

# Kane County Financial Policies

Amended February 8, 2022

## Initially Adopted by Resolution 99-30

Amended by Resolutions 01-68, 02-65, 02-105, 07-53, 08-278, 10-264, 10-304, 11-132, 11-353, 12-253, 13-180, 14-52, 14-104, 15-278, 16-260, 16-355, 16-392, 17-30, 17-281, 18-254, 19-11, 19-363, 22-21, 22-52, 22-67

### 1. Operating Budget Policies

#### a) Balanced Budget by Fund

It shall be the intent of the County to place basic budgetary constraints on each fund to ensure the County does not spend beyond its means. At a minimum, resources for operating purposes should not exceed available resources over a defined budget period. In addition, the County should maintain structural balance between operating expenditures and operating revenues over the long term, not just during the current operating period.

#### b) Multi-Year Projections by Fund

It shall be the intent of the County to perform multi-year budget projections by fund to ensure the County prepares a future financial plan. The County shall use a five-year operating budget computer model to project revenues and expenditures by fund. This model will assist in assessment of long-term financial policies, programs, and assumptions and will assist in the development of strategies to achieve the goals of the County. At the end of each fiscal year, the model will be updated to reflect actual data replacing projected data for that fiscal year.

#### c) Preparation of Program Budget

It shall be the intent of the County to prepare a program budget for certain departments that the Finance/Budget Committee deems appropriate. The program budget will be developed to include program descriptions and goals, and objectives specific to each program.

#### d) It shall be the intent of the County to identify and allocate the direct costs of all programs. Direct costs shall include, but not be limited to, utilities, such as gas, electric, water, and telephone, printing, janitorial services, supplies, and fleet management. Direct costs will be charged to all Special Revenue Funds unless otherwise directed by the Finance/Budget Committee. The identification and allocation of direct costs shall be submitted to the Finance Department by the appropriate department (e.g., Information Technologies) and updated annually for the Board.

#### e) Timetable

It shall be the intent of the County to publish a budget calendar that specifies when budget tasks are to be completed and that identifies timelines for those tasks. The calendar will list the dates of key events and deadlines. The process for the County shall begin no later than March 31 and will end no later than mid-November.

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f) Earmarked Funds

It shall be the intent of the County to budget earmarked funds (e.g. MFT) in a separate fund for each funding source. This fund shall be self-balancing in that operating revenues will equal operating expenditures. These earmarked funds will only be used for those expenditures explicitly outlined in statute or by County resolution.

g) Enterprise Funds

It shall be the intent of the County to budget enterprise funds in a separate fund for each funding source. Enterprise funds will be recorded on an accrual basis. The Enterprise General Fund is unrestricted and shall be used for capital items only. The Enterprise Surcharge Fund is restricted for environmental purposes only.

h) Departmental Personnel Levels

It shall be the intent of the County to control personnel levels on a departmental level. Any increase in personnel levels within a County department must be approved by the standing committee to which the department head reports, the Finance/Budget Committee, and the County Board. The Human Resource Department shall provide the Human Services Committee, on a monthly basis, a report, summarized by department, of hires and terminations that occurred within the month.

i) Use of one-time revenues

It shall be the intent of the County to disallow the use of one-time revenues for ongoing expenditures due to potentially disruptive effects on services that is caused by the non-recurrent nature of these resources. Allowable uses for one-time revenues deposited in the General Fund must be approved by the County Board on a case-by-case basis.

j) New or unanticipated revenues

It shall be the intent of the County to review the use of new or unanticipated revenues on a case-by-case basis. It is also the intent of the county to have all grant funds received by the County Treasurer's office so that these funds may be properly allocated to the correct fund and entered into the county's financial system. Exceptions to this policy must be approved by the Finance/Budget Committee.

k) Appropriation ordinance

It shall be the intent of the County to adopt an appropriation ordinance at the November County Board meeting prior to the new fiscal year beginning. The budget shall be made available to the public for at least fifteen (15) days prior to action by the Board. This ordinance must be approved by the County Board before it is adopted.

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l) Amendments to the Budget Ordinance

It shall be the intent of the County to adopt amendments to the Budget Ordinance as deemed necessary by the County Board. All requested budget amendments must be brought to the Finance/Budget Committee for approval.

m) Budgetary Transfers

It shall be the intent of the County to approve budgetary transfers under the discretion of the County Board on a case-by-case basis. The department requesting the budgetary transfer must identify the sources and uses of funds. Budgetary transfers between the following line item categories may only be made if approved by the County Board: personnel to/from non-personnel and capital to/from operating.

n) Interfund Loans

It shall be the intent of the County to have all interfund loans reported to the Finance/Budget Committee on a monthly basis. It is not the intent of the County to charge interest on interfund loans.

o) Budget Overage Policy

Pursuant to state law, the County Board is responsible for establishing the budget for all County departments and offices.

All department heads and elected officials are required to stay within the budget appropriated for the fiscal year for his/her department within a specific fund. A department within a specific fund is represented by the second group of numbers in the New World System's chart of account (XXX.XXX.XXX.XXXXX or fund.department.sub-department.account).

The department head or elected official shall notify the Finance Director as soon as he/she anticipates that expenditures for the fiscal year will exceed the amount budgeted by the County Board. In addition, the Finance Director shall review all budgets by department, on a monthly basis, to determine if expenditures are likely to exceed the amount budgeted by the County Board by the end of the year. If the Finance Director makes such determination that expenditures are likely to exceed the amount budgeted by the County Board, the Finance Director will notify, in writing, the appropriate department head and/or elected official, along with the Finance Committee, of the projected expenditures in excess of budgeted amount.

Once it is projected that expenditures are likely to exceed the amount budgeted by the County Board, the department head or elected official must determine how to stay within the budget for the fiscal year. The department head or elected official may request a supplemental budget amount be added to his/her budget. The department head or elected official may also request a budget transfer between sub-departments within the same fund as long as money is projected to be available in another sub-department budget. The Finance Director shall determine, with the

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assistance of the department head or elected official, if money is projected to be available in another sub-department budget.

The department head or elected official shall present the supplemental budget request and/or the budget transfer request to the Finance Director for informational purposes. The Finance Director shall assist the department head or elected official in preparing a supplemental budget request and/or budget transfer for presentation to the appropriate committee. The department head or elected official shall then present the request and/or transfer to his/her own committee for approval. If approved by such committee, the request and/or transfer shall be presented to the Finance Committee for approval. If approved, the request and/or transfer would go to Executive Committee and then the County Board for final approval.

If a supplemental budget request and/or budget transfer is not approved, the department head or elected official is not authorized to spend in excess of his/her department budget in a specific fund. Also, the department head or elected official shall present an action plan to the Finance Committee for staying within budget for the fiscal year.

In the event actual expenditures from any department budget in a specific fund of any County department or office equals the amount budgeted for the fiscal year, no further expenditures may be incurred or paid unless authorized by the County Board as set forth herein. This policy shall apply to all expenditures, including payroll and other expenditures.

## p) Use of Budgetary Savings Created by Vacancies

It shall be the intent of the County Board to ensure that savings created by vacancies shall be used in accordance with the purpose of the budget. Budgetary savings created by a vacancy may therefore be used to compensate remaining employees for temporarily working additional hours and/or for assuming a greater level of responsibility due to the vacancy, and/or to engage the services of a temporary contract employee to perform the duties of the vacated position.

Budgetary savings created by the filling of a vacancy at a lower than budgeted wage or salary rate for the vacated position may be used with the approval of the department head and standing committee chair to adjust the compensation for other positions within the department budget for which job descriptions have been revised to reflect increased job responsibilities and/or level of required expertise. The revised job description must be submitted to the Human Resource Department with the requested salary/wage adjustment.

It shall be the intent of the Board that the total annualized salaries and wages of all positions (both filled and vacant) within a department or office shall not exceed the annual salary and wage budget for the department or office.

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## 2. Reserve Policies

### a) Objectives by fund

It shall be the intent of the County to set objectives for the Corporate, Enterprise Surcharge and Enterprise General Funds with regard to reserve policies. The County shall set reserves at a minimum of 3 months operating expenditures in the Corporate Fund. The Enterprise Surcharge Fund will have a minimum fund balance of \$3 million each year.

