

RESOLUTION 2012-05
Financial Policies and Procedures
Wednesday, August 8, 2012

WHEREAS, the Spring Lake Improvement District (hereinafter "District") was created by the Florida Legislature and codified in Chapter 1971-669, Laws of Florida, as amended by Chapter 2005-342, Laws of Florida (hereinafter "Charter"), as amended by House Bill 2012- 1495 and;

WHEREAS, House Bill 2012-1495 authorizes the Board of Supervisors, hereinafter referred to as the "Board", of the Spring Lake Improvement District, hereinafter referred to as "District", to prescribe, and establish policies and procedures for the District to revise said policies and procedures from time to time and;

WHEREAS, pursuant to said authority the "District" updated the Financial Policies and Procedures and;

WHEREAS, the "Board" having reviewed said document, it is upon consideration:

**RESOLVED BY THE BOARD OF SUPERVISORS OF THE SPRING
LAKE IMPROVEMENT DISTRICT, HIGHLANDS COUNTY,
FLORIDA TO ADOPT THE UPDATED FINANCIAL POLICIES
AND PROCEDURES.**

The attached Financial Policies "Exhibit A" will become effective this 8th day of August 2012.

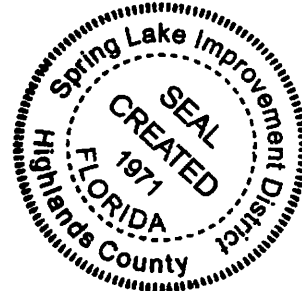
Spring Lake Improvement District

By: Bill Lawens
Bill Lawens, Chairman

Attest:

By:

Leon A. Van Jr., Secretary



Spring Lake Improvement District

Financial Policies and Procedures

Workshop March 9, 2011
1st Draft April 13, 2011
2nd Draft May 11, 2011
Final Draft June 8, 2011

Adopted by Resolution 2001-05 June 8, 2011

Revised August 8, 2012

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Introduction 10.01

It shall be the policy of the Spring Lake Improvement District (hereinafter referred to as "District") to create and maintain accounting, billing, and cash control policies, procedures and records management which are consistent with Generally Accepted Accounting Principles (GAAP) and meeting the requirements of state and federal statutes and reporting requirements consistent with Governmental Accounting Standards Board (GASB).

The District accounting, audit and financial management policies are designed to:

- I. Protect and secure the assets of the District.
- II. Ensure the maintenance of accurate records of the District's financial activities.
- III. Ensure compliance with governmental reporting requirements.

All personnel with a role in the management of the District's fiscal operations are expected to uphold the policies and procedures adopted by the Board of Supervisors of the District. It is the intention of the District that this accounting manual serves as our commitment to proper, accurate financial management and reporting.

Debt Administration 10.01.01

The District shall confine long term borrowing to primarily capital improvements that cannot be financed from current revenues or reserves, and such benefits spread out payments more equitably with the addition of future residential and commercial units. The District shall analyze and evaluate all funding options.

Reserves 10.01.02

The District shall maintain reserves to provide a sufficient cash flow for financial needs at all times, and to offset significant economic downturns that result in decreased tax collections. The District may maintain a \$750,000 line of credit that can be utilized to cover cash flow for extraordinary situations with prior approval of the Board. The District shall maintain sufficient cash reserves to enable the District to continue to provide needed services to its citizens in the aftermath of a natural disaster or other widespread emergency.

Cash Management 10.01.03

The District observes a cash management policy that provides guidelines for the prudent investment of cash and outlines the policies for maximizing the efficiency of the cash management system. The ultimate goal is to enhance the economic status of the District while protecting its pooled cash. *The District adopts the budget on a basis consistent with generally accepted accounting principles. All appropriations lapse at fiscal year-end unless encumbered or specifically designated to be carried forward to the subsequent year.*

Overview 10.02

The development of financial policies and procedures is paramount to formulating a District budget. Numerous considerations need to be addressed relative to the total budget process: prioritizing needs; contracting services; staffing; reducing annual costs; establishing reserve levels; capital funding; carrying debt; cash collections and on-going planning process.

District Financial Policy Statements 10.02.01

- The District shall have a budget reflective of a sound staffing pattern, a progressive salary administration program, and organizational goals and objectives to determine expenditures (i.e. updated plan of reclamation; capital improvements)
- The District shall maintain adequate reserves to protect itself against unforeseen circumstances and situations.
- The District shall have sound financial management and reporting including investments, controls, adequate insurance coverage, and utilization of appropriate external counsel and assistance as needed.
- The District shall have a budget process that extensively involves the management staff, working groups, total Board of Supervisors, and the public through public hearings.
- The District shall develop a budget process timetable and chart of work for each fiscal year.

