



ADMINISTRATIVE BUDGET POLICY

For Fiscal Year 2024

This document is presented to the Board to assist Departments and Agencies in preparing and submitting their draft FY 2024 Budget for approval by the County Board

Stephenson County, Illinois

Approved: June 15, 2023

Stephenson County Administrative Budget Policy

Stephenson 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 Administrator, in addressing concerns for creating financial strength while protecting the interest of the taxpayer, is affirming the following general policy for the development of the Fiscal Year 2024 Budget:

Financial Strength – The County Board is committed to improving its financial strength by implementing 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 2024 and beyond are viable by establishing the following budget directives:

- **Status Quo Budget Submittal** – All grant requests that require a local match must be reviewed and voted on by the County Board prior to application. 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) and must be completed by January 30th of each calendar year.
- **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 oversight committee (and if necessary, the full County Board) on whether said service should be allowed to continue and supplemented with County funds. The County Board must review all current/existing grants by January 30th of each calendar year.
- **Fund Reserves** –The County Board shall strive to maintain the budgeted 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 budget, a plan may be developed by the Finance Committee and presented for approval to the County Board to allow for the spending down of the surplus. If the fund drops below the

budgeted amount, an action plan will be developed by the Finance Committee to increase the fund balances to the budgeted level.

- **Alternative Service Delivery & Outsourcing** – Many forms of government are looking at new methodologies in providing needed services while controlling costs. The County Board is requesting all Department Heads and Elected Officials to review the cost-of-service delivery within their departments and to consider other cost saving options. A report back to the Finance Committee before the next fiscal year budget process or July 31st of each current calendar year. Below is a brief narrative of methods being considered:
 - Outsourcing – the organization utilizes an outside contractor to provide the service. Costs still exist for the organization, but if done correctly should be lower than providing the service with in-house employees.
 - Privatization – the organization sells the operation’s assets and walks away from the service responsibility. Eliminates all future cost to the organization.
 - Private/Public Partnership – joint venture where the county still carries part of the cost, with plans of the private partner taking 100% control at a future date. High level of risk involved in regard to financial stability of private partner. The county could end up with the total financial burden.
 - Managed Competition – in house employees restructure, innovate, and compete against contractors to provide services under contract. Pros: promotes employee participation, can reduce costs, assists with labor contract negotiations, and addresses sense of employee entitlement. Cons: cannot force on Statutory Offices, requires additional time in tracking outcomes, loss over control of services provided by outside contractor.

- **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 Stephenson County. Each requesting agency will meet with and present to the appropriate oversight committee 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. A presentation to the Finance Committee will also be required prior to budget approval or by July 31st of each calendar year. The County Board does not guarantee any funding levels, unless a contractual agreement with said agency has been approved by the County Board.

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.
- **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 Fund:** 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.

Accounting/Auditing

State statutes require an annual audit by independent certified public accountants (**55 ILCS 5/6-31003**). The County follows Generally Accepted Accounting Principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB).

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 State Statute, the budget must balance expenditures against available revenues relative to all funds **50 ILCS 330 Illinois Municipal Budget Law**.

Budget Amendment

Following the approval of the fiscal year budget, any requests for budget amendments must start with a completed Budget Adjustment Form submitted to the County Administrator, who upon review will work with the requesting department head in preparing a resolution (if required) in the County Board approved format for committee and board presentation and attached to the requested resolution.

Budgets may be amended in one way:

- **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).**
- **Fiscal Year**

The County's fiscal year is January 1, 2024, through December 31, 2024. **(Set by County Board per 55 ILCS 5/6-1001)**

Building Costs

The Oversight Committees are responsible for developing a multi-year capital maintenance/improvement program budget for Fiscal Year 2024 and forward. It is to be presented to Finance by July 31st of each fiscal year. The program will identify the time frame and estimated replacement costs for capital building improvements including but not limited to: HVAC systems, Chillers, Roofs, Windows, Parking Lots, Sidewalks, etc. A future determined amount of funding will be set aside for this program annually. This budget shall be located in the Capital Fund 014, which is approved by the Finance Committee.

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 Capital Fund Budget. Short Term Capital requests above the "maintenance budget" compete with all other supplemental requests submitted during the budget process.

Contract Management

As with the Board policy from the most recent years, all contracts will be submitted to the appropriate oversight committee for review and recommendation to the County Board. RFPs and RFQs should be approved by the oversight committee prior to being posted.

Once a contract is executed, the Department will ensure the original contract is on file with the County Clerk. A list of executed contracts will be reported each oversight committee at its normal monthly scheduled meeting.

