

Section Name: Financial Management  
Section Number: 300  
Policy Number: 304

Effective Date:  
Date of Revision: November 1, 2022

Subject: Annual Line Item Budget Development

Overview:

A policy outlining a budget process for the County of Monroe defining the responsibilities and the duties of county officers in relation to the process of developing the annual line item budget. This policy describes the obligations of the employees/officers of departments and offices to provide the Administrator/Chief Financial Officer with information relating to their budgetary needs and supporting financial records. This information includes but is not limited to revenues and expenditures, service demands, caseloads, client counts, regulatory requirements and compliance, etc. This information along with other data will be available to form the basis of a Recommended Budget that is prepared and presented by the Administrator/Chief Financial Officer to the Board of Commissioners.

Purpose:

To establish within a defined framework the general procedure and timing for developing the County of Monroe's annual line item budget. To identify those officials who have the responsibility and authority under the Board of Commissioners to collect requisite information from administrative units and elected officials of the County in order to support line items of revenues and expenditures in the Recommended Budget as the basis for the Board of Commissioners to act on adopting a budget.

Scope:

This policy applies to all departments, co-employer, elected offices, courts and administrative units of the Monroe County Government.

Statement of Policy:

- A. Fiscal Year: The fiscal year of the County of Monroe shall begin on January 1st of each year and close on December 31<sup>st</sup>. The County may determine it to be in its best interest to change its fiscal year and may do so upon a majority vote of the governing board upon recommendation of the Administrator/Chief Financial Officer.
- B. Administrator/Chief Financial Officer: The Administrator/CFO will be responsible for preparation of a recommended budget and upon adoption of an annual line item budget to be responsible for the administration of the budget pursuant to Public Act 2 of 1968 as amended.
- C. Budget Calendar: During January of each fiscal year, the Administrator/CFO shall submit a budget calendar to the Board of Commissioners for approval. This budget calendar shall serve to provide a general timeline by month of the key budget actions that will take place during the fiscal year. The budget actions are those tasks that are required by statute or established budgeting procedures that move the budget through steps that gather information, obligate departments, offices, elected officials and courts to act on submitting budget requests/worksheets and supply requested and necessary budget or operational information to the Administrator/CFO.

- D. County Long Range Financial Management Plan: As part of Budget Guidelines, the Administrator/CFO will include a 5-7 year forecast of General Fund revenues and expenses. The forecast will project operating results based on assumptions used and include amounts added to or deducted from Fund Balance. The information will be used in part, along with all other available information to develop the Recommended Budget.
- E. Budget Development: Following presentation and acceptance of the Budget Guidelines, the Administrator/CFO shall send to each department the Budget Guidelines and accompanying budget worksheets for each cost center and/or fund for completing and supplying revenue estimates and requesting funding in the new fiscal year.

These instructions shall include information that is necessary to assure that the budgetary estimates of revenues and expenditures of the departments are prepared in a consistent manner.

- F. Department Budget Reviews: The Administrator/CFO shall review the departmental estimates of revenues and requested expenditures submitted by a representative of each department.

Following this initial review, additional information may be requested and may include meetings to clarify the estimates, ensure their accuracy and to determine their compliance with budget instructions or other matters relating to developing a recommended budget. The Administrator/CFO shall submit to each department a copy of his/her budget recommendations for that department not less than five (5) days prior to submittal of the Recommended Budget for adoption by the Board of Commissioners.

- G. The Annual Line Item Budget Document: The Administrator/CFO shall consolidate the estimates received from the various departments together with the amounts of expected revenues and shall make recommendations relating to those estimates which shall ensure compliance with the budget policy statement and which shall also ensure that the total of estimated expenditures, including an accrued deficit in any fund, does not exceed the total of expected revenues including an unappropriated surplus. The budget shall consist of the following parts:

Part I – Revenues

Part I shall contain detailed estimates of all anticipated revenues applicable to proposed expenditures; summary statements of anticipated revenues classified by fund and source; comparisons between revenues actually received during the completed fiscal year, those received and anticipated for the current fiscal year and those anticipated for the ensuing fiscal year along with projections for the 2<sup>nd</sup> ensuing fiscal year; the estimated surplus or unobligated balance of the current fiscal year and any additional information required by the Board of Commissioners.

