

Kern County Policy and Administrative Procedures Manual

CHAPTER 9

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CHAPTER 9

BUDGET ADMINISTRATION

901. Recommended and Adopted Budget. The County Administrative Office begins preparing a Recommended Budget in April for the next fiscal year. The Recommended Budget serves as the basis of discussion at the annual Budget Hearings conducted by the Board of Supervisors each year in August. Departmental appropriations and revenue estimates become effective upon the Board's adoption of the budget at the close of Budget Hearings. Procedures for the Budget Hearings can be found in the County Policies and Procedures Chapter 8, section 815 on the County website.

Pursuant to Government Code 29064, counties are required to approve a budget prior to June 30 for a spending plan effective July 1 of the next fiscal year. The County Administrative Office will present a Preliminary Recommended Budget in June to comply with this requirement. Adjustments may be made to the Preliminary Recommended Budget and presented in the Recommended Budget for Budget Hearings. The Board of Supervisors may make revisions to the Recommended Budget at Budget Hearings.

Until the budget is adopted, departments may not purchase new capital assets, make changes to the number or classification of authorized positions or process operating transfers unless specifically approved by the Board of Supervisors. In addition, Requests for Budget Transfers may not be processed in the period between the beginning of the fiscal year and the adoption of the budget.

902. Approved Expenditures, Program Revenues, and Net County Cost. The Adopted Budget establishes total appropriations (expenditure authority) by object level in each budget unit. These objects are: Appropriations for Contingencies, Salaries and Employee Benefits, Services and Supplies, Other Charges, Fixed Assets, Other Financing Uses, and Expenditure Transfers and Reimbursements.

Expenditures can never exceed authorized appropriations for each object, or the budget in total. By State law, agency and department heads are personally responsible for any expenditure in excess of the approved appropriations.

.1 *Net County Cost.* Except for budget units that operate out of an Enterprise Fund, Internal Service Fund (ISF), or Special District, the adopted budget establishes a Net County Cost or a General Fund Contribution for each budget unit. The Net County Cost or General Fund Contribution is the annual "bottom-line" for each department. Departments are required to operate within the established Net County Cost. If program revenues fall below the budget amount, expenditures must be reduced accordingly.

.2 *Operating Plan for ISFs, Enterprise Funds, and Special Districts.* The Board of Supervisors approves an annual operating plan for each ISF, Enterprise Fund, and Special District. If the demand for services and, therefore, revenues fall below those anticipated in the operating plan, expenses must be reduced accordingly. If service demand changes necessitate an adjustment to the operating plan, including personnel changes, the agency or department head must submit pertinent information for review and concurrence by the County Administrative Office to ensure conformance with County policy, prior to the boards consideration.

903. Budget Monitoring and Reporting. The County Administrative Office provides a mid-year fiscal outlook report to the Board of Supervisors. Departments must annually submit a report detailing the department's projected budgetary outcome for the current fiscal year to the County Administrative Office no later than January 15. The report must use the actual expenditure and revenue data through the period ending December 31.

The department's budget status report is to identify and explain critical concerns about major expenditure overages and revenue shortfalls or, if applicable, projected expenditure savings or revenue excesses. The reports must also include a description of the proposed corrective action to be taken to meet the department's approved Net County Cost or General Fund Contribution and the impact these actions will have on the department's services, programs, and projects.

Information concerning the approved and projected expenditure levels, program revenue estimates, and Net County Cost or General Fund Contribution shall be presented in a format prescribed by the County Administrative Office.

.1 *Revenue and Expenditure -Monitoring.* Revenues and expenditures must be carefully monitored throughout the fiscal year. Departments are required to reconcile revenue and expenditure activity within 30 days of the end of each month to ensure accurate accounting. Whenever the expenditures required to maintain approved service levels are projected to exceed appropriations, the department must immediately contact its assigned administrative analyst. The County Administrative Office will review the matter with the agency and/or department to assist in making a recommendation to the Board of Supervisors.

