SUMTER COUNTY FINANCIAL POLICIES

SECTION I BUDGET

The budget process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided given the anticipated level of available resources. The budget policy states how this is done and also addresses the need for financial health and stability.

A. SCOPE

This policy applies to all budgeted funds which are the responsibility and under the management of the Board of Sumter County Commissioners.

B. BALANCED BUDGET

Florida Statutes (F.S.), Chapter 129, establish the legal requirements for budget preparation, presentation, adoption, execution and amendment. Chapter 200 establishes the determination of millage, method of fixing, limitation of millage, notification process and certification of compliance. By statute direction, the Budget shall control the levy of taxes and the expenditure of monies for all County purposes during the ensuing fiscal year. Further requirements are listed below:

1. The Budget shall be balanced - total estimated receipts, including balances brought forward, shall equal the total of the appropriations and reserves.

The Budget shall conform to the uniform classification of accounts prescribed by the appropriate State agency.

2. The receipts division of the budget shall include 95 percent of all receipts reasonably to be anticipated from all sources, including taxes to be levied.

The appropriation division of the budget shall include itemized appropriations for all expenditures authorized by law, contemplated to be made or incurred for the benefit of the County during the year and the provision for the reserves authorized.

The Board of Sumter County Commissioners shall receive and examine the adopted budget for each fund and shall require such changes to be made as it shall deem necessary, provided the budget shall remain in balance.

The Board shall hold public hearings to adopt the tentative and final budgets pursuant to F.S. 200.065.

C. FINANCING CURRENT EXPENDITURES

Current expenditures shall be financed with current revenues which shall include that portion of fund

balance in excess of authorized reserves. The County shall avoid budgetary procedures that balance current expenditures through the obligation of future resources. The County shall strive to avoid short-term borrowing to meet operating budget requirements. Nevertheless, this policy shall not prohibit short-term borrowing should a critical need arise.

D. LEVEL OF BUDGET ADOPTION

All budgets shall be adopted at the legal level of budgetary control which is the fund level. The budgeted expenditures shall not exceed the total appropriations for any fund.

E. BUDGET OBJECTIVE BY TYPE OF FUND

The following budget objectives are established for the different types of funds that may be utilized by the County.

1. **General Fund** - The budget for the General Fund shall provide for the general government operations of the County and maintain working capital necessary for financial health and stability.
2. **Special Revenue Funds** - Budgets are prepared for special revenue funds that show the legally restricted revenue sources and how these sources are utilized (i.e., Court Technology Fund, etc.)
3. **Debt Service Fund(s)** - Revenues shall be established and fund balance maintained sufficient for debt expenditures and required reserves to be maintained. The Florida Constitution and Sumter County set no legal debt limits.
4. **Capital Projects Fund(s)** - Budgets for capital projects shall not lapse at the end of a fiscal year, but shall remain in effect until project completion or re-appropriation by the Board of Sumter County Commissioners.
5. **Internal Service Fund (s)**- Internal service fund budgets shall be prepared on a self-supporting basis. Revenue rates and charges shall be identified to cover all expenses, including depreciation and debt service (if any). An example of this type of fund is the Group Insurance Fund.
6. **Enterprise Fund(s)** - A business approach is used in budgeting for enterprise funds. Enterprises shall be self-supporting when possible and minimize losses when break-even is not possible. Sumter County does not currently have an Enterprise Fund.
7. **Trust Fund(s)** - Budgets are not required for trust funds since trustee agreements provide necessary spending authorization and control. Sumter County does not currently have a Trust Fund.

F. PERFORMANCE BUDGET

In addition to the line item budget, the budget document shall include "performance" budget information. The performance budget provides information on the goals and objectives which each department has determined that it seeks to accomplish during the budget year. The performance budget also utilizes "performance indicators" which measure services rendered and departmental efficiency/effectiveness on a historical basis. The performance budget also projects the targeted indicators for the upcoming budget year. The County shall strive to minimize and reduce, if possible, staffing levels required to accomplish its service delivery.

G. BUDGET PREPARATION

For each department, budgets shall be prepared for current services, replacement vehicles and equipment, and expanded services or extraordinary items. A current services budget is defined as that level of funding which is necessary to provide the same level of service for the upcoming year that is currently being provided. The current services budget will include replacement capital equipment. An expanded services budget includes funding requests associated with new services, additional personnel and/or new capital equipment.