District Fiscal Year Timetable 10.02.02

March	Manager begins preparation for budget process and establishes specific working groups with staff and Board
April/June	Manager, Administrator, and working groups prepare financial data
May	Finance working group develops projected budget
June	First Draft of budget presented at Board meeting
July	Second Draft of budget presented at Board meeting
August	Public hearing
September	Budget approved at Board meeting and Assessments sent to Tax Collector

State Reporting Requirements 10.02.03

September 15 th	Certificate to Roll and Assessment File to HC Tax Collector
November 1 st	DR-421 Certification (Do not levy ad-valorem) to Dept. of Revenue
November 30 th	Public Depositor Report to Dept. of Treasury
December 31 st	Records Management Compliance Dept. of State
June 30 th	Annual Financial Report Dept. of Financial Services
June 30 th	Audit (2 hard copies & 1 electronic copy) Auditor General

District Financial Data Collection and Review 10.02.04

The District's budget planning process begins in March, and a final balanced budget plan must be approved and assessment rates certified by the September Board of Supervisor meeting. Management staff presents departmental budgets to the Manager in a specified format with their requests for funding, including explanations and justification for their requests. When the budget detail is available, working groups meet to review the data and budget.

During the working group meetings, staff is given the opportunity to justify their requests. Each request is examined to determine if it will be included in the budget during the upcoming year, projected for another fiscal year, or cut from the funding process altogether.

After all the working groups have met, the Manager and Administrator prepare a balanced financial plan to be presented to the Board of Supervisors. The Board shall review the budget as a first draft and provide their input collectively. A second draft shall be presented to the Board for final consensus. A public hearing is scheduled and the budget is voted on and approved by no later than September.

The budget plan is adopted on a basis consistent with generally accepted accounting principles (GAAP). Line item accounts within each department are monitored by the Administrator and reviewed by the Manager.

Budgeting 10.02.05

A comprehensive annual budget plan shall be prepared for all funds expended by the District. Inclusion of all funds in the budget planning process enables the Board and Manager to consider all financial aspects of the District's operations when preparing, modifying, and monitoring the budget.

The District's budget plan shall be prepared in such a manner as to facilitate its understanding by citizens and elected officials. The budget shall be posted on the District website, and discussed at a legally noticed public hearing prior to Board approval. Copies are available per public records requests.

Financial priority shall be given to the basic District services that provide the maximum level of services to the most citizens, in the most cost effective manner. The District shall maintain its physical assets at a level adequate to protect the District's capital investment and minimize future maintenance and replacement costs from current revenues where possible.

Budget Amendments 10.02.06

The budget shall be reviewed monthly and if necessary budget amendments shall be prepared by the Administrator and presented to the Board with a Resolution for approval prior to expending funds.

Internal Controls 10.03

Division of Duties 10.03.01

The following is a list of personnel who have responsibilities for the finances of the District.

District Board:

1. Reviews and approves all financial reports.
2. Reviews and approves annual budget.
3. Reviews and approves all reserves.
4. Reviews and approves all contracts.
5. Check signing authority.
6. Designated Supervisor reviews and approves bank reconciliations, journal vouchers, cash receipts, and cash disbursements prepared by the District Administrator.
7. Authorizes all fund transfers and budget amendments
8. Approves all reimbursements.
9. Approves all final bid contracts.

District Manager:

1. With the Administrator, and with input from Assistant District Manager, District Superintendent and District Board, develops the annual budget.
2. Reviews and approves bank statements.
3. Reviews all financial reports.
4. Approves inter-fund transfer and submits to Board for approval.
5. Responsible for managing the budget consistent with budget controls set forth in this policy.
6. Check signing authority.
7. Bid & Contract review.
8. Authorization of Petty Cash

District Administrator:

1. ~~Supervises~~ Processes all invoices and disbursements.
2. ~~Supervises~~ Processes the payroll, including payroll tax returns.
3. Submits requests for inter-fund transfers to the District Manager.
4. Maintains and reconciles the general ledger monthly.

5. With the District Manager, and with input from Assistant District Manager, District Superintendent and District Board, develops the annual budget.
6. Prepares all financial reports, including requests for reimbursements.
7. Manages the petty cash fund.
8. Reconciles the bank accounts and reviews with Designated Supervisor.
9. Reconciles all Cash Receipts and Cash Disbursements and reviews with Designated Supervisor.
10. Maintains the District Chart of Accounts.
11. Prepares all purchase orders from quotes received and verifies funds available prior to approval.
12. Prepares and certifies yearly tax assessments prior to submitting to the County Tax Collector.
13. Check signing authority.

