



## **LARIMER COUNTY POLICY**

### **ADMINISTRATIVE POLICY**

**SUBJECT:** Larimer County Budget Preparation and Management Policies

**DATE:** January 7, 2020

**EFFECTIVE PERIOD:** Until Superseded

**REVIEW SCHEDULE:** Every five years in November, or as needed

**CANCELLATION:** Administrative Policy and Procedure 180.1E; December, 9, 2014

### **REVISION SECTION:**

1. Reference C (added)
2. Reference H (deleted)
3. Section I
4. Section II, 2.2
5. Section IV, 4.1.6; 4.1.8; 4.2.1.1; 4.2.1.3; 4.2.4; 4.2.5; 4.8.1; and 4.8.3
6. Section IV, 4.10 (added)

### **DEFINITIONS:**

1. **Adopted Budget:** The budget as adopted by the Larimer County Board of County Commissioners (BOCC) for a spending agency for a fiscal year.
2. **Appropriation:** The authorization by ordinance or resolution of a spending limit for expenditures and obligations for specific purposes.
3. **Balanced Budget:** A budget in which anticipated revenues plus beginning annual fund balance is equal to or greater than anticipated expenditures plus ending fund balances.
4. **Budget:** The complete estimated financial plan of Larimer County for a fiscal year.
5. **Budget Year:** The ensuing fiscal year. Larimer County's fiscal year runs from January first to December thirty-first.
6. **Capital Budget:** Detailed expenditure and revenue information, plus a description of the project, for the Budget Year.
7. **Capital Project:** capital project is defined as land and land improvements, buildings & building improvements, transportation infrastructure (for example roads, bridges, etc.) improvements, capital master plans, and asset acquisitions, which benefits more than a single fiscal period and meets the dollar threshold specified in the annual budget instructions issued by the Budget Office. A capital project may be planned to span

multiple years but must be appropriated annually. A Capital Project may or may not result in the purchase of assets that are subject to the Capital Asset Recording Policy (Reference 5).

8. **Carryover Process:** The process of allocating surplus expenditure authority or revenues from the prior year into the current year.
9. **Certified:** 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.
10. **Chart of Accounts:** The foundation of the County's accounting, budgeting and financial reporting systems as defined in the Chart of Accounts Policy (reference C).
11. **Code Combination:** The coding system determined by the Chart of Accounts.
12. **Colorado Local Government Law:** 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.
13. **County General Fund Support:** The amount of General Fund resources to be utilized by a spending agency in the annual budget. Can include either net of expenses less revenues for General Fund spending agencies, or transfers from the General Fund for spending agencies in other funds.
14. **Emergency:** 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.
15. **Expenditure:** 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.
16. **Fiscal Year:** 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.
17. **Fiscal Year Spending:** All 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.
18. **FTE:** Full-Time-Equivalent position. A position converted to the decimal equivalent of a 40-hour work week or 1.0 FTE. Position types, (for example "Regular" or "Limited Term" shall be defined by Human Resources policies (reference F).
19. **Full Accrual Accounting:** Transactions are recognized and recorded when they occur, regardless of when cash is received or disbursed. For example, revenue is recognized and recorded when earned, and expenses are recognized and recorded when goods or services are received.

20. **Fund:** 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.
21. **Fund Balance:** The difference between assets and liabilities in a fund
22. **Reserved Fund Balance:** The portion of fund balance constrained for a specific purpose by external parties (creditors-debt covenants, grantors, contributors, or laws and regulations of other governments), constitutional provisions, or enabling legislation.
23. **Designated Fund Balance:** The portion of fund balance set aside for planned or intended actions. The intended use may be expressed by the Board of County Commissioners or other individuals delegated by the Board (County Manager, Budget Manager, or Financial Services Director) to assign funds to be used for a specific purpose. Examples include Working Capital, Capital Outlay and Projects, and Future Programs and Services.
24. **Undesignated Fund Balance:** The residual portion of General Fund balance that does not meet any of the above criteria. It represents resources available for immediate appropriation by the Board for any purpose.
25. **Governing Body:** Board of County Commissioners in which the legislative budgeting powers of Larimer County are vested.
26. **Grant Funding:** Limited-term revenues that must be expended on specific purposes.
27. **Intergovernmental Funding:** Funding or financial resources from other governmental sources including State, Federal or other local governments.
28. **Levy:** Setting the annual property tax rate expressed as a mill levy.
29. **Local Government:** 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.
30. **Modified Accrual Accounting:** Revenues are recognized and recorded when they become available and measurable. 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.
31. **Object Classification:** The classification of expenditure accounts by character of expenditure. For instance, all costs related to employee compensation would be grouped into a "Personnel Costs" Object Classification. "Object Classification" Object Classification is determined by the Board of County Commissioners in the Budget Appropriation Resolution to identify categories that have budgetary spending limits for the calendar year.
32. **Objection:** A written or oral protest filed by an elector of the local government.

