



~~FY2026 DRAFT BUDGET POLICY~~FY2026 Draft Budget Policy.docx

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FY2026 BOARD APPROVED BUDGET POLICY

1. General Policy Statement

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's budget process is governed by Illinois Compiled Statutes (55 ILCS 5/6) and McHenry County Board Policies. In addressing concerns for maintaining financial strength while protecting the interest of the taxpayer, the County Board is implementing the following directives for the development of the annual budget:

- a. **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.
- b. **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. Department Heads are strongly encouraged to analyze all services and programs administered by the department for the costs of said services/programs, citizen demand for the services or programs, and if the services and programs are mandated by Federal or State law, or through County Board Ordinances.
- c. **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 offset the losses. Exceptions will be addressed on a case by case basis.
- d. **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).
- e. **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 full County Board on whether said service should be allowed to continue and supplemented with County funds.
- f. **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.
- g. **Scenarios** - The County Board has directed County Administration to develop Budget Scenarios.

~~In March 2024 the voters of McHenry County authorized a referendum to increase local sales tax to fund mental health services and remove the property tax levy allocated for the Mental Health Board effective November 30, 2024.~~

~~The starting point for the following scenarios will have the Mental Health levy removed.~~

~~Example: tax year 2023 total extension – Mental Health levy = FY25 Budget Status Quo~~

~~(\$73,973,158 — \$10,975,080 = \$62,998,078)-~~

the assumption that the prior levy will decrease by 3%.

- ii. Scenario 2 – Status Quo: Under Scenario 2, the budget shall be developed under the assumption that the prior levy will remain at the same amount. It will not include the assumption of increase in New Growth nor CPI.
- iii. Scenario 3 – New Growth Only: under Scenario 3, the budget shall be developed with the assumption that the prior year levy will be increased by new growth only. County Administration shall detail how the additional funds from new growth will be appropriated in the budget.
- iv. Scenario 4 – Budget with both CPI of 1.745% + New Growth : under Scenario 4, the budget shall be developed with the assumption that the prior year levy will be increased by CPI of 1.745% and the new growth calculation. County Administration shall detail how the additional funds will be appropriated in the budget.
- v. Scenario 5 – Budget with both CPI of 3.42.9% + New Growth: under Scenario 5, the budget shall be developed with the assumption that the prior year levy will be increased by both the New Growth and CPI of 3.42.9%. County Administration shall detail how the additional funds will be appropriated in the budget.

County Administration shall detail expenditures that will not be appropriated for if the Board decides to approve a budget without increase proposed under each scenario.

- h. **Fund Reserves** –The County Board will strive to maintain a 150-day (5 month) unrestricted fund balance in most funds to maintain and protect the operating service levels supported by the funds; the County's Fund Balance Policy shall set guidelines on a per-fund level.
- i. **Vacant Positions** – On October 1, 2002, the County Board approved Resolution R-200210-12-196 authorizing a county-wide budget policy on vacant positions which has been incorporated into the County's Salary Administration Policy. Resolution R-200210-12-196 can be viewed under County Board Records on the County Clerk's web page at <https://www.mchenrycountyil.gov/county-government/departments-a-i/county-clerk/county-board-records>
- j. **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. Below is a brief narrative of methods being considered:
 - i. 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.
 - ii. Privatization – the organization sells or leases the operation's assets and walks away from the service responsibility. Eliminates all future cost to the organization.
 - iii. Private/Public Partnership – joint venture where the local unit of government still carries part of the cost, with plans of the private partner taking 100% control at a future date. There is a high level of risk involved in regards to financial stability of private partner. The local unit of government could end up with the total financial burden.
 - iv. 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.

- k. **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 Finance & Audit Committee shall establish and recommend to the County Board an equitable performance pay adjustment for non-union employees by the respective Committee\Board's July meetings.
- l. **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 is reduced or eliminated. A presentation to the Finance and Audit Committee will also be required before budget approval. The County Board does not guarantee any funding levels unless a contractual agreement with said agency has been approved by the County Board.
- m. **Priorities** – Direction is hereby given to the County Administrator to create the annual budget with the following priorities:
 - i. **First** - All mandated services must be budgeted
 - ii. **Second** - All operating necessities (Utilities, IMRF, Health Insurance, Union Contracts, the Correctional Facility, etc.)
 - iii. **Third** – Non-Union Employee Compensation
 - iv. **Fourth** – General operating costs to provide services
 - v. **Fifth** – Capital Needs of the Organization
 - vi. **Sixth** – Recommended Supplemental Requests
 - vii. **Seventh** – Outside Agency Funding / Local Match to Grants