Assistant District Manager and District Superintendent:

1. Develops first draft of department budget and works with the District Manager and District Administrator to finalize.
2. Approves all purchase orders and invoices for payment.
3. Accountability to approved departmental budgets in purchasing decisions and in approving payment requests with the proper expense category.

Administrative Assistant/Utility Clerk:

1. Receives and opens all incoming mail.
2. Prepares cash receipts.
3. Mails all checks for payments.
4. Prepares and processes monthly Water Billing.
5. Processes all invoices and disbursements
6. Processes the payroll, including payroll tax returns

Cash Receipts/Accounts Receivable 10.04

District collects revenue over-the-counter and through the mail from the general public in the form of cash, personal checks, money orders, or credit card. Direct debit of customer's bank accounts for monthly utility bill payments is also in place.

A system of controls is in place to assure that all amounts owed to the District are collected, documented, recorded, and deposited to the bank accounts of the District, and to detect and deter error and fraud. Controls are in place and monitored by the Auditor. A complete "Procedures" manual is in the District Administrators Office.

Documentation for each transaction is generated manually to use for balancing, reconciliation and auditing purposes. This documentation is reconciled to the total of the cash, checks, and other forms of payment received.

The Administrative Assistant/Utility Clerk receives all incoming mail. All checks received shall be recorded as a cash receipt, deposited and posted to the billing software. A copy of the cash receipts log shall be given to the District Administrator on a monthly basis. A copy of all deposit slips and corresponding accounts receivable batch deposits shall be given to the District Administrator for reconciliation.

All Tax Assessments and miscellaneous income received are posted to the general ledger by the District Administrator. At the end of the month the Administrator transfers all billing entries (i.e. cash, new charges,

refunds, etc.) to the accounting software and verifies that all general ledger accounts are updated accordingly.

Any deposits not forwarded to the bank utilizing the Merchant Capture system shall be locked in the District safe at the end of the business day. No deposit shall be left in the safe for more than 48 hours before being deposited.

District Considerations 10.04.01

Many smaller governments such as Spring Lake face difficulties in areas such as separation of duties among a limited number of employees. Control over all receipts and receivables to detect any loss due to error and fraud is best established through strong management committed to this objective and the implementation of revenue control procedures and policies that are appropriate for our size and employee compliment. More detailed guidance regarding internal control policies and procedures for the handling of receipts and accounts receivables are annually obtained from our auditors who rely on our internal controls in conducting the annual audit and expressing an opinion on our financial statements. Such guidance may be in the form of checklists or programs utilized by the auditors to evaluate internal controls.

Another consideration is the purchase and maintenance of computerized systems and payment receipting equipment. The District reviews available alternatives and selects the one that can best meet our control objectives given budgetary and operating constraints, including in-house information technology capability and resources.

The District shall continue to work with their external auditors to resolve any concerns related to the implementation of effective controls over cash receipts and accounts receivable.

Inter-Fund Transfers 10.04.02

The District Administrator shall monitor the balance in the checking account, and determine if there are excess funds that need to be transferred. The District Manager shall prepare a transfer memo for submission to the Board for approval. The excess amounts shall be transferred into the Operating Reserves money market account. Funds may be transferred to restricted accounts due to GAAP reporting requirements and/or by direction of the Board of Supervisors.

Cash Disbursements Procedures 10.05

1. Incoming invoices are logged in by the ~~Administrative Assistant~~ Administrator and matched to monthly statements.
Staff supervisors responsible for ordering the product or service shall check the validity of the invoice against proposals/bids, etc. and work accomplished/delivered. Invoices are initialed for approval.
2. The District Administrator reviews the invoices and accounting codes for each payment and is double checked for accuracy. All disbursements shall be made by check unless the item is considered a petty cash or purchasing card item.
3. All checks written on District accounts require two signatures. Banks are promptly notified of all changes of authorized check signers.

4. All checks are to be pre-numbered and accounted for by the Administrator .
5. Voided checks are to be properly defaced and maintained.
6. Checks for payment are signed only when supported by approved invoices. Check signers compare data on supporting documents to checks presented for their signature. After the checks have been signed, the second signatory shall double check the work. All checks shall be mailed by the Administrative Office Assistant as soon as this process is completed.
7. Supporting documentation shall be filed by the Administrative Assistant~~District Administrator~~ in appropriate vendor files.
8. A check register is presented to the Board monthly for approval and entered into the permanent records of the District.