### b) Phasing out the use of the Enterprise Surcharge Fund for environmental and environmental prosecution expenditures

The Settler's Hill Landfill was closed in 2006 and the County is no longer receiving related landfill revenues in the Enterprise Surcharge Fund. Therefore, it shall be the intent of the County to phase out the use of the Enterprise Surcharge Fund for environmental and environmental prosecution expenditures and look for alternative revenue sources.

### c) Contingency accounts by fund

It shall be the intent of the County to set up a contingency account in the General Fund for operating expenditures. The County shall allow the contingency account to be set at a minimum of 2% of total operating expenditures, not to exceed funds for one year of expenditures. In the event of declining Equalized Assessed Valuation (EAV), the Finance Committee may recommend lowering the contingency account to an amount less than the 2% minimum requirement. Any recommendation made by the Finance Committee that is less than 2% of total operating expenditures must be brought to the full County Board for approval.

### d) Guidelines for capital expenditure set-asides

It shall be the intent of the County to allow unbudgeted or one-time revenue sources to be set aside as capital expenditure funds for unforeseen expenditures.

### e) Year-end Encumbrances & Continuing Appropriations

It shall be the intent of the County to transfer all unencumbered (those amounts not committed by purchase order) department account balances in the General Fund to the General Fund balance at the end of the fiscal year (November 30). All unencumbered balances in Special Revenues funds are transferred from the operating fund line items to their respective Fund's fund balance. Exceptions to this rule are continuing appropriations that will be approved on a case-by-case basis. Funds budgeted for capital expenditures will lapse for multi-phased projects, but will not lapse for one-time purchases as long as the funds have been committed by a purchase order or contract.

### f) Special Reserve Fund

It shall be the intent of the County to establish a Special Reserve Fund in which funds may be set aside for specific future budgeted expenditures. The funds within the Special Reserve Fund may only be used for the specific purpose(s) for which they were reserved.

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The Special Reserve Fund may only be accessed with the advice and consent of the Finance/Budget Committee and Executive Committee, and with approval of the County Board through the normal budgeting and appropriations process.

g) Emergency Reserve Fund

It shall be the intent of the County to establish an Emergency Reserve Fund in which funds may be set aside for an unbudgeted emergency expenditure or shortfall in General Fund Other Tax Revenue (sales tax, local use tax, income tax, personal property replacement tax) resulting from a severe economic event. In order to protect this Emergency Reserve, one of the following conditions must be met before accessing this fund may be considered: The emergency expenditure must be greater than 10% of the General Fund Contingency, and/or the shortfall in General Fund Other Tax Revenue must be greater than 1% of the General Fund Other Tax Revenue budget. If one or more of these conditions are met, the Emergency Reserve Fund may be accessed with the advice and consent of the Finance/Budget Committee and Executive Committee, and with approval of the County Board.

h) Property Tax Freeze Protection Fund

It shall be the intent of the County to establish a Property Tax Freeze Protection Fund in which funds may be set aside to be drawn upon in the future in lieu of a property tax levy increase. The Property Tax Freeze Protection Fund may only be accessed with the advice and consent of the Finance/Budget Committee and Executive Committee, and with approval of the County Board through the normal budgeting and appropriations process.

### 3. Accounting, Auditing & Financial Reporting Policies

a) It shall be the intent of the County to maintain a self-balancing set of accounts on an on-going basis to be closed monthly. The general ledger will be closed by the Finance department no later than 30 days after month end. The books shall remain open 60 days after the fiscal year end. The Finance department will provide monthly reporting to the Board that includes, at a minimum, the following reports:

- SUMMARY OF CASH RECEIPTS
- CASH BALANCES BY FUND
- BUDGET TO ACTUAL INCLUDING VARIANCE ANALYSIS

b) It shall be the intent of the County to maintain a program of internal controls to safeguard all assets and ensure effective and efficient use of all assets. It shall be the responsibility of the Finance department to establish a formal set of “best practice” internal controls. In addition, the County Auditor shall ensure that all departments comply with those controls. It shall also be the intent for the independent auditor to review the system of internal controls and report any weaknesses detected to the Board as part of the annual audit.

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- c) It shall be the intent of the County to utilize fund accounting principles and general accepted accounting practices in the recording of all financial transactions. The general ledger shall be maintained on a cash basis, with the intent to move to an accrual basis.
- d) It shall be the intent of the County to prepare annually a Comprehensive Annual Financial Report (CAFR) to be presented to the Board no later than 180 days after year-end. The CAFR should be audited by an independent CPA firm experienced in governmental auditing. It shall be the further intent of the County to present its CAFR to the Government Finance Officers Association to receive the Certificate of Excellence award in financial reporting. If at any time the County will not receive an unqualified opinion from the CPA firm, the CPA firm and the Finance Director will notify the Board prior to the issuance of the report.
- e) It shall be the intent of the County to maintain a fixed asset ledger of all permanent assets acquired. The Finance department will maintain these asset records on an on-going basis to ensure proper controls and report annually regarding these records to the Board. No asset will be considered fixed unless its value or component value exceeds \$10,000 dollars. Depreciation will be charged on all fixed assets. This policy is consistent with the requirements of GASB #34. Depreciation will be recorded on a straight-line basis over the normal useful life of the asset. It shall be the Information Technology Department's responsibility to maintain an inventory of all computer equipment within their custody, including that which was provided to other departments. It shall be each department head's responsibility to maintain an inventory of all furniture and equipment within their custody having a cost basis more than \$500 and less than \$10,000, other than computer equipment included in the Information Technology Department's inventory.
- f) It shall be the intent of the County to manage all accounts receivable. Accounts receivable are created by operations in certain departments and offices. In general, they arise at the renewal of a permit or license from departments such as Health, Development or Transportation. The department or Office that is responsible for the billing is responsible for collections and managing the receivables. Consistent with good financial management, each department and Office will age their receivables, and report all unpaid receivables 90 days and over to the Finance Director on a monthly basis. Departments and Offices shall continue collection efforts. For accounts receivable 150 days and over past due, management shall consider using a collection agency. At no time can the collection fee exceed more than 50 percent of the amount due. Selection of a private collection agency must be done by competitive bid. The collection agency must also have at least five years of collection experience and provide three references from current clients.
- g) It shall be the intent of the County to require fiscal notation on all County Board ordinances and resolutions that have a financial impact to the County. All resolutions and ordinances that have a line item reference will be required to have a fiscal notation. The form of the notation shall be as follows:

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Line item	Line Item Description	Was personnel/item/service Approved in original budget or a subsequent Budget revision?	Are funds <u>currently</u> available for this personnel/item/service in the specified line item?	If funds are not currently available in the specified line item, where are the funds available?
XXX.XXX.XXX.XXXXX	E.g., Machinery & Equipment	Y/N- Did you include this item in your budget request?	Y/N- Are funds available in the specific line item?	If not in the specified line item, list line item and line item description where funds are available

- h) It shall be intent of the County to require all departments and offices to prepare mid-year revenue and expenditure projections. The projections will be sent to the Finance Director and presented by the Finance Director to the Finance/Budget Committee. If a department or office anticipates a budget overage by year-end, and has not yet reported this overage to the Finance Director and Finance/Budget Committee, that department or office will be required to report the overage to the Finance/Budget Committee.
  
- i) It is the intent of the County to comply with the modified accrual basis of accounting, in which revenues are recorded when they are both measurable and available. In general, revenues are considered available if they are collected within 60 days of the fiscal year end. However, in order to avoid wide fluctuations in revenue from year to year as a result of timing of revenue collections from the State of Illinois, in the case of salary reimbursements from the State of Illinois, the full amount of the salary reimbursement receivable may be recorded as revenue in the fiscal period in which the salary expense was incurred without regard to when the revenue is actually collected. However, the revenue accrual must be reversed no later than November 30th of the following fiscal year.

