

# **BUDGET PROCESS AND POLICIES**

## **Budget Process and Calendar**

The budget process for county governments in Florida is, in large part, statutorily driven as outlined in the timetable titled *Statutory Budget Timetable*. For further detail, please refer to Florida Statutes, Section 200.065. Following the statutory budget timetable is the *Budget Calendar* for Polk County (henceforth known as “County”), Florida.

Every employee of the County has a role in preparing the budget, which must be formulated, prepared, implemented, and evaluated. Each director is accountable to the County Manager for the performance of their respective personnel and whether their division meets the objectives within the allocated resources.

The County uses a biennial budget format in which the first year establishes the appropriated budget, and the second-year concentrates on financial planning. The biennial format, along with the five-year projections, enables strategic and tactical thinking and provides for improved decision making with a long-term focus on goal achievement and infrastructure maintenance.

The following outlines the various stages of budget development and administration and identifies the roles and responsibilities of the key participants in the process.

## **The Planning Phase**

Budget development begins in the first quarter of the fiscal year when plans are set forth for the following year’s budget process. Budget and Management Services identifies obstacles from the previous year’s budget process, implements plans to overcome them, and designs objectives for the upcoming budget process. Budget and Management Services also creates/updates instructions and examples, schedules training classes, and sets budget calendar schedules.

## **The Preparation Phase**

At the Board Retreat in February, the Board sets its goals for the budget process. Budget and Management Services then works with senior management to finalize the budget assumptions and conducts the budget kickoff meeting. The budget kickoff is typically held near the end of February or the beginning of March and sets the pace for the preparation of the budget, providing the current financial status of the County, projected economic growth, and issues that may need to be addressed during future budget work sessions.

Divisions are provided the general assumptions to use during the budget process, such as salary and insurance changes and estimated fuel and utility rates. As part of the budget preparation phase, divisions prepare five-year projections for the major funds and begin work on the five-year Community Investment Program (CIP). The CIP kickoff is typically held in early April, so the preparation phases for operating and capital budgets run semi-concurrently.

After reviewing the division budget requests, Budget and Management Services coordinates any needed changes to the requests for management review. Throughout April and May, budget reviews are conducted with each division and the appropriate Deputy or Assistant County Manager and then with the County Manager. In July, the County Manager presents his recommended balanced budget to the Board of County Commissioners.

### **The Review and Adoption Phase**

Board work sessions are held in a public setting and may be scheduled at any time during the budget process. During these sessions, the Board reviews budget issues and makes necessary decisions.

In August, the Property Appraiser prepares and mails the Notice of Proposed Property Taxes, also known as the TRIM (Truth in Millage) notice. The TRIM notice outlines the proposed millage rates and taxes based on the taxable value of the property as determined by the Property Appraiser and includes the date, time, and place of the tentative budget hearing, or first public hearing. By statute, two public hearings must be held as part of the budget and millage adoption process.

The purpose of the first public hearing is to provide the public an opportunity to speak for or against the tentative proposed budget and millage rate. At the end of the first public hearing, the date, time, and place are set for the final budget hearing, or second public hearing. An advertisement for the second public hearing is published in a local newspaper and includes summary budget information, tentative millage rate, and tentative approved budget based on the first public hearing, as well as the time, date, and location for the second public hearing.

The purpose of the second public hearing is to provide the public an opportunity to speak for or against the tentative approved budget and millage rate. At this public hearing, the Board adopts the final budget, which includes the CIP, and the millage rate. Within the next three days, the Property Appraiser, Tax Collector, and Department of Revenue must be notified of the adopted millage rate. In mid-October, the Tax Collector mails final tax invoices to property owners.

The adopted budget is effective on October 1 of each year.

**STATUTORY BUDGET TIMETABLE**

**Local Government TRIM Timetable (State Guidelines)**

<b>Day #</b>	<b>Typical Date *</b>	<b>Agency</b>	<b>Activity</b>
1	July 1 or certification date, whichever is later	Property Appraiser	Certifies tax roll or court certifies interim tax roll (DR-420, <i>Certification of Taxable Value</i> )
35	August 4	Taxing Authority	Advises Property Appraiser of proposed millage, rolled-back rate, and date, time, and place of the tentative budget hearing
55	August 24	Property Appraiser	Prepares and mails notice of proposed property taxes (DR-474, <i>TRIM Notice</i> ), which advertises the tentative budget hearing
Between 65 to 80 days	September 3 to September 18	Taxing Authority	Tentatively adopts millage and budget at tentative budget hearing (cannot be held sooner than ten days following the mailing of the notice)
Between 80 to 95 days	September 18 to October 3	Taxing Authority	Advertises the final budget and millage hearing in the newspaper within 15 days after adopting the tentative budget and millage
Between two to five days after ads run	September 20 to October 8	Taxing Authority	Holds final budget and millage hearing between two and five days after advertisement appears in the newspaper
Within three days after adoption	September 23 to October 11	Taxing Authority	Forwards resolution or ordinance adopting millage to Property Appraiser, Tax Collector, and Department of Revenue
After completion of final millage and budget hearings by all taxing authorities		Property Appraiser	Certifies final tax roll to taxing authorities (DR-422, <i>Certification of Final Taxable Value</i> )
Within three days after receipt of DR-422		Taxing Authority	Completes and certifies final millage rates on DR-422 to Property Appraiser
Within 30 days of adopting final millage and budget		Taxing Authority	Certifies compliance with Florida Statutes, Sections 200.065 and 200.068, to the Department of Revenue

\*This is an EXAMPLE ONLY using July 1 as the certification date and showing the range of dates (minimum to maximum) that would be utilized for scheduling. These dates make no provision for the shortening of time frames.

## **BUDGET CALENDAR**

### ***Planning Phase***

#### **October**

- Publish and submit adopted CIP books, including unfunded CIP
- Schedule budget public hearings for September
- Submit final fund adjustments for prior year budgets
- Finalize TRIM documents and submit compliance packet to Department of Revenue
- Begin planning for next budget process
- Complete budget book for submittal to GFOA

#### **November**

- Conduct budget training for managers and supervisors
- Prepare draft of budget and CIP calendars

#### **December**

- Finalize and schedule budget and CIP meetings
- Begin creating/updating budget and CIP forms and instructions for kickoff meetings
- Begin identifying challenges/objectives/assumptions for upcoming budget process

### ***Preparation Phase***

#### **January**

- Begin new cost allocation study process
- Begin budget form set up in Hyperion, the budget software application

#### **February**

- Establish goals for the budget process at Board Retreat
- Finalize budget process assumptions based on Board and management guidance
- Conduct budget kickoff

#### **April**

- Conduct CIP kickoff
- Begin presenting division budgets to Deputy and Assistant County Managers

#### **May**

- Finish presenting division budgets to Deputy and Assistant County Managers
- Present division budgets to County Manager
- Review and prepare CIP documents for CIP Committee meetings
- Receive budgets from constitutional elected officials, excluding Property Appraiser

## **June**

- Receive budget from Property Appraiser
- Receive preliminary property valuations from Property Appraiser
- Conduct CIP Committee meetings
- Conduct budget work sessions with Board, if necessary

## **July**

- Receive certified taxable property valuations from Property Appraiser
- Present County Manager's recommended budget to Board
- Conduct CIP workshops

## ***Review and Adoption Phase***

- Conduct budget work sessions with Board, as necessary
- Certify DR-420s to Property Appraiser, Florida Department of Revenue, and Tax Collector, which includes proposed millage rate and computed rolled-back rate and date, time, and location of first public hearing per statute

## **August**

- Conduct budget work sessions with Board, as necessary
- Present CIP to Board

## **September**

- Conduct two public hearings to adopt the budget and millage rate per statute
- Adopt budget (including the CIP) and millage rate

## **ACCOUNTING POLICIES**

### **Summary of Accounting Policies**

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped within two broad categories as follows:

#### **Governmental Fund Types**

*General Fund (00100)* – This fund is the general operating fund of the Board and is used to account for all financial resources except those that are required to be accounted for in another fund.

