

FY 09 BUDGET SUMMARY

| Fiscal Year | FY 06 Actual | FY 07 Actual | FY 08 Adopted | FY 09 Adopted |
|--|------------------|------------------|------------------|------------------|
| PROPERTY TAX RATES (In Mills) | | | | |
| Countywide ⁽¹⁾ | 7.0097 | 6.5867 | 5.8050 | 5.8043 |
| Library District ⁽²⁾ | 0.6923 | 0.6923 | 0.6083 | 0.5583 |
| General Purpose MSTU ⁽³⁾ | 5.1980 | 5.0240 | 4.4014 | 4.4004 |
| VALUE OF 1 MILL (In Millions of \$) ⁽⁴⁾ | | | | |
| Countywide | \$64.6 | \$78.6 | \$87.8 | \$83.7 |
| Library District | 61.8 | 75.4 | 84.2 | 80.2 |
| Unincorporated | 39.4 | 48.4 | 54.5 | 50.9 |
| BUDGET SUMMARY (In Millions of \$) | | | | |
| Operating | \$1,478.7 | \$1,587.8 | \$1,729.2 | \$1,723.8 |
| Capital (net of reserves) ⁽⁵⁾ | 216.5 | 343.5 | 362.6 | 355.6 |
| Debt Service | 242.9 | 201.6 | 127.2 | 120.7 |
| Reserves & Refunds ⁽⁵⁾ | 0.9 | 1.1 | 849.1 | 772.7 |
| MAJOR ORGANIZATION OPERATING BUDGET (In Millions of \$) | | | | |
| Board of County Commissioners | \$2.4 | \$2.5 | \$2.7 | \$2.8 |
| County Administrator | 816.3 | 870.0 | 955.2 | 972.6 |
| County Attorney | 8.9 | 9.5 | 9.7 | 9.5 |
| Elected Officials | 393.8 | 426.2 | 445.6 | 451.8 |
| Judicial | 10.8 | 9.3 | 10.6 | 11.3 |
| Guardian Ad Litem | 0.5 | 0.6 | 0.6 | 0.6 |
| Boards, Commissions & Agencies | 27.1 | 28.6 | 27.8 | 27.1 |
| Non-Departmental | <u>219.1</u> | <u>241.1</u> | <u>276.9</u> | <u>248.1</u> |
| | \$1,478.7 | \$1,587.8 | \$1,729.2 | \$1,723.8 |
| CAPITAL BUDGET (In Millions of \$) | | | | |
| Fire | 7.9 | 1.1 | 13.2 | 4.3 |
| Governments Facilities | 32.9 | 69.1 | 53.7 | 55.9 |
| Libraries | 9.9 | 4.1 | 14.9 | 5.2 |
| Parks | 36.2 | 31.3 | 17.2 | 18.3 |
| Solid Waste | 5.8 | 44.7 | 10.6 | 8.7 |
| Stormwater | 5.8 | 9.5 | 19.6 | 17.0 |
| Transportation | 55.8 | 90.0 | 160.0 | 150.6 |
| Water/Wastewater & Reclaimed Water | 48.3 | 76.8 | 57.7 | 85.7 |
| Other Non-CIP | <u>13.9</u> | <u>16.8</u> | <u>15.7</u> | <u>10.0</u> |
| | \$216.5 | \$343.5 | \$362.6 | \$355.6 |

Detail may not add to totals because of rounding.

Note: The County uses an all years budget process for capital projects (see glossary for definition of all years budget process).

⁽¹⁾ See the pages entitled Millage Comparison for an explanation of countywide millage rates.

Includes millage levies for debt service.

⁽²⁾ Includes properties within the City of Tampa and the unincorporated areas of the County.

⁽³⁾ Unincorporated area - includes Parks General Obligation millage.

⁽⁴⁾ Based on Property Appraiser taxable assessed values as of July 1.

⁽⁵⁾ Reserves are budgeted but not expended. Actual expenditures for the operating budget, capital budget, or debt service may include drawdown of reserves. Actual expenditures shown in previous years reflect refunds.

