

Chapter 8

Agency Revenues and Fund Balance Reports

8.1 SUMMARIZED REVENUES REPORT

What is the Summarized Revenue by Account and Source Report?

Agency revenue estimates are used to identify funds that support agency expenditure requests and to help estimate statewide fund balances. The Summarized Revenue by Account and Source Report form shows revenues that are expected for budgeted funds in the ensuing biennia. These include all accounts with a budget type of A, B, or M and certain type H accounts. See the State Administrative and Accounting Manual (SAAM) section 75.30.50 for a list of funds and their respective budget types (<http://www.ofm.wa.gov/policy/75.30.htm#75.30.50>). The report also includes Recommendation Summary text for each entered revenue-related decision package. (An example of this report is available under “Examples of Budget Forms” at <http://www.ofm.wa.gov/budget/forms.asp>.)

Who must submit the Summarized Revenue by Account and Source Report?

Any agency that collects, deposits, transfers, or reports revenue for any budgeted account must complete and submit a Summarized Revenue Report. Only revenue transactions executed by an agency should be reported by that agency. For example, the Department of Revenue would report taxes it collects although it may not spend them; and the State Treasurer, instead of individual agencies, should report interest earnings (Source 0408).

Remember to include both the capital and operating budget revenues

Revenue estimates related to the capital budget should be included, along with estimates for the operating budget, on the Summarized Revenue by Account and Source Report. Although it is typical for a capital project to take several biennia to complete, the revenue estimates should be limited to the 2013-15 biennium.

How are the data used?

The Governor must propose a balanced budget in which all funds are balanced. The ensuing biennium revenue estimates from agencies are combined with beginning budget fund balances, working capital reserves, current biennium revenue actuals and estimates, and proposed expenditure data to determine each account’s estimated 2013-15 ending fund balance for the proposed budget.

What information is required?

Agencies must submit maintenance level and policy level revenue estimates for the 2013-15 biennium by fiscal year, account, major source, and source. Revenue estimates should be reported on a GAAP basis.

OFM does not require current biennium or carry-forward level estimates for revenue. Total maintenance level revenue for the 2013-15 biennium should be entered in a single step as one revenue-only decision package in Maintenance Level 1 with the RecSum code of 90. There is one exception: The revenue adjustments related to an individual maintenance level item should be included in the same decision package as the expenditures for that item, and not included in the M1-90 decision package.

Agencies may choose to enter information at the current biennium and carry-forward levels in BDS, but this information will be rolled together as a maintenance level total on the Summarized Revenue Report and when submitted to OFM.

Policy level revenue items must be submitted in a policy decision package. Related expenditures, if any, should be included in the same decision package.

Explain assumptions in the decision package

In a decision package containing revenue, include the following information in the narrative:

- Key assumptions underlying the estimate of each revenue source.
- Numerical expressions showing how the projected revenue amounts were calculated and derived.
- If the health and continued viability of the revenue source is in question, discuss why and the expected impact.

Refer to Chapter 9 for additional information required for revenue requests.

What if an account is only partially budgeted?

When an account is partially budgeted, the agency should not report revenue associated with the non-budgeted portion of the account. Partially budgeted or mixed funds are generally proprietary funds. In proprietary funds where only administrative costs are budgeted, only enough revenue should be submitted to offset the budgeted expenses. The administering agency should be sure that reported revenue is sufficient to cover the budgeted expenditures for all agencies that spend from that account. In budgeted proprietary funds that engage in sales of merchandise, gross profit (sales net of cost of sales) should be submitted in the budget rather than total sales revenue.

A reminder about balancing federal and private/local revenues and expenditures

For all accounts, federal revenue must equal federal expenditures shown in the agency's budget (both operating and capital), unless the agency receives federal revenue that is spent by another agency. In this case, federal revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'federal match by agency' rule include:

- State Treasurer, Fund 113-Common School Construction Account.
- Military Department, Fund 05H-Disaster Response Account. Federal revenue will exceed expenditures by the amount of recovery dollars received when disasters are closed out. These dollars become state fund balance, which offsets federal expenditure variance.
- Health Care Authority, Fund 001-General Fund Federal. After expenditures are settled, match revenue leaving a positive variance to offset negative variance in Veterans Affairs. These funds are Medicaid dollars booked at HCA but spent in support of state veterans' homes in Retsil and Orting.
- Department of Veterans Affairs, Fund 001-General Fund Federal. Negative variance is offset to positive variance in HCA. Funds are Medicaid dollars booked at HCA but spent at the Veterans Facility in Spokane.
- Employment Security, Fund 119-Unemployment Compensation Administration Account. Carry forward fund balance from previous biennium.

