



I. PURPOSE

Governmental budgets serve as annual fiscal plans to allocate scarce resources in support of the government's programs and services and in accordance with the governing body's identified priorities. This policy establishes guidelines for 1) the creation of a balanced annual budget; 2) how adjustments are made to the budget during the fiscal year; and 3) what controls will be used throughout the fiscal year to ensure that expenditures do not exceed appropriations.

II. SCOPE

This policy applies to all Town departments.

III. POLICY

A. Budget Creation

- i. **Basis of Budgeting – The annual budget spanning the fiscal year (July 1 – June 30) is prepared on a basis consistent with generally accepted accounting principles. For proprietary funds, depreciation expense is not budgeted, but is recorded and reported for financial purposes.**
- ii. **Balanced Budget – The Town Manager will consider conservative revenue projections, departmental expenditure requests, capital projects and staffing requests in the formulation of a balanced budget. The goal is to balance expenditures with current revenue. Fund balance may be used to balance the budget but should be used as outlined in the Town's Fund Balance Policy.**
- iii. **Principals for Budgeting – The Town Manager will prioritize funding liabilities owed by the Town as well as expenses associated with maintaining existing services. The Town Manager will examine prior spending patterns in the development of the budget.**
- iv. **Revenue Projections – Revenue will be conservatively estimated and consider several factors, including historical trends, economic**

conditions and outlook, impending changes in legislation, and any notifications of changes in funding received from State and Federal sources.

- v. Departmental Expenditure Requests – Each department must submit their requested budget for the next fiscal year to the Finance Department by December 31st. The request should provide line-item estimates and a detailed narrative supporting the amount requested. Justification must be provided for any additional staff requests and capital outlay.
- vi. Capital Improvement Plan (CIP) – The CIP is the Town’s five-year capital planning document. The CIP is reviewed by the Planning Commission to ensure compliance with the Town’s Comprehensive Plan. The Planning Commission then provides its recommendations to the Town Council.
- vii. Strategic Planning – The budget process will be coordinated to identify major policy issues for Town Council. The budget process will be a part of an overall strategic planning process for the Town.
- viii. Time for preparation and approval of budget - As required by Code of Virginia §15.2-2503, the Town Manager shall submit the proposed budget on or before the first day of April each year. The Town Council shall approve the budget no later than the date on which the fiscal year begins. Tax rates for the calendar year must be adopted no later than May 14th, as provided for in Town Code.

B. Personnel

- i. The creation of any new position requires Town Council approval since it represents an on-going commitment of funds.
- ii. The Finance Department shall maintain one master list of all approved positions, without regard to whether there is an incumbent or not.
- iii. Filled positions are budgeted at the incumbent’s actual salary, vacant positions are budgeted at the midpoint for the position based on the adopted pay scale.
- iv. If a cost-of-living adjustment (COLA) is adopted in a particular budget year, the adopted pay scale shall also be adjusted by this amount to capture the impact of inflation on the pay scale.

C. Budget Adjustment

During the fiscal year, conditions may arise that necessitate changes to the adopted budget. This may take the form of a transfer or a supplemental appropriation. The authorizations required for each are listed below:

- i. Supplemental Appropriation – A supplemental appropriation increases or decreases the overall budget appropriation. Funding sources may include grants, unanticipated revenues, inter-fund transfers or the use of Fund Balance.
 - a. The Town Manager is delegated authority to approve supplemental appropriations for the following:
 - Insurance recoveries less than \$50,000;
 - Other cost recoveries less than \$50,000; and
 - Grants requiring no local match less than \$50,000.
 - b. All supplemental appropriations other than those outlined in paragraph a. must be approved by the Town Council.
 - c. Code of Virginia §15.2-2507 requires that the Town Council hold a public hearing when a supplemental appropriation exceeds 1% of the total budget.
- ii. Transfers – A transfer involves the movement of a budgetary appropriation within a department or between departments, provided that the transfer does not increase or decrease the budgeted appropriation at the fund level.
 - a. All transfers are to be reviewed by the Finance Department and approved by the Town Manager.
 - b. Transferring appropriations between personnel and non-personnel categories is discouraged and will be allowed on an exception basis only.
 - c. Transfers between funds increase or decrease the total appropriation at the fund level, and as such, require Town Council approval. For purposes of this policy, each fund that is separately identified in the budget and the appropriations resolution, is a distinct fund.

D. Expenditure Control

- i. In accordance with the Town's Purchasing Policy, encumbrances are employed as a measure to avoid overspending a department's budget. The Finance Department will verify that funds are available in each line item prior to the issuance of purchase orders. Finance will notify the Department Head if a budget transfer is necessary.
- ii. The Finance Department will provide monthly revenue and expenditure reports to department heads. It is the responsibility of the department head to monitor their department's spending to ensure that adequate funding remains for planned expenditures.
- iii. All invoices for goods and/or services should be reviewed for accuracy, approved by the receiving department, and forwarded to the Finance department to ensure payment in a timely manner, as prescribed by Code of Virginia §2.2-4350. This also serves to provide accurate and timely financial information which is recorded in the system for the monthly reports.