General Financial Goals

- To maintain the financial viability of the County in order to provide adequate levels of County services to the customers.
- To maintain financial flexibility in order to continually adapt to local, regional, state, economic, statutory and demographic changes.
- To maintain and enhance public infrastructure in order to provide for the health, safety and welfare of the County's citizens.
- To review annually the percentage increase in population, CPI, and per capita Florida personal income against the expenditures increase in General Fund. The review of General Fund will be less any proposed grant expenditures. The review will also document expenditures for mandates and operational impacts.

Revenue Policy

1. The Budget Office will estimate revenues as early as possible in the budget process in order to provide appropriations limitations. The Board of Sumter County Commissioners will establish the County's budget priorities based upon the revenue estimates and required levels of service.

2. The budget shall be balanced. Therefore, the total estimated receipts (including balances brought forward) shall equal the total appropriations and reserves in accordance with Chapters 129 and 200 F.S.

3. In general, current operating revenue should be sufficient to support current operating expenditures.

4. In recognition of the overall dependence on Ad Valorem taxes, the County will strive to develop a diversified and stable revenue system.

5. "Earmarking" of available revenues that would unnecessarily restrict the full range of potential uses of such revenues will be avoided. The use of various funds, however, will be consistent with generally accepted accounting principles and Chapter 129.02 F.S.

6. One-time revenues will be utilized to fund one-time expenditures wherever possible. If one-time revenues are assigned to pay for recurring expenditures then a three to five year plan for transferring the expenditure to a recurring revenue source will be adopted by the County as a part of the budget process in the initial year.

7. The Board of Sumter County Commissioners is authorized to establish and collect fees and charges for certain services rendered by the County. These services are available to all residents of the County but are not needed by the majority of residents, therefore, those utilizing the services are charged for the service. All fees and charges are to represent a reasonable reimbursement to the County for its actual cost in providing that specific County service. All requested changes to the Schedule of Fees and Charges during the fiscal year are presented to the Board of Sumter County Commissioners for its review and approval. A fee schedule is therefore adopted and amended by resolution. The County will annually recalculate the full cost of activities, including direct and indirect costs, currently supported by user fees and charges to identify the impact of inflation and other cost increases. Supporting documentation showing calculations for fees charged will be submitted by Departments as part of the annual budget process. Departments shall retain supporting documentation as required by the GS1-FL Record Retention Policy. A thorough review of the countywide fee schedule will be conducted bi-annually by either a consulting firm and/or through the Budget Office.

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Operating Budget Procedure

Budget Requests

1. Develop a proposed and planned budget covering a fiscal year period to include personal services, operating, capital outlay, and non-operating categories.

2. All Board Departments shall submit a fiscal year budget request in the manner and form prescribed by the Budget Officer/County Administrator no later than date set forth in the budget instruction manual.

3. Constitutional Officers, with the exception of the Property Appraiser, shall submit a fiscal year budget request in the manner and form prescribed by the Budget Officer/County Administrator no later than May 1st in accordance with Florida Statutes, Chapter 129.03(2), as amended.

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Appropriation Policy

Budget appropriations will be made as follows:

1. Appropriations will be made at the major expenditure category: personal services, operating expense, capital outlay, debt service, grants and aids, and non-operating expenses.

2. All requests to fund private, not-for-profit outside agencies shall be maintained with an annual appropriation. All agencies seeking funding from the Board should do so during the annual budget process.

3. Service Alignment: Knowing what a program or activity costs, and understanding what benefits are derived from these programs or activities, allows the County to make informed funding decisions. Departments shall utilize performance indicators in order to track performance, support operational improvement, and determine effective use of resources for each program.

4. Budget Issue Requests for New, Reduced, Eliminated or Expanded Programs: When new, reduced, expanded or elimination of programs or increased/decreased levels of service are proposed as a Budget Issue, Departments will identify any applicable Federal or State mandates; outline client benefits and strategic initiatives demonstrate alignment to organizational goals, objectives, and agreements; identify related health and safety issues; demonstrate conformance to industry/professional standards; identify all funding sources, including fees or tax increases needed to partially or fully fund the program or service. Also required is any documentation of any offsetting revenue or cost avoidance associated with this issue as well as consequences of not funding.

Not –for- Profit Funding Policy

The County will prioritize funding requests based on the two funding categories of 1) grant match and 2) non-grant match or other requests. The grant match category will be given priority for funding over non-grant matches and all other requests. All organizations will be required to provide copies of the most recent annual report or financial statements and furnish a detailed budget request. The organizations that are approved for funding will need to provide detailed expenditure reports of how the funds were utilized. The funds will be awarded via an approved contract. The reporting requirements detailed in the contract are necessary to monitor the benefits of the various services being provided to the citizens of Sumter County.