Part II – Expenditures

Part II shall contain estimates of all operating and capital outlay expenditures for the ensuing fiscal year along with projections for the 2<sup>nd</sup> ensuing fiscal year. It shall include a statement of proposed expenditures from all funds classified by

organizational unit, character, object, functions and activity. It shall show in the same classification of expenditure, the expenditures of the last completed fiscal year, those anticipated for the current fiscal year and shall include as separate items any deficit from the preceding fiscal year that was not included in the budget for the current year and any anticipated deficit resulting from operations of the current year.

Part III – Capital Improvement and Capital Outlay

Part III shall follow Capital Planning Policy #315.

H. Transmittal Of Budget To The Board Of Commissioners: The Administrator/CFO shall transmit the budget to the Board of Commissioners no later than the date outlined in the Board approved annual budget calendar of each year. Periodic update of progress on the preliminary budget may be provided at select milestone dates or when measurable progress is made and reporting is deemed appropriate by the Administrator/CFO. The budget shall be accompanied by:

1. A proposed general appropriations act consistent with the budget, which shall set forth the anticipated revenue and requested expenditure authority for the ensuing fiscal year in such form and in such detail deemed appropriate by the Administrator/CFO, provided that it is consistent with the uniform chart of accounts prescribed by the State of Michigan.
2. A budget message or resolution which shall explain the reasons for increases or decreases in budgets compared with the current fiscal year, a summary of the major budgetary items in the budget including both revenues and expenditures, definition of factors used by the Administrator/CFO in determining important budgetary changes and any other information that the Administrator/CFO determines to be useful to the Board of Commissioners and other stakeholders and the public.

I. Consideration Of Budget By Board Of Commissioners:

1. The Board of Commissioners shall fix the time and place of a public hearing to be held on the budget and proposed appropriations measure.
2. The Administrator/CFO shall then have published in a newspaper of general circulation within the county, notice of the hearing and the place at which the budget and proposed appropriations measure may be inspected by the public. The Recommended Budget shall also be posted at the same time on the County website for public inspection. The notice of the budget public hearing must be published at least six (6) days before the date of the hearing.
3. The Board of Commissioners may direct the Administrator/CFO to submit any additional information it deems relevant in its consideration of the budget and proposed appropriations measure. The Board of Commissioners may conduct budgetary reviews with the Administrator/CFO or department representatives for the purpose of clarification or justification of proposed budgetary changes.
4. The Board of Commissioners may revise, alter or substitute for the proposed

general appropriations measure in any way, except that it may not change it in any way that would cause total appropriations, including an accrued deficit, to exceed total estimated revenues, including an unappropriated surplus. An accrued deficit shall be the first item of expenditure in the general appropriations measure.

- J. Passage Of The General Appropriations Measure: Not later than the date outlined in the annual budget calendar, the Board of Commissioners shall pass a general appropriations measure providing the authority to make expenditures and incur obligations on behalf of the County.
- K. Failure To Enact A General Appropriations Measure: In the event that the Board of Commissioners fails to pass a general appropriations measure by January 1st, the Administrator/CFO shall notify all officers, departments, boards and commissions that they may, in the new fiscal year, make expenditures and incur obligations under the provisions of the general appropriations measure effective for the fiscal year just completed; except that the authority for any item of appropriations in any month shall be limited to an amount not to exceed one-twelfth (1/12) of the annual appropriation amount for that item. Expenditures shall continue in this manner each month until the effective date of a general appropriations measure for the new fiscal year.

