Government Resource Manual

Florida Government Finance Officers Association

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Section 1 – Accounting

Overview

A well designed and properly maintained accounting system is necessary to be able to provide all data that is needed to allow for the timely preparation of financial statements in conformity with generally accepted accounting principles. The official source of generally accepted accounting principles (GAAP) for local governments is the Governmental Accounting Standards Board (GASB). The GASB is an independent, not-for-profit organization that establishes and improves standards of financial accounting for local governments.

In addition, s. 218.33, F.S., requires local governments to follow uniform accounting practices and procedures and a uniform chart of accounts as established by the Florida Department of Financial Services (DFS). To this end, DFS drafted the Uniform Accounting System Manual. These requirements are in place to help assure proper accounting and fiscal management as well as to provide consistency in preparing local government annual financial reports.

References

Section 218.33, F.S.; Local Government Entities; Establishment of Uniform Fiscal Years and Accounting Practices and Procedures

Uniform Accounting System Manual (DFS Bureau of Financial Reporting):
http://www.myfloridacfo.com/Division/AA/Manuals/2014UASManual-7-31-15_FINAL.pdf

Governmental Accounting Standards Board – http://www.gasb.org/

Government Finance Officers Association – http://www.gfoa.org/

Section 2 – Annual Financial Audit

Overview

Most local governments are required to have an independent audit of their financial statements performed in accordance with appropriate professional auditing standards. Properly performed audits play a vital role in the public sector by helping to preserve the integrity of public finance functions and by maintaining citizens' confidence in their elected leaders.

Requirements

Section 218.39, F.S., requires that local governments that meet specific criteria outlined in the chapter shall have an annual financial audit of its accounts and records completed within nine (9) months after the end of its fiscal year. The annual audited financial report could also be required to include a "single audit" in accordance with OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or s. 215.97, F.S., and Chapter 10.550, Rules of the Auditor General. The audit shall be performed by an independent certified public accountant in accordance with s. 218.39, F.S., and Chapter 10.550, Rules of the Auditor General. At the conclusion of the audit, the auditor shall discuss all comments that will be included in the audit report with management, each member of the governing body, and each member of an audit committee charged with governance.

The local government's response to the audit findings, including corrective action to be taken, must be filed with the local government's governing body within thirty (30) days after delivery of the audit findings. In addition, the audit findings and responses must be incorporated in the audit report package and submitted to the Auditor General within forty-five (45) days after the delivery of the audit report to the local government's governing body, but no later than nine (9) months after the end of the fiscal year.

Chapter 10.550, Rules of the Auditor General requires the management letter to include the following:

(1) For counties as a whole, municipalities, and special districts:

- (a) A statement describing the results of the auditor's determination as to whether or not the local governmental entity met one or more of the conditions described in s. 218.503(1), F.S., and identification of the specific condition(s) met.

- (b) A statement describing the results of the auditor's determination as to whether or not the financial report filed with the DFS pursuant to s. 218.32(1)(a), F.S., is in agreement with the annual financial audit report for the current audit period and, if not, explanations of any significant differences.

(c) The following information regarding the auditor's application of financial condition assessment procedures:

1. A statement that the auditor applied financial condition assessment procedures.

2. If a deteriorating financial condition(s) is noted, a statement that the local governmental entity's financial condition is deteriorating and a description of conditions causing the auditor to make this conclusion. If the auditor reported that the local governmental entity met one or more of the conditions specified in s. 218.503(1), F.S. (see a., above), this statement shall indicate whether such condition(s) resulted from a deteriorating financial condition(s).

(d) If appropriate, a statement indicating the failure of a special district that is a component unit of a county, municipality or special district, to provide the financial information necessary to a proper reporting of the component unit within the audited financial statements of the county, municipality, or special district. (s. 218.39(3)(b), F.S.)

(2) For water management districts:

(a) A statement describing the results of the auditor's determination as to whether or not the district provided monthly financial statements to its governing board and posted the monthly financial statements on its web site. (See ss. 215.985(11) and 373.536(4)(e), F.S.)

(b) A statement describing the results of the auditor's determination as to whether or not the district provided a link on its Web site to the DFS' web site to allow viewing of the district's annual financial report. (See s. 218.32(1)(g), F.S.)

(c) A statement describing the results of the auditor's determination as to whether or not the district posted its tentative and final budgets on its Web site. (See ss. 373.536(5)(d) and (6)(d), F.S.)

Additionally, Chapter 10.550, Rules of the Auditor General, requires the scope of the financial audit to include an examination pursuant to *AICPA Professional Standards,* AT Section 601, promulgated by the American Institute of Certified Public Accountants, to determine the following, as applicable:

(1) For all local governmental entities, a determination of the entity's compliance with the requirements of s. 218.415, F.S.

(2) For counties that received E911 funds, a determination that all E911 fee revenues, interest, and E911 grant funding were used for payment of authorized expenditures, as specified in s. 365.172(10), F.S., and as specified in the E911 Board grant and special disbursement programs (see s. 365.173(2)(d), F.S).

(3) For clerks of the courts, a determination of the clerk's compliance with the requirements of ss. 28.35 and 28.36, F.S.

(4) For clerks of the courts, a determination of the clerk's compliance with s. 61.181, F.S.

(5) For local governmental entities that received or expended funds related to the Deepwater Horizon oil spill, that are not Federal awards audited as major programs or State financial assistance audited as major projects: a determination of the entity's compliance with Federal and State laws, rules, regulations, contracts, or grant agreements related to the receipt and expenditure of the funds (see s. 288.8018(1), F.S.).

Finally, the scope of the financial audit shall include a report that includes an opinion (or disclaimer of opinion) as to whether the schedule of receipts and expenditures related to the Deepwater Horizon oil spill funds is presented fairly in all material respects in relation to the financial statements taken as a whole. The report shall be prepared in accordance with *AICPA Professional Standards*, AU-C Section 725, promulgated by the American Institute of Certified Public Accountants.

Auditor Selection Process

Section 218.391, F.S., requires specific procedures to be followed by local governments with respect to selecting an auditor to conduct the annual financial audit required by s. 218.39, F.S. The local government must establish an audit committee to assist in the selection process.

While the composition of the audit committee is not specifically noted in the statute, the GFOA, in its best practices, has recommended the following:

- No members should have financial management responsibilities within the local governmental entity.
- All members should possess or obtain a basic understanding of governmental financial reporting and auditing.
- The committee should have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee for this purpose.
- The actual audit committee membership should be comprised of the local government's governing body or a subset of the governing board.
- The minimum membership of the committee should be no fewer than three (3) members.

Considering that smaller local governments may experience difficulty in obtaining individuals with the necessary experience in governmental financial reporting and auditing, there is a small government consideration noted in the Auditor Selection Guidelines, accessible on the Auditor General's web site. The consideration is that the smaller government might consider consulting with larger governments in the area to identify employees or consultants of those governments who might be willing to work with their audit committee. Also, should the small government opt to not establish an audit committee composed of the governing body; the small government could seek to use the audit committee of the larger entity as their audit committee.

The audit committee shall perform the following functions:

- Establish factors to be used in the evaluation of audit services.
- Publicly announce requests for proposals.
- Provide interested firms with requests for proposals.
- Evaluate proposals provided by qualified firms.
- Rank and recommend in order of preference to the local government's governing body no fewer than three (3) firms deemed to be the most highly qualified to perform the required services.

If compensation is not one of the factors used by the audit committee in the evaluation of proposals, the governing body shall negotiate a contract with the firm ranked first. If the governing body is unable to negotiate a satisfactory contract with that firm, negotiations with that firm shall be formally terminated, and the governing body shall undertake negotiations with the second-ranked firm. Failing accord with the second-ranked firm, negotiations shall then be terminated with that firm and undertaken with the third-ranked firm. Negotiations with the other firms shall be undertaken in the same manner. If compensation is one of the factors used by the audit committee in the evaluation of proposals, the governing body shall select the highest-ranked qualified firm or must document the reasons for not selecting the highest-ranked qualified firm.

References

Section 215.97, F.S.; Florida Single Audit Act

Section 218.39, F.S.; Annual Financial Audit Reports

Section 218.391, F.S.; Auditor Selection Procedures

Section 218.503, F.S.; Determination of Financial Emergency

Chapter 10.550, Rules of the Auditor General; Local Government Entity Audits – http://www.myflorida.com/audgen/pages/rules_localgovt.htm

Auditor Selection Guidelines –
http://www.myflorida.com/audgen/pages/pdf_files/auditor%20selection%20guidelines.pdf

OMB Circulars – https://www.whitehouse.gov/omb/grants_circulars/

Government Finance Officers Association – http://www.gfoa.org/

Section 3 – Annual Financial Reporting

Overview

Local governments are accountable for the manner in which they spend public funds. Annual financial reporting is one method of demonstrating accountability. Two types of local government annual financial reporting are the State Annual Financial Report (AFR) and the Comprehensive Annual Financial Report (CAFR).

State Annual Financial Report

Section 218.32, F.S., requires each local government that is determined to be a reporting entity, as defined by GAAP, to submit to the (DFS) an AFR in a format prescribed by the DFS The AFR and the local government's annual audit report must be sent to the DFS within forty-five (45) days after the completion of the audit report but no later than nine (9) months after the end of the fiscal year. In the event that the local government is not required to have an annual audit in accordance with, s. 218.39, F.S., the AFR must be submitted to DFS no later than nine (9) months after the end of the fiscal year. In addition, each local governmental entity's web site must provide a link to DFS's web site to view the entity's annual financial report. If the local governmental entity does not have an official web site, the county government's web site must provide the required link for the local governmental entity.

