

# **Chaplin Board of Finance**

## **Budget Management Policies and Procedures for Town Agencies**

### **A. Purpose.**

The Board of Finance (BOF) is charged by State statutes with effective control of budget expenditures by town boards, commissions, and agencies. In addition, the Board of Finance promotes regular information exchange with all town entities with regard to budget management.

The Board also realizes that budget requests, when submitted several months in advance, are educated estimates of revenues and expenses for the next fiscal year. Therefore, the Board recognizes that budget entities may need flexibility in adjusting their budgets as the fiscal year progresses.

The Town legislative body, the Town Meeting, approves the total amount (bottom line) of individual agency/department budgets. However, state statutes permit the Board of Finance to grant flexibility to agencies/departments to manage funds within their approved budget, subject to specified guidelines. Therefore, the Board of Finance has adopted the policies and procedures that follow in an attempt to facilitate budget management for agencies/departments while insuring compliance with state statutes.

### **B. Statutory Requirements.**

Connecticut General Statutes (C.G.S.) Title 7, Chapter 106, Sections 7-347, 7-348, and 7-349 govern the management of budgeted appropriations by the Board of Finance and town departments/agencies and are incorporated herein (see Appendix B). Section 7-348 states, among other things, that:

**“No officer of such town shall expend or enter into any contract by which the town shall become liable for any sum which, with any contract then in force, shall exceed the appropriation for the department, ...”.**

This prohibition means simply that a town agency’s expenditures may not exceed its budget, at any time, without prior written approval from the Board of Finance. There are rare exceptions to this policy which can be explained by the Town Finance Office and the Board of Finance.

### **C. Policies.**

1. Boards, commissions, and agencies (budget entities) may not exceed their total bottom line budget approved at Town Meeting without prior written approval of the Board of Finance. This approval must be obtained before expenditures are incurred. *Approval is obtained by submitting the Mid-Year Budget Adjustment Form (see section ‘D. Procedures’ below). Such approval is not automatically granted and this request must be thoroughly justified with appropriate documentation for the request.*
2. In addition to the above, every agency, including the Board of Education, has a statutory obligation to ensure its own compliance with this policy throughout the fiscal year.
3. Agencies should request a budget addition to a line item (or line items) only if the associated expense is truly unanticipated and unavoidable, or is legally or statutorily mandated, or is the result of an emergency or safety condition. Any expenditure that can reasonably wait until the next fiscal year budget cycle will not be considered for a budget addition.

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4. Required budget adjustments must be requested as soon as the agency becomes aware of a potential over expenditure. Again, Board of Finance approval must be obtained before actual expenditures occur. The Board of Finance should be notified sooner, rather than later, if an agency feels it may need additional funding in a given fiscal year.
5. Salary and fringe benefit line items, whether the employee is compensated on an annual or hourly basis, cannot be exceeded or changed in any amount without prior written approval of the Board of Finance. Additionally, unexpended salary funds cannot be used for other expenditures without prior written approval of the Board of Finance.
6. Travel expenses can only be paid from an approved travel line item for the budget entity that incurs the travel expense. Travel line items cannot be exceeded or changed in any amount without prior written approval of the Board of Finance. Additionally, unexpended travel funds cannot be used for other expenditures without prior written approval of the Board of Finance.
7. Creation of new expenditure line items requires prior written approval, and appropriate funding, by the Board of Finance.
8. If circumstances arise which are beyond the agency's control, emergency exceptions to the above policies can be granted only by the Board of Finance Chairperson, or the First Selectman, via phone call or e-mail request. If such an emergency expenditure is approved, the BOF Chairperson will notify the First Selectman and vice versa. Expenditures approved in this manner must be documented by the requesting budget entity within one week of approval by submitting the *Mid-Year Budget Adjustment Form* to the Town Finance Office.

**D. Procedures.**

1. The budget agency/department requesting the budget adjustment should initiate this process by submitting the *Mid-Year Budget Adjustment Form* to the Town Finance Office. **The request should be submitted even if the agency is not certain whether the budget will be overspent.**
2. The Town Finance Office will forward all requests to the Board of Finance with recommendations for BOF action.
3. Board of Finance action may be one of the following:
  - Approve the request.
  - Deny the request with reasons for the denial.
  - Hold the request, ask the agency to curtail expenditures to stay within budget, and monitor the agency's expenditures until the budget picture becomes clearer.
4. Board of Finance decisions will normally be made at the next regularly scheduled meeting following receipt of the request. The agency will be notified of the decision, and the reasons, by the Town Finance Office.
5. Denial of a budget adjustment may be appealed to the Board of Finance by written request. The appeal must include the reasons why the agency cannot meet its obligations within its original budget. A representative

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of the agency will normally be invited to present the budget appeal in person to the Board of Finance at a subsequent meeting.

**E. Reporting:**

In order to carry out its statutory obligation for budget monitoring and control, the Board of Finance will review monthly financial reports generated by the Town Finance Office. If it appears that an agency will exceed (or has exceeded) its budget prior to the end of a fiscal year, that agency will be contacted by the Board to obtain additional information about the agency’s budget plans for the remainder of the fiscal year. Agencies will be expected to provide the requested information on a timely basis.

