

03. FINANCE

3.1. Budget

BOS Adopted – September 1, 2010

3.1.1. Purpose. The Commonwealth of Virginia requires all localities to follow certain budget guidelines, as outlined in Sections 15.2.2500 to 15.2.2513 of the Code of Virginia.

A. All localities within Virginia must have a fiscal year beginning on July 1 and ending on June 30.

B. Approved fiscal year budgets must be balanced. (Definition of “balanced budget” included in Section 1.3-b below.)

C. The School Board must approve the School Budget by May 1 or within 15 days of receiving estimates of state funding, whichever occurs later. (See Virginia Code § 22.1-93. I don’t see the “May 1st” School Board date.)

D. The Board of Supervisors must approve the operating budget and set the tax rate by July 1 of each year. The adoption of the operating budget and the tax rate requires the Board to hold a public hearing and to advertise this hearing no less than 7 days in advance.

E. Although these are the minimum state requirements, the County traditionally has adopted its budget by April 30 in order to establish teacher contracts and to set the property tax rates prior to the 1st half tax bill mailing date. The official appropriation of funds takes place prior to July 1 of each year.

3.1.2. Scope. This Budget Policy addresses the process by which the County’s operational and capital budgets are formulated, beginning with the departmental requests through adoption by the Board of Supervisors. This Policy also addresses all other aspects of the budget, including the authorization levels for the approval of budget adjustments and amendments as well as review of the budget during the fiscal year.

3.1.3. Budget Guidelines

A. The overall objective of the budget is to provide a balanced financial plan in total and by fund that adheres to the County’s mission statement, long range strategic plans and/or current initiatives from which the budgets shall be initially formulated.

B. A balanced budget is a budget that has total expenditures equal to total revenues, including use of fund balance.

C. Initiatives that are presented to the Board of Supervisors should also comply with the mission statement.

D. Annual budget guidelines shall be focused in certain areas, with additional guidelines and/or objectives formulated, if applicable, by the County Administrator in the formulation of the proposed budget.

3.1.4. Budget Form. The County's operating budget will be developed on an annual basis, incorporating the Capital Improvements Program (CIP) budget, consistent with Generally Accepted Accounting Principles (GAAP) and guidelines set forth by the Governmental Accounting Standards Board.

3.1.5. Basis of Budgeting. The basis of budgeting is the method used to determine when revenues and expenditures are recognized for budgetary purposes. In governmental funds, GAAP requires recognition of transactions or events on a modified accrual basis of accounting. This basis of accounting recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash. The County's basis of accounting differs from GAAP used for preparing the County's comprehensive annual financial reports. The three differences are as follows:

A. Encumbrances are considered the equivalent of expenditures rather than the GAAP required reservation of fund balance.

B. Grant revenues are not budgeted and are accounted for on a modified cash basis rather than an accrual basis.

C. The Sheriff's Auxiliary fund which must be reported under GAAP and in the County's Comprehensive Annual Financial Report (CAFR) is not included in the budget.

3.1.6. Budget Calendar. The County annually prepares a calendar which outlines all dates pertaining to the operational budget and capital improvements plan. No later than July 31st a date specific budget calendar is established for the subsequent fiscal year and submitted to the Board of Supervisors for approval.

3.1.7. Budget Preparation. All departments and agencies, excluding the School Board, will submit their requested budget to the County Finance Department and County Administration by a date and format established by the County Administrator, with the requested budget providing detail as to personnel, operating and capital requests, including five year capital improvement program requests.

A. County Boards and Other Organizations

1. The Social Services Board shall approve the departmental budget request of their organization prior to submission to the County Administrator.

2. The School Board Superintendent submits a recommended budget to the School Board. Upon approval, the School Board will submit the request to County Administration and the Board of Supervisors not later than the last day of February.

B. The County Administrator will present to the Board of Supervisors at their first meeting in February, a proposed budget, which includes proposed expenditures and capital outlay, and a means of financing the expenditures, for the fiscal year commencing July 1, contingent upon adequate knowledge of anticipated state and federal funding levels.

C. A series of budget work sessions will be scheduled with the Board of Supervisors to provide detailed information on budgetary issues.

D. Not later than December of each year, the Planning Commission shall review the Proposed Five Year Capital Improvements Program (CIP) and provide a recommendation on the subsequent year's CIP to the Board of Supervisors.

E. A consolidated public hearing on the budget and CIP shall be held no later than seven days prior to budget adoption, unless the Board of Supervisors chooses to select an alternate date or timeline.