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

n. **Accounting/Auditing**

State statutes require an annual audit by independent certified public accountants (**55 ILCS 5/6-31003**). An Annual Comprehensive Financial Report (ACFR) 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). GASB standards\pronouncements are implemented in the corresponding year as directed per GASB in partnership with outside Auditors and the overall direction of the County Administrator.

o. **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.

p. **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 the Chief Financial Officer, 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 as follows:

- The County Administrator or Chief Financial Officer may authorize transfers between budget categories 40 and 50, and 60 (contractual, and commodities, and capital outlay) within a department budget as long as they do not exceed the total combined appropriation for these categories within the same fund (*Budget Adjustment Form required*).

- Elected officials may authorize transfers between budget categories 40, and 50 (contractual, and commodities) in their departmental budget, as long as they do not exceed the total combined appropriation for these categories within the same fund, by completing the Budget Adjustment Form and forwarding it to the County Administrator.

- All transfers (out of or into budget category 30, or between funds) 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**).

- All budget amendments for the Mental Health Board (MHB) in fund 211, ~~only shall in the County's financial system only after approval by the Mental Health Board. A resolution documenting that amendment will be presented to the McHenry County Board not later than one month after approval by the MHB.~~

q. **Balanced Budget**

By County Board policy, the budget must balance expenditures against available revenues and/or unrestricted fund reserves relative to all funds (**R-200006-12-134**). As stated earlier under the Fund Reserves Section, the County is to strive to maintain a ~~5-month~~5-month undesignated/unrestricted fund reserve in most funds to maintain and protect the operating service levels provided to the citizens of the County.

r. **Budget Control**

The County's Budget is controlled by Budget Category, Department, and Fund. At any point following the adoption of the annual budget, a 2/3 vote of all members constituting the County Board is required by State Statute to amend the appropriated budget. The County has established two types of Resolutions that are required when adjustments are being requested: 1) Emergency Appropriation—~~used~~ when the adjustment increases/decreases the total dollar amount of the budget and 2) Budget Line Item Transfer—~~used~~ to transfer budget in and out of ~~Personnel Services~~categories that are not authorized with a budget adjustment form and transfers between departments of the same fund or between funds.

2. Budget Presentation

When a department head/elected official has completed the required budget forms and data entry, a meeting will be scheduled with the County Administrator and Chief Financial Officer to review and ensure budget policy compliance. Concerns and/or issues should be addressed by the department head/elected official at this time. Upon review by County Administration and the Chairman of the Board, the budget will be scheduled for presentation to the proper liaison committee. Each liaison committee meeting packet will contain copies of the department's budget, an inventory of services (mandated and Board requested) and supplemental requests before the scheduled committee meeting for review. The discussion of each department's non-mandated services and the Board's desire to continue with these services should be done at the committee level. In an effort to present a balanced budget, levy cut discussions in September should also include any cuts to expenses that have been discussed at the committee level.

No action will be taken on the supplemental requests by the committee (please see Supplementalthe Supplemental Request Section for further information). Once all committees have reviewed their respective reporting departments' budgets, and the recommended supplemental requests have been approved, the budget is moved to the whole board to be placed on public display for a minimum of fifteen (15) days before final approval.

The Budget Policies of the County of McHenry conform to budgeting standards as set out by US GAAP, as applicable to governmental units and Illinois State Statutes. The reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. The primary government covers operating departments, quasi organizations in which the State and the County have legal budgetary responsibilities, elected officials, commissions, appointed and elected Boards. The Primary Government follows fund accounting which organizes all of the above entities into funds (as defined in the Fund Structure section).

Concerning budget presentation responsibilities, the following presentation requirements are hereto included:

