

**BALANCED BUDGET POLICY, MANAGEMENT AND PROCEDURES FOR ALL TOWN FUNDS**  
**TOWN of POMFRET**  
**Approved 5/18/22**

**PURPOSE:** The Selectboard of the Town of Pomfret believes that sound financial management requires the annual Town budget be developed and administered in such a way that revenue from property taxes and other sources equals expenses. The adoption and administration of balanced budgets will help maintain the stability of the Town tax rate and reduce the need for borrowing. Attention needs to be paid to variations from budget, as these differences might frame the budget for the upcoming year. Additionally, budgeting guidelines should be established to ensure that adequate reserves are maintained in the Town's Unassigned Fund Balances and reserves for the following purposes:

- To provide adequate cash flow, tax rate stabilization, and protection against unanticipated expenditures and revenue shortfalls during the course of the fiscal year as may be caused by economic downturns, natural disasters, and other unforeseen circumstances.
- To reduce the need for short-term borrowing.
- To safeguard the town's resources and capital assets, and promote financial stewardship by comparing and evaluating proposed line items with previous years to assess the historical trends and consider updates to reflect the times.
- To avoid proposing budgets that overestimate revenues, defer maintenance or replacement of essential capital assets, roll over short-term debt, or inadequately fund Town obligations.

**DEFINITIONS:**

- The current year Fund Balance is the sum of revenues minus expenditures.
- The previous year's Fund Balance is the cumulative total of previous years surplus balances.
- The Unassigned General Fund balance is a surplus from the previous year which cannot be carried forward and thus needs to be allocated to spending, other funds, or returned to the voters as part of income to pay budgeted expenses in the subsequent year. A Highway Fund surplus may be carried over from one fiscal year to the next.
- Operating expenditures: cost of services budgeted and provided annually by local government.

**BUDGET DEVELOPMENT AND APPROVAL:** The Selectboard will endeavor to develop a Town budget which provides services in a manner consistent with the voters' expectations, and conforms to the Capital Improvement Plan. Although circumstances may arise during the fiscal year that alter the assumptions of the budget, these policies seek to provide management tools to address financial realities to avoid deficit spending or borrowing money to pay current operating expenses. When presented to the voters, the proposed budget should show an operating budget that balances annual revenues and annual expenditures for all funds.

**Budget planning:** To meet the deadlines for printing and distributing the Annual Report, all information in the annual report must be in the Auditor's hands by January 15 to allow such tasks as proof-reading, integrating the Selectboard Budget and Reports with other documents, finalizing the Table of Contents, printing, and mailing.

**Budget development:**

**July and August:** Request from each department a brief evaluation of their portion of the budget, explaining any items over or under budget, and how these differences will impact the upcoming year.

Review the previous year's financial reports to identify the chief income or expense items that contributed to the surplus or deficit, and consider how or if these items should be altered in the upcoming year. A deficit requires the Selectboard to take prompt action to cure it within the next fiscal year. Covering the deficit may be accomplished through debt, by withdrawal from the Rainy-Day funds, or by increasing taxes. 24 VSA sections 1771, 1523 (a) and 1623 (a) govern handling of deficits.

Review the previous year's financial Reserve reports to determine sufficient fund balances for anticipated spending and confirm adequate funding appropriations.

**September and October:** Prepare budget worksheets and distribute to all departments. Establish deadlines for budget submission.

- Meet with staff/departments to discuss budget and identify future equipment, projects, and appropriation estimates for all reserves.
- Obtain quotes or estimates to verify costs of potential projects and purchases. Identify potential grant opportunities and timeframe.
- Complete review of 3 prior fiscal years budgets vs 3 years actual data to identify trends that might be important in development of the new fiscal year. Consider market trends, inflation, and State mandates and their impact on budget.
- A budget rough draft should be completed by October 31 to allow sufficient time for completion of the process.

**November and December:**

- Review and revise budget while testing for tax rate.
- Identify projects, purchases, or revenue sources that might be postponed, weighed against Town priorities.
- Review the Capital Plan and prepare budgets for the Reserves Funds.
- Determine if the Rainy-Day balances are sufficient for the Town's needs.
- If there was a surplus at the end of the prior fiscal year, discuss how it should be used.

**January:** The Selectboard shall prepare and approve the final budget draft and schedule a public meeting, before the Town Meeting vote, for comments. The completed report will be forwarded to the Auditors to be placed in the annual town report by January 15.

**BUDGET ADMINISTRATION:** During the Fiscal year, the Selectboard administers the budget by following the Purchasing Policy for special projects and selecting suppliers, equipment and supplies. The Selectboard approves, with a majority vote of Board, orders and authorizes the

Treasurer to disburse money. They also receive, from the treasurer, monthly reports and notations of line-item variances from budget. This information may indicate significant events during the year that should be addressed as promptly as possible, and evaluated to see if measures taken are sufficient.

There are innumerable events that can derail the most thoughtful and comprehensive annual budget. In the absence of such prior events, it often is not until the final quarter of the fiscal year that actual differences clearly indicate income and expense status, and the need for compensating arrangements.

In the beginning of April, with the assistance of the Treasurer, review the year-to-date actual expenditures and revenues compared with budget and develop a final closing plan. If the review shows a likely deficit, it should be acted upon to avoid or reduce the deficit. The following approaches and remedies may help identify budget diversions and compensating measures:

- If revenues are lower than projected or expenses higher than expected, identify compensating expense reductions.
- Identify line items trending off budget and those discretionary items that can offset each other.
- Curtail spending, postponing projects or purchases.
- At year end, weigh the impacts of these measures on next year's budget and capital expense plans.

The foregoing Policy is hereby adopted by the Selectboard and Treasurer of the Town of \_\_\_\_\_, Vermont, this \_\_\_ day of \_\_\_\_\_ and is effective as of this date until amended or repealed.

\_\_\_\_\_ Chairperson

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\_\_\_\_\_ Treasurer