Elected Officials' Salaries

The setting of salaries for the new terms of Elected Officials was last completed in January 2022 **(20-04-2218)**.

Fixed Assets

The County strives to maintain a fixed asset inventory of furniture, equipment, buildings, infrastructure and improvements.

Grants

The importance of preparing and implementing a proper grant budget cannot be overstated. To inform the County Board of the value and impact 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 oversight committee, the Finance Committee, and the full County Board prior to submission of the grant application to the grantor. All existing grants which require a match must be reported to the Finance Committee by June 30th of each fiscal year.

- 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 or decreased more than 10%, or added a local match which is greater than 10%, etc.)
 3. A grant whose local match financial requirements have changed.
- Prior to approval departments will present to the County Board, details of the new grant and how it will benefit the citizens of the County. Also required is the presentation of an outline showing all costs to administer the grant at both the department and County Administration level. This affords 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.
- Departments which apply for grants that require a local match are required to find the local match within their budgets and/or within unspent, non-dedicated reserve balances. Departments must also identify the amount of the match and the fund and the line-item from which the match will come from and be reported to the Finance Committee at the next Finance Committee meeting after the request.
- Upon notification of a grant award, departments will prepare the resolution and cover memorandum to amend the respective budget and be reported to the Finance Committee at the next County Finance Committee meeting.
- *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.

- Renewal grants must be reviewed during the budget process and submitted to the County Finance Committee by August 30th each fiscal year.
- All departments receiving grant funding are required to submit the information below to the appropriate Oversight committee and County Finance Committee. 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 the Grant Information Form.
 - 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 (if yes, what fund and what department will the match come from?)
 - 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 annually 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 Stephenson County funds **(55 ILCS 5/3-11006)**.

Purchasing

Department Heads are encouraged to purchase from the least expensive bid whenever possible. All Employees and Elected Officials are responsible for complying with applicable sections of the County Code **(19-4 & 19-5)** and the Illinois Procurement Act.

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 Stephenson County, review aging reports, complete follow-up information about the account, and monitor all accounts receivables.

Position Control

The County Board has directed the County Administrator to oversee a system of position control thereby enabling the Board to accurately project the fringe benefits costs which lie outside of Departmental Budgets (IMRF, Social Security and Health Insurance).

Along with the appropriate Budget Forms, the Department is responsible for verifying a list of positions (employees) and the accompanying information which will be adopted "set" by the Board as part of this process.

Pay Periods

Each Department shall submit a budget based upon 26 pay periods. No budget shall be approved that includes more than 26 pay periods.

Service Enhancements

Requests for new or expanded programs are to be separately requested via a supplemental budget request.

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. A county-wide Fee Study was conducted in 2019. Subsequent departmental studies will be conducted based on the recommendations of that study.

It is understood that the County should regularly conduct a review of User Fees.

Vehicle Replacement & Use

Prior to replacement of any County vehicle, an evaluation of intended use will be completed comparing benefits of the purchase or leasing versus paying mileage to County officials and employees and presented to the County Finance Committee. Where practical, standard sized pre-owned or program vehicles will be considered instead of new vehicles.

All employees who operate County Vehicles must sign the applicable policy agreement. A copy of these forms must be filed in the Administrative Office. Department Heads are responsible for ensuring compliance with any, and all applicable policies as it applies to daily use vehicles or take-home vehicles.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

(When submitting their proposed FY24 Budget in September each Department Head/Elected Official is to compile a Capital Asset Report listing existing capital

assets. Information shall include but not be limited to buildings including information regarding major building systems ((HVAC etc.)) as part the capital asset report).

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	40
Equipment and vehicles	5-7
Infrastructure	20-50

FY24 BUDGET GUIDELINES

The purpose of this section is to explain the scope, format, process, and content of the Stephenson County Budget for Fiscal year 2024. The following information will aid the reader in understanding the budgetary concepts and components upon which this budget is based. The County of Stephenson 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.

Budget Presentation:

When a department head/elected official has completed the required budget forms, the budget will be scheduled for presentation to the proper oversight committee. Each department presentation must include the proposed balanced budget, where projected expenditures are less than or equal to projected revenues, any supplement requests, and a discussion of the prepared Capital Asset Report listing for the department. Each oversight committee meeting packet will contain copies of the department's detailed budget, budget summary documents, and **prioritized** supplemental requests prior to the scheduled oversight committee meeting for review. No final action will be taken on the supplemental requests by the oversight committee (please see Supplemental Request Section for further information). Once all oversight committees have reviewed their respective reporting department's budgets, and the recommended supplemental requests have been approved, the budget is moved to the Finance Committee for review. The Finance Committee is responsible for making a final recommendation to the County Board for

acceptance. Following the acceptance by the County Board, the Budget is placed on public display for a minimum of fifteen (15) days prior to final approval.

