Mistakes to Avoid when Creating a Budget

- **Over appropriation of fund balance** — Fund balance should **not** be appropriated unless it is for a one time event, such as a large capital purchase, or for an emergency, such as a hurricane. Fund balance should **never** be used for recurring expenditures, such as payroll or utilities.

- **Debt service** not budgeted completely.

- **Incorrect level of details** — Revenue should be listed by major source and expenditures by department.

- **Budget transfers do not net to zero** — All transfers must net to zero across all funds.

- **Incorrect language** — Revenue should be appropriated and expenses should be expenditures in the General Fund budget.

- **Capital projects included in General Fund** — Best practice is capital projects should be in a project fund and not in the operating fund.

- **Tax levy information not included** — Budget ordinance should include tax rate, total assessed property value and tax collection % rate.

- **Tax rate not levied correctly** — The formula for tax levy is Assessed value as of January 1 x tax rate x collection % from the last audited statements.

- **Contingency amount too high** — Per NC General Statute 159-13(b) (3) the contingency amount in the budget cannot be more than 5% of the total budget.