

**RESOLUTION
AUTHORIZING THE APPROVAL OF A FORMAL
BUDGET PROCESS FOR FISCAL YEAR 2012/2013**

WHEREAS, according to County Board Rules, the Finance and Audit Committee is required to set forth policy guidelines for setting the annual budget; and

WHEREAS, it is the position of this County Board that a formal process for the compilation, presentation, approval and execution of the annual budget is necessary and proper; and

WHEREAS, said process should include development of budget policy guidelines for the preparation of departmental input to the annual budget; and

WHEREAS, continuing concern regarding general economic conditions, the reality imposed by the Property Tax Extension Limitation Law, and a County Board goal to maintain six months unrestricted fund balances dictates that special consideration be given to the compilation of said guidelines for the 2012-2013 budget year; and

WHEREAS, the County Board Chairman, the Finance and Audit Committee and the County Administrator recommend that the attached budget policy guidelines hereinafter set forth, be utilized for the compilation, presentation, approval, and execution of the FY 2012/2013 McHenry County budget.

NOW, THEREFORE BE IT RESOLVED, by this County Board of McHenry County, Illinois, that the budget policy guidelines, hereinafter set forth, be and are hereby adopted for the compilation, presentation, approval, and execution of the FY 2012/2013 McHenry County budget; and

BE IT FURTHER RESOLVED, that any exceptions to the budget policy and guidelines shall require approval by the County Board; and

BE IT FURTHER RESOLVED, that the policies hereinafter set forth, represent an earnest attempt by all departments and this County Board to develop a budget that is drawn with cognizance of current economic conditions and future economic trends; compliance with the letter and spirit of the Illinois Tax Extension Limitation Law; and prudent financial management practices in both the long term and the short term; and

BE IT FURTHER RESOLVED, that the attached major goals, detailed policies and guidelines will provide guidance to elected officials and appointed department heads in the preparation of the FY 2012/2013 budget; and

BE IT FURTHER RESOLVED, that the County Clerk is authorized to distribute a copy of this resolution to all Elected Officials, Appointed Department Heads, the Associate County Administrator - Finance, and the County Administrator.

DATED, at Woodstock, Illinois on this 5th day of June, A.D., 2012.

Kenneth D. Koehler, Chairman
McHenry County Board

ATTEST:

Katherine C. Schultz, McHenry County Clerk

McHenry County Board Budget Policies

McHenry County government operates on policies designed to protect the County's assets and taxpayers' interests, provide guidance to employees, and serve the public efficiently. It is the intent that the policy statements be used to avoid conflicting goals or activities, which may have a negative impact on the overall financial position of the County. The County's system of internal accounting controls is designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and maintaining accountability for assets and obligations.

The County Board, in addressing concerns for maintaining financial strength while protecting the interest of the taxpayer, is implementing the following directives for the development of the fiscal year 2013 budget:

Financial Strength – The County Board is committed to maintaining its current solid financial strength by continuing to implement sound financial business practices to ensure the services needed and required for public health, safety, transportation and the development of a thriving workforce and local economy for fiscal year 2013 and beyond are viable by establishing the following budget directives:

- **Status Quo Budget Submittal – Department Budgets shall be submitted in accordance with existing levels of services provided, unless funding is identified and available through other revenue sources or a departmental reorganization. There is no guarantee of continued funding levels, and in some instances Departments and /or Agencies may receive less than the current year's appropriation.**
- **Federal and State Funded Programs – In the event of loss of Federal or State funding and/or reimbursement for specific services, it is understood that Departments will be expected to either reduce funded services or identify other reductions/revenue increases to off-set the losses. Exceptions will be addressed on a case by case basis.**
- **User Fees and Charges – All user fees and charges should be reviewed by County Administration, Elected Officials and Appointed Department Heads on an annual basis to ensure the fee collected is covering the cost of service provided (subject to State Statutes).**
- **Revenue Estimations – The County will project annual revenues on a conservative analytical basis to protect it from short-run fluctuations in any one revenue source. In instances where the County is providing non-mandated services and the revenue**

stream(s) is/are not covering the costs of said services, direction will be requested by County Administration from the reporting Liaison Committee (and if necessary the full County Board) on whether said service should be allowed to continue and supplemented with County funds.