Supplemental Requests

Department Heads will discuss their **prioritized** supplemental requests during their meeting with the appropriate oversight committee before they are forwarded to the Finance Committee.

Each oversight committee will combine all supplemental requests and prioritize them based on their ranking of importance.

The Finance Committee 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.

Wage Adjustments

In the most recent years, the County Board approved non-union employee wage increase after the fiscal budget was passed. It has recently been the desire of the County Board to maintain a level of equity between union and non-union employees. In order to provide continuity with the County's collective bargaining agreements and to also establish a clearer fiscal year budget picture - a 5% COLA increase will be incorporated in the FY24 Budget process by each department under the review and approval of the County Administrator. The respective oversight committee will affirm and approve each of these increased salary line items prior to the review of the Finance Committee.

Priorities

The following priorities are set forth to create the Fiscal Year 2024 Budget:

- **First** - All mandated services and debt service must be budgeted
- **Second** - All operating necessities (Utilities, IMRF, Health Insurance, Union Contracts, the Correctional Facility, etc.)
- **Third** – General operating costs to provide services
- **Fourth** – Capital Needs of the Organization
- **Fifth** – Recommended Supplemental Requests
- **Sixth** – Outside Agency Funding / Local Match to Grants from every department

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.

FY 24 BUDGET DEVELOPMENT PROCESS

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

2024 BUDGET YEAR CALENDAR

2023 DATES	RESPONSIBILITY	FUNCTION
JUNE 12	FINANCE COMMITTEE	REVIEW CALENDAR AND POLICY FOR BUDGET PRESENTATIONS
JUNE 15	COUNTY BOARD	ADOPT CALENDAR AND POLICY FOR BUDGET PRESENTATIONS
JUNE 21	FINANCE DIRECTOR & COUNTY ADMINISTRATOR	DISTRIBUTE BUDGET WORKSHEETS TO DEPARTMENT HEADS
JUNE 21 - JULY 7	DEPARTMENT HEADS	COMPLETE "2023 DEPARTMENT REQUEST" ON BUDGET WORKSHEETS
JULY 10 - JULY 21	FINANCE DIRECTOR & DEPARTMENT HEADS	MEET TO REVIEW AND PREPARE REVENUE AND EXPENSE BUDGETS
JULY 24 - AUGUST 4	DEPARTMENT HEADS & COMMITTEE CHAIRMEN	MEET TO REVIEW DEPARTMENT REQUESTS BEFORE PRESENTATION TO OVERSIGHT COMMITTEE
AUGUST 7 - 14	OVERSIGHT COMMITTEES	REVIEW WITH DEPARTMENT HEADS PROPOSED BUDGET AND COMPLETE "OVERSIGHT APPROVED" COLUMN
AUGUST 18	DEPARTMENT HEADS	COMMITTEE APPROVED WORKSHEETS DUE IN ADMINISTRATOR'S OFFICE
AUGUST 21 - SEPTEMBER 8	FINANCE DIRECTOR & COUNTY ADMINISTRATOR	COMBINE ALL BUDGET WORKSHEETS FOR FINANCE COMMITTEE
SEPTEMBER 18	FINANCE COMMITTEE	REVIEW BUDGET REQUESTS
OCTOBER 16	FINANCE COMMITTEE	REVIEW BUDGET REQUESTS AND COMPLETE "FINANCE APPROVED" COLUMN
OCTOBER 17 - 22	FINANCE DIRECTOR & COUNTY ADMINISTRATOR	COMBINE BUDGET WORKSHEETS INTO FINAL FORM FOR FINANCE COMMITTEE AND COUNTY BOARD
OCTOBER 23	COUNTY BOARD	RECEIVE COMPLETED BUDGET FROM FINANCE COMMITTEE
NOVEMBER 15	COUNTY BOARD	PRESENTATION OF BUDGET
NOVEMBER 15 - 30	COUNTY CLERK	BUDGET LAYS OVER FOR 15 DAYS WITH THE COUNTY CLERK FOR PUBLIC REVIEW
NOVEMBER 30	COUNTY BOARD	ADOPT BUDGET, APPROPRIATION AND LEVY ORDINANCES