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## FINANCIAL POLICY

### General Budget Policy

1. The operating budget authorizing expenditure of county money will be adopted annually by the Board at fund level.
2. The budgeted expenditures and reserves of each fund (including reserves for contingencies, cash flow and all other purposes) will equal the sum of projected fund balance at the beginning of the fiscal year and all revenues which reasonably can be expected to be received during the fiscal year.
3. A reserve for contingency will be budgeted in each major operating fund budget, for reallocation by the Board as needed during the year to fund unexpected operations or events.
4. An reserve for emergency use will be budgeted each year in an amount to be determined by the Board. This will also serve as a reserve for cash flow, to support operations until new budget year revenues are received. In no case will this reserve exceed the projected cash needs for 90 days of operations, or 20% of the fund budget, whichever is greater.
5. a. Transfers to reserve accounts may be made during the fiscal year by the County Administrator or the Management & Budget Manager as required for proper management of the budget.  
b. Transfers among expenditure or revenue accounts may be made during the fiscal year by the Management & Budget Manager, subject to approval by the County Administrator, if reallocations within a fund are determined to be needed, provided no transfers which have an impact on capital facility improvement will be made without Board authority.  
c. No transfer affecting the total allocations to a Constitutional Officer may be made without Board approval.  
d. No transfer may be made between funds if the result of such transfer will be to change the adopted total budget of a fund, except pursuant to a public hearing and Board action to amend the adopted budget.  
e. Transfers from reserves for contingency will require approval of the Board.

ST. LUCIE COUNTY  
1996-97 FISCAL YEAR BUDGET  
APPENDICES

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- f. Changes in the adopted total budget of a fund will be made only with Board approval of a budget amendment resolution.
6. The Office of Management & Budget will prepare quarterly analyses of financial condition, and not less than semi-annual analyses of debt service and grants administration, to provide information to the Board on budget and financial operations.
7. The operating budget will reflect programmatic expectations of the Board and County Administrator for each department. The budget will emphasize the relationship between financial and managerial (operations) planning.
8. For purposes of budget preparation, in the event policies or stated desires of the Board regarding appropriations or services levels prove to be incompatible with forecasted revenues or revenue policies, these conflicts will be resolved in favor of the revenue policy.
9. The Capital Improvement Budget showing estimated annualized costs of capital projects will be updated on an annual basis.

### BASIS OF ACCOUNTING

All government funds, expendable trust funds and agency funds are maintained on the modified accrual basis of accounting. The internal service and enterprise funds are accounted for utilizing the accrual basis of accounting.

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Revenue Policy

1. The use of general ad valorem tax revenues will be limited to the General, Law Enforcement & Courts (Fine & Forfeiture), MSTU Funds, and dependent special districts, unless required in other funds by bond indenture agreements or by the terms of municipal service taxing units.
2. The use of ad valorem tax revenues based on millages levied for the Port & Airport, Mosquito Control, and Erosion Control Special Districts will be limited to those districts, unless required in other funds by bond indenture agreements.
3. The use of gas tax revenues will be limited to the Transportation Trust and Transportation Projects Funds, unless required in other funds by bond indenture agreements.
4. The use of sales tax revenues will be limited to the General, Law Enforcement & Courts (Fine & Forfeiture), and Transportation Trust, unless required in other funds by bond indenture agreements.
5. Pursuant to Ordinance , Tourist Development Tax proceeds will be appropriated as follows:
  - a. 1/3 for tourist advertising and promotion for St Lucie County.
  - b. 2/3 for stadium expenses.
6. The use of revenues which have been pledged to bondholders will conform in every respect to bond covenants which commit those revenues.
7. Periodic cost studies of all County services for which user fees are imposed will be prepared, and proposed fee adjustments will be presented for Board consideration. Fee revenues will be anticipated for purposes of budget preparation using fee schedules which have been adopted by the Board.
8. County staff will continue to aggressively pursue grant funds. For purposes of preparing the annual budget, revenues will be budgeted at anticipated grant award levels, unless validation of differing amounts is made.

9. Ad valorem taxes will be anticipated for purposes of operating budget preparation at:
  - a. 95% of the projected taxable value of current assessments; and
  - b. 95% of the projected taxable value resulting from new construction.
10. Millages for Debt Service will be established at the amounts which will generate sufficient revenue to make all required payments.
11. All revenues which are reasonably expected to be unexpended and unencumbered at the end of the fiscal year will be anticipated as "fund balance" in the budget of the following fiscal year. Funds budgeted but unexpended in salary and benefit line items shall lapse to fund balance.