The Board of Commissioners shall not pass any amendment to the general appropriations measure for the last completed fiscal year nor make any supplemental appropriations based on that measure after the beginning of a new fiscal year.

- L. Amendment Of The General Appropriations Measure: A deviation from the original general appropriations measure shall not be made without first amending the general appropriations measure. Amendment shall follow the same procedure used for the original consideration of the budget and appropriations measure and passage of the general appropriations measure consistent with this policy.
- M. Appropriations Deemed Maximum Authorization To Incur Expenditures: Appropriations will be deemed maximum authorization to incur expenditures. The Administrator/CFO shall monitor expenditures to ensure that spending does not exceed budgetary limits. County funds shall not be diverted for purpose inconsistent with those specified in the appropriations measure.
- N. Appropriation Ledger Accounts: The Administrator/CFO shall maintain appropriation ledger accounts in which are to be recorded such expenditure encumbrances and obligations for the future payment of appropriated funds.
- O. Procedure For Disbursement: Each warrant, draft or contract of the County shall specify the fund and appropriations designated by number assigned in the accounting system classification established pursuant to law from which it is payable and shall be paid from no other fund or appropriation.

Expenditures shall not be charged directly to any contingency account. Instead, the necessary amount of the appropriation from such account shall be transferred in accordance with this policy to the proper general appropriation account and the expenditure then charged thereto.

- P. Limit On Obligations And Payments: No obligation shall be incurred against and no payments shall be made from any appropriation account unless there is a sufficient unencumbered balance in the appropriation and sufficient funds are or will be available to meet the obligation.
- Q. Quarterly Financial Reports: The Administrator/CFO within ten (10) days after the end of each quarter shall act to include on the agenda of the Board of Commissioners a report of financial operations, including, but not limited to:
1. A summary statement of the actual financial condition of the general fund at the end of the previous quarter.
  2. A summary statement showing the receipts, expenditures and encumbrances for the current fiscal year to the end of the quarter.
  3. A detailed listing of: Expected revenues by major source as estimated in the budget; actual receipts to date for the current fiscal year; the balance of estimated revenues to be collected in the then current fiscal year and any revisions in the revenue estimates occasioned by collection experience to date.
  4. The amount appropriated for each organizational unit and activity; the amount charged to each appropriation in the previous month and for the current fiscal year; then unencumbered balance of appropriations and any revisions in the estimate of expenditures.
- R. Transfers: An elected or appointed county official/department head responsible for an appropriation may upon the approval of the Administrator/Chief Financial Officer, and within the limits of the total appropriation or available funds, transfer funds between line items and cost centers within a fund. Approval must be contingent upon actual revenue collected or probable revenue being received to offset the total cost center appropriation. Transfers from available fund balances may be made upon request to the Administrator/Chief Financial Officer who will confirm available unencumbered fund balance prior making any transfers to a cost center. Should revenues exceed a budgeted amount, the Administrator/Chief Financial Officer may approve an increase in expenditures upon confirmation of the excess revenues. The purchase of supplies, vehicles, services and equipment shall be in compliance with the County Purchasing Policy. All requisitions for supplies, materials and equipment for the operations of the County's departments and agencies shall be submitted to the Finance Department. The Administrator/Chief Financial Officer or designee is authorized enter into contracts, to purchase all supplies, materials and equipment only after a determination has been made that sufficient monies are available within the appropriate office/departmental budget line item(s) to affect the purchase.
- S. Supplemental Appropriations: The Board of Commissioners may make supplemental appropriations by amending the original general appropriations measure as provided by Section 4.12 of this policy, provided that revenue in excess of those anticipated in the original general appropriations measure become available.