Comprehensive Annual Financial Report

Section 218.39, F.S., requires that local governments that meet specific criteria outlined in the chapter shall have an annual financial audit of its accounts and records completed within nine (9) months after the end of its fiscal year. However, the Government Finance Officers Association of the United States and Canada (GFOA) recommends that a CAFR be issued as a best practice for financial reporting. The CAFR expands upon the basic financial statements that are required by generally accepted accounting principles by including additional financial information broken down into three sections: Introductory, Financial, and Statistical. The Introductory Section provides general information on the government's structure, services and environment. The Financial Section includes the basic financial statements, notes, and Management's Discussion and Analysis, as well as additional information on all individual funds not reported in the basic financial statements. The Statistical Section provides trend data and non-financial information that assists in the assessment of the government's financial condition. Governments that participate in the Certificate of Achievement for Excellence in Financial Reporting Program are asked to submit their reports within six months of the end of the fiscal year. The GFOA's review process typically requires an additional 4 to 6 months.

The GFOA maintains a Certificate of Achievement for Excellence in Financial Reporting Program designed to encourage and assist local governments to go beyond the minimum requirements of GAAP to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure. Reports submitted to the GFOA for this certificate are reviewed by selected members of the GFOA professional staff and the GFOA Special Review Committee (SRC), which is comprised of individuals with expertise in public sector financial reporting. The certificate of achievement is generally regarded as the highest form of recognition in local government financial reporting and can be viewed as a positive factor by credit rating agencies and others interested in the professionalism of governmental finance.

Other Financial Reporting Requirements

Additional financial reporting requirements for Florida local government entities have been statutorily established and have been summarized by the Joint Legislative Auditing Committee (JLAC) in its Calendar of Financial Reporting Requirements.

Popular Annual Financial Report

The GFOA established the Popular Annual Financial Reporting Awards Program (PAFR Program) in 1991 to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize individual governments that are successful in achieving that goal. Although the preparation of a PAFR is optional, those Popular annual financial reports submitted to the PAFR Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in governmental accounting and financial reporting and may be eligible for an award by the GFOA.

References

Section 218.32, F.S.; Annual Financial Report; Local Government Entities

Section 218.39, F.S.; Annual Financial Audit Reports

Florida Department of Financial Services – http://myfloridacfo.com/aadir/localgov/

Government Finance Officers Association – http://www.gfoa.org/

Governmental Accounting, Auditing, and Financial Reporting (Blue Book) by Stephen J. Gauthier (http://www.gfoa.org/)

Calendar of Financial Reporting Requirements (JLAC):
http://www.leg.state.fl.us/Data/Committees/Joint/JCLA/Financial_Reporting_Requirements.docx

Section 4 – Budgeting

Overview

Budgeting is one of the most important activities undertaken by governments. The budget is a plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. The budget serves as the primary tool in allocating financial resources to programs and services. This process should involve all stakeholders – elected officials, governmental administrators, employees, citizen groups, and business leaders – and reflect their overall needs and priorities. A budget process that is well-integrated with the other activities of the government and involves those stakeholders will lead to a more efficient and accepted government. Specifically, the budget can serve as a policy making tool, a management tool, a financial tool, and a communication tool. The end result should be a balanced budget that has been well planned and communicated among all stakeholders.

A brief description of the budget cycle is as follows:

- Input
    a. Elected and appointed officials gather information from citizens, taxpayers and other sources about financial and non-financial priorities.
    b. Officials meet with staff and convey the goals, objectives, priorities, and concerns that will guide the development of the budget.

- Preparation
    a. Revenues are estimated to determine what financial resources will be available to fund operations.
    b. Expenditure requests and forecasts are prepared by the Departments.
    c. The chief administrator submits a proposed budget that reflects the community needs and desires to the local government governing body for review.

- Adoption
    a. The governing body reviews the proposed budget.
    b. Changes are made according to the governing body's recommendations and public comments.
    c. The proposed budget is approved by governing body.
    d. The budget is adopted.

- Implementation
    a. Revenues are collected and expenditures are incurred in accordance with the budget.
    b. The budget may be modified or amended by approval from the governing body in accordance with procedures established by State law.

- Evaluation
    a. Internal reports may be prepared as needed for financial data, as well as for performance measurement.
    b. Other evaluation is done through internal audits, performance audits, and external audits.

Requirements

Section 166.241, F.S., (Municipalities) and ss. 129.03 – .06, F.S., (Counties) provide specific requirements for local governments to follow when adopting annual budgets. Some of those requirements are as follows:

- The local government's budget must be adopted by resolution or ordinance, unless otherwise specified in the local government's charter.
- 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 adopted budget may be amended at any time during the fiscal year or within sixty (60) days following the end of the fiscal year. If the amendment increases the total amount of expenditures by fund or department, the budget amendment must be adopted in the same manner as the original budget, unless otherwise specified in the local government's charter. Counties are required to follow specific advertising requirements (s. 129.06, F.S.) with respect to the adoption of budget amendments.
- The tentative budget must be posted to the local government's official website at least 2 days before the first budget hearing at which the tentative budget is approved. The final adopted budget must be posted to the local government's official website within 30 days after adoption. For municipalities, if the municipality does not operate an official website, the municipality must transmit the tentative and final budgets to the manager or administrator of the county or counties in which the municipality is located.

Section 189.016, F.S., provides specific requirements for special districts. Some of those requirements are as follows:

- The special district's budget must be adopted by resolution. This requirement does not apply to water management districts as defined in s. 373.019, F.S.

Water management districts must comply with the budget requirements in ss. 373.536, F.S.

- The total amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total of appropriations for expenditures and reserves. This requirement does not apply to water management districts as defined in s. 373.019, F.S. Water management districts must comply with the budget requirements in s. 373.536, F.S.
- At a minimum, the adopted budget must show for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit which are at least at the level of detail required for the annual financial report under s. 218.32(1), F.S. The adopted budget must regulate expenditures of the special district, and an officer of a special district may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget. This requirement does not apply to water management districts as defined in s. 373.019, F.S. Water management districts must comply with the budget requirements in s. 373.536, F.S.
- The tentative budget must be posted on the special district's official website at least 2 days before the first budget hearing and must remain on the website for at least 45 days. The final adopted budget must be posted on the special district's official website within 30 days after adoption and must remain on the website for at least 2 years. All special districts are required to maintain an official website (see s. 189.069, F.S.). This subsection does not apply to water management districts as defined in s. 373.019, F.S. Water management districts must comply with the budget requirements in ss. 373.536, F.S.
- The proposed budget of a dependent special district must be contained within the general budget of the local governing authority to which it is dependent and be clearly stated as the budget of the dependent district. However, with the concurrence of the local governing authority, a dependent district may be budgeted separately. The dependent district must provide any budget information requested by the local governing authority at the time and place designated by the local governing authority.
- The governing body of each special district 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 under certain circumstances. If the governing body of a special district amends the budget, the adopted amendment must be posted on the official web site of the special district within 5 days after adoption. If the special district does not operate an official web site, the special district must, within a reasonable period of time, transmit the adopted amendment to the manager or administrator of the local general-purpose government or governing authority, who shall post the adopted amendment on the Web site of the local general-purpose government or governing authority.

- Chapter 200, F.S., and the Truth in Millage (TRIM) guidelines promulgated by the Florida Department of Revenue (DOR) outline specific requirements that local governments must follow with respect to adopting property tax rates and budgets. Some of the key requirements are as follows: Specific timetables with respect to the noticing of the local Property Appraiser's office for the adoption of the ad valorem millage rate and budget; the scheduling of the Tentative and Final Millage Rate/Budget public hearings and the respective advertising of the public hearings.
- The preparation of specific forms which must be sent to the local Property Appraiser's and Tax Collector's offices and the DOR.
- The placement of specific advertisements which are uniform throughout the state based on the local government's situation.
- Section 17 – Reporting Requirements provides further information and a link to the EDR calendar for specific reporting dates.

Annual Budget Document

GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOAs best practices on budgeting and then to recognize individual governments that succeed in achieving that goals.

Documents submitted to the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting.

References

Section 129.03, F.S.; Preparation and Adoption of Budget

Section 129.06, F.S.; Execution and Amendment of Budget

Section 166.241, F.S.; Fiscal Years, Appropriations, Budgets, and Budget Amendments

Section 189.016, F.S.; Reports, Budgets, Audits

Section 373.019, F.S.; Water Management Districts

Chapter 200, F.S.; Determination of Millage

Florida Department of Revenue TRIM Guidelines –
http://dor.myflorida.com/dor/property/cofficials/

Section 5 – Capital Assets

Overview

Generally, capital assets are the largest asset of a local government. Capital assets are tangible and intangible assets acquired for use in operations that will benefit the local government for more than a single fiscal period. Typical examples of capital assets include land, land improvements, construction-in-progress, infrastructure/improvements, buildings, furniture, motor vehicles, audio-visual and software. As a general rule, local governments should report only those capital assets that they own. For capital leases, although title to the financed asset does not pass to the lessee until the end of the lease term, the lessee does assume the risk of ownership. Therefore, it is reported as Property under Capital Lease.

Statutory Requirements

Chapter 274, F.S., governs the administration of tangible personal property owned by certain local governments. Section 274.01, F.S., defines "governmental units" for purposes of the requirements as the governing board, commission or authority of a county or taxing district of the State or the sheriff of the county. Section 274.02, F.S., defines "property" as fixtures and other tangible personal property of a nonconsumable nature and requires the State's Chief Financial Officer to establish, by rule, the requirements for the recording of property. DFS Rule 69I-73, F.A.C., prescribes requirements for recording and inventorying tangible personal property, marking of property items, and disposing of property items.

Capital Asset Valuation

Capital assets should be reported at their historical cost, which can include: (1) all charges to place the asset in its intended location (for example, freight); (2) all charges to place the asset in its intended condition for use (for example, installation or site preparation); and, (3) subsequent additions or improvements that enhances a capital asset's functionality or extends its expected useful life. Expenditures for repairs are generally not included in historical cost. If historical cost information is not available, estimated historical cost may be used. Donated capital assets should be reported at their fair value on the date the donation is made. Typical donated capital assets include land, buildings, furniture, fixtures, and equipment.