Similarly, private/local revenues must equal private/local expenditures shown in the agency's budget (both operating and capital) unless the agency receives private/local revenue that is spent by another agency. In this case, private/local revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'private local match by agency' rule include:

- Criminal Justice Training Commission, Fund 03M-Municipal Criminal Assistance Account. Carry forward fund balance from previous biennium.
- DSHS, Fund 001-General Fund Private/Local. After expenditures are settled, match revenue.

The Budget Development System (BDS) will produce a warning if federal or private/local revenues and expenditures are not in balance on the pre-release edit report.

Use BDS for preparing the report

Agencies must use BDS to prepare the Summarized Revenue Report. BDS will generate the report based on the revenue entered in the decision packages. Contact the BASS Helpdesk at 360-725-5278 or ofmbass@ofm.wa.gov if you have questions or need access to the system.

Use prescribed revenue and source codes

Use the correct two-digit major source code and two-digit source code to identify each type of revenue. Refer to the list of official revenue source codes in the State Administrative and Accounting Manual for the appropriate revenue source codes and titles: <http://www.ofm.wa.gov/policy/75.80.htm>.

Provide updated revenue estimates to OFM in the fall if forecasts change

OFM uses the Economic and Revenue Forecast Council's September and November GAAP forecasts for accounts that they, and participating agencies, forecast. **Agencies should let OFM know about material adjustments to the submitted revenue estimates not formally included in state forecasts.**

8.2 FUND SUMMARY AND FUND BALANCING

Reserve fund balance for compensation and other changes

Agencies should ensure their budget submittals will reserve enough remaining fund balance to cover potential salary, health insurance, pension, and central service agency charge adjustments by OFM and the Legislature. As a guide, look at the amounts funded for these changes in previously enacted budgets.

Fund administrators must coordinate with other agencies on the projected 2013-15 ending fund balance

Administering agencies for specific accounts need to coordinate with other agencies using that account to ensure that combined budget proposals do not put the account into a projected negative fund balance at the end of the 2013-15 biennium.

If you have questions about which agency is considered the fund administrator, consult the Fund Reference Manual that lists the administrator for each account, in addition to other information at <http://www.ofm.wa.gov/fund/default.asp>.

OFM will send agencies the beginning budget fund balances that will be used for the budget

These are divided into two groups:

- **Governmental funds**

Each biennium, the Governor must prepare a budget proposal that is balanced for every account. Beginning fund balances for the current biennium are based on Comprehensive Annual Financial Report data. These balances are adjusted to create beginning "budgetary" or "spendable" fund balances and are not the same as 'cash' or 'book' balances. OFM will notify agencies in the spring of the adjusted beginning balances it plans to use based on the General Ledger (G/L) codes listed below.

In the case of Governmental Funds, all Revenue (32xx) and all Expenditure (65xx) codes and the following fund balance general ledger (G/L) codes are included in the beginning fund balance:

- ◆ 9220 Prior Period Material Corrections
- ◆ 9221 Fund Type Reclassification Changes
- ◆ 9222 Accounting Policy Changes
- ◆ 9223 Fixed Asset Policy Changes
- ◆ 9531 Reserved for Permanent Funds - Expendable Portion
- ◆ 9532 Reserved for Permanent Funds - Investment Losses
- ◆ 9578 Designated for Debt Service
- ◆ 9580 Other Designated Fund Balance
- ◆ 9590 Unreserved/Undesignated Fund Balance

■ Proprietary funds

In the case of proprietary funds, restricted and long-term assets and liabilities are removed by excluding the following G/L codes from beginning fund balances, thereby converting proprietary fund balances into meaningful budget balances.

