations.

WHAT ARE EXPENDITURES?

Expenditures occur when the County buys goods and services and pays its employees. Expenditures can be categorized into three types: operating expenditures, capital expenditures, and debt service expenditures. Operating expenditures are the day-to-day spending on salaries, supplies, utilities, services, and contracts. Capital expenditures are generally for acquisition of major assets such as land and buildings or for the construction of buildings or other improvements. Debt expenditures repay borrowed money and interest on that borrowed money.

WHAT IS A FUND?

For accounting purposes the County is organized into many separate fiscal entities known as funds. Each fund is a separate division for accounting and budgeting purposes. The fund accounting structure allows the County to budget and account for revenues that are restricted by law or policy to a specific use or purpose in accordance with nationally recognized rules of governmental accounting and budgeting.

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The County budget consists of many funds. Each fund may be thought of as a separate checking account to be used for a specific purpose. All funds of the County fall into one of six major categories. The following is a brief description of the six fund categories.

General Fund: The General Fund finances most services that the County provides. This includes law enforcement and other criminal justice, community development and land use planning, elections and voter registration, fire protection, library services and administration. The General Fund is basically a “catch-all” for accounting for County operations that do not have to be recorded in a different fund.

Special Revenue Funds: Special revenue funds are used to account for revenues that are used for specific purposes. An example is the Road Fund where we record the transportation allocations and taxes received from the State which must be used for roads and bridges.

Capital Projects Funds: The Capital Projects Fund is used to account for the acquisition and/or construction of major capital facilities.

Debt Service Funds: Debt service funds are used by the County to account for the accumulation of resources for, and the repayment of, money borrowed and the interest on these debts.

Enterprise Funds: Enterprise funds are established to account for operations that are financed and operated in a manner similar to private businesses with the intent that the cost of goods or services provided will be recovered primarily through charges for services. Enterprise funds are used to account for all costs related to the Neal Road Recycling and Waste Facility.

Internal Service Funds: Internal service funds are used by the County to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. An example of an internal service fund is the Workers’ Compensation Fund.

WHY USE FUNDS?

Reason 1: Fund accounting is required by the State. California State law governs how counties and cities in the State will account for their revenues and expenditures. All cities and counties are audited annually to ensure that they have followed the accounting rules.

Reason 2: Whenever a city or county receives dollars from the State or federal government in the form of a grant, the city or county must account for those dollars in the manner prescribed by the State or United States government, audits are conducted to ensure that these accounting rules are followed.

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Reason 3: Whenever a local government approaches the financial market to borrow money, the local government must provide financial statements, prepared in accordance with national accounting standards, the financial condition of the local government. Financial institutions and investors will loan money to the local government only if the local government can demonstrate through its financial statements that it is able to repay the debt.

Reason 4: The County, like all other local governments nationwide, uses fund accounting because this system of accounting is the standard prescribed by national organizations that are associations of accountants and finance professionals from cities and counties all over the country. The principles used to account for businesses, called Generally Accepted Accounting Principles (GAAP), are established by the Financial Accounting Standards Board (FASB). Similarly, principles used to account for local government finances are established by the Governmental Accounting Standards Board (GASB).

WHAT IS A TRANSFER?

Interfund operating transfers represent subsidies and contributions between funds. An example of operating transfers is the transfer of funds from the General Fund to the Public Health Fund for the County's mandated contribution to public health programs. Another example is the transfer of funds from the General Fund and other operating funds to the Capital Projects Fund for the purpose of accounting for Capital Projects.

WHAT IS A FUND BALANCE?

Fund balance is the difference between the assets and liabilities of the fund. It is good financial policy to have a reasonable amount of fund balance for emergencies and to carry the fund through slack times in revenue collections. In a given year, if revenues exceed expenditures, the fund balance will increase; if expenditures exceed revenues then the fund balance will decrease.

ACCOUNTING FOR TAX DOLLARS

It is the responsibility of the County Auditor-Controller to account for the receipt and expenditure of all County funds. The County Auditor-Controller annually issues what is referred to as the Comprehensive Annual Financial Report (CAFR) to show the financial condition of every County fund and details of each fund's revenues and expenditures that fiscal year. Where the CAFR shows what actually happened financially and is published after the end of the fiscal year, the budget document shows how the County plans to spend the revenues that it receives during the upcoming fiscal year.

A BALANCED BUDGET

By law, each separate fund must have a balanced budget. This means that revenues, plus fund balance carryovers, must equal the appropriations and increases in reserves. So for each fund, the budget spells out where the dollars are coming from and how they will be spent.

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THE OPERATING BUDGET – SERVICES TO THE PUBLIC

The majority of services provided by the County to its citizens are accounted for in operating funds, which include the General Fund, Welfare Fund, Public Health Fund, Behavioral Health Fund, Child Support Services Fund, and Road Fund.

