

## ANNUAL OPERATING BUDGET

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## INTRODUCTION

Counties in Georgia are required to prepare an operating budget each year.<sup>1</sup> The budget drives the other financial management systems and is essential to local governments accomplishing goals and meeting objectives. Legal requirements for local government budgeting exist in the Official Code of Georgia and other relevant legislation.<sup>2</sup> These requirements establish the framework and guidelines for the budgeting process and financial management at the local level. This chapter provides an overview of annual operating budgets for local governments in Georgia, including:

- Main legal requirements.
- Budget document.
- Types of budgeting.
- Budgetary process.

Throughout the chapter, the term “county governing authority” will be used to represent boards of commissioners, sole commissioners, and consolidated governments.

## MAIN LEGAL REQUIREMENTS

### Oversight

A budget officer is responsible for overseeing the county budget. The county governing authority may appoint a budget officer or itself perform the duties of a budget officer.<sup>3</sup> However, counties may also use an executive budget, where an elected or appointed chief executive (e.g., chair, county manager/administrator, etc.) – if authorized by local act -- develops and implements policies, while another official (e.g., finance director or chief financial officer, clerk of the commission, etc.) exercises the administrative function of budgetary preparation, monitoring, and control.<sup>4</sup> Another alternative serving as budget officer is a budget or finance committee, which may consist of any combination of the previously mentioned officials. No matter who is assigned budget oversight, there could be overlapping budgeting activities that involve preparing, monitoring, controlling, and closing out budgets for previous, existing, and upcoming fiscal periods.

### Balanced Budget

Local governments in Georgia are generally required to adopt a balanced budget; projected revenues (plus any appropriated fund balances) should be equal to or exceed the planned expenditures.<sup>5</sup> Additionally, a local government may choose to adopt a budget where planned revenues exceed planned expenditures to allow rebuilding cash reserves to an ideal level or accumulation for future uses such as capital outlays or projects. This provision applies to the general fund, each special revenue fund, and each

debt service fund.<sup>6</sup> For capital project funds, a project-length balanced budget should be adopted beginning in the year of a project launch.<sup>7</sup>

An ideal level of cash reserves for the general fund is 25 percent of budgeted revenues, or three months for an annual budget period. Some counties choose to operate with more or less, but enough should be on hand to sustain cash flow, assist in emergency situations, and to maintain credit worthiness. Cash reserves thresholds for other funds are dependent on cash flow needs or local policy.

Though not required, budgets should be prepared and adopted for proprietary funds (enterprise, internal service).<sup>8</sup> Fiduciary funds (i.e., trust and custodial funds) are not typically budgeted.

### **Structure and Preparation**

The budget structure must address the fiscal year budget period and specific categories, including revenue, expenditures, and reserves.<sup>9</sup> It clearly outlines revenue estimates from various sources and expenditure proposals for different programs, services, and projects.<sup>10</sup> Expenditures are established at a minimum legal level of control, which refers to the level of budgetary detail above which changes require approval by the governing authority.<sup>11</sup> The legal level of control can be for a function or activity (e.g., department or division), although a more detailed level may be established such as an object classification (e.g., program group or line-item). The default legal level of control is at the departmental level, meaning that funds can be reallocated within that department without the need for a budget amendment or other approval by the governing authority or budget officer.

The assigned budget officer prepares the annual operating budget with the input and assistance of all stakeholders, allowing for internal and external participation and transparency. A decentralized internal operating budget process should give each department, agency, or function an opportunity to participate in requesting personnel, goods, capital items, and services needed to carry on its responsibilities. Providing external opportunities for public input – such as advertised public hearings and document availability – ensures that citizens can express their opinions and concerns regarding the budget.