The G/L codes excluded in calculating the budget fund balance for proprietary funds are listed below:

Note: *An x indicates all G/L codes within that series are excluded.*

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| ◆ 1130 Petty cash | ◆ 52xx Long-term liabilities (except 5256-Advances due to other funds) |
| ◆ 1140 Cash with escrow agents | ◆ 59xx Other credits |
| ◆ 1150 Cash with fiscal agents | ◆ 61xx Appropriations and estimated expenditures |
| ◆ 12xx Investments (except 1205-Temp./Pooled cash investments) | ◆ 62xx Allotments |
| ◆ 1410 Consumable inventories | ◆ 63xx Reserves |
| ◆ 1440 Raw materials inventories | ◆ 6410 Encumbrances |
| ◆ 1450 Livestock | ◆ 65xx Other expenses |
| ◆ 1510 Prepaid expenses | ◆ 91xx Budgetary control summary |
| ◆ 16xx Long-term receivables (except 1656-Advances due from other funds) | ◆ 92xx Correction/Changes |
| ◆ 19xx Other assets | ◆ 93xx Contributed capital and capital investments net of related debt |
| ◆ 2xxx Fixed assets | ◆ 94xx Retained earnings |
| ◆ 3110 Approved estimated revenues | ◆ 95xx Reserves and designations |
| ◆ 32xx Accrued/Cash/Non-cash revenues | ◆ 96xx Other reserve accounts |
| ◆ 5114 Annuities payable, short-term | |
| ◆ 5118 Benefit claims payable, short-term | |
| ◆ 5125 Annual leave payable, short-term | |
| ◆ 5127 Sick leave payable, short-term | |
| ◆ 5128 Compensatory time payable, short-term | |
| ◆ 516x Short-term portion of bonds payable | |
| ◆ 5172 Lease payable, short-term | |
| ◆ 5173 COP payable, short-term | |
| ◆ 5197 Obligations under securities lending agreements | |

8.3 REVENUE TRANSFER RECONCILIATION STATEMENT

When must a Revenue Transfer Reconciliation Statement be submitted?

Generally, operating revenue transfers balance at the agency level. When both sides of a transfer are not shown on the Summarized Revenue report (i.e., transfers between budgeted and non-budgeted funds), a Transfer Reconciliation Statement is required as part of the revenue justification material. This statement assists the OFM analyst in understanding the purpose and mechanism for the complete transfer.

Here is a sample format for the Transfer Reconciliation Statement:

SOURCE 06XX — TRANSFERS IN:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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SOURCE 06XX — TRANSFERS OUT:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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8.4 WORKING CAPITAL RESERVE (B9-1)

Who must submit this statement?

The administering agency of a special revenue fund must also submit a Working Capital Reserve form (B9-1) that lists the recommended ending fund balance for those accounts. (An example is available at <http://www.ofm.wa.gov/budget/forms.asp>.)

Use BDS for preparing the report

Agencies use the Budget Development System (BDS) to prepare this report. BDS includes the appropriate worksheet and prints the report.

What to consider when estimating a reasonable working capital reserve

The agency should enter the working capital reserve that, in its judgment, should remain in the account at the end of each biennium to cover fluctuations in cash flow. For most funds, a reasonable amount would be sufficient to cover two months' worth of cash expenditures.

The recommended balance should be entered for each account needing a working capital reserve. There is no need to indicate a source code.

The recommended ending balance should include a cash reserve sufficient to ensure the account does not end the biennium with a negative cash balance. However, administering agencies may find it prudent to recommend a higher ending balance because of volatile revenues, unique cash-flow cycles, or to offset an operating deficit in the ensuing biennium.

Administering agencies should ensure sufficient balance to cover compensation, central service agency charge increases, and other cost adjustments typically made by OFM after agency budgets have been submitted.

Since only administering agencies may enter a recommended reserve, they should contact any other agencies operating in the account to determine the impact of those operations before recommending an ending balance.

8.5 HOW TO AVOID COMMON REVENUE ERRORS

Reminders

Here are some helpful reminders to avoid errors in calculating your agency's revenue estimates and sufficient fund balance:

- Do federal and private/local revenue match the combined expenditures of both the operating and capital budgets for the biennium? (See Chapter 8.1 for a list of exceptions.)
- Did you include all revenue collected by your agency, even if spent by another agency? Check to see what actual revenues are reported by your agency in AFRS.
- Did you include revenue estimates for changes or new sources resulting from recently-passed revenue legislation?
- Did you reduce revenues available for transfer or distribution for the amount of new expenditures proposed from those funds?
- Are there sufficient revenues to cover dedicated account expenditures?
- Did you reserve enough fund balance to cover possible compensation or central service agency charge adjustments by OFM?
- Will you send revised revenue estimates to OFM in the fall for agency dedicated fund forecast changes?
- Did you remember that you:
 - ◆ Do not submit estimates for revenue that is collected by another agency.
 - ◆ Do not include interest earnings (Source 0408), which are part of the Treasurer's Office estimates.
 - ◆ Do not include transfers or revenue distributions executed by the Treasurer's Office.