*Special Revenue Funds (10100s)* – These funds are primarily used to account for the proceeds from specific revenue sources that are legally restricted to expenditures for specified purposes.

*Debt Service Funds (20000s)* – These funds are used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs on general long-term debt (other than those payable from the operations of enterprise funds).

*Capital Projects Funds (30000s)* – These funds are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by proprietary funds).

#### **Proprietary Fund Types**

*Enterprise Funds (40000s)* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprise. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges. In addition, the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Funds (50000s)* – These funds account for the financing of goods or services provided by one division or agency to other divisions or agencies of the Board on a cost reimbursement basis.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. Polk County's budget uses a basis for accounting that mirrors the basis used for actual accounting of County revenues and expenditures at the fund level. Budgeting for governmental funds is prepared using the modified accrual basis of accounting.

Revenues are budgeted for the fiscal year and are expected to become measurable and available as net current assets. Expenditures are budgeted for the fiscal year when the related fund liability is expected to be incurred, except for expenditures related to general long-term debt, which is recognized when due.

### **Basis of Budgeting**

The preparation, approval, adoption, and execution of the County budget are following and in compliance with Florida Statute, Chapter 129, and consistent with generally-accepted accounting principles.

All budgets for Governmental Funds (General, Special Revenue, Debt Service, and Capital Projects) are prepared using a modified accrual basis of accounting. The modified basis is a mixture of the cash and accrual basis. To be recognized as a revenue or expenditure, the actual receipt or disbursement of cash must occur soon enough after a transaction or event has occurred to have an impact on current spendable resources. Revenues must be both measurable and available to pay for the current period's liabilities. Revenues are considered available when collectible either during the current period or after the end of the current period but in time to pay year-end liabilities. Expenditures are recognized when a transaction or event is expected to draw upon current spendable resources rather than future resources. Formal budgetary integration is employed as a management control device during the year.

Budgets for Proprietary Funds (Enterprise and Internal Service) use the accrual basis of accounting. Revenues are recognized in the period in which they are earned, and expenditures are recognized in the period in which the liability is incurred.

The Comprehensive Annual Financial Report (CAFR) shows the status of the County's finances based on generally accepted accounting principles, which generally mirrors the format by which the budget is prepared. Some exceptions are the treatment of capital assets, compensated absences, other post-employment benefits (OPEB), and pension obligations. The full purchase price of capital assets is an appropriation in the budget and is capitalized and depreciated in the Government-Wide statements and the Enterprise Funds in the CAFR. The entire unpaid liability for OPEB, compensated absences, and the County's proportionate share of the Florida Retirement System (FRS) plans' liabilities are recorded in the Government-Wide statements in the CAFR, whereas the current liability is budgeted as an appropriation in the year when it is expected to be expended.

### **Internal Budget Adjustments**

Budget adjustments are designed to give the County limited flexibility in its budgetary proceedings and may generally be approved for one of three reasons. First, a budgetary oversight may have been made in the original approved budget. Because the budget cycle begins so early in the year, it is very easy to overlook certain items that should have been included or to over-estimate or under-estimate the expenses or need for certain other items. A

second justification for an adjustment is emergency purchases. In many instances, equipment, supply, or maintenance costs must be incurred at a higher level than could have been anticipated due to a breakdown of equipment, the assumption of a new service, or unusually large contract prices. A third justification for an adjustment is an avoidance of future cost increases. A contract may be entered into earlier than projected to lock in a price for the purchase of goods or services that is expected to increase by the originally projected contract date.

As noted above, budget adjustments exist for very specific reasons and should not be used to balance an organization's budget each month. Operating within one's available budgetary resources is a managerial responsibility. The approved budget is only a plan and can be adjusted as circumstances change; however, it should be adhered to as closely as possible. When needs are less than originally anticipated or prices come in lower than budgeted, excess funds should accrue as savings to the County and should not be considered as available dollars for additional expenditures. These accrued savings become cash forward in the next year's budget and are very valuable revenue in maintaining service levels and avoiding tax rate increases.

### **Capital Equipment Adjustments**

Capital equipment items not approved in the budget can be purchased in one of three ways:

1. If the amount is less than or equal to \$10,000, and if the requesting party has funds available, then Budget and Management Services can approve the purchase.
2. If individual items or systems exceed \$10,000 but do not exceed \$50,000, and if the requesting party has funds available, then the County Manager or designee can approve the purchase.
3. Individual items or systems over \$50,000 require Board approval with justification of fund availability whether from within one's own budget or if requiring a transfer of the appropriate contingency.

### **Encumbrances and Obligations**

Encumbrances and obligations represent commitments related to unperformed contracts for goods or services and are recorded to reserve that portion of the applicable appropriation. Encumbrance and obligation accounting is utilized in the governmental funds.



## **GENERAL FISCAL/BUDGET POLICIES**

### **GENERAL POLICY**

1. The annual operating budget of Polk County, Florida shall balance the public service needs of the community with the fiscal capabilities of the County. The budget is intended to achieve the goals and objectives established by the Board of County Commissioners for the following fiscal year. County programs will represent a balance of services, but with special emphasis on public safety, quality of life, and compliance with various State and Federal mandates including the comprehensive plan. Services shall be provided in a most cost-effective basis. A balance between personnel and other classes of expenditures will also be achieved.
2. Polk County recognizes that its citizens deserve the County's commitment to fiscal responsibility and that a balanced operating budget is the cornerstone of fiscal responsibility. Annual operating expenditures, such as personal services, operating costs, and capital outlay, will be fiscally balanced with revenues or income estimates that can reasonably and normally be projected to be received during the fiscal year. New programs or changes in policies, which would require the expenditure of additional operating funds, will either be funded through reductions in existing programs of lower priority or through adjustments to fees, service charges, or taxes. New requests or changes to programs or policies will be accompanied by an analysis of the short-term and long-term impact on the operating budget caused by such changed or new program or policy. New programs, services, or facilities shall be based on general citizen demand or need.
3. The County shall prepare and implement a Capital Improvement Budget (Community Investment Program), which is consistent with State requirements, that schedules the funding and construction of projects for a five-year period. As identified in the County's comprehensive plan, the Community Investment Program shall balance the needs for improved public facilities within the fiscal capabilities and limitations of the County.
4. The County shall maintain its accounting records in accordance with generally accepted accounting principles (GAAP), which is applied to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).
5. The County shall provide funding for public services on a fair and equitable basis and shall not discriminate in providing such services on the base of race, sex, color, religion, national origin, or physical handicap.
6. Budgets for all County divisions and all other County expenditures, including all Constitutional Offices, shall be under Commission appropriation control.

7. Interfund loans must be supported by a fiscally-sound source of funds available for repayment.
8. Preparation of the County's budget shall be in such a format as to allow correlation with the costs reported in the County's Comprehensive Annual Financial Report.