- **Consumer Price Index – The County of McHenry is mandated to follow the Illinois Property Tax Extension Limitation Law (PTELL) by the State of Illinois. PTELL allows governing bodies the ability to cover the costs of inflationary increases incurred in their day to day operations by increasing their previous year’s extension by the CPI or 5%, whichever is smallest. For the fiscal year 2013 budget, in the event that revenue projections should grow less than 2% or show declines (see Revenue Estimation paragraph above), the County Board will allow usage of the CPI to cover only the additional increased costs of union/non-union wage adjustments, health insurance increases, pension increases, fuel, utilities (electricity, natural gas, water & sewer) and all other new costs that have been presented and approved by the County Board (without source of funding stated) since the passage of the fiscal year 2012 budget up to the passage of this budget policy. Once a balanced budget is presented to the full County Board with a prioritized listing of the supplemental requests, and if the full amount of the CPI was not needed to cover the costs mentioned above, the County Board will bring forth a decision on using the remaining CPI funds available to cover the costs of the recommended supplementals.**

- **Fund Reserves – With the approval of the 2013 budget policy, the County Board will maintain a 180-day (6 month) unrestricted fund balance in most funds for cash flow purposes based on the Financial Model and adjusted for future capital expenditures. Instances where an ending audited fund balance is above the 180-day goal, a plan presented by the Finance and Audit Committee and approved by the County Board will be implemented to allow for the spending down of the surplus above 180 days. If the fund drops below the 100-day unrestricted fund balance, an action plan developed by the Finance and Audit Committee will be required to increase the fund balance to the 180-day level.**

- **Vacant and Frozen Positions – The County Board acknowledges and appreciates every Elected Official, Appointed Department Head, and employee for their role in reducing expenditures to meet reducing revenues over the past 3 fiscal years. It is apparent that the current economy has now settled into a new norm. In acknowledging and accepting this new norm, the McHenry County Board is eliminating all frozen positions and all vacant positions**

that have not been filled or actively advertised to be filled within the past 90 days immediately upon passage of this budget policy (exceptions will be addressed on a case by case basis by the County Administrator, taking into account department justifications). The County Board is committed to working with all Elected Officials and Appointed Department Heads in meeting their staffing requirements in the event there is growing demand for services, and revenues generated by said services are increasing enough to cover additional employee costs.

- **Wage Adjustments** – Every effort will be made to establish the non-union employee wage increase rate at the beginning of the budget cycle. It is the desire of the County Board to maintain a level of equity between union and non-union employees. The Human Resources Committee shall establish and recommend to the Finance and Audit Committee an equitable performance pay adjustment for non-union employees no later than the 2nd Finance and Audit Committee meeting in June.
- **Outside Agency Funding** – The County Board realizes the need to support outside agencies with funding from the County’s budget to accomplish goals that directly affect the quality of life in McHenry County. Each requesting agency will meet with and present to the County Administrator their achievements with the prior year funding, how they improved quality of life, and what are the financial implications to their organization if county funding was reduced or eliminated. The County Board does not guarantee any funding levels, unless a contractual agreement with said agency has been approved by the County Board.
- **Priorities** – Direction is hereby given to the County Administrator and Associate County Administrator – Finance to create the fiscal year 2013 with the following priorities:
 - **First** - All mandated services must be budgeted
 - **Second** - All operating necessities (Utilities, IMRF, Health Insurance, Union Contracts, the Correctional Facility, etc.)
 - **Third** – Non-Union Employee performance pay adjustments
 - **Fourth** – General operating costs to provide services
 - **Fifth** – Capital Needs of the Organization
 - **Sixth** – Recommended Supplemental Requests
 - **Seventh** – Outside Agency Funding / Local Match to Grants

The pages that follow provide further definitions and guidelines for the development of the fiscal year 2013 budget, and should be considered as directives from the County Board.

Accounting/Auditing

State statutes require an annual audit by independent certified public accountants (**55 ILCS 5/6-31003**). A Comprehensive Annual Financial Report (CAFR) shall be prepared according to the criteria set by the Government Finance Officers Association (GFOA). The County follows Generally Accepted Accounting Principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB). As of December 1, 2002, the County implemented GASB 34 which requires Government-wide financial statements on a full accrual basis of accounting (June 1999 the Governmental Accounting Standards Board issued GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments).