Capital Asset Capitalization and Accountability

Any asset that benefits more than one fiscal period potentially could be classified as a capital asset. As a practical matter, not all items that meet the definition of a capital asset should be capitalized for reporting purposes. Local government officials should establish a dollar value or capitalization threshold that capital assets must exceed if they are to be capitalized. Other considerations, as recommended by the GFOA, include:

- Items capitalized should have an estimated useful life of at least two years from the date of acquisition;
- Capitalization thresholds are best applied to individual items rather than to groups of similar items unless the effect of doing so would be to eliminate a significant portion of total capital assets (e.g., books of a library district)
- Capitalization thresholds should not be set at less than $5,000 for any individual item; and,
- Governments that are recipients of Federal awards should be aware of Federal requirements that prevent the use of capitalization thresholds in excess of certain specified maximum amounts (currently $5,000) for purposes of Federal reimbursement.

When capital assets are not capitalized, governments should still ensure that adequate control and accountability is maintained, especially in certain circumstances, such as:

- For those local governments subject to ch. 274, F.S., and DFS Rules, tangible personal property with a value or cost of $1,000 or more and a projected useful life of one year is required to be recorded for inventory purposes.
- Assets that pose a risk to public safety and could be the source of potential liability.
- Assets that must be accounted for pursuant to a legal or contractual provision.
- Assets that are easily transportable and readily marketable or easily diverted to personal use.

Many governments use a perpetual inventory system to maintain effective control over capital assets. Such a system is constantly updated for additions and deletions of the capital assets inventory. Periodic verification is still required to ensure adequate control and accuracy of the government's inventory. GFOA recommends that governments inventory its tangible capital assets, at least on a test basis, no less than every five years. For those local governments subject to ch. 274, F.S., and DFS Rules, an inventory is required for property with a cost or value of $1,000 annually or whenever there is a change in custody.

Capital Asset Maintenance and Replacement

Local governments should establish a system for assessing the condition of capital assets and develop a plan and budget for capital asset maintenance and replacement. Assessing the condition of capital assets can be done in conjunction with the inventory process. GFOA issued best practice recommendations for this process in its *Capital Asset Assessment, Maintenance and Replacement Policy* (see link in reference section).

Depreciation

Depreciation is the systematic and rational allocation of the cost of a capital asset over its estimated useful life. Land and construction-in-progress are typically not depreciated. Local government officials need to establish the useful life and depreciation method for each class of capital asset. Straight-line depreciation is the most common method. The composite depreciation method is applied to a certain type of capital asset rather than to an individual capital asset.

Past experience should be used to determine the estimated useful life of an asset. When the government has no past experience to rely upon, the experiences of other governments can be useful. However, when depending on others' experiences, the government should take into consideration differences in quality of materials that comprise the asset, differences in the extent of use or the intended uses of the asset, and environmental differences between assets held by others and those acquired by the government. Once established, estimated useful lives should be periodically compared to actual experiences to make adjustments as necessary.

Capital Assets Reporting

Governmental Accounting Standards Board, Statement 34, requires capital assets to be reported on the government-wide Statement of Net Position and in the Notes to Financial Statements. Each local government must make four distinctions:

- Capital assets related to governmental activities that must be reported separately from those related to business-type activities.
- Different major classes of capital assets
- Capital assets that are not being depreciated.
- Accumulated depreciation that must be reported separately for each major class of depreciable capital assets.

In addition, the following must also be reported:

- The historical cost of capital assets (or their fair value at the time of donation).
- Accumulated depreciation.
- Additions during the period.
- Deletions during the period.

The format of the disclosure must demonstrate the change between the beginning and ending book values.

References

Florida Department of Financial Services, Bureau of Local Government – 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&Tab=statutes

Florida Department of Financial Services Rule 69I-73 Tangible Personal Property Owned by Local Governments, Florida Administrative Code – https://www.flrules.org/gateway/ChapterHome.asp?Chapter=69I-73

Governmental Accounting, Auditing, and Financial Reporting (Blue Book) by Stephen J. Gauthier (http://www.gfoa.org/)

Accounting for Capital Assets: A Guide for State and Local Governments (2008 Edition) – http://www.gfoa.org/accounting-capital-assets-guide-state-and-local-governments

GFOA Best Practices and Advisories:

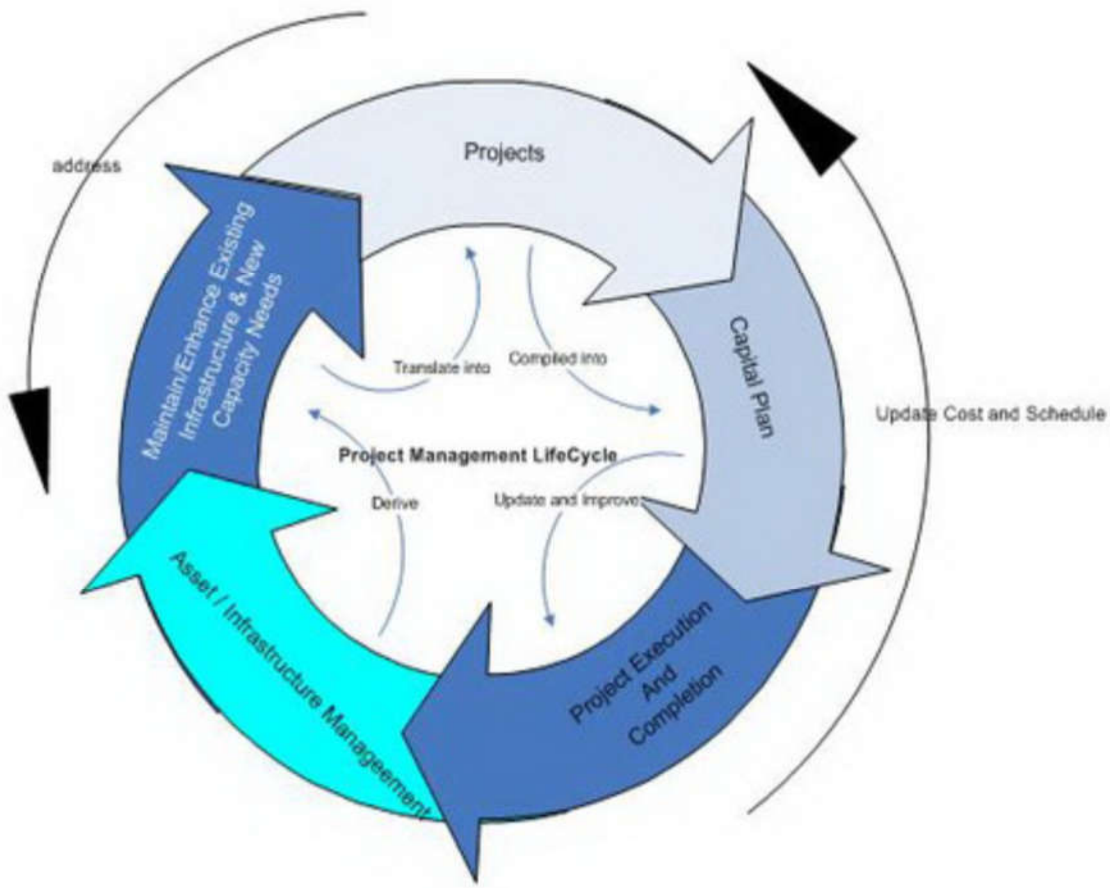
- *Establishing Appropriate Capitalization Thresholds for Capital Assets* – http://www.gfoa.org/establishing-capitalization-thresholds-capital-assets
- *Establishing the Estimated Useful Lives of Capital Assets* – http://www.gfoa.org/canadian-best-practice/establishing-estimated-useful-lives-capital-assets
- *Ensuring Control over Noncapitalized Items* – http://www.gfoa.org/search/node/%E2%80%A2%09Ensuring%20Control%20over%20Noncapitalized%20Items
- *Capital Asset Assessment, Maintenance and Replacement Policy* – http://www.gfoa.org/asset-maintenance-and-replacement
- *The Need for Periodic Inventories of Tangible Capital Assets* – http://www.gfoa.org/periodic-inventories-tangible-capital-assets
- *Role of the Finance Director in Capital Asset Management* - http://www.gfoa.org/role-finance-director-capital-asset-management
- *Capital Project Monitoring and Reporting* - http://www.gfoa.org/capital-project-monitoring-and-reporting

Financial Policy Examples - Capital Asset Management - http://www.gfoa.org/financial-policy-examples-capital-asset-management

Capital Confusion: 12 Misunderstandings about Accounting for Capital Assets - http://www.gfoa.org/capital-confusion-12-misunderstandings-about-accounting-capital-assets

Section 6 – Capital Planning

The Capital Planning Cycle:



Capital Planning prevents scarce resources from being consumed in reaction to crises and provides for critical facilities, infrastructure, and equipment to be replaced as they deteriorate during normal use. The Capital Planning Process helps local officials think through complex infrastructure development and financial decisions, which could avert expensive mistakes that frequently result from crisis management. Lenders and bond raters expect local governments to ensure that inherited assets from prior administrations are preserved or replaced in a timely manner.

Capital Planning Process

Local governments commonly adopt a 5-year Capital Improvement Plan (CIP) for proposed projects with costs totaling at least $5,000 that have useful lives of more than one year. This CIP is typically updated annually during the local government's annual budgeting process. Major elements under consideration of the CIP process are: conducting an inventory of present physical assets (often generated by the Finance Department, physically verified/confirmed by all departments), the completion of an asset maintenance and replacement schedule submitted by each operating department requesting capital items to be included in the budget, and a project time-table containing project requests for future needs.

The Finance Department will then consolidate all requests filed by all departments under the CIP by completing a prescribed financial analysis of historical revenues and expenditures to evaluate all CIP proposals, and at the same time correlate these proposals to pre-approved documents and ordinances (e.g., for compliance with the approved Comprehensive Plan). Priority rankings of proposed CIP projects are determined through special meetings among executive members of the local government.