## **FISCAL POLICY FOR ANNUAL OPERATING REVENUE AND EXPENSES**

### **ALL FUNDS – REVENUE**

1. Revenue projections will be based on an analysis of historical trends and reasonable assumptions of future conditions.
2. Revenue estimates will be made on a reasonable conservative basis to ensure that estimates are realized.
3. The operating budget will be prepared based on 95% of the certified taxable value of the property tax roll and other anticipated revenues.
4. The County will not use long-term debt to finance expenditures required for operations.
5. The operating budget will be balanced using current year revenues to finance current year expenditures. Fund balances shall not normally be budgeted as a resource to support routine annual operating expenses. Fund balances may be budgeted as a resource to support capital, debt, or extraordinary major maintenance needs on a non-recurring basis or as reserves to be carried forward.
6. As early as practical, in each annual budget cycle, the Board shall give direction to administration as to the circumstances under which an ad valorem tax millage increase would be considered. Normally, such direction should be given in January of each year in conjunction with setting a tentative budget calendar.
7. Fees should be collected on all County-provided services for which specific users may be readily identified and use may be reasonably quantified. The fee amount should be based on actual costs incurred in providing the services (or facility) and shall be reviewed at least every five years. The degree to which fees shall recover full costs shall be a policy determination of the Board, but in no instance should it exceed that total cost.

### **ALL FUNDS – REQUIREMENTS**

1. Normal maintenance requirements necessary to sustain the basic asset value will be included in the budget of the proper operating fund.
2. Contractual obligations and compensation plans for employees will be provided.
3. As early as practical in the budget process, the Board shall discuss staffing for current and planned years with County administration.

4. Capital will be provided for major improvements and automation of services based on multiple-year planning and appropriate cost benefit analysis. Each year, as early as practical, the Board shall discuss specific capital replacement requirements and policies for the upcoming year.
5. Future capital improvement requirements and replacement will be included in operating plans requiring such reserves as may be necessary. The annual amount set aside to provide reserves for future capital requirements should be consistent with individual fund needs as approved by the Board.
6. Along with other required budget material submitted by division directors in March and April of each year, the Risk Manager shall prepare an estimate of amounts to be budgeted for workers' compensation, self-insured, and malpractice claims. This amount shall be discussed with the Board at as early a date thereafter, as practical.

## **SPECIFIC GUIDELINES FOR INDIVIDUAL FUNDS**

### **General Fund**

It is the objective of the County to pay a great portion of the operating expenses of the General Fund as possible from sources other than ad valorem taxes. Only to the extent that non-ad valorem tax sources of revenue are inadequate to support services at desired levels should ad valorem taxes be considered for assessment.

Service charges and fees for all General Fund services will be analyzed to ensure an appropriate proportional recovery of direct costs and overhead.

### **Enterprise Funds**

The annual operating budget includes three enterprises that have multiple funds: Utilities (water and sewer), Waste and Recycling, and Rohr Home. Each enterprise reimburses the General Fund for its proportionate share of the cost of general administrative divisions. Services charges, rent, and fee structure are established to fully ensure recovery of costs for these funds possible, considering public benefit. Utilities, and Waste and Recycling make a payment-in-lieu-of taxes computed in a fashion that relates the tax to a comparable commercial use.

A review of cost of service and rate structures for Utilities (water and sewer), and Waste and Recycling charges are performed on a routine basis. The recommended budget sets forth the amount to be recovered by the service charges, which will be based on the cost of services provided. The impact of such cost of services on rate schedules shall be presented to the Board in a timely manner to allow review and analysis prior to its approval.

## **Internal Services Funds**

Charges to divisions for services rendered will be sufficient to cover the total cost of performing those services on an efficient basis. Rate changes for such services shall be presented to the Board at least 60 days prior to the planned date of implementation and shall be accompanied by an analysis and justification.

Considering inflationary cost factors, replacement of equipment will be included in the cost of furnishing services.

Lease purchase or borrowing of funds will be considered appropriate only if it involves a major conversion from which the cost saving benefits will accrue in future years during the useful life of assets acquired by such methods.

## **FISCAL POLICY FOR CAPITAL EXPENDITURES AND DEBT FINANCING**

### **ALL FUNDS**

#### ***Revenue***

Revenue projections for the Community Investment Program shall be based on conservative assumptions of future earnings and bond market conditions.

#### ***Requirements***

Capital projects shall be justified in relation to the applicable elements of the County's comprehensive plan or other requirements or needs.

Estimated requirements for capital projects shall include all costs reasonably associated with the completion of the project.

The impact of each project on the operating revenues and requirements of the County shall be analyzed as required by the general fiscal policy stated above.

#### ***Long-Term Debt***

Long-term borrowing will not be used to finance current operations or normal maintenance. A policy of full disclosure will be followed in all financial reports and official statements for debt.

#### ***Medium-Term Debt***

Lease purchase methods, bonds, or other debt instruments may be used as a medium-term (four to ten years) method of borrowing for the financing of vehicles, other specialized types of equipment, or other capital improvements. The equipment or improvement must have an expected life at least equal to the years leased or financed. The County will determine and utilize

the least costly financing methods available. Such debt arrangements will be repaid within the expected life of the equipment or improvement acquired.

### ***Short-Term Debt***

The County will determine and utilize the least-costly method for short-term borrowing. Short-term debt may be refunded in accordance with applicable federal laws.

### **SPECIFIC GUIDELINES**

1. *General Capital Improvements:* These improvements, or those not related to County-owned enterprises, shall be funded from general operating fund revenues or fund balances, the sale of revenue bonds or general obligation bonds, and from special assessments and grants.
2. *Pay-As-You-Go Capital Improvements:* These improvements shall be funded from general operating fund revenues or fund balances, State and Federal grants, special assessments, or other sources of revenue, which may become available to the County. Major capital projects related to the delivery of general-public services shall be paid from general-purpose revenues.
3. *Special Assessments:* When special assessments are used for pay-as-you-go general capital improvements, whereby the County as a whole receives the benefit, the County, consistent with State law, will establish the interest rate charged.
4. *Revenue Bond Debt Limit:* Sale of revenue bonds shall be limited to that amount which can be supported by user fees and other associated revenues. Revenue bond coverage shall not be less than parity-required coverage. Net annual debt service shall be gross annual debt service less estimated interest on debt service reserve accounts and funds from other governmental units designated for payment of such debt service.

5. *Enterprise Capital Improvements:*

Pay-As-You-Go Improvements: Enterprise funds should support needed capital improvements on a pay-as-you-go basis to the greatest extent possible.

Revenue Bond Debt Limit: Enterprise revenue bond coverage shall not be less than parity-required coverage.

### **Amendments After Adoption**

As provided in Florida Statute, Chapter 129.06, once the budget is adopted, it may be amended by the Board at any time within a fiscal year in the following manner:

1. Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund correspondingly increased by motion recorded in the minutes, provided that the total of the appropriations of the fund are not changed.

2. Appropriations from the Reserve for Contingency may be made to increase the appropriation for any particular expense in the same fund or to create an appropriation in the fund for any lawful purpose; however, expenditures may not be charged directly to the Reserve for Contingency.
3. Revenue of a nature or source not anticipated in the budget and received for a specific purpose such as grants, donations, gifts, or reimbursement for damages may, by resolution of the Board, be appropriated and expended for that purpose. For example, Fire Rescue receives an unanticipated grant from the Department Homeland Security that required appropriations to be budgeted and approved by the Board.
4. Increased receipts for enterprise or proprietary funds received for a particular purpose may, by resolution of the Board, be appropriated and expended for that purpose.
5. Request for appropriations of funds not previously budgeted will be processed as budget amendments as required by Florida Statute, Chapter 129.06 (2) (d) and (e).

