



## **LARIMER COUNTY POLICIES AND PROCEDURES**

### **ADMINISTRATIVE POLICY AND PROCEDURE 180.1D**

#### **SUBJECT: LARIMER COUNTY BUDGET PREPARATION AND MANAGEMENT POLICIES**

DATE: June 1, 2005

EFFECTIVE PERIOD: Until Superseded

REVIEW SCHEDULE: Annual

CANCELLATIONS: Larimer County Administrative Policy 180.1C (dated December 23, 1985/inactive Policy and Procedure)

ENCLOSURES: None

#### REFERENCES:

- A. OPS 320.3; Internal Service Fund Policy
- B. OPS 320.10; Indirect Costs Policy
- C. OPS 320.21; Larimer County Debt Policy
- D. OPS 321.1.1; Capital Outlay Procedures
- E. OPS 321.1.2; Capital Asset Recording Procedures
- F. OPS 331.5; Wages and Salaries Policy and OPS 331.6; Benefits Policy
- G. Governing Policies Manual; Policy 3.3 – Financial Planning
- H. Governing Policies Manual; Policy 3.4 – Financial Conditions and Activities
- I. Governing Policies Manual; Policy 3.5 – Asset Protection
- J. Governing Policies Manual; Policy 3.10 – Capital Equipment and Improvements Programming

**PURPOSE:** This document establishes minimum requirements at Larimer County for budget preparation and management, content and timeframes.

**SCOPE:** It applies to all elected offices, divisions and departments. It also references Colorado statutes or other Larimer County policies that support sound budgetary development, maintenance, management and adoption.

**RESPONSIBILITY:** Larimer County Board of County Commissioners (BOCC) has the authority and responsibility to adopt and oversee implementation of a budget approving the use of public funds for the operation of all County functions. It shall be the responsibility of all Elected Officials, Division, and Department Heads to ensure compliance with provisions of this Policy and Procedure.

**SPECIFIC REQUIREMENTS:** See Section II (State Mandated Budget Requirements) and Section IV.4.1.9 (Budget Timelines).

**REVISION LOCATOR:**

1. Entire Policy and Procedure

**POLICY AND PROCEDURE:**

**I. DEFINITIONS:**

- 1.1. **“Adopted Budget”** means the budget as adopted and amended by the Larimer County Board of County Commissioners (BOCC) for a spending agency for a fiscal year.
- 1.2. **“Appropriation”** means the authorization by ordinance or resolution of a spending limit for expenditures and obligations for specific purposes.
- 1.3. **“Balanced budget”** is a budget in which anticipated revenues plus “unreserved” and “undesignated” fund balance usage is equal to or greater than anticipated expenditures.
- 1.4. **“Budget”** means the complete estimated financial plan of Larimer County for a fiscal year.
- 1.5. **“Budget year”** means the ensuing fiscal year. Larimer County’s fiscal year runs from January first to December thirty-first.
- 1.6. **“Capital Project”** A capital project is defined as land and land improvements, buildings & building improvements, and infrastructure (roads, bridges, etc.) which benefits more than a single fiscal period and meets the dollar threshold specified in the capital asset policy (reference E).
- 1.7. **“Certified”** means a written statement by a member of the governing body or a person appointed by the governing body that the document being filed is a true and accurate copy of the action taken by the governing body.
- 1.8. **“Code combination”** means the coding system used by the financial management system and budget systems to classify financial transactions.
- 1.9. **“Colorado Local Government Law”** means Title 29, Article 1, Part 1, of the Colorado Revised Statutes defining the requirements for: budget format and content, hearings and adoption, appropriation resolution, filing the budget and amending the budget during the year.
- 1.10. **“Designated Fund Balance”** is that portion of the fund balance designated for tentative future plans.
- 1.11. **“Emergency”** is an event requiring unbudgeted expenditures caused by an act of God, or the public enemy, or some contingency that could not have been reasonably foreseen at the time of adoption of the budget. "Emergency" excludes economic conditions, revenue shortfalls, or district salary or fringe benefit increases.
- 1.12. **“Expenditure”** means any use of financial resources consistent with its basis of accounting for budget purposes, for the provision or acquisition of goods and services for operations, debt service, capital outlay, transfers, or other financial uses.
- 1.13. **“Fiscal year”** means the 12 month period of January 1 through December 31 to which the annual budget applies and at the end of which Larimer County determines its financial position.