Common Projects Included in the CIP

Under the classification of Infrastructure, the most commonly proposed CIPs would be: roads, sewers, storm sewers, sidewalks, bridges, curb and gutter, street lights, and other utilities that the local government owns and operates. Projects that fall under the Buildings category would be: administration buildings, libraries, museums, treatment plants, civic centers, and public swimming pools. Under Equipment would be: fire trucks, police cruisers, generators, and IT equipment. Land would include: parks, gardens, tree nurseries, waterfronts, and industrial park land.

Funding Capital Projects

Funding for capital projects could come from various sources, including the general fund or general revenue, grants (possibly with matching requirements), debt proceeds (general obligation or revenue bonds), special taxes or assessments, or impact or user fees.

References

GASB 34: http://www.gasb.org/

GFOA Best Practice - Capital Project Budget | Government Finance Officers Association: http://www.gfoa.org/incorporating-capital-project-budget-budget-process

GFOA Financial Policy Examples - Capital Asset Management: http://www.gfoa.org/financial-policy-examples-capital-asset-management

Section 7 – Cash Management and Investing

Overview

Investing public funds is usually a core responsibility of local government finance professionals and can be one of the most complicated responsibilities. This topic can be complex; however, it is not necessary for a finance officer to possess knowledge of every element of the securities industry in order to invest public funds. Following a few basic rules will serve your community and keep you out of trouble.

The main objectives of effective cash management and investing public funds is, in this specific order, to ensure the safety of principal, provide for sufficient liquidity to pay obligations when due and earn a reasonable rate of return on invested funds. Typically, the rate of return earned will be inversely related to the other two objectives; however, the first two objectives must remain primary to the third. An easy method to remember the objectives is by utilizing the acronym S.L.Y. (Safety, Liquidity, and Yield).

While it may appear preferable to err towards greater safety and liquidity, it is more preferable to strike an appropriate balance between the three objectives in order to earn an appropriate rate of return while protecting principal and ensuring adequate liquidity. For example, funds kept in an FDIC-insured checking account are safe and liquid, but if the liquidity maintained is more than is needed, a greater rate of return could be earned by reinvesting some of the funds in a higher yielding investment account without sacrificing safety of principal or reducing liquidity below the required level.

Investment Strategy

The main strategic decision that must be made is whether to invest “passively” or “actively.” A passive investment strategy essentially means that securities are purchased for the yield earned and held until maturity, assuming that the securities are non-callable. Active investing is an investment strategy involving ongoing buying and selling actions by the investor. Active investors purchase investments and continuously monitor their activity in order to exploit profitable conditions. Studies have shown that the majority of active investment managers do not beat their established benchmarks in any given year, both with equity investments and fixed income investments. And, it is even more difficult to consistently replicate above average returns from year to year. So, it is prudent to evaluate and compare both active and passive investment strategy results over 1,3,5 and 10 years before investing any funds.

The key determinants of whether to adopt a passive or an active investment strategy include:

- Time available
- Risk tolerance
- Expertise
- Need or desire for additional income
- Political environment

In general, the more time, risk tolerance and expertise that is available, the more able a government is to adopt an active investment strategy; however, the political environment must be such that investment losses (if any) are understood and accepted.
Most small governments tend to adopt passive investment strategies to reduce the amount of effort spent in purchasing securities and to eliminate the risk associated with securities trading. Most passive investment strategies include the following practices:

- Securities are held to maturity, rather than traded for gains.
- Securities are purchased frequently throughout the year to achieve an average weighted yield, rather than purchased sporadically in order to time the market.
- Securities purchased are relatively low-risk, which reduces the need to closely monitor changes in the issuer's financial strategy.

Florida Statutes

The following statutes are of primary interest in managing public funds:

- Chapter 218, Part IV – Investment of Local Government Surplus Funds.
- Chapter 219 – County Public Money Handling by State and County.
- Section 218.415 – Local Government Investment Policies.
- Chapter 280 – Security for Public Deposits.

Major Guidelines and Requirements

1. Pursuant to s. 218.415(17), F.S., local governments without a written investment policy may invest in:
   a) The State of Florida Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.
   b) SEC registered money market funds with the highest credit equity rating from a nationally recognized rating agency.
   c) Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02, F.S.
   d) Direct obligations of the U.S. Treasury.

2. Pursuant to s. 218.415(16), F.S., local governments with a written investment policy may invest in the items listed in number one above, in addition to:
   a) Federal agencies and instrumentalities.
   b) Securities of, or interest in, any open-end or closed-end management-type investment as further described in s. 218.415, F.S.
   c) Other investments authorized by law or ordinance.

3. For local Governments that adopt an investment policy, the policy must comply with the requirements of s. 218.415(1) through (15) F.S.

Risk

There are different types of risks associated with cash management and investing that must be understood and managed to ensure the safety of principal.

- *Credit risk* – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk can be managed by purchasing only high-rated securities and monitoring the credit worthiness of issuers.
- *Concentration of credit risk* – The risk of loss attributed to the extent of investments held from a single issuer. This risk can be managed by limiting the amount of investments held from any single issuer (diversification).
- *Custodial credit risk* – The risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.
- *Interest rate risk* – The risk that changes in interest rates will adversely affect the fair value of an investment. When rates rise, security values fall and vice versa. This risk can be managed by matching investment maturities with accepted disbursements, purchasing shorter-term securities, and staggering maturity dates throughout the year (laddering the portfolio).
- *Liquidity risk* – The risk that securities must be sold before anticipated to provide liquidity, which may result in a loss of principal. See interest rate risk discussion above.

Quick Tips and Caveats

1. Never invest in any security that is not fully understood, even if the security is an approved investment in an investment policy.
2. Many governments adopt a "buy and hold" investment strategy to reduce administrative time required for investment related activities. This strategy typically employs a "laddered" portfolio, whereby securities are purchased on a regular recurring basis (weekly, monthly, quarterly, etc.), in relatively equal amounts, which provides for recurring liquidity and generates an average rate of return over an interest rate cycle.
3. Avoid inordinately extending maturities in search of higher yields, because market values on long-term securities can decline rapidly in a rising interest rate market.
4. Consider shortening maturities in a rising interest rate market to reduce interest rate risk.
5. Consider lengthening maturities of securities purchased in a falling interest rate market to lock-in higher interest rates.
6. Reconciliations of bank account and investment account balances to the accounting records be performed on a timely, routine basis to provide reasonable assurance that cash and investments agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions

or bank errors, and provide for the efficient and economic management of cash resources.

Investment Reports

Internal Reports

Monthly or quarterly reporting of investment results and portfolio composition to upper management and/or to the elected body is common. Typical items reported include:

- Types of investments held
- Average rate of return for period reporting and year to date
- Average maturity of portfolio
- Compliance with investment policy provisions
- Changes in investment strategy
- Comparison of portfolio return with benchmarks
- Interest rate environment changes

External Reports

- Annual Depositor Report to be filed with the Florida Department of Financial Services by November 30, pursuant to s. 280.17(6), F.S.

Depository, Broker, and Dealer Relations

Depositories are usually retained through a competitive bid process conducted by the local government directly or by another government that allows other governments to "piggy-back" on an established contract. Relationships generally extend 5 years before rebidding, due to extensive switching costs. Typically, one depository is selected for all cash management and investing safekeeping services to achieve an economy of scale, which lowers the overall cost of services and reduces administrative time.

Brokers and dealers are usually selected by an informal selection process. Criteria used may include: office proximity, services provided, references from other governments, and competitiveness of bids. If brokers or dealers become non-competitive, other providers can be substituted relatively easily. Retaining three to five broker/dealers is usually sufficient to ensure adequate competition, depending on the portfolio size, frequency of purchases and services required.

Purchasing Investments

All securities should be purchased using the "payment vs. delivery" method, using an independent third party. This method ensures that securities purchased are delivered before payment is made.

The Florida Qualified Public Deposit System (QPD) enhances the safety of principal if funds are invested with member banks. Investing with non-QPD institutions may result in higher yields, but at a greater risk.

Where possible, obtain more than one quote on securities purchased to ensure the highest rate of return has been obtained. Competition will usually enhance the rate of return achieved. Similar securities can be substituted if maturity dates and credit risk is comparable. For example, federal instrumentalities (Freddie Mac, Fannie Mae, etc.) are usually comparable in credit risk. Requesting quotations on specific security types and specific maturity dates (or narrow date ranges) is a common practice to facilitate comparison of competitive offers.

Resources

The scope of this section on cash management and investing is intentionally limited and is not intended to provide a comprehensive presentation of cash management and investing principles or practices. Additional information is available from a variety of sources, including:

- Florida State Board of Administration – http://www.sbafla.com/prime/
- GFOA – www.gfoa.org/
    - *Investing Public Funds*, Girard Miller
    - *Local Government Finance, -Concepts and Practices,* Peterson and Strachota
    - *Best practices and policy examples: http://www.gfoa.org/financial-policy-examples-investments*
    - *Best practice - Managing Market Risk in Investment Portfolios* http://www.gfoa.org/managing-market-risk-investment-portfolios-0
- Florida State Treasury – www.Fltreasury.org/treasury/
    - Qualified Public Depository listing
- https://www.myfloridacfo.com/division/treasury/collateralmanagement/documents/ListofActiveQPDs.pdfFGFOA – www.fgfoa.org
- Federal Reserve Bank of New York – www.newyorkfed.org
- Bureau of Public Debt, Department of Treasury – https://www.fiscal.treasury.gov/

Section 8 – Cash Receipts /Accounts Receivable

Overview

Most local governments collect revenue over the counter and through the mail from the general public in the form of cash, personal checks, credit and debit card transactions, or money orders. Many local governments are also offering online payment options and direct debit of customers' bank accounts for repetitive payments such as monthly utility bill payments. Collections may take place at multiple locations throughout the government's operations and be for a number of purposes including:

- Tax payments
- Utility payments
- Various fees and charges
- Court collections
- Permits and licenses
- Other service charges

It is necessary to establish an adequate system of controls to assure that all amounts owed to the government are collected, documented, recorded, and deposited to the bank accounts of the government entity, and to detect and deter error and fraud. Suitable controls should be established at each location where payments are received as well as at the centralized collections point.