The Board of Sumter County Commissioners will set a cap for the two funding categories annually based on available revenue. This cap will be set during the course of the normal budget cycle. The cap will be decided by the Board of Sumter County Commissioners each fiscal year. The individual funding requests will be recommended by the County Administrator after the cap has been set and following budget adoption. Any required contract will be approved by the Board of Sumter County Commissioners. Once the funds are exhausted all further requests will be denied and the applicants may reapply the following fiscal year.

H. BUDGET CONTROL REPORTS

A system of budgetary controls shall be maintained to assure adherence to the budget. Timely monthly financial reports shall be prepared comparing actual revenues, expenditures and encumbrances with budgeted amounts.

I. AUTHORIZATION OF BUDGET ADJUSTMENTS

The budget document is dynamic rather than static. The budget document is a revenue and spending plan which requires adjustment from time to time as circumstances change. Approval of the Board of Sumter County Commissioners is required for increases in total department or fund budgets, increases in the number of authorized positions, or increases to projects in the Capital Improvement Plan. The number of authorized positions are those regular full-time and part-time positions approved by the Board of Sumter County Commissioners during the annual budget process. Approval of the Board of Sumter County Commissioners is required for changes to employee

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salaries, in accordance with the employee manual, and capital outlay budgets. Approval is required for budget transfers as follows:

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a. Transfers requested within a major expenditure category, between major expenditure categories, and/or between cost centers within the same department require approval by the Budget Officer/County Administrator.

b. Transfers within the same Department and Fund of a Constitutional Officers' budget require only the approval of the Constitutional Officer, except as prohibited in Chapter 129.06(5) F.S. for Officers who are not seeking reelection or have not been reelected.

c. The Budget Officer/County Administrator will provide the Board of Sumter County Commissioners with a quarterly report of all budget transfers in excess of $25,000 that are approved within this policy.

J. BUDGET AMENDMENT PROCESS

The Board of Sumter County Commissioners shall authorize new projects and Board action shall include the estimated cost and funding source for said project. Any necessary budget amendments, including budgets for any projects authorized during the fiscal year, shall be enacted through a budget amendment resolution. The budget amendment resolution shall be balanced for each and every fund provided therein. The budget amendment may include the following types of changes:

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a. Any and all changes to appropriations related to encumbrances for grants, donations and capital projects not completed in the prior fiscal year will be submitted to the Board of Sumter County Commissioners as a budget amendment during the current fiscal year.

b. Any and all changes to appropriations between Departments or from the Reserve for Contingency require Board of Sumter County Commission approval.

c. Establishing a budget for revenues that were not anticipated during the annual budget process requires that the Board of Sumter County Commissioners adopt a resolution to recognize the revenue, appropriate the revenue, and establish a new fund if appropriate.

d. Upon completion of the prior fiscal year's Comprehensive Annual Financial Report, the operating budget may be adjusted to reflect actual beginning fund balances if deemed necessary by the Budget Officer/County Administrator. Audited fund balances that are less than the budgeted amount will be adjusted to prevent spending of resources not available. F.S. 129.06 (2) The Board at any time within a fiscal year may amend a budget for that year, and may within the first 60 days of a fiscal year amend the budget for the prior fiscal year, as follows:

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(a) 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 may not be changed.

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(b) Appropriations from the reserve for contingencies 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, but expenditures may not be charged directly to the reserve for contingencies.

(c) The reserve for future construction and improvements may be appropriated by resolution of the Board for the purposes for which the reserve was made.

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(d) A receipt of a nature from a source not anticipated in the budget and received for a particular purpose, including but not limited to grants, donations, gifts, or reimbursement for damages, may, by resolution of the Board spread on its minutes, be appropriated and expended for that purpose, in addition to the appropriations and expenditures provided for in the budget. Such receipts and appropriations must be added to the budget of the proper fund. The resolution may amend the budget to transfer revenue between funds to properly account for unanticipated revenue.

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(e) Increased receipts for enterprise or proprietary funds received for a particular purpose may, by resolution of the Board spread on its minutes, be appropriated and expended for that purpose, in addition to the appropriations and expenditures provided for in the budget. The resolution may amend the budget to transfer revenue between funds to properly account for increased receipts.

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(f) Amendments not specifically authorized in Chapter 129.06(2) (a-e) F.S. require the amendment be authorized by resolution or ordinance of the Board of Sumter County Commissioners and adopted following a public hearing. The public hearing must be advertised at least two (2) days, but not more than five (5) days, before the date of the hearing. The advertisement and adoption procedures are similar to those required for adoption of the annual budget.