The expenditure budget for all funds is itemized into categories, often called line items but sometimes referred to as major objects, objects, accounts, and subaccounts, depending on the level of detail. These line item categories are used to account for expenditures made. However, for budgeting and planning allocations, the major object level of detail is used. The various line items are grouped into several major object categories. These are:

Salaries and Benefits: This is the amount paid for services rendered by employees in accordance with the rates, hours, terms, and conditions authorized by law or stated in employment agreements. This category includes overtime, vacation and sick pay, health insurance, retirement, social security, and unemployment insurance.

Services and Supplies: This category of expenditures is for goods and services other than those provided by County personnel. This includes articles and commodities purchased for consumption, such as office and operating supplies, as well as professional and other services such as insurance and utilities.

Other Charges: This category is used to account for a variety of costs including support and care of individuals in the County's care, such as mental health institutionalization; debt service payments; and interfund expenditures, such as services provided between departments in different funds.

Capital Assets: Formerly referred to as fixed assets, this category of expenditures is for acquisition of, rights to, or additions to capital assets, such as land, buildings, improvements, machinery and equipment.

Other Financing Uses: This category of expenditures represents contributions to other funds for operating subsidies (i.e. transfers) as well as charges for services provided by one department to other departments within the same fund.

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Adopted Budget	The spending plan approved by resolution of the Board of Supervisors after the required public hearing and deliberations on the Recommended Budget. The Adopted Budget must be balanced with Total Financing Sources equal to Total Financing Uses.
Account	A line item classification of expenditure or revenue. Example: "Office Expense" is an account in the category of "Services & Supplies."
Appropriation	Authorization granted by the Board of Supervisors to make expenditures and to incur obligations for specific purposes. An appropriation is usually time limited and must be expended or obligated before June 30 th , the end of the fiscal year.
Assessed Valuation	A value set upon real estate or other property as a basis for levying taxes.
Allocated Positions	Staff (or Employee) Positions approved by Board of Supervisors and provided for in the County Salary Ordinance.
Available Fund Balance	The amount of Fund Balance available for financing expenditures and other funding requirements in the current period after deducting obligated Fund Balance.
Budget	The planning and controlling document for financial operation with appropriations and revenues for a given period of time, usually one year.
Budget Unit	The entity in the budget hierarchy that includes all accounts for which a legal appropriation is approved by the Board of Supervisors. A department or agency may have one or more budget units assigned to it. Each budget unit is a collection of line item accounts necessary to fund a certain division or set of goal-related functions.
Budgeted Positions	The number of full-time equivalent positions to be funded in the budget (12 months, 260 days and 2080 hours all equal 1.00 budgeted position).
Capital Assets	A tangible or intangible asset acquired for use in operations that will benefit more than a single fiscal period. Capital Assets must both have a long-term character such as land, buildings, equipment and vehicles and exceed the minimum capitalization threshold as established by County Policy. All Land and Vehicles are capitalized along with Land Improvements, Building and Building Improvements and Infrastructure in excess of \$125,000 and Machinery, Equipment and Computer Software in excess of \$25,000.

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Capital Projects	A new construction, expansion, renovation, or replacement project for an existing facility or facilities. The project must have a total cost of at least \$125,000 over the life of the project. Project costs can include the cost of land, infrastructure, right of ways, development rights, engineering, architectural planning, and contract services necessary to complete the project.
Contingency	An amount appropriated for unforeseen expenditure requirements. Transfers from this budget unit to any other budget unit for specific use require a four-fifths vote of the Board of Supervisors.
Cost Centers	The lowest entity in the budget hierarchy which provides a mechanism to account for program costs included in a single budget unit. A budget unit may include one or more cost centers.
County Service Area (CSA)	A special district created to provide a variety of services, such as street lighting and drainage.
Department	An organizational unit of County government used to group programs of a like nature under the direction of an elected or appointed county official.
Discretionary Program or Service	Any program or service where the Board of Supervisors may exercise its freedom of choice with respect to the level of spending or the type of service or program provided.
Encumbrance	Funds obligated but not yet spent for a specific purpose, usually backed by a purchase order, contract, or other commitment, which are chargeable to an appropriation. In the past encumbrances, including associated appropriation, were maintained from year to year. Starting with fiscal year 2011-2012 appropriations associated with multiyear encumbrances will no longer be maintained from year to year, but will need to be re-budgeted. This change is consistent with accounting guidance and enhanced transparency.
Enterprise Fund	Established to account for the expenditures and means of financing of an activity which is predominantly self-supported by user charges. Example: Neal Road Recycling and Waste Facility.
Expenditure	The use of funds for a specific purpose.

