



City of Lake Worth Comprehensive Financial Policies



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City of Lake Worth Comprehensive Financial Policies

The following policies establish the framework for the City’s overall financial planning and management. These policies show the citizens, credit rating industry and prospective investors (bond buyers) the City’s commitment to sound financial management and fiscal integrity. These policies also improve the City’s fiscal stability by helping City officials plan fiscal strategy in a consistent manner. Adherence to adopted financial policies promotes sound financial management.

GENERAL FINANCIAL GOALS

1. Protect the assets of the City through an adequate system of internal controls.
2. Maintain the financial viability of the City in order to ensure adequate levels of City services.
3. Maintain financial flexibility in order to continually adapt to local and regional economic and demographic changes.
4. Maintain and enhance public infrastructure in order to provide for the health, safety and welfare of the City’s citizens.
5. Report to the Citizens, State and Federal Governments, and creditors on the financial operations of the City.

INTERNAL CONTROL ENVIRONMENT

All financial transactions in the City happen within the internal control framework defined in these policies and supplemented by the procedures contained in the Accounting Policies and Procedures Manual. These internal controls follow the Committee of Sponsoring Organizations (COSO) model.

THE CONTROL ENVIRONMENT

1. The City Commission details its ethical requirements in Chapter 2 of the City Charter and Code of Ordinances, which governs “financial integrity and Department Head accountability”.
2. Procurement Ordinance 2013-13 which governs the “purchase of goods and services for the City”.
3. Travel Resolution - 57-2012 which governs the reimbursement rates for employee travel.



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4. Personnel Policy Resolution No. 28-91, as amended by Resolution 35-92, Resolution 37-95, Resolution 38-91 and Resolution 48-91, and union contracts, which govern the payment of City employees.
5. External Audit – the City Commission, acting as the Audit Committee, will secure the services of Independent Certified Public Accountants to audit the financial operations of the City, in accordance with Chapter 218.39 Florida Statutes.

RISK ASSESSMENT

1. The external auditors include an assessment of The City's internal control activities as a part of their scope of work.
2. The Finance Department includes risk assessment activities as a part of the Accounting Policy and Procedures Manual. These activities include review of cash collection processes, fixed asset reporting and review of business processes in all areas.

CONTROL ACTIVITIES

The Accounting Policy and Procedures Manual contains detailed procedures for processing all types of transactions.

INFORMATION AND COMMUNICATIONS

Reporting both internally and externally are important features of an Internal Control process. The Accounting Policy and Procedures Manual addresses regular monthly, quarterly and annual reporting internally to the City Departments, City Manager and the City Commission and externally to the citizens and other interested parties.

ON-GOING MONITORING

Management, along with department staff, constantly monitors financial transactions. Exceptions to any control procedures are reported to management and a detailed review is initiated.

FINANCIAL PLANNING POLICIES

The City Commission will establish and maintain practices for the administration and amendment of the annual budget.

BALANCED BUDGET

The Budget shall be balanced with *“The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any*



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fiscal year except in pursuance of budgeted appropriations” as discussed in Chapter 166.241(2) Florida Statutes.

FUNDS

The Budget will contain a budget for all funds of the City. Including the Community Redevelopment Agency, Governmental fund budgets will be prepared on the modified accrual basis of accounting. Proprietary and Internal Service funds will be budgeted on the accrual basis of accounting, except the full amount of capital expenditures and debt payments will be budgeted as expenses in order to facilitate encumbrance and budgetary control for these disbursements.

LONG RANGE PLANNING

The Finance Department Budget office will annually prepare a Five-Year Forecast. The forecast will be for all operating funds of the City and will include the best estimates available of all operating revenues and expenditures. The forecast will include estimated operating costs and revenues of future capital improvements.

ASSET POLICIES

The City will maintain an inventory of all assets with a value in excess of \$1,000 and an estimated life of more than one year, per Chapter 69I-73 Florida Administrative and Chapter 274 the Florida Statutes. In addition, an inventory of infrastructure will be maintained with a value in excess of \$15,000.

ANNUAL INVENTORY

The City will perform an annual inventory of property. Any assets that are determined to be unaccounted for shall be reported to the City Commission and the State as required.