## 4. Revenue & Collection Policies

- a) It shall be the intent of the County to create an estimated annual revenue projection by fund. The Finance department will create the annual estimate as part of the budget process to be presented to the Board. The revenue projection will present last year's estimate and actual results to date. The Finance department will maintain (on a monthly basis) a comparison of estimates versus actual results. The Tax Extender will perform an annual analysis of the real estate tax levy to ensure the levy is within compliance with all tax cap and internal policies.
  
- b) It shall be the intent of the County to have the Finance department present an analysis of all user fees by program, department, and fund. The analysis shall include a comparison of program and department fee structures, including specific dates of fee increases and related cost. The Finance department shall make recommendations to the subcommittee for each program on potential increases to user fees. It is the intent to have programs supported by user fees remain self-sufficient and increase user fees to recoup related costs.

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- c) It shall be the intent of the County to deposit all funds collected during the month by all departments at all collection locations no later than 2 business days following the end of the month. Cash receipts totaling \$1,000 or more must be deposited within 2 business days of receipt. Cash receipts totaling less than \$1,000 must be deposited within 2 weeks, but no later than 2 business days following the end of the month in which it was collected. All cash receipts will be recorded in an original book of record daily and in the general ledger within 1 business day of deposit. The Finance department will reconcile all cash receipts to the general ledger and all bank activity monthly.

## 5. Capital Improvement Policies

- a) Multi-year Capital Improvement Program (CIP):

### *Scope, format, preparation, and update of CIP*

It is the intent of the County to prepare/update a five-year capital improvement program each year. This program will include policies and plans for acquisition, maintenance, replacement, and retirement of capital assets. Any capital improvements that require associated operating costs will be reflected in the Operating Budget as well as the CIP budget. This will be a separate document from the Operating Budget document, although both will be prepared simultaneously. A CIP Budget calendar will be prepared that will run concurrently with the Operating Budget calendar.

- b) Resources: Scope and funding sources

It is the intent of the County to use multiple funding sources as resources for Capital Improvement Program funding. Operating, special revenue, one-time revenues, and other “pay-as-you-go” resources should be used to fund the Capital Improvement Program. Debt (e.g. leasing, bonds) will be the last considered option. Potential resources will be identified and recommended by the Finance/Budget Committee to the County Board for approval.

- c) Spending priorities: New assets and asset replacement

It is the intent of the County to place spending priorities on new and replacement assets. The County shall use the AICPA guidelines with regard to replacement/maintenance of assets. The County shall require written justification for the request of a new asset.

## 6. Debt Management Policies

- a) Bond rating objectives

It is the intent of the County to achieve a AAA bond rating from Standard & Poor’s by meeting the Public Finance Criteria for earning a AAA rating as published on the Standard and Poor’s website. A summary of these criteria will be updated annually by the Finance Department.

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- b) Conditions/Restrictions/Limitations for debt issuance  
It is the intent of the County to issue debt only for long-term capital projects. In addition, the County prefers to issue only the following types of debt: (e.g. short-term, long-term, general obligation, revenue, fixed and variable rate, lease-backed).
- c) Debt service limitations  
It is the intent of the County to limit debt service payments to 5% of total operating funds expenditures.

## 7. Investment Policies

It is always prudent for any public unit to have an Investment Policy in place for the purpose of safe guarding funds, equitably distributing the investments and maximizing income of the governmental unit. The following policy is adopted for the Kane County Government, hereby referred to as Kane County.

- a) Scope of Investment Policy  
This Investment Policy applies to the investment activities of all funds under the jurisdiction of Kane County. This Investment Policy will also apply to any new funds or temporary funds placed under the jurisdiction of Kane County. The Illinois Compiled Statutes will take precedence except where this policy is more restrictive wherein this policy will take precedence.
- b) Availability  
A copy of this policy shall be made available to the public, upon request, in the Treasurer's office during normal business hours. The county board on an annual basis shall review this investment policy.
- c) Objectives  
The Purpose of this Investment Policy of Kane County is to establish cash management and investment guidelines for the stewardship of public funds under the jurisdiction of Kane County. The specific objectives of this investment policy will be as follows:
  1. Safety of principal.
  2. Diversity of investments to avoid unreasonable risks.
  3. The portfolio shall remain sufficiently liquid to meet all operating costs, which may be reasonably anticipated.
  4. The highest interest rate available will always be the objective of this policy combined with safety of principal, which is left to the discretion of the Kane County Treasurer, which includes whether or not Kane County will require collateralization of any deposits.
  5. In maintaining its investment portfolio, Kane County shall avoid any transaction that might impair public confidence in the Kane County Government.

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6. Kane County may give consideration to the financial institutions positive community involvement when consideration is given to the financial institution to be used as a depository.
7. All funds will be invested for a period of one day or longer, depending on the requirement for the disbursement of funds.
8. All funds shall be deposited within two working days at prevailing rates or better in accordance with Illinois Compiled Statutes.

d) Responsibility

All investment of funds under the control of the Kane County Treasurer is the direct responsibility of the Kane County Treasurer. The Kane County Treasurer shall be responsible for all transactions and shall establish a system of controls of the activities of all subordinates who are directly involved in the assistance of such investment activities.

e) Prudence

The standard of prudence to be used by investment officials shall be the "prudent person," and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for any individual securities credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion to the county board, and appropriate action is taken to control adverse developments.

f) Accounting

The Kane County Governmental Units shall record all investment transactions. A report will be generated, at least monthly, listing all active investments. Information regarding securities in portfolio by class or type, book value, interest earned and market value as of report date. This report will be made available to the Kane County Board.

g) Availability of Funds

The Treasurer has the option of requiring a three-business-day hold on disbursement requests of one hundred thousand dollars or more.

h) Financial Institutions

The Kane County Treasurer will have the sole responsibility to select which financial institutions will be depositories for Kane County Treasurer funds. Kane County will take into consideration security, size, location, condition, service, fees and may also give consideration to the community relation's involvement of the financial institution when choosing a financial institution.

At no time will Kane County's uncollateralized investment, in any fund, exceed 75% of the financial institution's capital and surplus.

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1. All financial institutions having any type of financial relationships: deposits, investment, loans, etc. are required to provide a complete and current "Call Report" required by their appropriate regulatory authority each calendar year within 30 days of the "Call" request date.
2. All governmental agencies listed below are required to provide to the Finance Director a list of all employees with signature authority and also provide a list of all bank accounts open on an annual basis.
3. All financial institutions accepting funds from the following governmental agencies are required to notify the Finance Director anytime an account is opened or closed by said agency:

Kane County Adult Corrections Complex, Kane County Animal Control, Aurora Election Commission, Kane County Board of Review, All Kane County Boards and Commissions, Kane County Building and Zoning Commission, Kane County Central Services, Kane County Community Services Division, Clerk of the Circuit Court, Kane County Coroner, Kane County Auditor, Kane County Clerk, Kane County Health Department, Kane County Historic Preservation Commission, Kane County Human Resources Department, Kane County Information Technologies Department, Kane County Jury Commission, Kane County Department of Employment and Education (KCDEE), Law Library, Kane County Liquor Commission, Kane County Office of Emergency Management, Kane County Public Defender's Office, Kane County Recorder, Kane County Regional Planning Commission, Kane County Sheriff, Kane County States Attorney, Kane County Transportation Division, Kane County Veterans Assistance Commission, Water Resource and Platting Division, Zoning Board of Appeals.

