

## **BUDGET POLICY CITY OF CLEAR LAKE**

The City of Clear Lake classified as a Class 2 municipality has the freedom to modify an adopted budget or appropriations ordinance during the course of the expenditure/revenue year. Modifications for municipalities are at the discretion of the Finance Office and approved by the City Council. The following is a framework policy in which the City of Clear Lake modifies adopted budgets:

Generally and in statute it is never necessary to supplement or modify enterprise funds according to Legislative Audit, Rod Fortin. The City of Clear Lake will not have concern with enterprise funds unless there is marked deficiency within a function (or department). Automatic supplements through grant funding will be the exception for modifying enterprise funds.

Automatic Budget Supplements are used for County/State/Federal grant monies and restoration claims from insurance. These funds are designated for a specific purpose. These funds are not grants that were expected or anticipated in the original appropriations ordinance. Auto supplements will be used to modify the budget within an object line by motion of the City Council. Auto supplements will be published in the minutes stating to whom the expenditure was made and the purpose. SDCL 9-21-9.1 and 9.2.

The Contingency fund is created within every annual budget ordinance under 101-411.5 and may not exceed 5% of the total amount of appropriations for that year. The contingency account represents budget authority that may be transferred. This will be the first modification for any deficiencies within the budget and will apply to those deficiencies that occur within object, function, or department. Contingency transfers are granted by resolution of the City Council. The City of Clear Lake prepares the appropriations ordinance with the contingency fund as an expected and inclusive possible modification of budget. Therefore, use of contingency funds may be used in place of budget supplements. This is based on the opinion of auditors from Eide Bailly.

Formal budget supplements may be required for a large, unanticipated expense in the fiscal year. Formal budget supplements are granted through ordinance with public hearing and first and second readings. Supplementary Appropriations will be listed by object, description, and amount. Means of finance for the supplement will also be listed.

Contingency transfers and formal budget supplements will be based off the reasoning of the modification. The Finance Officer will use the best judgement when deciding what is the appropriate supplement. This budget policy will be used as a guide for best practices for the City of Clear Lake.