



# Champaign County Financial Policies

## Introduction

Champaign County has several relevant financial policies in order to preserve and enhance its fiscal health, identify acceptable and unacceptable courses of action, and provide a standard to evaluate the government's fiscal performance. Policies that are central to a strategic, long-term approach to financial management are posted on the County website <http://www.co.champaign.il.us/HeaderMenu/generalinfo.php>.

- Purchasing Policy (including Capital Asset Management and Replacement)
- Grant Application/Approval Policy
- Salary Administration Guidelines
- Travel Policy
- Credit Card Policy
- Treasurer's Investment Policy <http://www.co.champaign.il.us/treasurer/PDFS/InvestmentPolicy.pdf>

## Objectives

1. To institutionalize established financial management practices thereby promoting stability and continuity.
2. To establish a shared and documented understanding of financial principles to guide fiscal decision-making.
3. To protect and enhance the County's bond rating.
4. To promote long-term strategic planning.
5. To manage risks to the County's fiscal position.
6. To establish guidelines for strategic investment in County facilities, capital, and technology.

## Budget Policies

1. The County's fiscal year is January 1 – December 31.
2. All County funds, with the exception of fiduciary funds, are appropriated in the "Official Budget," which is approved by the County Board. Appropriations are considered the maximum authorization to incur obligations and not a mandate to spend.
3. State law mandates, "no contract shall be entered into, and no obligation or expense shall be incurred by or on behalf of a county unless an appropriation therefor has been previously made." 55 ILCS 5/6-1005.
4. The County is committed to producing a balanced budget in a timely manner. The County will pay for current expenditures with current revenues, avoiding procedures that balance budgets by postponing needed expenditures, realizing future revenues early, or rolling over short-term debt. A budget is balanced when total appropriations do not exceed total revenues and appropriated fund balance within an individual fund.
5. The budgets for all governmental funds and proprietary funds are presented on a modified accrual basis recognizing revenues when they become available and measurable; and expenditures when the liability is incurred. Champaign County's accrual period is sixty (60) days after the close of the fiscal year.
6. The final Budget document must include:

- a. A statement of financial information including prior year revenue and expenditure totals, and current and ensuing year revenue and expenditure projections; and
  - b. A statement of all moneys in the county treasury unexpended at the termination of the last fiscal year; and
  - c. A statement of all outstanding obligations or liabilities of the county incurred in any preceding fiscal year; and
  - d. Additional information required by 55 ILCS 5/6-1002 and state law.
7. The budget may be amended through a Budget Amendment or Budget Transfer which require a 2/3<sup>rd</sup> majority vote (15) of the County Board. Department heads may authorize transfers between non-personnel budget lines in their department budget as long as they do not exceed the total combined appropriation for non-personnel categories; and transfers between personnel lines as long as they do not exceed the total combined appropriation for personnel categories. The Regional Planning Commission's legal level of budgetary control is by fund, with transfers between expenditure categories within the same fund allowed.
  8. A General Corporate Fund contingency appropriation will be designated for emergency purchases during the fiscal year. The contingency appropriation goal is 1% of the total anticipated expenditure for the General Corporate Fund. No more than 5% of the total General Corporate Fund Appropriation may be appropriated to contingencies. Money appropriated for contingencies may be used for contingent, incidental, miscellaneous, or general county purposes, but no part of the amounts so appropriated shall be used for purposes for which other appropriations are made in the budget unless a transfer of funds is authorized by a 2/3<sup>rd</sup> majority vote (15) of the County Board.
  9. On an annual basis, the Office of the County Executive will prepare a Financial Forecast to include expenditure projections for the current year and the next five (5) fiscal years at a minimum.

## Revenue Policies

1. The County will strive to maintain diversified and stable revenue sources to shelter it from unforeseeable short-run fluctuations in any one revenue source.
2. The County will estimate its annual revenues by an objective, analytical process. On an annual basis, and in conjunction with expenditure projections, the County will prepare revenue projections for the current year and the next five (5) fiscal years at a minimum. Each existing and potential revenue source will be re-examined annually.
3. The property tax rates for each levy shall be calculated in accordance with the Property Tax Extension Limitation Law (PTELL).
4. The County charges user fees for items and services, which benefit a specific user more than the general public. State law or an indirect cost study determine the parameters for user fees. The County shall review all fees assessed in its annual budget preparation process to determine the appropriate level of fees for services and recommend any proposed changes to the fees collected to be implemented in the ensuing budget year.
5. To the extent feasible, one-time revenues will be applied toward one-time expenditures and will not be used to finance ongoing programs. Ongoing revenues should be equal to or exceed ongoing expenditures.
6. The Champaign County Board supports efforts to pursue grant revenues to provide or enhance County mandated and non-mandated services and capital needs. Activities which are, or will be, recurring shall be initiated with grant funds only if one of the following conditions are met:
  - a. The activity or service can be terminated in the event the grant revenues are discontinued; or