DISPOSAL OF SURPLUS PROPERTY

1. Real Property shall be disposed of in accordance with Chapter 2 City Charter and Code of Ordinances.
2. Personal Property – A listing of property determined to be surplus to the City’s needs shall be presented to the City Manager at least annually. The City Manager will declare such property surplus and authorize the disposal of said property in accordance with the rules of the City Procurement code (ordinance 2013-13).
3. Property purchased with State/Federal or other Grantor monies – Permission of the Grantor will be obtained before any such property is disposed of in accordance with numbers 1 and 2 above.



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INVESTMENT POLICIES

The City Commission will annually review its Investment Policy. The policy will provide guidance for staff and any investment managers hired by the City. The policy will comply with the requirements of Chapter 218.415 Florida Statutes.

INTER-FUND LOAN POLICY

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

1. Repayment of any loan shall not exceed one year without approval of the City Commission. Loans outstanding at fiscal year-end will be reported to the City Commission.
2. Any fund may be given a total loan of up to \$25,000 with approval from the Finance Director and/or the City Manager. Such loans must be an appropriate use of cash from the loaning fund.
3. Any fund may be given a total loan in excess of \$25,000 with the approval from the City Commission. Such loans must be an appropriate use of cash from the loaning fund.
4. Due to the receipts of ad-valorem taxes not being sufficiently received until the end of November, the City may not have sufficient carry forward of cash fund balances to maintain an adequate cash flow in the beginning of the fiscal year. Therefore upon the approval of the Finance Director, and the City Manager, the general fund may borrow, short-term, from other appropriate funds until the receipts of ad-valorem tax revenue are received to provide adequate cash flow. In no instance, without approval of the City Commission, shall the loan remain unpaid past December 31 of the year the loan is made.

ACCOUNTS RECEIVABLE

The City's accounts receivables will be segregated according to the activity that generates the account.

General Government Accounts

1. Accounts will be billed monthly unless another cycle is required by contract.
2. Beginning the 25th day after billing, in-house collection activity including
 - a. Delinquent letter sent the next day
 - b. Phone calls starting by the 35th day
 - c. Demand letter by the 60th day



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- d. Legal or collection agency action by the 90th day

Utility Accounts

1. Accounts will be billed on a regular cycle.
2. Beginning the 21st day after billing
 - a. Delinquent notice sent
 - b. In-house collection activity begins on the 22nd through the 90th day past due.
 - c. Collection agency activity begins on the 90th day

The City will retain one or more collection agencies to assist in collecting past due accounts. The agencies will be selected via a competitive process with a contract of no more than 3 years with the possibility of two one year renewals.

In-house collection activity will be designed by the Finance and Utility departments and documented in the Policies and Procedures manuals of those departments.

Reporting to the Commission on the accounts receivable balances will be done on a regular basis.

FUND BALANCE

As defined by the *Governmental Accounting, Auditing and Financial Reporting of the Government Finance Officers Association*, fund balance is “The difference between assets and liabilities reported in a governmental fund.”

Fund Balance will be stratified and accounted for in accordance with current Generally Accepted Accounting Principles

STRATIFICATION CATEGORIES AND LEVEL OF AUTHORITY REQUIRED

NON-SPENDABLE FUND BALANCE

Amounts that are (a) not in spendable form; or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

RESTRICTED FUND BALANCE

Amounts that can be spent only for specific purposes as stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or



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regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

COMMITTED FUND BALANCE

Amounts that can be used only for the specific purposes determined by a formal action (resolution or ordinance) of the City Commission, the City's highest level of decision making authority. Commitments may be changed or lifted only by the City Commission taking the same formal action (resolution or ordinance) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

ASSIGNED FUND BALANCE

Includes spendable fund balance amounts established by management of the City (City Manager) that are intended to be used for specific purposes that are neither considered restricted or committed.

UNASSIGNED FUND BALANCE

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund as described in these policies. Certain stabilization arrangements would also qualify to be reported in this category.

RESERVATIONS OF FUND BALANCE

COMMITTED

The City hereby establishes the following committed fund balances

EMERGENCY OPERATING RESERVE

In order to provide the resources necessary to ensure continued operations of the City should a natural disaster or significant change in the weather pattern occur, the City shall establish and maintain an Operating Reserve Fund within the General Fund/Self Insurance Funds. The amount shall be determined as part of the annual budget process and in accordance with City Resolution 06-2008

GENERAL FUND – ASSIGNED FUND BALANCE

The subsequent year's budget fund balance reserve is assigned by City management as set forth in the annual budget (and any amendments thereto) to appropriate a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.