The county governing authority must follow state legal requirements for public notice and review procedures to adopt the annual operating budget.<sup>12</sup> The public must have convenient access to review the proposed or tentative budget information in advance, ideally for a minimum of 14 days before adoption.<sup>13</sup> Notice of the availability of the budget for review must be published in the legal organ (in a prominent location other than where other legal advertisements appear) during the week that the budget is provided to the governing authority.<sup>14</sup> The published notice must also include the date,

time, and place for a public hearing, which must be held no less than seven days before the governing authority is scheduled to consider adoption of the budget.<sup>15</sup>

### **Adoption**

Budget adoption must be authorized by either resolution or ordinance.<sup>16</sup> The county governing authority adopts an annual budget by a specific deadline, usually before the start of the fiscal year and after meeting requirements for submission and public review.<sup>17</sup> A fiscal year typically begins on July 1 to align with the State of Georgia's fiscal year, but it is not uncommon to see adoption on October 1, or January 1.<sup>18</sup> The budget adoption takes place no less than seven days after the public hearing, and occurring no less than 14 days after the proposed or tentative budget submission to the county governing authority.<sup>19</sup>

### **Auditing**

All counties in Georgia are subject to an annual audit at the close of their designated fiscal periods by a qualified independent auditor.<sup>20</sup> Audits are more commonly referred to as annual financial reports, or annual comprehensive financial reports, which merely have greater detail for external audiences such as creditors or rating agencies. Either type of audit report ensures compliance with legal requirements and assesses financial management and accountability. Audit reports are required to be completed and forwarded to the state auditor within 180 days after the close of the fiscal year.<sup>21</sup> For information on audits and financial reporting, see the Accounting, Auditing, and Financial Reports Chapter.

### **Debt Limitations**

Debt service is often a necessary budget function to fund capital projects and equipment for governmental purposes. The Georgia Constitution restricts the amount of debt local governments can incur.<sup>22</sup> These limitations are in place to ensure responsible financial management and prevent excessive debt burdens. The debt incurred by counties, municipalities, and special districts cannot exceed 10 percent of the assessed value of all taxable property within its jurisdiction.<sup>23</sup> With very limited exceptions, a county cannot incur any new general obligation debt without voter approval.<sup>24</sup>

General obligation debt is secured by the full faith and credit of the local government issuer, pledging its tax revenues to pay the interest and principal on the debt as it matures.<sup>25</sup> If the general obligation debt is in the form of a bond, the bond owners have a legal claim on all the general revenues of the jurisdiction if a default occurs. However, other forms of debt mechanisms outside general obligation debt are available and appropriate for short-term and long-term borrowing needs. Such debt includes tax anticipation notes, revenue bonds, sales tax project bonds, governmental authority bonds, lease-purchase financing, and more. To avoid pitfalls when contemplating the use of debt service in forming an annual operating budget or multi-year project budget,

confer with legal or bond counsel. For more information on debt financing options, see the [Debt and Financing Options for Counties chapter](#).

## BUDGET DOCUMENT

Although it may be challenging for smaller county governments with limited staff, the Government Finance Officers Association (GFOA) recommends applying four best practices to form a budget document:

1. **Policies.** The budget document should be more than just a collection of numbers. Present the county's goals, objectives, and priorities for the upcoming fiscal year. Provide a strategic framework linking financial resources to community outcomes and services.
2. **Financial Plan.** Outline a comprehensive financial plan for the fiscal period. Include detailed revenue projections, expenditure estimates for operations and current capital outlays, and longer-term capital improvement plans. Demonstrate how the local government intends to fund its programs and services while maintaining fiscal sustainability. State the current financial condition, state assumptions, and project where things are headed based upon those assumptions.
3. **Operations Guide.** Include performance measures and indicators that allow evaluation of the local government's progress in achieving its goals and objectives. Performance measures help assess the effectiveness, efficiency, and success in achieving specific objectives and outcomes. These measures also provide valuable data to identify areas for improvement and make informed decisions.
4. **Communications Device.** A valuable communications tool, the document should be easily accessible and understandable to the public, elected officials, and other readers. It is essential to use clear language and graphics to present the budget's key points and implications. Include charts, graphs, and infographics that visually represent financial information, making it easier to grasp budget trends, comparisons, and allocations at a glance.

These best practices are essential budget objectives and the basis of evaluation criteria for GFOA's national annual distinguished budget award.<sup>26</sup> Adhering to these guidelines, local governments can produce budget documents that facilitate better decision-making, foster public trust, and align financial resources with community priorities.