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THE BUDGET PROCESS: BIENNIAL (2-YEAR) BUDGETING

The budget process used to develop this document reflects an approach first adopted by the Board of County Commissioners (BOCC) in 1995. At that time, the BOCC approved a biennial budget process for FY 96 and FY 97. While Florida Statutes require a minimal annual process to adopt the budget, there is nothing prohibiting local governments from developing a budget plan for a second year. In this way, when it is time to legally adopt the second year of the budget plan, the process of preparing the adopted budget represents an "update" of the original plan. One of the greatest advantages of a biennial process is the literally thousands of hours of staff time that are saved in the "off" year of the process, while maintaining opportunities for public input in the update process.

The biennial budget process increasingly used by local governments varies from the process historically used by some state governments. Unlike states that use a biennial budget because the legislature meets infrequently, local government legislative bodies – councils or commissions – meet regularly and can update the second year's budget during an abbreviated update process for the second year as well as make changes during each year as unplanned circumstances arise.

The BOCC has continued this biennial process for succeeding budgets. As a result, in 1996, 1998, 2000, 2002, 2004, 2006, and 2008 the BOCC adopted biennial fiscal plans, and this year the BOCC will adopt a seventh update to the second year of a fiscal plan reflecting the budget for FY 09.

The budget process used this year to update the FY 09 Planned Budget included a review of revenue projections, recalculation of fund balances based on more current data, and consideration of issues not known when the FY 09 Planned Budget was developed. Additionally, organizations were provided the opportunity to resubmit their continuation level budgets to reflect new service levels after budget reductions. While this is not usually part of the second year update process, further budget reductions were likely, and county administration believed that decision making processes would be more efficient with updated continuation level budget data.

USES OF FUNDS

The Operating Budget

A key component of the budget is the portion funding day-to-day services -- the operating budget. As explained in the *Taxpayer's Guide to the Hillsborough County Budget*, there are factors that drive up the operating budget even in times of tight resources. One is continuing population growth as shown in the section titled "Economic Indicators." A second is inflation. In some program areas, demand for specific services far outstrips the overall population growth. Increasingly, the County continues to improve the collection of performance measures to identify these high levels of demand for County services and to track performance in meeting the demands.

The operating budget is composed of three types of expenditures: compensation, operating expenses and equipment (also referred to as capital outlay).

Personal Services (Compensation) - This reflects salaries of elected officials, salaried and hourly employees and temporary employees. It includes overtime pay, mandatory contributions to the Florida Retirement System (FRS), social security and Medicare taxes, employee health insurance and life insurance premiums, disability insurance, workers compensation assessments and wage loss payments. These benefits are subject to review and revision annually. This category, frequently referred to as "personal services," crosses a variety of funding sources. It covers not only the positions funded with property taxes that receive the most public attention, but also positions funded with revenue from federal and state grants and programs that are funded with user fees.

Board Policy 03.02.02.13 provides that pay ranges for all employees be targeted to maintain the 50th percentile in comparison to pay for public and private employers. On June 7, 2004, Hillsborough County contracted with MGT of America, Inc. to conduct a compensation and classification study. The study covered over 11,000 positions from 21 independent agencies throughout the county. The primary purpose of the study was to better align classes of positions within the County based upon job worth and to ensure that classes were properly aligned with market conditions. On September 7, 2005, the Board of County Commissioners adopted and accepted MGT of America, Inc.'s study. The MGT of America, Inc. study resulted in a 28% reduction in pay raises from 7% to 5% in FY 06 and FY 07, reflecting a combination of market equity

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and merit pay. The FY 08 adopted budget further reduced pay raises to 3.5% based on Legislative actions limiting the County's ad valorem tax collections and eliminated any merit pay increase. The adopted FY 09 budget further reduces pay increases to a 2.25% market equity adjustment.

In the area of staffing, the Board adopted service standards for two programmatic areas. On June 28, 2005, the BOCC established a service standard for Code Enforcement Officers that maintains a ratio of one Officer for every 18,000 persons in the unincorporated area of the County. Then, in law enforcement for the unincorporated area, the Board set a target ratio of 1.7 sworn deputies per 1,000 citizens. This service standard was established in FY 00. FY 08 budget reductions and further reductions adopted for FY 09 cease to achieve the code enforcement standard.