*Failure to comply may result in exclusion from participation in the Treasurer's investment and collection programs. All information supplied to the Treasurer will be forwarded (annually) to the internal/external Auditors and the Finance Director.*

i) Investment Vehicles

Kane County will use investments approved for governmental units as set forth in the most current issue of the Illinois Compiled Statutes 55 ILCS 5/3-11006. The Kane County Board, when requested by the County Treasurer, shall designate one or more banks or other financial institutions in which the funds and other public moneys in the custody of the county treasurer may be kept and when a bank or other financial institution has been designated as a depository it shall continue as such until 10 days have elapsed after a new depository is designated and has qualified by furnishing the statements of resources and liabilities as is required by this Section. When a new depository is designated, the county board shall notify the sureties of the county treasurer of that fact, in writing, at least 5 days before the transfer of funds. The County Treasurer shall be discharged from responsibility for

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all funds and moneys, which he deposits in a depository so designated while such funds and moneys are so deposited.

j) Collateral

It shall be the discretion of the Kane County Treasurer to determine whether or not collateral will be required of financial institutions receiving funds from the Kane County Treasurer. At all times the Kane County Treasurer will require that deposits in excess of 25% of the capital and surplus of a financial institution will be collateralized. The Kane County Treasurer may request collateral for any part of deposits in financial institutions when the Kane County Treasurer determines it to be in the best interests of safeguarding the funds on deposit. It shall be noted that in the normal course of operations there may be temporary fluctuations in the fund balance to collateral ratio. Due to this, funds may not have 100% collateralization 100% of the time. It shall be the intent of the Treasurer not to allow a collateral shortage to exceed 30 days for any one account.

When collateral is required, 100% of the deposit will be required. Only the following collateral will be accepted:

- U. S. Government direct securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Obligations of the State of Illinois
- Obligations of the County of Kane
- Obligations of municipalities located within the County of Kane, subject to acceptance by the Kane County Treasurer
- Acceptable collateral as identified in the Illinois Compiled Statutes for use by the Treasurer of the State of Illinois.

*Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.*

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing Kane County's portfolio. Pursuant to the Public Funds Investment Act at 30ILCS 235/2.5 and other provisions included in that Act, along with all other Statutes and Constitutional provisions regarding conflicts of interest and ethical considerations.

Kane County Funds may be extended to local government units when secured by assignment of future tax revenues. The Kane County Board Chairman and Kane County Treasurer are authorized to review such requests for assistance by local government units, and all such requests are subject to execution of an intergovernmental agreement as approved by the County Board.

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k) Security Controls

Only the Kane County Treasurer is authorized to establish financial accounts. All other offices must seek the approval of the County Board, unless otherwise prescribed by law. At all times either the Kane County Treasurer, singly or jointly with the County Clerk are authorized to sign on financial accounts of Kane County, unless otherwise prescribed by law.

## 8. Disbursement Policies

a) The County Auditor shall review and approve or reject and the Kane County Treasurer shall remit payment for approved bills for goods and services acquired by County Departments and Elected Officials as follows:

1) County Departments: Department bills shall be paid in accord with all Kane County Code requirements relative to central purchasing. Only bills of \$30,000 or more shall require approval of the County Board. Certain recurring bills, greater than \$30,000, shall be approved for payment by the Auditor's Office, without approval by the County Board. Some examples include, but are not limited to: i) room and board payments for juvenile offenders; ii) the consolidated county phone bill; iii) large purchases of auto fuel; and iv) certain utility bills.

2) Elected Officials: Other than the County Sheriff and the County Coroner, the bills of Elected Officials who have been vested with "Internal Control" by statute or otherwise shall be paid upon confirmation by the County Auditor that bills have been approved by the submitting official, are for public purpose, and are within the official's budget as to equipment, materials and service.

3) Sheriff and Coroner: As to the County Sheriff and County Coroner, any purchase of equipment shall be made in accordance with all Kane County Code requirements relative to central purchasing. As to the Coroner, other expenditures shall be paid with the provisions of (2) above. The Sheriff shall direct the Treasurer to pay the expenditures for the Sheriff's office, subject to the County Appropriation Ordinance and review by the County Auditor.

b) The Kane County Treasurer and Kane County Auditor shall establish procedures to execute the provisions of this Ordinance. A report shall be run monthly by the Auditor of all claims paid. Said report shall be available to all members of the County Board in the office of the County Board Chairman. For each claim paid, the report shall identify the creditor, the department or official which purchased the product or service, the fund from which the payment was made, the amount of the payment and the date the check was issued.

c) Bills shall be paid every other week by the County Treasurer. This policy allows the County to maximize investment interest earning potential and take advantage of

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possible vendor discounts. All non-electronic checks issued by the County Treasurer shall contain verbiage voiding them 30 days after issuance. Replacement checks shall not be issued until two business days after the expiration of an originally issued check. The County Treasurer may issue a replacement county payroll check before the expiration of an originally issued check.

- d) The County Clerk shall mail all disbursement checks directly to the payee to ensure proper segregation of duties. Checks will not be sent back to the offices/departments unless pre-approved by the County Auditor. Only emergency situations will be considered by the County Auditor for approval. The County Auditor shall determine what type of situation is defined as emergency and what procedures should be followed for the emergency request.
- e) All personal expense voucher checks shall be mailed directly to the employee's address on record. No personal expense voucher checks shall be sent to the offices/departments and no personal expense voucher checks shall be picked up in-person by the employee.
- f) For record keeping purposes, once an invoice is received and approved by the Auditor's Department, all invoices shall be scanned and stored in the County's document management system.
- g) It is the intent of the County to require all new vendors to sign up for the County's ACH Program. It is also the intent of the County to require all existing vendors who enter into new contracts with the County to sign up for the County's ACH Program.

## 9. Departmental Purchasing Policies

- a) It shall be the intent of the County to appoint a purchasing agent to approve all purchase orders. Only a Board-approved person shall have the authority to enter into a contract or commit the resources of the County, in accordance with Procurement Ordinance 09-335. No one person shall have the authority to enter into a contract or commit the resources of the County in an amount that exceeds \$30,000.
- b) It shall be the intent of the County to pre-encumber all requisitions for materials, supplies, equipment, services, and construction-related and professional services at the time of submission to the Purchasing department to ensure that the requesting department has budget authority for the purchase.
- c) It shall be the intent of the County to allow each department head to exceed appropriation in individual line items but not to exceed the total department appropriation in the following of expenditures: Personnel, the total of Contractual and Commodities, and Capital.

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- d) It shall be the intent of the County to require all department heads to obtain approval from the Information Technologies department for all computer-related purchases, including printers. All computer-related purchases in the General Fund that were not budgeted for, including new computers and printers that are not replacements of existing equipment, shall be approved by the Information Technologies department and then brought to the Finance/Budget Committee for final approval.

## 10. Liability and Risk Management Policies

- a) It shall be the intent of the County to fund all pension cost on current funding basis each year. The employee pension cost will be appropriated annually through the IMRF (Illinois Municipal Retirement Fund) Fund and all funds collected for pension payments will be segregated as received to this special revenue fund.
- b) It shall be the intent of the County to be self-insured for all general liability, worker's compensation, and medical liability. The County shall also carry an umbrella policy to protect itself against major claims and will approve the coverage annually. The Finance department will establish a separate fund to accumulate resources to pay claims as they arise and to accumulate reserve funds to allow the fund to be self-sufficient.

## 11. Travel Policy

- a) Authorization; Schedule: Reimbursement for expenses of county board members, elected officials and county employees traveling on county business shall be authorized and paid in accordance with the following unless otherwise provided for by State Statute:

### OVERNIGHT AND MULTI – DAY TRAVEL

#### 1) Permitted Rates:

##### a. *Transportation:*

1. Private Auto: *With prior supervisor approval Employee travel on County business by private auto is reimbursable at the IRS mileage rate. Mileage allowance is to compensate traveler for gas, oil, insurance and normal vehicle operating expenses. There is no mileage reimbursement for the trip from home to each employee's assigned workplace, which is defined as commutation mileage. Where private auto is used on out of town trips, the mileage allowance is not to exceed the related cost of coach airfare. Travelers attending the same conference or seminar should car pool. County vehicles should be used whenever possible. Only reimbursement for out of pocket expenses when a private vehicle is used. Travelers using their personal vehicle must carry auto insurance equivalent to that maintained on county vehicles and must show evidence that their policy is in force.*

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2. Airfare Or Train: The actual cost, not to exceed coach air fare. Private airplane at private auto mileage rate but not to exceed the related cost of coach airfare. Airfare shall normally assume seven (7) day advance purchase and non-cancelable basis. Internet bookings should be used when available as the lowest possible air fare for the destination. Exceptions must be explained and approved by the elected official or department head.