## TYPES OF BUDGETING

County governing authorities may choose one or a combination of these budget approaches based on their specific needs, resources, and goals. The most suitable method will depend on each county's circumstances and priorities.

### **Line-Item Budgeting**

This traditional approach involves breaking down the budget into specific line items by object class, such as salaries, supplies, equipment, and services. Each item is allocated a predetermined amount based on historical data or anticipated needs. Changes are often incremental and involve making minor adjustments to the previous year's budget to account for inflation and other adjustments. It is a more conservative approach to budgeting, as it maintains the status quo to some extent.

### **Program Budgeting**

In this approach, budgets are structured around specific programs or services rather than line items. Program budgeting is policy and outcome-oriented, focusing on desired results and impacts. It enables policymakers to allocate resources based on the priority and importance of each program. The budget allocation is determined by the effectiveness and efficiency of achieving program objectives. High-priority programs receive greater funding, while lower-priority programs may see reduced allocations or phased-out funding.

### **Performance-Based Budgeting**

Performance-based budgeting links funding decisions to the performance and outcomes of programs or departments. It involves setting performance targets aligned with goals and objectives, then allocating funds based on how well these targets are met. Performance budgeting relies on the use of measures and indicators to assess the effectiveness of programs, how well each is performing, and whether they are meeting their intended objectives.

### **Zero-Based Budgeting**

Zero-based budgeting encourages cost-effectiveness; funding is based on program merits rather than historic funding levels. Each department or program must submit three budgets consisting of a baseline, current, and enhanced package of information that provides a detailed justification for all requested funds. Packages are then ranked by budget officials. Zero-based budgeting can be more time-consuming and resource-intensive than other budgeting approaches. While popular in the 1970s and 1980s, fewer local governments currently use this approach.

### **Priority-Based Budgeting**

In this approach, budget decisions are driven by the prioritization of needs and goals. Departments or programs submit their funding requests, and decisions are made based on their alignment with the community's priorities. Priority-based budgeting requires greater engagement with the community and an evaluation of provided services rather than departmental needs or requests. It can be a mix of program budgeting and zero-based budgeting, requiring significant resources to manage and complete buy-in from all stakeholders.

## **Multi-Year Budgeting**

Multi-year budgeting involves planning and projecting budgets typically anywhere along a two-to five-year period. This approach helps local governments take a longer-term view of their financial planning and expenditures and can promote long-term stability and sustainability. The process involves projecting revenues and expenditures beyond the annual budget cycle to identify potential challenges and develop appropriate strategies. However, it takes a great amount of time, discipline, and cooperation to implement. It has been rarely used in Georgia.

## **BUDGETARY PROCESS**

### **Strategic Planning**

To operate a modern county government, an organizational vision and direction must be built that aligns with the community's desired level of service. Service delivery strategies should be tied to the budget process to consistently attain and manage the human and capital assets necessary to meet the community's needs.

A budget is more than a coded schedule of financial revenues and expenditures, whatever the fiscal period. It should reflect a strategic operations plan that addresses three basic questions:

1. What does the county have?

The county's operational environment – including human and capital assets – should be identified, inventoried, and assessed to determine the adequacy for optimal service delivery. A county can rely on existing works such as its local comprehensive plan or other operational documents (i.e., capital improvements plan, master recreation plan, standard operating procedures, asset inventories, etc.). These documents will often provide guidance and benchmarks for performance and outcomes.

2. What does the county want?

Have goals, policies, and priorities been carefully formed, inventoried, and assessed? It may be desirable for the county governing authority and its staff to have a retreat or a series of work sessions to review and adjust existing priorities, or to brainstorm new ones. These retreats or work sessions can be facilitated by county staff or outside parties like private consultants, public service units of a college or university, or by the representative of an assigned regional commission.<sup>27</sup>

3. How is the county going to get there?

Has the country determined how it will strategically implement its policies, goals, and priorities? Ideal strategic planning should ultimately result in a set of goals, objectives, and other outcomes for upcoming budget periods and out-

years. The budget officer or oversight committee should be responsible for outlining priorities, targets, and other guidelines consistent with good budgeting practice, as well as opportunities and challenges facing the county in the pending fiscal year planning.