Fund Type	Reporting Entity	Budget Presentation
<i>Governmental Funds</i>		
General Fund	Primary Government	Liaison Committee or Finance & Audit Committee>County Board
Special Revenue Funds	Primary Government	Liaison Committee or Finance & Audit Committee>County Board
Debt Service Funds	Primary Government	Finance & Audit Committee>County Board
Capital Projects Funds	Primary Government	Liaison Committee or Finance & Audit Committee>County Board
Permanent Funds	Primary Government	Finance & Audit Committee>County Board
<i>Proprietary Funds</i>		
Enterprise Funds	Primary Government	Liaison Committee or Finance & Audit Committee>County Board
Internal Service Funds	Primary Government	Liaison Committee or Finance & Audit Committee>County Board
<i>Fiduciary Funds</i>		
Private Purpose Trust Funds	Primary Government	Finance & Audit Committee>County Board
Pension & OPEB Trust Funds	Primary Government	Finance & Audit Committee>County Board
Investment Trust Funds	Primary Government	Finance & Audit Committee>County Board
Agency Funds	Primary Government	Finance & Audit Committee>County Board
<i>Component Units</i>		
Discretely Presented	Primary Government	County Board
Blended Component Unit	Component Unit	Finance & Audit Committee>County Board

Additional details on voting rights by the County Board, Financial Accountability by the County Board and Budget Discussion is included in table Exhibit A.

Allocated Costs – Proprietary and Enterprise Funds

Central costs for services/obligations/infrastructure ~~may shall~~ be charged out to Proprietary - Enterprise Funds based on varying criteria. Allocated costs include internal services or overhead costs, such as insurance, facility maintenance, central information technology, and other. County Administration shall work with Department Heads and/or those in charge of the Proprietary – Enterprise Funds to develop methodology on charging centralized services to those funds.

Allocated Costs – Grants

~~As specified in the Federal Uniform Guidance, the County waives the right to charge indirect costs to through and State of Illinois award.~~

Direct allocation of grant resources will be determined by the department awarded the grant based on the need that the grant is addressing.

3. Capital Budget

a. Capital Budget - Short Term

During the budget process, funds are set aside to cover the costs for such items as 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.

The County Board acknowledges the importance of developing a predictable replacement schedule for the equipment used in maintaining the County's transportation infrastructure. To ensure the public's safety on County roadways, County Administration is hereby directed to include each year \$1,500,000 in the Division of Transportation's annual budget for the replacement of snowplows and other equipment deemed necessary by the County Engineer. The Transportation and Finance and Audit Committees will have final approval of said budget after a presentation by the County Engineer describing how the funds will be expended. In the event the Division of Transportation's funds are depleted to an amount that will jeopardize the daily operations of McDOT, the \$1,500,000 replacement budget will be revisited with County Administration and the County Board.

b. Capital Budget – Long Term

The philosophy of the County's Capital Improvement Plan (CIP) was changed in fiscal year 2016, removing it from the County's Financial Model to a stand-alone document that is to be reviewed and updated by the McHenry County Board at least on a biennial basis to ensure that it remains a valid roadmap to plan for and complete necessary capital projects. The CIP identifies projects that are expected to exceed \$100,000 in expenditure and have a useful life over five years. By this nature, a strategic approach to their scheduling, coordination, and financing is required to responsibly address those needs without adversely impacting operational budgets. Capital projects do not compete for operating dollars during the current budget process but are funded through the reserves of the fund or outside financing at the discretion of the County Board.

During the FY2021 Budget Process a Capital Projects Fund was set up to budget, track, and account for long-term capital projects. This fund is identified as Fund 400 – Capital Projects Fund in the Budget and the annual audited financial statements.

c. Building Costs

The Facilities Management Department 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. Note: *The County Board by State Statute is responsible for the assets of the organization and therefore, before any structural change to an asset, County Board approval is required.*

The McHenry County Capital Improvement Plan (CIP) identifies capital projects, facility improvements, asset preservation needs, anticipated equipment needs, modernization upgrades, and system improvements for a multi-year period and identifies options and strategies for funding. The term "Capital Improvement Projects" encompasses projects related to the County's physical assets and facilities along with acquisitions and operational enhancements that require a significant investment or capital outlay.

4. Contingency Fund

A General Fund contingency account with a minimum of \$300,000 (**R-200206-12-091**) will be designated for emergency expenditures during the year. Another contingency account with a minimum of \$10,000 (**R-200006-12-134**) will be designated to pay for unexpected vacation and compensatory payments as long term employees retire or leave County employment.

5. Contract Management

The County Board encourages each Elected Official and Department Head to utilize the expertise in the Procurement and Special Services Department when committing County funds to a contract. All contracts will be submitted to the Procurement and Special Services Department who will do a preliminary review to ensure compliance with the purchasing ordinance, and then at the discretion of the Director of Procurement and Special Services, may forward the contract to the State's Attorney's Office for their legal review. Upon approval by the Director of Procurement and Special Services or State's Attorney's office, the Procurement and Special Services Department will notify the requesting department that the contract is good and that a resolution (if over \$30,000) should now be submitted to the Liaison Committee and County Board for approval. Please see the County's revised Purchasing Ordinance (O-202310-06-062) for further clarification on Resolutions required for the \$30,000 threshold. Upon approval of the contract or resolution (if required), the Procurement and Special Services 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 Procurement and Special Services. Once the completed contract is received, the Procurement and Special Services Department will image the contract, submit the original to the County Clerk, and send copies to the requesting Department and the County Auditor.