As of December 1, 2010 the County implemented GASB 54 which changes Fund Balance Reporting and Governmental Fund Type Definitions. This new governmental accounting standard will first be reflected in the fiscal year 2011 Comprehensive Annual Financial Report of the County.

Appropriation

All operating funds are appropriated in the "Official Budget". Appropriations will be considered the maximum authorization to incur obligations and not a mandate to spend.

Balanced Budget

By County Board policy, the budget must balance expenditures against available revenues relative to all funds (**R-200006-12-134**).

Budget Amendment

All requests for budget amendments must start with a completed Budget Adjustment Form (accessed on the County intranet site) submitted to the County Administrator and/or the Associate County Administrator – Finance, who upon review will work with the requesting department head in preparing a resolution (if required) in the County Board approved format (**R-9909-12-234**) for committee and board presentation.

Budgets may be amended in four ways:

- The County Administrator or Associate County Administrator - Finance may authorize transfers between the contractual and commodities budget line items (4000) and (5000) within a department budget as long as they do not exceed the total combined appropriation for these two categories (***Budget Adjustment Form required***) (**R-200006-12-134**);
- Elected officials may authorize transfers between contractual and commodities budget line items (4000) and (5000) in their departmental budget, as long as they do not exceed the total combined appropriation for these two categories, by completing the Budget Adjustment Form and

forwarding it to the County Administrator or Associate County Administrator - Finance (**States Attorney Opinion 11/10/99 & 2/01/01**);

- All departments must submit a required Budget Adjustment Form (can be accessed through the County intranet) to the County Administrator or Associate County Administrator - Finance to provide an accounting record of the requested budget change prior to the adjustment/transfer being done (**R-200206-12-091**).
- All other transfers and emergency appropriations after budget adoption require a 2/3rd majority vote of all the members constituting the County Board (**55 ILCS 5/6-1003**).

Building Costs

The Facilities Management Department (formerly known as Building Operations) is responsible for the budgeting of all costs relating to operating and maintaining the buildings and required equipment (HVAC, Boilers, Pumps, etc) of the County. It is the individual department's responsibility to budget for maintenance on any specialized equipment used by the department to provide services to the general public. This type of equipment could include: Technology Equipment, Furniture and Fixtures, etc. It is the individual department's responsibility to also budget for any cosmetic changes (new walls, electrical outlets, telephone jacks, etc.) they are requesting within the area assigned to their departments.

Capital Budget - Short Term

During the budget process, funds are set aside to cover the costs for such items like new vehicles, computer technology, equipment and furniture and fixtures. These capital items are funded in the Non-Departmental budget at the same level each budget year. Short Term Capital requests above the maintenance budget compete with all other supplemental requests submitted during the budget process.

Capital Budget – Long Term

The County has a five year long term capital budget plan that resides in the County's financial model. The plan is reviewed at the beginning of each year and updated to reflect the priorities of the County Board. This budget is for capital projects that typically require large amounts of investment and take longer than one year to complete. Long Term Capital projects do not compete for operating dollars during the current budget process, but are funded through the reserves of the general fund at the discretion of the County Board.

Compensated Absences

The audited financial reports show a liability for the accumulation of vacation and compensatory time earned by employees but not taken. The balance is a projection of what the County would be required to pay out if it discontinued business as of that date.

Contingency Fund

A General Fund contingency account with a minimum of \$500,000 **(R-200206-12-091)** will be designated for emergency purchases during the year. Another contingency account with a minimum of \$50,000 **(R-200006-12-134)** will be designated to pay for unexpected vacation and compensatory payments as long term employees retire or leave County employment.

Contract Management

Beginning with the approval of the fiscal year 2013 budget policy, the County Board is implementing a new process in order to manage the contracts that legally bind County funds to vendors. The County Board encourages each Elected Official and Department Head to utilize the expertise in the purchasing department when committing County funds to a contract. All contracts will now need to be submitted to the Purchasing Department who will do a preliminary review to ensure compliance with the purchasing ordinance, and will then forward the contract to the State's Attorney's Office for their legal review. Upon approval by the State's Attorney's office, the purchasing department will notify the requesting department that the contract is good, and that a resolution (if over \$20,000) should now be submitted to the Liaison Committee and County Board approval. Upon approval of the contract or resolution (if required), the Purchasing Department will obtain all necessary signatures, copy the contract, and forward the contract to the vendor with return mailing instructions stating that the completed contract needs to be returned to the Director of Purchasing. Once the completed contract is received, the Purchasing Department will image the contract, submit the original to the County Clerk, and send copies to the requesting Department and the County Auditor.