Finally, the Board of County Commissioners has contracts with four collective bargaining units. The following represent general information on each:

American Federation of State, County and Municipal Employees (AFSCME) Local 167

Contract start: October 1, 2007

Contract end: September 30, 2010

Positions represented: 1,243

Departments covered: Aging, Animal Services, Children Services, Cooperative Extension, Fleet, Fire Rescue, Head Start, Library Services, Parks, Recreation & Conservation, Planning and Growth Management, Public Works, Real Estate (includes Facilities), Solid Waste and Water Resource Services.

Emergency Medical Personnel and Critical Care Technicians (EMPACCT) Local 3525

Contract start: October 1, 2007

Contract end: September 30, 2010

Positions represented: 50

Departments covered: Fire Rescue, Emergency Dispatch.

International Association of Firefighters (IAFF) Local 2294 SUPPRESSION UNIT

Contract start: October 1, 2007

Contract end: September 30, 2009

Positions represented: 784

Departments covered: Fire Rescue.

International Association of Firefighters (IAFF) Local 2294 SUPERVISORS UNIT

Contract start: October 1, 2007

Contract end: September 30, 2009

Positions represented: 20

Department covered: Fire Rescue.

Operating Expenses - This category reflects costs of supplies, utilities, fuel, rent, professional services contracts, etc. This category also includes funds provided by the County to support outside organizations – primarily non-profits.

Increasing federal grant awards typically increases the budget for operating expenses. Grants are subject to the "all years" budgeting technique which is discussed in detail in footnote 1 on the next page. Beginning in FY 00, grants have only been reflected in the year the revenue is first received. Any remaining funds at year end are tracked by grant until the grant expires or all funds are expended. This is purely a change in budget technique, not an operational issue. Organizations continue to have access to all grant funds that have been appropriated in prior years.

A factor in the increasing budget for operating expenses over the past few years has been the rental payment program for fleet in most departments funded with general revenues (excluding enterprise operations and grant programs). When a fleet vehicle is replaced in these departments, the Fleet Maintenance Department retains ownership of the new vehicle and the department begins paying the internal service fund an annual charge needed to replace the vehicle based on its calculated service life and projected salvage value, coupled with the projected replacement cost. The internal service fund will be able to automatically replace vehicles using accumulated rental payments. The County has modernized its fleet, taken unnecessary stand-by vehicles out of service, established minimum annual mileage standards and cut its maintenance costs.

This category includes a component referred to as "Grants and Aids" in detailed breakouts of the budget such as the table entitled "Fund Summary by Type of Expenditure." This component of operating expenses reflects funds that the County receives but passes through to other governments. A notable example is close to \$50 million per year in Community Investment Tax proceeds that the County pays to the School Board, municipalities, and for debt on Raymond James Stadium. Another example is tax increment district

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revenue that the County receives but must pass on to the City of Tampa, the City of Temple Terrace, and the City of Plant City to finance their redevelopment projects. A third example is the distribution of the 9th cent gas tax revenue that the County receives from the State and then disburses, in part, to municipalities.

This component also includes payments for services to various non-profit service providers. Funding sources include general County revenues, federal Community Development Block Grants and tourist development taxes. In addition, the payments reflect the County's role as a regional recipient of federal grants (such as Ryan White grants that fund AIDS programs), which are passed on to providers of services in Pinellas and Pasco Counties.

Equipment - This reflects costs of fleet, data processing and other equipment such as playground and recreation equipment.

Summary - The operating budget (compensation, operating expenses, and equipment) has been the focus of budget discussions in past years because it generally represented the cost of day-to-day services to County residents. To some extent, that is becoming less the case as pass-throughs account for an increasing share of the operating budget and a significant share of the annual increase in the operating budget.

With that caveat, it still represents the best focus for comparison of how the budget is changing over time, ignoring the spending down of borrowed funds for projects and the occasional fluctuations in debt service requirements resulting from debt refinancing and other activity.

The Capital Budget

A separate summary appears in the back of this document presenting details on FY 09 projects. The entire five-year capital improvement program (CIP) can be reviewed in the volume containing the **Adopted Capital Improvement Program for FY 09 – FY 13**.