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MINIMUM LEVEL OF UNASSIGNED FUND BALANCE

Unassigned fund balance is the residual classification for the General Fund and represents fund balance that has not been restricted, committed or assigned to specific purposes within the General Fund.

The City will strive to maintain an adequate level of unassigned fund balance to provide for necessary cash flow to minimize any short-term borrowings.

SPENDING ORDER OF FUND BALANCES

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

ANNUAL REVIEW AND DETERMINATION OF FUND BALANCE POLICY

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process, and the amounts of restricted, committed, assigned, and non-spendable and the minimum level of unassigned fund balance shall be determined during this process.

OPERATING BUDGET POLICY

BUDGET REQUESTS

The City shall establish an annual budget process to:

1. Develop a proposed and planned budget to include personal services, operating, capital outlay, and non-operating categories.
2. All Departments of the City and the Community Redevelopment Agency shall submit the annual budget request in the manner and form prescribed by the Finance Department Budget office no later than the date set forth in the Budget Instruction Manual.

ESTIMATED BEGINNING FUND BALANCE

In order to achieve the most accurate estimate possible, the Finance Department Budget office or designee shall project both Sources of Funds (revenues, prior years unrestricted fund balances carried forward and other financing sources) and Uses of Funds (operating and non-operating



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expenditures), including accruals, for each department in each governmental fund through September 30th of the then current fiscal year. These projections will be shown in a separate column entitled "Estimated Actual" for each fund in the proposed, tentative and final budget documents. The difference between the estimated actual sources of funds and estimated actual uses of funds is the calculated estimated beginning fund balance for the subsequent fiscal year. If planned for use in the subsequent fiscal year, committed and assigned fund balance may be included in the estimated beginning fund balance.

ESTIMATED ENDING FUND BALANCE

For the year being budgeted, a calculation of estimated ending fund balance shall also be made. This calculation shall be the difference between the budgeted sources of funds and the budgeted uses of funds as described above. Since the uses of funds are restricted, committed or assigned in all other governmental fund types there is no policy required as to the amount of ending fund balance unless the project is completed and the fund should be closed. In this situation, a residual equity transfer will be made to zero-out any remaining fund balance.

If, after the annual audit, the actual General Fund unassigned fund balance is greater than that needed for adequate cash carry forward, the excess may be used in one or a combination of the following ways:

- a) Left in the General Fund to earn interest and roll forward into the subsequent year's beginning fund balance;
- b) Appropriated by resolution of City Commission for a one-time expenditure or opportunity that does not increase recurring operating costs;
- c) Committed to establish or increase a formal stabilization arrangement or reserve (including but not limited to economic stabilization, contingency reserves or disaster reserves); or
- d) Appropriated for start-up expenditures of new programs undertaken at mid-year, provided that such action is considered in the context of commission approved multiyear projections of revenues and expenditures.

CASH CARRY FORWARDS– ALL OPERATING FUNDS

1. The City will maintain an annual un-appropriated or cash carry forward fund balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The cash carry forward portion of fund balance shall be separate from the portions of fund balance committed to fund the budgeted reserve for contingency, or assigned to fund emergency reserves.



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2. The amount of cash carry forward to be budgeted shall be analyzed and determined during the annual budget process.

BUDGETED RESERVE FOR CONTINGENCY

1. It is the intent of the City to establish budgeted contingency reserves in all operating funds. The budgeted reserve for contingency will be funded by a committed portion of fund balance. The purpose of the budgeted reserve for contingency is intended to provide for the following:

- a) Funding for authorized mid-year increases that will provide for a level of service that was not anticipated during the budget process
 - b) Funding for unexpected increases in the cost of providing existing levels of service
 - c) Temporary and nonrecurring funding for unanticipated projects
 - d) Funding of a local match for public or private grants
 - e) Funding to off-set losses in revenue caused by actions of other governmental bodies and/or unanticipated economic downturns
 - f) Funding to accommodate unanticipated program mandates from other governmental bodies
 - g) Funding for emergencies, whether economic, natural disaster or acts of war
 - h) Funding for market and economic fluctuations in enterprise and internal service funds
 - i) Funding for contamination remediation
 - j) Funding for rate stabilization
2. Budgeted Reserve for Contingency Utilization and Maintenance Policies
 - a) Reserve for contingency requests must be approved by the City Commission. Such requests will be evaluated to ensure consistency with other City Commission policies, the urgency of the request, the scope of services to be provided, the short and long-term fiscal impact of the request, a review of alternative methods of funding or providing the services, a review for duplication of services with other agencies, a review of efforts to



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secure non-City funding, a discussion of why funding was not sought during the normal budget cycle, and a review of the impact of not funding or delaying funding to the next fiscal year.