Once determined and documented, strategic planning elements (policies, goals, and objectives) should be included in any form of budget preparation and the submission documents distributed to all budget units. It is critically important to revisit this strategic planning process each year where possible, as county government in Georgia is a fluid and rapidly changing environment.

### **Budget Guidance**

As a best practice, after any strategic planning effort and no more than six months before the applicable fiscal year, the assigned budget officer(s) should produce and distribute an annual budget preparation package or memorandum of instructions for all budget units. Budget units should include county officers, departments, and outside agencies. A kick-off, orientation, or training meeting is advantageous, especially if introducing new guidance or new personnel are putting budgets together. A budget calendar is recommended to allow for effective planning (see sample on the following page).

The budget package should explain the budget calendar, critical issues, policies, guidelines, and forms needed for submission and review. Other forms can be developed/included to list requests and justifications for the following:

- Additional positions.
- Travel and training.
- Increases in supplies and materials.
- Purchased and contracted services.
- Proposed capital outlays.
- Final requests.

Increasingly, computer software and enterprise resource systems provide online platforms for conveniently inputting budget data and narrative justifications. However, with more effort, smaller counties can develop their own budget submission files and systems using office suite or cloud type software.

Sample Budget Calendar FY July 1 – June 30		
Date	Action	Responsibility
Nov 15	<b>Strategic Planning Focus Group - Work Session:</b> Brainstorm county-wide objectives	Budget Team Focus Group
Dec 1	<b>County Governing Authority Budget Survey:</b> Disseminate information to obtain feedback on objectives suggested by Focus Group	Budget Officer Commissioners
Dec 15	<b>Strategic Planning Focus Group - Work Session:</b> Pair Budget Survey results with county-wide objectives	Budget Team Focus Group
Jan 1	<b>County Governing Authority - Work Session:</b> Discuss and approve strategic objectives	Budget Team Commissioners
Jan 10	<b>Pre-Call Tasks:</b> Finalize budget packages/instructions; prepare budget preparation software	Budget Officer
Jan 15	<b>Training Session:</b> For Budget Units using budget preparation software and for any changes in budget process or personnel	Budget Team Budget Units
Feb 1	<b>Call for Estimates:</b> Budget packages and instructions distributed to all Budget Units	Budget Officer
Feb 15	<b>Preliminary Submission Deadline:</b> Submit goals, objectives, narrative justifications, and preliminary performance measures	Budget Units
March 1-2	<b>County Governing Authority Retreat:</b> Commissioners meet with Budget Units to discuss strategic objectives and preliminary budget requests	Budget Team Budget Units Commissioners
March 15	<b>Final Submission Deadline:</b> Submission due with update narrative justifications and final requests loaded into the budget software	Budget Units
March 15- April 15	<b>Preliminary Reconciliation:</b> Pair final requests with available funding; develop a tentative budget	Budget Officer Budget Team
May 1	<b>County Governing Authority - Work Session:</b> Budget Team presents reconciled data for feedback and direction	Budget Officer Budget Team
May 15	<b>Final Reconciliation:</b> Budget Team finalizes changes based on Commissioner Work Session feedback	Budget Team
June 1	<b>Tentative Budget Submission:</b> Tentative budget submitted to county governing authority and general public with public notice announced for a hearing	Budget Team Commissioners Citizens
June 8	<b>Public Hearing:</b> Hearing before the county governing authority	Budget Team Commissioners Citizens
June 15	<b>Adoption:</b> County governing authority adopts the Budget Resolution	Commissioners
July 1	<b>Online Budget Book posted to website</b>	Budget Officer

### **Submission by Budget Units and Review**

The budget officer should provide all budget units with a guideline of the structured method for acceptance and review of submissions. Even for the smallest counties, it is highly recommended to collect as much information as possible to support revenue and expenditure estimates, service delivery, performance data, and operations through form submissions (electronic or otherwise) – and under a controlled deadline. Submissions should be checked for adherence to guidelines and for accuracy.

