

Category:

Number:

Subject: **BUDGETING PROCEDURES**

1. **PURPOSE:** The purpose of this policy is to ensure that the County prepares, presents and administers an annual budget as defined in M.C.L. 141.421 *et seq.* The budget is a resource allocation document that defines the County's financial resources and claims against those resources. This policy shall establish a budget system for the County of Gratiot; to define the powers and the duties of the county officers in relation to that system; to provide that the Administrator shall be furnished with information by the Departments, Boards, Commissions, Agencies, herein after referred to as Departments, relating to their financial needs, receipts and expenditures; to provide for an annual appropriation measure; to describe a disbursement procedure and to provide for an allotment system.
2. **AUTHORITY:** Gratiot County Board of Commissioners.
3. **APPLICATION:** This policy applies to all County Elected Officials, Departments, Boards, Commissions and Agencies of Gratiot County.
4. **RESPONSIBILITY:** The Board of Commissioners shall be responsible for overseeing this policy. The Office of the Administrator shall be responsible for the implementation and administration of this policy.
5. **DEFINITION(S):** The County *Chief Administrative Officer*, as defined under Uniform Budgeting and Accounting Act at MCL 141.422b (2), shall be the County Administrator.
6. **POLICY:**
 - 6.1 **Fiscal Year:** The fiscal year of the County shall begin on January 1st of each year and close on the following December 31st.
 - 6.2 **Administrator/CFO:** The Administrator will be responsible for preparation and administration of the county budget pursuant to Public Act 2 of 1968, as amended (MCL 141.421 *et seq.*).
 - 6.3 **Budget Calendar:** During the third month of each fiscal year, the Administrator shall submit a budget calendar to the Board of Commissioners for approval. This budget calendar shall identify the effective dates for the following items:
 - 6.3.1 Board of Commissioners approves calendar for budget preparation.
 - 6.3.2 Board of Commissioners approves the revised long range financial plan.
 - 6.3.3 Board of Commissioners adopts salary schedule for elected and appointed officials.

- 6.3.4 Board of Commissioners establishes instruction for departments to follow in submitting budgetary estimates.
 - 6.3.5 Administrator compiles and distributes information, forms and instructions to all departments for submitting budgets.
 - 6.3.6 All standing committees of the Board of Commissioners meet with their assigned departments to review goals and objectives for the ensuing year. All standing committees will report their recommendations back to the department and the Administrator/CFO.
 - 6.3.7 All preliminary budget information and instructions support documentation due to the Administrator/CFO.
 - 6.3.8 Administrator conducts initial review of departmental budgets with department representatives.
 - 6.3.9 Administrator/CFO's recommended budget is reviewed by department representatives.
 - 6.3.10 Finance Committee with the Administrator conduct budget hearings on appealed items from department heads.
 - 6.3.11 Preliminary budget assembled and submitted to Finance Committee for review and recommendation to the Board of Commissioners.
 - 6.3.12 Board adopts annual apportionment report and establishes operating millage rate.
 - 6.3.13 Advertise for Public Hearing on budget.
 - 6.3.14 Public Hearing held.
 - 6.3.15 Board adopts final budget.
- 6.4 County Long Range Financial Management Plan: Prior to preparing the annual budget, the Board of Commissioners shall prepare and adopt a long range County Financial Management Plan for the ensuing calendar year and the subsequent five years. The County Financial Management Plan shall be used as a guide for the preparation of the annual budget. The County Financial Management Plan shall be prepared in the following manner:
- 6.4.1 The Administrator shall prepare the County Financial Management Plan in cooperation with the departments and advisory boards and commissions.
 - 6.4.2 The County Financial Management Plan shall consist of projected expenses of all departmental functions including personnel services, operations, capital improvements and debt services; projected revenues, anticipated sources and methods of funding and be organized by department/function.
 - 6.4.3 The committees of the Board of Commissioners shall review the County Financial Management Plan and make recommendations to the Finance Committee with respect to their departmental/functional responsibilities.

