

TOWN OF BELLEAIR, FLORIDA FINANCIAL MANGEMENT POLICIES

The purpose of this document is to serve as a written policy document for the Town of Belleair management and finance department staff. The commission will use these polices as a guideline. The commission can determine that a situation necessitates the need to vary from these policies. If this situation occurs they will direct the Town Manager on an alternative course of action.

General

Strategic Financial Management Plan

1. The Strategic Financial Management Plan shall be the foundation for budget development.
2. The Strategic Financial Management Plan shall consider five (5) year projections of the town's financial activity.
3. The board of finance and the town commission will review these Financial Management Policies annually. These policies will assist in framing the Strategic Financial Management Plan.

Annual Operating Budget

1. The community's public service delivery needs shall balance with the town's financial ability. New program services or facilities shall be based on general citizen demand, need or legislated mandate.
2. The budget shall be balanced; that is, the total of the estimated receipts, including balances brought forward, shall equal the total of the appropriations and reserves.
3. Current expenditures (personal services, operating, capital outlay, debt service, transfers and grants) shall balance with current revenues and unobligated fund balances. The town should avoid budgetary procedures that balance current expenditures at the expense of future years, such as postponing repair and

replacement expenditures, underestimating expenditures, overestimating revenues, or utilizing short-term borrowing to balance the budget.

4. New expenditure programs (or projects) will be introduced during the annual budget process.
5. The format should allow correlation with the revenues and costs reported in the town's Comprehensive Annual Financial Report.
6. All funds expended shall be in accordance with an adopted annual budget.

Capital Improvement Program (CIP)

1. The CIP, consistent with State requirements, will schedule the funding and construction of capital projects for a 6-year period (which includes the current year Capital Budget).
2. The CIP will incorporate in its projections of expenses and funding sources any amounts relating to previous year's appropriation, but which have yet to be expended.
3. The first year of the 6-year Capital Improvement Program (CIP) will be included in the Annual Operating Budget.

Comprehensive Annual Financial Report (CAFR)

1. An independent certified public accounting firm will perform an annual audit of the financial statements of the town and will publicly issue an opinion thereon. The CAFR will include that opinion (*Florida Statutes, 11.45(3)(a)4*).
2. The accounting records shall be maintained in accordance with generally accepted accounting principles (GAAP), applied to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). (*Codification of Governmental Accounting and Financial Reporting Standards, Section 1200*).

3. The CAFR will be prepared by the auditors and the finance director and shall be presented to the City Commission within six (6) months following the end of the City's fiscal year.

Annual Financial Activity – All Funds

Fund Balance and Reserves

1. **Reserved** - (Funds at year-end, which are legally segregated for specific future use).
 - Funds externally restricted for a specific purpose (e.g., sinking fund) will be disclosed in budget document.
2. **Unreserved** – (Funds at year-end, which is not classified as “reserved”).
 - Designated – (This is unreserved Funds at year-end to indicate tentative plans for uses of financial resources in a future year).
 - Funds internally restricted for a specific purpose (e.g., capital project) will be disclosed in budget documents and the CAFR.
 - All funds will have sufficient designated financial resources to fund any outstanding compensated absence (accumulated sick and vacation leave) liability.
 - Undesignated (or unobligated) – (All remaining funds at year-end which are not reserved or designated).
 - Unless otherwise stated and approved by the commission, the current year's budgeted unreserved, undesignated fund balance at year-end for General Fund should be maintained at a minimum of 20% of prior-year expenditures.
 - To the extent that unreserved, undesignated General Fund balance exceeds 20% of prior-year expenditures, the town may draw upon the fund balance to 1) provide funding for capital programs, capital equipment and/or 2) provide funding for nonrecurring expenses.

- Unless otherwise stated and approved by the commission, the current year's budgeted unreserved, undesignated cash reserves at fiscal year-end for proprietary funds (enterprise funds) should be maintained at a minimum of \$250,000 in the solid waste fund and \$450,000 in the water fund for operating reserves.

Revenues

1. Revenue estimates will be developed on a conservative basis while considering historical trends, projections and reasonable assumptions of future conditions.
2. The town shall maintain, as permitted by State law, a diversified revenue base to mitigate the effects of short-term fluctuations in any one (1) revenue source.
3. Annually, the town shall calculate the full direct costs of activities supported by user fees and consider such information when establishing user charges.
4. Long-term debt revenues will not be obtained to fund current operating expenditures.
5. Non-recurring revenues will only be used to fund non-recurring expenditures.

Operating Expenditures / Expenses

1. Interfund Administrative Charges

- An allocation should be made annually distributing the costs for General Fund administrative support among all proprietary funds (enterprise).

Annual Financial Activity – Specific Funds

General Fund

1. The general fund will maintain a separate, designated fund balance reserve sufficient to fully fund the following fiscal year's accrued compensated absences liability applicable to governmental funds.
2. Unless otherwise stated and approved by the commission, the current year's budgeted unreserved, undesignated fund balance at year-end for General Fund should be maintained at a minimum of 20% of prior-year expenditures.
3. To the extent that unreserved, undesignated General Fund balance exceeds 20% of prior-year expenditures, the town may draw upon the fund balance to 1) provide funding for capital programs, capital equipment and/or 2) provide funding for nonrecurring expenses.

Proprietary Funds (Enterprise)

1. All Proprietary Fund operations shall be self-supporting.
2. Utility Revenue Funds
 - Unless otherwise stated and approved by the commission, the current year's budgeted unreserved, undesignated cash reserves at fiscal year-end for proprietary funds (enterprise funds) should be maintained at a minimum of \$250,000 in the solid waste fund and \$450,000 in the water fund for operating reserves.

Investments

1. The town shall invest in those financial instruments authorized by resolution to meet the town's investment objectives (safety, liquidity and yield). (*Resolution 2002-26 adopted September 17, 2002*)

Capital Programs and Debt Management

1. For financial management policy purposes, long-term borrowing includes bonds, notes and capitalized leases.
2. Long-term borrowing will not be used to finance current operations or normal maintenance.
3. All long-term borrowing will be repaid within a period not to exceed the expected useful lives of the capital programs financed by the debt.
4. For any fund that is supported by long-term borrowing, an annual revenue analysis shall be performed to ensure that the fees or rates are sufficient to meet the debt requirements (debt service, covenants, etc.).
5. Three general principals should guide the town when selecting a funding source for its capital improvement (capital asset acquisition) and repair and replacement programs: equitableness, effectiveness and efficiency.
 - Efficiency is when one financing method is selected over another based on the relative costs.
 - Effectiveness is when a funding (financing) source provides a sufficient amount of funding when the funding needed.
 - Equitableness is when resident beneficiaries of a capital program pay for that program.