- 1.14. "**Fiscal year spending**" means all expenditures and reserve increases except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales. This definition is used in TABOR compliance calculations.
- 1.15. "**Full accrual accounting**" is based on revenues being recorded in the period when they are earned. Expenses are recorded in the period when the goods or services are consumed. The multi-year benefits of some assets are recognized by being expensed over the time they are expected to be used, as opposed to only at the time of their acquisition.
- 1.16. "**Fund**" means a fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities or balances, and changes therein are recorded and segregated to carry on specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations.
- 1.17. "**Fund balance**" means the balance of residual equities available to carry into subsequent years' budgets consistent with the basis of accounting determined for budget purposes.
- 1.18. "**FTE**" means Full-Time Equivalent position. A position converted to the decimal equivalent of a 40 hour work week or 1.0 FTE.
- 1.19. "**Governing body**" means Board of County Commissioners in which the legislative budgeting powers of Larimer County are vested.
- 1.20. "**Grant funding**" means limited-term revenues that must be expended on specific purposes.
- 1.21. "**Intergovernmental funding**" means funding or financial resources from other governmental sources including state, federal or other local governments.
- 1.22. "**Levy**" means setting the annual the property tax rate expressed as a mill levy.
- 1.23. "**Local government**" means any authority, **county**, municipality, city and county, district, or other political subdivision of the state of Colorado; any institution, department, agency, or authority of any of the foregoing; and any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among any of the foregoing. The office of the county public trustee shall be deemed a spending agency of the county for the purposes of the budget.
- 1.24. "**Modified accrual accounting**" is based on revenues being recorded when they become available and measurable (known). The term "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. Expenditures, if measurable, are recorded in the accounting period in which the liabilities are incurred.
- 1.25. "**Object of expenditure**" means the classification of fund data by character of expenditure. "Object of expenditure" includes, but is not limited to, personal services, operating costs and capital outlay. Object of expenditure is used in the budget Appropriation resolution to identify categories that that have budgetary spending limits for the calendar year.
- 1.26. "**Objection**" means a written or oral protest filed by an elector of the local government.
- 1.27. "**Private benefit**" means "non-incidental benefits conferred on disinterested persons that serve private interests." As defined in the Tax Court ruling, American Campaign Academy v. Commissioner, 92 TC 1053 (1989)
- 1.28. "**Proposed Budget**" means the budget as recommended by the BOCC.

- 1.29. **“Recommended Budget”** means the budget as recommended by the County Manager.
- 1.30. **“Requested Budget”** means the budget as requested by a spending agency.
- 1.31. **“Reserve”** is that portion of the fund balance not available for appropriation or that is segregated for a specific future use.
- 1.32. **“Revenue”** means current year additions to spendable resources consistent with the appropriate basis of accounting.
- 1.33. **“Service Proposal”** means a prioritized request from a spending agency justifying a requested funding change to a service or program.
- 1.34. **“Spendable Resources”** means all resources available to finance expenditures, including revenue, unreserved/undesignated fund balance and other financing sources.
- 1.35. **“Spending agency”** means any office, unit, department, board, commission, or institution of Larimer County which is responsible for any particular expenditure(s) or revenue(s).
- 1.36. **“Unreserved/undesignated fund balance”** means fund balance available for appropriation.
- 1.37. **“Working Capital”** means the minimum fund balance required for a fund to meet cash flow requirements.

## **II. STATE MANDATED BUDGET REQUIREMENTS:**

Annually, the Larimer County Board of County Commissioners (BOCC) has the authority and responsibility to adopt and oversee implementation of a budget approving the use of public funds for the operation of all County functions. In preparing its annual budget, Larimer County follows the provisions of the Local Government Budget Law of Colorado (reference G). This law requires the adoption of an annual budget by all Colorado counties. Colorado State law (CRS Title 29) specifies requirements that must be followed in budgeting.

The following section summarizes the key requirements covered in Colorado Budget law:

- 2.1 The BOCC must appoint a person to oversee the preparation of a recommended, balanced budget for the ensuing year by October 15<sup>th</sup> of each year for presentation to the BOCC. This person is the County Manager of Larimer County.
- 2.2. A budget must meet the following statutory requirements:
- The budget must be balanced. Expenditures cannot be greater than the total anticipated spendable resources.
  - The budget must be separated into funds and information for both the expenditures and the revenue must be classified by the agency that is authorized to spend money (the spending agency). The expenditure data must show the objects of expenditure and anticipated revenue data must show its different sources (reference C).
  - The expenditure and revenue data must be shown for the corresponding figures for three years:
    - The last completed fiscal year, using audited figures.
    - The current year.
    - The ensuing budget year.