Reconciliations 10.06

Bank Reconciliations 10.06.01

1. Bank statements are reviewed by the District Manager. The Manager shall review the contents for inconsistent check numbers, signatures, cash balances and payees and endorsements at a minimum. After this review is conducted, the manager shall initial and date the bottom, right hand corner of the first page of each bank statement reviewed. The reviewed bank statements shall then be forwarded to the District Administrator to reconcile the bank accounts.
2. The District Administrator transfers all accounts receivable billing cash receipts into the accounting software. Journal Vouchers are prepared and shall be reviewed by the Designated Supervisor.
3. The Administrator shall reconcile each account promptly upon receipt of the bank statements.
4. When reconciling the bank accounts, the following items shall be included in the procedures:
 - a. A comparison of dates and amounts of daily deposits as shown on the bank statements with the cash receipts journal.
 - b. A comparison of inter-organization bank transfers to be certain that both sides of the transactions have been recorded on the books.
 - c. An investigation of items rejected by the bank i.e. returned checks or deposits.
 - d. A comparison of canceled checks with the disbursement journal as to check number, payee and amount.
 - e. An accounting for the sequence of checks both from month to month and within a month.
 - f. A review and proper mutilation of voided checks.
 - g. Investigate and write off checks which have been outstanding for more than six months.
 - h. Completed bank reconciliations shall be reviewed by the Designated Supervisor and initialed and dated by the reviewer.
 - i. Copies of the check register are presented to the Board for review and approval is made by motion at the regular monthly Board meeting as part of the District unaudited financial report.

Reconciliations of Other General Ledger Accounts 10.06.02

1. Each month the District Administrator and the Designated Supervisor shall review the ending balance shown on balance sheet accounts such as the cash accounts, accounts receivable, and accounts payable.

The Administrator and Designated Supervisor shall review the bank reconciliations, schedules of accounts receivable and the aging of accounts payable to support the balances shown on the balance sheet.

2. Assets – These accounts shall include cash, petty cash, prepaids, property, equipment and fixtures, customer deposits, and intangible assets.
 - a. Cash – The balances in cash accounts shall agree with the balances shown on the bank reconciliations for each month.
 - b. Petty Cash – The balance in this account shall always equal the maximum amount of all petty cash funds. The current amount equals \$100.00.
 - c. Prepaids – The amounts in these accounts shall equal advance payments paid to vendors at the end of the accounting period.
 - d. Property, Equipment & Fixtures – The amounts in this account shall equal the totals generated from the audited depreciation schedules. When additional purchases are made during the year, the balances in the accounts shall be updated accordingly.
 - e. Customer Deposits – The balance in this account shall equal amounts received from customer water deposits.
3. Liabilities – These accounts are described as accounts payable, payroll tax liabilities, debt service, and amounts due to other funds.
 - a. Accounts Payable – The balance in this account shall equal amounts owed to vendors at the end of the accounting period and the aging report.
 - b. Payroll Tax Liabilities – The amounts in these accounts are generated from amounts withheld from employee paychecks as well as the employer's portion of the expenses for the period that has not yet been remitted to the government authorities.
 - c. Due to Others – If there are any amounts owed to others at the end of the period they shall be recorded and the correct balances maintained in the general ledger accounts.
4. Income/Expenses – These accounts are described as income from all revenue sources and expense line items.

Petty Cash 10.06.03

1. The petty cash fund is limited to \$100.00 and may be increased with Board approval.
2. The District Administrator is the custodian of the petty cash fund.
3. The petty cash fund shall be operated on an impress basis. This means that when it is time to replenish the petty cash, the Administrator shall total out the expenses made and identify those expenses by general ledger account number. When the check request is submitted for payment it shall indicate the total amount needed to bring the fund back up to \$100.00. Also the check requests shall breakdown the various expense accounts being charged and the amount charged to each. The District Manager shall approve the check request.
4. The petty cash box is kept locked in a secure location and funds are disbursed by the Administrator.

Purchases 10.07

Prohibited Expenditures 10.07.01

- Congratulatory telegrams
- Flowers and/or telegraphic condolences
- Plaques
- Entertainment
- Refreshments such as coffee and doughnuts
- Decorative items
- Greeting Cards

To prompt a purchase 10.07.02

1. Purchase orders are required on all purchases over \$500.00.
2. When the normal cash disbursement procedure of invoices, etc. is not appropriate, (i.e. postage, petty cash, etc.) a check request shall be completed and forwarded with appropriate documentation to the District Manager and District Administrator for approval. If the check is made out to either the District Manager or the District Administrator, that individual cannot approve the check request voucher and approval shall be made by the Designated Supervisor.
3. Approved check requests shall be sent to the District Administrator for payment.
4. Receipts for the purchase must be provided and attached to the check request.