33. **Private Benefit:** "Non-incident 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).
34. **Proposed Budget:** The budget as proposed by the County Manager to the BOCC.
35. **Requested Budget:** The budget as requested by a spending agency.
36. **Revenue:** Current year additions to spendable resources consistent with the appropriate basis of accounting.
37. **Revised Budget:** The current year adopted budget plus any amendments or revisions.
38. **Service Proposal:** A prioritized request from a spending agency justifying a requested funding change to a service or program.
39. **Spendable Resources:** All resources available to budget for expenditures, including revenue, beginning fund balance and other financing sources.
40. **Spending Agency:** Any office, unit, department, board, commission, or institution of Larimer County which is responsible for any particular expenditure(s) or revenue(s).
41. **Working Capital:** The minimum fund balance required for a fund to meet cash flow requirements.

**ENCLOSURES:**

Not applicable.

**REFERENCES:**

1. Financial Policy [320.3](#); [Internal Service Fund Policy](#)
2. Financial Policy [320.10](#); [Indirect Costs Policy](#)
3. Financial Policy [320.14](#); [Chart of Accounts](#)
4. Financial Policy [320.21](#); [Larimer County Debt Policy](#)
5. Financial Policy [321.1.2](#); [Capital Asset Recording Procedures](#)
6. Human Resources Policy [331.5](#); [Compensation](#); and Human Resources Policy [331.6](#); [Benefits Policy](#)
7. [Governing Policies Manual](#); Policy 3.3 – Financial Planning
8. [Governing Policies Manual](#); Policy 3.5 – Asset Protection
9. [Governing Policies Manual](#); Policy 3.10 – Capital Equipment and Improvements Programming

**PURPOSE:**

To establish minimum requirements at Larimer County for budget preparation and management, content and timeframes.

**SCOPE:**

This policy applies to all Offices, Departments, employees, and volunteers.

**RESPONSIBILITY:**

The Budget Director administers this Policy.

**POLICY:**

For Specific Requirements, see Section II (State Mandated Budget Requirements) and Section IV,4.1.9 (Budget Timelines).

**I. 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:

- A. The BOCC must appoint a person to oversee the preparation of a proposed, balanced budget for the ensuing year by October 15th of each year for presentation to the BOCC. This person is the County Manager of Larimer County.
- B. A budget must meet the following statutory requirements:
  1. The budget must be balanced. Expenditures cannot be greater than the total anticipated spendable resources. Projected fund balances at the end of the year may not be negative at the roll-up fund level.
  2. 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 object classification and anticipated revenue data must show its different sources. The expenditure and revenue data must be shown for the corresponding figures for three years:
    - a) The last completed fiscal year, using audited figures.
    - b) The current year for both the Adopted and Revised phases.
    - c) The ensuing budget year.
  3. The budget must show a beginning fund balance, anticipated revenue, expenditures and ending fund balance.
  4. The budget document must include a "budget message" from the County Manager or his or her designee which describes the important features and strategic theme of the budget. The Budget Document must include a statement of the budgetary basis of accounting used and a description of the services to be delivered during the budget year.

- C. Upon receipt of the proposed, 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:
  - 1. The budget is open for inspection at a designated place.
  - 2. The budget will be considered for adoption on a specified time and date.
  - 3. Any elector may inspect the budget and file or register objections at any time prior to the final adoption of the budget.
  - 4. The Budget Office shall also make the Proposed Budget available on the County's website.
  
- D. Prior to the adoption of the budget, the Board of County Commissioners shall review the proposed 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 proposed expenditures.
  
- E. 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.
  
- F. The adoption of the budget must be formalized and made official by the Board of County Commissioners through adoption of several resolutions:
  - 1. 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.
  - 2. 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.
  - 3. 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.
  
- G. 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.

- H. 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:
1. 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.
  2. 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.
- I. 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.
- J. 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.

## II. **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 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.

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

#### **A. Overall Budget Policies and Timeframes**

1. The BOCC designates the County Manager to oversee the revision of the current budget and the creation of a proposed, balanced budget for the ensuing year by October 15th that substantially meets the priorities and strategic initiatives of the BOCC and submit the same to the BOCC for consideration for adoption (reference G).
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.
3. Larimer County shall identify and conduct a periodic assessment of:
  - a) The programs and services that it provides, their intended purpose, and factors that could affect their provision in the future
  - b) 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 (references H and I).
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.