- The budget must show a beginning fund balance, anticipated revenue, expenditures and ending fund balance.
  - The budget document must include a "budget message" which describes the important features of the budget. It must include a statement of the budgetary basis of accounting used and a description of the services to be delivered during the budget year.
- 2.3 Upon receipt of the recommended, balanced budget from the County Manager, the Board of County Commissioners must cause to be published a notice, one time, in a newspaper having general circulation within the county's boundaries. The notice must state:
- The budget is open for inspection at a designated place.
  - The budget will be considered for adoption on a specified time and date.
  - Any elector may inspect the budget and file or register objections at any time prior to the final adoption of the budget.
- 2.4 Prior to the adoption of the budget, the Board of County Commissioners shall review the recommended budget and revise, alter, increase or decrease the items as it deems necessary in view of the needs of the various spending agencies and in view of anticipated revenues. If the Board of County Commissioners increases the total expenditures to be made in the ensuing year, it shall provide for increased spendable resources so that the total means of financing the budget is equal to or greater than the total recommended expenditures.
- 2.5 The Board of County Commissioners shall adopt the budget before certifying mill levies (if it certifies a levy for property tax). Otherwise, the budget must be adopted by December 31.
- 2.6 The adoption of the budget must be formalized and made official by the Board of County Commissioners through adoption of several resolutions:
- A Resolution to Adopt Budget to summarize and adopt the budget by fund, identify the accounting basis for the budget, identify the amounts of lease purchase agreements and set mill levies for Larimer County.
  - An Appropriation Resolution to set the expenditures limits in the adopted budget, it must include an expenditure total no greater than the anticipated spendable resources, and must include all funds. The amount appropriated for the spending agencies cannot exceed the amounts fixed in the Resolution to Adopt Budget.
  - A Resolution to Designate Ending Fund Balances to summarize the ending fund balances by fund to identify the purposes for which ending fund balances are designated or reserved for Larimer County.
- 2.7 The county must file a certified copy of its adopted budget, including the budget message, with the Colorado Division of Local Government no later than thirty days following the beginning of the fiscal year of the adopted budget.

- 2.8 A Notice and Resolution to Amend Budget must be adopted to amend the budget. The resolution must summarize the appropriation changes for each spending agency for Larimer County and identify the sources of financing the changes. Two categories of budget amendments are identified in Colorado Revised Statutes:
- *Budgetary Transfers:* A transfer consists of moving budgeted and appropriated monies from one or more spending agencies in one fund to one or more spending agencies in another fund. It can consist of the transfer of budgeted and appropriated monies between spending agencies within one fund.
  - *Supplemental Budgets:* A supplemental budget shall be adopted to account for revenues in excess of the budget and to authorize expenditure of additional funds. Whenever the county receives unanticipated revenues, or revenues not assured at the time of the adoption of the budget, a supplemental budget and appropriation shall be enacted to authorize the expenditure of these unanticipated funds.
- 2.9 An official record of expenditures shall be maintained in the Larimer County Finance Office. This record shall show budgeted funds as compared with actual expenditures and shall also record any transfer of monies from one fund to another as authorized and implemented by budgetary transfers. This record shall show, at all times, the unexpended balance in each fund.
- 2.10 Larimer County is authorized by statute to provide only services for public benefit. Any private benefit shall be incidental to the provision of public services.

### **III. FISCAL POLICY UNDER TAXPAYER'S BILL OF RIGHTS (TABOR)**

In November 1992, the voters of the State of Colorado approved an amendment to Article X, Section 20, of the State Constitution. This amendment is popularly known as Amendment I or the TABOR (Taxpayer's Bill Of Rights) Amendment. This amendment limits growth in both state and local government expenditures and revenues. Annual local government expenditure and revenue increases are limited to inflation in the prior calendar year plus annual local growth (construction less destruction). In order to increase revenues and/or expenditures above the limitations, to increase any taxes, to increase the mill levy or to increase bonded debt, a local government must first obtain voter approval in an election held for such purposes annually in November.

In 1999, Larimer County obtained voter approval to keep and spend all revenues it receives from current tax rates and other revenues generated by the county beginning in budget year 2000. With this permission, the county may retain and spend the income from all sources of income and growth. However, Larimer County still needs to ask for voter approval to increase tax rates and issue bonded debt. The county will also continue to reserve 3% of fiscal year spending as required for emergencies by TABOR.