Depreciation

The County does not budget for depreciation expense **(R-200006-12-134)**.

EEO-Affirmative Action

The County Board set a policy **(O-200611-09-107)** that all vendors doing greater than \$20,000 of business with the County must follow guidelines established for equal employment opportunity and affirmative action. Generally, the vendor must have a written sexual harassment policy that meets state statutes **(775 ILCS 15/3)**, a written EEO policy **(775 ILCS 5/1-102)**, and a workforce profile that demonstrates its EEO practices. The County refuses to conduct business with vendors who do not meet these guidelines.

Elected Officials and Appointed Boards

Memorandums of understanding for all elected officials and appointed boards in regards to the budget process and the wage and grade compensation policy are on file in the county administrator's office. If an elected official or appointed board decides not to follow the policies as set forth by the County Board, it is their responsibility to notify the County Administrator immediately of their intent.

The County Board will determine appropriate budget dollars to be allocated to any elected official or appointed board who decides to opt out of the 2013 budget process and or wage and grade compensation policy. (R-200506-12-160)

Elected Officials' Salaries

The setting of salaries for the new terms of Elected Officials is to be completed during the budget process in the fiscal year prior to the fiscal year the office/term expires **(R-200206-12-091)**. The new salaries to be set are to be approved by the Liaison Committee, the Human Resources Committee, the Finance and Audit Committee and the Full County Board **(R-200206-12-091)**.

Employee Wage & Compensation System

All employee positions within the County organization are assigned a grade/range/and rate of pay by the Human Resource Department **(R-200305-12-113)**. Please refer to the Salary Administration Policy in Appendix A for more detailed instructions on Employee Wages & Compensation System.

Hiring Range	Approvals
Grade Floor	Department Head
Grade Floor to 1 st Quartile	Department Head & Human Resources
1 st Quartile to Midpoint	County Administrator
Over Midpoint to Maximum	County Board

The County Board each year will address adjusting the floor and ceiling of each grade and range by the first board meeting in August **(R-200305-12-113)**, considering outside factors such as the inflation rate, market demand and the general economy.

To maintain a fair and equitable compensation system, budget dollars allocated for salaries will be based on the current rate of pay for the position within the grade and range. Vacant positions will be based on the entry level of the grade for the position. For positions whose pay exceed the ceiling of the grade and range they are assigned to, the department must make up the difference (including the additional cost for benefits) from within their operating budget.

Budget is allocated based on position, and not the employee in the position. If budget savings from an unfilled position occurs and is used in any other manner, the unfilled position will cease to exist and will need to be re-established as a new position in the next budget process **(R-200305-12-113)**.

New Positions and reclassification requests submitted during the budget process must be position specific to be considered for funding. If funding is approved during the budget process and the department wishes to use the funding for positions other than the approved position, a resolution authorizing the change will be required by the County Board prior to the change taking place. Please refer to the Salary

Administration Policy in appendix A for more detailed instructions on Employee Wages & Compensation System.

To eliminate confusion in the calculation of merit dollars for departments, the County Board is issuing a moratorium on all reclassifications and salary adjustments requested outside of the budget process for the months of November and December. This change was effective starting with November of 2006.

Encumbrance

An encumbrance system is maintained to account for commitments resulting from purchase orders and contracts. Encumbrances at year-end for unfilled obligations of the current year budget are re-appropriated in the succeeding year based on County Board approval (**55 ILCS 5/6-1005**). An encumbrance for capital expenditures will continue in force until the purpose for which it is made has been accomplished or abandoned. An appropriation for a capital expenditure is deemed to have been abandoned to the extent that the project is not under contract by the close **of November 30, the last day of the County's fiscal year**. Encumbrances at year end do not constitute expenditures or liabilities in the financial statements; however, for budgeting purposes, encumbrances are treated as a reserve of budget dollars and fund balance in the year the commitment to purchase is made.