3. Mode: All travel by the most economical mode of transportation available.

4. Rental Vehicles for county business: The actual cost for use of the vehicle, which includes gas, taxes, optional insurance coverage and any other fees imposed by the rental agency. When a vehicle is used for both business and personal purposes, there must be a daily allocation with personal usage being paid by the employee. Vehicle must be an automobile with a classification not to exceed that which is required by the county function for which the vehicle is being used by the employee. If the employee selects a vehicle classification that exceeds that which is required by the county function, the differential cost shall be paid by the employee.

b. *Reserved:*

c. *Meals:*

Per diem for each day during which County personnel are performing official business, which includes the day of departure and day of arrival. Per diem allocation on arrival and departure date depends upon meals consumed at out-of-town travel destination. The amount per day for breakfast, lunch and dinner is established by the Human Service Committee and approved by the County Board. Communication to employees is by the county auditor after County Board approval. The daily per diem will be reduced by meals included in conference registration or included in lodging costs.

d. *Lodging:*

Actual cost of a room with a maximum double occupancy capacity at the facility where the seminar or conference is being held. The County will not reimburse for more than the conference rate, if a conference rate is available. When rooms are not available at this facility, room reservations are permitted at a nearby facility with comparable room rates. For other business trips, actual cost of a room at a facility location convenient to the business nature of the trip. Actual cost includes all applicable taxes. Travelers are encouraged but not required to share lodging accommodations. Receipts are necessary to support actual cost. Non seminar/conference lodging rates are reimbursable up to the GSA CONSUS per diem lodging rate applicable to the location plus 20%. GSA CONSUS per diem rates are available at [www.gsa.gov](http://www.gsa.gov) and a printout of the applicable per diem rate page should be submitted with the PEV.

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*e. Other allowed and disallowed expenses:*

Taxi / Limo fares, tolls and parking fees. Not allowable are parking and / or traffic tickets, towing charges for removal from illegal parking zones. Not allowable are entertainment, movie rentals, personal phone calls, alcoholic beverages and tips in excess of twenty percent (20%) of the meal and beverage cost. Tips are not allowed for per diems and meals included in the conference and or seminar cost.

## **Local Travel**

2) Permitted Rates:

*a. Transportation:*

Private Auto: with prior supervisor approval, employee travel on county business by private auto is reimbursable at the IRS mileage rate which is communicated to employees by the County Auditor. Mileage allowance is to compensate traveler for gas, oil insurance and normal vehicle operating expenses. There is no mileage reimbursement for the trip from home to each employee's assigned workplace, which is defined as commutation mileage. When the duties of the employee require travel from the employee's primary worksite to another worksite, mileage driven in private auto will be reimbursed at the internal revenue service rate. Travelers attending the same conference should carpool. County vehicles should be used whenever possible. Only reimbursement for out of pocket expenses when a private vehicle is used. Travelers using their personal vehicle must carry auto insurance equivalent to that maintained on county vehicles and must show evidence that their policy is in force.

*b. Meals:*

Meal cost reimbursement must not exceed the per diem for the meal and will be reduced for meals included in registration fees. Employees traveling locally on County business will not be reimbursed for meal cost unless reimbursement is required by an applicable collective bargaining agreement or the elected official/department head agrees (as indicated by their approval of the request) that the circumstances related to the travel (such as time limitations or conditions) prevented the employees from providing the meal they normally would have provided for themselves at their workplace. Exceptions for grant funded programs, collective bargaining agreements and other special circumstances require the approval of the elected official or department head.

*c. Guests:*

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Actual cost of meals, receipts necessary. Business purpose only. Guests do not include elected officials, appointed officials and other county employees.

*d. Department meetings and events:*

No county reimbursement for refreshments unless there is at least one guest in attendance who is not a county employee. No reimbursement for mileage to and from the meeting or event without prior department head approval.

*e. Other allowed and disallowed expenses:*

Taxi/limo fares, tolls and parking fees. Not allowable are parking and/or traffic tickets, towing charges for removal from illegal parking zones, laundry, entertainment, movie rentals, personal phone calls, alcoholic beverages and tips in excess of twenty percent (20%) of the meal and beverage cost. Tips are not allowed for per diems and meals included in the conference and/or seminar cost.

### 3) Required Documentation:

*a. All travel reimbursement claims must be documented on a personal expense voucher:*

1. Purpose of the trip including reason for expenses, dates and places.
2. Traveler identification including names of people and their business affiliation at meals along with the reason they are being entertained.
3. Meal tickets when guests are being entertained.
4. Approval by an employee's supervisor or other designated party and submitted to the Auditor's office along with supporting documentation within sixty (60) days of the travel date. Reimbursable expenses that have been incurred in the last quarter of the fiscal year must be submitted for reimbursement prior to the assigned closing date in December.
5. *Overnight and Multiday travel on personal expense voucher must also include the attachment of motel/hotel bills, train/ plane tickets and auto rental bills.*
6. Travel expense policy is administered by and any exceptions must be approved by the auditor.

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## 4) Reimbursement:

- a. Reimbursement of expenses shall include per diem payments, fees, mileage, airfare / train tickets, meals, and any other county business expenses.
- b. *Travel expenses eligible for reimbursement by a non- county entity should be reimbursed by this separate entity. No travel expenses are to be reimbursed by more than one source. The Kane County Ethics regulation must be observed at all times.*
- c. If a person who has received reimbursement from the county receives any reimbursement from any other source, any such other reimbursement must be submitted to the county treasurer.
- d. It is the duty of the person seeking reimbursement for expenses to obtain and provide all documentation requested by the county auditor. Reimbursement will be withheld until requested documentation is provided.
- e. The duty to provide documentation shall be of a continuing nature and shall not terminate once the county has paid the submitted claim.
- f. Failure to comply with the requirements of this policy will be referred to the State's Attorney for disposition.
- g. County government credit cards can be used for county business travel expenses. Unauthorized usage or a history of lost credit cards will result in a forfeiture of credit card privileges.

## 5) Arbitration:

- a. Any dispute between the traveler and the auditor will be submitted to and resolved by the county board chairman. (Ord. 94-118, 5-10-1994, eff. 12-1-1994; Ord. 96-265, 10-8-1996; Ord. 97-256, 9-9-1997; Ord. 01-230, 7-10-2001; Ord. 03-255, 8-12-2003; Ord. 07-78, 3-13-2007; Res. 07-338, 10-9-2007)
- b. Elected Officials adopting their office policy must have a policy which is at least as restrictive as the County policy. A copy of the elected official's policy must be submitted to the County Auditor. Any dispute between the traveler and the auditor will be submitted to and resolved by the county elected official.

## 6) Required County Board Approval:

- a. In accordance with the Local Government Travel Expense Control Act, 50 ILCS 150/1 et seq., (the "Travel Expense Control Act"), all reimbursements for travel, meals and lodging of County Board members and County Board Chairman must be approved by a roll call vote of the County Board. Such

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reimbursement requests should be advanced through the Finance Committee and the Executive Committee before submission to the County Board for approval.

b. In accordance with the Travel Expense Control Act, all reimbursements for travel, meals and lodging that exceed the maximum amounts allowed under this policy – including those incurred or approved by an elected official – must be approved by a roll call vote of the County Board. Such reimbursement requests should be advanced through the Standing Committee to which the department head or elected official makes reports, the Finance Committee, and the Executive Committee before submission to the County Board for approval.

## 12. Other Financial Policies

### a) *Departmental Credit Cards Issued by the County*

#### 1) Purpose of Procurement Card Policy

- a) The County recognizes procurement cards are an essential tool for facilitating the purchase of certain goods and services, especially those that may only be procured online, or those required during travel or emergencies.
- b) The County also recognizes procurement cards are beneficial for promoting competitive selection by expanding the range of vendors from which quotes may be solicited to include vendors that only accept credit card payments.
- c) At the same time the County recognizes procurement cards may increase the possibility of unauthorized purchases or payments. Therefore it is the intent of the County to minimize this risk by limiting the number of procurement cards issued to each office and department or group of departments to the fewest number as is practical and by setting individual and monthly transaction limits for each card to the lowest levels that reasonably accommodate the procurement needs.
- d) Appropriate internal controls must be established to assure responsible operations.
- e) Written procedures shall be developed governing all operation issues.