Purchasing Cards 10.07.03

The Purchasing Card will enable authorized exempt personnel to purchase non-restricted commodities directly from suppliers. The Purchasing Card shall be issued in the employee's name with the District's name clearly indicated on the card.

1. All Cardholders must sign an agreement with the District and accept the terms and conditions of the District's Purchasing Card Policies and Procedures.
2. All purchase transactions processed against the Purchasing Card shall be made by the individual to whom the card is issued. The Cardholder has full liability for any improper charges.
3. The Purchasing Card does not negate the use of purchase orders. Employees shall still obtain purchase orders for purchases greater than \$500 prior to purchase. If there are any questions as to whether a transaction is allowed or not, the Cardholder shall contact the District Manager or District Administrator.
4. It is the Cardholders responsibility to provide all documentation (receipts, invoices, packing slips, etc.) to the District Administrator by the end of each week.
5. It is the Cardholder's responsibility to report a lost or stolen card immediately to:
 - The issuing bank
 - The District Administrator
6. It is the Cardholder's responsibility as an employee of the District to ensure the proper use of the District's sales tax exemption number.
7. The Cardholder and the District Administrator are responsible for ensuring that the proper District general ledger expense accounts are charged for purchases.
8. The District Administrator shall process transactions on a weekly basis, and reconcile against the bank statement monthly. Cash Disbursement reports and all transactions shall be reviewed by the Designated Supervisor.
9. Violating any of these policies may result in the immediate termination of the privilege to use the Purchasing Card and improper use of the card may result in disciplinary action in accordance with the personnel policies of the District.

**Procurement of Professional Services and Contracts Consultant and Retainer Contracts
10.07.04**

Procurement of Professional Services and Contracts 10.07.04

The District shall comply with the requirements of and abide by the procedures stated in the Consultants' Competitive Negotiation Act, Section 287.055, F.S., as it may be amended from time to time when procuring Professional Services.

Invitation for Bid (IFB) – The District requires formal sealed bids on purchases of \$25,000 or greater.

A General Notice for solicitation shall be published in a newspaper of general circulation in Highlands County. The general notice refers potential bidders to the District's website for specific information concerning the IFB. The notice shall: provide a full description of material or title of the IFB; state that bids must be sealed; and provide the date, time and place of bid opening. The notice shall also state any additional criteria in the award of the bid and will contain the following instructions and information:

- **Bids must be sealed.**
- **The time, date and place of bid opening.**
- **A full description of the material (or title of bid).**

A tabulation of all bids received with the recommended award(s) will be available for public inspection at the District office during regular business hours. Award shall be made to the lowest, responsive bidder. Additional criteria as set forth in the IFB will be considered in the award of the bid. The District Board shall have the right to reject all bids and request the entire transaction to be rebid.

Contracts – When a contract is required, the authorized representative of the successful bidder shall promptly execute a formal contract that has been approved by the Board. If such contract is for construction such bidder shall also execute and deliver to the District a public construction bond or a sufficient performance and/or payment bond in the amount specified in the IFB. Upon the execution of the contract by the successful bidder their bid bond may be released. Any amendment, modification or change order must be approved by the District Board for the amendment, modification or change order to be effective, except when a change order decreases the final amount of the contract. Construction projects of \$300,000 or more shall be awarded pursuant to Section 255.20 Florida Statutes.

Request for Proposal (RFP) – A General notice for solicitation, which includes RFP's shall be published in a newspaper of general circulation in Highlands County. The general notice refers potential proposers to the District's website for specific information concerning the RFP. The notice shall provide a full description of material or title of the RFP; state that proposals must be sealed; and provide the date, time and place of opening. Recommendation of Award shall be made to the most responsive, responsible offeror whose proposal is determined to be the most advantageous to the District, in accordance with the evaluation criteria contained in the RFP. Evaluation of offerors and/or proposals may be made in a multi-step selection process as set forth in the RFP and shall be based upon criteria set forth in the RFP.

~~Contracts and retainers shall include rate and schedule of pay, deliverables, time frame, and other information such as work plan, etc. Justification for payment shall be submitted to file.~~

~~Contracts 10.07.05~~

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~~Contracts for purchasing products or services, similar to a purchase order, shall be created and maintained for the file whenever appropriate.~~

Purchase Order Procedures 10.08

Purchase Orders 10.08.01

Purchase orders are necessary to ensure that budget funds are available prior to purchasing goods or services. Purchase orders shall be obtained prior to making a purchase. Once a purchase order is created, funds are encumbered, or set aside, so that the District Administrator can keep track of remaining available funds.