Whenever a department determines that projected revenues will be under realized, the department is required to take corrective action immediately to ensure that the budgeted Net County Cost or General Fund Contribution is achieved. The County Administrative Office will review the unrealized revenue estimate with the department and assist the department in making a recommendation to the Board of Supervisors to reduce the identified revenue estimate along with a corresponding reduction in appropriations or identify an alternative source.

Departments are responsible for ensuring revenues and expenditures are recorded accurately and completely in the correct fiscal period. Revenue and expenditure accruals must be estimated and processed pursuant to the Auditor-Controller's year-end processing guidelines.

904. Request For Budget Transfers—Processing. Occasionally, the appropriation level in an expenditure object or for the budget unit will require adjustment. To transfer or otherwise adjust the appropriation within their budget unit(s), the department must electronically complete a Request for Budget Transfer form on the Auditor-Net Journal Voucher Program and submit it to the County Administrative Office for processing and consideration by the Board of Supervisors.

Adjustments to a department's appropriations require a 4/5 vote of the Board of Supervisors and will be included on the agenda for its consideration at each regularly scheduled Board meeting. If four Board members are not expected to be present, Requests for Budget Transfers will be considered at the Board's next regular meeting.

.1 *Process and Deadline.* An electronic Request for Budget Transfer is sent to the County Administrative Office for review. If the Request for Budget Transfer relates to a Board letter, a copy of the Request for Budget Transfer is attached to the Board letter. The normal deadline for submitting the transfer request is 5:00 pm on the Friday that is 11 days prior to the desired Board meeting.

.2 *Justification.* The department must enter adequate justification either in the system, or provide the County Administrative Office with a memorandum or a copy of the accompanying Board letter. Transfer requests will be returned to the agency or department if there are insufficient appropriations or an inadequate justification. The County Administrative Office will review the request's justification and determine whether the transfer request will be forwarded to the Board of Supervisors.

905. Current Year Appropriation Increases. Current year appropriation increases include unanticipated revenue, release of designation, increases to established capital projects, and emergency situations.

An appropriation increase for a mid-year capital asset request requires specific approval by the Board of Supervisors and the funding source must be clearly identified in the Board letter.

Any increases in appropriation requires a board letter and budget transfer approved by a 4/5 vote of the Board of Supervisors. A copy of the Board letter must also be attached to a printed copy of the electronic budget transfer since the County Administrative Office, Clerk of the Board of Supervisors, and the Auditor-Controller-County Clerk processes these documents separately.

.1 *Appropriation for Unanticipated Revenue.* The appropriation of unanticipated revenue that is derived from an actual or anticipated increase in available financing (either in excess of those anticipated or those not specifically identified in the budget) is subject to review and recommendation by the County Administrative Office. A letter explaining the source and justifying the proposed use of the unanticipated revenue must be submitted to the Board of Supervisors. The appropriation of unanticipated revenue request requires supporting documentation, such as grant award notices, copies of contracts, or other supporting documents. The letter must be accompanied by a budget transfer request for unanticipated revenue. Sample board letter language is as follows:

Title: REQUEST TO APPROPRIATE UNANTICIPATED REVENUE FROM **IDENTIFY SOURCE FOR IDENTIFY PURPOSE** (Fiscal Impact: \$_____; REVENUE SOURCE; NOT BUDGETED/BUDGETED)

Body of Letter: Indicate the detail regarding the action being requested. Also, identify the revenue and expenditure account(s) to be used for the Auditor-Controller to process the transaction.

Therefore, IT IS RECOMMENDED that your Board approve the appropriation of unanticipated revenue in the amount of \$_____ in Budget Unit XXXX and authorize the Auditor-Controller to process the specified budgetary adjustments and accounting transactions.

