

SECTION VI--BUDGET AND APPROPRIATIONS

BUDGET PREPARATION

The degree of detail necessary to provide adequate control over expenditures will vary from municipality to municipality and, accordingly, the chart of accounts (Section II) has been developed to provide for varying degrees of control. At a minimum, however, each municipality shall specify functions and sub-functions when preparing the budget.

It is not necessary to appropriate revenue to be expended from an enterprise or trust and agency fund if the fund is not supported or subsidized by taxes. However, the budget(s) for Enterprise Funds should be prepared prior to preparation of the General Fund budget because transfers of profits generated by Enterprise Funds may be considered as anticipated revenue to the General Fund.

Budgets for all funds should contain essentially the same detail, that is, actual revenue and expenditures for the prior year, current year budget, revenue and expenditures to date for the current year and the budget for the next fiscal year. Anticipated revenue should be shown by minor source and type for each fund. Expenditures should be shown in each fund's supporting detail by function, subfunction, activity and object.

Examples of how the proposed budgets might look for the Liquor Fund, Water Fund and General Fund of a municipality are shown at Illustration 1, 2 and 4, respectively. The supporting detail for each department of the General Fund should comprehend the information shown at Illustration 3.

A narrative should accompany the budget for each fund to explain material variances and other pertinent facts. This will provide the governing body with the information to analyze budget requests effectively, make changes and expedite the approval of the budget.

In preparing the annual estimate of expenses as provided by SDCL 9-22-23, the auditor or finance officer may include in the budget a line item for contingencies. The line item shall be included in the annual budget adopted pursuant to SDCL 9-21-2 and shall not exceed five percent of the total municipal budget. No expenditures shall be charged to this item but such appropriated amount may be transferred, by resolution of the municipal governing body, to any other appropriation in which insufficient amounts were provided or for items for which no appropriation was provided. (SDCL 9-21-6.1)