Unless specifically exempted by voter approval, local government districts represented within the Larimer County (example: Larimer County Pest District or Local Improvement Districts) budget are not exempt from TABOR spending limitations.

## **IV. BOARD OF COUNTY COMMISSIONERS BUDGET POLICIES**

### **4.1 Overall Budget Policies and Timeframes**

- 4.1.1. The BOCC designates the County Manager to oversee the revision of the current budget and the creation of a recommended, balanced budget for the ensuing year by October 15<sup>th</sup> that substantially meets the priorities and strategic initiatives of the BOCC and submit the same to the BOCC for consideration for adoption (reference H).
- 4.1.2. The resources of Larimer County shall be directed in a manner consistent with the concerns, needs, and priorities of its stakeholders and the laws and statutes of Colorado. Therefore Larimer County shall develop an understanding of the laws and statutes of Colorado; the concerns, needs, and priorities of its stakeholders; the condition of the community and trends and issues that may affect it in the future in order to establish the most appropriate budgetary priorities and goals.
- 4.1.3. Larimer County shall identify and conduct a periodic assessment of:
  - the programs and services that it provides, their intended purpose, and factors that could affect their provision in the future
  - its capital assets, including the condition of the assets and factors that could affect the need for or ability to maintain the assets in the future (reference I).
- 4.1.4. Larimer County BOCC shall identify its broad goals and priorities based on its assessment of the community it serves and its operating environment. The broad goals shall define the priorities and preferred future state of the community or area served. They shall provide the basis for making resource allocation decisions during the budget process and serve as a focal point for assessing and coordinating various long-range or strategic plans.
- 4.1.5. The budget shall not commit Larimer County to providing programs or levels of service that cannot be reasonably sustained in light of reasonably projected future resources.
- 4.1.6. The budget shall include funds for cash flow requirements (Working Capital) and an Emergency Reserve as required by Article X, Section 20 of the Colorado Constitution Amendment One (TABOR).
- 4.1.7. All spending agencies must utilize the Larimer County Budget System and Salary Projection System to prepare and communicate budgetary requests & requirements and to maintain and manage their budget throughout the fiscal year.
- 4.1.8. The County budget shall be adopted on a basis consistent with generally accepted accounting principles with the following provisions:
  - County governmental funds shall be budgeted and accounted for to reflect the modified accrual basis of accounting except for the transfer of excess funds from the Public Trustee to the County General Fund which is not budgeted as expenditures per CRS 29-1-102.
  - County proprietary funds shall be budgeted on a modified accrual basis and accounted for on a full accrual basis.

4.1.9. The budget shall be developed to comply with the following dates and events:

<b>DATE</b>	<b>EVENT</b>
On or before January 1	Start of Fiscal Year; begin planning for the budget of the next year.
On or before January 31	A certified copy of the adopted budget must be filed with the Colorado Division of Local Government. (29-1-113(1), C.R.S.).
On or before January 31	The adopted budget will be loaded into the county financial management system.
On or before February 21	The Colorado Division of Local Government will authorize the county treasurer to withhold tax revenues until a certified copy of the adopted budget is filed with the Colorado Division of Local Government.
On or before March 1	The U.S. Bureau of Labor Statistics releases the Consumer Price Index (the "CPI") for the Denver/Boulder area. This annual percent change is used with "local growth" to calculate "fiscal year spending" and property tax revenue limitations of TABOR. (Article X, Sec. 20, Colorado Constitution)
On or before April 30	County Manager presents multi-year revenue & expenditure forecast and identifies critical financial issues for BOCC and elected officials.
On or before May 30	BOCC communicates their priorities and strategic initiatives to the County Manager and elected officials.
On or before June 15	Budget Office distributes budget procedures for revising the current budget and development of budget for the upcoming fiscal year.
On or before August 1	Human Resources department provides the Budget Office compensation and benefit information for use in projecting current & ensuing year personnel costs (reference F).