- b) The reserve for contingency shall be calculated and budgeted by the Finance Department Budget office for each operating fund in an amount not greater than 10% of the total budgeted expenditures/expenses of the fund.
- c) The reserve for contingency shall be separate from any assigned cash carry forward fund balances.
- d) The individual fund budget will be adjusted at such time as the City Commission authorizes the use of contingency reserves. All requests for the use of any reserve for contingency shall be accompanied by information prepared by the Finance Department Budget office showing the year-to-date activity of the reserve account as well as the current account balance and the net effect on the account balance. The adjustment will be authorized by motion of the City Commission.

GENERAL FUND

The City will strive to attain a reserve for contingency at a level of 2-1/2% of the general fund operating expenditures. Once attained, if the reserve for contingency falls below 50% of the minimum level, a plan for reestablishing the reserves over a multiple fiscal year period will be developed.

FLEET MANAGEMENT FUND

1. A vehicle/fleet management fund will be maintained to ensure adequate funding for the systemic replacement of fleet vehicles.
2. Operating departments will be charged for fleet operating costs per vehicle and replacement costs spread out over the useful life of the vehicles.

SELF INSURANCE FUND

1. Risk management reserves will be maintained at a level that, together with purchased insurance policies, will adequately indemnify the City's property and liability risks in accordance with actuarial estimates. A qualified firm shall be retained on an annual basis in order to recommend appropriate funding levels.
2. The City will strive to maintain reserves in the self-insurance program at a confidence level of 50% based on an annual cost of risk allocation study and may include use of accumulated retained earnings to maintain this confidence level.



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TECHNOLOGY FUND

1. An Information Technology Fund will be maintained to ensure adequate fund balance required for systemic replacement of technology.
2. Operating departments will be charged for technology operating costs. Equipment replacement costs spread out over the useful life of the assets.

ENTERPRISE FUNDS

1. The City will maintain appropriately sized renewal and replacement (R&R) accounts in each of the operating enterprise funds. The R&R accounts will be funded in accordance with annual engineering analysis.

REVENUE POLICY

1. The Finance Department Budget office will review revenue streams on an annual basis. As a part of the review, Finance Department Budget office will estimate revenues as early as possible in the budget process in order to provide expenditure guidelines. The City Commission will establish the City's budget priorities based upon the revenue estimates and expenditure guidelines.
2. The budget shall be balanced. The total estimated receipts (including balances brought forward) shall equal the total appropriations and reserves in accordance with Chapters 166 and 200 Florida Statutes.
3. In general, current operating revenue should be sufficient to support current operating expenditures, with adjustments made to budgeted fund balance or appropriations if necessary.
4. In recognition of the overall dependence on ad valorem taxes, the City will strive to develop a diversified and stable revenue system.
5. "Earmarking" of available revenues that would unnecessarily restrict the full range of potential uses of such revenues will be avoided. The use of various funds, however, will be consistent with generally accepted accounting principles and Chapter 166 Florida Statutes.
6. One-time revenues will be utilized to fund one-time expenditures wherever possible. If one-time revenues are assigned to pay for recurring expenditures then a 3-5 year plan for transferring the expenditure to a recurring revenue source will be adopted by the City as a part of the budget process in the initial year.



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7. The City Commission is authorized to establish and collect fees and charges for certain services rendered by the City. These services are available to all residents of the City but are not needed by the majority of residents, therefore, those utilizing the services are charged for the service. All fees and charges are to represent a reasonable reimbursement to the City for its actual cost in providing a City service. All requested changes to the “schedule of fees and charges” during the fiscal year are presented to the City Commission for its review and approval.
8. Vehicle/fleet surplus sale proceeds, insurance claims, and investment income will be maintained within the applicable fleet management fund to help offset future vehicle and equipment costs.