Pre-Encumbrance

A pre-encumbrance is a requisition to purchase a specific item. Unlike an encumbrance, pre-encumbrances do not re-appropriate current year budget to the succeeding budget year. Instead, an open pre-encumbrance at year end will attach itself to the New Year budget dollars.

Enterprise Fund

Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services. McHenry County uses two enterprise funds, one for the County owned and operated nursing home (**O-9611-1200-98**) and one for the Emergency Telephone Systems Board (E-911) (**O-200211-12-088**).

Financial Model

The County Board in fiscal year 2001 instituted the use of a five year financial model to be the guide in the decision making processes in securing the financial health of the County. The model is updated at the beginning of each year and reflects current and projected annual cash reserves. Built within the Model is the long term Capital Budget (program) of the County. The County will maintain a 180-day (6 months) unrestricted fund balance in all funds for cash flow purposes. In using the financial model, the user must look at the projected five year trend to determine if additional spend down is necessary once the six month goal has been exceeded. If the model projects a future decline below four and a half months of reserve, the Finance and Audit Committee will develop an action plan that restores the fund balance to six months reserve.

Fixed Assets

The County maintains a fixed asset inventory of furniture, equipment, buildings, infrastructure and improvements with a value as defined by the fixed asset policy (**R-200106-12-116**) and a useful life of one year or more.

The County implemented GASB 51 “Accounting and Financial Reporting for Intangible Assets” in October, 2010 (R-201010-12-271). An example of an Intangible Asset is computer software created by the County.

Fiscal Year

The County’s fiscal year is December 1st through November 30th. (**Set by County Board per 55 ILCS 5/6-1001**)

Fund Balance

The County will maintain a 180-day (6 months) unrestricted fund balance in most funds for cash flow purposes based on the Financial Model and adjusted for future capital expenditures. Instances where an ending audited fund balance is above the 180-day goal, a plan presented by the Finance and Audit Committee and approved by the County Board will be implemented to allow for the spending down of the surplus above 180 days. If a fund balance drops below the 100-day unrestricted fund balance, an action plan developed by the Finance and Audit Committee will be required to increase the fund balance to the 180-day level.

Grants

The importance of preparing and implementing a proper grant budget cannot be overstated. To inform the County Board of the value of a new grant program, the Board must have full knowledge of the total cost of the program and its funding sources. Too often, grant programs contain hidden costs. All new grant applications (regardless of dollar amounts) must be approved by the department’s liaison committee and if time permits, the full County Board prior to submission of the grant application to the grantor. (Board approved 5/04/04).

- The County Board’s definition of a new grant is:
 1. A grant that has not been awarded in the previous year
 2. A current grant (or renewal grant) whose financial terms have changed (grant award has increased, decreased, or added a local match, etc.)
 3. A grant whose local match financial requirements have changed
- Departments will submit draft grant application copies to the Associate County Administrator - Finance, and the County Auditor for review prior to submitting the application.

In the event the timeframe for the submission of a grant application does not fit into the above mentioned county process, the County Board Chairman and or County Administrator may give the submitting department head the authority to apply for the grant.

- Departments will present to the County Board during the presentation portion of the daytime board meeting, details of the new grant and how it will benefit the Citizens of the County. Also required to be presented is an outline showing the administrative costs to administer the grant at both the department and County Administration level. This will afford Board members the opportunity to review the grant and have questions answered by the department prior to the submission of the grant application.
- Grant applications, regardless of the amount, with anticipated increases in full or part-time staff must be formally approved by the County Board **(R-200006-12-134)**.
- Departments who apply for grants that require a local match should find the local match within their budgets.
- Upon notification of a grant award, departments will prepare the resolution and cover memorandum to amend the respective budget.
- A 2/3rd vote of all members constituting the County Board is required to amend department budgets to reflect grant revenues and expenses **(55 ILCS 5/6-1003)**.
- The term “grant” includes any form of funding or reimbursement for County Services from the State, Federal or third party agencies.
- Grants will be controlled at the operating budget level based on the County’s fiscal year.
- The grant "operating-budget" will be periodically reviewed by the County Auditor and the Associate County Administrator - Finance to assure that the revenues and expenditures are consistent with the grant award.
- Renewal grants will be reviewed during the budget process.
- All departments receiving grant funding through various Federal and State agencies, are now required to submit to the Associate County Administrator - Finance a Grant Information Form (which can be accessed from the County intra-net). This form should be completed and returned to the Associate County Administrator - Finance with a copy of the grant application/ information upon acceptance of each grant awarded. No grant resolution will be placed on committee agendas without this information being provided first. For all new grants awarded during the County’s fiscal year, the above process must be followed. Information submitted will be shared with the