#### 2) Responsibility for Procurement Card Program

- a) The overall County procurement card program (commonly known as the “credit card program”) shall fall under the purview of the Finance Committee.
- b) The administration of the procurement card program shall be the responsibility of the Executive Director of Finance as executed through the Director of Purchasing and Purchasing Department staff.
- c) The Director of Purchasing shall be designated the “system administrator” of the procurement card program for purposes of program maintenance and serving as the interface between the procurement card provider and the procurement cardholders.
- d) The Assistant Director of Purchasing shall serve as the backup “system administrator”.

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- e) Elected officials and department heads shall be accountable for procurement card usage in their areas of responsibility.
  - f) Each office or department having procurement cards shall appoint a procurement card administrator responsible for the administrative function associated with the procurement cards; the procurement card administrator may not be the same person as the department head or elected official.
  - g) Each procurement cardholder is accountable for the use of the procurement card issued in his or her name.
- 3) Determination of Number and Limits of Procurement Cards
- a) Each County department head, with the advice and consent of his/her standing committee, and each elected official shall determine:
    - 1. the number of procurement cards needed by their office or department, and
    - 2. the single and monthly transaction limits to be set for each card.
  - b) Each elected official and County department head shall determine the employees within their office or department to whom the procurement cards should be issued.
  - c) Such determinations should be made with the understanding that the County has no obligation to issue procurement cards in any particular office or County department for use by any particular individual.
  - d) It is the intent of the County that the number of procurement cards issued and the transaction limits established for each cardholder be reviewed annually by the standing committee to which the cardholder's office or department reports, and by the Finance Committee.
  - e) The number of procurement cards issued and the transaction limits established for each County department shall be approved annually by the standing committee to which the department reports and by the Finance Committee.
  - f) The number of cards issued or the aggregate monthly transaction limit may not be increased above the number and limits approved for each County Department without the approval by the standing committee.
- 4) Temporary Changes to County Department's Procurement Card Transaction Limits
- a) The single transaction limit of a County Department's cardholder may be temporarily increased as high as the monthly transaction limit for that cardholder upon written authorization by the Department Head responsible for the cardholder.
  - b) A standing committee may choose to pre-authorize temporary increases of a single or monthly transaction limit for any County department as deemed appropriate for the anticipated need.
  - c) When an emergency situation requires the single transaction limit of a County Department's card to be increased to a higher monthly transaction limit than previously approved by the standing committee and the increase needs to be approved before the next meeting of the standing committee, the single and monthly transaction limits may be increased to the level required by the

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- emergency if in addition to the authorization of the Department Head responsible for the procurement card, approval is also obtained from one of the following individuals, listed in order of preference: standing committee chair, standing committee vice chair, Finance Committee Chair, County Board Chair or County Board Vice Chair.
- d) Once the emergency has passed, the single and monthly transaction limits must be reset to limits approved by the standing committee.
- 5) Temporary Changes to Elected Official's Office Procurement Card Transaction Limits
- a) The single transaction limit of an Elected Official's Office cardholder may be temporarily increased upon written authorization by the Elected Official responsible for the cardholder..
- 6) Restrictions Regarding Issuance of Procurement Cards
- a) County procurement cards may only be issued to County employees and elected officials.
- b) County procurement cards may only be issued to staff upon written authorization by their department head or elected official to whom they report in accordance with the transaction limits established by their standing committee or the elected official, respectively.
- c) A procurement card may only be issued to a department head upon approval by their standing committee.
- d) An approved procurement card may not be issued until the prospective cardholder signs the County's Procurement Card Agreement.
- 7) Restrictions Regarding Use of Procurement Cards
- a) Procurement cards may only be used for allowable Kane County purchases.
- b) All procurement card purchases must be in compliance with state and county procurement laws and regulations.
- c) Procurement cards may not be used to pay invoices that have already been submitted to the County Auditor's Office for payment. Such use would circumvent the internal controls in place to authorize payment of invoices.
- d) Procurement cards may not be used to purchase services from employees. Such use would circumvent the process for collecting and capturing the required information for W2 reporting purposes.
- e) With the exception of an emergency procurement or micro purchase as defined in the Procurement Ordinance, procurement cards may not be used to purchase items that can be purchased at a lower cost through other reasonable means, such as with a purchase order. Use of procurement cards in such cases may result in County payment of the lower amount.
- f) Procurement cards may not be used for certain purchases such as cash advances, personal charges, alcoholic beverages and tobacco products.
- g) Improper charges to a procurement card must be repaid to the County within the current statement cycle. If this is not done, repayment to the County will be

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by payroll deduction in accordance with the requirements of state and federal wage laws.

- h) Improper use of County procurement cards may result in disciplinary action, up to and including termination.

## 8) Internal Controls Regarding Procurement Card Program

- a) The Kane County Auditor shall be responsible for auditing the internal controls covering the procurement card program. Internal controls within this context are the policies and procedures put in place by management to safeguard County assets, stop fraudulent behavior, promote accountability and increase efficiency.
- b) Each procurement card administrator shall receive the procurement card billing statements and collect the procurement card receipts and expense documentation for all procurement cards issued to the office or department which they serve.
- c) The procurement card administrator for a County department shall ensure that the County and/or business purpose of each County department expense is clearly indicated on the documentation for each expense, that a department's food purchases include the number of participants and their relationships (e.g., "self", "two staff", "one guest", and that a department's conference expense documentation includes the training itinerary and date range.
- d) The procurement card statement must be approved (signed) by both the procurement card administrator and the elected official or department head (or their designees) as confirmation that the expenses are allowable expenses.
- e) The procurement card administrator shall submit the approved procurement card billing statement along with all supporting receipts and expense documentation to the County Auditor's Office.
- f) A report of procurement card transactions shall be included in the financial report package provided by the Finance Department for each standing committee monthly meeting for the offices and departments reporting to each standing committee.

## 9) System Administration of Procurement Card Program

- a) The Director of Purchasing as the procurement card system administrator shall be responsible for the day-to-day administration of the procurement card program, including the issuance and cancellation of cards and the maintenance of transaction limits within the procurement card system.
- b) County procurement cards for active employees may only be issued, suspended, cancelled or have their limits changed with prior authorization by the department head, with the advice and consent of the Department's standing committee, or by the elected official responsible for the current or prospective card holder.
- c) County procurement cards for inactive employees must be cancelled by the Director of Purchasing upon confirmation of termination of employment from the Department of Human Resources or upon notification of the elected official or department head.

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- d) The Director of Purchasing shall review procurement card statements at least weekly, follow up on any suspicious activity with the cardholder and/or the procurement card merchant, and notify the Auditor's Office if any fraudulent activity was detected.
- e) The Director of Purchasing must provide a list of all cardholders and associated limits to the Auditor's Office.
- f) Whenever there is an addition or deletion of a cardholder or change in transaction limit, the Director of Purchasing must notify the Auditor's Office in writing.

## b) *Grant Administration*

For the purpose of this policy, a grant is an award of financial assistance for which the County is subject to requirements imposed by the awarding agency. It is the intent of the County to seek and accept only those grants which will fund programs, projects and services that are in alignment with the County's mission. If a grant requires matching funds from the County, the source of funding must be authorized by the County Board prior to acceptance of the grant. If a grant obligates the County to maintain a program, service or property beyond the period funded by the grant, the source of funding for such ongoing maintenance must be identified and authorized by the County Board prior to acceptance of the grant.

The Finance Department shall be responsible for facilitating County-wide compliance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (UGG) issued in December 2013 by the US Office of Management and Budget (OMB). It is the intent of the County that these requirements shall apply to all grants administered by the County. Such requirements should be incorporated into the County's financial policies, procurement ordinance and ethics ordinance as appropriate. In order to fulfill this responsibility, the Finance Department must be provided with copies of all grant agreements prior to acceptance, along with a plan for how the revenue and expenditures will be accounted for. All transactions involving grants must be recorded in the County's financial system in the appropriate fund: General Fund, special revenue fund, or proprietary fund. Under no circumstances may transactions for grants received by the County be recorded in an agency fund or off-balance sheet account. In order to facilitate compliance with accounting, financial reporting and audit requirements, financial data related to a grant must be provided to the Finance Department upon request. The Finance Director shall notify the responsible department or office of any instances of non-compliance with this grant administration policy, and the office or department shall make the necessary adjustments required to achieve compliance.