K. BUDGET LAPSES AT FISCAL YEAR END

All operating budget appropriations, except for Capital Projects Fund(s), shall expire at the end of the fiscal year. In accordance with generally accepted accounting principles, purchases encumbered in the current fiscal year but not received until the following year are paid from the budget of the following fiscal year.

L. FUND BALANCE POLICY

The purpose of this policy is to establish a minimum level of fund balance for the general operating funds of the Board of Sumter County Commissioners. The term "fund balance" represents the excess of assets over liabilities and funds set aside as reserves. The "fund balance" reflects cumulative financial operating results of the receipts and expenditures made from the general funds of the Board of Sumter County Commissioners.

The level of the undesignated fund balance, that is, the portion of fund balance in the general fund which is neither encumbered nor reserved and is therefore available for appropriation, is one

of the indications of the status of the County's financial health.

In the preparation of a general fund budget for the ensuing fiscal year the Director of Finance and the County Administrator, using the best available information, estimate the undesignated general fund balance that is anticipated as of September 30, that is, the day prior to the commencing of the ensuing fiscal year. The actual undesignated general fund balance cannot be determined until the year-end audit is completed. The Director of Finance and the County Administrator historically estimated a conservative general fund balance due to the uncertainty involved in calculating a general fund balance during July, three months before the end of fiscal year. In most years, the audited ending general fund balance exceeds the undesignated general fund balance that was estimated for the adoption of the general fund budget.

It is the consensus of Board of Sumter County Commissioners that the establishment of a definite policy creating goals for attaining and maintaining undesignated general fund balance by the County will serve as a significant indication for rating agencies and the investment community. The Board of Sumter County Commissioners commits to balance its political goals with a strong financial operating policy. The Board of Sumter County Commissioners shall demonstrate its obligation to the citizens to conduct the financial operations of the County in a fiscally conservative manner.

It is further the consensus of the Board of Sumter County Commissioners that they establish an undesignated general fund balance that can be maintained over a period of years in order to project and control revenues, to provide an adequate level of funding for unforeseeable and unknown contingencies, to recognize the need for maintaining high financial grade rating for capital market borrowings and to demonstrate its adherence to conservative, prudent and obtainable financial goals.

In order to express the County's determination to maintain long-term financial strength and provide fiscally sound financial operations in the tradition for which the Board of Sumter County Commissioners has long been known, the following policy goals were established:

1) The County Administrator will prepare and administer a reserve for contingency for the General Operating Fund in an amount not greater than ten percent (10%) of the total available, undesignated fund and in accordance with Chapter 129.01(2) (c) F.S. The reserve for contingency shall be separate from any cash carry forward fund balances.

2) The reserve for contingency will be maintained at a level not less than five percent (5%) of the General Fund operating revenues. Recognizing that the minimum of the five percent (5%) target may not be accomplished immediately, the County Administrator will provide annually one-half of one percent of the projected expenditures until the five percent (5%) target is reached. If the reserve for contingency falls below 50% of the minimum level, the reserves will be reestablished over a three year fiscal period.

3) The County's budget will be amended at such time as the Board of Sumter County Commissioners authorizes the use of the reserve for contingency. All requests for the use

of any reserve for contingency shall be accompanied by information prepared by the Budget Office showing the year-to-date activity of the reserve for contingency account as well as the current reserve for contingency account balance and the net effect on the reserve for contingency account balance.

Reserve for Cash Carry Forward- A reserve for cash balance to be carried over may be provided for the purpose of paying expenses from October 1 of the ensuing fiscal year until the time when revenues for that year are expected to be available. This reserve shall accumulate and then shall be maintained at an amount which represents no less than two (2) months of operating and debt expenditures. Recognizing that the minimum of the two (2) months of operating and debt expenditures target may not be accomplished immediately, the County Administrator will provide annually one-half of one percent of projected expenditures until the two (2) month target is reached.

M. CAPITAL PLANNING

The Capital Improvement Program (CIP) is published as a separate document. Funding for the current fiscal year projects is included in the adopted budget. Each year after the audit is finalized, the revenue amount received in General Fund in excess of 100% of the budgeted revenue amount, if any, will be identified. The excess amount will be placed in the tentative budget for capital projects or budgeted to reduce any exiting liability. This figure may be revised through the normal budget and/or amendment process.