Having a budget committee or review team – consisting of county commissioners and staff – is recommended to perform a fundamental examination and analysis of budget submissions. This stage of the budget process is similar to having congressional appropriation committees who review state or federal budgets. The reviews could be arranged as formal hearings, retreat presentations, or more informally as closed interviews between a budget officer or committee and budget unit representatives.

Upon the close of any formal or informal interaction, the budget officer or a budget committee is then tasked with the final review and evaluation leading to tentative budget recommendations submitted to the county governing authority.

### **Estimating Revenues**

Revenue estimation involves a degree of uncertainty and can be subject to unforeseen events or changes. The budget officer should adopt a conservative approach, considering both optimistic and pessimistic scenarios to ensure budgetary stability and resilience. Early in the budget calendar and before submitting instructions to budget units, it is wise for the budget officer to establish a baseline estimate of revenues for the various funds. The baseline estimates can be validated or adjusted throughout the submission and review period as revenue generating budget units are consulted and conditions warrant.

Revenue estimation is a unique mix. Quantitative analysis based on data-driven evidence coupled with well-reasoned qualitative evaluation from experience and judgment is a best practice for making good revenue estimates. Ongoing estimation of revenues requires a careful analysis of various factors and data sources, including the following general steps and considerations.

#### **Understand Revenue Sources**

It is important to identify and understand the major revenue sources available to the local government. Common revenue streams include property taxes, sales tax, fees and permits, grants, intergovernmental transfers, and fines and penalties. Each revenue source may have specific factors that affect its estimation. Documenting these factors in a regularly updated revenue manual can be beneficial to determining estimate accuracy. A majority of revenues come from taxes, with property tax and sales tax combined

representing 57 percent of total county revenues in the State of Georgia.<sup>28</sup> Special care and consideration to service delivery strategies and state and local policy change should be given when estimating these revenue sources. For more information, see the [County Revenues Chapter](#).

#### Review Historical Data

Historical data provides a baseline for understanding revenue performance and can serve as a starting point for estimating future revenues. Analyze revenue trends by looking back over three-to-five years to identify growth or decline patterns, accounting for any significant fluctuations.

#### Economic and Demographic Analysis

Assess the current economic conditions and demographic trends within the jurisdiction. Factors such as population growth, employment rates, business activity, and inflation can impact revenue streams. Examine economic indicators and demographic data to understand how they may influence revenue sources like property tax, sales tax, and fees. Economic forecasts and projections from reliable sources – such as government agencies, research institutions, or economic consulting firms – provide insights into future economic trends, inflation rates, consumer spending patterns, and other factors that can impact revenue sources.

#### Revenue Forecasting

Use appropriate forecasting techniques – such as time series analysis, trend analysis, regression analysis, or predictive modeling – to estimate future revenues. These methods involve evaluating historical data, economic indicators, and other relevant factors to project revenue performance accurately.

#### Assess Policy Changes and External Factors

Consider any potential policy changes or legislative developments that may impact revenue sources. This includes tax rate adjustments, new or revised fees, changes in grant funding, or modifications to intergovernmental transfers. Stay informed about local, state, and federal policies that may affect the revenue landscape and assess their potential implications for revenue estimation.

#### Consult with Experts

Engage with subject matter experts within the local government, such as finance officials, economists, or revenue analysts. Experts at state agencies or universities can also provide helpful perspectives on revenue estimation. Share any feedback received from relevant stakeholders, including department heads, elected officials, community representatives, and taxpayers.

## Monitor and Update

Regularly monitor revenue performance throughout the fiscal year and compare it against the estimated figures. Adjust revenue projections if significant deviations occur, accounting for emerging trends or unforeseen circumstances.

## Estimating Expenditures

The current fiscal year budget can provide a baseline for additional or supplemental expenditure requests from each submitting budget unit. However, estimating expenditures includes an analysis of object classifications listed in the [Georgia Uniform Chart of Accounts for Local Government](#).<sup>29</sup> These major classifications have specific budget line items coded for each function, activity, and fund.