<b>DATE</b>	<b>EVENT</b>
On or before August 25	Assessors certify to all taxing entities and to the Division of Local Government the total new assessed and actual values (for real and personal property) used to compute the statutory and TABOR property tax revenue limits. (39-5-121 (2) (b) and 39-5-128, C.R.S.)
On or before September 1	Deadline for all spending agencies to submit all required budget information to the Budget Office.
Between Sept 1 and October 1	Meeting with all spending agencies to review details of budget information and requests.
Between October 1 and October 15	Recommended balanced budget developed for BOCC including publication materials.
On or before October 15	County Manager must submit recommended, balanced budget and revised current budget to the BOCC. (29-1-105, C.R.S.) BOCC must publish "Notice of Budget" upon receiving recommended budget. (29-1-106(1), C.R.S.)
After October 15	County Manager reviews recommended, balanced budget and revised current budget with BOCC providing necessary rationale and justifications for the budgetary proposals and levels of services supported by the budget.
On or before December 1	BOCC holds public hearings on the recommended, balanced budget and, after public hearings, may give County Manager direction to make further modifications to the budget.
On or before December 10	Assessors' changes in assessed valuation will be made only once by a single notification (re-certification) to the county commissioners or other body authorized by law to levy property tax, and to the DLG. (39-1-111(5), C.R.S.)
On or before December 15	Deadline for certification of mill levy (39-5-128(1), C.R.S). Larimer County, if levying property tax, must adopt budget before certifying the levy to the county.
On or before December 22	Deadline for county commissioners to levy taxes and to certify the levies to the assessor. (39-1-111(1), C.R.S.)

4.2. **Budget Development Policies** – In fulfilling the role of revising the current budget and developing the recommended balanced budget for the BOCC review, the County Manager shall incorporate the following BOCC policies:

4.2.1 **Policies for Budget Revision and Development**

4.2.1.1 Prior to the creation of the revised current budget and the ensuing year recommended budget, the County Manager will oversee the following activities:

- A multi-year financial forecast of revenues and expenditures shall be prepared in anticipation of the annual budget process. The forecast shall incorporate short and long-term financial issues and other critical issues facing the County, economic conditions and trends, and the outlook for the upcoming budget year. This forecast shall be presented to the BOCC and other elected officials of Larimer County.
- Solicit an examination and assessment of the programs & needs of spending agencies, needs of the community. The County Manager may also solicit information from other sources and by other means to identify major program and/budget needs. The results of such input shall be presented to the BOCC and other elected officials of Larimer County.
- In light of the resources that may be available, the examination of program and community needs and any BOCC goals, the County Manager shall request that the BOCC set its budget priorities so that the County Manager may oversee the creation of the Recommended Budget.
- The County Manager shall cause to be created the annual budget preparation procedures that describe the minimum required budget information and format, roles and responsibilities, budget priorities, strategic initiatives and timetables that will direct the submittal of all current budget revisions and all ensuing year budget requests by spending agencies. All spending agencies must submit budget revisions and proposals in accordance with the budget preparation procedures.

4.2.1.2 After all spending agencies have submitted their budget information and proposals in accordance with the budget preparation procedures, the County Manager and Budget Director shall meet with all spending agencies to review the same. The County Manager is authorized to recommend a budget for the ensuing year on behalf of any spending agency that fails to meet budget policies, preparation procedures or timetables

4.2.1.3 By October 15th the County Manager shall submit a recommended budget for the ensuing year to the BOCC that includes any revisions to the current budget. This recommended budget shall:

- Provide a financial plan and description of the services to be delivered during the budget year
- Give priority to those activities that support the BOCC priorities and strategic initiatives.

- Maintain employee compensation and benefits at the stated organizational goal that is specified in Human Resources policies 331.5 and 331.6 (reference F).
- Provide for the reasonable and timely replacement of equipment and assets.
- Ensure that the policy on indirect costs (reference B) is followed and budgeted in accordance with that policy.
- Identify all funding requests by spending agencies, including those that could not be included in the recommended budget.

4.2.1.4 The budget shall be prepared so as to identify the programs and services that are financed by the spending agencies in the budget and general information concerning each program.

- Purpose or mission of the program and services provided by the program
- Outcomes or results and beneficiaries of the program
- Staffing Requirements of the program
- Costs of the program and how the program is financed

4.2.1.5 The recommended budget shall be presented in a manner that clearly communicates the budget to the BOCC and members of the public. The focus of the County's budget presentation shall be directed at displaying the County's program and services plan (and the means for financing the plan) in a constituent-friendly format.

#### 4.2.2. Policies for Budgeting for Equipment Replacement, Capital Projects and Other Assets

4.2.2.1 Larimer County will establish and maintain a Capital Projects plan. Annual budgeting for capital projects (and the resources necessary to finance them) will be in accordance with the plan (reference J).