Documentation for each transaction may be generated manually by the use of a pre-numbered receipt form or through the use of a cash register, computer, or other electronic device that will provide the customer with a validated receipt and detailed and/or summary information for the government to use for balancing, reconciliation and auditing purposes. At the end of the day, this documentation is typically reconciled to the total of the cash, checks, and other forms of payment received. Total daily receipts are either manually recorded to the accounting system, or uploaded automatically by way of an electronic interface between the cash receipting and the accounting systems.

Local governments often collect money for services rendered on a regular basis, such as utilities services. In this instance, the local government must have an established system of accounts to track the amounts owed and paid by the recipients of the services. Accounts receivable records, whether manual or computerized are an integral part of the internal control system for the payments received for the provision of services. The records also play an important role in the preparation of a local government's interim and annual financial statements, and ultimately in the assessment of the local government's financial condition.

Small Government Considerations

Many smaller governments face difficulties in areas such as separation of duties among a limited number of employees. Control over all receipts and receivables to detect and deter 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 the size and employee compliment of the government. More detailed guidance regarding internal control policies and procedures for the handling of receipts and accounts receivables can be obtained from consulting the local government's external auditors who rely on the local government's internal controls in conducting the annual audit and expressing an opinion on the local government's financial statements. Such guidance may be in the form of checklists or programs utilized by the auditors to evaluate internal controls. Organizations representing or including government finance practitioners also offer publications and resources on the topics of internal controls and fraud awareness.

Another consideration for smaller governments is the purchase and maintenance of computerized systems and payment receipting equipment. Governments need to review available alternatives and select the one that can best meet their control objectives given their budgetary and operating constraints, including their in-house information technology capability and resources. Some local governments are turning to external service providers that can run software applications remotely to lower the systems costs of maintenance, support and disaster recovery.

Common pitfalls often encountered by local governments in establishing appropriate controls over collections include the following:

- Failure of management to establish internal controls, evaluate the continued effectiveness of the controls established, or document the monitoring of adherence to established procedures.
- Lack of adequate separation of duties related to physical access to the payments and the recording of the payments. For example, placement of responsibilities for receipt of money, issuance of receipts, recording of collections in the accounting records, preparation of bank deposits, and reconciliation of collections of record to amounts deposited with one individual increases the possibility that errors or fraud would not be detected.
- Lack of documentation at the initial point of collections for payments received through the mail, or the handling of payments by multiple employees who perform different duties in the receipt and processing of payments prior to deposit. The custody of payments should be documented from the point of receipt to the point of deposit.
- More than one person operating out of a single cash register or drawer. This can preclude identification of the individual responsible for any shortages.

- Failure to utilize pre-numbered forms or computer-generated receipting alternatives to document payments. This documentation is necessary to establish that all receipts have been deposited and recorded in the accounting records.
- Failure to deposit receipts timely and/or properly secure collections prior to deposit.
- Failure to report missing collections to the proper authorities.
- Failure to record receipts and receivables in accordance with generally accepted accounting principles. To help assure the proper recording of receipts and receivables, local governments should consult the Uniform Accounting System Manual promulgated by the DFS.
- Lack of reconciliation of daily collections (cash, check, and credit card payments) with the records used to document the receipt of payments by someone not involved in the actual collection process. Such supervisory review is particularly essential for small governments with limited ability to separate the duties related to collections.
- Lack of adequate procedures for the follow-up of unpaid fees, including failure to assess late charges or other penalties, or to discontinue service, in accordance with Florida law or local ordinances. Policies and procedures should be established to assure that nonpayment of fees is promptly detected and addressed in accordance with the Florida law and the local government's ordinances and policies regarding delinquent accounts.
- Lack of cash collections policies for employees accepting payments defining the actions taken by management for cash short/over occurrences which provide a schedule of verbal or written reprimands including conditions of termination for larger dollar amounts or greater occurrences when daily cash reconciliations do not balance. No force balancing should be permitted.

Local governments should work with their external auditors to resolve any concerns related to the implementation of effective controls over cash receipts and accounts receivable, including the identification of compensating controls when the local government does not have sufficient staff to properly separate duties.

References

Florida Department of Financial Services – http://myfloridacfo.com/aadir/localgov/

GFOA Best Practices and Advisories – http://www.gfoa.org/

Revenue Collection Administration – A Guide for Smaller Governments. Allen, Ian J., GFOA (available for purchase from the GFOA at a minimal cost) - http://www.gfoa.org/revenue-collection-administration-guide-smaller-governments

Section 9 – Dates to Remember

Overview

Finance Officers of counties, including constitutional officers, municipalities, and special districts have statutory and program requirements to complete a wide variety of daily, monthly, quarterly, and annual procedures and reports.

There are a multitude of professional organizations to provide guidance along with the Florida State Statutes and Florida Administrative Codes. A list of references and contact information is provided at the end of this section.

A general outline of procedures and reports, first by process and then by chronological order, is provided.

There are many different areas that are the responsibility of the Finance Officer such as Payroll, Accounts Payable, Cash Management and Investments, Fixed Assets, Project Management, Budget and Truth-in-Millage (TRIM), Insurance and Benefits, Personnel, and Risk Management. In addition, some treasurers are also Town/City Clerks which add additional reporting requirements.

PAYROLL TABLE			
PROCESS:			
Frequency	**Description**	**Method of notification-Reporting/payments**	**Comments**
Weekly/ Biweekly	Federal Withholding\ FICA & Medicare	**EFTPS** (Electronic Federal Tax Payment System) Online or by Phone. (Check Circular E to determine deposit schedule – monthly, semi-weekly or annual.)	ONLINE – www.eftps.gov You need to register with your Employer Identification Number (EIN) and receive a PIN number. You need an Internet Password.
	Child Support Liens	Notice to Withhold Income for Child Support – Florida Department of Revenue 1-800-622-KIDS (5437) Miami-Dade County – 305.530.2600	Tel: 1.850.205.8227 web site: http://dor.myflorida.com/dor/childsupport/employer_services_pay.html
	401 / 175 / 185 Pension Contribution	Your Pension Plan Provider	Electronic payment or issue check when payroll is issued.
	Deferred Compensation	Your Plan Provider	Electronic payment or issue check when payroll is issued.
Monthly	State Pension Contribution	**Florida Retirement System (FRS)** Florida Department of Management Services – Division of Retirement – Bureau of Retirement Calculations PO Box 9000, Tallahassee, FL 32315-9000 Toll free: 844-377-1888 or locally at 850-907-6500 Employer Page at http://www.dms.myflorida.com/workforce_operations/retirement/employers	Follow these steps to log in: • Go to www.myflorida.com/dor • Click: File and Pay Taxes, Fees, other remittances; then Make a Payment; then Tax/Fee/Remittance Payment • At the secure login page, enter the same User ID and Passcode/Password you used to access the telephone payment initiation system. Once logged in, choose Make a Payment from the activity menu. • Follow the on-screen prompts and menus to choose remittance/tax type, remittance period end date,

			payment type, debit date, and provide all other payment information. You will be prompted to review and confirm your payment information entered before submission. • Note: Employer is also required to complete a Contributions Summary and upload monthly file.
	401 / 175 / 185 Pension Plans	Reconcile and balance the monthly statement received from the Plan Provider or Financial Trustee of the plan.	
	Checking Account Statement	Reconcile and balance your Payroll Account to your General Ledger	
Quarterly	941 Quarterly Report to the Internal Revenue Service	**IRS Form 941 –** Collect Earnings History Reports from your payroll system or your outside vendor for the quarter. Complete Form 941 along with Schedule B showing your tax liability by pay period and the total paid for the quarter. Tip: Each payroll, input all earnings, taxes, and deductions into a spreadsheet to verify accuracy of totals entered into 941s and SUI filings.	**Form 941 must be filed by the last day of the month that follows the end of the quarter.** Verify quarterly totals for the total wages, the taxable Social Security wages and the taxable Medicare wages paid. Compare the total taxes due to the actual amount paid and make any necessary adjustments. List the total deposits for this quarter, sign and date form. Consult Circular E for any questions. Forms can be found at www.irs.gov.

	401 /175/185 Pension Plans	401/175/185 – Reconcile and balance the Quarterly Statements provided by the Pension Plan Provider or reconcile all members' accounts and prepare the quarterly statements for each member.	Compare balance from quarterly statement to individual member accounts and identify any variance. Prepare Journal Entry to bring General Ledger into balance with the Quarterly Statement
	Unemployment Compensation	Florida Department of Revenue – From your internal payroll system or outside vendor get the quarterly FUTA Report that lists all employees and their wages for the Quarter, Year to Date, and previous quarter.	Go to www.myFlorida.com/dor Select. File and Pay Taxes & Fees then click on Unemployment. Select: File and Pay Tax Logon using your previously obtained User ID and PIN Number. Go to Current Quarter Filing. Enter the number of employees paid each month. Tab down to list of employees and enter quarterly wages from your report. SUBMIT REPORT ONLY
Annual	Close Payroll System for the Calendar Year – Reconcile and balance Year End Totals in System	Verify Gross Wages, Federal Wages, Federal Withholding, Social Security Wages and Medicare Wages with Quarterly 941 totals and the W-2 Totals	If outsourcing payroll, your vendor will close and update the necessary information.
	Print W-2's and Mail	Mail Copies B, C and 2 to employees by the end of January and/or make available online through your IT Department or outside vendor.	If outsourcing payroll, your vendor will provide you with your balanced W-2's and you can distribute or mail to your employees. Your payroll vendor will submit your W-2's electronically to the Social Security Administration.

