

OFFICE OF THE COUNTY ADMINISTRATOR

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July 31, 2013

TO: Dee F. Bruemmer, County Administrator

FROM: David Farmer, CPA Budget Manager

CC: Craig Hufford, Financial Management Supervisor
Wes Rostenbach, Accounting and Tax Supervisor
Lori Elam, Community Services Director
Roger Kean, Conservation Director

SUBJ: Scott County Board Policy 33- Financial Polices

Standard financial management policies recommend the review of financial policies annually or as needed. A review of the current fund balance policy identified clarifications of fund balance classifications of the MH- DD Fund, Rural Services Fund, Debt Service Fund, Self- Insurance Fund and Golf Course Fund. Additionally, due to changes occurring in Fiscal Year 2013, minimum fund balance polices of the MH-DD Fund and Golf Course Fund are recommended.

Based upon communications with Community Services Director Lori Elam, the State of Iowa's delay in funding decisions has hampered the County's budget process for fiscal years 2012- 2014 and the ability to properly prepare for the changing funding structure from County provided services to regionalization of services. These structural changes have impacted the available fund balance and projected fund balance within the fund while continuing to require a minimum level of service to residents of Scott County. Effective June 30, 2013 it is recommended the County not require a minimum fund balance of the MH-DD Fund. Additional internal financing may be made available through the County's General Fund through short term interfund loans at no additional cost to the MH-DD Fund.

Previously the Golf Course Fund was required to maintain a minimum fund equity equal or exceeding the escrowed annual debt service. During FY 12, the note payable was repaid and the escrow was released. In FY 13 the County Board forgave the interfund loan between the Golf Course Fund and the General Fund. The unrestricted fund balance of the Golf Course is now projected to be positive in FY 2013. As of June 30, 2013 and thereafter it is recommended the Golf Course Fund maintain a positive unrestricted net asset balance.

I will be available at the August 13, 2013 committee of the whole Board of Supervisors meeting. Please let me know if you have further questions.

33. FINANCIAL MANAGEMENT POLICIES

GENERAL POLICY

The following financial policies have been developed to provide guidance to the County's financial management system.

SCOPE

This policy is applicable to all offices and departments within Scott County government.

PURPOSE

The County's intent is to support a sound and efficient financial management system which best utilizes available resources and provides an acceptable service level to the citizens of Scott County. The following statements are not intended to restrict Scott County's authority in determining service needs and/or activities of Scott County. These financial policies do not limit the Scott County Board's of Supervisors ability and responsibility to respond to service delivery needs above or beyond these policies. The Scott County Board of Supervisors as a policy making group is still accountable for the efficient and responsive operation of Scott County.

SPECIFIC POLICY PROVISIONS

REVENUE POLICY

1. Scott County will initiate efforts to maintain diversified and stable revenues in an attempt to limit the impact of short run fluctuations in any one revenue source.
2. Annual revenues will be estimated by an objective, and whenever possible analytical process.
3. Existing revenue sources will be re-examined with new revenue sources investigated during the annual budget preparation process.
4. Revenues may exceed expenditures if the fund balance of any funds needs to be increased to meet minimum balance requirements. Additionally, surplus fund balances may supplement revenues in order to fund estimated expenditure levels, generally for onetime expenditures or capital costs.
5. Property tax revenue collections will be established through a tax levy rate for general operations which will not generally exceed the cost of living of the previous year.

6. In relation to enterprise funds which have been established to support expenditure levels, user fees and charges will be established to fund direct and indirect cost of the activity whenever feasible.
7. User fees in other governmental areas such as health and recreational services will be established at a level which will not inhibit participation by all.
8. All user fees and charges will be re-evaluated on an annual basis during the budget preparation process.
9. One-time or special purpose revenues such as grant funds will be utilized to fund capital expenditures or expenditures required by that revenue. Such revenues will generally not be used to subsidize reoccurring personnel, operating and maintenance costs and if approved will be qualified by stating such on-going program may be ended once grant funds or other revenue sources no longer exist.
10. Scott County will on a continuous basis seek methods to reduce the County's reliance on the property tax through seeking legislative support for local option taxes, investigating additional non-property tax revenue sources, and encouraging the expansion and diversification of the County's tax base with commercial and industrial development.

OPERATING BUDGET/EXPENDITURE POLICY

1. The County Administrator will compile and submit to the Scott County Board of Supervisors a balanced budget by the first of February of each year.
2. The balanced budget will reflect expenditures which will not exceed estimated resources and revenues. Routine expenditures will not be greater than the previous year's expenditure level by more than the estimated annual percentage increase in the cost of living.
3. The operating budget for Scott County will be developed and established on a service level basis. Any additions, deletions and/or alterations in the operating budget will be related to services to be provided to the general public.
4. The operating budget will emphasize productivity of human resources in providing services, efficient use of available revenue sources, and quality of services to be provided.
5. New service levels will be considered when additional revenues or offsetting reductions of expenditures are identified, the new services fall within the

broad framework of the County operation, or when such services are mandated by the State of Iowa or the federal government.