4.2.2.2 Larimer County shall maintain capital assets at a sufficient level to protect the investment, to minimize future replacement and maintenance costs, and to continue expected service levels.

4.2.2.3 The County shall maintain a schedule for the current and future replacement of its equipment. Larimer County shall budget replacement of these assets according to the aforementioned schedule.

#### 4.2.3. Policies for Budgeting for Revenue

4.2.3.1 Larimer County will maintain a diversified and stable revenue base; to the extent it has the legal authority to do so, to provide protection against short-term fluctuations in any one major revenue source.

4.2.3.2 Larimer County will follow a policy of collecting all due and payable revenues.

4.2.3.3 Programs funded by dedicated revenues (such as fees, intergovernmental allocations or grants) shall be proportionately reduced or eliminated when such revenue sources are reduced or eliminated. Exceptions may be considered in the annual budgetary process.

- 4.2.3.4 In order to maintain a stable level of services, Larimer County shall use conservative, objective, and analytical approaches when preparing revenue estimates. The process shall include analysis of probable economic changes and their impacts on revenues, historical collection rates, and trends in revenues.
  - 4.2.3.5 To the extent authorized by law, Larimer County may establish and collect fees or reimbursements for services provided by Larimer County. The BOCC shall determine and set the appropriate cost recovery level prior to establishing or amending the fees or reimbursements for services.
  - 4.2.3.6 Property tax revenue shall be budgeted at a level equal to forecasted “net” collections which includes consideration for delinquencies and non-payment.
  - 4.2.3.7 Services funded by intergovernmental funds or grants shall be proportionately reduced or eliminated when such revenue sources are reduced or eliminated. However, spending agencies may request continuation of the program with other sources as part of their annual budget request.
  - 4.2.3.8 User charges for internal services funds will be established at levels that fully support the cost of providing the services, including the cost of capital equipment replacement (reference A).
- 4.2.4 Policies for Budgeting for Staffing Levels & Compensation Costs
- 4.2.4.1 The budget shall identify (for each spending agency) the total number of regular positions (FTE’s) authorized and budgeted by position title for the prior, current and ensuing year budgets. The BOCC may approve changes to regular staffing authorizations throughout the year if budgeted funds are available.
  - 4.2.4.2 Larimer County shall actively monitor and manage regular staffing levels, budgets and costs to assure that funds are budgeted and available to fulfill approved staffing plans. The Larimer County Human Resources Department shall maintain an inventory and status (filled, unfilled, overfilled, etc.) of all regular positions approved and funded in the budget. Unfunded or unbudgeted positions shall not be included in the inventory of positions.
  - 4.2.4.3 Hiring and filling of regular positions (FTEs) shall not exceed the authorized and funded level of regular positions (FTEs) for each spending agency unless budgeted funds are available to cover position overfills. The authorized and funded level of regular positions (FTEs) is the level of staffing that is supported by the budget (not counting on personnel costs savings) and approved by the BOCC. The practice of short-term over-filling is permitted provided that the budgeted funds are available, however short-term over-filling does not authorize the overfilled position for future budgets.

#### 4.2.5 Policies for Budgeting Fund Balance and Reserves

4.2.5.1 **Designation of Ending Fund Balances** - As part of the budget process, all spending agencies that are responsible for managing the budget of a county Fund (or sub-fund) must allocate the budgeted ending fund balance into the following categories.

4.2.5.1.1 **Reserved for Emergencies (account 31600)** – funds set aside for an emergency as defined by 30-25-107 of the CRS (to provide for expenditures caused by an act of God, or the public enemy, or some contingency that could not have been reasonably foreseen at the time of adoption of the budget) or the TABOR Emergency Reserve.

4.2.5.1.2 **Working Capital (account 31840)** - funds set aside to meet cash flow requirements

- **Working Capital Requirements** - It is the policy of the BOCC that each county fund maintains a minimum Working Capital ratio greater than 10% but less than 25% of annual expenditures of the fund. The Working Capital Ratio = Working Capital ÷ Annual Fund Operating Expenditures (including operating transfers out and excluding significant one-time expenses).
- For county funds that receive revenue from multiple sources, the 10% minimum working capital ratio may exclude expenditures of state or federal grants or other state or federal funding, or any other grant funds received and expended by the fund.
- For the purpose of calculating working capital ratio in Parks and Open Lands sub-funds, the total may be an aggregate total of all Park and Open Lands Funds.
- The following funds shall be exempt from the 10% Working Capital Ratio requirement:
  - All Local, Special and General Improvement Districts
  - All funds designated for construction projects or other capital reserves
  - All debt service funds
  - All sales tax funds
- The following funds shall be exempt from the 25% maximum reserve requirement:
  - Building Inspection Fund

4.2.5.1.3 **Capital Outlay / Capital Projects (account 31845)** – funds set aside for future capital expenditure.