6. Depreciation

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

7. EEO-Affirmative Action

The County Board set a policy (**O-200611-09-107**) that all vendors doing greater than \$30,000 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.

8. Elected Officials and Appointed Boards

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 annual budget process and or wage and grade compensation policy. (**R-200506-12-160**)

9. Salaries & Compensation

a. Elected Officials' Salaries

The setting of salaries for the new terms of Elected Officials must be completed during the budget process in the fiscal year before 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 Finance and Audit Committee, and the Full County Board (**R-200206-12-091**).

b. 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 for more detailed instructions on Employee Wages & Compensation System.

Hiring Range	Approvals
Grade Floor	Department Head

Grade Floor to 1 st Quartile	Human Resources Director
1 st Quartile to Midpoint	County Administrator
Over Midpoint/Market	County Board or in limited circumstances County Administrator, and such hires must be reported to Administrative Services Committee at the next scheduled meeting

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 exceeds 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.

The 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 before the change taking place.

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 September, October, November, and December. This change was effective starting in 2006.

10. 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.

a. Pre-Encumbrance

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

(NOTE: Item is covered in the Fund Balance Policy)

11. Fiscal Year

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

12. 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.

13. Investment

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

14. Merit Increases

The Finance & Audit 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

Employees who have notified their department head of their intent to leave the organization within the first two weeks of the new fiscal year will not be eligible for the merit award.

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.

15. 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.

16. 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.

17. Purchase of Government Surplus

Purchases of government surplus (military vehicles, weapons, etc.) require the approval of the County Board before the purchase if additional costs will be incurred to the County's budget for maintenance, fuel, liability insurance, vehicle insurance, asset tracking, storage, training (on how to use the equipment), or if employee costs are incurred to retrieve such items.

18. Purchasing

All items with an expected value of \$30,000 or greater must be competitively bid (O-202310-06-062) 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 \$30,000 (O-202310-06-062) as long as the item was included in the appropriated budget and procedures that are described in the Purchasing Ordinance (O-202310-06-062) are followed. Individual items that equal or exceed \$30,000.00 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. Purchases (general supply or capital) to be charged to the prior annual budget must be physically on-site by November 30 to be expensed in the current fiscal year. Items acquired after these cutoff dates will be charged to the subsequent year department's 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**).

19. 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.

20. Risk Management

The County has an established program for unemployment, liability, and workers' compensation. To forecast expenditures, the County considers claims, retention levels, fixed costs, and fund reserves. All departments that 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, Chairman of the Board, Chief Financial Officer, Risk Manager, and then be processed through the normal committee procedures.

21. Salaries and Fringe Benefits

The Chief Financial Officer 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**).

22. Service Enhancements

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

23. 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.

24. Supplemental Requests

Department Heads will discuss their supplemental requests during their meeting with the County Administrator, Chairman of the Board, and Chief Financial Officer. A ranking of importance by the department for each request will be noted and compiled into an overall county listing. The County Administrator with the assistance of the Chief Financial Officer 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 a Committee of the Whole (COW) for review, discussion, and approval. Once consensus has been achieved, 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 before final approval.

Historically all increases to the prior year budget were considered supplemental requests. In FY2024, to address high inflation, an amount was included in the Non-Departmental budget to cover unknown increases due to inflation. This will continue in FY2025 and will include but not be limited to: fuel, mechanical equipment replacement parts and utilities. This amount will be presented to Finance and Audit Committee for review during the Non-Departmental budget presentation. As departments need budget throughout the year for the specified expenses, budget will be moved to that department so invoices can be paid. No resolution will be required for this transfer, but a summary of the transfers will be provide to Finance and Audit Committee at their monthly meetings.

25. 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.

26. 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 determine 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.

27. Vehicle Replacement

Before 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.