- Purchase orders are required for purchases greater than \$500, with the exception of the following:
 - Contractual obligations (i.e. engineering)
 - Legal expenditures
 - Legal advertisements
 - Payroll expenditures
 - Employee benefits
 - Fuel for vehicles purchased using District purchasing card
 - Cost of Issuance related to debt issuance
 - FedEx or similar delivery services
 - Electric service
 - Reimbursements
 - Supply purchases at discount stores such as Sam's or Office Max
- The following are examples of expenditures that do not require a purchase order, but are encumbered through the yearly budget process and reviewed by the District Administrator prior to importing into the accounting software:
 - Telephone service – mobile and land lines
 - Debt Service payments
 - Monthly services including:
 - Security monitoring
 - Pest control
 - Trash disposal
 - Postage
 - Computer server maintenance
 - Tax Collector fees
 - Note: This does not preclude obtaining a purchase order for any of the above if appropriate.

- The information necessary to complete a purchase order includes the following:
 - Vendor name
 - Item(s) to be purchased
 - Amount of the item(s) (If the amount is not known at the time of generating the purchase order, complete the purchase order with a reasonable estimate of the amount)
 - General ledger account to be charged
 - Any attachments, such as bids or estimates

Emergency Expenditures 10.08.02

An emergency meeting of the Board of Supervisors shall be called for the purpose of authorizing expenditures under emergency conditions. If a meeting of the Board of Supervisors is not feasible the District Manager or Board Supervisor may authorize emergency expenditures.

- Purchase orders are not required for emergency expenditures. An emergency should constitute only the following situations:
 - Operational – a situation that presents a threat to public health, welfare or safety
 - Natural Disaster – a situation where the normal operation or major portions of the District would cease or be seriously impaired if immediate corrective action was not taken.

Payroll 10.09

Personnel 10.09.01

1. The District Administrator is charged with the responsibility of maintaining personnel files on all staff.
2. Each personnel file shall contain the following information, at a minimum
 - a. Employment application or resume
 - b. Date of employment
 - c. Position, pay rates and changes therein
 - d. Authorization of payroll deductions
 - e. W-4 Form, withholding authorization
 - f. I-9 Immigration form, if applicable
 - g. Termination data, when applicable
3. All personnel records are to be kept in a locked area, using a locking file cabinet. Access to these files other than by the District Manager, District Administrator, or Administrative Assistant shall be requested in writing to the District Manager.

Payroll Preparation and Timekeeping 10.09.02

1. Timesheets are to be prepared by all non-exempt staff persons and submitted weekly to their direct supervisor. Time shall be noted on a daily basis, in writing, and completed in ink. Correction fluid shall not be used in preparing timesheets. If an error needs to be corrected, a single line shall be drawn through the item and the corrected information recorded, and initialed by the person who made the correction.
2. Timesheets are to be signed by the staff person and his/her supervisor.
3. All approved timesheets shall be submitted to the Administrative Assistant ~~District Administrator~~, who shall process the payroll.
4. Information reported shall include hours worked and approved vacation and sick hours used.
5. The District ~~Administrator~~ Manager shall review the payroll summary report weekly ~~monthly~~ for inappropriate payees or unusual hours.
6. As an employee benefit, the District offers direct deposit through the employees own financial institution.
7. Supervisors shall submit and review all job function data on a monthly basis, and the District Administrator shall input all data into the job function computer program.

Financial Reporting 10.10

Monthly Reports 10.10.01

The District Administrator shall prepare a set of monthly financial reports for distribution to the Board of Supervisors, the District Manager, and District Superintendent. The reports shall include: a balance sheet and a statement of income and expenses for each department; a consolidated balance sheet and consolidated income and expense report which show all departments combined; a budget to actual report for all accounts included in the annual operating budget; check registers and journal vouchers.

The monthly statements shall be reviewed and any questions be directed to the District Administrator. The monthly statements shall be included in the Board Packets and a motion to approve the financials shall be made at the regular monthly Board Meetings.

Year-End Report/Audit 10.10.02

The accounting policies and the presentation of the financial reports of the District conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year end. The statement of activities demonstrates the degree to which direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Separate financial statements are provided for governmental funds and proprietary funds. These fund financial statements are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Fund Financial Statement Presentation:

In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The following is a brief description of the specific funds used by the District.

Major Governmental Fund:

General Fund – This fund accounts for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property assessments. Expenditures are incurred to provide drainage, street lighting, and recreational services.

Major Proprietary Funds:

Water Fund – This fund accounts for the provision of water services to customers within the service area.