The capital budget continues to reflect each year's changes to the "all years" budget in the capital program. "All years" budgeting is possible by using a feature of the County's financial systems software.¹

¹ All years budgeting is a technique frequently used to account for funds that may carry over from one fiscal year to the next for a defined purpose such as a capital project or a grant program. It has not been applied to other areas of the budget where unspent funds will

"All years" budgeting within the capital budget means that once the Board commits funds to a capital project, those funds will remain in that project until the project is completed, regardless of how many fiscal years the project may last. The unspent funds will no longer show up in the fund balance reported in the budget at the beginning of each year or in the capital budget in future years. Once a project is completed, unspent funds will become available again for appropriation.

Previously, unspent funds were estimated in fund balance and re-budgeted in subsequent years. Re-budgeting the same funds year after year overstates the impact of the budget on the community since the funds will only be spent once.

With this practice reflected in the budget, county residents and others who examine the budget should better understand how funds are allocated to capital projects in the budget since the capital budget will reflect only new funding allocated to projects. The capital improvement program, which is described in the second budget book, will continue to reflect prior year funding for projects in addition to any funding anticipated in this budget or future budgets.

Other key points about the capital budget are:

✓ The decision on whether to finance a project versus use a pay-as-you-go approach is typically made on a project-by-project basis. Explicit debt and capital policies were adopted by the BOCC in July 1998 to guide the decision-making process. In part, the policy and procedures requires the review of the capital program by the City-County Planning Commission to ensure consistency of the five-year CIP and capital budget with the elements of the County's comprehensive land-use plan.

✓ Increasingly, the County is using short term financing as a tool as well as using a line of credit to cover encumbrance requirements (contractual obligations that precede the actual need for cash). These techniques optimize the County's ability to time projects to meet operational requirements while minimizing financing costs. In some cases, short term financing allows the County to use state or federal grants that would otherwise not be available if a project were delayed.

revert to fund balance at year end and will be available to appropriate in the next fiscal year to meet operational needs or reserve requirements. The use of this technique results in a smaller budget than would otherwise be the case.

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✓ The budget has historically funded environmental land acquisition and protection program (ELAPP) purchases by levying an operating millage to bring the total ELAPP millage up to 0.25 mills. This pay-as-you-go approach to ELAPP has maximized the revenue available to that program as the millage levied to pay debt service on existing ELAPP bonds gradually declined. This approach was changed in the FY 08 budget, and the ELAPP operating millage was reduced proportional to other millage reductions mandated by the Legislature. In FY 09, the portion of the ELAPP operating millage that has historically been used for capital acquisitions was eliminated.

✓ The capital program continues to reflect one percent of both the General Fund and the Unincorporated General Fund being set aside to maintain existing County facilities.

Debt Service

Wherever possible, existing debt has been refinanced to lower interest expense. Detail on the County's debt capacity and debt obligations are provided in a separate section of the Adopted Budget.

Transfers

Transfers are non-economic transactions necessary within a complex accounting system, but not conveying much information when totaled. By definition, a transfer reflected as a "source" must have a counter-balancing transfer reflected as a "use." For example, a transfer from the General Fund to a specific grant is a "use" while the grant fund will show a like dollar amount as a "source."

Reserves

Reserves reflect a variety of Board actions and specific purposes. Some reserves are established as a requirement when the County borrows funds. Others are set aside to meet actuarial requirements – such as in the County's self-insured employee health insurance program. Some are created to allow the BOCC to fund contingencies that arise during the year – with the full expectation that most or all of these contingency funds could be appropriated during the year.

During FY 99, the BOCC adopted a policy that uses any excess fund balance in the County's two major operating funds to, in part, build reserves for catastrophic emergencies and set aside reserves for previously unfunded liabilities. (A third use for excess fund balance was meeting industry fleet replacement standards.)

The BOCC adopted a second policy intended to build a stabilization reserve in each of the two major operating funds over an 8-year period to 5% of expenditures (exclusive of other reserves). The 8-year target was achieved ahead of schedule as a result of strong growth in revenues. Meeting this funding target six years early recognized the importance of funding reserves when the economy is strong. The Board recognized that adding to reserves could be difficult in a future year if the economy slowed.