28. 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.

a. 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.

b. BUDGET FORMAT

The budget document is organized into the following sections:

- **Transmittal Letter:** The County Administrator and Chairman of the Board develop 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 the standing 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 and fund, arranged by department. Each department budget includes an organizational chart and a

summary of full time equivalent positions. Accomplishments achieved in the current budget year along with 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 department and the program(s) they are providing, including function descriptions, an organization chart, a summary of full-time equivalents, and the actual statute of mandated services.
- The current year's accomplishments for the department are presented to summarize specific areas of concentration.
- The highlights and goals for each program in the new budget address the specific activities of the programs.
- 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.

c. BUDGET DEVELOPMENT PROCESS

The specific recommended steps taken to prepare the Annual Budget are as follows:

County Board approves Current Year's Budget Policy	May April
Budget preparation materials are distributed to departments	May – June
Departments submit all required budget documents to Finance	June - August
Review Master Schedule of User Fees & Charges	May – June
Review Financial Policies	May – June
Departments submit revenue and expense budgets	May – June
County Administration reviews all preliminary budgets with Departments	June – August
Finance & Audit Committee Recommends Performance Pay Adjustment for Non-union Employees	July – August
Standing Committees conduct public hearings on department budgets	July – August
Preliminary Budget presented to Finance and Audit	August - September
Preliminary Budget presented to County Board	August – September
County Board makes budget cuts (if needed)	August – September
Truth-in-Taxation Hearing (if needed)	August – September
FY202 56 Budget Review	September 26, 2024
County Board places a balanced draft budget on public display	October
County Board adopts the appropriation and tax levy ordinance/budget	November

d. BUDGET AMENDMENT PROCESS

The adopted budget may be adjusted in the following way:

- All departments must submit a required budget adjustment form (can be accessed through the County intranet) to the County Administrator, Chairman of the Board along with the Chief Financial Officer to provide an accounting record of the requested budget change before a resolution being presented to the committees and the full County Board for approval.

- The County Board must approve all transfers of budgets 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).
- Supplemental (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.
- The County Board has approved encumbrance accounting, which means that in the budget and appropriation process, purchase orders are recorded 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 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 January.
- The following standards will apply to outstanding Purchase Orders (POs) and General Budget Reservations (GBRs)
 - POs and GBRs under \$3,000.00 without a project attached to them, will not be carried over as an outstanding encumbrance
 - POs and GBRs over \$3,000.00 without a project will require Department Head approval and justification as to the reason for PO\GBR to be carried over; otherwise, the PO\GBR will not be carried over
 - POs and GBRs over \$3,000.00 with a multi-year project\contract assigned to it will be carried over as an outstanding encumbrance unless the Department Head requests for the PO\GBR to be canceled

29. 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.

a. 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).

b. 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.

- i. **Enterprise Fund:** An Enterprise Fund is used to account for operations, which are financed primarily by user charges. McHenry County uses two enterprise funds, one for the County-owned and operated nursing home (**O-9611-1200-98**) and the Emergency Telephone Systems Board (E-911) (**O-200211-12-088**).
- ii. **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. The County has one Internal Service Fund.

c. **Fiduciary Funds**

Fiduciary Funds are used to account for funds belonging to other organizations outside the County. The following are types of Fiduciary Funds:

- i. **Private Trust Funds:** are used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefits) trust funds or investment trust funds and (b) are held in a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients following the benefit terms, and (c) legally protected from the creditors of the government. The County does not have any Private Trust Funds.
- ii. **Pension & OPEB Trust Funds:** Pension & OPEB Funds are used to report pension plans and OPEB plans held in trusts. The County does not have any Pension & OPEB Trust Funds.
- iii. **Investment Trust Funds:** Investment Trust Funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.
- iv. **Agency Funds:** An agency fund is an assemblage of funds that one government agency holds on behalf of another government agency. The County currently budgets and/or accounts for 8 Agency Funds.

d. **Component Units**

A governmental component unit is a legally separate organization for which the elected officials of the primary government (County) are financially accountable. The County currently accounts for one Component Unit:

McHenry County Conservation District (Discretely Presented Component Unit)