- b. The activity should, or could, be assumed by the County's General and recurring operating fund or another identified fund. Departments are encouraged to seek additional sources of revenue to support the services prior to expiration of grant funding. Grant approval shall be subject to the terms and conditions of County Ordinance Number 635, and Ordinance amendments 903 and 920.

## Fund Policies

1. The County's financial structure begins with funds. A fund is a self-balancing accounting entity with revenues and expenditures which are segregated for the purpose of carrying out specific programs in accordance with County policies and certain applicable State and Federal laws. Each fund has at least one Department Budget, which is a group of expenditures that provide for the accomplishment of a specific program or purpose.
2. A major fund is a budgeted fund where revenues or expenditures represent more than 10% of the total appropriated revenues or expenditures.
3. All county funds are included in the Annual Budget Document except the fiduciary funds described below.
  - a. Private Purpose Trust Funds in which the County Engineer acts in a trustee capacity on behalf of townships to use state funding to maintain township roads and township bridges, which resources are not available to support the County's own programs.
  - b. Agency Funds held in a custodial capacity for external individuals, organizations, and governments for the purpose of reporting resources, such as property taxes and circuit court fees and fines.
4. Governmental funds account for traditional governmental operations that are financed through taxes and other fixed or restricted revenue sources.
  - a. 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 summary is prepared which lists the amount of General Corporate Fund appropriation for all affected departments. The General Corporate Fund is a Major Fund.
  - b. Special Revenue Funds are used to account for the proceeds of specific sources that are legally restricted to expenditures for a specific purpose.
    - i. Included in the Special Revenue Funds are Debt Service Funds utilized to account for the payment of interest, principal, and related costs on the County's general long-term debt. (In addition to Debt Service Funds, the County also has debt service budgets included in other funds as appropriation based on the purpose of the fund.)
    - ii. Also included in Special Revenue Funds are Capital Project Funds used to account for all expenditures and revenues associated with the acquisition, construction or maintenance of major facilities that are not financed through proprietary funds or funds being held for other governments.
  - c. Proprietary Funds account for certain "business-type" activities of governments that are operated so that costs incurred can be recovered by charging fees to the specific users of these services.
    - i. An enterprise fund is used to account for operations that are financed primarily by User charges. The County does not have enterprise funds.
    - ii. An Internal Service Fund is established to account for the financing of goods and services provided to the County and other agencies on a cost reimbursement basis. The activities of the Self-Funded Insurance Fund and Employee Health Insurance Fund are budgeted and appropriated using Internal Service Funds.

5. A Fund Statement is presented for each fund, which summarizes past and projected financial activity for the fund as follows:
  - a. Revenues presented in line-item detail within revenue categories; and
  - b. Expenditures presented in line-item detail within major categories – e.g., personnel, commodities, services; and
  - c. Fund Balance including the actual or estimated funds remaining at the end of the fiscal year.

## Financial Reserves and Surplus

1. The fund balance for each fund shall be reviewed annually, and recommendations for financial reserves and a plan for the use of surplus funds shall be documented.
2. For cash flow purposes due to the timing of property tax revenues and fluctuations in the receipt of state shared revenues, and in order to allow flexibility to respond to unexpected circumstances, the minimum unrestricted fund balance requirement for the General Corporate Fund is two-months or 16.7% of operating expenditures. A plan will be developed to increase the fund balance in instances where an ending audited fund balance is below the two-month minimum requirement.
3. It is the intent of the County to use all surpluses generated under the Direction of the County Board to meet reserve policies, avoid future debt, reduce outstanding debt, mitigate current and future financial risks, and preserve the County's bond rating. The use of surplus funds for ongoing recurring expenditures is prohibited.