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Appropriation Policy

1. Fund appropriations of the Board will be allocated to departments, divisions, programs, cost centers, projects, and line item object codes as deemed appropriate by the Management & Budget Manager, with the approval of the County Administrator, to facilitate managerial control and reporting of financial operations.
2. Each year before Department Directors and Division Managers begin to prepare operating budget requests, the Office of Management & Budget will issue budget preparation instructions for all departments and offices, taking into account County financial policies, the expressed desires of the Board and County Administrator for changes in service or service levels, projected costs of authorized services, and forecasted revenues. Annual budget requests will be prepared by County managers consistent with these instructions.
3. The County in conjunction with an independent consultant will prepare an indirect cost allocation plan which conforms to federal guidelines for grant reimbursement of administrative costs and will bill and collect indirect cost charges to eligible grant projects, enterprise funds, and other funds as appropriate.
4. The budget requests of County agencies will include itemized lists of all desired operating equipment, and of any equipment in inventory for which replacement is being requested. Purchase of equipment not on the approved budget list will require approval by the Board on a case-by-case basis.
5. Each year the County will prepare a comprehensive five-year capital improvement program identifying public facilities by service type and geographic area for approval by the Board.
6. The annual budget will contain appropriations to fund capital projects identified by Departments for the purpose of completing the first year of the five-year capital improvement program. Operating budget implications of these capital projects will be identified; such expenses for the first (budgeted) year of the capital plan shall be funded

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## GLOSSARY

AD VALOREM A tax levied in proportion to the value of the property against which it is levied.

AGGREGATE MILLAGE RATE A rate obtained by dividing the sum of all ad valorem taxes levied by the governing body (Board of County Commissioners for County Government) by the taxable value of the county or municipality. Expresses an average tax rate.

APPROPRIATION A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

ASSESSED VALUATION A valuation set upon real estate or other property by a government as a basis for levying taxes. Taxable valuation is calculated from an assessed valuation. Assessed value is required to approach 100% of market value in Florida.

BUDGET A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating body for adoption and sometimes the plan finally approved by that body. It is usually necessary to specify whether the budget under consideration is proposed and tentative or whether it has been approved by the appropriating body. The budget, once adopted, is the legal authorization to expend county funds during the fiscal year. The budget may be amended during the fiscal year by the governing body and/or management in accordance with procedures specified by law and/or administrative rules and regulations.

BUDGET MESSAGE A general discussion of the proposed budget as presented in writing to the legislative body.

CAPITAL OUTLAYS Expenditures which result in the acquisition of or addition to fixed assets.

CAPITAL IMPROVEMENT PROGRAM A plan for capital expenditures to be incurred each year over a fixed period of

years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

**DEPENDENT SPECIAL DISTRICT** A special district, whose governing body or whose budget is established by the governing body of the County or municipality to which it is dependent.

**DEPRECIATION** (1) Expiration in the service life of fixed assets, other than wasting assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a fixed asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is pro-rated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**ENHANCEMENT** An improvement to a programmatic service level.

**EXPENDITURES** Decreases in net financial resources. Expenditures include current operating expenses which require the current or future use of net current assets, debt service and capital outlays.

**EXPENSES** Decreases in net total assets. Expenses represent the total cost of operations during a period regardless of the timing of related expenditures.

**FISCAL YEAR** A 12-month period of which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations.

**FIXED ASSETS** Assets of a long-term character which are intended to continue to be held or used, such as land, buildings, improvements other than buildings, machinery and equipment.

**FUNCTIONS** Expenditure classification according to the principal purposes for which expenditures are made. Examples are public safety, public health, public welfare, etc.



**FUND** A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**FUND BALANCE** A term used to express the equity (assets minus liabilities) of governmental fund types and trust funds.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)** Uniform minimum standards of and guidelines for financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provides a standard by which to measure financial presentations.

**INTERGOVERNMENTAL REVENUE** Revenue collected by one government and distributed (usually through some predetermined formula) to another level of government(s).

**LEGALLY ADOPTED BUDGET** The total of the budgets of each County fund including budgeted transactions between funds.

**MEASUREMENT FOCUS** The accounting convention which determined (1) Which assets and which liabilities are included on an entity's balance sheet and (2) Whether its operating statement presents "financial flow" information (revenues and expenditures) or "capital maintenance" information (revenues and expenses).

**MILLAGE RATE** A rate expressed in thousands. As used with ad valorem (property) taxes, the rate expresses the dollars of tax per one thousand dollars of taxable values.