6.4.4 The Finance Committee shall review the County Financial Management Plan and the committee's recommendations and make recommendations to the Board of Commissioners.

6.5 Budget Instructions:

6.5.1 No later than August 1st of each year, the Administrator shall send to each department the budget instructions.

6.5.2 These instructions shall include information that is necessary to assure that the budgetary estimates of the departments are prepared in a consistent manner. It shall also indicate limits of budgetary estimates and items that are to receive emphasis.

6.5.3 These instructions will contain target dollar amounts that each department will be requested to submit their budget within.

6.6 Department Budget Reviews:

6.6.1 The Administrator shall review the departmental estimates with a representative from each department of the County that has submitted estimates.

6.6.2 The purpose of the initial review shall be to clarify the estimates, ensure their accuracy and to determine their compliance with this policy, the Administrator shall submit to each department a copy of the budget recommendations for that department not less than ten (10) days prior to submittal of the budget document to the Board of Commissioners.

6.7 The Budget Document: The Administrator shall consolidate the estimates received from the various departments together with the amounts of expected revenues and shall make recommendations relating to those estimates which shall assure compliance with the budget policy statement and which shall also assure that the total of estimated expenditures, including an accrued deficit in any fund, does not exceed the total of expected revenues including an unappropriated surplus. The budget shall consist of the following parts:

Part A - Revenues

Part A shall contain detailed estimates of all anticipated revenues applicable to proposed expenditures; summary statements of anticipated revenues classified by fund and source; comparisons between revenues actually received during the completed fiscal year, those received and anticipated for the current fiscal year and those anticipated for the ensuing fiscal year; the estimated surplus or unobligated balance of the current

fiscal year and any additional information required by the Board of Commissioners.

Part B - Expenditures

Part B shall contain estimates of all operating and capital outlay expenditures for the ensuing fiscal year. It shall include a statement of proposed expenditures from all funds classified by organizational unit, character, object, functions and activity. It shall show, in the same classification of expenditure, the expenditures of the last completed fiscal year, those anticipated for the current fiscal year and shall include as separate items any deficit from the preceding fiscal year that was not included in the budget for the current year and any anticipated deficit resulting from operations of the current year.

Part C - Capital Outlay

Part C shall consist of any recommendations for capital projects, and shall include the Total estimated cost at completion and the source of funding for the proposed project.

- 6.8 Transmittal of Budget to the Board Of Commissioners: The Administrator shall transmit the budget to the Board of Commissioners no later than the date outlined in the Board approved annual budget calendar of each year. The budget shall be accompanied by:
- 6.8.1 A proposed general appropriations measure consistent with the budget, which shall set forth the anticipated revenue and requested expenditure authority for the ensuing fiscal year in such form and in such detail deemed appropriate by the Administrator/CFO, provided that it is consistent with the uniform chart of accounts prescribed by the State of Michigan.
 - 6.8.2 A budget message which shall explain the reasons for increases or decreases in budgets compared with the current fiscal year, definition of factors used by the Administrator in determining important budgetary changes and any other information that the Administrator determines to be useful to the Board of Commissioners in its consideration of proposed appropriations.
- 6.9 Consideration of Budget by Board of Commissioners:
- 6.9.1 The Board of Commissioners shall fix the time and place of a public hearing to be held on the budget and proposed appropriations measure.

- 6.9.2 The Administrator shall then have published in a newspaper of general circulation within the county, notice of the hearing and an indication of the place at which the budget and proposed appropriations measure may be inspected by the public. This notice must be published at least six (6) days before the date of the hearing.
- 6.9.3 The Board of Commissioners may direct the Administrator to submit any additional information it deems relevant in its consideration of the budget and proposed appropriations measure.
- 6.9.4 The Board of Commissioners may conduct budgetary reviews with the Administrator or department representatives for the purpose of clarification or justification of proposed budgetary changes.
- 6.9.5 The Board of Commissioners may revise, alter or substitute for the proposed general appropriations measure in any way, except that it may not change it in any way that would cause total appropriations, including an accrued deficit, to exceed total estimated revenues, including an unappropriated surplus. An accrued deficit shall be the first item of expenditure in the general appropriations measure.