Auditor's Office, thus eliminating duplication of effort for the departments. The Grant Information Form requests the following information:

- Department accepting Grant
- Who the Grant Information Form was prepared by
- Grant Title
- Granting Agency
- Official Grant Number
- IFMS (County) Grant Number
- If flow-through grant, from which federal agency is grant flowing
- Catalog of Federal Domestic Assistance (CFDA) Number
 - (Web Site: www.cfda.gov)
- Period covered by grant agreement
- Amount of Grant Award
- Does the Grant require a match from the County
- What are the requirements/stipulations of the grant that must be completed before draw down of the cash award is allowed
- Is the Grant Award included in the departmental budget request
- What OCA code is the Grant budgeted under

Internal Control

Internal control procedures shall be documented and reviewed periodically by the County Auditor to provide reasonable assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

Investment

The County Treasurer is responsible for the investing of all McHenry County funds **(55 ILCS 5/3-11006)**.

Merit Increases

The Human Resources Committee shall establish an equitable merit pay plan **(R-200006-12-134)**.

To maintain an equitable merit process, employees hired during the fiscal year may be awarded merit for performance based on the following schedule:

Merit Increases for New Hires	
Hire Date	% of Maximum Merit
12/01/XX thru 02/28/XX	100%
03/01/XX thru 05/31/XX	75%
06/01/XX thru 09/30/XX	50%

Or the table movement,
whichever is greater

Seasonal Employees who have worked for the County in the prior year may be given an increase based on the percentage used for the table movement.

Mileage

Reimbursement of mileage expense to employees, elected officials and County Board members will be at the Internal Revenue Service established rate in effect on January 1st of the new calendar year **(R-200106-12-117)**. The County Board will review and reconsider the rate during periods of volatile pricing. Department budgets may be adjusted to reflect the fluctuation in the mileage rate.

Position Reclassifications

Anticipated position reclassifications and/or new position requests are to be completed during the budget process cycle. Priority will be given to requests presented in the context of a reorganization that enhances customer service and/or reduces the cost of doing business. Please refer to the Salary Administration Policy in appendix A for more detailed instructions on Position Reclassifications.

Purchasing

All items with an expected value of \$20,000 or greater must be competitively bid **(O-200611-09-107)** with exceptions for professional services or other items as defined in state statutes **(30 ILCS 505-6)**. All departments are authorized to make purchases up to \$20,000 **(O-200611-09-107)** as long as the item was included in the appropriated budget and procedures that are described in the Purchasing Ordinance **(O-200611-09-107)** are followed. Individual items that equal or exceed \$20,000 must be brought forward for approval by the Finance and Audit Committee and the County Board even if such items were budgeted for. All general fund capital items will be purchased from the capital budget unless funding is provided through a grant or an outside funding source. Capital purchases will be scheduled to coincide with property tax revenue cycles (June & September) for cash flow considerations. Capital purchases to be charged to the FY 2011/2012 budget must be physically on site by November 30, 2012 to be expensed in the fiscal year 2012 budget. All general supply purchases for fiscal year 2012 must be acquired by November 21, 2012. Items acquired after these cutoff dates will be charged to the department's FY 2012/2013 budget, unless the purchase is proven to be of an emergency nature or has received prior approval of the County Administrator **(R-200106-12-117)**.

Revenues

Revenues are projected using conservative estimates based on historical information and current levels of collection. Departments should bill appropriate parties for amounts owed to McHenry County, review aging reports, complete follow-up information about the account, and monitor all accounts receivables.