Any amendment to the budget not specified above may be authorized by resolution or ordinance of the Board following a Public Hearing.

### **Budget Transfers**

*Policy changes approved by the Board of County Commissioners on December 17, 2019*

Budget transfers are designed to give the County limited flexibility in its budgetary proceedings. Transfers may generally be approved for one of three reasons. First, a budgetary oversight may have occurred in the original approved budget. A second reason for which transfers may be approved is emergency purchases. A third justification for a transfer is the avoidance of future costs. Budget transfers should not be used to balance an organization's budget each month. The approved budget is only a plan and can be changed as circumstances change; however, it should be adhered to as closely as possible.

Any budgetary organization may request a transfer by submitting a completed budget transfer request form to Budget and Management Services. The form must contain all information requested, including Oracle account string information, justification for transfer, amount of transfer, origin, and destination of funds, and signed approval by the appropriate director or designee. If there is insufficient space on the form to provide adequate justification, the requester may attach an additional page. Budget and Management Services will return any incomplete forms to the requesting organization.

Upon receipt of a completed form, Budget and Management Services reviews the information provided for accuracy and evaluates the merits of the request. Once all necessary information requirements have been satisfied, the Budget office processes a journal voucher to document the proposed transfer for auditing purposes.

Requests for a budget transfer must have the appropriate signatures as follows:

1. Transfers between costs centers within a division require the signature/approval of the division director.
2. Transfers that cross divisions must be approved as follows:
  - a. Under \$10,000 will be approved by the Budget and Management Services Director with a notice to the affected division directors
  - b. Anything over \$10,000 must be approved by the Budget and Management Services Director and the County Manager or designee
3. Transfers requiring the expenditure of contingencies may only be made with Board approval. Such transfers shall be placed on the Board's agenda, which, will include all information necessary to enable a reasonable decision by the Board, and a recommendation for either approval or denial by Budget and Management Services.

Once the appropriate authority has approved a transfer request, it shall be the responsibility of Budget and Management Services to ensure that an adjustment is forwarded to the Clerk and Auditor in the form of a journal voucher complete with all necessary supporting documentation for review, auditing, and posting to the general ledger.

Only budget transfers that are of an emergency nature will be processed immediately. All other requests will be processed as needed or on a quarterly basis on January 1, April 1, July 1, and September 15 of each budget year.

## **INVESTMENT POLICY**

*Policy approved by the Board of County Commissioners on October 4, 2016*

### **I. SCOPE**

This investment policy applies to all financial assets of Polk County, which are under the direct control of the Clerk of the Circuit Court as the County Comptroller for the Board of County Commissioners of Polk County, hereinafter referred to as the County. This Policy does not include any financial assets under the direct control of any of the Constitutional Officers of Polk County. At such time, as the funds under their direct control pass to Polk County, then this policy will be applicable. The Clerk has discretion to manage the investment portfolio and to vary limits on securities as defined in this policy but within the limits of Florida Statutes.

The Policy was adopted using Florida Statutes Section 218.415 as a guideline. Bond proceeds may be further limited or expanded by their respective bond resolutions or covenants and shall not conflict with the Investment Policy

## II. INVESTMENT OBJECTIVES

The following investment objectives will be applied in the management of the County's funds. By using an active portfolio management philosophy, rather than a "buy and hold" philosophy, portfolio yield will be enhanced without any appreciable increase in risk.

- A. SAFETY OF CAPITAL** – Safety of capital is regarded as the highest priority in the handling of investments for the County. All other investment objectives are secondary to the safety of capital. Each investment transaction shall seek to first insure that capital losses are avoided, whether they be from securities defaults or erosion of market value.
- B. LIQUIDITY** – The County's investment strategy will provide sufficient liquidity such that cash flow requirements are met through the utilization of marketable securities with structured maturities.
- C. YIELD** – In investing public funds, the Clerk will strive to maximize the return on the portfolio but will avoid assuming unreasonable risk.
- D. INTEREST RATE RISK** – It is the policy of the County to manage Interest Rate Risk while pursuing opportunities that are consistent with long term yield optimization. Portfolio decisions regarding Interest Rate Risk will be balanced with the consistent priorities of safety of capital and liquidity followed by probable portfolio yield and forecasted market conditions.

## III. STANDARDS OF CARE

- A. PRUDENCE AND ETHICAL STANDARDS** – The "Prudent Person" standard shall be used in the management of the overall investment portfolio. The prudent person standard is herewith understood to mean the following: 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 own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Authorized persons in accordance with section IV. B., performing the investment functions, acting as a "Prudent Person" in accordance with these written policies and procedures, exercising due diligence, and investing in investments authorized by law, shall be relieved of personal responsibility, for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion, as described in the internal control section of this policy, and appropriate action is taken to mitigate adverse developments.



**B. INVESTMENT AUTHORITY** – Responsibility for the administration of the investment program is vested in the Clerk of the Circuit Court (Clerk), as provided in Florida Statue, Section 28.33. The Clerk shall exercise this authority and regulate the administration of the investment program through the Clerk’s Office, including the utilization of an Investment Manager and other internal positions as the Clerk deems appropriate. If at any time the Investment Manager is unavailable, a person from the list in the Internal Controls (Section IV.B.) shall be designated to execute the investment function as stated in the Internal Controls section of the policy.

**C. ETHICS AND CONFLICTS OF INTEREST** – The Clerk and Clerk employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. The above mentioned shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment-related officers and personnel shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity.

#### **IV. SAFEKEEPING AND CUSTODY**

**A. AUTHORIZED INVESTMENT INSTITUTIONS AND BROKER/DEALERS** – Documented lists of the authorized financial institutions and dealers/broker will be developed and maintained by the Investment Manager and approved by the Clerk. Brokers/dealers will consist of banks, regional firms, and other recognized firms in the general securities business. Evaluation criteria will include:

1. The institutional and broker qualification as they relate to both general and specific product knowledge
2. The technical support capabilities, as well as the operations efficiency of the organization
3. The ability to provide value added services
4. Pricing competitiveness based on the ability of the dealer to support both the “bid” and “ask” side of various securities market instruments
5. The financial strengths and security of the company
6. Have a minimum capital of \$10 million

Before engaging in investment transactions with a financial institution or broker/dealer, the Investment Manager will have received from said broker/dealer a signed Investment Certification Form (Attachment A) attesting that the individual is responsible for the County’s account, has reviewed the County’s Investment Policy,

and that they agree to undertake reasonable efforts to preclude imprudent transactions involving the County's funds.

Time, practicality, and general business constraints limit the number of quality investment relationships which can be managed on a regular basis. In most cases, normal investment activity will be limited to a small group of relationships. In all cases, investment relationships will consist of a minimum of four institutions.

Review of FINRA's (Financial Industry Regulation Authority) Central Registration Depository (CRD®) for information on approved financial institutions and/or dealers/brokers will be completed on an annual basis. Financial institutions and/or dealers/brokers may be removed at any time for violations or if sanctions are imposed by a regulatory agency or government.

If at any time the Clerk is appropriately notified of any threat to the integrity of the investment portfolio, proper security measures may be suggested and implemented, and the Clerk shall have the option to further restrict investment in selected instruments, to conform to the then-present market conditions.

