

Capital Budgeting and Reporting

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Josh Foli - Background

- Education – Majors in Accounting and Computer Information Systems
 - Undergraduate studies at Harvard, BYU, and University of Nevada, Reno
- Certified Public Accountant
- Chartered Global Management Accountant
- Staff member and then partner at a CPA firm (1995-2004)
 - Governmental auditing for: counties, cities, school districts, fire districts, hospital districts, swimming pools, other general improvement districts, and special districts
- Lyon County Director of Administration and Comptroller (2004-Present)
 - Budgeting for: county, fire districts, hospital districts, swimming pools, and other general improvement districts

Budgeting and Reporting Capital Outlay – Governmental Funds

Governmental Funds - Capital Outlay

- Capital outlay is budgeted and recorded as an expenditure in the Statement (and/or Schedule) of Revenues, Expenditures and Changes in Fund Balance.
- Capital outlay expenditures are reported in the fiscal year when the work is performed or goods are received. If the capital project spans fiscal years, the costs are split between the fiscal years based on the same criteria.
- Budget appropriations expire at June 30 of each year, which means **there is no carry-over of the capital outlay budget** to ensuing fiscal years.
- Capital projects that are expected to span more than one fiscal year should be budgeted in EACH fiscal year (in the amount expected to be recorded in each fiscal year).

Budgeting and Reporting Capital Projects – Business-type Funds

Business-Type Funds – Capital Projects

- Capital projects are added to capital assets in the Statement of Net Position (no budget for this statement) in the fiscal year when the work is performed or goods are received. Capital projects are depreciated annually over their useful lives, but depreciation only starts upon completion and placing the project into service.
- Annual depreciation is budgeted each year and is recorded as an expense in the Statement (and Schedule) of Revenues, Expenditures and Changes in Net Position.
- Cash flows for capital acquisition are budgeted each year and reported in the Statement (and Schedule) of Cash Flows. Capital project cash flows are reported in the fiscal year of check issuance.
- All budget appropriations expire at June 30 of each year, which means **there is no carry-over budget** to ensuing fiscal years.

Capital Improvement Plan

Capital Improvement Plan

- Each government is required by NRS 354.5945 to prepare a five-year capital improvement plan each year, which is broken down by fund and capital project.
- The first year of the five-year capital improvement plan has to match the budget for the first fiscal year.
- There is no statutory requirement to move forward with a capital project on the capital improvement plan or that prohibits moving forward with a capital project not included on the five-year capital improvement plan.

Budget Augmentations

Budget Augmentations

- If a capital project goes longer than anticipated into another fiscal year without a capital outlay budget, it may be possible to augment the budget so there is no budget violation. This requires unanticipated resources that weren't contemplated at budget time.
- Unanticipated resources include a higher-than-budgeted beginning fund balance or revenues anticipated to be higher-than-budgeted.
- An example would be if the beginning fund balance of the current fiscal year was \$1M higher than originally budgeted because a capital project was not completed in a prior fiscal year. The Board could augment the beginning fund balance by \$1M and the capital outlay budget item by \$1M, by properly following the augmentation process in NRS 354.598005.
- **Please note that ending fund balance is NOT considered a resource and can't be used to augment a budget or to move its budget to an expenditure line item.**

Budget Violations

Budget Violations

- NRS 354.626 defines a budget violation as expenditures of money, in excess of the amounts appropriated for that function (there are exceptions mentioned for bonding and certain debt service).
- Governmental functions include: general government, public safety, judicial, public works, health, welfare, culture and recreation, and debt service.
- A business-type function is the sum of operating and non-operating expenses in a business-type fund.
- A function includes the sum of all objects, such as: salaries and wages, employee benefits, services & supplies, intergovernmental, and capital outlay.

Budget Violations

Budget Violations

- There is no statutory requirement that prevents over/underspending the capital outlay or cash flow budget for a capital project...other than a requirement not to overspend a budget function in total.
- There is no statutory requirement that prevents overspending an item in a cash flows statement (such as capital acquisition).
- A budget violation is not at an individual capital project level, or a capital outlay object level, but is at the level of the sum of all objects in a function.
- This means that you can overspend your capital outlay budget (governmental funds) or your depreciation budget (business-type funds) and have it NOT be a budget violation...**as long as you underspend elsewhere, so the total function is not overspent.**
- A willful violation of budget statutes by an officer or employee of a local government may be criminally prosecuted at the discretion of the District Attorney or the Attorney General.