6.10 Passage of the General Appropriations Measure:

- 6.10.1 No later than the date outlined in the annual budget calendar, the Board of Commissioners shall pass a general appropriations measure providing the authority to make expenditures and incur obligations on behalf of the County.
- 6.10.2 The Board of Commissioners may authorize the Administrator to transfer between appropriation items within limits stated in the appropriations measure.
- 6.10.3 The Board of Commissioners shall cause to be levied and collected the general property tax in an amount up to the county's fixed portion as voted on by the electorate.

6.11 Failure to Enact a General Appropriations Measure:

- 6.11.1 In the event that the Board of Commissioners fails to pass a general appropriations measure by January 1st, the Administrator shall notify all officers, departments, boards and commissions that they may, in the new fiscal year, make expenditures and incur obligations under the provisions of the general appropriations measure effective for the fiscal year just completed; except that the authority for any item of appropriations in any month shall be limited to an amount not to exceed one-twelfth (1/12) of the annual appropriation amount for that item. Expenditures shall continue

in this manner each month until the effective date of a general appropriations measure for the new fiscal year.

6.11.2 The Board of Commissioners shall not pass any amendment to the general appropriations measure for the last completed fiscal year not make any supplemental appropriations based on that measure after the beginning of a new fiscal year.

6.12 Amendment of the General Appropriations Measure: A deviation from the original general appropriations measure shall not be made without first amending the general appropriations measure. Amendment shall follow the same procedure used for the original consideration of the budget and appropriations measure and passage of the general appropriations measure pursuant to Section 5.10 of this policy.

6.13 Appropriations Deemed Maximum Authorization to Incur Expenditures: Appropriations will be deemed maximum authorization to incur expenditures. The Administrator shall monitor expenditures to ensure that spending does not exceed budgetary limits. County funds shall not be diverted for purpose inconsistent with those specified in the appropriations measure.

6.14 Appropriation Ledger Accounts: The Administrator shall maintain appropriation ledger accounts in which are to be recorded such expenditure encumbrances and obligations for the future payment of appropriated funds.

6.15 Procedure for Disbursement:

6.15.1 Each warrant, draft or contract of the County shall specify the fund and appropriations designated by number assigned in the accounting system classification established pursuant to law from which it is payable and shall be paid from no other fund or appropriation.

6.15.2 Expenditures shall not be charged directly to any contingency account. Instead, the necessary amount of the appropriation from such account shall be transferred in accordance with this policy to the proper general appropriation account and the expenditure then charged thereto.

6.16 Limit On Obligations and Payments: No obligation shall be incurred against and no payments shall be made from any appropriation account unless there is a sufficient unencumbered balance in the appropriation and sufficient funds are or will be available to meet the obligation.

6.17 Quarterly Financial Reports: The Administrator within ten (10) days after the end of each quarter shall transmit to the Board of Commissioners a report of financial operations, including, but not limited to:

6.17.1 A summary statement of the actual financial condition of the general fund at the end of the previous quarter

6.17.2 A summary statement showing the receipts, expenditures and encumbrances for the current fiscal year to the end of the quarter

6.17.3 A detailed listing of:

6.17.3.1 Expected revenues by major source as estimated in the budget; actual receipts to date for the current fiscal year compared with actual receipts for the same period in the prior fiscal year; the balance of estimated revenues to be collected in the then current fiscal year and any revisions in the revenue estimates occasioned by collection experience to date.