Repurchase Agreements will be conducted through and negotiated only with Qualified Public Depository financial institutions and primary securities brokers/dealers. A written Master Repurchase Agreement will be negotiated with any institution with which the County, through the Clerk, enters into a specific repurchase agreement with.

**B. INTERNAL CONTROLS** – The Clerk shall exercise and monitor a set of internal controls to be conducted through the Investment Manager, which said controls are designed to protect the County's funds and ensure proper accounting and reporting of the securities transactions. Such internal controls shall consist of the following:

1. The Clerk is authorized to accept, on behalf of and in the name of The Polk County BOCC, bank trust receipts and/or confirmations as evidence of actual delivery of the obligation or securities in return for investment of funds.
2. Trust receipts or confirmations shall fully describe the various obligations or securities held. The receipt or confirmation shall state that the investment is held in the name of The Polk County Board of County Commissioners.
3. Written documentation and/or confirmation of telephone transactions and wire transfers will be maintained.
4. There will be adequate separation of duties with clear delegation of authority among investment personnel.
5. Investment review and performance reporting, interim and annual, shall be performed by the Investment Manager and reviewed by the Clerk.

6. The Investment Manager will promptly notify the Clerk or Comptroller Division Director of any threat to the safety of the Portfolio and proper security measures will be suggested and implemented to conform to market conditions.
7. There will be no physical delivery of securities, except Certificates of Deposit which will be maintained in a safe in the Department of Finance and Accounting.
8. There will be prohibition of collusion.
9. Custodial/Safekeeping shall be utilized. Monthly custodial/safekeeping account statements shall be maintained.
10. Transaction confirmations will be received from the financial institution or securities dealer awarded the investment and maintained as investment documentation.
11. Periodic training and educational opportunities will be provided and made available concerning investments and related subjects for appropriate personnel, in accordance with Florida Statute 218.415.
12. Investment activity will be performed by the Investment Manager and subsequently approved by the Clerk. In the absence of the Investment Manager, the Comptroller Division Director, or the Chief Accountant responsible for overseeing investment record keeping, or other designee will perform the investment activity and obtain approval of the Clerk.
13. Additional controls will be established in written policies and procedures by the Clerk, as needed.
14. The internal controls for investments will be reviewed by the County's independent auditors as part of the County's annual financial audit.
15. All securities purchased or sold will be transferred only under the "Delivery Versus Payment" method to ensure that funds or securities are not released until all criteria relating to the specific transaction are met.

**C. SAFEKEEPING OF MONIES AND SECURITIES** – Collateral for public deposits is controlled by the State of Florida through Chapter 280 of the Florida Statutes. The County shall not be under any obligation to secure additional collateral beyond the provision set forth in Chapter 280, except in the case of Repurchase Agreements. Collateral requirements for Repurchase Agreements will be contained in the Master Repurchase Agreement, executed between the County and the broker/dealer or bank.

All investment securities purchased, except Certificates of Deposits, shall be held in safekeeping at an institution designated by the Clerk and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by those designated in the internal control section of this policy. The institution shall issue a safekeeping receipt to the Clerk's Office listing the specific instrument, par value, rate, maturity, and any other pertinent information. In addition, the safekeeping institution shall send a monthly report listing all securities held in the County's safekeeping account which shall be verified by the Clerk's office.

## **V. SUITABLE AND AUTHORIZED INVESTMENTS**

The County shall limit investments to:

- A. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, and which carry the full faith and credit of, the United States Government and its agencies. Investments in this category would include but not be limited to the following: United States Treasury Bills, Notes, Strips and Bonds, and securities issued by the Government National Mortgage Association (Ginnie Mae), Federal Financing Bank (FFB), and Federal Housing Administration (FHA).
- B. Fully collateralized United States Agency obligations otherwise known as Government Sponsored Enterprises (GSEs) which carry an implied guarantee and the implied full faith and credit of the United States Government. Investments in this category would include but not be limited to the following: obligations of the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Tennessee Valley Authority (TVA), Financial Assistance Corporation and Federal Agriculture Mortgage Corporation (Farmer Mac), and the Federal National Mortgage Association (FNMA).
- C. Permitted investments in the above listed agencies and instrumentalities shall include bonds, debentures, notes, or other evidence of indebtedness issued including mortgage pass-throughs, collateralized mortgage obligations, adjustable-rate securities (such as step-ups and floating rate notes), and adjustable-rate mortgages (ARMs).
- D. Banker's Acceptances which are issued by a domestic bank which has the top ten rating of at least "Prime-1" and "A" by Moody's Investors Service and "A-1" and "A" by Standard & Poor's Corporation.
- E. Commercial Paper rated, at the time of purchase of at least, "Prime-1" by Moody's and "A-1" by Standard & Poor's.

- F. Interest bearing savings accounts, money market accounts, certificates of deposit, money market certificates, or time deposits constituting direct obligations of any bank or savings and loan association certified as a Qualified Public Depository by the State of Florida or Federal Deposit Insurance Corporation.
- G. Repurchase Agreements collateralized by securities otherwise authorized in paragraphs A to E.
- H. State of Florida Local Government Surplus Funds Trust Fund (FL Prime or SBA).
- I. Florida Local Government Investment Trust (FL Trust or FLGIT).
- J. Bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
- K. Municipal Debt General Obligation (GO) Securities and Water & Sewer Revenue Securities issued by a municipality within the United States, provided that such instrument is rated "A- or equivalent" or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO) at time of purchase.
- L. Corporate Debt Securities issued by any corporation within the United States, provided that such instrument is rated "A- or equivalent" or better by at least two Nationally Recognized Statistical Rating Organizations (NRSROs) at time of purchase. Investment in convertible securities is prohibited.
- M. Securities and Exchange Commission (SEC) registered Money Market Funds with the highest credit rating (AAA or equivalent) by either major Nationally Recognized Statistical Rating Organization (NRSRO) and a weighted average maturity (WAM) of assets in the fund shall be sixty (60) days or less.
- N. Asset Backed Securities (ABS) limited to traditional consumer receivables, such as auto, equipment, or credit card receivables provided that such instrument is rated A-1/P-1 or equivalent if the final maturity is 13 months or less and AAA or equivalent for longer maturities by at least two Nationally Statistical Rating Organizations (NRSROs) at time of purchase.
- O. Supranational Securities U.S. dollar denominated debt obligations of a multilateral organization of governments rated AAA or equivalent by at least two Nationally Statistical Rating Organizations (NRSROs) at time of purchase.

## **BID REQUIREMENT**

Although in most situations the competitive bid process shall be utilized, there is no obligation to secure competitive bids from all financial institutions and securities dealers on the approved list. Rather, a decision may be made by the Investment Manager and/or the Comptroller Division Director as to the institutions that have been the most competitive over the preceding investment bids or by a fair rotation, without exceeding maximum issuer limitations. When purchasing or

selling securities, the Investment Manager, or those designated staff, will obtain competitive bids or offerings from at least three dealers, except in situations where:

- A. The security involved is a “new original issue” and can be purchased at par prior to issue date, or “at the window” at date of sale.
- B. The security involved is available through direct issue or private placement.
- C. The security involved is of particular special interest to the entity and dealer competition could have an adverse impact with the respect to the price and availability to the entity.

## **REPORTING**

The Treasury Manager shall generate monthly reports for management purposes. In addition, the Treasury Manager shall submit an annual report, which presents the County’s portfolio by type of investment, book value, income earned, and market value as of the report date.