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.
6. The budget shall include funds for cash flow requirements (Working Capital), which shall include an Emergency Reserve as required by Article X, Section 20 of the Colorado Constitution Amendment One (TABOR).
7. All spending agencies must utilize systems identified by the Budget Office to prepare and communicate budgetary requests & requirements and to maintain and manage their budget throughout the fiscal year.
8. The County budget shall be adopted on a basis consistent with generally accepted accounting principles with the following provisions:
  - a) The County follows the policy of adopting annual budgets for all funds except fiduciary funds, and 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.
  - b) For all fund types, advances to and advances from are treated as operating transactions. Proprietary fund budgets are adopted on a non-USGAAP modified accrual basis as follows: (a) revenues and expenses are recorded as current year activity only if receipt and payment of cash occurs within 30 days after year end (subsequent receipts or disbursements are budgeted for in the following fiscal year); (b) purchase of capital assets and principal payments of long-term liabilities are treated as expenses; (c) depreciation expense is not budgeted; and (d) inventory purchases are budgeted utilizing the purchase method.
9. The budget shall be developed to comply with the following dates and events:

DATE	EVENT
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.).

DATE	EVENT
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 1	Complete carryover process from prior year
On or before May 15	County Manager presents multi-year revenue & expenditure forecast and identifies critical financial and operational 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).
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.)

DATE	EVENT
On or before September 1	Deadline for all spending agencies to submit Requested Budgets and all other required budget information to the Budget Office.
Between Sept 1 and October 15	Meeting with all spending agencies to review details of budget information and requests.
Between October 1 and October 15	Proposed balanced budget developed for BOCC including publication materials.
On or before October 15	County Manager must submit proposed, balanced budget and revised current budget to the BOCC. (29-1-105, C.R.S.)
After October 15	County Manager reviews proposed, 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. BOCC delegates the Budget Office to publish "Notice of Budget" upon receiving recommended budget. (29-1-106(1), C.R.S.)
On or before December 1	BOCC holds public hearings on the proposed, 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.).
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.)

## B. 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:

### 1. Policies for Budget Development

Prior to the creation of the Revised Budget and the ensuing year Proposed budget, the County Manager will oversee the following activities:

- a) A multi-year financial forecast of revenues and expenditures in the General Fund, plus any other funds as necessary in the opinion of the County Manager or specifically requested by the BOCC, 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.
- b) 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.
- c) 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, including preliminary County General Fund Support Targets, so that the County Manager may oversee the creation of the Proposed Budget. In the event that the preliminary County General Fund Support Targets need adjustment prior to submission of Requested Budgets, the County Manager shall notify the BOCC.
- d) 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.

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 propose a budget for the ensuing year on behalf of any spending agency that fails to meet budget policies, preparation procedures or timetables.
3. By October 15th the County Manager shall submit a Proposed Budget for the ensuing year to the BOCC that includes any revisions to the current budget. This Proposed Budget shall:
  - a) Provide a financial plan and description of the services to be delivered during the budget year.
  - b) Give priority to those activities that support the BOCC priorities and strategic initiatives.
  - c) Maintain employee compensation and benefits at the stated organizational goal that is specified in Human Resources policies 331.5 and 331.6 (reference F).
  - d) Provide for the reasonable and timely replacement of equipment and assets (reference H).
  - e) Ensure that the policy on indirect costs (reference B) is followed and budgeted in accordance with that policy.
  - f) Identify all funding requests by spending agencies, including those that could not be included in the Proposed Budget.
  - g) Include a Capital Budget and five-year Capital Improvement Plan. The Capital Budget will include detailed information on expenditures and revenues and descriptions for projects in the Proposed Budget year. The five-year Capital Improvement Plan will include the Proposed Budget year plus a listing of planned projects with expenditure estimates for the subsequent four years.
4. The Proposed Budget shall be prepared so as to identify at least each spending agency in the budget and general information concerning each agency. The budget may identify more detailed information on specific programs as necessary or as requested by the BOCC.
  - a) Purpose or mission of the program and services provided by the program
  - b) Outcomes or results and beneficiaries of the program
  - c) Staffing Requirements of the program

d) Costs of the program and how the program is financed

5. The Proposed 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.

**C. Policies for Budgeting for Equipment Replacement, Capital Projects and Other Assets**

1. Larimer County will establish and maintain a five-year Capital Improvements Plan that shall be updated with each annual budget. The adopted budget shall represent the first year of the updated five-year Capital Improvements Plan Annual budgeting for capital projects (and the resources necessary to finance them) will be in accordance with the plan (references H and I).
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 (references H and I).
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.