- T. Appropriation Adjustment Required: Elected and appointed county officials/department heads are responsible for managing and maintaining expenditures within their respective cost centers and within the limits of the line items appropriations in aggregate as attached and a part of this resolution. Should it become apparent to the elected, appointed county official/department head, as part of his/her financial management of the cost center or it is reported to the official that the rate of expenditure of the appropriation shall exhaust that appropriation before the end of the budget period or allotment period, the official shall immediately take steps to reduce the rate of expenditure(s). The official may request a supplemental appropriation from the County Board of Commissioners who may in its discretion, approve or deny the request or direct other action to be taken including reducing planned expenditures within any line item of the cost center.

Whenever it is reported to the County Board of Commissioners that actual and probable revenues in any fund may be less than the estimated revenues upon which appropriations from such fund were based, the Board of Commissioners shall take action, which, in its sole discretion, is deemed necessary to prevent expenditures from exceeding available revenues for the current fiscal year. Such actions may include reductions or adjustments in periodic allotments and appropriations for any or all appropriations, implementation of hiring freezes, layoff of personnel, renegotiations of labor contracts and elimination of capital outlay and capital improvement purchases, provided however, that the elected, appointed county official/department head shall be given an opportunity to review and comment on any proposed action prior to its adoption.

Grant applications must be formally authorized by the Board of Commissioners prior to submitting to the funding entity. The information submitted for consideration must include the nature of the grant and uses of the grant funds along with information on any required matching funds, the budget year amount and the source of such funds. Upon grant award notification, formal acceptance by the Board of Commissioners is required. Without this formal acceptance, there is no authority to incur expenditures or authority for disbursement of the appropriation.

Prior to year-end, the Board of Commissioners, upon the recommendation of the Administrator/CFO, in order to bring appropriations into balance with estimated revenues, shall amend the appropriation measures to reduce appropriations or shall approve such measures necessary to provide revenues sufficient to equal appropriations, or both.

- U. Unreserved Fund Balance: The County Board of Commissioners shall maintain a fund balance in the County's General Fund in compliance with Fund Balance Policy 301. A portion of this fund balance shall be designated as the Unreserved Fund Balance and shall be defined as the:
1. Unreserved portion of the General Fund Balance that represents expendable available financial resources to be used exclusively for maintaining a stable tax and revenue structure and to provide financial resources that can be used to meet contingency and working capital requirements.
  2. The Unreserved Fund Balance of the General Fund shall not be less than fifteen

percent (15%) of the annual General Fund Operating Budget. Appropriations shall not be made from the Unreserved Fund Balance of the General Fund if the balance will fall below this level unless authorized by a two-thirds (2/3) vote of the elected members of the Board of Commissioners.

3. Amounts in excess of the minimum in the Unreserved Fund Balance may be appropriated by a majority of the members elected to the Board of Commissioners.

V. Contingency Account: A General Fund Contingency Account shall be established in the Annual County Budget to be used to make supplemental appropriations for emergency matters brought to the Board of Commissioners that require emergency consideration. The annual budget Contingency Account budgeted amount shall be determined by the Administrator/CFO based upon the overall financial position of the County, budget or other financial stresses, and, his/her overall judgment of an appropriate amount that includes a trend analysis of the last five (5) year's experience of use of amounts from the Contingency Account.

1. Appropriations shall not be made from either the Contingency Account or the Unreserved Fund Balance until a recommendation is received from the Administrator/CFO.
2. All standing committees of the Board of Commissioners requiring supplemental appropriations from either the Contingency Account or the Unreserved Fund Balance shall notify the Board Chairperson of the need for the supplemental appropriation. The Chairperson shall review the request with the Administrator/CFO and include the matter on an ensuring agenda of the Board of Commissioners for consideration.

Definitions: None

Administrative Procedure:

The County Administrator/Chief Financial Officer shall be responsible for preparation and administration of the County Budget pursuant to PA 2 of 1968 as amended.

Legislative History of Authority for Creation or Revision: Adopted pursuant to action of the Monroe County Board of Commissioners, dated

Revised pursuant to action of the Monroe County Board of Commissioners, dated November 1, 2022.