

Implementing and Amending a Budget



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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

LeGIT

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Learning Objectives

Recap – Adopting a Budget
Implementing – Breaking Down the Process
Monthly Financial Reports
Amendments
Resources

Find your Best Practices score here:

[Best Practices Dashboard](#)



Implementing and Amending a Budget

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Recap - Adopting the Budget

Last LeGIT, we learned that a budget is a financial plan that approves spending revenues for specific purposes during a given time period, known as a fiscal year.

In Alaska, municipal governments are required to adopt budgets by ordinance. The ordinance process ensures that the public has an opportunity to review and comment on the budget ordinance before it is adopted.

Budgeting is not an isolated activity that ends after the budget ordinance is approved.

Now it must be IMPLEMENTED.



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Implementing

Question: What does it mean to **implement** a budget?

Answer: Implementing a budget is the process of **reporting** on the expenses and revenues of municipal funds.

Those reports are called “Monthly Financial Reports” or “Monthly Budget Reports”

To ensure that the budget is being implemented, your organization must:

- Track all actual income and expenditures
- Provide monthly financial reports that compare actual year-to-date income and expenses with the budget
- Make changes as necessary, aka amend
- When you can show that your community is ***implementing*** the budget, you earn more points.



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Monthly Financial Reports

Otherwise known as monthly budget reports, help monitor the activity in the budget and relay that activity to the council and the public.

City of ABC Monthly Finances	FY2018 BUDGET	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	Year-to Date	Balance
WATER AND SEWER INCOME															
Water/Sewer Income	40,000	2,506	3,678	3,348	4,012	2,914								16,458	23,542
Water/Sewer Commerical	7,000	1,230	7,365	1,034	940	528								11,097	(4,097)
TOTAL WATER AND SEWER INCOME	47,000	3,736	11,043	4,381	4,952	3,442	-	-	-	-	-	-	-	27,555	19,445
WATER AND SEWER EXPENSES															
Salaries	46,043	3,594	4,509	3,956	3,808	4,160								20,027	26,016
Payroll Taxes	5,394	332	416	365	351	384								1,849	3,546
Workers Comp														-	-
Liability Insurance														-	-
Legal/Consulting Fees															

Best Practices for your reports

- They need to be in **CASH** basis, this shows what you actually have on hand
- They need to compare the **BUDGET AMOUNT** to the **ACTUAL (YTD) AMOUNT**, and remaining **BALANCE**
 - This is the best way to track and monitor each department status and if they are performing as anticipated.
 - If you need help with this, contact your LGS



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Characteristics of Monthly Financial Reports

- Understandable to the intended users
- Relevant to the people who will be using the information
- Reliable and dependable
- Verifiable
- Complete
- Neutral and unbiased
- Compared and consistent
- Timely



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Reading Monthly Financial Reports

City of ABC Monthly Finances	FY2018 BUDGET	JUL	AUG	SEP	OCT	NOV
WATER AND SEWER INCOME						
Water/Sewer Income	40,000	2,506	3,678	3,348	4,012	2,914
Water/Sewer Commerical	7,000	1,230	7,365	1,034	940	528
TOTAL WATER AND SEWER INCOME	47,000	3,736	11,043	4,381	4,952	3,442
WATER AND SEWER EXPENSES						
Salaries	46,043	3,594	4,509	3,956	3,808	4,160
Payroll Taxes	5,394	332	416	365	351	384
Workers Comp						
Liability Insurance						
Legal/Consulting Fees	200					
Travel/Airfare	2,000			550		
Per Diem	2,000					
Diesel/Heating Fuel	12,500	313	945			164
Workshop/Training Fees	1,000	100				
Telephone, Internet and Fax						
Electricity	5,000	351			109	405
Supplies	3,000	38	585	458	140	92
Freight/Postage	2,000		50	45	55	25
Dues/Fees	500			150		30
Equipment/Parts/Repair	22,000	114		719	1,520	700
Building Maintenance	1,500		314			963
Gasoline/Motor Oil	1,500	117		244		133
Chemicals	4,000					
Water Testing/Lab Fees	3,000	50		100	50	225
TOTAL WATER AND SEWER EXPENSES	111,637	5,008	6,819	6,587	6,034	7,281
WATER AND SEWER NET	(64,637)	(1,272)	4,224	(2,205)	(1,082)	(3,839)

How to read MFR:

- Read from the bottom up
- Use common sense
- Ask questions
- Be thorough in your dissection of each report.