APPROPRIATION POLICY

Budget appropriations will be made as follows:

1. Appropriations will be made at the major expenditure category: personal services, operating expense, capital outlay, debt service, grants and aids, and non-operating expenses.
2. The Finance Department Budget office will ensure that the application of the inter-city charges, do not adversely affect the provision of services of the fund receiving the indirect charge.
3. Position Control will be maintained by the Human Resources Department.

EXPENDITURES POLICY

1. Current operating expenditures should not exceed current operating revenues. When current operating expenditures exceed current operating revenues, adjustments will be made in the subsequent years' budget.
2. The financial impact associated with new programs or program modifications will be analyzed and determined prior to adoption by the City Commission.
3. Internal service funds will be self-supporting whenever possible. Internal service fees and the direct impact to City operating budgets shall be analyzed annually as part of the budget process.



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4. Grant applications to fund services/programs with state or federal funds will be reviewed by the Finance Department Budget office and the City Manager, with significant consideration given to:
 - a. the cost of administering the grant relative to the amount of the grant
 - b. the availability of matching funds
 - c. The extent to which locally generated funds will be required to support the program when the grant funding is no longer available
 - d. A recommendation will be presented to the Commission
5. Travel budgets will be adopted in accordance with Resolution 57-2012 41-2007 of the City.

CAPITAL MANAGEMENT POLICIES

The Capital Improvement Program (CIP) shall consist of projects/equipment with a cost estimate of at least \$25,000 and an asset life of at least five (5) years as well as capital preservation improvement items costing \$25,000 or more. A CIP project, under this definition, is intended to include those projects that involve a new purchase of capital outlay, infrastructure and any new construction or renovation of City infrastructure, excluding routine repair and maintenance.

1. Annually, a five-year Capital Improvement Program (CIP) will be developed. The CIP will be consistent with and implement the Capital Improvement Element (CIE) of the City's Comprehensive Plan. The CIE established a level of service standards for facilities required by law to address the impacts of development, level of service guidelines for other public facilities, and priorities for capital improvement projects. (See Chapter 163.3177(3) Florida Statutes and capital improvement element of City's Comprehensive Plan) Projects needed to maintain adopted level of service standards shall be financially feasible, with identified funding sources based on current revenue projections for the five year period.
2. The first year of the five year Capital Improvement Program will be used as the basis for formal fiscal year appropriations during the annual budget process. Appropriations from prior years for which expenditures have not been incurred nor projects completed, will be reevaluated and incorporated into appropriations for the new fiscal year.
3. Each Capital improvement project budget may include a reserve for contingency for each project, if appropriate. The contingency should be between 5% and 10% of the estimated project cost.



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4. Capital improvement life cycle and operating costs shall be coordinated with the development of the operating budget. Future operating, maintenance, and replacement costs associated with the new capital improvements will be forecasted, matched to available revenue sources, and included in future operating budgets. Additionally, all known future operating costs shall be included within all project detail and description information. If, after review of the operating cost detail, the City determines it is unable to provide for future operating costs the project will be delayed until the operating costs can be funded.
5. The City shall maintain a replacement plan in the internal service funds that provide for the acquisition/replacement of fleet, computers, and other designated equipment. The replacement plan and funds will be maintained in such a way as to minimize the impact on other funds. It is the intent of the funds to capitalize as many purchases as appropriate under the City's capitalization guidelines.
6. The City shall utilize a combination of debt and pay as you go financing for capital projects. The particular funding mechanism for each project will be determined and included in the CIP.

DEBT MANAGEMENT POLICIES

Debt management policies are intended to provide a comprehensive and viable debt management plan which recognizes the capital improvement needs of the City as well as the taxpayers' ability to pay while taking into account existing legal, economic, financial, and debt market considerations.

The City has a capital planning and financing system for use in preparing a multi-year capital improvement plan, which is adopted by the City Commission as a part of the City's budget process. No City debt issued for the purpose of funding capital projects shall be authorized by the City Commission unless it has been included in the capital improvement plan or until the City Commission has modified the plan.

PURPOSES OF DEBT ISSUANCE

1. The City shall issue long-term debt only for the purposes of constructing or acquiring capital improvements (specifically, the approved Capital Improvement Program) for making major renovations to existing capital improvements, and for refunding outstanding debt when sufficient cost savings can be realized or it is advantageous to do so.
2. The City may also enter into long-term leases for the acquisition of major equipment when it is cost justifiable to do so.



