

## **VILLAGE OF JOHNSBURG FISCAL POLICIES**

**Purpose** Maintaining good fiscal health is paramount to maintaining a healthy community. To that end, sound fiscal policies are required to ensure the Village's sustainability. These policies provide the guidelines needed for daily decision making as well as the fiscal framework necessary to support long term strategic initiatives.

**Fiscal Planning Overview** The municipal fiscal planning process is comprised of several steps taken throughout the year. The Village operates under a fiscal year beginning May 1st and ending April 30th. The following outlines the general financial planning process:

- December - The Village Board approves a levy ordinance which identifies the amounts to be levied through property taxes collected in June and September of the upcoming fiscal year.
- April - The approval of the Annual Budget occurs prior to the beginning of the fiscal year.
- July - The Village Board adopts the Appropriation Ordinance which provides for legal spending limits.
- October - An independent audit is performed by the end of the second quarter of the fiscal year.

**Property Tax Levy** The Village Board approves a Tax Levy Ordinance each year in December to levy property taxes which contribute towards the cost of specific services provided by the Village. The Tax Levy Ordinance is estimated based on the projected new equalized assessed value (EAV) of all properties within the Village. Once approved, the Tax Levy Ordinance is filed with the County Clerk's office which will then provide the Village a confirmation of actual taxes that will be extended for the upcoming tax year. The total levy and tax rate is divided into the following service categories: Corporate; Police; Police Pension; Land and Building; and Crossing Guard.

**Budget Review** The Annual Budget, adopted prior to the start of the fiscal year, defines the anticipated expenditures and supportive revenues for all Village operations. The Budget identifies all planned operational and capital needs, but is not the legal authorizing document providing for the Village's authority to spend. The Annual Budget review is only one component of ongoing financial analysis that is performed by management and reviewed monthly by the Finance Committee and quarterly by the Village Board. The purpose of the budget review is to ensure a balanced budget and track the progress of long-term goals and sustainability. The Budget Calendar provides management, and gives the Finance Committee and the Village Board adequate opportunity to prepare, review and recommend a budget that reflects well planned and thought-out strategies to meet operational needs and achieve fiscal goals.

## VILLAGE OF JOHNSBURG BUDGET CALENDAR

Fiscal Year May 1 – April 30

### May

Fiscal Year Begins  
Budget in place  
Staff begins Appropriations preparation

### June

1<sup>st</sup> Draft of Appropriations to Finance Committee  
Finance recommends approval or changes

### July

Finance performs final review of Appropriations/Makes recommendation to Village Board  
Appropriations Hearing before Village Board/Approval

### October

Staff prepares Budget worksheets

### November

Budget worksheets to committees and departments  
Finance reviews proposed Tax Levy  
Village Board approves Tax Levy Resolution if required  
Departments work on long term Capital Improvement Plans

### December

Finance performs final review of Tax Levy/Makes recommendation to Village Board  
Tax Levy Hearing before Village Board/Approval  
Department Capital Improvement Plans submitted to Finance

### January

Committees and departments submit Budget recommendations  
Staff finalizes proposed Budget with committee and department input

### February

Finance finalizes Capital Improvement Plan

### March

Finance performs first review of proposed Budget  
Finance performs final review of Budget/Makes recommendation to Village Board

### April

Board performs review of Budget and Capital Improvement Plan  
Board approves Budget and Capital Improvement Plan

**Capital Improvement Plan** The Village has established a comprehensive Capital Improvement Plan. The Plan directs dollars to be set aside for future capital needs such as equipment and vehicle replacement. It also provides funds for the maintenance of equipment and infrastructure. By annually setting aside dollars to address both current and long term capital impacts, the Village can insure that dollars are available when needed. Each year Management and the Finance Committee review the Plan to insure that it will provide for the Village's long term strategic initiatives. Monies needed to support the Plan are included each year in the budget to be set aside in the Capital Reserve. The Capital Improvement Plan is supported by Utility Tax Revenues and a portion of Sales Tax Revenues.

**Appropriations** The Village adopts an Appropriation Ordinance yearly in July which defines maximum amounts that can be spent from each expenditure line item. Anticipated Revenues are also adopted showing the expected revenues that will be used to meet spending needs. The adoption of the Appropriation Ordinance by the Village Board of Trustees constitutes the legal authority to spend, but it is not a mandate to spend. Appropriations do not reflect actual anticipated expenditures. Instead, they set limits while providing for operational and capital needs as well as unexpected costs that may occur due to emergencies, unforeseen circumstances and opportunities.

**Audit Report** Each year the Village pursues an independent audit to report on the Village's previous fiscal year activities. The Annual Financial Report is completed by the end of the second quarter of the fiscal year (October 31st). The Annual Financial Report is currently prepared by Lauterbach & Amen LLP, 27W457 Warrenville Rd, Warrenville, IL 60555.

**Budget Policies** The Village has established the following budget policies to act as guidelines in the budget development process. The establishment of these policies is crucial in evaluating current activities and aid in planning for future programs.

- A. The Village has determined that establishing operating reserves equal to 25-34% (3-4 months) of annual budgeted operating expenditures is necessary to provide financial stability, cash flow for operations, and the assurance that the Village will be able to respond to emergencies with fiscal strength.
- B. The Village shall annually review all fees and charges to insure that they provide for the necessary revenues to support operational systems. When appropriate, fees shall be established consistent within 5% of those established in similar communities.
- C. Long term debt and one time revenues may not be used to support operational expenses.
- D. Upon adoption of the annual budget, the Village shall cause to publish same on the Village's website.
- E. The Village shall prepare and publish the Annual Financial Report for the preceding year on its website.

