



## **DISCUSSION DRAFT - BUDGET AMENDMENT POLICY**

### **Purpose**

The purpose of this budget amendment policy is to define the purpose, reporting, and authorization of budget amendments for the Great Lakes Water Authority (GLWA).

### **Definitions**

Line Item	The highest level of detail in the accounting system which is assigned a budget amount and is used for management of an operational budget. The line item is a four segment general ledger string which includes fund, cost center, account, and function.
Administrative Budget Amendment	A line item level amendment to budgeted amounts which is within the legal spending level authorized by a budget resolution for a given fiscal year.
Account Type	Primary classification of operations and maintenance expenses that is used for budgeting and financial reporting. Identifies the purpose for use of financial resources. Examples include personnel, contractual services, utilities, chemicals, supplies and other expenses, capital program allocation, shared services allocation, centralized services allocation, administrative services allocation, capital outlay, and unallocated reserve.
Appropriation Categories	The purpose for which a spending level authorized by a budget resolution.
Appropriation Level	The legal spending level authorized by a budget resolution.
Board Budget Amendment	An amendment to the annual budget which alters the legal spending level authorized by a budget resolution for a given fiscal year.
Core Purpose	A grouping of line items that describes the core purpose of financial resources that aligns with the revenue charges methodology. Examples include water direct operations, wastewater direct operations, centralized services, and administrative services.
Fiscal Year	The twelve-month period ended June 30th.



**Policy**

1. **Budget Adoption:** The Board of Directors adopts a biennial budget by resolution which specifies appropriation amounts by the following categories and with reference to supporting schedules that include these categories which may be modified annually.

<b>Fund Type for both Water and Sewer Systems</b>	<b>Appropriation Category</b>
General Operating	Revenue Requirement
General Operating	Revenues from Charges
General Operating	Non-operating Revenue
General Operating	Operations & Maintenance Expense
General Operating	Operations & Maintenance Expense – Legacy Pension
General Operating	Debt Service (principal, interest, and required reserves)
General Operating	Accelerated Legacy Pension Allocation
General Operating	Water Residential Assistance Program
General Operating	Lease Payment
General Operating	Improvement & Extension Fund Contribution
General Operating	Operating Reserve Deposit
General Operating	Extraordinary Repair & Replacement Deposit
Improvement & Extension	Revenue Financed Capital Transfers-In
Improvement & Extension	Capital Outlay
Improvement & Extension	Use of Revenue Financed Capital
Construction Bond	Bond Proceeds
Construction Bond	Earnings on Investments
Construction Bond	Grant Revenues
Construction Bond	Contributions in Aid of Construction
Construction Bond	Project Expenditures

2. **Board Budget Amendment:** To the extent that there is a proposed amendment of the budget among the appropriation categories, the matter is brought to the Audit



Committee for review and consideration of a recommendation to the Board of Directors for their consideration for approval. Board Budget Amendments should be brought to the Audit Committee when identified and no less than quarterly.

3. **Reporting:** Transparency and accountability are foundational to GLWA’s mission. A quarterly budget amendment report will include the following analysis.

a. Board Budget Amendments by System and Fund

Appropriation Category	Quarter 1 Budget Amendment through September 30 <sup>th</sup>	Quarter 2 Budget Amendment through December 31 <sup>st</sup>	Quarter 3 Budget Amendment Through March 31 <sup>st</sup>	Quarter 4 Budget Amendment Through May 31 <sup>st</sup>	Total Amended Budget
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b. Administrative Budget Amendments by Account Type

Appropriation Category	Quarter 1 Budget Amendment through September 30 <sup>th</sup>	Quarter 2 Budget Amendment through December 31 <sup>st</sup>	Quarter 3 Budget Amendment Through March 31 <sup>st</sup>	Quarter 4 Budget Amendment Through May 31 <sup>st</sup>	Total Amended Budget
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c. Administrative Budget Amendments by Core Group

Appropriation Category	Quarter 1 Budget Amendment through September 30 <sup>th</sup>	Quarter 2 Budget Amendment through December 31 <sup>st</sup>	Quarter 3 Budget Amendment Through March 31 <sup>st</sup>	Quarter 4 Budget Amendment Through May 31 <sup>st</sup>	Total Amended Budget
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4. This policy may be modified as needed pursuant to Audit Committee review and consideration with a recommended action to the Board of Directors for their consideration for approval.