Town agencies are expected to manage their budgets as stated in Policies C.1. and C.2. As an aid in carrying out this responsibility, agencies should request and review their own financial reports from the Town Finance Office on a regular monthly basis.

**F. Examples.**

For the following examples, assume that Agency ABC has the following fiscal year budget:

20100	Salaries	1,000
20105	Equipment	2,000
20110	Maintenance	1,500
20115	Office	500
20120	Info Technology	1,250
	Total Budget	6,250

**Example 1.** Agency ABC discovers early in the year that they have higher than expected maintenance expenses but they know that **they will be able to cover these expenses** in their total bottom line budget by spending less for Office supplies and Information Technology.

- Action: ABC does not need to ask for an additional budget allocation because they will not exceed their total bottom line budget for the year.

**Example 2.** Agency ABC discovers by mid-year that they have higher than expected maintenance expenses and they know that **they will not be able** to cover these expenses in their total bottom line budget by reducing other expenses.

- Action: ABC should ask for an additional budget allocation by submitting the *Mid-Year Budget Adjustment Form*. ABC needs Board of Finance approval because of Policies C.1. and C.4. above.

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**Example 3.** Agency ABC would like to buy more Office supplies and they can take the extra money from the Information Technology budget line.

- Action: ABC does not need to ask for an additional budget allocation because **they will not exceed their total bottom line budget** for the year.

**Example 4.** Agency ABC would like to buy more Office supplies and wants to take the extra money from the Salary budget line because they expect to have extra money in that line at the end of the year.

- Action: ABC should submit the *Mid-Year Budget Adjustment Form* and request to use the 20100-Salary funds for Office supplies. ABC needs Board of Finance approval because of Policy C.5. above.

**Example 5.** Agency ABC would like to add a new line item to their budget for Training and wants \$500 for that line item.

- Action: ABC should submit the *Mid-Year Budget Adjustment Form* to request a new line item for Training in the amount of \$500. ABC needs Board of Finance approval because of Policies C.1. and C.7. above.

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**APPENDIX A. Record of Revisions**

SECTION	REVISION	REVISION APPROVAL DATE
1. Entire policy document.	Policy created.	mm/dd/ccyy

DRAFT #006

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**Appendix B: Connecticut General Statutes (C.G.S.) Title 7, Chapter 106.**

**Sec. 7-347. May transfer unexpended balances.** The board may transfer unexpended balances from one appropriation to another, but no amount appropriated for any purpose, whether general or special, shall be used or appropriated for any other purpose unless the same is recommended by the board.

**Sec. 7-348. Towns not to contract in excess of appropriations. Town meeting to increase amount.** No officer of such town shall expend or enter into any contract by which the town shall become liable for any sum which, with any contract then in force, shall exceed the appropriation for the department, except in cases of necessity connected with the repair of highways, bridges, sidewalks and water and sewer systems and the care of the town poor, and then not more than one thousand dollars. If any occasion arises whereby more money is needed for any department of the town than has been appropriated as provided for in this chapter, the selectmen shall notify the board of finance of such fact, and the chairman of such board shall forthwith call a meeting thereof to consider the appropriation for such department and the board may make the necessary appropriation therefor, after inquiry, but, if, in towns where the grand list is not more than twenty million dollars, the amount required or the amount required, together with the sum of any additional appropriations made by the board for such department within the same fiscal year, exceeds ten thousand dollars, or, in towns where the grand list exceeds twenty million dollars, if the amount required or the amount required, together with the sum of any such additional appropriations, exceeds twenty thousand dollars, such appropriation shall not be made until, upon the recommendation of the board, the same has been voted by the town at a meeting called for such purpose, provided no more than one such additional appropriation for any one department shall be made in one year without town meeting approval, and provided the board may make additional appropriations for the care of town poor without town meeting approval not exceeding, in the aggregate, two thousand dollars in towns where the grand list does not exceed twenty million dollars or four thousand dollars in towns where the grand list exceeds twenty million dollars. The board may call a public hearing prior to the town meeting at which parties in interest and citizens shall have an opportunity to be heard so that the board may obtain information to assist in making its recommendations. The amount required for such appropriation may be drawn either from any cash surplus available or from any contingent fund established as hereinafter provided. If no cash surplus exists and no funds are available in the contingent fund, such appropriation may be financed by borrowing, and the amount of such borrowing shall be included in and made a part of the next tax levied. The estimate of expenditures submitted by the board of finance to the annual town meeting or annual budget meeting may include a recommended appropriation for a contingent fund in an amount not to exceed three per cent of the total estimated expenditures for the current fiscal year. No expenditure or transfer shall be made from the contingent fund until such expenditure or transfer has been approved by the board of finance. The provisions of this chapter shall not be a limitation upon the town in issuing bonds under the provisions of law or expending the proceeds thereof in accordance with the vote of such town nor shall such provisions be a limitation upon the settlement of claims or judgments against the town under the provisions of law.

**Sec. 7-349. Penalty.** Any officer who, in violation of any provision of this chapter, expends or causes to be expended any money of such town, except for the purpose of paying judgments rendered against such town, shall be liable in a civil action in the name of such town, and the amount so drawn from the treasury of such town shall be liquidated damages in such action against any such officer.