Exhibit A – Fund Type in Relation to Budget Policy Requirements

Fund Type	Reporting Entity	Voting Rights	Financial Accountability	Budget Discussion	Budget Presentation
Governmental Funds					
General Fund	Primary Government	County Board	County Board	Administration\Finance	Liaison Committee or Finance & Audit Committee>County Board
Special Revenue Funds	Primary Government	Voting Majority Appointed by County Board	Appointed Board (Primary); County Board (Secondary)	Administration\Finance	Liaison Committee or Finance & Audit Committee>County Board
Debt Service Funds	Primary Government	County Board	County Board	Administration\Finance	Finance & Audit Committee>County Board
Capital Projects Funds	Primary Government	County Board	County Board	Administration\Finance	Liaison Committee or Finance & Audit Committee>County Board
Permanent Funds	Primary Government	County Board	County Board	Administration\Finance	Finance & Audit Committee>County Board
Proprietary Funds					
Enterprise Funds	Primary Government	Voting Majority Appointed by County Board	Appointed Board (Primary); County Board (Secondary)	Administration\Finance	Liaison Committee or Finance & Audit Committee>County Board
Internal Service Funds	Primary Government	County Board	Appointed Board (Primary); County Board (Secondary)	Administration\Finance	Liaison Committee or Finance & Audit Committee>County Board
Fiduciary Funds					
Private Purpose Trust Funds	Primary Government	N\A	Private Board (Primary); County Board (Secondary)	N\A	Finance & Audit Committee>County Board
Pension & OPEB Trust Funds	Primary Government	N\A	Pension Board (Primary); County Board (Secondary)	N\A	Finance & Audit Committee>County Board
Investment Trust Funds	Primary Government	N\A	Investment Board (Primary); County Board (Secondary)	N\A	Finance & Audit Committee>County Board
Agency Funds	Primary Government	N\A	Elected Board/Official (Primary); County Board (Secondary)	N\A	Finance & Audit Committee>County Board
Component Units					
Discretely Presented	Primary Government	Voting Majority Appointed by County Board	Appointed/Elected Board (Primary); County Board (Secondary)	N\A	County Board
Blended Component Unit	Component Unit	County Board	Appointed/Elected Board (Primary); County Board (Secondary)	Administration\Finance	Finance & Audit Committee>County Board

Exhibit B – List of Funds & Classifications

MAJOR FUNDS

Fund 100	General Fund – Operating Fund of the County, use to account for and report all financial resources not accounted for and reported in another fund. Dept. 05 - Supervisor of Assessments Dept. 06 - Purchasing Dept. 07 - County Board Chairman Dept. 09 - Human Resources Dept. 10 - Planning and Development Dept. 11 - County Auditor Dept. 12 - County Board & Liquor Commission Dept. 14 - County Clerk Dept. 15 - County Recorder Dept. 16 - Facility Management Dept. 17 - County Treasurer Dept. 18 – County Administration Dept. 20 - Information Technology Dept. 21 - Educational Service Region Dept. 28 - Merit Commission Dept. 31 - County Coroner Dept. 32 - County Sheriff Dept. 34 - Emergency Management Agency Dept. 41 - Clerk of the Circuit Court Dept. 42 - Circuit Court Dept. 43 - Court Services Dept. 44 - Public Defender Dept. 45 - States Attorney Dept. 51 - McHenry County Public Health Dept. 52 - McHenry County Public Health - Tuberculosis Care and Treatment Dept. 90 - Non-Departmental - Operations Dept. 99 - Non-Departmental – Benefits/Debt Service
Fund 201	Illinois Municipal Retirement Fund – Accounts for the liability and funding of the employee pension program. Dept. 99 – Non-Department
Fund 211	Mental Health Fund – Special Revenue Fund created for planning and funding mental health, developmental disability, and substance abuse services. Dept. 25 - Mental Health
Fund 221	American Rescue Plan Act Fund (ARPA) – Special Revenue Fund created for tracking ARPA distributions and internal spending. Dept. 90 – Non-Department

MAJOR FUNDS - ENTERPRISE

Fund 800	Valley Hi Nursing Home Fund – Enterprise Fund created for the purpose of constructing, maintaining, and operating a nursing home facility. Dept. 61 – Valley Hi Nursing Home
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NON-MAJOR – SPECIAL REVENUE