## **INVESTMENT PARAMETERS**

From time to time economic and/or market aberrations may create situations where markets become abnormal and portfolio composition and/or maturity guidelines may become temporarily exceeded. Deviations from the general guidelines in this policy may be granted by the Clerk.

- A. LIQUIDITY REQUIREMENTS** – To meet the day-to-day operating needs of the County and to provide the ready cash to meet unforeseen temporary cash requirements, a liquidity base of approximately at least two months of anticipated disbursements, excluding bond construction payments made from escrow or trust accounts, will be kept in relatively short-term investments. These would include State of Florida Local Government Surplus Funds Trust Fund, Discount Notes, Commercial Paper, Certificates of Deposit, Treasury Bills, Money Market Funds, or Repurchase Agreements.
- B. PORTFOLIO COMPOSITION/RISK AND DIVERSIFICATION** - Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. The percentage allocation requirements for investment types, issuers, and maturities are calculated based on the par value of each investment. Diversification strategies within the established guidelines shall be reviewed and revised periodically, as necessary, by the Clerk of Circuit Court, Comptroller Division Director, and Investment Manager. These guidelines may be temporarily amended by the Clerk for specific circumstances and will be reported to the County Manager and the Chairman of the Board within five business days and to be reviewed with the County at the next scheduled Finance Committee Meeting.

Local Government Surplus Funds Trust Fund	100%
United States Treasury Bills/Notes/Bonds/Strips	50%
United States Federal Agencies Full Faith & Credit (FFC)	25%
Federal Instrumentalities/Government Sponsored Enterprises (GSEs)	50%
Collateralized Mortgage Obligations	25%
Mortgage-Backed Securities (MBS) Pass-Through(s)	25%
Repurchase Agreements	35%
Certificates of Deposit	50%
Florida Local Government Investment Trust	20%
Banker's Acceptances	20%
Commercial Paper	25%
Israel Bonds	5%
SEC Registered Money Market Funds	50%
Municipal Bonds General Obligation (GO) and W&S Revenue	25%
Corporate Bonds	25%
Asset-Backed Securities (ABS)	25%
Supranationals	25%

**C. PERFORMANCE STANDARD** – The County seeks to optimize return on investments within the constraints of safety and liquidity. The investment portfolio shall be designed with the annual objective of exceeding by 25 basis points above the weighted average return earned on investments held in the SBA.

**D. MATURITY GUIDELINES** – The County's portfolio should be structured, when practicable, so that securities mature to meet the County's cash needs, thereby avoiding the need to sell securities prior to maturity.

Generally, no more than 10% of the portfolio will be invested in amortizing securities that have a Weighted Average Life (WAL) exceeding five years.

Generally, non-amortizing, non-adjustable rate securities purchased with maturities exceeding five years should not be more than 25% of the total portfolio and maturities exceeding ten years should not exceed 10% of the total portfolio. Fixed rate securities have the potential for greater interest rate sensitivity. However, in periods when interest rates are forecasted to decrease and/or remain relatively low for extended periods of time, fixed rate securities with longer maturities can be very advantageous for higher portfolio income and greater price appreciation.

Generally, non-amortizing, adjustable-rate securities purchased with maturities exceeding five years should not be more than 25% of the total portfolio. These securities purchased with maturities greater than ten years should not be more than 10% of the total portfolio. This security type, depending on the structure, has the potential for less interest rate sensitivity in a rising interest rate environment.

## **SALE OF SECURITIES**

A. From time to time, securities may be traded for other similar securities or sold to improve yield, maturity, or credit risk. For these types of transactions, a temporary loss may be incurred for accounting purposes, provided the loss is more than offset by the higher yield. The following are examples of circumstances considered appropriate for a swap/sale:

1. The yield can be increased.

Market aberrations are often caused by supply and demand conditions for particular securities. For example, if a short supply exists for a particular maturity range, then it may be advantageous to swap/sell out of the security in a short supply and into another similar security in a different maturity range.

2. The maturity length can be reduced.

Market aberrations occasionally create a situation where longer maturity securities are yielding the same or less than securities with a shorter maturity. Portfolio quality can be improved by switching from the longer maturity security to the shorter maturity with little or no interest penalty.

3. The quality of the investment can be improved.

Market aberrations occasionally create a situation where certain higher risk securities yield the same or less than an equivalent lower risk security. Portfolio quality can be improved by switching from the higher risk security to a lower risk security without an interest rate penalty.

When invested funds are needed, in whole or in part for the purposes originally intended or for more optimal investments, such investments may be sold, with prior approval from the Clerk or Comptroller Division Director, at the then-prevailing market price.

B. Credit ratings may fluctuate on municipal or corporate security holdings. Should the credit rating on a security held in the portfolio fall below minimum purchase requirements, the Comptroller Division Director will be notified immediately. A thorough review of the security will be conducted to determine if sale of the security is warranted. If market conditions allow or practicable, a sale will be conducted upon joint decision of the Investment Manager or designee, Comptroller Division Director, and/or Clerk. If market conditions do not allow and/or are not practicable, sole authority to sell a security may be delegated to the Investment Manager or designee.



- C. Should the credit rating on a security held in the portfolio fall below minimum purchase requirements as a result of a rating agency's general recalibration of how it rates issuers and not due to any material changes in the underlying fundamentals of the issuer and not as the result of a change in the rating agency's opinion of the credit quality of the affected issuer, a sale of the security will not be required.
- D. When portfolio composition guidelines have been exceeded, it may become necessary to sell an investment or a portion of an investment to maintain compliance with portfolio composition guidelines. A thorough review of the security will be conducted to evaluate the security's fundamental value and if loss would occur due to sale. Consideration will be given to future portfolio purchases, maturities, and the amount of excess above the stated portfolio composition guidelines. Sale of a security or a portion of a security at a loss to meet compliance guidelines will be conducted as a last resort and only upon joint decision of the Investment Manager or other designee, Comptroller Division Director, and/or Clerk.
- E. Portfolio rebalancing is meant to add economic value to a portfolio under circumstances prevailing during the rebalancing process. This may necessitate the sale of securities at a loss in order to reduce portfolio risk (without a material reduction in portfolio return) or to achieve a greater overall return (without assuming material amounts of additional risk) that could have been obtained if the original position(s) had been held. Portfolio rebalancing should be completed in such a manner as to minimize the amount of realized loss. The effects of investment purchases, maturities, and sales should be considered when determining a rebalancing strategy. In recognition that specific investments and markets are dynamic and that relative values can change over time, it is the policy to review and pursue those opportunities that are consistent with long term optimization. It is the policy of the County to manage the investments within the constraints outlined in these policies by regularly re-assessing analysis and projected performance and by making timely re-allocations.

## **RESERVE AND FUND BALANCE POLICY**

*Policy approved by the Board of County Commissioners on December 17, 2019*

The Polk County Board of County Commissioners realizes that it is essential for governments to maintain adequate levels of reserves and fund balance to mitigate current and future risks such as revenue shortfalls, natural disasters, and unanticipated expenditures. Also, various bond rating agencies recognize that the best reserve policies provide both specificity and flexibility, accomplishing one or more of at least three main criteria: establishing a target level of reserves or a reserve floor, specifying the appropriate circumstances for drawing down reserves, and directing the replenishment of reserves. The Government Finance Officers Association of the United States and Canada (GFOA) recommends that governments establish a formal policy which considers each government's own unique circumstances, articulating these risks to make

it easier to explain to stakeholders. At minimum, the GFOA recommends the General Fund maintain a fund balance of no less than two months of regular operating expenditures. It is the recommendation of GFOA that the following specific policies are implemented.