A capital improvement plan (CIP) is a long-range plan of purchasing, constructing, and maintaining the County's capital assets. A capital budget is the portion of the operating budget that funds capital costs. To effectively manage debt and project cash flows, the County shall strive to maintain a CIP for a five-year period. As resources are available, the most current year of the CIP will be incorporated into the current year's operating budget. The CIP will be reviewed and updated annually. For the purposes of this policy, land, land improvements, and building projects with a cost of $50,000 or more and a useful life of at least ten (10) years shall be classified as a capital asset. The County's objective is to meet the capital needs of the County in a manner that is most beneficial to the citizens. Projects in the CIP shall be prioritized during the annual review. The following criteria shall be considered in prioritizing projects:

- Does the project eliminate a public hazard?
- Does the project eliminate existing capacity deficits?
- Is the project located to meet the need of projected growth patterns?
- Does the project accommodate new development and redevelopment service demands?
- Is the project consistent with regional or state agency plans?
- Does the project maintain adopted level of services standards?
- Does the project improve efficiency?
- Does the project provide a new service?
- What is the expected useful life?

- What is the effect on operation and maintenance costs for the project?
- What are the available state/federal grants for the project?
- What are the prior commitments for the project?

In January, department heads assess their capital projects to determine if they meet the definition of a capital improvement project as stated in the policy.

CIP requests are reviewed by the Budget Officer/County Administrator and staff during the budget process.

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Meetings are held between Departments and the County Administrator/Budget Officer to review CIP submissions to determine specific funding levels to be recommended to the Board of Sumter County Commissioners.

The County Administrator will schedule a CIP Workshop to present the recommended projects to the Board of Sumter County Commissioners, in conjunction with the ensuing fiscal year budget discussion.

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N. MAINTENANCE AND REPLACEMENT OF CAPITAL EQUIPMENT

Priority shall be given in budget preparation and enactment for adequate maintenance of capital equipment and facilities, and for their orderly replacement. The County shall strive to allocate approximately 10% of the annual general fund budget toward the addition and replacement of capital assets.

O. CONTRIBUTIONS

Unless authorized by the Board of Sumter County Commissioners, contributions to programs operated by County departments shall be subject to the County's accounting and budgetary policies. The County welcomes both unrestricted contributions, as well as restricted contributions compatible with the County's programs and objectives. Any material contributions shall be appropriated by the Board of Sumter County Commissioners prior to expenditure.

P. ADMINISTRATIVE SERVICE FEE

An administrative service fee may be assessed to any fund, other than the General Fund, based upon documentation and/or an outside independent study. The fee will be based on actual cost to provide the administrative service. With this system, the transfer to the General Fund will increase as fund revenues increase.

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Q. INTER-FUND LOAN POLICY

Inter-fund Loan Policies are intended to provide parameters and guidance for the management of loans between funds. Inter-fund loans may be necessary to provide adequate cash flow for reimbursable grants and contractual obligations with deferred revenues.

1. Repayment of any inter-fund loan shall not exceed one year without approval of the Board of Sumter County Commissioners. Inter-fund loans outstanding at fiscal year end will be reported to the Board of Sumter County Commissioners.

2. Any fund may receive a total inter-fund loan of up to $25,000 with approval from the Clerk of Circuit Court, Finance Director, and the Budget Officer/County Administrator.

3. Any fund may receive a total inter-fund loan in excess of $25,000 with the approval from the Board of Sumter County Commissioners.

4. Due to the receipts of ad-valorem taxes not being sufficiently received until the end of November, the County may not have sufficient cash carry forward fund balances to maintain an adequate cash flow in the beginning of the fiscal year. Therefore upon the approval from the Clerk of Circuit Court, Finance Director and Budget Officer/County Administrator, the General Fund may borrow short-term from other appropriate funds until the receipts of ad-valorem tax revenue provide adequate cash flow. In no instance, without approval of the Board of Sumter County Commissioners, shall the inter-fund loan remain unpaid past December 31 of the year the inter-fund loan is made.

R. NET BUDGET

A net budget total shall be calculated as well as a gross budget total in order to prevent the "double counting" of revenues and expenditures. The net budget total is calculated by subtracting inter-fund transfer amounts from the gross budget total.

S. GFOA AWARD FOR DISTINGUISHED BUDGET PRESENTATION/EXCELLENCE IN FINANCIAL REPORTING

The County shall improve its budget documentation in order to obtain the Award for Distinguished Budget Presentation from the Government Finance Officers Association. This award signifies that the County is effectively communicating its budget story to its citizens, elected and administrative officials, and to outside interested parties such as bond rating agencies. The County shall continue to improve its budget document to maintain a high level of communication and earn the prestigious award. The County shall improve its financial reporting documentation in order to retain the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. This award signifies that the County publishes an easily readable and efficiently organized comprehensive annual report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.