Although local governments are not required to use the Uniform Chart of Accounts internally, use is a requirement for reports submitted to state agencies, such as the Report of Local Government Finances. Using these classifications in strategic planning and budget preparation packages is a best practice and provides ease in analyses. The most frequently used object classifications are:

- **Personal Services – Salaries and Wages, Employee Benefits.**  
Estimating expenditures is subject to various external factors and internal policies. Collaboration between human resources, finance, and budgeting departments is essential to ensure the accuracy and reliability of expenditure estimates. Significantly – in most counties – salaries, wages, and employee benefits represent the largest percentage of the operating budget. In general, personnel are the greatest asset. Counties continue to face challenges in attracting and retaining qualified staff and battle increased costs in providing quality employment benefits. Counties should consider planned changes to service delivery strategies and impact on current staffing levels and pay classification structure.
- **Purchased and Contracting Services.**  
Estimating expenditures requires substantial effort, as cost drivers vary based on market conditions and specific service requirements.
- **Supplies and Materials.**  
Cost drivers influencing expenditures may include unit costs, market prices, volume discounts, inflation rates, technological advancements, or any other relevant cost factors specific to each category of items.
- **Interfund Charges.**  
Estimating involves understanding the services and costs that can be shifted from one fund to another. Cost drivers influencing interfund charges may include direct or indirect costs.

- **Capital Outlays.**  
Estimating involves analyzing the planned investments in infrastructure, equipment, and other long-term assets. This type of review helps plan for the replacement or upgrade of aging assets.
- **Debt Service.**  
Debt service expenditures are legally binding obligations. Estimating expenditures examines the need to borrow and manage outstanding obligations. Qualified bond counsel or registered financial advisors can provide valuable insights into debt service obligations, legal requirements, potential refinancing options, and other factors impacting debt service expenditures.
- **Other Costs – contingencies.**  
A contingency account with strict rules or policies on transferring funds can help maintain financial stability during unforeseen situations. A level of one percent to three percent of the expenditure budget for each fund is recommended.

Each classification needs to be estimated within its own context and requires the involvement of key stakeholders. Collaborating with relevant personnel in each department, office, and agency is crucial for reliable estimation and effective budget planning.

There are unique factors and cost drivers that influence expenditures. Examining historical expenditure data to analyze spending patterns, trends, and significant fluctuations within each object class can help establish a baseline for estimating future costs and identify areas of change or growth. Projecting future costs for each object class by analyzing past data for a period of three-to-five years is a best practice.

### **Adoption, Execution and Monitoring**

After meeting legal requirements for public notice, review and input, the county governing authority should adopt the new budget prior to the beginning of the new fiscal period by ordinance or resolution.<sup>30</sup> Once the new budget is adopted, a transitional period of activities begins to close out the previous fiscal year and set the stage for the new fiscal year.

Closing out the prior fiscal year includes activities to record final transactions and execute a final budget amendment before preparing the financial statements for auditing. A common dilemma in closing out a previous fiscal period is lapsed appropriations. A lapse occurs when a budgeted item can no longer be expended because the fiscal year has expired. Departments and budget units may feel rushed to spend at the end of the fiscal period or cheated if their budget is reduced for the next fiscal period. This can be alleviated through good policies and practices.

It is good practice to notify departments and other budget units about year-end close-out procedures 45-60 days in advance. The notice may issue instructions to minimize year-end spending if funds are unavailable or diminished. In contrast, the notice may advise executing selective purchases if funds are available. The latter strategy may be useful if there are budget constraints in the upcoming fiscal period.

Setting the stage for a new fiscal period begins by thoroughly reviewing the financial performance and outcomes of the closing budget year, although financial statements are still subject to auditing. It is useful to measure closing year revenues and expenditures, identify variances for each major fund, and evaluate effectiveness of the budgeting process. The review assists in highlighting areas that need improvement and provides a foundation for executing the upcoming year's budget. Clear and comprehensive guidelines should be developed that outline expectations and timelines for the new budget year. Communicating these guidelines to all stakeholders is essential and ensures everyone is on the same page and follows consistent procedures.