THE PURPOSE OF BUDGET DOCUMENTS AND THE BUDGET PROCESS

Users of budget documents reflect a fairly wide spectrum of types and interests. Users include financial analysts who may invest in the long-term securities issued by the County from time-to-time or who may review County finances in order to rate such bond issues, and residents and business owners within the community who desire a better understanding of the services county government provides and what various taxes and fees are collected to pay for those services. Other users include researchers interested in comparing the structure of Hillsborough County's organization and finances against those of other jurisdictions; senior and mid-level County managers interested in confirming the resources allocated to their organizations (both dollars and staffing) and the expectations for their organizations in terms of mission, objectives and measures. Other interested parties include; employees and their bargaining units interested in understanding the County's allocation of priorities and finances and perhaps numerous other groups and individuals with similar and additional interests.

As explained in the following section titled "Basis of Budgeting," the formatting of a budget document does not always present the same disclosure that is required in an annual financial report. This difference recognizes the broader -- and frequently less technical -- audience served by budget documents. Disclosures are presented to assist those who use both budgets and financial reports to reconcile the differences.

The Government Finance Officers Association of the United States and Canada (GFOA) has long recognized the diversity of interests in budget documents and structured a program to strengthen the ability of state and local governments to meet these needs. Hillsborough County is pleased to have regularly received GFOA's recognition for meeting the various cri-

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teria intended to meet these needs through the budget documents it prepares, including the **Taxpayers' Guide**, which won a GFOA Award for Excellence in 1993 and which served as a model for a variety of governments throughout North America. More importantly, however, is the ability of Hillsborough County to satisfy questions that might not otherwise be answered because not every user will take the time to call, write, or e-mail County staff. Poor communication through budget materials can lead to suspicions that could undermine a critical referendum, influence an election, reduce cooperation, or delay an action.

A number of years ago, a group was formed to develop recommended budget practices for state and local governments. Comprised of representatives of a variety of organizations including elected officials, managers/administrators, unions, and appointed staff, the National Advisory Council on State and Local Budgeting (NACSLB) developed a series of 59 recommended practices. The NACSLB intentionally stopped short of declaring the recommendations to be "standards" by recognizing that some jurisdictions may never be able to adopt each recommendation. Overall, the practices reflect a framework that encompasses planning, development, implementation, and evaluation of a budget. The 59 practices are organized into the following 4 principles and 12 elements:

Principle 1: Establish Broad Goals to Guide Government Decision Making

- ✓ Element 1: Assess Community Needs, Priorities, Challenges, and Opportunities
- ✓ Element 2: Identify Opportunities and Challenges for Government Services, Capital Assets, and Management
- ✓ Element 3: Develop and Disseminate Broad Goals

Principle 2: Develop Approaches to Achieve Goals

- ✓ Element 4: Adopt Financial Policies
- ✓ Element 5: Develop Programmatic, Operating and Capital Policies and Plans
- ✓ Element 6: Develop Programs and Services that are Consistent with Policies and Plans
- ✓ Element 7: Develop Management Strategies

Principle 3: Develop a Budget Consistent with Approaches to Achieve Goals

- ✓ Element 8: Develop a Process for Preparing and Adopting a Budget
- ✓ Element 9: Develop and Evaluate Financial Options

- ✓ Element 10: Make Choices Necessary to Adopt a Budget

Principle 4: Evaluate Performance and Make Adjustments

- ✓ Element 11: Monitor, Measure, and Evaluate Performance
- ✓ Element 12: Make Adjustments as Needed

Many of the NACSLB recommendations address processes that should be used, rather than information that can be disclosed in a budget document. Hillsborough County monitored development of the draft recommendations prior to their being finalized in 1998, and many of the practices are currently in place, based on a self-assessment. For example, a set of comprehensive financial policies developed and then approved by the Board of County Commissioners in July 1998 reflected examination of draft NACSLB recommendations. Where possible, common language has been incorporated.

The County has been reporting performance measures for many years. However, in December 2003 a verification process was initiated in an effort to raise the level of data integrity. Departments are randomly selected for review and selected measures are evaluated for the accuracy and accessibility of the data as well as the effectiveness of the method of data collection.