## Capital Asset Management and Replacement

1. The Capital Asset Replacement Plan includes a multi-year plan for vehicles, computers, technology, furnishings, and office equipment. It will be updated for the General Corporate Fund departments during the annual budget process. Expenditures will be appropriately amortized and reserves for replacement will be estimated. If the County is unable to appropriate full funding for future reserves, this will be documented in the Capital Asset Replacement budget. A five-year forecast for capital asset management and replacement will be developed and updated annually.
2. The County strives to maintain all assets at a level adequate to protect the County's capital interest and to minimize future maintenance and replacement costs.
3. Through the annual budget process, funding for the fiscal year projects in the County's Capital Facilities and Technology plans will be identified. If the County is unable to appropriate funding for any scheduled projects, this will be documented in the Capital Asset Replacement Fund budget.
4. The Budget Director will review all expenditures from the Capital Asset Replacement Fund and is authorized, in addition to the County Executive, to approve all expenditures from the Capital Asset Replacement Fund in compliance with the multi-year plans and policies established by the County Board. No more than 3% of the equalized assessed value of property subject to taxation by the county may be accumulated in a separate fund for the purpose of making specified capital improvements.
5. The Auditor maintains a fixed asset inventory of furniture, equipment, buildings, and improvements with a value of greater than \$5,000 and a useful life of one year or more.

## Debt Management

1. When applicable, the County shall review its outstanding debt for the purpose of determining if the financial marketplace will afford the County the opportunity to refund an issue and lessen its debt service costs. To consider the possible refunding of an issue, a Present Value savings of three percent over the life of the respective issue, at a minimum, must be attainable.
2. The County will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.
3. When the County finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the estimated useful life of the project.
4. The County will strive to have the final maturity of general obligation bonds at, or below, thirty years.
5. Whenever possible, the County will use special assessment, revenue, or other self-supporting bonds instead of general obligation bonds, so those benefiting from the improvements will bear all or part of the cost of the project financed.
6. The County will not use long-term debt for current operations.
7. State statute limits indebtedness to 2.87% of the County's assessed valuation, 5.75% for voted bonds. Documentation of the County's legal debt limit and debt margin will be included in the budget document.
8. The County will maintain good communications with bond rating agencies regarding its financial condition. The County will follow a policy of full disclosure on every financial report and borrowing prospectus.
9. Annually, in December, the Budget Director will complete Post-Issuance Compliance reviews for the County's bonds and provide a Post-Issuance Tax Compliance Report to the Champaign County Finance Committee.

## Disclosure Policies and Procedures

1. The County will comply with continuing disclosure requirements established by Securities and Exchange Commission Rule 12c2-12, and the continuing disclosure agreements required by its bond issues. The County may wish to engage the services of a Dissemination Agent to assist with its continuing disclosure obligations.
2. The Budget Director is designated as the officer responsible for the procedures related to Disclosures.
3. **Official Statements Procedures.** Whenever an Official Statement will be disseminated in connection with the issuance of obligations by the County, the Disclosure Officer will oversee the process of preparing the Official Statement pursuant to the following procedures:
  - a. The County shall select the working group for the transaction, which may include outside professionals such as disclosure counsel, a municipal advisor, and an underwriter (the "Working Group") and the member of the Working Group responsible for preparing the first draft of the Official Statement.
  - b. The Disclosure Officer shall review and make comments on the first draft in order to determine that the Official Statement does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in the

Official Statement not misleading. The Disclosure Officer shall also be responsible for ensuring that the financial data presented with regard to the County is accurate.

- c. After completion of the review the Disclosure Officer shall discuss the first draft of the Official Statement with the members of the Working Group and such staff and officials of the County as the Disclosure Officer deems necessary and appropriate and provide comments. The Disclosure Officer shall also consider comments from members of the Working Group and whether any additional changes to the Official Statement are necessary.
- d. The Disclosure Officer shall continue to review subsequent drafts and if the Official Statement does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in the Official Statement not misleading, it may be released for dissemination to the public; *provided, however*, that the use of the Official Statement must be ratified, approved, and authorized by the County Board.

4. **Disclosure Procedures: Annual Financial Information.** By June 30 of each year, the Disclosure Officer shall prepare (or hire an agent to prepare) and file the Annual Financial Information with Electronic Municipal Market Access (EMMA) (or confirm that such filing is completed by any agent hired by the County for such purpose). If Audited Financial Statements are not available when the Annual Financial Information is filed, Audited Financial Statements will be submitted to EMMA within 30 days after availability to the County. In addition to the required updating of the Annual Financial Information, the Disclosure Officer should consider whether additional information needs to be added to the Annual Financial Information in order to make the Annual Financial Information, including the Financial Statements, taken as a whole, correct, and complete in all material respects.