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3. The City may utilize pension obligation bonds if it is determined that the City can benefit from lower costs by doing so. All such recommendations would be based on financial advisor and actuarial recommendations.

FINANCING REQUIREMENTS

1. Where possible, capital expenditures shall be funded through pay-as-you-go programs, debt restructuring and alternative financing mechanisms, such as state loan programs or federal pilot projects.
2. Capital improvements related to enterprise fund operations should be financed solely by debt to be repaid from user fees and charges and other legally available sources generated from the respective enterprise fund's operation.
3. Capital improvements not related to enterprise fund operations shall be financed by debt to be repaid from legally available revenue sources able to be pledged for same.
4. Cash surpluses, to the extent available and appropriable, shall be used to finance scheduled capital improvements if it is deemed to be the best financing method for that particular improvement.
5. Revenue sources shall be pledged for debt only when legally available. Revenue sources that have previously been used for operation and maintenance expenses and/or general operating expenditures will be pledged only when other sufficient revenue sources are available to replace same to meet operation and maintenance expenses and/or general operating expenditures as deemed appropriate by the City Commission.

MATURITY LIMITATIONS

1. All capital improvements financed through the issuance of debt shall be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 30 years.
2. All capital improvements financed through lease-purchase obligations shall be financed for a period not to exceed the useful life of the improvements.

GENERAL DEBT LIMITATIONS

1. Rapid debt repayment is a goal of the City's debt management policies. Each borrowing shall be structured to repay principal as rapidly as the amount of the pledged revenue source will allow. Adjustment in repayment time frames may be modified to reflect changes in the interest rate environment, which may argue for shorter or longer retirement plans.



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2. The City shall manage its debt and sustain its financial position in order to seek and maintain the highest credit rating possible.
3. The City shall not construct or acquire a public facility if it is unable to adequately provide for the identifiable annual operation and maintenance costs of the facility.
4. The City shall consider coordinating with other local government entities, to the fullest extent possible, to minimize overlapping debt burden to citizens.
5. The City shall ensure that an adequate system of internal control exists so as to provide reasonable assurance as to compliance with applicable laws, rules, regulations, and covenants associated with outstanding debt.

DEBT ISSUANCE RESTRICTIONS

1. The City shall market its debt through the use of competitive bids whenever deemed feasible, cost effective, and advantageous to do so. However, it is recognized that in some situations, certain complexities and intricacies of a particular debt issue are such that it may be advantageous to market the debt via negotiated sale.
2. The City shall use the services of outside finance professionals selected under the terms of the City's Procurement Code.
3. Credit enhancements (insurance, letters of credit, etc.) shall be used only in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement.
4. In order to maintain a stable debt service burden, the City shall attempt to issue debt that carries a fixed interest rate. However, it is recognized that certain circumstances may warrant the issuances of variable rate debt. In those instances, the City shall attempt to stabilize debt service payments through the use of an appropriate stabilization arrangement.

REFUNDING

1. The City shall, on a quarterly basis, monitor its outstanding debt in relation to existing conditions in the debt market and shall refund any outstanding debt when sufficient cost savings can be realized.
2. Outstanding debt shall be refunded as long as the net present value savings between the refunded bonds and the refunding bonds is equal to or greater than 3% without extending the



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maturity of the debt being refunded, unless extenuating circumstances would justify a smaller percentage savings (i.e. historically low interest rates).

3. The City may also refund existing debt for the purpose of revising existing bond covenants to meet particular organizational and/or strategic needs of the City when it is advantageous to do so.

DISCLOSURE REQUIREMENTS

It is the policy of the City to endeavor to provide full and fair disclosure in connection with the initial sale and distribution of its publicly marketed debt instruments and to provide appropriate ongoing secondary market information, in compliance with the requirements of applicable federal and state securities laws, rules, and regulations, including Securities and Exchange Commission Rule 15c2-12.

ARBITRAGE REPORTING

The Finance Department shall establish a system of record keeping and reporting (or procure the services of a company specializing in arbitrage management /calculation) to meet the arbitrage rebate compliance requirements of the Federal Tax Code. This includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebateable earnings to the Federal Government in a timely manner in order to preserve the tax-exempt status of the City's outstanding and future debt issues.