Subsidies:

- Balancing out the financial equation.
- Importance
 - Accurate cost reflection
 - Financial accountability
 - Informed decision-making
- Implications
 - Financial transparency



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Monthly Financial Reports and your LGS

Why we request reports on a monthly basis

- A second review helps ensure accuracy and completeness
- Supports maximizing points under the Best Practices scoring system
- Allows early identification of funding gaps and budget opportunities
- Improves organization and simplifies report preparation
- Helps detect unusual activity before issues compound
- Promotes long-term utility and community sustainability
- Assists with identifying and drafting budget amendments when needed
- Provides a backup record in case documents are lost or unavailable



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Amendments

- Amending a budget is the act of **changing** the budget **appropriations**.
- Most communities need some type of amendment at some point during their fiscal year.
- Alaska Statutes 29.25.010 (a)(4), require **appropriations**, including **supplemental** appropriations or **transfer** of appropriations to be by ordinance.
- Similarly, tribal governments and nonprofit organizations should adopt budget amendments using the same procedure they followed for adopting the original budget.



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Amendments

Example 1: Halfway through the fiscal year you realize that the costs for operating supplies will be much higher than expected and your utility's fuel costs have been lower than predicted because of mild weather.

The governing body could authorize the increased expenditure for operating supplies by taking a corresponding amount from the budgeted amount for fuel. Appropriations that move money from one line item to another are referred to as transfer appropriations.

Transfer appropriations do not affect the available fund balance.

Example 2: An oil spill can result in thousands of dollars in unexpected costs and cannot wait until next fiscal year to fix. The governing body must appropriate the use of available money for this new expense.

When adding additional funds to a budget to cover unexpected expenses, it is called a supplemental appropriation.

You need an amendment to your budget, what now?



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Budget Amendment Ordinance

Ordinance No. _____

AN ORDINANCE FOR THE CITY OF _____ PROVIDING FOR THE
AMENDMENT OF THE FY ____ BUDGET.

BE IT ENACTED BY THE CITY COUNCIL OF _____, ALASKA

Section 1. Classification. This is a non code ordinance.

Section 2. General Provisions. For the current fiscal year of 20 _____, revenues and/or expenditures have varied from the estimates in the approved budget. The budget is hereby amended as indicated below and any portion of the approved budget inconsistent with this amendment is repealed.

The current fiscal year budget is amended as follows:

<u>Expense Account</u>	<u>Original Amount</u>	<u>Amended Budget</u>	<u>Difference</u>
<u>Water Department:</u>			
Supplies	\$11,000	\$ 9,000	- \$ 2,000
Heating Oil	\$33,750	\$ 35,750	+\$ 2,000
Totals	\$44,750	\$ 44,750	-0-

**Your LGS can help you
with every step of the
amendment process!**

Section 3. Effective Date. This ordinance becomes effective upon its adoption by the city council.

First Reading: _____

Public Hearing: _____

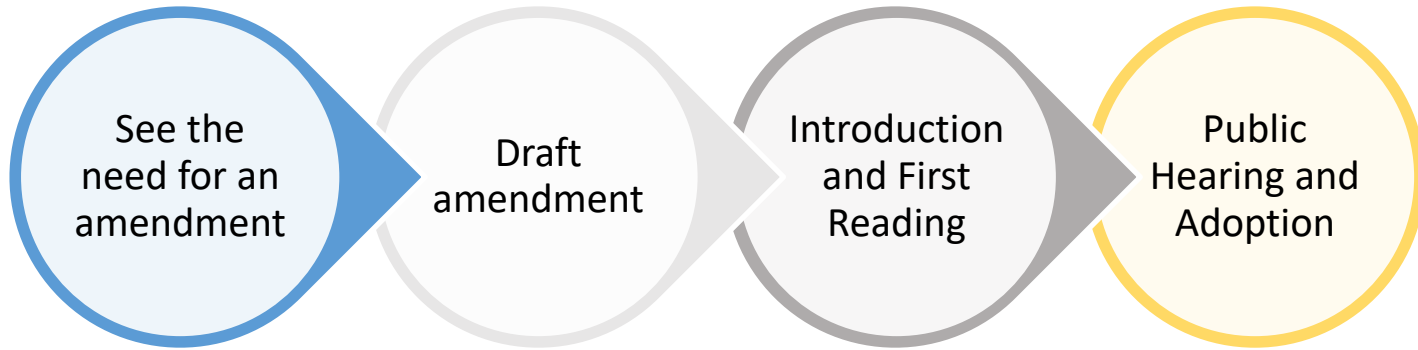
ADOPTED by the City Council of _____
Alaska, this _____ day of _____, 20_____.

Mayor: _____

Attested by City Clerk: _____

Amendments

Budget amendments are passed the same way your original budget was passed.



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Questions?

Resources:

[Find your LGS](#)

[How to Evaluate and Read Financial Reports](#)

[Budgeting and Financial Management](#)

[Managerial and Financial BP Checklist](#)

[Model Monthly Financial Report – FULL](#)

[Model Monthly Financial Report – UTILITY ONLY](#)



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