6.17.3.2 The amount appropriated for each organizational unit and activity; the amount charged to each appropriation in the previous month and for the current fiscal year and as compared with the same period in the prior fiscal year; then unencumbered balance of appropriations and any revisions in the estimate of expenditures.

6.18 Transfers: Transfers of any unencumbered balance or any portion thereof, in any appropriation account to any other appropriation account may not be made without amendment of the appropriation measures as provided in Section 5.12 of this policy.

6.19 Supplemental Appropriations: The Board of Commissioners may make supplemental appropriations by amending the original general appropriations measure as provided by Section 5.12 of this policy, provided that revenue in excess of those anticipated in the original general appropriations measure become available.

6.20 Appropriation Adjustment Required:

6.20.1 Whenever it appears to the Administrator or the Board of Commissioners that actual and probable revenues in any fund will be less than the estimated revenues upon which appropriations from such fund were based, the Administrator shall present to the Board of Commissioners recommendations which, if adopted, will prevent expenditures from exceeding available revenues from the current fiscal year. Such recommendations shall include proposals for reducing appropriations, increasing revenues or both.

6.20.2 Prior to year end, the Board of Commissioners, upon the recommendation of the Administrator for bringing appropriations into balance with estimated revenues, shall amend the appropriation measures to reduce appropriations or shall approve such measures necessary to provide revenues sufficient to equal appropriations, or both.

6.21 Unreserved Surplus: The County Board of Commissioners shall maintain a fund balance in the County's General Fund. A portion of this fund balance shall be designated as the Unreserved Fund Balance and shall be defined as the:

6.21.1 Undesignated portion of the General Fund Balance that represents expendable available financial resources to be used exclusively for maintaining a stable tax and revenue structure and to provide financial resources that can be used to meet contingency and working capital requirements.

6.21.2 The Unreserved Fund Balance of the General Fund shall not be less than one-twelfth (1/12) of the annual General Fund Operating Budget. Appropriations shall not be made from the Unreserved Fund Balance of the General Fund if the balance will fall below this level unless authorized by a two-thirds (2/3) vote of the elected members of the Board of Commissioners.

6.21.3 Amounts in excess of the minimum in the Unreserved Fund Balance may be appropriated by a majority of the members elected to the Board of Commissioners.

6.22 Contingency Account:

6.22.1 A General Fund Contingency Account shall be established in the Annual County Budget to be used to make supplemental appropriations for emergency matters brought to the Board of Commissioners that require emergency consideration. The annual budget Contingency Account shall not be less than two percent (2%) of the total annual General Fund Budget.

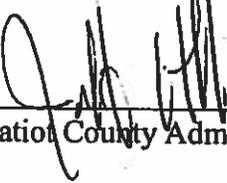
6.22.2 Appropriations shall not be made from either the Contingency Account or the Unreserved Fund Balance until a recommendation is received from the Finance Committee and that all supplemental appropriations are in accordance with the guidelines established by this policy.

6.22.3 All standing committees of the Board of Commissioners requiring supplemental appropriations from either the Contingency Account or the Unreserved Fund Balance shall notify the Finance

Committee of the need for the supplemental appropriation. The Finance Committee shall review the request and file a report with the appropriate committee recommending either approval to include a recommended source for the supplemental appropriation or disapproval outlining reasons for the recommendation.

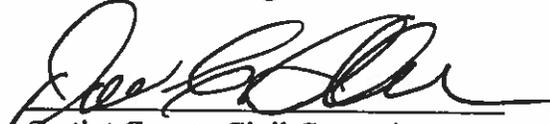
7. ADMINISTRATOR/LEGAL COUNSEL REVIEW: The Administrator has determined that this policy as submitted to the Board of Commissioners contains the necessary substance in order to carry out the purpose of the policy. The County Civil Counsel has determined that this policy as, submitted, complies with all applicable laws, rules and regulations.

Approved as to Substance:



Gratiot County Administrator

Approved as to Legal Content:



Gratiot County Civil Counsel