Risk Management

The County has an established a program for unemployment, liability and workers compensation. To forecast expenditures, the County considers claims, retention levels, fixed costs, and fund reserves. All departments who have expenditures being submitted and paid by the Risk Management Fund must complete a separate budget for their projected costs to the fund and submit it along with their departmental budgets. These budget requests for the Risk Management Fund will be reviewed by the County Administrator, Associate County Administrator - Finance, Risk Manager and then be processed through the normal committee procedures.

Salaries and Fringe Benefits

The Associate County Administrator - Finance is responsible for computing salaries and fringe benefit costs for all departments, applying a turnover reduction percentage factor based upon prior year's turnover experience **(R-200006-12-134)**.

Service Enhancements

Requests for new or expanded programs are to be separately requested via budget templates as presented in the budget preparation manual, and in the departments 2013 budget folders located on the budget drive. These requests must be accompanied by appropriate back-up documentation **(R-200006-12-134)**.

Sick Leave Buyback

Unless specified in a labor contract, sick leave buyback payments from the general fund will be made within the first quarter of the new fiscal year.

Supplemental Requests

Supplemental budget requests will be handled with the same process used for the fiscal year 2012 budget. Department Heads will discuss their supplemental requests during their meeting with the County Administrator and Associate County Administrator – Finance. A ranking of importance by the department for each request will be noted and compiled into an overall county listing. The County Administrator with assistance of the Associate County Administrator – Finance will review all requests and their rankings, and develop recommendations based on overall need, importance and purpose to the operations of the County in meeting the strategic and financial goals established for the budget. A presentation of the final recommendations will be made to the Chairman's Advisory Legislative Forum (CALF) for review, discussion and approval. Each Chairman will then be responsible for reporting back to their individual committees on what supplementals were approved and answer any questions regarding the awards (Board Approved 5/04/04). Once approved by the CALF, the recommendations move on to the Finance and Audit Committee for approval into the new budget. Department Heads and Elected Officials are entitled to address either committee on issues surrounding the recommendations prior to final approval.

Temporary Positions

The County Board recognizes there are hardships placed upon departments when employees are off due to approved leaves (FMLA, Military, etc.) To assist the departments in this time of need, the County Board has approved a pool of four temporary positions. The definition of temporary is when the employee will be scheduled to be gone more than two weeks, but no more than twelve weeks. If the department needs the position for a longer period of time, a resolution must be completed asking to create a new temporary position within the department. All approved temporary positions will be required to have a sunset clause stating when the position will be eliminated. Temporary positions are allocated through the County Administrator.

User Fees

The County charges user fees for items and services which benefit a specific user more than the general public. State statutes or an indirect cost study determines user fees. Fee studies based on costs are conducted as needed to determine the level of fees needed to equal the total cost of providing the service.

Vehicle Replacement

Prior to replacement of any County vehicle, an evaluation of intended use will be completed comparing benefits of the purchase versus paying mileage to County officials and employees **(R-200006-12-134)**. Where practical, standard sized pre-owned or program vehicles will be considered instead of new vehicles **(R-200006-12-134)**. Employees who are on-call 24 hours per day may take their vehicles to and from work.

BUDGET GUIDELINES

The purpose of this section is to explain the scope, format, process, and content of the McHenry County budget. The following information will aid the reader in understanding the budgetary concepts and components upon which this budget is based. The County of McHenry is required by Illinois Compiled Statutes to adopt an Annual Budget and Appropriation Ordinance, for County revenues and expenditures. The County budgets are presented on the modified accrual basis for all governmental fund types and accrual basis for the proprietary funds. This means the General (purpose) Fund and Special (purpose) Funds recognize revenues when they are measurable and available and expenditures when a liability (obligation) is drawn on current financial resources. Proprietary Funds recognize revenues when they are earned and expenses when they are incurred.

SCOPE OF THE BUDGET DOCUMENT

The County budget is a financial plan of estimated expenditures and revenues for the coming year. The annual budget provides historical, current, and future comparisons of revenues and expenditures. Separate documents prepared include a Budget in Brief, a capital project plan, and County Board goals and objectives.