INVESTMENT OF BOND PROCEEDS

The investment of bond proceeds shall be governed by the City's Investment Policy and any applicable bond covenants. In the event of conflicting policies, the more restrictive policy shall be enforced.

SHORT-TERM AND INTERIM FINANCING

1. Bond Anticipation Notes - Where their use is judged by City staff, City's bond counsel and financial advisor to be prudent and advantageous to the City, the City may choose to issue Bond Anticipation Notes as a source of interim construction financing. Before issuing such notes, takeout financing for such must be planned for and determined to be feasible by the financial advisor.
2. Tax (Revenue) Anticipation Notes - Where their use is judged by City staff, City's bond counsel and financial advisor to be prudent and advantageous to the City, the City may choose to issue Tax or Revenue Anticipation Notes as a source of interim operating financing.



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3. Other - Where their use is judged by City staff, City's bond counsel and financial advisor to be prudent and advantageous to the City, the City may choose to use other short-term financing tools such as a line of credit or pooled commercial paper programs.

DEBT AFFORDABILITY ASSESSMENT

1. The Florida Constitution requires that long-term debt pledged by the full faith and credit of the City can only be approved by voter referendum. For debt issues to be placed on the ballot, the Commission must approve both the capital and financing proposals. Although there is no statutory limit on the amount of debt and corresponding tax levy the voters can approve, the City Charter and Code of Ordinances limits the amount of debt to be a maximum equal to 25% of the assessed value of the taxable property in the corporate limits of the City.
2. The City shall determine reasonable debt levels for the City as part of the annual budget process and capital improvement plan.

BUDGET MANAGEMENT

Budget Adoption

City Charter -Sec. 2-262. Budget;

1. *Annual budget.* The city commission shall adopt a budget each fiscal year in accordance with sections 166.241 and 200.065, Fla. Stat., as amended from time to time and any other applicable law. The budget shall be adopted by resolution.
2. *Budget amendments.* The city commission at any time within a fiscal year or within 60 days following the end of the fiscal year may amend a budget for that year as follows:
 - i. City Commission Authority
 1. Appropriations for expenditures for a department or between departments within a fund may be decreased or increased by motion recorded in the minutes if the total appropriations of the fund are not changed.
 2. If a budget amendment is required for a purpose not specifically authorized in paragraphs 2(i)(1) above or (3) below, the budget amendment must be adopted by resolution.
 - a. Included in this section would be amendments such as for example:
 - i. where the total budget of a fund was increased or decreased,
 - ii. fund balance/retained earnings were being appropriated,



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- iii. new funds created,
 - iv. additional revenues were expected to be received and a budget created for them
- 3. Budget officer authority: In accordance with City Charter -Sec. 2-262. Budget - that allows the City Commission to establish; procedures through its Comprehensive Financial Policies, by which the designated budget officer may authorize budget transfers within a department, as long as the total appropriations of the fund are not changed.
 - a. Transfers requested within a major expenditure category, between major expenditure categories, and/or between divisions within the same department, or between activities codes within the same department but not across funds, require approval by the City Manager designee which is the Finance Department Budget office. The Transfer request will require Department Head approval and contain an explanation along with account analysis for the transfer to and from accounts.
- 4. Other Budget Management Rules
 - a. Appropriations related to prior year non-operating encumbrances and capital projects not completed will be submitted to the City Commission as a budget amendment at the beginning of each fiscal year. The total carry forward amounts will be reported in the prior year Comprehensive Annual Financial Report (CAFR) as Restricted/Committed/Assigned/un assigned fund balances as required by GASB 54.
 - b. A quarterly budget amendment cycle based on actual revenues and expenditure needs will be established.
 - c. Budgets for grants/contracts accepted by the City during the year will be adopted by resolution of the City Commission at that time and will be included in the quarterly budget amendment.
 - d. All capital project budget amendments will concurrently amend the 5 Year Capital Improvement Plan.
 - e. Upon completion of the prior fiscal year's Comprehensive Annual Financial Report, the operating budget may be adjusted to reflect actual beginning fund balances. Audited fund balances that are less than the budgeted amount will be adjusted during the mid-year process to prevent spending of resources not available
 - f. Website posting requirement per section 166.241, Fla. Stat.
 - i. The tentative annual budget must be posted on the city's official website at least 2 days before the budget hearing, held pursuant to section 200.065, Fla. Stat. or other law, to consider such budget. The final adopted budget must be posted on the city's official website within 30 days after adoption.
 - ii. If the city commission amends the budget pursuant to paragraph (b) (1) b. above, the proposed amendment will be posted, if feasible, on the city's official website 3 days before the meeting where it will be considered for adoption. The adopted amendment must be posted on the City's official website within 5 days after adoption.