4.2.5.1.4 **Future Programs or Services (account 31850)** – funds set aside for future expenditures for programs or services.

4.2.5.1.5 **Undesignated or unrestricted (account 31900)** – funds not yet designated for any purpose.

4.2.5.2 **Special Requirements for Internal Service & Enterprise Funds** - As part of the budget process, all spending agencies who are responsible for managing the budget of a Internal Service or Enterprise fund must allocate the budgeted ending fund balance into the following additional category.

4.2.5.2.1 **Value of Inventory** - This is the value of inventory that is included in fund balance.

4.3. **BOCC Consideration of the Recommended Budget** - The receipt of the recommended budget by the BOCC and the subsequent consideration and modification of the budget is guided by the following specific process.

4.3.1. Upon receipt of the recommended, balanced budget from the County Manager, the Board of County Commissioners must cause to be published a notice, one time, in a newspaper having general circulation within the county's boundaries. The notice must state:

- That the recommended budget is open for inspection at a designated place.
- The time and place of any public hearings to hear comment on the recommended budget.
- That the budget will be considered for adoption on a specified location, time and date.
- That any elector may inspect the budget and file or register objections at any time prior to the final adoption of the budget.

4.3.2. As soon as is reasonably possible after October 15<sup>th</sup>, the County Manager shall review and discuss in detail the recommended budget with the BOCC providing necessary rationale and justifications for the budgetary proposals and levels of services supported by the recommended budget. The recommended budget shall also be distributed to all spending agencies and the public for their information.

4.3.3. The BOCC shall schedule and hold public hearing(s) to gather public and stakeholder comments on the recommended balanced budget.

4.3.4. After the public hearings, the BOCC may instruct the County Manager to make changes to the budget prior to adoption. If the BOCC instructs the County Manager to increase the total expenditures to be made in the budget, it shall provide for increased resources so that the total means of financing the budget is equal to or greater than the total recommended expenditures

4.4. **Adoption of the Budget** - The adoption of the budget must be formalized and made official by the Board of County Commissioners through enactment of several resolutions at an advertised public hearing for such purpose:

- For the current year's budget, any approved modifications to the budget must be identified and adopted in a Notice and Resolution to Amend Budget and Transfer Funds.
- For the ensuing year budget, a Resolution to Adopt Budget must be adopted to summarize the budget by fund, identify the accounting basis for the budget, identify the amounts of lease purchase agreements and set mill levies for Larimer County.

- For the ensuing year budget, an Appropriation Resolution must be adopted to outline the appropriated expenditures in the adopted budget, must include an expenditure total no greater than the anticipated resources, and must include every fund. The amount appropriated for the spending agencies cannot exceed the amounts fixed in the budget. The Appropriation Resolution defines the levels of legal budgetary control that is used to limit expenditures within budgetary allotments.
- For the ensuing year budget, a Resolution to Designate Ending Fund Balances must be adopted to summarize the ending fund balances by fund to identify the purposes for which fund balances are designated or reserved for Larimer County.

4.5. **Budgetary Fiscal Structure** - Larimer County, like other state and local governments, uses fund accounting and spending agency appropriations to ensure and demonstrate compliance with finance-related legal requirements.

4.5.1. Fund accounting is used as a control to segregate financial resources and ensure that the segregated resources are only used for their intended purposes. All of the funds of Larimer County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental Funds*** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Larimer County maintains many individual governmental funds.
  - ***General Fund***: To account for all financial resources except those required to be accounted for in another fund.
  - ***Special Revenue Funds***: To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.
  - ***Capital Projects Funds***: To account for financial resources to be used for the acquisition or construction of major capital facilities or capital projects & replacement (other than those financed by proprietary funds).
  - ***Debt Service Funds***: To account for the accumulation of resources for and the payment of, general long-term debt principal and interest (reference C).
- ***Proprietary Funds*** - Larimer County maintains two different types of proprietary funds.
  - ***Enterprise Funds*** are used to report functions presented as business-type activities in the government-wide financial statements. Larimer County has one enterprise fund, the Solid Waste fund.
  - ***Internal Service Funds*** are used to accumulate and allocate costs internally among the County's various functions. Larimer County uses internal service funds to account for its equipment leasing, fleet services, print shop, telecommunications, risk management, and self-insurance activities (reference A).