	File W-2 Copy A with the Social Security Administration	Submit paper W-2's to the Social Security Administration usually by the end of February, with a transmittal Form W-3.	The Social Security Administration encourages employers to report Form W-3 and W-2 Copy A electronically and provides two options. For more information, go to www.socialsecurity.gov/employer. If filed electronically you have until the end of March to file your forms.
	Provide new W-4 Forms to all employees to update exemptions and deduction amounts for the new year.	www.irs.gov – New W-4 Forms are available on the IRS web site.	
	944 Annual Report to the Internal Revenue Service	**IRS Form 944** – Collect the Earnings History for the Calendar Year for all employees along with Federal Withholding, Social Security and Medicare liability for both employee and Town/City.	**Form 944 must be filed by the last day of January unless the last day is a Saturday or Sunday and then you can file the first business day in February.** Form 944 is designed for the smallest employers (those whose annual liability for Social Security, Medicare and withheld federal income taxes is $1,000 or less) will file and pay these taxes only once a year or if notified by the IRS to file Form 944.
Upon Hiring New Employee	**E-Verify**	**Form I-9-**Newly hired employees must complete Section 1 of Form I-9 on their first day of hire. Employers must complete Section 2 within 3 days of a new employee's hiring date.	E-Verify is a voluntary program for most employers, but mandatory for some, such as employers with federal contracts or subcontracts that contain the Federal

			Acquisition Regulation (FAR) E-Verify clause. E-Verify Manual: http://www.uscis.gov/sites/default/files/USCIS/Verification/E-Verify/E-Verify_Native_Documents/E-Verify%20Manuals%20and%20Guides/EVerify_User_Manual_Employer.pdf Tel: 888-464-4218

PAYABLES TABLE			
PROCESS:			
Frequency	**Description**	**Method of notification-Reporting/payment**	**Comments**
Weekly/ Bi-weekly	Invoices received by Departments	Packing slips and receiving slips are matched to pre-numbered and tracked Purchase Orders and approved for payment by the Department Head. The invoices are coded for account to charge and forwarded to Accounts Payable or Staff member who processes invoices for payment.	When the Department Head approves payment for an Invoice he/she should refer to the latest Revenue & Expenditure Report to verify that there are sufficient funds to cover the payment.
	Invoices reviewed for compliance with the current Purchasing Manual.	The purchases are reviewed for compliance with requirements of laws and regulations, the governing body, and funding sources.	Every entity has individual requirements covering required Purchase Orders, approval limits of staff and Department Heads, Committees and Agency Heads. Each entity sets the required limits for the method of purchase for any goods or services. The estimated dollar value of the purchase usually defines when you are required to obtain three competitive purchase proposals or competitive sealed bids.
	Invoices to be paid are entered in the Accounts Payable System	Invoices are batched and totaled for payment in the system. Each invoice receives a pre-numbered voucher for ease in tracking. No payments are issued from a monthly statement and all invoices are reviewed for duplication.	

	Prenumbered Vendor checks are printed or written and attached to supporting documentation. Checks are forwarded to Management for signature	Two signatures are recommended whether manual or through a signature plate. The Invoice with all supporting document should be reviewed by Management prior to signing.	Any discrepancies are investigated and addressed prior to the signing of any checks.
	Checks are separated and prepared for mailing with a copy of the invoice or payment stub included for reference.	An Accounts Payable file by Vendor should be setup at the beginning of the Fiscal Year and paid invoices with the pre-numbered voucher attached filed in alphabetical order by vendor.	
Monthly	Enter any recurring Journal Entries	Any Electronic Fund Transfers (EFT) that affects your Accounts payable checking account should be entered in the General Ledger.	If you're A/P Checking Account is also your General Fund main account, monthly interest needs to be credited to interest earned and the account along with electronic payments for pensions and Sales and Use Tax payments.
	Checking Account Statement	Reconcile and balance your Accounts Payable checking account to the General Ledger.	

Annual	After processing all vendor payments for calendar year run an Invoice Status Report and a Check Register Report along with the Aged Invoices Report.	Review all year end reports and check for any errors. Make any adjustments necessary to 1099 information and run a back-up of the system.	
	Close the Accounts Payable System	Closing the system shifts the vendor year to date total amounts from Current Year to Prior Year.	
	Print 1099 Forms or transmit file to the Internal Revenue Service. Mail statements to vendors.	Paper forms are mailed to the IRS with Form 1096 (Forms transmitted with a 1096 can be 1098, 5498 and W-2G). Forms must be filed within 60 days of the end of the calendar year. Tip: For any prospective vendors potentially requiring a 1099, obtain W-9 from the prospective vendor prior to creating a vendor record in the accounts payable system.	Paper forms are mailed to: Department of the Treasury, Internal Revenue Service Center, Austin, TX 73301. If you file 250 or more information returns of any one type, you must file electronically. (See IRS Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically.)

ANNUAL SCHEDULE		
January		
	Quarterly Reports Due	941 Report: Unemployment Report; Reconcile chs. 175 and 185, F.S., Pension Plans; Pay employer contribution amounts chs. 175 and 185 F.S.; Prepare and distribute pension members' quarterly statements; Reconcile 401aPension Plan; make any required quarterly adjustment to the General Ledger; File Radon Report and Building Training Fees; File for Fuel Tax reimbursement
	Monthly Procedures & Reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); Report and pay any County Impact Fees; Enter and post any recurring Journal Entries – Interest, etc.
	Calendar year-end closing for payroll.	Issue W-2's and 1099's to employees and vendors.
	Update Tax Tables in Payroll System prior to running first payroll of new year.	Enter manually from Publication 15 (Circular E) or download update from software provider.
	Provide inventory listing to all Department Heads to be reviewed and updated.	Add and/or delete all inventory items purchased or disposed of during the previous year.
	Review and update any forms utilized for new hires, general ledger entries, cash receipts, payroll, payables, debt payments and investment of surplus funds.	Forms should be updated and replaced in operation and procedure manuals.
	Review employer contribution rates for CH175 and CH185 Pension Plans based on actuarial letter or recalculation	Issue 1st Quarter Employer contribution to Pension Plan.

	based on actual prior year payroll numbers	
	Statement of County Funded Court-Related Functions	Report due within 4 months of the close of the fiscal year.
February		
	Monthly procedures and reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); report and pay any County Impact Fees; Enter and post any recurring Journal Entries – Interest, etc.
	File Annual Report to Division of Retirement for Plans with $250,000+ in assets	Report due February 1 (Chapter Plans) and March 15 (Local Law Plans)
	Begin preliminary Budget Process – Revenue analysis and current year expenditure rates.	Each agency has established procedures for the building of next years' budget. Management implements the process with directives to Divisions and Departments as to the proposed Budget requests.
March		
	Monthly procedures and reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); report and pay any County Impact Fees; Enter and post any recurring Journal Entries – Interest, etc.
	Make any necessary changes due to election of new commissioners, Councilors or Board Members	Information packets for newly elected officials; signature cards for bank if a signer on accounts. Cancel any benefits or credit cards for outgoing officials.
	Municipal Public Service Tax Data Base Report – due 120 days prior to tax levy change	Municipalities and Charter Counties.

	Comprehensive Annual Financial Report (CAFR)	Counties, Municipalities, Special Districts – due within 6 months of the end of the fiscal year. Submitted to the GFOA for consideration of receiving the Certificate of Achievement for Excellence in Financial Reporting.
	Preparation of the General Budget request package to all Division and Department Heads.	Depending on your jurisdictions procedures, the preparation of the next Fiscal Years' Budget is commenced with on-going revenue and expenditure analysis.
	Popular Annual Financial Report (PAFR) - elective	Counties, Municipalities, Special Districts – due within 6 months of the end of the fiscal year. Submitted to the GFOA for consideration of receiving the Popular Annual Financial Report Award
	Local Government Annual Financial Report	Annual financial report submitted to the Florida Department of Financial Services through the LOGER System.
April		
	Quarterly Reports Due	941 Report; Unemployment Report; Reconcile chs. 175 and 185, F.S., Pension Plans; Pay employer contribution amounts chs. 175 and 185, F.s.; Prepare and distribute Pension members' quarterly statements; Reconcile 401a Pension Plan; make any required Quarterly adjustment to the General Ledger; File Radon Report and Building Training Fees; File for Fuel Tax Reimbursement
	Monthly procedures & reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax. File and Pay State Pension Contribution (FRS); report and pay any County Impact Fees;

		Enter and post any recurring Journal Entries – Interest, etc.
	Annual Financial Report	For local governments not required to provide an audit report pursuant to s. 218.39(1), F.S.
	Annual Unclaimed Property Report	Any Agency or Public Authority holding intangible property for an owner that has not been claimed for more than 1 year after it became payable.
	Next Fiscal Year's Budget Preparation	Workshops are scheduled for review and discussion of the upcoming Budget. CPI analysis, Capital Improvement and revenue and expenditure projections.
May	Monthly procedures & reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS) Report and pay any County Impact Fees; Enter and post any recurring Journal Entries – Interest, etc.
	Receive Preliminary Tax Roll from the Property Appraiser (estimate of taxable value)	Estimate allows Municipality to better estimate their anticipated revenue and Maximum Allowable Millage Rate.
June		
	Monthly procedures & reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); report and pay any County Impact Fees, Enter and post any recurring Journal Entries - Interest, etc.
	Municipal Public Service Tax Data Base Report	Municipalities, Charter Counties – any change in tax levy must be reported 120 days prior.
	Revenue Sharing Application	Counties and Municipalities
	Certification of Taxable Value (DR-420) received from the Property Appraiser	Delivered to County, Municipalities, Special District (Dependent & Independent), Municipal Service Taxing Districts