## **Contracts, Purchases and Payments**

### A. Contracts

The Village Administrator shall examine all proposed contracts to which the Village may be a party and may sign on behalf of the Village any contract authorized by the Village Board. When appropriate, the Village Administrator may seek input from the Village Attorney regarding said contract.

1. The Village Administrator shall see that all terms of any contract to which the Village is a party are fully performed by all parties thereto.

### B. Purchases

1. The Village Administrator shall be the general purchasing agent for the Village and, except where a specific provision to the contrary is made by law or by the Village Board, shall authorize all purchases of supplies, materials and equipment approved by the Village Board in the annual budget as follows:
  - a. General operational purchases of less than \$1,000 included in the approved budget may be authorized by the department head or his/her designee.
  - b. Operational and capital purchases of \$1,000 to \$10,000 included in the approved budget may be approved by the Village Administrator.
  - c. Purchases of greater than \$10,000 shall require the approval of the Village Board. In the cases of emergency, the purchase may be authorized by the Village Administrator with the approval of the President and Finance Chairman. Said action shall then be ratified by the Village Board at the next meeting.

### C. Payment

1. Upon receipt of an invoice the Village Collector shall date the receipt of the invoice and provide same to the appropriate department head for coding. The department head shall review, code and sign off on the invoice, returning same to the Village Accountant for payment.
2. The Village Accountant shall process the invoice and prepare payment to be authorized at the next board meeting.
3. Upon approval by the Village Board, the check shall be endorsed by two authorized representatives of the Village. Authorized representatives shall be limited to the Village President, Finance Chairman or Village Administrator.
4. Payments may be issued prior to the Village Board's approval under the following circumstances when authorized by the Village Administrator and endorsed by two authorized representatives of the Village:
  - a. Payment is related to a contract authorized by the Village Board as in the case of insurance premiums;

- b. Monthly utility and communication expenses;
- c. Payments for goods and services included in the budget that are subject to an interest charge if not paid in a specified time period.

**Debt Management** The Village has instituted the following requirements in managing its debt:

- A. Long term debt will not be used for operations.
- B. The use of long term debt is limited to capital infrastructure projects and land acquisitions that cannot be funded through the Capital Reserve or other current revenues.
- C. In the case of infrastructure improvements, the term will not exceed the expected useful life of the infrastructure.
- D. The Village will maintain good communications with bond rating agencies about its financial condition and will always insist upon full disclosure on every financial report and bond prospectus.

**Collection of Funds** In keeping with good accounting practices, the Village has established strong internal controls and segregation of duties to safeguard the Village's revenues. Revenues are collected by the Village Collector and listed as receivables in the Village's accounting system. The receivable's listing is then reviewed and verified by the Village Accountant prior to posting to the Village's accounts. Deposits are made by the Village Accountant and compared with the original receivables listing prepared by the Village Collector. Segregating duties in the collection of revenues minimizes errors and helps to protect the Village's revenues.

**Journal Entries/Adjustments** In addition to payables and receivables entered into the general ledger, journal entries and adjustments are made each month to reflect direct deposit of funds from State disbursed revenues and other sources. Additionally, entries may be made to correct account activity improperly posted to accounts within the general ledger. The Village Accountant shall list all journal entries, which shall be reviewed by the Village Administrator prior to posting. Each month, all journal entry activity shall be reconciled with the detailed listings and tied back to the ending reconciled balance in the bank reconciliations.

**Financial Review** Department heads are required to regularly monitor their department expenditures to insure compliance with the approved budget. The Village Administrator and Village Accountant perform monthly reviews of the Village's financial activities for compliance and analyze year end impacts. The Finance Committee reviews financial activities monthly while the Village Board reviews them on a quarterly basis.

**Investment Policy** The Village has established an Investment Policy to govern the Village's investment decisions. Investments are made in keeping with the Standard of Prudence. The policy establishes internal controls and sets forth duties and responsibilities, investment procedures, reporting requirements and security.

**Salaries and Benefits** The Village has established specific policies and practices when making decisions related to employee wages and benefits. The Johnsburg Human Resource Policies and Procedures define the benefits provided employees of the Village. Wages for non-union personnel are reflected in Chapter 3 of the Johnsburg Municipal Code. Benefits and wages provided sworn police personnel are defined in the Collective Bargaining Agreement between the Metropolitan Alliance of Police Johnsburg Police Chapter #432 and the Village of Johnsburg. The following guidelines are utilized in establishing wages and benefits for Village employees:

- A. Wages – The Village of Johnsburg desires to provide fair and competitive wages for all employees of the Village. To that end, salary surveys are conducted bi-annually. Communities, both large and small, throughout McHenry County are surveyed. In addition to obtaining information related to specific job functions and their associated wages, the survey also seeks information regarding the incumbent's years of service, number of employees in a position, span of control, and the community's population and general fund revenues. Job functions for specific positions vary dependent upon the community therefore salary comparisons are not predicated solely on job title. The Village strives to establish wages within 5% of the average wage for comparable positions in communities of similar make up. At the present time, the Village considers the following communities "similar": Marengo, Spring Grove, Barrington Hills, Lakemoor, Harvard, Lakewood, and Fox River Grove. In an effort to maintain a fair and competitive wage, the Village shall include a CPI increase for wages in the budget each year for discussion purposes. Each year, the board shall conduct performance appraisals and salary surveys to determine a fair and competitive wage for its employees.
- B. Benefits - As in the case of wages, the Village of Johnsburg realizes the importance of providing a competitive benefit package to its employees. To achieve this, benefit surveys are conducted with McHenry County municipalities. The survey includes information related to benefit hours such as holiday, vacation, personal and sick pay; as well as health, dental and life insurance benefits. The Village strives to maintain benefits at a level equal to the average of similar communities in the County.