- ***Fiduciary Funds*** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Larimer County government.
- 4.5.2. Spending agency appropriations are also used as a control to segregate financial resources, set spending limits on expenditures for spending agencies and to segregate the budget into responsibility centers for management purposes.
- 4.6. **Level of Budgetary Control** – the measurement of budget performance and legal spending limits shall be established as follows;
- 4.6.1. The Resolution to Appropriate Sums of Money is the legal resolution that sets spending limits for all Larimer County spending agencies by specific expenditure classifications. Once appropriations are approved by the BOCC, no spending agency may expend, or contract to expend, any funds in excess of the amount appropriated in the appropriation resolution.
- 4.6.2. Budgetary control for the ensuing year’s budget shall be specified in the Appropriation Resolution or, if the current year’s budget has been amended, in a Resolution to Amend Budget and Transfer Funds.
- 4.6.3. The level of budgetary control for each spending agency shall be maintained at each of the following object of expenditure classifications:
- Personnel costs
  - Non-personnel costs (total of all operating and capital costs)
- 4.6.4. The BOCC shall have the right to adopt appropriations for a spending agency with alternative levels of control as needed to assure that expenditures are used for the intended purposes.
- 4.6.5. Control of each object of expenditure classification is maintained for each spending agency level in the General Fund and at the fund level in all other funds.
- 4.6.6. All appropriations lapse at fiscal year end.
- 4.7. **Policies for Budget Maintenance and Amendment** - The adopted budget is a financial plan, and as such, occasional modifications may be necessary during the year for a variety of circumstances.
- 4.7.1. When considering amendments to the budget for approval, the BOCC, County Manager, and Budget Director shall consider the sustainability of any additional expense in future years, the adequacy of spendable resources, and weighing the amendment against other budgetary priorities and needs.
- 4.7.2. Amendments that do not require additional, increased, or new financial commitments may be approved as follows:
- The Budget Director is authorized to approve modifications to the current budget for the following purposes:
    - Transfer budgeted amounts within an object of expenditure classification for a spending agency.
    - Adjust beginning fund balances to audited amounts.
    - Adjust the budget of the Public Trustees Office as directed by that office.
    - Adjust the budget for increased revenues that are not to be expended in the current year.

- Adjust the budget for revenue and/or expenditures previously approved by the County Manager or BOCC.
  - Carryover and re-appropriate funds remaining from an uncompleted project previously approved for a spending agency and budgeted in the prior year.
- The County Manager is authorized to approve modifications to the current budget for the following purposes:
- Revenue is to be received that was neither anticipated nor budgeted or a revenue is increased/decreased and corresponding expenditures of a spending agency must be adjusted.
  - Increase the budgeted amounts for any object of expenditure classification supported by like increase in revenues.
  - Move budgeted amounts between any of the object of expenditure classifications for a spending agency.
  - Transfer budgeted funds between spending agencies
- 4.7.3. Amendments that request additional, increased, or new financial commitments may be approved by the BOCC but first must be weighed against other budgetary priorities and needs; receive a funding recommendation from the County Manager and Budget Director; and shall meet at least one the following criteria:
- The amendment is in response to an emergency beyond the control of a spending agency, which will result in over expenditure of the appropriated budget.
  - The amendment is due to a policy, law, statute, or court ruling that has become effective which mandates expenditures by a spending agency that were neither anticipated nor budgeted.
  - The amendment is necessary by a spending agency to avoid or correct an adverse condition impacting the health, safety, or welfare of county residents and/or employees.
- 4.7.4. All approved amendments to the budget during the year shall be summarized and adopted by formal resolution in a Notice and Resolution to Amend Budget and Transfer Funds.
- 4.8. **Budget to Actual Comparison** - Budget to actual comparisons shall be maintained at all times in the Larimer County Finance and Budget Systems. Reports from these systems will be available to the BOCC and spending agencies which show the current budget and the year-to-date revenues and expenditures by code combination within the accounting system.

Distribution:  
All County Departments and Elected Officials  
Records Management (original)

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