	Verify Florida Retirement System Contribution Rates	Annual Change to contribute rate usually July 1
July		
	Quarterly Reports Due	941 Report; Unemployment Report, Reconcile chs.175 and 185 Pension Plans; Pay employer contribution amounts chs. 175 and 185 F.S.; Prepare and distribute Pension members' quarterly statements; Reconcile 401a Pension Plan; make any required Quarterly adjustment to the General Ledger; File Radon report and Building Training Fees; File for Fuel Tax Reimbursement
	Monthly procedures & reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); Report and pay any County Impact Fees; Enter and post any recurring Journal entries - Interest
	Financial Disclosure with Supervisor of Elections by July 1	Employees with purchasing authority over $20,000; chief administrative officer, finance director of a local government (there are many more - see s. 112.3145(1)(a), F.S.
	Taxing authorities notify the Property Appraiser of proposed millage rate, date/time/place of 1st public hearing on Budget (return DR-420)	Counties, Municipalities, Special Districts (Independent & Dependent), School Districts. Municipal Service Taxing Units. (within 35 days from July 1 or the date of certification)
August		
	Monthly procedures & reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); Report and pay any County Impact Fees; Enter and post any recurring Journal entries - Interest

	First Public Hearing on the Tentative Budget/Proposed Millage Rate	Within 80 days, but not earlier than 6 days, of Property Appraiser's certification of value of assessed property.
	Taxing Authority advertises intent to adopt a final budget and millage rate and final public hearing schedule	Ad to appear within 15 days of adoption of tentative budget.
	Final Public Hearing to adopt Millage Rate and Budget	Hearing scheduled between 2 & 5 days after ad appears.
	Forward Final Millage Rate Resolution/Ordinance to Property Appraiser, Tax Collector and Department of Revenue	Within three (3) days of Final Hearing.
	Before end of Fiscal Year pay any invoices due by October 1.	Prepare and post prepaid expenses.
September		
	Fiscal Year End – Close all accounting applications and prepare year-end closing entries to the General Ledger	Calculate and post all year-end entries – Accounts Payable; Accounts Receivable; Encumbered Funds; Accrued Payroll; Long Term Debt Payables; Fixed Assets Annual Entry; any adjustments or corrections to analyzed accounting data.
	Prepare Audit Schedules for Annual Audit	Schedules are provided by the Agency's independent Auditing Firm for testing and auditing of the agencies records.
	Enter new Fiscal Year Budget into your accounting system.	This may be done manually or automatically through your accounting software depending on your specific procedures.
	Annual Financial Report – and Audit Report due for local governments required to	Due no later than nine (9) months after the end of the fiscal year or 45 days after delivery of the local

	provide an audit pursuant to s. 218.39(1), F.S.	government's audit report to the governing body.
	Federal Single Audit Report included with Annual Audit	All non-Federal entities that expend $750,000+ of federal funds. (Grants).
	Florida Single Audit Report included with Annual Audit	All non-State entities that expend $750,000+ of State funds. (Grants).
	Independent Accountant's Examination Report	Requirements vary by type of governmental entity; See AG Rule 10.556(1) for local governments and 10.805(9) for district school boards.
October		
	Quarterly Reports Due	941 Report; Unemployment Report, Reconcile chs. 175 and 185, F.S., Pension Plans; Pay employer contribution amounts chs. 175 and 185, F.S.; Prepare and distribute Pension members' quarterly statements; Reconcile 401a Pension Plan; make any required Quarterly adjustment to the General Ledger; File Radon report and Building Training Fees; File for Fuel Tax Reimbursement
	Monthly procedures & reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); Report and pay any County Impact Fees; Enter and post any recurring Journal entries – Interest, etc.
	Property Appraiser provides DR-422 to Taxing Authorities	Complete and Certify Final Millage to Property Appraiser (DR-422) within three (3) days after receipt of Certification of Final Taxable Value.
	Submit Truth in Millage Compliance Package with Property Tax Oversight	Counties, Municipalities, Special Districts – within thirty (30) days of Final Hearing.

	Program, Florida Department of Revenue	
	Set-up all new Fiscal Year files that your office has established for control purposes.	Each entity is different but usually your system tracks cash receipts; accounts payable; payroll; insurances; tax payments; other deductions; investment; debt payments; leave and benefit records.
	Other IRS approval forms for Calendar year end.	Supplies for issuing W-2's and 1099's in January.
	Provide new salary schedule for all employees with Disability Insurance.	Insurance company adjusts the premium based on covered payroll amount.
	Annual Investment Training	8-hour Annual Investment Training – Counties, Municipalities, Special Districts and School Districts that have an investment policy.
November		
	Monthly procedures & reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); Report and pay any County Impact Fees; Enter and post any recurring Journal entries – Interest, etc.
	Make any necessary changes due to election of new commissioners, Consitutional Officers or Board Members	Information packets for newly elected officials; signature cards for bank if a signer on accounts. Cancel any benefits or credit cards or outgoing officials.
	Truth-in-Millage, Form DR-421	Special Districts that can levy taxes will not do so during the year.
	FDOT Annual Center Line Miles Report	Requested as of September 30th each year – data to be provided no later than February. Filed on Form TM over the internet.

	Public Depositor Annual Report and Identification & Acknowledgment Form to the Chief Financial Officer	Public Depositor – official custodian of funds for a governmental unit responsible for handling public deposits
	Authority to Amend Prior Year Budget Expires – 29th	Counties, Municipalities, Special Districts
December		
	Monthly procedures & reports	Prepare Monthly Financial Reports; File and pay monthly Sales and Use Tax; File and Pay State Pension Contribution (FRS); Report and pay any County Impact Fees; Enter and post any recurring Journal entries – Interest, etc.
	Budget Submission to GFOA for the Distinguished Budget Presentation Awards Program	Must be submitted within 90 days of the legally approved final operating budget or submission of the proposed operating budget to the governing body.

REFERENCES TABLE		
AGENCY	**REPORT OR ACTIVITY**	**CONTACT**
Government Finance Officers Association (GFOA)	International professional organization working in conjunction with the Florida Chapter to provide training and networking opportunities.	Government Finance Officers Association 203 North LaSalle Street, Suite 2700 Chicago, Il 60601-1210 Tel:312.977.9700 Web site www.gfoa.org
Florida Government Finance Officers Association	Professional resource providing opportunities through education, networking, leadership and information.	Jeannie Garner, Executive Director P.O. Box 10270 Tallahassee, FL 32302 E-mail: jgarner@flcities.com Tel: 850.701-3623 Web site: www.fgfoa.org
Office of Economic and Demographic Research	Provides informational data and statistics to support local government	Amy Baker, Coordinator 111 W. Madison St. Suite 574 Tallahassee, FL 32399-6588 E-mail: baker.amy@leg.state.fl.us Tel: 850.487.1402 Web site: http://edr.state.fl.us/Content/
Municipal Police & Fire Pension Trust Office, Division of Retirement	Pension Plans – Police or Fire	Sarah Carr, Administrator Florida Department of Management Services E-mail: sarah.carr@dms.myflorida.com Tel: 850.922-0667 Web site: http://www.dms.myflorida.com/workforce_operations/retirement/local_retirement_plans
Florida Retirement System (FRS)	Pension Plans – State, County, Elected Officials, Courts, Schools, Legislators	Florida Department of Management Services Division of Retirement PO Box 9000 Tallahassee, FL 32315-9000 Employer Assistance: 1-844-377-1888 Web site: http://www.dms.myflorida.com/workforce_operations/retirement Employer Assistance: 1-866-466-9377-2121 Web site: http://www.dms.myflorida.com/workforce_operations/retirement

Internal Revenue Service (IRS)	Reporting and payment of Federal Withholding, Social Security and Medicare payments through the Electronic Federal Tax Payment System (EFTPS)	Electronic Federal Tax Payment System (EFTPS) Web site: www.eftps.gov TEL: 1-800.555.3453
Internal Revenue Service (IRS)	Filing quarterly Form 941 or Annually for Form 944	Without payment: Department of Treasury Internal Revenue Service Cincinnati, OH 45999-005 With payment: Department of Treasury Internal Revenue Service P.O. Box 804522 Cincinnati, OH 45280-4522
Internal Revenue Service (IRS)	Mail copies of 1099's after Calendar Year close.	Department of Treasury Internal Revenue Service Center Austin, TX 73301
Child Support Payments	Notice to withhold comes from the Florida Department of Revenue and you must pay electronically to the Florida State Disbursement Unit (SDU).	Florida Department of Revenue Child Support Enforcement Program Mail Stop 1-1614A5050 West Tennessee Street Tallahassee, Florida 32399-0102 TEL: 1.800.622-5437 All counties except Miami-Dade County For Miami-Dade – Miami State Attorney's Office 305.530-2600. Web site: http://dor.myflorida.com/dor/eservices/filepay.html
Re-employment Compensation	File a quarterly report (RT-6) with the Department of Revenue and/or pay any amount invoiced by the DOR.	Online enrollment form to file and pay electronically Web site: http://dor.myflorida.com/dor/eservices/filepay.html
Social Security	Either file electronically or mail copies of W-2	Social Security Administration Wilkes-Barre Data Operations Center P.O. Box 1030

Administration	Copy A with a Form W-3 Transmittal of Wage and Tax Statements after calendar year close.	Wilkes-Barre, PA 18767-1030 Web site: www.socialsecurity.gov/employer
Municipal Public Service Tax Data Base	Report is due 120 days prior to tax levy change but changes are made during the year and the form can also be used to change contact names.	Reporting form can be found at – Websitehttp://dor.myflorida.com/dor/governments/mpst/
Truth in Millage (TRIM) Process	Every Municipality, County, Special Districts and Municipal Service Taxing Units follow the TRIM process to provide public input and to adhere to a standard for establishing a Budget and a Millage rate to support that Budget.	For questions about the TRIM process, contact: Property Tax Oversight Florida Department of Revenue Menee Rumlin-Bond TEL: 850.617.8919 Chito Landrito TEL: 850.617.8920 Wyatt Peters TEL: 850.617.8921 Dametria Hayward TEL: 850.617.8922 Shundra McClean TEL: 850.617.8923 http://dor.myflorida.com/dor/property/resources/data.html

Section 10 – Debt Management Policy

Overview

From capital projects to short-term financing needs, financial intermediaries and traditional lenders offer tax exempt and taxable, debt financing alternatives.