Subagenda Language: Request to appropriate unanticipated revenue in the amount of \$xx,xxx from **identify source for identify purpose** (Fiscal Impact: \$_____; REVENUE SOURCE; NOT BUDGETED/BUDGETED) – APPROVE; AUTHORIZE AUDITOR-CONTROLLER TO PROCESS SPECIFIED BUDGETARY ADJUSTMENTS AND ACCOUNTING TRANSACTIONS

.2 *Appropriation of Designations/Reserves.* The release of a designation or reserve after budget adoption requires a Board letter request, a release of designation budget transfer request and a 4/5 vote of the Board of Supervisors. Note: General Reserves cannot be appropriated during the fiscal year unless a fiscal emergency is declared pursuant to Government Code Section 29127. An example of the appropriate language for the letter to the Board of Supervisors is:

Title: REQUEST FOR CANCELLATION OF DESIGNATIONS FOR **STATE PURPOSE** (Fiscal Impact: \$_____; FROM FUND XXXXX; NOT BUDGETED; MANDATED/DISCRETIONARY)

The terms mandated and discretionary refer to the action being taken by the Board of Supervisors, not descriptive of the program or service being provided.

Body of Letter: Describe in detail the transaction being requested and include all fund and account names and numbers. The Auditor-Controller will use this information to process the transaction. For example:

The XXXX_Department requests the cancellation of \$_____ in the (designation name and account number) in the (name of fund, fund number). The cancelled designation will be appropriated in the (object account name, i.e. salaries and benefits, services and supplies, etc.) account number XXXX for (purpose).

Therefore, IT IS RECOMMENDED that your Board approve the cancellation of designations in the (name) Fund of \$_____ and authorize the Auditor-Controller to process the specified budgetary adjustments and accounting transactions.

Subagenda Language: Request for cancellation of designations for **state purpose** in the amount of \$_____(Fiscal Impact: \$_____; FROM FUND XXXXX; NOT BUDGETED; DISCRETIONARY/MANDATED) – APPROVE; AUTHORIZE AUDITOR-CONTROLLER TO PROCESS SPECIFIED BUDGETARY ADJUSTMENTS AND ACCOUNTING TRANSACTIONS.

.3 Emergency Appropriation Increase. Departments should contact their assigned administrative analyst if an unplanned or emergency need for additional appropriations arises. The County Administrative Office will review the matter with the agency or department to assist in making a recommendation to the Board of Supervisors. If it is determined that a General Fund department requires an increase in appropriations for an emergency need, the department must submit a letter to the Board of Supervisors after concurrence with the County Administrative Office. The letter will explain the need for the additional appropriations and request a transfer of funding from the Appropriations for Contingencies budget unit 1970, attach a copy of the electronic Request for Budget Transfer. A transfer for emergency purposes is from the Appropriations for Contingencies Budget Unit, account 6040.

.4 Transfer of Prior Year Unencumbered Appropriations to Current Year. Generally departments will not be allowed to transfer unencumbered appropriations from the prior fiscal year to the department's current year budget. However, if a department has a critical need to use these funds, the department should contact their assigned administrative analyst to discuss the matter. If it is agreed that the transfer of prior year appropriations is appropriate, the department then submits a Request for Budget Transfer to the County Administrative Office for processing and consideration by the Board of Supervisors. The balance of unencumbered prior year appropriations for General Fund budget units will be cancelled annually by the County Administrative Office after September 30 and transferred to the General Fund budget unit 1970, Appropriations for Contingencies upon the approval of the Board of Supervisors.

906. Transferring Existing Appropriations. A 4/5 vote by the Board of Supervisors is required to transfer existing appropriations between expenditure objects in a budget unit or between budget units in the same operating fund. The transfer of appropriations between budget units that operate out of different funds cannot be accomplished through the Request for Budget Transfer process.

Justification and accuracy for appropriation transfers is the responsibility of the requesting department. The County Administrative Office will review the justification/explanation of need submitted by the department, and if sufficient, will forward the request to the Board of Supervisors for consideration.

Adjustments between non-capital asset accounts within the same object and budget unit do not require approval by the County Administrative Office or the Board of Supervisors. When justified, the Auditor-Controller-County Clerk processes these transfers upon a request from a department. Appropriation transfers between capital asset accounts and operating transfer accounts require a budget transfer. Transferring appropriations from salaries and benefits are prohibited except under qualifying circumstances approved through the Administrative Office, and also require a budget transfer.

