

**Budget Adoption, Basis of Accounting
and Fund Accounting
Fiscal Year 2006-07 Budget
City of Iron Mountain**

1. Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) Prior to the first Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The City Charter requires that the budget be submitted in accordance with the Uniform Budgeting and Accounting Act 621 of the Public Acts of 1978. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the function level.
- (b) The City Charter requires that the City Council hold a public hearing on the proposed budget before final adoption and that notice of the hearing be published in a newspaper having general circulation in the City at least one week in advance of the public hearing.
- (c) Prior to the last day in May, the budget is legally enacted through adoption of the General Appropriations Act resolution.
- (d) The City Manager is required by the City Charter to present a quarterly report to the City Council explaining any variance from the adopted budget.
- (e) Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, Enterprise and Internal Service and Expendable Trust Funds.
- (f) Budgets for those funds are adopted on a basis consistent with generally accepted accounting principals (GAAP).
- (g) The City Charter requires the adoption of a summary budget for proprietary funds.
- (h) Appropriations lapse at the end of each fiscal year.
- (i) The City Council may authorize supplemental appropriations during the year followed by an amendment to the General Appropriations Act.

2. Basis of Accounting

- (a) Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.
- (b) All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets except for penalties and interest and miscellaneous revenues which are recorded when received in cash because they are generally not measurable until actually received. Property taxes levied, State Shared taxes, other intergovernmental revenue, and interest income are recognized as revenues when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

- (c) Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include; (1) accumulated unpaid vacation, sick pay and other employee amounts which are not accrued and (2) principal and interest on general long-term debt which is recognized when due.
- (d) All proprietary, nonexpendable trust and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are incurred.

3. Fund Accounting

- (a) The accounts of the City are organized on the basis of funds and account groups, each which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, as appropriate.