As the new fiscal year advances, financial performance should be monitored and its relationship with service delivery evaluated. A monthly or quarterly report on all major funds is recommended for internal users such as department heads, non-legislative elected officials, and the county governing authority. Revenues and expenditures should be reviewed regularly. Scheduled review of actuals versus budget and identifying large variances serves as an early warning system for managing financial risks and encourages accountability.

Regardless of the type of report, sharing the content and seeking feedback from stakeholders is beneficial. Make budget reports accessible to elected officials, department heads, and the public. Use feedback to refine the reporting approach and enhance the relevance and value of the information provided. Emphasize transparency and accountability in the budget reporting process to build trust and confidence in the organization's budgeting process and financial management approach.

### **Budget Transfers and Amendments**

Budget transfers and amendments are essential for responding to changing needs, unforeseen circumstances, or adjusting priorities throughout the fiscal year. However, frequent transfers and amendments can indicate poor budget planning, may undermine financial discipline, and should be minimized or avoided. Budget policies should be established that outline the criteria for approving transfers and amendments, the authority responsible, and any limitations on size or frequency.<sup>31</sup>

#### **Budget Transfers**

Unlike amendments, budget transfers reallocate funds from one budget line item or program to another with no impact on the overall budget. Justifications for budget transfers should explain reasons for the transfer, impact on program objectives, and how reallocated funds will be used to achieve specific outcomes. It is usually adequate

for the appointed budget officer to review and approve simple line-item transfers within a department or budget unit.<sup>32</sup> Transfers from one department or budget unit to another should be considered for approval by the county governing authority. Before making budget transfers, evaluate unspent funds in various line items. Consider utilizing these unspent funds before transferring additional resources from other areas.

An interfund transfer is a more complex form of budget transfer. Transfers between funds are appropriate in specific situations where there is a legitimate need, and they can be planned or spontaneous. Common scenarios when it may be appropriate to make transfers between funds include emergencies, cash flow issues, bolstering capital reserves, and for direct or indirect cost reimbursements. In some cases, a transfer can be made in the form of an interfund loan. In any case, approval by the governing authority is recommended.

#### Budget Amendments

Budget amendments are more significant actions that involve the county governing authority in the decision-making process.<sup>33</sup> They require a more meticulous approach that addresses immediate needs while safeguarding the long-term financial health of the county. By following the best practices below, county budget officials and the governing authority can ensure budget amendments are responsibly implemented.

- Analyze the cause.  
Review the existing budget to explain the reasons for an amendment. Budget amendments should have support from solid financial analysis. Use historical financial information, revenue projections, and performance metrics to support the case for changes.
- Evaluate the impact.  
Assessing short-term and long-term influences of a budget amendment is essential to the county's fiscal health and sustainability. Avoid short-term fixes that might create financial challenges in the future. Evaluate the effect of budget amendments on reserve funds. Be cautious not to deplete reserves excessively; they serve as a safety net during emergencies and economic downturns.
- Involve stakeholders.  
Consult with relevant personnel and department heads before presenting amendments for review and approval. Gather their input and support to ensure proposed changes are understood and well received. Clearly explain the benefit or impact of different programs and services. Ensure that everyone understands the trade-offs, if any, and priorities for certain changes.
- Anticipate questions or concerns.

Be prepared to explain how the proposed amendments align with long-term goals and fiscal responsibility. Explain a clear and well-defined process for making budget amendments that addresses approval authority, documentation requirements, and implementation timelines.

- Follow up.

If the budget amendments are approved, periodically update officials on the progress, results, and outcomes.

### **Budget Balancing Strategies**

Georgia's legal requirements for balancing local government budgets offer a mandate for compliance, but not strategic advice for navigating the political, legal, social, and economic environments. The following approaches summarize best practices to balance a county's budget.

- Understand the county's financial position.