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 2,008,289	\$ 2,008,289	\$ 2,013,975	\$ 5,686
Personal Property Tax	12,480	12,480	17,537	5,057
Intergovernmental:				
Consolidated Tax	1,821,440	1,821,440	1,719,029	(102,411)
Local Government Tax Act	258,965	258,965	307,309	48,344
Operating Grants	-	-	97	97
Investment income (loss)	13,308	13,308	211,780	198,472
Miscellaneous	2,520	2,520	-	(2,520)
Total revenues	<u>4,117,002</u>	<u>4,117,002</u>	<u>4,269,727</u>	<u>152,725</u>
EXPENDITURES				
Current:				
General manager	695,871	695,871	680,385	15,486
Trustees	237,742	237,742	166,875	70,867
Accounting	601,932	601,932	329,199	272,733
Information services	1,377,954	1,377,954	1,088,570	289,384
Human resources	448,672	448,672	262,471	186,201
Health & wellness	86,821	86,821	26,987	59,834
Community & employee relations	307,395	307,395	166,444	140,951
Administration	903,797	879,739	1,124,751	(245,012)
Risk management	184,882	184,882	146,679	38,203
Capital Outlay	633,000	633,000	483,103	149,897
Debt Service:				
Principal	-	-	104,998	(104,998)
Interest	-	-	20,000	(20,000)
Total expenditures	<u>5,478,066</u>	<u>5,454,006</u>	<u>4,600,462</u>	<u>853,546</u>
Excess (deficiency) of revenues over expenditures	<u>(1,361,064)</u>	<u>(1,337,006)</u>	<u>(330,735)</u>	<u>1,006,271</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,000,000)	(1,000,000)	(1,000,000)	-
Net change in fund balance	<u>(2,361,064)</u>	<u>(2,337,006)</u>	<u>(1,330,735)</u>	<u>1,006,271</u>
Fund Balance, July 1	<u>6,013,261</u>	<u>6,013,261</u>	<u>6,013,261</u>	<u>-</u>
Fund balance, June 30	<u>\$ 3,652,197</u>	<u>\$ 3,676,255</u>	<u>\$ 4,682,526</u>	<u>\$ 1,006,271</u>

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
UTILITIES FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUALS
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		
OPERATING REVENUES				
Sales and fees	\$ 14,369,893	\$ 14,369,893	\$ 14,644,009	\$ (274,116)
Interfund services	156,500	156,500	57,332	99,168
Total operating revenues	14,526,393	14,526,393	14,701,341	(174,948)
OPERATING EXPENSES				
Wages and benefits	5,710,786	5,653,678	4,804,610	849,068
Services and supplies	3,635,124	4,088,196	2,115,760	1,972,436
Defensible space	100,000	100,000	89,956	10,044
Insurance	221,900	221,900	238,881	(16,981)
Utilities	958,691	958,691	1,185,815	(227,124)
Professional fees	167,050	167,050	160,254	6,796
Depreciation	3,188,160	3,188,160	3,227,844	(39,684)
Total operating expenses	13,981,711	14,377,675	11,823,120	2,554,555
Operating income	544,682	148,718	2,878,221	2,375,697
NONOPERATING REVENUES (EXPENSES)				
Investment earnings (losses)	41,688	41,688	200,999	(159,311)
Other expenses	-	-	(4,647)	4,647
Interest expense	(73,728)	(73,728)	(65,779)	(7,949)
Total nonoperating revenues (expenses)	(32,040)	(32,040)	130,573	(162,613)
Income before transfers and contributions	512,642	116,678	3,008,794	2,216,994
Transfer In	1,000,000	1,000,000	1,000,000	-
Capital Grant Contributions	-	204,258	-	(204,258)
Change in net position	1,512,642	1,320,936	4,008,794	2,012,736
Total net position, July 1	77,568,284	77,568,284	77,568,284	-
Total net position, June 30	\$ 79,080,926	\$ 78,889,220	\$ 81,577,078	\$ 2,012,736

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
COMMUNITY SERVICES FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUALS
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		
OPERATING REVENUES				
Sales and fees	\$ 18,857,354	\$ 20,544,490	\$ 20,579,508	(35,018)
Operating grants	101,975	151,975	156,995	(5,020)
Recreation fee	3,692,700	3,692,700	3,911,100	(218,400)
Total operating revenues	22,652,029	24,389,165	24,647,603	(258,438)
OPERATING EXPENSES				
Wages and benefits	11,190,130	11,324,366	11,053,958	270,408
Cost of goods sold	1,793,049	1,793,049	1,726,032	67,017
Services and supplies	5,458,773	5,769,708	6,349,111	(579,403)
Defensible space	100,000	100,000	89,956	10,044
Central services cost	1,178,206	1,178,206	1,204,069	(25,863)
Insurance	427,200	427,200	495,552	(68,352)
Utilities	1,285,095	1,285,128	1,567,973	(282,845)
Professional fees	41,425	41,425	30,407	11,018
Depreciation	2,711,592	2,711,592	2,967,926	(256,334)
Total operating expenses	24,185,470	24,630,674	25,484,984	(854,310)
Operating income	(1,533,441)	(241,509)	(837,381)	(1,112,748)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings (losses)	40,008	40,008	196,111	156,103
Loss on disposition of capital assets	-	-	(110,805)	(110,805)
Insurance proceeds	-	-	2,260	2,260
Lease revenue	129,074	129,074	131,864	2,790
Other expenses	-	-	(500)	(500)
Interest expense	(6,157)	(6,157)	(2,017)	4,140
Total nonoperating revenues (expenses)	162,925	162,925	216,913	53,988
Income before transfers and contributions	(1,370,516)	(78,584)	(620,468)	(1,058,760)
Capital Grant Contributions	25,535,000	1,239,421	1,139,421	(100,000)
Change in net position	24,164,484	1,160,837	518,953	(1,158,760)
Total net position, July 1	64,718,058	64,718,058	64,718,058	-
Total net position, June 30	\$ 88,882,542	\$ 65,878,895	\$ 65,237,011	\$ (1,158,760)

Questions?