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PERFORMANCE MEASUREMENT

The City of Lake Worth staff is developing a performance management program. The program will be designed to ensure that performance results support identified strategies and goals and ensure accountability for our efforts.

Performance management is a powerful tool used to integrate strategic planning, budgeting, and management, with evaluation and reporting in a system that helps create an accountable, transparent, and responsive organization.

The City of Lake Worth chooses to use a performance management system to:

1. Align the City's mission, vision and values and the City Commission's Final Version of the City of Lake Worth's 2010 Goals & Objectives, April 2010 with department/division objectives and employee performance.
2. Set program priorities to ensure organizational priorities match those of the community via the Commission's guidance.
3. Develop meaningful measures, especially outcome measures, to gauge program success, and Increase organizational coordination to eliminate waste and duplication.

Performance management improves organizational capacity by providing our managers with data on established measures. This performance data empowers managers by supplying data and information necessary to make effective and efficient management decisions to achieve desired results. Making this data available to the public through the annual Tentative and Adopted Budget documents keeps government accountable and transparent to all stakeholders.

PROCESS

Each Department Director establishes the following for their department and updates their narrative annually in the budget/performance measurement system:

1. Mission statement
2. Vision statement
3. Summary of services provided
4. Strategic plan
5. Executive summary

Division and Program Managers identify the following and provide annual updates in the Budget/Performance Measurement System:

1. Mission statement



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2. Summary of services provided
3. Major variances
4. Advisory board info (if applicable)
5. Objectives
6. Performance measures

Performance measures are established to ensure the regular collection of specific information about the effectiveness, the quality and the efficiency of government services and programs. It is the responsibility of the department, division, or program director/manager to establish, review, and update performance measures.

Periodically, new performance measures will be added, or existing performance measures edited, as the need arises based upon changes in the City Commission's goals and objectives, changes to the agency's desired outcomes, changes in program scope or establishment of new programs based upon mandated reporting requirements, or where program evaluation results in the need for additional measures.

Performance measures will be tracked and recorded on a regular basis as determined by the department, division, or program depending on the reporting frequency needed to effectively and efficiently react to performance changes that are out of line with performance targets.

Prior to the submission of the tentative budget, the Finance Department Budget office will review all narratives, objectives, and measures to ensure alignment and consistency within the agency. Status reports will be furnished to the City Commission on at least an annual basis.

FINANCIAL AND BUDGETARY REPORTING, AUDITS AND ANALYSIS

1. Balanced revenue and expenditure forecasts will be prepared to examine the City's ability to absorb operating costs due to changes in the economy, service demands, and capital improvements. The forecast will encompass five years and will be updated annually.
2. The City's accounting and financial reporting systems will be maintained in conformance with all state, federal and local laws, generally accepted accounting principles as required in the City Charter and Code of Ordinances as well as the requirements of Chapter 166 and 218 Florida Statutes.
3. An annual audit will be performed by an independent public accounting firm, as required by Chapter 218.39 Florida Statutes. The results of the audit will be reported to the City Commission and the audit opinion included in the City's Comprehensive Annual Financial Report (CAFR).



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4. The City will submit the CAFR to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program.
5. The Finance Department Budget office will submit the City's Budget to the GFOA's Distinguished Budget Presentation Program.
6. Financial information including the CAFR and the budget, once adopted, will be published on the City's website.
7. The City will publish a Citizens Report annually, in order to better communicate the City's financial information to the citizens. The report will also be submitted to the GFOA's Popular Annual Financial Reporting Award Program.
8. Secondary market disclosures as required by the Securities and Exchange Commission will be included in the CAFR.
9. The Finance Department Budget office will perform quarterly reviews to determine if the budgetary plan is being followed and if budgetary expectations are being achieved. Any problems discovered in this process will be corrected at the appropriate level of budgetary control.