A structurally balanced budget suggests that current revenues equal current expenditures, but also requires adequate balances or cash reserves for every fund. Understanding the financial position means having a comprehensive and accurate grasp of the organization's financial health – the current financial standing, including revenues, expenditures, assets, liabilities, and fund balances. It allows elected officials to assess fiscal sustainability, make informed decisions, and plan for the future.

- Be transparent.

Involving internal and external parties will result in better budget decisions and help to gain trust and support. When county officers, departments, and budgeted agencies meaningfully participate before and after budget adoption, there is a stronger buy-in. Using transparent communication practices with the public helps avoid surprises about funding priorities or future tax policy.

- Be responsible.

Adopting comprehensive financial policies with budgeting elements offer a great foundation for budget-balancing strategies. A comprehensive set of policies that covers budgeting, accompanied by debt management, capital improvements, revenue diversification, cash management, purchasing, grants, and auditing reinforces budget-balancing approaches.

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<sup>1</sup> O.C.G.A. § 36-81-3(b)(1).

<sup>2</sup> O.C.G.A. § 36-81-1 et seq. as well as local acts and ordinances applicable to the jurisdiction in question.

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- <sup>3</sup> O.C.G.A. § 36-81-4(a) and (b).
- <sup>4</sup> O.C.G.A. § 36-81-4(c).
- <sup>5</sup> O.C.G.A. § 36-81-3(b)(1) and (b)(3).
- <sup>6</sup> O.C.G.A. § 36-81-3(b)(1).
- <sup>7</sup> O.C.G.A. § 36-81-3(b)(2).
- <sup>8</sup> O.C.G.A. § 36-81-3(b) (4).
- <sup>9</sup> O.C.G.A. § 36-81-5(b).
- <sup>10</sup> Id.
- <sup>11</sup> O.C.G.A. § 36-81-2 (14).
- <sup>12</sup> O.C.G.A. § 36-81-5.
- <sup>13</sup> O.C.G.A. § 36-81-5(d).
- <sup>14</sup> O.C.G.A. § 36-81-5(e).
- <sup>15</sup> O.C.G.A. § 36-81-5(f), (g).
- <sup>16</sup> O.C.G.A. § 36-81-5(c).
- <sup>17</sup> O.C.G.A. § 36-81-3(a) and (b).
- <sup>18</sup> Almost 50 percent of counties have a fiscal year that starts July 1; 34 percent - January 1; 14 percent - October 1. Five counties have fiscal years that differ from these three common schedules.
- <sup>19</sup> O.C.G.A. § 36-81-6(a), (f).
- <sup>20</sup> O.C.G.A. § 36-81-7.
- <sup>21</sup> O.C.G.A. § 36-81-7 (d)(1).
- <sup>22</sup> Ga. Const. art. IX, § V, para. I(a).
- <sup>23</sup> Id.
- <sup>24</sup> Id.
- <sup>25</sup> Ga. Const. Art. IX, § V, Para. I (a).
- <sup>26</sup> GFOA Distinguished Budget Award A Guide to Best Practices at <https://www.stoughton.org/DocumentCenter/View/4114/Article-3-GFOA-To-Best-Practices-Budgeting-101---Submitted-by-Lisa-Lyons-010425PDF>.
- <sup>27</sup> GFOA Best Practices, Adopting Financial Policies at <https://www.gfoa.org/materials/adopting-financial-policies>.
- <sup>28</sup> 2022 and 2021 Report of Local Government Finance (RLGF) for County Governments, Georgia Department of Community Affairs under Reports at <https://ted.cviog.uga.edu/>.
- <sup>29</sup> Georgia Department of Community Affairs, Uniform Chart of Accounts (UCOA) at <https://dca.georgia.gov/community-assistance/government-authority-reporting/uniform-chart-accounts-ucoa>.
- <sup>30</sup> O.C.G.A. § 36-81-6(a).
- <sup>31</sup> O.C.G.A. § 36-81-3(d).
- <sup>32</sup> O.C.G.A. § 36-81-3(d)(2).
- <sup>33</sup> O.C.G.A. § 36-81-3(d).