## **DEFINITIONS**

***Reserve for Contingency:*** A budgeted reserve to fund unanticipated expenditures that may come up within the fiscal year. Examples include and are not limited to: matching dollars for grants, capital projects, outside agency requests, division requests to fund increases to current or new program initiatives, or to fund expenditures relative to a major storm or other unforeseen disaster that fundamentally alters the current tax base. According to Florida Statute, Chapter 129.01, a reserve for contingency cannot be greater than 10% of the fund in which it is budgeted.

***Reserve for Budget Stabilization:*** A budgeted reserve, primarily to be budgeted in the County's General Fund, is used for short-term cash flow purposes and to maintain service levels if an economic downturn should cause a shortfall in revenues.

***Reserve for Debt Services:*** Debt Service reserves will be maintained as required by bond covenants or other obligations.

***Reserve for Future Capital Expansion:*** A budgeted reserve to ensure the County has funding to cover future planned expenditures in the CIP. Polk County approves a five-year CIP, inclusive of multi-year total project costs, but the Board only formally adopts the first year of the budget. The purpose of this reserve is to account for those estimated CIP project costs beyond the biennial budget.

***Reserve for Cash Balance Forward:*** Reserves to be used to fund operating expenditures for the first few months of the fiscal year until the fund's recurring revenue starts to come in. This type of reserve is primarily used in ad valorem-supported funds but may be used in other funds as deemed appropriate. Budget and Management Services will monitor the funding levels and projected cash flow needs of the funds utilizing this reserve on an annual basis as part of the County budget process. According to Florida Statute, Chapter 129.01, a reserve for cash balance forward cannot be more than 20% of the fund.

There may be other reserves utilized by various funds based upon the need to reserve monies during any budget cycle.

***Utilization of monies from any reserve can only be appropriated by authorization of the Board of County Commissioners.***

## **RESERVE POLICY**

**General Fund:** It is at the recommendation of the GFOA that governments use General Fund reserves and fund balance to reduce the risks resulting from natural disasters/other catastrophic events and downturns in the economy. GFOA recommends an actual fund balance of a minimum of two months of regular operating revenue or expense, while taking into consideration the County's own unique circumstances. Polk County meets the two months of actual fund balance recommendation through a combination of budgeted reserves, additional revenue, and unspent appropriations at the end of each year. Florida Statute requires local governments to base the annual budget on 95% of anticipated revenue; this results in an unbudgeted 5% in expected operating revenue, which along with any unspent appropriations, should become fund balance at the end of the fiscal year. The County's General Fund reserve budget will include 42-45 days (11-12%) of operating expense in three reserve accounts, and when the unbudgeted 5% is included, this results in 16-17% or two months of operating expense. In addition, there are several other funds that have been established by the Board of County Commissioners and may be utilized, with formal action of the Board, to address emergency situations. The County's General Fund will maintain a 42-45 day or 11-12% total budgeted reserve within the following:

**Reserve for Contingency:** Per Florida Statute 129.01, this reserve will not exceed 10% of the total appropriations and will normally be budgeted at approximately 2-3% of the General Fund operating budget

**Reserve for Self Insurance Claims:** An amount equal to 50% of the annual audit requirement for the County.

**Reserve for Budget Stabilization:** An amount equal to the balance needed to get the General Fund reserves to 42-45 days or 11-12% of the total General Fund operating budget.

Maintaining these three reserves at 42 to 45 days of operating allows the County to keep a two-month actual fund balance, when the unbudgeted revenue and unspent appropriations are considered. If any of the above reserves are utilized during the fiscal year, they should be replenished in the following fiscal year's budget through undesignated/unreserved ending fund balance coming from excess revenues and/or unspent appropriations. Other reserves may be budgeted as necessary.

## **SPECIAL REVENUE FUNDS**

These funds may include reserves for cash balance forward, contingencies, future capital expansion, or others as necessary for the ensuing fiscal year. As part of the budget process, these reserves will be reviewed for necessity, as well as funding limits by Budget and Management Services annually.

## **ENTERPRISE FUNDS**

### ***Utility System and Waste and Recycling***

The Utility System and Waste and Recycling operating funds should maintain a fund balance/reserve for contingency or cash balance totaling a minimum of 30 to 60 days of operating expenditures plus debt service requirements sufficient to meet debt covenants.

The reserve(s) will be used in the case of a major interruption of the current revenue stream due to unforeseen circumstances such as a natural or man-made disaster or significant economic downturn. Recovery of these reserves after drawdown for the specified purposes will be accomplished through the use of customer service rates, assessment revenues, and/or the net income of the system.

## **INTERNAL SERVICE FUNDS**

### ***Fleet Replacement Fund***

Fleet Replacement should maintain a Fixed Asset Replacement Reserve (Reserve for Future Capital) equal to a minimum of one year's estimated replacement cost of assets. The reserve may be used in the event of a major interruption of the current revenue stream due to unforeseen circumstances such as a natural or man-made disaster. The Fixed Asset Replacement Reserve should be used for the replacement of assets currently in service.

If reserve balances exceed requirements, the County should adjust rates charged to other County operating funds. Recovery of these reserves after drawdown for the specified purposes will be accomplished by internal service charges to other County operating funds. Annual funding of the Fixed Asset Replacement Reserve will be set through the budget process and will be at a minimum equal to the annual replacement charges to the user divisions.

### ***Information Technology Fund***

This fund may include Reserve for Contingency or other reserves as necessary for the ensuing fiscal year. As part of the budget process, these reserves will be reviewed for necessity by Budget and Management Services annually. If reserve balances exceed or are not enough to meet requirements, rates charged to other County operating funds will be adjusted appropriately.

### ***Health Insurance Fund***

The Health Insurance Fund should maintain a reserve in accordance with the annual actuarial analysis to ensure financial viability. The State of Florida reserve standard for self-insured plans is two months or 16% of projected claims. This will serve as the County's absolute minimum. The County will procure an actuarial study annually and will take a conservative approach when establishing the amount of reserve required.

The Health Insurance Fund will charge premiums to the covered entities in adequate amounts to establish and maintain the above reserves.

## **FUND BALANCE POLICY**

The operating budget will be balanced using current year recurring revenues to finance current year recurring expenditures. Fund balances should not normally be budgeted as a resource to support routine recurring annual operating expenses. For the purposes of this policy, there are two types of fund balances:

***Reserved Beginning Fund Balances*** will be estimated and included in the annual budget to fund the carryover of reserves, capital projects, or other items budgeted for in the prior year that need to be carried over into the next fiscal year for the goods or services to be delivered or completed.

***Unreserved Beginning Fund Balances*** are accumulated through unspent appropriations and excess revenues received over what was budgeted. The following outlines the appropriate uses of this one-time balance:

1. Pay for unfunded projects
2. Increase or replenish reserves in a fund based upon Reserve Policy guidelines
3. Stabilize offsetting operating revenue shortfalls as long as the amount budgeted is disclosed as part of the budget process
4. Fund outside agency requests
5. Retire or accelerate payments towards debt service
6. Cover extraordinary major maintenance needs on a non-recurring basis
7. Fund technology needs which support efficiency and effectiveness of operations
8. Fund pilot programs for a period to ensure that program revenues cover expenditures as projected and to ensure that program performance measures are met.