**D. Policies for Budgeting for Revenue**

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.
2. Larimer County will follow a policy of collecting all due and payable revenues.
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. 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.
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.
6. Property tax revenue shall be budgeted at a level equal to forecasted “net” collections which includes consideration for delinquencies and non-payment.
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.
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).

**E. Policies for Budgeting for Staffing Levels & Compensation Costs**

1. The Adopted Budget shall include a table summarizing the number of authorized regular positions on an FTE basis within each department for the prior, current and ensuing year budgets. BOCC approval is required to increase the number of authorized regular positions or FTE count for an individual position beyond what is included in the Adopted Budget.
2. The Budget Office shall maintain a list of authorized positions, which will be reconciled with county employee records on an annual basis to project personnel costs and identify vacancies. To preserve the accuracy of this list, departments should notify the Budget Office of any changes to authorized regular position titles as soon as practical.
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. Departments may temporarily overfill an authorized position if no additional county support is required. For example, a second employee might temporarily occupy a position in order to be trained by an incumbent nearing retirement. Budget Office approval is needed to overfill a position if additional county support is required. 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. Authorized positions may be kept vacant in order to temporarily reduce costs or manage fluctuating demands. Savings from planned vacancies or expected turnover should be reflected in the budget in accordance with budget development instructions. Authorized positions shown as vacant in the budget do not need to be reauthorized by the BOCC the following year.

#### **F. Policies for Budgeting Fund Balance and Reserves**

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:

- a) Reserved, as defined in Section 1 – Definitions. The County’s Chart of Accounts (reference C) may create and define individual accounts in this category for more specific purposes.
- b) Designated, defined in Section 1 – Definitions. Within this category of Fund Balance, the Chart of Accounts must include accounts for the following specific uses:
  - 1) Working Capital – funds set aside to meet cash flow requirements
    - i. Working Capital Requirements – It is the policy of the BOCC that each county fund maintains a minimum Working Capital ratio greater than 10%, but with a goal of 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).
    - ii. 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.

- iii. 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.
  - iv. The following funds shall be exempt from the 10% Working Capital Ratio requirements:
    - 1. All Local, Special and General Improvement Districts
    - 2. All funds designed for construction projects or other capital reserves
    - 3. All debt service funds
    - 4. All sales tax funds
  - c) Capital Outlay and Projects – funds set aside for future capital expenditure.
  - d) Future Programs/Services – funds set aside for future expenditures for programs and services.
  - e) Undesignated, as defined in Section 1 – Definitions.
2. Designation of General Fund Balance
- The General Fund unrestricted balance shall not fall below 17 percent, or approximately two months' worth of all regular operating expenditures. For the purposes of this requirement, "unrestricted fund balance" shall be defined in accordance with governmental accounting standards. "Regular operating expenditures" is defined as total general fund expenditures plus transfers out less significant and extraordinary one-time expenditures. One-time expenditures do not include such things as transfers for non-emergency capital projects or non-emergency support to other county funds. Should the General Fund balance fall below this level, resources will be dedicated to replenishing it within two years.

#### G. **BOCC Consideration of the Proposed Budget**

The receipt of the Proposed Budget by the BOCC and the subsequent consideration and modification of the budget is guided by the following specific process.

- 1. Upon receipt of the Proposed, 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:

- a) That the Proposed budget is open for inspection at a designated place.
  - b) The time and place of any public hearings to hear comment on the Proposed budget.
  - c) That the budget will be considered for adoption on a specified location, time and date.
  - d) That any elector may inspect the budget and file or register objections at any time prior to the final adoption of the budget.
2. As soon as is reasonably possible after October 15th, the County Manager shall review and discuss in detail the Proposed Budget with the BOCC providing necessary rationale and justifications for the budgetary proposals and levels of services supported by the Proposed Budget. The Proposed Budget shall also be distributed to all spending agencies and the public for their information via the County website.
  3. The BOCC shall schedule and hold public hearing(s) to gather public and stakeholder comments on the Proposed balanced budget.
  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, including the use of fund balances, so that the total means of financing the budget is equal to or greater than the total Proposed expenditures.

#### H. **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:

1. 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.
2. 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.

3. 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 sets the Object Classification for the budget.
4. 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.

#### I. **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.

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.
  - a) **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.
    - 1) **General Fund:** To account for all financial resources except those required to be accounted for in another fund.
    - 2) **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.
    - 3) **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).
    - 4) **Debt Service Funds:** To account for the accumulation of resources for and the payment of, general long-term debt principal and interest (reference D).