BUDGET FORMAT

The budget document is organized into the following sections:

- **Transmittal Letter:** The County Administrator develops a transmittal letter that summarizes the recommendations to the County Board, the effect these recommendations will have on operations, and the proposed budget.
- **Budget Summaries:** Departments are assigned to one of Ten County Board Committees, which reviews their budget and conducts other business. The departmental budgets of each Committee are summarized along with financial summary schedules to provide comparisons of historical, current, and future year projection figures. These summaries also include estimated property tax levies, tax rates, and personnel information.
- **Departmental Budgets:** The core budget includes program descriptions for each department arranged within the appropriate Fund. Each department budget includes an organizational chart and a list of full time equivalent positions. Program highlights and goals for the upcoming year are included to summarize specific areas of concentration.

Detailed information for each department includes:

- Each department begins with narrative information about the program(s) they are providing, including function description by major OCA code, an organization chart, a list of full time equivalents, and the actual statute of mandated services.

- The current year highlights and goals for the next year for each program address the specific activities of this program.
- The financial information follows, including historical, current, and future year projections.

Note: The definition of a program is the key service that a department provides.

BUDGET DEVELOPMENT PROCESS

The specific steps taken to prepare the annual budget are as follows:

- County Board updates strategic goals and objectives. February
- Financial preparation materials are distributed to departments. June
- Departments prepare revenue and expense budgets. June
- County Administration reviews all preliminary budgets. July/August
- County Administrator reports on budget process to Co. Board. August
- Standing Committees conduct public hearings August/September
- Preliminary budget and the tax levy are filed in Clerk’s Office October
- Final budget appropriation and tax levy are approved November

BUDGET AMENDMENT PROCESS

The adopted budget may be adjusted in the following ways:

- The County Administrator, the Associate County Administrator – Finance, and/or an elected official may authorize a transfer of funds within and between object level 1 totals, except Personnel Services and Capital Outlay expenditure classifications, based upon the types or categories of goods and services purchased. Object level 1 expenditures include Personnel Services (salaries and wages); Contractual Services (utilities, maintenance contracts); Commodities (supplies, travel expenses and materials); and Capital outlays.
- All departments must submit a required budget adjustment form (can be accessed through the County intranet) to the County Administrator or Associate County Administrator - Finance to provide an accounting record of the requested budget change prior to the adjustment/transfer being done.

- The County Board must approve transfers of funds between departments or funds by a 2/3rd majority vote (16) of the County Board. (Transfers may not be made from certain special purpose funds to other funds).
- Additional (emergency) appropriations or transfers involving personnel and capital categories (after budget adoption) must also be approved by a 2/3rd majority vote (16) of the County Board.
- On a quarterly basis, the County Administrator and the Associate County Administrator - Finance will meet with elected officials and appointed department heads to determine if there are shortfalls in revenues or expenditures. A written summary will be provided for the County Board.
- The County Administrator is directed in November of each year to identify appropriate transfers to balance all accounts prior to the end of the fiscal year when all appropriations are closed as mandated by the Illinois Compiled Statutes. The County Board has approved encumbrance accounting, which means that in the budget and appropriation process, purchase orders are recorded in order to reserve that portion of the applicable fund balance. Encumbrances outstanding at the end of the fiscal year are reported as reserves of fund balances, and need to be re-appropriated by resolution of the County Board as emergency appropriations to the new fiscal year approved budget in order to complete the purchase transaction. The County Board will consider outstanding encumbrances from the prior fiscal year no later than their first board meeting in February.

FINANCIAL STRUCTURE

The County's financial structure begins with funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. Several types of funds are budgeted.

Governmental Funds

Governmental funds account for traditional governmental operations that are financed through taxes and other fixed or restricted revenue sources.

- **General Fund:** The General (Corporate) Fund is available for any authorized purpose, and is used to account for all financial resources except those required to be accounted for in another Fund. A General Fund summary is prepared which lists the amount of General Fund appropriation for all affected departments.
- **Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose. Currently 40 Special Revenue Funds are budgeted and appropriated.

- **Debt Service Fund:** Debt Service Funds are utilized to account for the payment of interest, principal and related costs on the County's general long-term debt.
- **Capital Project Funds:** Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

Proprietary Funds are used to account for the County's ongoing organizations and activities, which are similar to those often, found in the private sector.

- **Enterprise Fund:** An Enterprise Fund is used to account for operations, which are financed primarily by user charges.
- **Internal Service Funds:** Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments or agencies of the County on a cost reimbursement basis.