All departments and offices receiving a grant shall submit a request for a budget amendment increasing the budget for revenue and expenditures in accordance with the terms of the grant agreement. The Finance Department shall review the request before it is submitted to the department's or office's parent committee for approval.

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All departments and offices receiving grants involving sub-recipients must adhere to the County's sub-recipient monitoring policy and sub-recipient risk assessment checklist as established by the Finance Department in accordance with UGG requirements.

The office or department receiving a grant to fund the purchase of property or equipment is responsible for maintaining records for the property and equipment purchased. Property and equipment (excluding computer equipment) purchased with grant dollars must be tracked, maintained and disposed of in a proper manner. A record of property purchased with grant funds must include the description of the property, serial number (or other identifying number), source of the funding, title holder, acquisition date, purchase cost, percentage of grant funded participation, location, use and condition. At a minimum, the County must provide the equivalent insurance coverage for real property and equipment that is acquired or improved with grant funds as provided to other property. A physical inventory is required to be taken annually of all grant funded property by the department having custody of the property. The disposition date and sales price (if applicable) must be recorded at time of disposal.

All departments and offices receiving grant funding for reimbursement of payroll expenses must adhere to the County's grant-related time and effort reporting policy as established by the Finance Department in accordance with UGG requirements and in coordination with the Payroll Department. The purpose of this policy is to ensure that adequate internal controls over time and effort reporting are in place so as to provide reasonable assurance that payroll expense charged to various grants match where actual time is spent. Finance will facilitate compliance with this requirement by providing standardized forms to document time and effort that includes the specific information required to link the time and effort reported to specific grants.

It is the intent of the County for grant applications to include a request for reimbursement of indirect cost utilizing the de minimus indirect cost rate of 10% even if the reimbursement of indirect cost does reduce the reimbursement for direct cost that otherwise would have been received.

Any decrease in grant funding of personnel expense must be accompanied by a corresponding decrease in headcount unless an alternative source of funding has been approved by the County Board.

Under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200.113, any violations of law, fraud, or bribery in any federally funded grant program must be reported to the federal grantor agency or pass through entity. Be it known that failure to report such violations may result in remedies against the county, including suspension and debarment.

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c) *Petty Cash Accounts*

Petty cash funds in amounts not to exceed \$500 have been established to handle reimbursements for incidental departmental expenses or significant volumes of recurring expenditures. A cash box is used for incidental expenses and cashiering function. A checking account is used for recurring expenditures. Incidental expenses include miscellaneous office supplies and expenses whereas recurring expenditures represent mileage reimbursements in departments with frequent travelers. When a petty cash fund is established within a particular department, a petty cash custodian is designated who is responsible for disbursements and replenishment of the fund. Whenever the petty cash custodian decides that the fund needs to be replenished, the reimbursement is requested on a personal expense voucher submitted to the Auditor's Office. Prior to processing this request for replenishment of the petty cash fund to its original balance, the Auditor's Office will audit supporting documentation and then approve the request. Procedures shall be written and approved by management in each area that maintains a Petty Cash account.

d) *Disposal of computers and related equipment*

It is the intent of the County to have all computers and related equipment (e.g., printers) disposed of through the Information Technologies department. All computers and related equipment shall be taken to the North campus to be recycled. Salvageable equipment can be donated and the Administration Committee shall approve all donation requests.

e) *Educational Assistance*

Educational assistance should not be provided to an employee outside of the County's Educational Assistance Program as governed by the County's "Tuition Reimbursement Policy", unless it meets the criteria of a working condition benefit as determined by the IRS. Educational Assistance meets the criteria of a working condition benefit if such education is required by the County or by law for the employee to keep his or her present salary, status, or job, and serves a bona fide business purpose of the County; or if the education maintains or improves skills needed in the present job. Educational assistance that does not meet the criteria of a working condition benefit, or is in excess of the non-taxable annual limit set by the IRS for educational assistance provided through the County's Educational Assistance Program must be reported to the Payroll Department so as to allow the appropriate payroll taxes to be processed.

## 13. Mass Transit Sales Tax

- a) Pursuant to Public Act 95-0708, (the "Act") the Illinois General Assembly has authorized and the Department of Revenue will collect, in addition to other sales taxes, a ¼ cent sales tax within the County of Kane commencing April 1, 2008 (the "Mass Transit Sales Tax") to be distributed to certain counties for the uses and purposes set forth in the Act. Section 4.03 of the Act provides that, "the County Board of each County shall use those amounts to fund operating and capital costs of public safety

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and public transportation services or facilities or to fund operating, capital, right-of-way, construction, and maintenance costs of other transportation purposes, including road, bridge, public safety, and transit purposes intended to improve mobility or reduce congestion in the county.”

- b) It shall be the intent of the Kane County Board that the receipts from the Mass Transit Sales Tax imposed by the State of Illinois shall be allocated, expended and distributed primarily for capital improvements as hereinafter set forth. “Capital Projects”, as used in this Policy, shall mean projects which address a long-term, permanent improvement for public safety or transportation and transit purposes and which are not principally for funding ongoing or recurring expenses, maintenance or repairs. Temporary repairs and patching of roadways shall not be considered as “Capital Projects.”
- c) It shall be the intent of the Kane County Board to allocate 10% of the RTA Sales Tax revenue to the General Fund to be used to fund operating costs of Public Safety.
- d) It shall be the intent of the Kane County Board to establish, and there are hereby established, the following new restricted funds to receive the proceeds of the Mass Transit Sales Tax:
  - 1. The Mass Transit Sales Tax/ Public Safety Fund – to be used for capital projects relating to the promotion of public safety – 9% of revenues
  - 2. The Mass Transit Sales Tax/Judicial Technology Fund- to be used for capital projects relating to technology improvements for the judicial system – 6% of revenues.
  - 3. The Mass Transit Sales Tax/ Transportation and Transit Fund – to be used for transportation and transit capital projects designed to reduce congestion or improve mobility within the County, which projects may include support for local innovation, coordination and enhancement activities as hereinafter provided – 75 % of revenues.
- e) It shall be the intent of the County that no expenditures from the Mass Transit Sales Tax Funds be approved by the County Board for years subsequent to FY 2008 without consideration of a three year budget model including projections of revenue and expenditures as well as the development of strategies to achieve the goals of the County, which model shall be updated on an annual basis.
- f) It shall be the intent of the County to issue debt obligations based upon the actual and projected revenues from the Mass Transit Sales Tax Funds only after a cost/benefit analysis is performed consistent with sound financial management practices and taking into consideration the amounts necessary for the project or projects; the interest rate and costs of issuance of the obligations; estimated

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escalation of construction costs and the readiness of the project.

- g) It shall be the policy of the County Board to establish, and there is hereby established, subject to specific criteria to be recommended by the Transportation Committee and approved by the County Board, a Support for Local Innovation, Coordination and Enhancement (“SLICE”) Program each year, in a specific amount to be determined each year as part of the annual budget process, for assistance to municipalities or units of local governments for multi-jurisdictional or regional projects that benefit Kane County’s transportation system as a whole, advance the goals and objectives identified by the County Board in its adopted Transportation Plan and/or Transit Opportunities Assessment Study. Such funds may only be used to enhance the coordination and integration of transportation systems, to improve mobility, reduce congestion, reduce the growth of vehicle miles traveled, and to implement and achieve the objectives and guidelines established annually for the SLICE Program.