1. In compliance with Virginia State Code 15.2.2506 public hearing notices shall be advertised at least seven days prior to the public hearing date.

2. If significant issues arise in which greater time is needed for the formulation of proposed budgets by the School Superintendent, County Administrator or Board of Supervisors, the budget preparation calendar can be extended upon approval of the Board subject to Virginia State Code 15.2.2503. "The governing body shall approve the budget and fix a tax rate for the budget year no later than the date on which the fiscal year begins."

3.1.8. Budget Adoption

A. Not less than one week following the public hearing, the Board of Supervisors shall adopt a balanced budget and five-year capital improvements program.

B. The budget is legally enacted through adoption of an appropriations resolution for all governmental and proprietary fund types with the resolutions appropriating budget balances by fund.

C. Although legal restrictions on expenditures are established at the fund level, effective administrative control over expenditures is maintained through the establishment of more detailed line item budgets.

D. At all times the County will maintain compliance with the Code of Virginia in appropriating, advertising public notices, ordinance changes, requests for bond referenda and any other legal restrictions imposed upon localities.

3.1.9. Budget Adjustments. Departments and agencies are required to operate their budgets within the total dollars appropriated. Departments shall not overspend the bottom line total. It is understood that occasionally in the management of their departmental budget, department directors will need to transfer funds within the respective department; stipulations for the

transfers are noted below. Budget authorization levels are classified in three tiers for all non-education funds and are also described below.

A. Department Heads are authorized to:

1. Transfer within their departmental operating budget categories; transfers from personnel categories or capital categories exceeding \$1,000 require County Administrator approval.

2. Transfers between two departments require approval of both department heads and the County Administrator.

3. Transfers into personnel categories require County Administrator approval.

B. The County Administrator or designee is authorized to:

1. Transfer within departmental budget categories of personnel, operating and capital.

2. Transfer up to \$10,000 per month between departmental budget categories and/or departments and related capital projects.

3. Transfer contingencies to departmental and/or capital budgets up to \$10,000 per topic or issue involving need for such reserve funding, with the exception of Board of Supervisors and Grant Contingencies, both of which require BOS action and approval.

C. The Board of Supervisors approval is needed for:

1. All transfers not otherwise addressed in this Policy.

2. Any supplements that increase the total adopted budget.

3. Any supplements that increase the total revenues for any of the education funds, upon prior approval of the School Board.

4. All supplements requiring Board of Supervisors approval that have been initiated by the Social Services department must have the Social Services Board approval prior to submission to the County.

5. Per the Code of Virginia 15.2.2507, any additional appropriation(s) which increases the total budget by more than 1% of the total expenditure budget for that fiscal year is required to be advertised for a public hearing at least seven days prior to the Board of Supervisors' approval of such appropriation; with such advertisements authorized by the County Administrator, unless the County Administrator deems such request for advertisement should require Board of Supervisors approval.

3.1.10. Reappropriation of Balances (Carryovers)

A. Appropriations lapse on June 30, for all unencumbered budget items other than capital projects and grants.

B. All outstanding encumbrances, both operating and capital, as of fiscal year-end shall be automatically reappropriated to the subsequent fiscal year to the same department and account for which they were encumbered in the previous fiscal year.

C. All capital reserve appropriations shall be automatically reappropriated to the subsequent fiscal year to the same department and account for which they were originally appropriated.

D. All unencumbered balances for capital projects shall remain appropriations until the completion of the capital project or until the Board of Supervisors, by appropriate resolution, changes or eliminates the appropriation.

E. All supplemental appropriations approved within a fiscal year for a specific purpose or project shall be automatically reappropriated to the subsequent fiscal year and utilized to complete original purpose or project as identified in the board action

F. External school funding shall be reappropriated to the subsequent fiscal year upon receipt of approval by the funding agency. School administration is required to notify the county Finance Department of such approval no later than August 30th of the subsequent fiscal year in which the funding is to be reappropriated. This excludes the local general fund appropriation, which requires the school board or superintendent of schools to submit a formal request for carryover to the Board of Supervisors.

G. Those amounts necessary for the continuation of unencumbered operating projects or services may be requested by departments, amended by the County Administrator and adopted, with any changes, by the Board of Supervisors to be reappropriated to the budget of the next fiscal year. Such requests for reappropriation shall be for specifically defined projects that could not reasonably be started prior to June 30.