Fund 202	Social Security Fund – Mandated by law, accounts for the employer contribution on Social Security and Medicare Dept. 99 – Non-Departmental
Fund 203	Insurance Loss Fund - Accounts for the Professional and Liability Insurance programs of the County. Covers the cost of litigation brought against the County. Property Tax Levy Fund. Dept. 19 – County Administration/Risk Management
Fund 205	McHenry County Highway Fund – Special Revenue Fund for the purpose of improving, maintaining, repairing, constructing and reconstructing the County Highways, and for the payment of land, quarries, pits, or other deposits of road material, and for acquiring and maintaining machinery and equipment, maintaining, operating or constructing buildings for housing highways offices. Dept. 82 – McHenry County Division of Transportation
Fund 206	County Matching Fund – Provides funds to pay the County's portion of construction or maintenance of highways on the Federal-Aid-Highway network. Restricted for types of use. Dept. 82 – McHenry County Division of Transportation
Fund 207	County Bridge Fund – to be utilized to meet one-half the cost of bridge, culvert and drainage structure projects with a road district furnishing the remaining one-half, or other joint bridge projects with any other highway authority through mutual agreements. Dept. 82 – McHenry County Division of Transportation
Fund 208	Veterans Assistance Commission Fund – Created to provide and coordinate services and assistance to help eligible veterans and/or their families overcome obstacles and become independent. Dept. 22 – Veterans Assistance Commission
Fund 209	Senior Services Fund – Created upon approval of a tax referendum approved by the citizens of the County for the care of the elderly population within the County. Funds are restricted in use for care and programs to the elderly. Dept. 23 – Senior Services Grant Commission
Fund 220	Opioid Settlement Fund - Track disbursements from opioid settlement. Dept. 90 - Non-Departmental
Fund 222	Joint Training Facility Fund - Track dues and expenses for all member agencies. Dept. 33 - Joint Training and Firing Range
Fund 230	County Clerk Automation Fund – Funded by fees charged for certified copies of vital records for the sole purpose of defraying the cost of automating a document storage system. Dept. 14 –County Clerk
Fund 231	County Clerk Registry Automation Fund – Through fees charged on the redemption of property taxes, this fund is for automating the tax redemption process. Dept. 14 –County Clerk
Fund 232	County Recorder Automation Fund – Created for the purpose in automating the duties of the Recorder's office and providing electronic access to recorded documents. Funded by fees on recordings.

Dept. 15 – County Recorder

NON-MAJOR – SPECIAL REVENUE

Fund 233	County Treasurer Automation Fund – Created per 35 ILCS 200/21-245 of the Property Tax Code to assess a fee from the purchaser of delinquent taxes for automating property tax collections, and defraying the cost of providing electronic access to property tax collection records. Dept. 17 – County Treasurer
Fund 234	Geographic Information Systems – Accounts for fees collected on the recording of legal documents to be used for the purpose of developing and maintaining a geographic information system for McHenry County. Dept. 65 - GIS
Fund 260	McHenry County Dept of Transportation RTA Sales Tax Project Fund – Funds are committed for special Transportation Projects. Dept. 82 – McHenry County Division of Transportation
Fund 261	Motor Fuel Tax Fund – Accounts for the allotment of the State Motor Fuel Tax distributed on the basis of vehicle registration fees. Restricted for types of use. Dept. 82 – McHenry County Division of Transportation
Fund 262	County Option Motor Fuel Tax – Imposed by the County of McHenry for the purposes of operating, constructing and improving public highways and waterways, and acquiring real property and right-of-ways for public highways and waterways within the County. Restricted for types of use. Dept. 82 – McHenry County Division of Transportation
Fund 290	Community Development Block Grant Fund – Accounts for receipt and expenditures of the HUD program funding. The County is designated by the U.S. Department of Housing & Urban Development as an "Urban County". Dept. 10 – Planning & Development
Fund 291	Illinois Criminal Justice Authority Fund – Created to financially assist local law enforcement agencies in controlling the sales and use of illegal drugs and drug offenders. Dept. 45 – McHenry County State's Attorney
Fund 292	McHenry County Workforce Network Fund – Accounts for Federally Funded program dollars for the retraining and developing of unemployed/employed workforce in McHenry County. Dept. 26 – Workforce Network
Fund 300	County Treasurer Passport Services Fund – Funded by fees allowed for the processing of passport applications for the US Department of State. Dept. 17 – County Treasurer
Fund 301	Expedited Permit Fund – Established to account for special fees charged to applicants who desire to have their permit review expedited. This fee offsets the cost of the engineering firm providing the service. Dept. 10 – Planning & Development
Fund 302	Economic Development Fund – Promote economic growth and job creation in McHenry County. Dept. 19 – County Administration/Risk Management

Fund 303 **Coroner's Fund** – Accounts for all fees collected in the normal operating duties of the Coroner to be used solely for the purchase of electronic and forensic identification equipment or other related supplies and the operating expenses of the Coroner's office.
Dept. 31 – County Coroner

NON-MAJOR – SPECIAL REVENUE

Fund 350 **DUI Conviction Fund** – Accounts for fines imposed by the Courts on DUI Convictions. Funds can only be used for the procurement of law enforcement equipment that will assist in the prevention of alcohol related criminal violence.