## **14. Lump Sum Distribution Policy**

- a) For the purpose of this policy, lump sum distributions are defined as compensation to employees that are in addition to their base wage or salary and in addition to that which is required by collective bargaining agreements (e.g. “specialty pay” or payouts of unused benefit time), by the Department of Labor (e.g. overtime), by the Kane County Code (e.g. per diem) and by the Kane County Employee Handbook (e.g. termination pay).
- b) It shall be the intent of the County for each lump sum distribution request to include a description of the purpose of the lump sum distribution, and that the description will be entered into the payroll system so as to be available for reporting purposes. Therefore it is required of all department heads and requested of elected officials to provide such a description when submitting lump sum distribution requests.
- c) It shall be the intent of the County for all lump sum distributions to be reported on a monthly basis in detail (date of payment, recipient of payment, description of payment, and amount of payment) by the Department of Human Resource Management to the Human Services Committee.
- d) It shall be the intent of the County for all lump sum distributions to be posted to a General Ledger account that is separate from the “salaries and wages” account (i.e. “lump sum distribution”) with the exception of retroactive base salary and wage adjustments.

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- e) It shall be the intent of the County for all lump sum distributions to be processed through the Payroll System, to be included as a line item on the employee's biweekly paycheck and to be paid in the same manner as the employee's biweekly paycheck is normally paid.

## 15. Post Debt Issuance Compliance Policy

- a) *Compliance Officer Is Responsible for Records.* The Executive Director of Finance of the County (the "Compliance Officer") is hereby designated as the keeper of all records of the County with respect to each issue of the Tax Advantaged Obligations, and such officer shall report to the County Board at least annually that he/she has all of the required records in his/her possession, or is taking appropriate action to obtain or recover such records.
- b) *Closing Transcripts.* For each issue of Tax Advantaged Obligations, the Compliance Officer shall receive, and shall keep and maintain, a true, correct and complete counterpart of each and every document and agreement delivered in connection with the issuance of the Tax Advantaged Obligations, including without limitation (i) the proceedings of the County authorizing the Tax Advantaged Obligations, (ii) any offering document with respect to the offer and sale of the Tax Advantaged Obligations, (iii) any legal opinions with respect to the Tax Advantaged Obligations delivered by any lawyers, and (iv) all written representations of any person delivered in connection with the issuance and initial sale of the Tax Advantaged Obligations.
- c) *Arbitrage Rebate Liability.* The Compliance Officer shall review the agreements of the County with respect to each issue of Tax Advantaged Obligations and shall prepare a report for the County Board stating whether or not the County has any rebate liability to the United States Treasury, and setting forth any applicable exemptions that each issue of Tax Advantaged Obligations may have from rebate liability. Such report shall be updated annually and delivered to the County Board.
- d) *Recommended Records.* The Compliance Officer shall review the records related to each issue of Tax Advantaged Obligations and shall determine what requirements the County must meet in order to maintain the tax-exemption of interest paid on its Tax Advantaged Obligations, its entitlement to direct payments by the United States Treasury of the applicable percentages of each interest payment due and owing on its Tax Advantaged Obligations, and applicable tax credits or other tax benefits arising from its Tax Advantaged Obligations. The Compliance Officer shall then prepare a list of the contracts,

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requisitions, invoices, receipts and other information that may be needed in order to establish that the interest paid on the Tax Advantaged Obligations is entitled to be excluded from “gross income” for federal income tax purposes, that the County is entitled to receive from the United States Treasury direct payments of the applicable percentages of interest payments coming due and owing on its Tax Advantaged Obligations, and the entitlement of holders of any Tax Advantaged Obligations to any tax credits or other tax benefits, respectively. Notwithstanding any other policy of the County, such retained records shall be kept for as long as the Tax Advantaged Obligations relating to such records (and any obligations issued to refund the Tax Advantaged Obligations) are outstanding, plus three years, and shall at least include:

- (i) complete copies of the transcripts delivered when any issue of Tax Advantaged Obligations is initially issued and sold;
- (ii) copies of account statements showing the disbursements of all Tax Advantaged Obligation proceeds for their intended purposes, and records showing the assets and other property financed by such disbursements;
- (iii) copies of account statements showing all investment activity of any and all accounts in which the proceeds of any issue of Tax Advantaged Obligations has been held or in which funds to be used for the payment of principal of or interest on any Tax Advantaged Obligations has been held, or which has provided security to the holders or credit enhancers of any Tax Advantaged Obligations;
- (iv) copies of all bid requests and bid responses used in the acquisition of any special investments used for the proceeds of any issue of Tax Advantaged Obligations, including any swaps, swaptions, or other financial derivatives entered into in order to establish that such instruments were purchased at *fair market value*;
- (v) copies of any subscriptions to the United States Treasury for the purchase of State and Local Government Series (SLGS) obligations;
- (vi) any calculations of liability for *arbitrage rebate* that is or may become due with respect to any issue of Tax Advantaged Obligations, and any calculations prepared to show that no

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arbitrage rebate is due, together, if applicable, with account statements or cancelled checks showing the payment of any rebate amounts to the United States Treasury together with any applicable IRS Form 8038-T; and

- (vii) copies of all contracts and agreements of the County, including any leases (the “*Contracts*”), with respect to the use of any property owned by the County and acquired, constructed or otherwise financed or refinanced with the proceeds of the Tax Advantaged Obligations effective at any time when such Tax Advantaged Obligations are, will or have been outstanding. Copies of contracts covering no more than 50 days of use and contracts related to County employees need not be retained.
  
- e) *IRS Examinations or Inquiries.* In the event the IRS commences an examination of any issue of Tax Advantaged Obligations or requests a response to a compliance check, questionnaire or other inquiry, the Compliance Officer shall inform the County Board of such event, and is authorized to respond to inquiries of the IRS, and to hire outside, independent professional counsel with the consent of the State’s Attorney to assist in the response to the examination or inquiry.
  
- f) *Annual Review.* The Compliance Officer shall conduct an annual review of the Contracts and other records to determine for each issue of Tax Advantaged Obligations then outstanding whether each such issue complies with the federal tax requirements applicable to such issue, including restrictions on private business use, private payments and private loans. To the extent that any violations or potential violations of federal tax requirements are discovered incidental to such review, the Compliance Officer may make recommendations or take such actions as the Compliance Officer shall reasonably deem necessary to assure the timely correction of such violations or potential violations through remedial actions described in the United States Treasury Regulations, or the Tax Exempt Bonds Voluntary Closing Agreement Program described in Treasury Notice 2008-31 or similar program instituted by the IRS.
  
- g) *Training.* The Compliance Officer shall undertake to maintain reasonable levels of knowledge concerning the rules related to tax-exempt bonds (and build America bonds and tax credit bonds to the extent the County has outstanding build America bonds or tax-credit bonds) so that such officer may fulfill the duties described in this Policy. The Compliance Officer may consult with counsel,

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attend conferences and presentations of trade groups, read materials posted on various web sites, including the web site of the Tax Exempt Bond function of the IRS, and use other means to maintain such knowledge. Recognizing that the Compliance Officer may not be fully knowledgeable in this area, the Compliance Officer may consult with outside counsel, consultants and experts to assist him or her in exercising his or her duties hereunder. The Compliance Officer will endeavor to make sure that the County's staff is aware of the need for continuing compliance. The Compliance Officer will provide copies of applicable tax documents for each series of Tax Advantaged Obligations then currently outstanding (the "*Tax Agreements*") to staff members who may be responsible for taking actions described in such documents. The Compliance Officer should assist in the education of any new Compliance Officer and the transition of the duties under these procedures. The Compliance Officer will review this Policy and each of the Tax Agreements periodically to determine if there are portions that need further explanation and, if so, will attempt to obtain such explanation from counsel or from other experts, consultants or staff.

- h) *Amendment and Waiver.* The procedures described in this Policy are only for the benefit of the County. No other person (including an owner of a Tax Advantaged Obligation) may rely on the procedures included in this Policy. The County may amend this Policy and any provision of this Policy may be waived, without the consent of the holders of any Tax Advantaged Obligations. Additional procedures may be required for Tax Advantaged Obligations the proceeds of which are used for purposes other than capital governmentally owned projects or refundings of such, including tax increment financing bonds, bonds financing output facilities, bonds financing working capital, or private activity bonds. The County also recognizes that these procedures may need to be revised in the event the County enters into any derivative products with respect to its Tax Advantaged Obligations.