**MODIFIED ACCRUAL BASIS** The accrual basis of accounting adapted to the governmental fund type Spending Measurement Focus. Under it, revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are recognized when the related fund liability is incurred except for: (1) Inventories of materials and supplies which may be considered expenditures either when purchased or when used;

(2) Prepaid insurance and similar items which need not be reported; (3) Accumulated unpaid vacation, sick pay, and other employee benefit amounts which need not be recognized in the current period, but for which larger-than-normal accumulations must be disclosed in the notes to the financial statements; (4) Interest on special assessment indebtedness which may be recorded when due rather than accrued, if approximately offset by interest earnings on special assessment levies; and (5) Principal and interest on long-term debt which are generally recognized when due. All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting.

**(MSBU) MUNICIPAL SERVICES BENEFIT UNIT** An MSBU is a special district created to provide for projects and/or services to a specifically defined area of the County and financed by a special assessment to only those citizens receiving the benefits of those projects or services.

**MSTU (MUNICIPAL SERVICES TAXING UNIT)** A special district authorized by the State Constitution Article VII and the Florida Statutes 125.01. The MSTU is a legal and financial mechanism for providing specific services and/or improvements to a defined geographical area. An MSTU may levy ad valorem taxes without a referendum. An MSTU may also use assessments, service charges or other revenue to provide resources. The MSTU is one type of dependent special district.

**NET BUDGET** The legally adopted budget less all interfund transactions. Those amounts in the budget representing transfers and interfund reimbursements which in effect are double counted in from the perspective of the entire budget are subtracted from the legally adopted budget amount.

**OBJECTIVE** A simply stated, readily measurable statement of aim or expected accomplishment within the fiscal year. A good statement of objectives should imply a specific standard of performance for a given program:

- (a) An operational objective focuses on service delivery.
- (b) A managerial objective focuses on those aspects of management that help staff achieve operational objectives, i.e., staff training, workplan development, etc.

**OPERATING TRANSFERS** Legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

**PERFORMANCE BUDGET** A budget which relates expenditures to measures of activity and performance.

**PROGRAM BUDGET** A budget organized by programs. A program used in this application is a grouping of related activities, projects and services which are similar in purpose. The expenditure focus of a program budget is related to the nature of work and services performed.

**PROGRAM PERFORMANCE BUDGET** Combines performance measures with a program budget structure.

**RESERVE FOR CONTINGENCIES** An amount set aside, consistent with statutory authority, that can subsequently be appropriated to meet unexpected needs.

**RETAINED EARNINGS** An equity account reflecting the accumulated earnings of an Enterprise or Internal Service Fund.

**REVENUES** (1) Increases in governmental fund type net current assets from other than expenditure refunds and residual equity transfers. Under NOGA Statement 1, general long-term debt proceeds and operating transfers-in are classified as "other financing sources" rather than revenues. (2) Increases in proprietary fund type net total assets from other than expense refunds, capital contributions, and residual equity transfers. Under NOGA Statement 1, operating transfers-in are classified separately from revenues.

**ROLLED-BACK RATE** The millage rate which would generate the same ad-valorem tax revenue as was generated the previous year excluding changes in taxable valuation resulting from new construction, annexation or de-annexation. If the proposed aggregate millage rate exceeds the aggregate rolled-back rate, then by law the advertisement for the public hearings to adopt the millage and must advertise a tax increase, and must state the amount of tax which the rolled-back rate would generate, as well as the amount of revenue to be generated by the proposed tax increase.

**SERVICE LEVEL** Service(s) or product(s) which comprise actual (or expected, depending on whether one is describing a current or future service level) output of a given program. Focus is on results, not measures of workload (e.g., for a Sheriff's Department - number of assaults investigated is a workload measure, while number of assault cases cleared is a service level).

**STATUE** A written law enacted by a duly organized and constituted legislative body.

**TAX RATE** The amount of tax stated in terms of a unit of the tax base; for example, 5 mills equals 5 dollars per thousand of taxable value.

**TAXES** Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges as, for example, sewer service charges.

**TAXABLE VALUATION** The value used for computing the ad-valorem taxes levied against property. The taxable value is the assessed value less any exemptions allowed by law. The most common exemption is the \$25,000 homestead exemption allowed if the owner uses the property as the principle residence. There are also exemptions for disability, government owned and non-profit owned property.

**TRANSFERS IN/OUT** Amounts transferred from one fund to another to assist in financing the services of the recipient fund. Transfers do not constitute revenues or expenditures of the governmental unit but only of the individual funds. Thus, they are budgeted and accounted for separately from other revenues and expenditures.

**TRIM NOTICE** "True rate in Millage," a tentative tax notice sent to all property owners in August to provide information reflecting tentatively adopted millage rates.

**UNINCORPORATED AREA** That portion of the County which is not within the boundaries of any municipality.