5. **Disclosure Procedures: Reportable Events.** The Disclosure Officer will prepare (or hire an agent to prepare) Reportable Event Disclosure and file the same with EMMA (or confirm that such filing is completed by an agent hired by the County for such purpose) in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event). Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders, if material, is a Reportable Event. Upon the incurrence of any Financial Obligation, as such term is defined in the Undertaking, the Disclosure Officer shall review such Financial Obligation and assess whether it is material. If, in connection with such Financial Obligation, the County has agreed to any covenant, event of default, remedy, priority right or other similar term which affects security holders, the Disclosure Officer shall further review such term and assess whether the same is material. The Disclosure Officer shall prepare a summary of such review. If, in the Disclosure Officer's reasonable judgment, following consultation with financial or legal professionals as necessary, such Financial Obligation and/or term of such Financial Obligation is deemed material, the Disclosure Officer shall file a summary of such Financial Obligation (or the entire financing document, provided that confidential or sensitive information may be redacted to the extent such redaction does not prevent all material terms from being disclosed) with EMMA not in excess of ten business days after the incurrence of such Financial Obligation.

6. **Disclosure Procedures: EMMA Notices.** Whenever the County determines to file an EMMA Notice, or whenever the County decides to make a voluntary filing to EMMA, the Disclosure Officer shall prepare (or hire an agent to prepare) the EMMA Notice in the form required by the Municipal Securities Rulemaking Board (MSRB). In the case of a disclosure required by an Undertaking, the Disclosure Officer shall determine whether any changes to the EMMA Notice are necessary to make the document

compliant with the Undertaking. If, in the Disclosure Officer's reasonable judgment, the EMMA Notice is correct and complete and, in the case of a disclosure required by an Undertaking, complies with the Undertaking, the Disclosure Officer shall file the EMMA Notice (or confirm that such filing is completed by any agent hired by the County for such purpose) within the timeframe allowed for such filing.

## Accounting, Auditing, and Investment

1. The County follows Generally Accepted Accounting Principles (GAAP).
2. State statutes require an annual audit by independent certified public accountants. A comprehensive annual financial report shall be prepared to the standards set by the Government Finance Officers Association (GFOA).
3. The County uses an accounts receivable system to accrue revenues when they are available and measurable for governmental fund types. Departments should bill appropriate parties for amounts owed to Champaign County, review aging reports, complete follow-up information about the account, and monitor all accounts receivables.
4. The County Treasurer is responsible for investment of all Champaign County funds. With County Board approval, the Treasurer may make a short-term loan of idle monies from one fund to another, subject to the following criteria:
  - a. Such loan does not conflict with any restrictions on use of the source fund; and
  - b. Such loan is to be repaid to the source fund within the current fiscal year.
5. The County Treasurer shall be responsible for the monthly reporting of investment activity as required under 55 ILCS 5/3-11007. The monthly County Board report shall include investment, collateral, and financial institution information to fairly inform the general public of the Treasurer's Office's investment activities.

## Purchasing and Encumbrances

1. An encumbrance system is maintained to account for commitments resulting from purchase orders and contracts. Every effort will be made to ensure that these commitments will not extend from one fiscal year to the next. Any emergency encumbrances, which do extend into the next fiscal year, shall be subject to appropriation in the next year's budget. Encumbrances at year - end do not constitute expenditures or liabilities in the financial statements for budgeting purposes.
2. All items with an expected value of \$30,000 or more must be competitively bid with exceptions for professional services (other than engineering, architectural or land surveying services which will follow Quality Based Selection (QBS) requirements established in 50 ILCS 510). Additional competitive bid requirements may apply by statute or as a condition of using funds from an outside source.
3. All purchases over the respective limit of \$30,000, which require the use of either formal bids or requests for proposals, must be approved by the full Champaign County Board.
4. The Champaign County Purchasing Policy Ordinances, establish the procedures to be followed in all purchasing activities.

## Risk Management

1. To forecast expenditures for its self-funded insurance program for workers compensation and liability, the County hires an actuarial consulting firm to review loss history and recommend funding taking into consideration claims, fixed costs, fund reserves, and national trends.
2. At a minimum, the County strives to maintain the actuary-recommended fund balance, defined as the Discounted Actuarial Central Estimate of Unpaid Claim Liability.

## Salary Administration

1. The County's Salary Administration Guidelines will be followed for departments whose personnel budgets are subject to the County Board's personnel appropriation procedures.
2. The County Executive is responsible for computing salaries and fringe benefits costs for all departments.
3. Increases for non-bargaining employees will be recommended by the County Executive at the beginning of the budget cycle and forwarded to the County Board for inclusion in the annual budget.