



Butte County Administration

County Budget Policy
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Version 1.0

1. Purpose

To meet the requirements of applicable State law and define the level of budgetary control and appropriation transfer authority for the County budget.

2. Policy Scope

This policy applies to all governmental and proprietary funds of the County, dependent special districts and other agencies whose affairs and finances are under the supervision and control of the Board of Supervisors.

3. Policy

A. *Compliance with State law and guidance*

The County shall adhere to the provisions of the County Budget Act (Government Code §29000 – 29144 and §30200) and the County Budget Guide issued by the State Controller.

B. *Responsibility for compiling the Recommended Budget*

The Chief Administrative Officer shall be responsible for compiling and reviewing the departmental budget requests and preparing a recommended budget in compliance with the timelines set forth in the County Budget Act.

C. *Revision of Appropriations – Governmental Funds*

Transfers and revisions to the adopted budget for governmental funds may be made as follows:

- i. Transfers or revisions of appropriations between funds require approval of a super-majority of the Board of Supervisors, with at least four affirming.
- ii. Increasing total appropriations for a fund requires approval of a super-majority of the Board of Supervisors, with at least four affirming.
- iii. Transfers of appropriations between budget units within a fund require approval of a simple-majority of the Board of Supervisors, with at least three affirming.
- iv. Transfers of appropriations between objects of expenditure within a budget unit require approval of the Chief Administrative Officer or designee. For example, a transfer between the salaries and employee benefits object and services and supplies object requires approval of the Chief Administrative

Officer or designee. Transfers into or out of the Capital Assets object are excluded (see (vi.) below).

- v. Transfers of appropriations between accounts within an object of expenditure in a single budget unit are not required. If desired by a Department these transfers may be approved by the Department Head.
- vi. This policy does not affect the requirement for Board of Supervisors' approval to purchase capital assets.
 - a. In the event that the total cost of acquisition or development of a capital asset exceeds the amount originally approved by the Board of Supervisors, the appropriation may be increased by up to 10% of the amount approved for that asset by the Board of Supervisors if there is an equal decrease of appropriation within the same budget unit. Such a transfer requires approval from the Chief Administrative Officer or designee.
 - b. Transfers of appropriation from the capital asset object to other objects within the same budget unit require approval from the Chief Administrative Officer or designee.
 - c. Transfers of appropriation within the capital asset object are allowed to appropriately account for the capital items in the correct account. For example, staff time to put a capital asset into functional use should be included in the capital asset approval requested by the Department to the Board of Supervisors, but the account these costs are accounted for will be distinct from the original purchase.
 - d. All accounts within a budget unit in the Capital Project fund are capitalized and, as such, appropriation may be transferred between accounts within a budget unit in the Capital Project fund with only Department Head approval.
- vii. Transfers of appropriations from contingencies require approval of a super-majority of the Board of Supervisors, with at least four affirming.

D. *Revision of Appropriations – Proprietary Funds*

Transfers and revisions of appropriations to proprietary funds (which include internal service funds and enterprise funds) are not required by statute, the State Controller or Governmental Accounting guidelines. Adopted budgets for proprietary funds are operational plans for entities that provide business-like services, or services shared throughout the government, rather than legal restrictions on spending. As such, Board of Supervisors' approval of adjustments

to the operating plan is not required. However, Butte County department heads managing proprietary funds must manage costs and rates to ensure positive net assets for each proprietary fund. The Auditor-Controller shall prepare and report a statement of fund net assets for proprietary funds and a separate statement of fund net assets for internal service funds at the conclusion of each fiscal year.

E. *Responsibilities*

The Auditor-Controller shall audit appropriation transfers to ensure compliance with this policy and California law prior to posting transfers to the County General, Expenditure and Revenue Ledgers.

The Auditor-Controller, or the Chief Administrative Officer or designee, may perform periodic audits of County departments, to ensure compliance with this policy and any procedures generated to implement this policy.

County department heads and other officials shall not authorize any expenditure or other obligation unless the Board of Supervisors has appropriated funding in a budget unit for that purpose, except as otherwise provided by law.

County department heads are responsible for planning for and ensuring adequate levels of appropriations for cost plan and internal service charges based on estimates provided by Administration.

4. Definitions

Account: A line item classification of expenditure or revenue. Example: "Communications – Telephone Charges" is an account in the object of expenditure "Services and Supplies" and the subobject "Communications."

Appropriations: Authorizations for the County to make expenditures and to incur obligations during the current fiscal year.

Budget Unit: The midlevel classification of appropriations that includes one or more objects of expenditure to fund a department, division or set of goal-related functions. A department or agency may have one or more budget units assigned to it.

Capital Assets: An object of expenditure for land, structures and improvements, equipment, infrastructure and intangible assets.

Classification of expenditures: The grouping of expenditures within a major section, category, or classification, such as salaries and employee benefits, services and supplies, and capital assets. Also called object of expenditure.

Cost Center: See sub-budget unit.

Fund: The highest level classification of appropriations. Also, a separate fiscal and accounting entity within the County. Each fund is a separate division for accounting and budgeting purposes. Funds may contain one or more budget units.

Intrafund Transfers: Operational transfers of costs between budget units in the same governmental type fund. These transfers distribute costs to various departments for budgeting and informal operating statement purposes. These transfers are shown as Intrafund Transfers-In and/or Intrafund Transfers-Out under expenditures and other operating uses (an increase for the receiving budget unit and a decrease for the servicing unit).

Object of Expenditure: The lowest level classification of appropriations; a unique identification number and title for an expenditure category or means of financing. Examples: "Salaries and Employee Benefits" and "Services and Supplies."

Other Charges: An object of expenditure for accounts that do not fit the definition of the other reporting objects. This includes debt payments and general assistance payments.

Other Financing Uses: An object of expenditure for Transfers-Out.

Salaries and Employee Benefits: An object of expenditure for salaries, wages and employee benefits of permanent and non-permanent positions.

Services and Supplies: An object of expenditure for accounts which provide for the operating expenses of County departments.

Subobject of expenditure: A further breakdown of classification of expenditures for detailed accounting within an object of expenditure. For example, office expense is a subobject within the services and supplies object.

Subbudget unit: A further breakdown of a budget unit for departmental management needs including divisions, programs and cost centers.

Transfers-Out: Non-recurring transfers of equity from one fund to another fund.

5. Procedure

The Chief Administrative Officer, in cooperation with the Auditor-Controller, shall develop and periodically review procedures for implementing this policy and processing all appropriation transfers.

6. Background

On March 9, 2004, the Butte County Board of Supervisors approved changes to the Budget Appropriation Transfer Policy that provided additional ability for County department heads to manage their budgets. Since that time, certain County practices have changed and the County Budget Act has been updated. This policy has been developed to account for these adjustments.