6. Current County expenditures will be funded by current revenues unless specifically approved by the Board of Supervisors.
7. The County will avoid the postponement of current expenditures to future years, accruing future year revenues, or utilization of short term debt to fund operating expenditures.
8. The operating budget will provide funding for the on-going maintenance and replacement of fixed assets and equipment. These expenditures will be funded from current revenues transferred to the Capital Improvement Funds.
9. Each year the County will revise current year expenditure projections during the succeeding year's budget preparation process. Costs of operating future capital improvements included in the capital projects budget will be included in the operating budget.
10. The County will participate in a risk management program to minimize losses and reduce costs. This program will also protect the County against catastrophic losses through the combination of insurance, self-insurance and various federal and state programs.
11. The County will maintain a budgetary control system to monitor its adherence to the approved operating budget.
12. All departments will have access to monthly expense and revenue reports comparing actual revenues and expenditures to budgeted amounts. These reports will be updated on a weekly basis to allow departments to regularly review their financial position.

CAPITAL IMPROVEMENT BUDGET POLICY

1. The County will make all capital improvements in accordance with the adopted Capital Improvement Program except for emergency capital improvements which are deemed necessary by the County staff and approved individually by the Board of Supervisors.
2. Capital improvements will be identified on the basis of long-range projected needs rather than on immediate needs in order to minimize future maintenance, replacement and capital costs.
3. A capital improvement program will be developed for a five-year period and updated annually.

4. Estimated costs of each capital improvement projected for each year will be included in the plan.
5. Revenue sources for capital improvements will be identified in the plan whenever possible.
6. Intergovernmental funding sources from the federal, state and private sector will be actively sought and used as available to assist in financing of capital improvements.
7. Future operating costs associated with the capital improvement will be projected and included as a part of the budget submission in the capital improvement budget.
8. Capital Funding Requests From Outside Agencies

- Capital funding requests (greater than \$5,000) from outside agencies will only be considered during the Board's regular annual budget review cycle.
- Said requests must be submitted to the County Administrator on or before December 1st on forms provided by the County.
- Said requests for the next fiscal year will only be accepted for consideration if the County's unassigned General Fund balance exceeds the minimum required level, 15% of operating expenses. (The 15% minimum required level shall be based on the audited beginning unassigned General Fund balance amount of the current fiscal year less any planned uses of fund balance included in the current fiscal year budget compared with current year budgeted general fund operating expenses).
- Said request shall describe the project in detail and shall also include the following minimum information:
 - Project impact on community (economic development, quality of life, etc.)
 - Total cost of project
 - % of request from County to total project cost
 - Listing of other revenue sources
- Agencies are encouraged to competitively bid out contracts and should allow local vendors to bid.
- Approved funding allotments will be made beginning with the next fiscal year being budgeted and may be made over a multi-year period.
- No allotment will be given until the requesting organization informs the

County in writing that all funding commitments have been made and that the project has begun (this action must be completed prior to December 31st of the next fiscal year being budgeted, if not, the County's funding commitment will end). Note: Agencies may request an extension to this provision. The extension request should be submitted in writing detailing reasons for the extension and the extension timeframe requested.

- Any approved funding commitment from the County for a project should be considered final with no subsequent funding request to be made to the County on that project.
- Any future State action such as program funding reductions, increased unfunded State mandates, or the enactment of property tax limitation legislation may not allow the County to consider or, complete fulfillment of these types of capital funding requests.

9. Bike Trail Funding

- The Board of Supervisors supports the development and construction of bike trails that will connect communities within the County. The Board encourages state and federal legislators to fund grant opportunities to fund these bike trails. The Board will support grant applications to appropriate state and federal agencies for grant funding of these trails.
- The Board will participate in funding the local match grant requirement of bike trail development and construction that connect non-contiguous cities within Scott County. The Board will also consider allowing the use of the County's right of way for portions of proposed trails along County roads.
- The Board of Supervisors will fund 10% of the local match grant requirement (up to a 30% grant local match requirement). For example, if the grant award is for \$1 million with a 30% local-70% federal/state split the County would fund \$30,000 of the local match. If the same \$1 million grant had a 40% local-60% federal/state split the County would still only fund \$30,000 of the local match. If this is a multi-county grant application the 10% County local match funding amount will be based on the percentage of bike trail mileage in Scott County.
- The County encourages communities to secure additional local grant funding toward the local match requirement (i.e., riverboat grants, foundations, businesses, etc.). The County will not reduce its 10% local match commitment by any additional funding secured by the communities toward their 90% share of the local match.
- The County will not participate in any ongoing maintenance costs of the bike trails.