Lot Mowing Fund – This fund accounts for the mowing operations and maintenance of the property within the District.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. All assets and liabilities of the District are recorded in these financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Special assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60

days after year-end. Special assessments and interest are susceptible to accrual. Intergovernmental revenues collected and held by other governments are also recognized as revenue. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time. Expenditures are recognized in the accounting period in which the fund liability is incurred except for un-matured interest on debt which is recognized when due.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the District has elected to follow GASB Statements and all the Financial Accounting Standards Board Statements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement, in accounting for enterprise funds and business-type activities.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. The Water Fund recognizes impact fees intended to recover the cost of the infrastructure as non-operating revenue. Operating expenses for proprietary funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers cash and cash equivalents to be cash on hand, cash in banks, and short-term investments with maturities less than three months when acquired, including restricted assets.

Maintenance Assessments, Lot Mowing Assessments, Village I Parks Assessments

The assessments are billed in the month of November by the Highlands County Tax Collector who remits collected taxes to the District monthly. Assessments are due November 1st and become delinquent in April. Tax certificates are sold for delinquent assessments in June. Generally, the District collects substantially all of its current year assessments during the year in which they are due.

Restricted Assets

Restricted assets in the proprietary funds consist of customer deposits. Customer deposits are used to ensure against non-payment of billings and/or property damage. The deposits remain the property of the customers and therefore, are not available for current operations. "Refer to Water Policies and Procedures"

Inter-fund Receivables and Payables

During the course of operations, transactions occur between individual funds for services rendered. Short-term inter-fund loans are classified as "due to/from other funds". All short-term inter-fund receivables and payables are planned to be eliminated shortly after year end. Long-term inter-fund loans are classified as "advances to/from other funds". Any short-term balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

The District shall contract with an accounting firm to conduct an audit of the District's financial statements. At fiscal year-end an audit report shall be prepared summarizing the total income and expense activity for the year. A balance sheet shall be prepared as of September 30th and attached to the income and expense report. All line item adjustments shall be made through a budget amendment and approved by the Board no more than (60) days after the end of the Fiscal Year.

Fund Balance 10.10.03

Introduction 10.10.03.01

The Spring Lake Improvement District maintains its financial operations in a manner consistent with sound financial management principles, which require that sufficient funds be retained by the Spring Lake Improvement District to provide a stable financial base at all times. In accordance with sound financial planning principles and recommended best practices of the Government Financial Officers Association (GFOA), local governments should adopt a policy regarding adequate levels of fund balance and reserves. It is essential for local governments to maintain sufficient levels of fund balance and reserves to mitigate current and future risks such as revenue shortfalls, natural disasters, unanticipated expenditures, and to ensure stable tax rates.

Purpose 10.10.03.02

The Spring Lake Improvement District hereby establishes and shall maintain reservations of Fund Balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Fund Balance for the Spring Lake Improvement District's Governmental Funds shall be comprised of the following categories:

1. Non-Spendable
2. Restricted
3. Committed
4. Assigned
5. Unassigned

This policy shall ensure the Spring Lake Improvement District maintains adequate fund balance and reserves to provide capacity to:

1. Provide sufficient cash flow for daily financial needs;
2. Secure and maintain investment grade bond ratings
3. To provide adequate reserves to offset significant economic downturns or revenue shortfalls, and
4. Provide adequate reserves for unforeseen expenditures related to emergencies.

Fund balance information is used to identify the available resources to repay long-term debt, reduce assessments, add new governmental programs, expand existing ones, or enhance the financial position of the Spring Lake Improvement District, in accordance with policies established by the District Board.

Definitions 10.10.03.03

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."

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

Restricted Fund Balance - Amounts externally imposed by creditors (debt covenants), grantors, contributors, laws, or regulations of other governments.

Committed Fund Balance - Amounts used for a specific purpose pursuant to constraints imposed by formal action of the District Board, the Spring Lake Improvement District's highest level of decision-making authority, and by Resolution, the District's highest action. Only by formal action from the District Board can the original action be overturned. The commitment action should occur prior to the end of a fiscal year.

1. Amounts set aside based on self-imposed limitations established and set in place prior to year-end, but can be calculated after year end.
2. Limitation imposed at highest level and requires same action to remove or modify
3. Resolutions that lapse at year-end

Assigned Fund Balance - Amounts that are constrained by the District Board or District Manager with the intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are not reported in any other classification.

Fund Balance Policy (General Fund) 10.10.03.04

1. NON-SPENDABLE FUND BALANCE

Non-spendable fund balance is established to report items that are not expected to be converted to cash such as inventory and prepaid items; items not currently in cash form such as the long-term amount of loans and notes receivable as well as property acquired for resale; and, items legally or contractually required to be maintained intact such as the corpus (or principal) of a permanent fund.

2. RESTRICTED FUND BALANCE

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

(b) imposed by law through constitutional provisions or enabling legislation shall be budgeted and reported in special revenue funds, capital project funds or debt service funds.