The County's long range plans for quality programs and improved performance measurement will address recommended budget practices that are not currently in place. Additional information on the NACSLB recommended budget practices is available through GFOA's web site at www.gfoa.org or by calling (312) 977-9700.²

The Basis of Budgeting

For the most part, governmental accounting and financial reporting are conducted consistent with "Generally Accepted Accounting Principles" -- commonly referred to as "GAAP." Financial readers are typically familiar with a concept known as the "basis of accounting," which describes the measurement method used in accounting for financial transactions. Examples include

² Other participating organizations in the NACSLB included the International City/County Management Association, the National League of Cities, the National Association of Counties, the National Conference of State Legislatures, the U.S. Conference of Mayors, the Council of State Governments, the Association of School Business Officials International, the American Federation of State, County & Municipal Employees, and the Service Employees International Union, as well as several academic and industry representatives.

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cash accounting, modified accrual accounting, and accrual accounting.

Hillsborough County uses the GAAP basis of accounting. Governmental funds reflect a modified accrual basis of accounting. Revenues are recorded when they become both measurable and available to pay liabilities of the current period. Expenditures are recorded when a liability is incurred with certain limitations. Proprietary funds use an accrual basis of accounting that is more similar to that used by private businesses. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. At the end of each year, all budget appropriations lapse along with outstanding encumbrances.³

There is no requirement that Hillsborough County's budget be prepared consistent with GAAP. However, the comparison of (final) budget to actual revenues and expenditures in a subsequent *Comprehensive Annual Financial Report* (CAFR) requires a reconciliation of the budgetary basis to GAAP basis. Therefore, ***the County budget is prepared, for the most part, to be consistent with GAAP to minimize the degree of reconciliation needed to compare the budget to actuals.*** How the budget is prepared is labeled either the "basis of budgeting" or the "budgetary basis of accounting." These terms may be used interchangeably.

Several key differences should be disclosed to assist in reconciling between the basis of budgeting used to develop Hillsborough County's budget documents and the basis of accounting that is reflected in the County's CAFR prepared by the Clerk of Circuit Court as the County's Chief Financial Officer. The primary differences include the budgets for the Sheriff's Law Enforcement Fund, the Property Appraiser's Property Assessment Fund, and the Clerk of Circuit Court's Court System and Accounting Fund, which are prepared on a basis of budgeting that differs from GAAP. These budgets reflect transfers of funds from the General Fund and other BOCC funds. The CAFR excludes these transfers, but does present the account structure for the funds maintained by these Constitutional Officers in their independent accounting systems. The budget, therefore, shows the collection of the tax revenues used to fund Constitutional Officers and the General Fund reflects the transfer of funds for those budgets. Any unspent funds at year end are shown as "other non-revenue sources" in the General Fund. The

³ An encumbrance represents a commitment for future expenditures based on a purchase order or contract that has been issued, and where goods or services have been ordered but not received.

following table depicts FY 07 revenues and other financing sources and expenditures and other financing uses associated with those funds that are not included in the County's budget document.

| Funds included in CAFR but not in Budget | | |
|--|-----------|--------------|
| (in thousands) | | |
| | Revenues | Expenditures |
| Sheriff's Law Enforcement Fund | \$359,837 | \$359,837 |
| Sheriff's Special Use Rev. Fund | 3,393 | 3,393 |
| Sheriff's Jail Inmate Canteen Fund | 4,671 | 5,136 |
| Sheriff's Child Prot. Invest. Fund | 14,916 | 14,959 |
| Property Appraiser's Property Assessment Fund | 13,929 | 13,929 |
| Supervisor of Elections' Elections Fund | 7,291 | 7,291 |
| Clerk of the Circuit Court's Court System & Accounting Fund | 73,503 | 73,503 |
| Clerk of the Circuit Court's Public records Modernization Fund | 5,142 | 6,009 |

With the Sheriff's Law Enforcement Fund and the Clerk of Circuit Court's Fund, there may be a difference between the basis of budgeting and GAAP in the treatment of certain capital leases related to equipment purchases. On a budgetary basis only the current year's payments are appropriated and these amounts are classified as capital outlays, general governmental expenditures, or public safety expenditures. On a GAAP basis, the full obligation is recognized and the debt service payments are recorded as appropriate.