DEBT ADMINISTRATION POLICY

1. The County will limit its long-term borrowing to capital improvements or projects which cannot be financed from current revenues or for which current revenues are not adequate.
2. Long-term borrowing will only be utilized to fund capital improvements and not operating expenditures.
3. The payback period of the bonds issued to fund a particular capital project will not exceed the expected useful life of the project.
4. It is recognized that the State of Iowa sets the debt limitation for municipalities at 5 percent of actual property valuation.
5. Whenever possible, special assessment, revenue bonds and/or general obligation bonds abated by enterprise revenues will be issued instead of general obligation bonds funded by property tax.
6. For those general obligation bonds issued and funded by property taxes, debt service and interest payment schedules shall be established whenever possible in such a manner to provide equalization of debt and interest payments each year for the life of the total outstanding general obligation bonds.
7. The County shall encourage and maintain good relations with the financial and bond rating agencies and prepare any reports so requested by these agencies. Full and open disclosure on every financial report and bond prospectus will be maintained.

FINANCIAL REPORTING POLICY

1. The County will establish and maintain a high standard of accounting practices and procedures which adhere to the concept of full and open public disclosure of all financial activity.
2. The accounting system will be maintained on a basis consistent with accepted standards for governmental accounting.
3. Quarterly financial statements reported on a budget basis of accounting will be presented to the board of Supervisors on a regular basis.
4. The County's independent public accounting firm will publicly issue an audit opinion regarding the financial statements to the County. The annual audit will be made available to the general public, bonding and financial

consultants, and any other interested citizens and organizations.

5. The Comprehensive Annual Financial Report and accompanying audit opinion will be completed and submitted to the Board of Supervisors by December 31 and following the close of the preceding fiscal year.

FUND BALANCE POLICY

Government Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement is effective for the County beginning with fiscal year ending June 30, 2011. The objective of this statement is to improve the usefulness and understandability of governmental fund balance information. The Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The Statement impacts governmental fund types, however, in non-governmental funds, the County may decide to assign funds for specific purposes.

1. The fund balance will be reported in five categories: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

a) Nonspendable Fund Balance - Amounts cannot be spent because they are a) not in spendable form or b) legally or contractually required to be maintained intact.

b) Restricted Fund Balance - Amounts are restricted by external parties (i.e. creditors, grantors, contributors) or laws / regulations of other governments or restricted by law through constitutional provisions or enabling legislation, such as an ordinance.

c) Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. The formal action must occur prior to the end of the reporting period. The amount, which will be subject to the constraint, may be determined in the subsequent period.

d) Assigned Fund Balance - Amounts constrained by the government's intent to be used for specific purposes that are neither restricted or committed. The intent can be expressed by the County Administrator.

e) Unassigned Fund Balance - Is a residual classification for the general fund. The total fund balance less amounts categorized as non-spendable, restricted, committed and assigned equals unassigned fund balance. The general fund is the only fund that should report a positive unassigned fund balance amount. A negative unassigned fund balance is possible in other funds.

Minimum year-end fund balances will be maintained for all governmental and proprietary funds as follows:

Governmental	<u>Minimum Fund Balance</u>
<u>Fund Types</u>	
General	Unassigned, 15% of Annual Operating Expenses
Secondary Roads	Restricted, Between 5% & 10% of Annual Operating Expenses
MH-DD	Restricted, Between 5% & 10% of Annual Operating Expenses (state law) <u>No Minimum Required</u>
Rural Services	Assigned <u>Restricted</u> , \$25,000 Minimum
Balance	
Recording Management Fees	<u>Restricted</u> , No Minimum Required
Debt Service	Assigned <u>Restricted</u> , _____ \$25,000
Minimum Balance	
Capital Projects	No Minimum Required
Proprietary	<u>Minimum Fund Equity</u>
<u>Fund Types</u>	
Self-Insurance	<u>Assigned</u> , _____ \$1,000,000 Minimum
Balance	
Golf Course*	Escrowed Annual Debt Service Payment <u>Positive Unrestricted Net</u>

Assets

~~*County property taxes are used to fund Golf Course debt and operational deficits. The minimum fund equity for this fund is the escrowed annual debt service payment.~~

2. Flow of Funds Policy:

The County will spend the most restricted dollars before less restricted, in the following order:

- 1) Nonspendable (if funds become spendable)
- 2) Restricted
- 3) Committed
- 4) Assigned
- 5) Unassigned

THE COUNTY AUDITOR'S SIGNATURE CERTIFIES THAT
THIS RESOLUTION HAS BEEN FORMALLY APPROVED BY
THE BOARD OF SUPERVISORS ON _____
DATE

SCOTT COUNTY AUDITOR

R E S O L U T I O N

SCOTT COUNTY BOARD OF SUPERVISORS

August 15, 2013

APPROVAL OF CHANGES OF THE SCOTT COUNTY GENERAL POLICY CHAPTER 33 - FINANCIAL MANAGEMENT POLICIES

BE IT RESOLVED by the Scott County Board of Supervisors as follows:

SECTION 1. That the Board of Supervisors approve the changes
in Scott County General Policy Chapter 33 -
Financial Management Policies.

SECTION 2. That this resolution shall take effect immediately.