907. Encumbrances. All financial commitments must be encumbered, including purchase orders and blanket purchase orders. Board-approved contracts, contracts negotiated by authorized County employees, and yearly commitments for lease agreements must be encumbered if multiple payments are to be processed. An encumbrance is an obligation in the form of a purchase order, contract, or other commitment that is chargeable to an appropriation.

Required encumbrances related to purchase orders, blanket purchase orders, and contracts negotiated by the Purchasing Agent, are automatically established within the requesting department's budget. Encumbrance of funds in connection with other forms of financial obligations should be initiated at the department level using the Auditor-Net Encumbrance System. Purchase order encumbrances are processed through the Purchasing Agent and all other encumbrances are processed through the Auditor-Controller-County Clerk.

908. Interdepartmental Charges. General Fund departments that receive federal or State grants that allow for indirect charges from other departments, subventions based on the department's operating expenses or that are totally self-funded through fees for services, are eligible to be charged for services provided by other General Fund departments. All non-General Fund departments including internal service funds, enterprise funds, special fund departments, and special districts, are also eligible to be charged for services by General Fund departments or by other non-General Fund departments. Charging actual cost between General Fund departments for services where the using department has direct control over the level of usage and cost will be allowed. These services include, but are not limited to: telecommunications, postage, and

computer equipment maintenance. Charging between General Fund departments not meeting the above criteria will not be allowed.

General Fund departments which meet the criteria, in that they receive grants, subventions or fees based on operating expenses include but are not limited to Employers' Training Resource, Community Development and Environmental Health.

Internal Service Funds include: General Services – Garage, General Liability Insurance, Group Health Insurance, Retiree Group Health Insurance, Unemployment Compensation, and Workers' Compensation Insurance.

Enterprise Funds and Special Districts include: Airports, Ford City/Taft Heights Sanitation District, Golf Course, Kern Medical Center, Kern Sanitation Authority, Public Transportation, Solid Waste, and County Service Areas.

Specially funded County departments which are eligible to be charged for services include: Aging and Adult Services, Building Inspection, Child Support Services, Experimental Farm, Fire Department, Human Services, Mental Health, Roads Department, Recorder and any other special revenue fund.

Charging departments are required to notify the department(s) of proposed charges during budget preparation process to ensure adequate budgetary resources are available to support the expenditure.

.1 *New Charges.* Proposed new charges for services between departments require approval by the County Administrative Office and coordination with affected departments prior to the service being provided. New charges for services currently provided between General Fund departments for which there has not previously been a cost to the departments receiving the service will not be permitted. Charges for services between General Fund departments and non-General Fund departments may be permitted, with prior review and approval from the County Administrative Office. These charges will generally be for requested services that are above the level of service programmed in the budget of the department that provides the service.

.2 *Departmental Charges Composition.* Interdepartmental charges for services may include reimbursement for direct labor and materials costs, and departmental overhead costs. Supporting documentation must be maintained by the charging department to substantiate the charges and must be forwarded to departments upon request. A copy of all supporting documentation must accompany a charge for non-routine service at the time of billing. A department's overhead rate shall be calculated in conjunction with guidelines provided by the Auditor-Controller-County Clerk. Supporting documentation and computation of departmental overhead rates are subject to review by the Auditor-Controller-County Clerk during the department's annual/biennial audit.

.3 *Billings.* Billings for services should be prepared no less frequently than quarterly and should be billed to receiving departments during the month following the billing period. Departments shall not bill in advance of providing the service or coverage, except in instances where the charge is based on a fixed annual amount. An advanced billing will be made for year-end accruals, which will be adjusted to reflect actual charges in the first month of the next fiscal year.