3. COMMITTED FUND BALANCE

Commitment of fund balance may be made for such purposes including, but not limited to, a) major maintenance and repair projects; b) meeting future obligations resulting from a natural disaster; c) accumulating resources pursuant to stabilization arrangements; d) establishing reserves for disasters; and/or e) for setting aside amounts for specific projects.

Commitment of fund balance may be made from time-to time by Resolution of the District Board. Commitments may be changed or lifted only by the District Board taking the same formal action that imposed the constraint originally. The use (appropriation) of committed fund balances shall be considered in conjunction with the annual budget adoption process or by budget amendment approved by resolution of Spring Lake Improvement District during the fiscal year.

4. ASSIGNED FUND BALANCE

Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or b) used to reflect the appropriation of 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.

Assigned fund balance shall reflect District Board or District Manager's intended use of resources as set forth in the annual budget (and any amendments thereto). Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

5. 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.

If, after the annual audit, prior committed or assigned fund balance causes the unassigned fund balance to fall below three (3) months of regular general fund operating expenditures, the District Administrator will so advise the Board in order for the necessary action to be taken to restore the unassigned fund balance to at a minimum three (3) months of regular general fund operating expenditures.

The District Administrator will prepare and submit a strategic plan for committed and/or assigned fund balance reduction, expenditure reductions and/or revenue increases to the Board so that fund balances are replenished as soon as economic conditions allow. The Board shall take action necessary to restore the unassigned fund balance to acceptable levels in subsequent fiscal year(s) until the balance is restored to the minimum level.

Reservations of Fund Balance 10.10.03.05

1. ASSIGNED FUND BALANCE

The Board hereby establishes the following assigned fund balance in the General Fund:

- a) **Assignment to Subsequent Year's Budget** – The subsequent year's budget fund balance reserve is assigned by the Board 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.

- b) **Projects** – The funds are assigned for special projects.

Annual Review and Determination of Fund Balance Policy 10.10.03.06

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, non-spendable and the minimum level of unassigned fund balance shall be determined during this process

Additional Information, Requirements/Responsibilities 10.10.03.07

It shall be the responsibility of the District Administrator to keep this policy current.

Effective Date 10.10.03.08

This Policy shall take effect immediately upon adoption and shall be applied beginning with the preparation of Spring Lake Improvement District's September 30, 2011 Financial Statements and adoption of the Spring Lake Improvement District's Fiscal Year 2011-2012 Budget.

Cash Management and Investing 10.11

The District has not adopted a formal investment policy, and shall abide by the provisions of Florida Statute section 218.415(17) as may be amended.

Capital Assets 10.12

The District shall adhere to the requirements of Chapters 189 and 274 Florida Statutes as they may be amended and Department of Financial Services Rules under 692-73, Florida Administrative Code as amended.

REFERENCES 10.15

Florida Department of Financial Services, Bureau of Local Government –
<http://www.myfloridacfo.com/aadir/localgov/>

Chapter 274 Tangible Personal Property Owned by Local Governments, Florida Statutes – Statutes regarding tangible personal property for certain local governments.
http://www.leg.state.fl.us/statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App_mode=Display_Statute&Search_String=274.01&URL=0200-0299/0274/Sections/0274.01.html

Department of Financial Services Rule 691-73 Tangible Personal Property Owned by Local Governments, Florida Administrative Code
<https://www.flrules.org/gateway/ruleNo.asp?id=691-73.003>

Governmental Accounting, Auditing, and Financial Reporting: Using the GASB 34 Model. Accounting for Capital Assets: A Guide for State and Local Governments.
www.gfoa.org

GFOA Best Practices and Advisories:

- Establishing Appropriate Capitalization Thresholds for Capital Assets
www.gfoa.org/downloads/caafrthresholdscapassets.pdf
- Establishing the Estimated Useful Lives of Capital Assets
www.gfoa.org/downloads/caafrusefullives.pdf
- Ensuring Control over Non-capitalized Items
www.gfoa.org/downloads/caafrcontrolled_capital_assetsRP.pdf
- Capital Asset Assessment, Maintenance and Replacement Policy
www.gfoa.org/downloads/GFOA_capassetspolicyBP.pdf
- The Need for Periodic Inventories of Tangible Capital Assets
www.gfoa.org/downloads/caafrperiodicinvoftangiblecapassets.pdf

GASB 34:
<http://www.journalofaccountancy.com/issues/2001/Nov/ImplementGasbNo34.htm>

GFOA Economic Development and Capital Planning:
http://www.gfoa.org/index.php?option=com_content&task=view&id=123&Itemid=133