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Extra Help	Work to be performed on less than a year-round basis to cover seasonal peak work loads or emergency work loads of limited duration, necessary long-term sick leave relief, and other situations involving fluctuating staff. Extra help can be used where no authorized position exists, but where funding exists to cover the cost.
Fiscal Year	Twelve-month period for which a budget is prepared. Butte County's fiscal year is July 1 through June 30 of each year.
Fish & Game Fund	Accounts for all the fish and game fines collected by the courts. Expenditures from this fund are for game and wildlife protection, conservation, propagation, and preservation activities and programs.
Fixed Asset	Fixed Assets are now referred to as Capital Assets per accounting guidance and County Policy.
Full-time Equivalent (FTE)	One full-time equivalent (FTE) is equal to a full time position (12 months, 260 days and 2080 hours all equal 1.00 FTE).
Function	A group of related budget units and programs aimed at accomplishing a major service for which County government is responsible. These designations are made by the State Controller. Example: "Public Protection" is a function.
Fund	A separate fiscal and accounting entity within the County. Each fund is a separate division for accounting and budgeting purposes. The fund accounting process allows the County to budget and account for revenues that are restricted by law or policy to a specific use or purpose in accordance with nationally recognized rules of governmental accounting and budgeting. Funds may contain one or more budget units.
Fund Balance	Difference between assets and liabilities reported in a governmental fund.
Fund Type	Categories into which all funds used in a governmental accounting are classified. Fund types are: Governmental Fund types consisting of a General Fund, Special Revenue Funds, Capital Project Funds and Debt Service Funds; Proprietary Fund types consisting of Enterprise Funds and Internal Services Funds; Fiduciary Funds consisting of Trust and Agency Funds.
General Fund	The main operating fund providing general County services.
General Purpose Revenue	Property taxes and non-program revenues that are not restricted for a specific purpose.

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General Reserve	The portion of the General Fund's net assets not available for appropriation during the fiscal year, as the funds are held for future years in anticipation of limited duration budget shortfalls, emergencies, and to ensure sufficient working capital for cash flow.
Grant	A contribution from one governmental unit to another usually made for a specific purpose and time period.
Internal Service Fund (ISF)	Consists of organizations created to perform specified services for other County departments on a cost for service basis. The services performed are charged to the using department. Example: Workers' Compensation.
Interfund Transfer	A transfer made between budget units in different funds for services rendered and received. The service rendering budget unit shows these transfers as revenue, as opposed to expenditure reduction.
Intrafund Transfer	Refers to a transfer made between budget units within the same fund for services rendered and received. The service rendering budget unit shows these transfers as an expenditure reduction and not as a revenue.
Imprest Cash	A sum of money set aside for making change or paying small obligations for which the issuance of a voucher or warrant would be too expensive and time consuming.
Obligated Fund Balance	All amounts that are unavailable for financing budgetary requirements in the budget year. This includes nonspendable, restricted, committed, and assigned fund balances.
Maintenance of Effort	Refers to federal or state statutory or regulatory program requirements that the County must maintain to participate in a program and/or to receive funding for a program.
Major Object of Expenditure	Unique identification number and title for an expenditure category or means of financing. Example: Salaries & Employee Benefits.
Mandated Program/Service	A program or service required by federal or state government that the County is legally obligated to carry out.
Other Charges	A major expenditure object used to account for a variety of costs including support and care of individuals in the County's care, such as mental health institutionalization; debt payments; and interfund expenditures, such as agreements for services between departments in different funds.

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Other Charges	A major expenditure object used to account for a variety of costs including support and care of individuals in the County's care, such as mental health institutionalization; debt payments; and interfund expenditures, such as agreements for services between departments in different funds.
Purchase Order	Authorizes the purchase of specific goods or services.
Realignment Revenue	Revenue collected by the state and allocated to counties for realigned programs. The 1991 realignment legislation transferred mental health, public health and social services programs from the state to county control, altered program cost-sharing ratios, and provided counties with dedicated tax revenues from the sales tax and vehicle license fee. The 2011 realignment legislation transferred criminal justice, including oversight of state prisoners, as well as additional mental health and social services program from the state to county control.
Real Property	Land, structures and capital improvements.
Recommended Budget	The budget recommended to the Board of Supervisors by the Chief Administrative Officer for the upcoming fiscal year. The Recommended Budget also documents budget requests made by each County department.
Restricted Cash	Funds held in reserve until the legal or contractual requirement for use of the funds has been met.
Revenue	Funds received from various sources and treated as income to the County. Examples: property taxes and sales taxes.
Road Fund	Accounts for expenditures on road, street, and bridge construction and improvement projects.
Salaries and Employee Benefits	A major expenditure object used to account for the total cost of compensating county employees. Included in this object are regular salaries, extra help salaries, overtime, standby pay; the county's share of health, dental, retirement, social security and workers' compensation costs.
Secured Taxes	Taxes levied on real property in the County, which are "secured" by property liens.

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Services & Supplies	A major expenditure object which provides for the operating expenses of County departments other than salaries and benefits, capital assets or other charges.
Special District	A unit of local government generally organized to perform a single function. Special districts are governed either by the Board of Supervisors or locally elected or appointed boards, and their operations are accounted for in separate funds.
Tax Levy	The amount of tax dollars billed to taxpayers based on the imposition of the tax rate on the assessed valuation of property.
Tax Rate	The rate per one hundred dollars of the assessed valuation necessary to produce the tax levy.
Unincorporated Area	The areas of the County outside city limits. Some county services are provided only in the unincorporated areas of the County. Example: Sheriff's patrol.
Unsecured Tax	A tax on properties such as office furniture, equipment, and boats that are not physically attached to real property.