With the Sheriff's Law Enforcement Fund, there is a difference between the basis of budgeting and GAAP in the treatment of certain grants. On a budgetary basis, cost reimbursement type grant revenues and expenditures are netted. On a GAAP basis, revenues and expenditures from these grants area presented at gross amounts in the financial statements.

With the Property Appraiser's and Tax Collector's Funds, there is a difference between the basis of budgeting and GAAP in the treatment of excess fee distributions to entities outside of the County's reporting entity. On a budgetary basis, the distribution of excess fees to these entities is reported as an "other financing use." On a GAAP basis, these distributions are reported as expenditures because there is a reduction in the net financial resources of the County.

This BOCC budget does not disclose the fund structure maintained by the Sheriff, Clerk, Property Appraiser, or Tax Collector, including an unbudgeted Inmate Can-

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teen Fund used by the Sheriff and a fee-based budget maintained by the Clerk which uses funds that do not pass through the BOCC budget. The Property Appraiser and Tax Collector receive revenues directly from other taxing authorities and disperse unspent funds at year end according to their source. Other elected officials (State Attorney, Public Defender, and 13th Judicial Circuit) receive significant funding from the state of Florida. Those state funds are not reflected in the County budget or in the CAFR.

A second significant difference is the treatment of proprietary funds, an accounting classification which includes both internal service funds (used to maintain the County's fleet, provide employee health insurance, collect and disperse workers' compensation payments, and provide risk management) and enterprise funds (used to manage the water and wastewater system and to manage the solid waste system). These funds are presented in the same format used for the majority of County funds (known as governmental funds) which present revenues and other sources, equaling expenditures and reserves. This budgetary presentation allows various revenues and expenditures to be presented in a consistent format without regard to the fund type and how accounting standards will require them to be presented.

The CAFR presents the proprietary funds in a format that breaks out operating revenues and operating expenses to determine operating income prior to considering non-operating revenues and expenses.

The adopted budget reflects a management plan for financial activity. It is subsequently revised during the year to reflect revisions in that plan such as increases or decreases in specific grants awarded to Hillsborough County, the appropriation of contingency reserves by the BOCC to address issues not known at the time the budget was adopted, and shifts in funding based on capital projects needs as project costs are refined. As such, the revisions recognize the need to revise a financial plan to be consistent with newer and better information, and to allow the management plan to change accordingly.

Under GASB Statement 34, the CAFR reflects both the adopted budget and the final revised budget which includes amendments that occur after the completion of the fiscal year as final transactions are posted to the

fiscal year on a modified accrual or accrual accounting basis. These final amendments reflect proper recording of financial activity rather than a change in management plan. Budget documents, therefore, typically disclose historical actuals – both actual revenues and other sources, and actual expenditures and other uses – rather than revised budgets that may not truly reflect the management plan.

The budget presents organizational summaries without differentiating the level of control the BOCC may exercise over individual organizations. Departments and other offices under the County Administrator face the highest level of control through the direct reporting relationship of the County Administrator to the BOCC. Constitutional Officers – particularly the Sheriff and Supervisor of Elections – receive the least control over their budgets with control being primarily limited to level of funding. The Sheriff, Clerk, Tax Collector and Property Appraiser each maintain independent accounting systems.

Organizations that report to appointed or elected commissions (Planning Commission, Environmental Protection Commission, Civil Service Board, etc.) are subject to less direct control over services, but the BOCC may influence services as well as determine funding. Statutory provisions determine the level of independence of each organization.

From time to time, new financial reporting requirements may be imposed on governments by the Governmental Accounting Standards Board (GASB) that redefines what is referred to as GAAP. The accounting/reporting changes may not be reflected in the budget, resulting in a greater difference between the budget and what is ultimately reported in the CAFR. A good example is GASB Statement No. 31 which requires accounting and financial reporting for changes in the fair market value of certain investments. Hillsborough County's budget does not attempt to estimate how the value of investments may change from one year to the next, although it does reflect assumptions about interest earnings. Similarly, the budget does not anticipate changes in the accrual of compensated absences – i.e., sick leave, vacation, or other forms of administrative leave. Hillsborough County has frequently covered this unbudgeted liability by absorbing the cost of pay-outs when employees leave by keeping a position vacant long enough to offset the cost.