Dept. 32 – McHenry County Sheriff

Fund 360 **Inmate Welfare Fund** – Created to account for the profits made through commissary sales to inmates. Funds must be used to offset other needs for inmates.

Dept. 32 – McHenry County Sheriff

Fund 370 **Maintenance & Child Support Collection Fund** – Accounts for fees collected and expended for maintaining child support records and recording payments collected by the State Disbursement Unit.

Dept. 41 – Circuit Clerk of Courts

Fund 371 **Circuit Court Document Storage Fund** – Funded by fees collected on all court cases for the purpose of establishing and maintaining a document storage system and to convert the records of the circuit clerk to electronic storage.

Dept. 41 – Circuit Clerk of Courts

Fund 372 **Circuit Court Automation Fund** – Created to establish and maintain an automated record keeping system in the office of the circuit clerk. Funded by fees collected on all court cases.

Dept. 41 – Circuit Clerk of Courts

Fund 373 **Circuit Clerk Operating & Administration Fund** – Funded by fees collected to offset the costs incurred by the Circuit Court Clerk in performing the additional duties required to collect and disburse funds to entities of state and local governments.

Dept. 41 – Circuit Clerk of Courts

Fund 374 **Circuit Clerk Electronic Citation Fund** – Provides funding through fees collected to offset the costs incurred for establishing and maintaining electronic citations.

Dept. 41 – Circuit Clerk of Courts

Fund 375 **Law Library Fund** – Funded by fees as prescribed and set by Senate Bill 0103. Under the direction of the Court Administrator, provides access to necessary legal information to attorneys and self-represented litigants.

Dept. 42 – Court Administration

Fund 376 **Special Courts Fund** – Mandated by State Statute (Mental Health & Drug Courts) and is funded by fees assessed through the Courts to cover the costs of the programs.

Dept. 42 – Court Administration

Fund 377 **Probation Service Fee Fund** – Created for the purpose of collecting fees on persons sentenced to probation as ordered by the court in order to provide and/or support programs for the offenders under the supervision of Court Services and Probation.

Dept. 43 – Court Services

Fund 379 **State's Attorney Records Automation Fund** – Created for the purpose of offsetting the expenses of record keeping. Funded through fees paid by the defendant on a judgment of guilty.
Dept. 45 – McHenry County State's Attorney

Fund 380 **Public Defender's Records Automation Fund** – Created for the purpose of offsetting the expenses of record keeping. Funded through fees paid by the defendant on a judgment of guilty.
Dept. 44 – Public Defender

NON-MAJOR – SPECIAL REVENUE

Fund 390 **Veterans Assist. Commission Bus Fund** – Created to accept donations towards the purchase of new vehicles for the VAC.
Dept. 22 – Veterans Assistance Commission

Fund 391 **Animal Shelter Fund** – Created to account for donations received for the care of abandoned animals. Funds are used to purchase special diets, treats and other items deemed necessary.
Dept. 51 – McHenry County Public Health

Fund 392 **Health Scholarship Fund** – Created to account for donations given to be used to promote employee learning in the area of public health.
Dept. 51 – McHenry County Public Health

Fund 400 **Capital Projects Fund** - Created during FY2021 budget to more accurately account for long range capital funding and expenditures
Dept. 99 – Non-Departmental

NON-MAJOR FUNDS – DEBIT SERVICE

County has no debt as of FY2024 - These funds shown for history only

Fund 507 **Series 2012-B Debt Certificates** – Created Per Ordinance to account for the debt issuance payments and earnings.
Dept. 99 – Non Departmental

Fund 508 **Series 2015 Debt Certificates** – Created per Ordinance to account for the debt issuance payments and earnings.
Dept. 99 – Non-Departmental

NON-MAJOR FUNDS – ENTERPRISE FUND

Fund 801 **Emergency Telephone Systems Board Fund** – Accounts for the revenues and expenditures incurred by the ETSB Board. Funds are generated by a surcharge on all telephone bills.
Dept. 29 – E-911

NON-MAJOR FUNDS – INTERNAL SERVICE FUND

Fund 850 **Employee Benefit Fund** – Created to account for the cost of employee benefits (Health Insurance, Employee Assistance Program, and Wellness. Funds are transferred in by the using departments and employee contributions through payroll.
Dept. 08 – Employee Benefits