- b) Proprietary Funds: Larimer County maintains two different types of proprietary funds.
  - 1) Enterprise Funds: 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.
  - 2) Fiduciary Funds: Used to account for resources held for the benefit of parties outside the Larimer County government.

- 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.

#### J. **Level of Budgetary Control**

The measurement of budget performance and legal spending limits shall be established as follows:

- 1. The Resolution to Appropriate Sums of Money is the legal resolution that sets spending limits for all Larimer County spending agencies by specific Object Classification. 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 without an amendment to the budget.
- 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.
- 3. The level of budgetary control for each spending agency shall be the Object Classification set in the annual budget adoption resolution (see 4.4).  
Total Costs
- 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.
- 5. Control of each Object Classification is maintained for each spending agency level in the General Fund and at the fund level in all other funds.

6. All appropriations lapse at fiscal year-end.

**K. Order of Resource Use**

When resources (revenue and fund balance) are available for expenditure, the County will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Current year unspent funds, with a specific purpose in the Budget Year, may be carried forward.

1. Revenue: When multiple sources of revenue (sales tax, grants, fees, county support, etc.) are available for expenditure, the “County Support” category will be depleted last. One exception is if the revenue has legal requirements that disallow it being spent first. For example, if a service project is being funded by a combination of fees - as mentioned above - the County would first use the fees and grants to pay expenditures before utilizing County Support. County Support will be the last source of funding to finance expenditures.
2. Fund Balance: Fund Balance is generally depleted in accordance with fund balance reporting for governmental funds policy.

**L. 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.

1. Carryover Process: General Fund carryover is generally funds that are intended to be used for a specific purpose such as current approved projects, accumulation of funds for a future planned expenditure, eliminate a projected budgetary deficit, etc. For example, the Budget for a \$1,000 activity is financed by \$600 in fees and \$400 in County Support. By the end of the fiscal year, Actual fees collected are \$700, and expenditures are \$900. Therefore the \$900 expenditure was fulfilled by the: \$700 fees collected and \$200 County Support. The remaining \$200 in County Support is returned to the General Fund – if activity is completed - OR- if the activity is not completed, the \$100 Actual fees collected in excess of Budget (\$700 actual vs. \$600 budget) may be considered for re-appropriation to complete the activity. Expenditures for a project, encumbrance, contract, or other item funded in the General Fund that began during the prior year may, unless otherwise directed by the BOCC, be approved by the County Manager for carryover into the Budget Year. Any item that, in the opinion of the County Manager, did not substantially

begin in the prior year must receive BOCC approval for carryover funding from the General Fund. Unless otherwise directed by the BOCC, carryover funding in any fund other than the General Fund may be approved by the County Manager. The County Manager will provide a report of all carryover requests and approvals to the BOCC prior to April 1.

2. 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.
3. Amendments that do not require additional, increased, or new General Fund financial commitments may be approved as follows:
  - a) The Budget Director is authorized to approve modifications to the current budget for the following purposes:
    - 1) Transfer budgeted amounts within an Object Classification for a spending agency.
    - 2) Adjust beginning fund balances to audited amounts.
    - 3) Adjust the budget of the Public Trustees Office as directed by that office.
    - 4) Adjust the budget for increased revenues that are not to be expended in the current year.
    - 5) Adjust the budget for revenue and/or expenditures previously approved by the County Manager or BOCC.
    - 6) Carryover and re-appropriate funds remaining from an uncompleted project previously approved for a spending agency and budgeted in the prior year.
    - 7) Increases expenditures that are financed by use of fund balances in funds other than the General Fund.
  - b) The County Manager is authorized to approve modifications to the current budget for the following purposes:
    - 1) 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.
    - 2) Increase the budgeted amounts for any Object Classification supported by like increase in revenues or, for funds not including the General Fund, the use of fund balance.

- 3) Move budgeted amounts between any of the Object Classification classifications for a spending agency.
  - 4) Transfer budgeted funds between spending agencies.
4. Amendments that request additional, increased, or new financial commitments from the General Fund 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:
    - a) 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.
    - b) 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.
    - c) 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.
  5. 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.

**M. Budget to Actual Comparison**

Budget to actual comparisons shall be maintained at all times by the Financial Services Division and the Budget Office. 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.

**N. Management of Annual Budget/Responsibility for Avoiding Deficit**

Each spending agency shall manage their operations to avoid:

1. An expenditure deficit, defined as spending more funds during the budget year than the total expenditure budget for that agency.
2. A net deficit where the difference of actual expenses less actual revenues is more than the difference of budgeted expenses less budgeted revenues.

*Approved by BOCC – Consent Agenda – 01/07/2020*

*Steve Johnson*

*Chair, Board of County Commissioners*