.4 *Charges to an Outside Agency.* Charges by a County department to a governmental agency outside the County may include, in addition to the categories listed above, a factor for County overhead. A billing that includes County overhead reimbursement, requires coordination with the Auditor-Controller-County Clerk to ensure compliance with legal mandates and internal guidelines.

.5 *Departmental Program Revenue for Charges.* Except as noted above, all charges for services to non-General Fund departments shall be considered program revenue for the department providing the service. The procedures for budgeting this revenue are in Chapter 8.

.6 *Intrafund Transfer for Charges.* Charges for services between departments within the same fund shall be considered expenditure transfers and reimbursements for the department providing the services. The procedures for budgeting expenditure transfers and reimbursements are in Chapter 8.

.7 *Countywide Cost Allocation Plan Charges.* Non-General Fund departments and qualifying General Fund departments will be charged for their portion of the Countywide Cost Allocation Plan. The charge will be reflected in the department's budget, in an effort to reflect the total operating costs of that department. The Auditor-Controller-County Clerk will be responsible for developing and processing the charges for the affected departments. All revenue from this billing will be deposited into the General Fund as discretionary revenue.

.8 *Alternative Project Cost Allocation Programs.* For significant major maintenance projects (\$1,000,000 or greater) the non-General Fund departments listed above and qualifying General Fund departments may elect to have the specific project excluded from the Countywide Cost Allocation Plan (CWCAP), and instead reimburse the General Fund over a period of three to five years as determined by the County Administrative Office. The County Administrative Office will administer the program, and will create and distribute a payment schedule to all affected departments. Participating departments will be required to include identified project payments in their annual budgets beginning the year the project commences. Differences between estimated and actual costs may require the County Administrative Office to determine and distribute adjustments for the final year payment. All departments have the option to prepay their portion of the entire project rather than amortizing the cost over time. Any positive or negative residual balance will be processed accordingly to all affected departments.

909. Journal Vouchers. Journal vouchers are used to record and adjust transactions in the County's General Ledger and subsidiary ledgers. Journals are prepared using the Auditor-Net Journal Voucher program. There are four types of journal vouchers.

.1 *Cost Applied Journals.* Cost Applied Journals record charges between departments when one department incurs a cost or provides a service for another department within the same operating fund. Cost applied journals result in an expenditure being recorded in the appropriate expenditure account of the department charged and a negative expenditure in an intrafund transfer account (accounts 9000-9099) of the department that provided the service. Supporting documentation must be attached to the journal voucher when charging another department.

.2 *Interfund Journals.* Interfund Journals transfer cash between funds in the County treasury. Examples of interfund journals would include: journals charging a department in another operating fund for services provided and journals transferring funds from a special revenue fund to another fund.

.3 *Intrafund Journals.* Intrafund Journals correct revenues and expenditures within the same fund. Examples of intrafund journals include journals transferring an expense from one expenditure account to another within the same department and journals transferring revenue between revenue accounts either in the same department or between departments in the same fund.

.4 *General Journals.* General Journals are used to enter transactions in the general ledger. General journals are not used to record transfers but may be used to record items such as year-end accruals, depreciation entries, and corrections to the general ledger.

910. Time, Reporting and Account Costing System (TRACS). Departments are encouraged to maintain a chart of accounts structure through the Auditor-Controller's TRACS that will provide complete accounting and cost information by fund, department and program/function. Additional guidance on the system can be found in Administrative Bulletin #40.

911. Prior-year Unencumbered Funds Sweep. General fund appropriations in prior-year expenditure accounts are designated to be used only for the purpose for which they were originally obligated. All unencumbered residual balances in prior-year expenditure accounts in General Fund budgets will be transferred to Appropriations for Contingencies at the end of the first, second and third quarters of the fiscal year, and at the end of May during the last quarter. Exceptions will be made for Major Maintenance Projects (BU 1650), Capital Projects (BU 1960), Employers Training Resource (BU 5923), Community Development (BU 5940) and Debt Services (BU 8120).

.1 *Prior-year Purchase Orders*. No prior-year purchase orders may be increased in amount after September 1 of the fiscal year.