In the General Fund, 50% of the unreserved beginning fund balance will be used to fund the Board's highest priority unfunded projects as established in the Board's yearly goals. Unreserved balances should not be used to provide for the following:

1. Funding new positions
2. Funding recurring salary increases

Any unreserved beginning fund balances that were not estimated as part of the annual budget cycle will be budgeted in the next fiscal year, as guided by this policy.

## **GASB SPENDING POLICY**

*Policy approved by the Board of County Commissioners on April 26, 2011*

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is intended to clear up confusion on issues related to how fund balance is reported, specifically regarding reserved and restricted assets and the interpretation of fund balance reporting.

To help clarify, GASB created five categories that all fund balance will be reported in:

- **Non-spendable fund balance** – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance** – Amounts restricted for specific purposes by external sources, such as grantors, laws, statutes, contributors, or legislation to name a few. An example of this would be the Fuel Taxes that are limited by Statute to be spent on Transportation-related items.
- **Committed fund balance** – Amounts constrained to specific purposes by the highest level of internal decision-making. Examples of this would be revenue restricted by Board-adopted resolutions or ordinances.
- **Assigned fund balance** – Amounts a government intends to use for a specific purpose, but there is no formal document such as a resolution or ordinance that has been adopted to formalize the intent.
- **Unassigned fund balance** – Classification for fund balance that has not been assigned to other funds and that has not been restricted. This classification is used primarily in the General Fund and is used in other funds if there is a deficit.

All funds and revenue sources in each fund must be identified in one of these classifications and each government must disclose *the order in which a government assumes restricted, committed, assigned, and unassigned amounts are to be spent when amounts in more than one classification are available for a particular purpose.*

This policy establishes that the Polk County Board of County Commissioners has approved one order of expenditures for the General Fund and another order of expenditures for all other funds.

- **General Fund** – In the General Fund, the fund balance will be expended in the following order: Restricted, Committed, Assigned, then Unassigned.
- **All Other Funds** – For any fund other than General Fund, the fund balance will be expended as follows: Assigned, Committed, then Restricted.

## **COMMUNITY INVESTMENT PROGRAM POLICY**

*Policy approved by the Board of County Commissioners on April 18, 2017*

- 1. Community Investment Program** – Polk County’s Capital Improvement Program, otherwise known as the Community Investment Program (CIP), is a five-year plan for capital/infrastructure projects. The program identifies anticipated projects, schedules, costs, revenue sources, comprehensive plan information, and future operating impacts.
- 2. CIP Project Definition** – A project that has a life of at least five years before it needs to be replaced, costs at least \$100,000, is consistent with the County’s Comprehensive Plan (if applicable), and one of the following:
  - a. Construction, expansion, renovation, or replacement
  - b. Maintenance or rehabilitation (examples include categories such as road resurfacing and major pipe replacement)
  - c. Equipment/software
  - d. Vehicles, but only when included as part of a project; for example, when a new fire station is constructed, the cost of new fire trucks associated with the station will be included in the project cost
- 3. CIP Review Committee** – The CIP Committee is comprised of the County Manager’s Office, Budget and Management Services Division employees, and division directors that are associated with capital projects. The purpose of the committee is to communicate and obtain consensus relative to project prioritization and management. The committee will meet a minimum of two times per year, once prior to the County Manager CIP meeting and once in the second quarter of the fiscal year.
- 4. Citizen Input** – Citizens are given the opportunity to engage in discussions with the County regarding projects that may impact their communities. Each division coordinates citizen input on projects as necessary.
- 5. Adopting the CIP** – The CIP is presented to the Board in August to discuss projects and get Board guidance. This guidance will be used to develop the CIP, which will be included and adopted at the Budget Public Hearings in September. Board approval of the CIP means the total cost of the project is approved, whether the planned expenditures are in one year or span multiple years. CIP books will be published for proposed CIP, as presented to the Board in August, and adopted CIP, as adopted by the Board in September.
- 6. Amending the Adopted CIP** – Circumstances may arise during the fiscal year which makes it necessary to amend the Adopted CIP. Since many of the County’s CIP projects span multiple years and funding sources, the Board considers certain variances of

estimates to be reasonable and not require BoCC approval. Amendments will be needed in the following circumstances:

- a. The total project budget is going to be overspent. In multiple-year projects, expenditures can exceed the current year budget but not the total project cost.
- b. The current year division budget is going to be overspent.
- c. The current year appropriations in a fund are going to be overspent.

The CIP may be amended as follows:

- a. The Budget and Management Services Director or designee may administratively approve changes to the funding source of a project if the total project budget does not change.
- b. The County Manager or designee may approve project budget increases or decreases, which are less than 5% of the total project budget or \$250,000 (whichever is less). Multiple amendments to the same project can be approved by the County Manager if the total is under 5% or \$250,000.
- c. The Board must approve an amendment if:
  - i. A project budget increase or decrease is equal to or greater than 5% or \$250,000 as related to item “b” above
  - ii. A transfer from a reserve is required to fund the CIP increase or change
  - iii. A new project is being added that was not included in the Adopted CIP

Amendments falling under items i and ii will be reported to the Board during Finance Committee Meetings.

**7. Monitoring** – The County utilizes a few avenues for monitoring existing CIP projects:

- a. The County website includes a CIP page to communicate project status. This site is updated quarterly to let citizens know the status of projects located in their community.
- b. The CIP Review Committee meets at least twice a year to discuss project status.



The CIP process and timeline table below show the typical CIP timeline during a fiscal year.

<b>CIP Process and Timeline</b>	
<b>Time Frame</b>	<b>Process</b>
November to December	County divisions assess future capital needs. A recalculation/ reduction of current year's project budgets to account for full prior year's expenditures shall be completed. This process is commonly referred to as true-up.
January to March	Budget and Management Services prepares for CIP kickoff. CIP Committee meets to discuss status of projects.
April	Budget and Management Services holds CIP kickoff and instructional meetings with divisions.
May to June	Divisions shall submit CIP documents to Budget and Management Services, which then reviews and analyzes the divisions' CIP project proposals, operating budget impacts, and probable revenues. The documents are given to the CIP Committee, which then meets to evaluate projects. The proposed CIP is presented to the County Manager and preparations begin to present to the Board.
July to August	The proposed CIP is presented to the Board during a CIP work session. The County Manager presents the tentative Capital Improvements Program and Budget to the BoCC, Clerk of the Circuit Court, County Attorney, division directors, staff, and the media.
September	Two public hearings are held to adopt the County budget, which includes the CIP
October	Budget and CIP take effect.

**Attachment A**

**POLK COUNTY'S  
INVESTMENT POLICY CERTIFICATION FORM**

As an authorized representative of the undersigned entity, I hereby certify that said firm has in place reasonable procedures to monitor the activities of employees of this entity engaged in transactions between our entity and Polk County. All sales personnel of this firm dealing with the County have been informed and will be routinely informed of the County's investment objectives, policies, risk constraints and other pertinent factors, whenever we are so informed. This entity further pledges to exercise reasonable care in informing the County of reasonably foreseeable material risks associated with financial transactions recommended to the County by our firm.

\_\_\_\_\_  
(Entity)

Authorized Representative

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Name-Printed)

\_\_\_\_\_  
(Date)

As account representative for Polk County on behalf of the above referenced firm I hereby certify that I have personally read and understand the 2016 Investment Policy of Polk County, in such form as said policies were provided to me. I agree to use my best efforts to comply with the County's written policies and will not knowingly recommend any transaction to the county which appears to be in violation of the County's written policies.

Authorized Representative

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Name-Printed)

\_\_\_\_\_  
(Date)