Clarification of Village Budget and Revenue Procedures

Good afternoon, Council, leadership team, and department heads,

Following the questions raised during last night's Council meeting, I want to provide clarification regarding how the Village budget works, how revenue is deposited, and how budget amendments must be handled.

Fund 101 is the Village's General Fund. The General Fund receives revenue from several sources, including property taxes, state-shared revenue, permit fees, fines, reimbursements, insurance payments, report fees, and other miscellaneous income.

Within Fund 101, expenditures are divided among departments and activities. For example, 101-301 identifies expenditure associated with the Police Department. The 301 designations does not create a separate police fund or give the department ownership of revenue it collects.

When a department receives money, that money must be deposited into the appropriate General Fund revenue account. Unless the revenue is legally restricted or dedicated for a specific purpose, like a millage, it becomes General Fund revenue available to support all General Fund operations.

Receiving revenue does not automatically increase a department's approved budget. For example, if the Police Department receives $2,000 from reports, tickets, insurance reimbursements, or restitution, the money is deposited into the appropriate revenue account. It cannot simply be moved into a Police Department expenditure line. If the department needs its authorized spending increased or money moved between budgeted line items, a budget amendment must first be presented to and approved by the Village Council.

The Village Council adopts the annual budget and determines how Village resources are allocated. Department heads are responsible for operating within the budget approved for their departments. Neither department head nor an individual staff member may independently increase the budget or move money between expenditure line items.

<u>**Moving forward, I would like to put in place the following process:**</u>

1. All money received will be promptly deposited and recorded in the proper revenue account.
2. All invoices must be coded to the appropriate fund, department, and expenditure account before being presented for payment.
3. Department heads must review their available budget before making purchases or committing Village funds.
4. If an expenditure line does not have sufficient funding, the department head must submit a written budget-amendment request.

5. The Treasurer and Village Manager will review the request and provide a recommendation to the Village Council.
6. No budget transfer or amendment will be entered until the Village Council approves it at a public meeting.
7. Correcting an accounting or coding error is not a budget amendment, but the correction must be documented and approved administratively.

This clarification is not intended to single out any department. We need one consistent process for every Village department, so the Council has completed and accurate financial information and the Village remains within its legally adopted budget.

I appreciate everyone's cooperation as we strengthen our financial procedures and improve communication. If anyone is uncertain about which account should be used or whether sufficient funds are available, please contact the Treasurer or Village Manager before making the purchase or committing the Village to an expense.

Thank you,

Jeff Buerman
Village President