Comprehensive Strategic Financial Plan

To determine if debt financing can benefit a governmental unit, a debt management policy, as part of a comprehensive strategic financial plan, should be in place. The financial plan should contain guidance on strategies, objectives and requirements of debt issuance, in an effort to support the best allocation of the local government's financial resources. The debt management policy should provide local governments with a procedural framework to assess the costs and benefits of overall debt financing or potential fundings, in light of existing capital planning, budgetary, investment, and reporting policies.

Florida Statute Citations

The Internal Revenue Code, Florida Statutes, local charter and/or ordinances outline legal borrowing authority, restrictions and compliance requirements while the Florida Constitution and Statutes authorize the issuance of bonds by counties, municipalities and certain special districts.

- Section 125.013 – General Obligation; Revenue Bonds
- Chapters 130 & 132 – County Bonds & General Refunding Law
- Section 154.219 – Revenue Bonds
- Chapter 159 – Bond Financing
- Section 163.01(7) – Florida Interlocal Cooperation Act of 1969
- Chapter 166, Part II – Municipal Borrowing
- Chapter 189.051 – Bond Issuance (Special Districts)
- Chapter 215 – Financial Matters: General Provisions
- Chapter 218, Part III – Local Financial Management & Reporting

Types of Debt

A wide range of financing vehicles, with a variety of terms can meet most municipal needs, including:

"Bond anticipation notes" are notes issued by a governmental unit in anticipation of the issuance of general obligation or revenue bonds.

"Commercial Paper" is short-term debt (from one to 270 days) to finance capital projects. Commercial paper provides an alternative to the traditional fixed-rate debt for both short-term (interim) financing needs and possibly for diversification of the long-term debt portfolio.

"General obligation bonds" are obligations secured by the full faith and credit of a governmental unit payable from the proceeds of ad valorem taxes.

"Limited revenue bonds" are obligations issued by a governmental unit to pay the cost of improvements of a project or combination of projects payable from funds of a governmental unit, exclusive of ad valorem taxes, special assessments, or earnings from such projects.

"Revenue bonds" are obligations of a governmental unit issued to pay the cost of improvements of a self-liquidating project, or combination of projects payable from the earnings of such project and any other special funds authorized to be pledged as additional security.

"Special assessment bonds" are bonds that provides for capital improvements paid in whole or in part by levying and collecting special assessments on the abutting, adjoining, contiguous, or other specially benefited property.

Bond Pools

A bond pool offers governmental units an opportunity to joint venture with other entities to borrow funds for capital improvements, renovations, fixed asset additions or refinancing existing debt. Advantages of bond pools may include improved marketability and reduction in issuance costs through economies of scale. Bond pools may provide either long-term fixed-rate or variable rate debt products.

Bank Borrowings

Financial institutions offer short term financing needs for governmental units to alleviate temporary cash flow timing differences (e.g. bond, revenue, or tax anticipation notes). In addition, banks can provide long-term financing solutions for capital projects. Traditional revolving credit facilities and other financing vehicles, such as leasing arrangements, can also provide local governmental units an additional source of funds.

Selection of Bond Professionals

GFOA best practice recommends that issuers select financial advisors, underwriters, and bond counsel using a request for proposal (RFP) or request for qualification (RFQ) competitive process. Using a competitive process allows the issuer to compare the qualifications of proposers and to select the most qualified firm based on the scope of services and evaluation criteria outlined in the RFP or RFQ. A competitive process also provides objective assurance that the best services and interest rates are obtained at the lowest cost possible and demonstrates that marketing and procurement decisions are free of self-interest, personal, or political influences. Furthermore, a competitive process reduces the opportunity for fraud and abuse and is fair to competing finance professionals.

Independent Financial Advisor

In many cases, debt financing involves complex transactions requiring specific expertise not always available in local governments. The financial advisor may be chosen through a competitive RFP or RFQ process for a negotiated sale, or may be chosen based upon a public bid process through a competitive sale process. Depending on the funding purpose and level of debt required, it is recommended that an independent financial advisor be engaged to represent the governmental unit during the debt issuance process. This individual or firm would be responsible to the appropriate governmental decision makers and recommend the best method of sale and structure for the debt issue. Assistance with the selection of other financial professionals, for bond preparation, disclosure and compliance documentation necessary to consummate a transaction, could also be assembled by this individual or firm. In most cases, the financial advisor is paid from debt proceeds.

Underwriter

The underwriter purchases the bonds of the local government and markets, usually as a fee based on a percentage of the issue, the bonds to the ultimate bond purchasers. The underwriter may be chosen through a competitive RFP or RFQ process for a negotiated sale, or may be chosen based upon a public bid process through a competitive sale process. The underwriter is also compensated from the proceeds of the bond sale. Due to the inherent conflict of interest, GFOA recommends that issuers not use a broker/dealer or potential underwriter to assist in the method of sale selection unless that firm has agreed not to underwrite that transaction.

Bond Counsel

The bond counsel works on behalf of the bondholders (but is hired by the local government) to ensure compliance with federal laws and regulations related to the issuance of tax-exempt debt. The bond counsel prepares the legal documents related to the financing and oversees the closing process for the bonds. Additionally, the bond counsel may be chosen through a competitive RFP or RFQ process and, in most cases, is paid from the proceeds of the debt issuance.

Credit Rating and Credit Enhancements

Various independent bond rating agencies assess the credit quality of the borrowing entity and debt offerings. Superior ratings by these organizations command favorable borrowing rates, resulting in lower overall cost of funds. Many governmental units strive to maintain or improve their bond rating in order to maintain easy access to credit markets.

These and other variables affect the overall rate of interest paid by the governmental unit. The use of credit enhancements can also reduce overall borrowing costs and improve the quality of the debt issuance. Surety bonds or insurance (guaranteeing the repayment of the obligation) enhance the offering to potential investors by providing additional strength to the issue. The current availability of bond insurance is very limited and the future of such instruments is uncertain.

Policy Statements and Objectives

Many governmental units adopt additional financial parameters over and above those required by law. Such policy guidelines often reflect overall constituent and management philosophy regarding public finance. Debt policies often include (1) committing to complete and full public disclosure of all financing transactions, (2) mandating specific required uses to borrow funds, (3) restricting overall debt service as a percentage of available resources to annual debt requirements, (4) requiring interest rate analysis to be conducted for each issuance as well as at regular intervals, and 5) issuing debt for periods not to exceed the useful life or average useful lives of the project or projects to be financed with debt proceeds. These are just examples of policy statements reflecting prudent borrowing practices and sound financial management.

Refunding

Capital projects can be funded with bond proceeds with extended repayment terms. A governmental unit's debt management policy should address significant changes in the interest rate environment in order to consider potential savings of refinancing higher interest rate debt with proposed lower interest rate obligations. For such refundings to be considered, many governmental units establish a threshold percentage to compare the existing obligation's costs with the costs of the proposed debt refinancing in terms of the net present value of interest cost savings (expressed as a percentage savings of the refunded bonds).

Conclusion

The issuance of debt instruments by a governmental unit can provide significant benefits to the governmental unit, residents, and local businesses alike. To adequately assess, manage, and maintain such obligations, a debt management policy, as a component of a comprehensive strategic financial plan must be in place. Such a policy provides guidelines and procedures to determine whether debt financing would be a beneficial funding option. The ability to incur debt by a governmental entity provides added flexibility and responsiveness that is important in today's ever-changing financial landscape. Sound financial management practices, including continued review and monitoring of existing obligations, enables local governments to enhance the quality of life for its residents and local businesses.

Reporting Requirement

Section 218.38, F.S., requires local governments to furnish the Florida State Board of Administration's Division of Bond Finance a complete description of new general obligation and revenue bonds, including advance notice of the impending sale of any new issues, and a copy of the final official statement, within 120 days of delivery of the bonds.

References

Joseph, James C., Debt Issuance and Management: A Guide for Smaller Governments, Government Finance Officers Association, Chicago, IL 2005

Government Finance Officers Association, Recommended Practices: Governmental Debt Management – http://www.gfoa.org

Debt Affordability Report, State of Florida, Division of Bond Finance - http://www.sbafla.com/bondfinance/DBFNews/tabid/1040/Default.aspx

Section 11 – Emergency Management

Overview:

Each County in Florida is tasked with providing an Emergency Management Department and receives grant money from the U.S. Department of Homeland Security (DHS) annually to fund this. The EM Department is responsible for reducing loss of life and property and protecting the people during an emergency which could include severe weather, hazardous material incidents and homeland security issues. If you are in a Finance Department that is not County, (City, Special District, etc.) communication with the County is very important throughout each year to promote cooperation during a disaster.

EM provides many plans to prepare for and recover from disasters:

1. Comprehensive Emergency Management Plan (CEMP)
2. Continuity of Operations Plan (COOP)
3. Local Mitigation Strategy Plan (LMS)
4. Floodplain Management Plan
5. Post Disaster Redevelopment Plan (PDRP)

Each City within the County should have similar plans to help prepare their jurisdictions for disasters as well. All plans should be reviewed annually and updated as needed.

EM manages the Emergency Operations Center (EOC), with support from local, state and federal partners. The EOC is the central point where disaster recovery efforts are coordinated. Each government within a County should have a representative at the EOC during activation to help share available resources as needed for their specific jurisdiction in conjunction with the other governments. One or more Finance Department members are especially helpful. These should be identified in advance to allow preparation, planning and training.

In the event of a disaster, your government will be responsible for your jurisdiction's protection, recovery and mitigation as well as all of the Federal Emergency Management Agency (FEMA) required reporting to facilitate the reimbursement process. The Finance Department is often tasked with the reimbursement process. The resources below will be helpful in locating the required forms, information and documentation. If your government will be using its own employees and equipment, there should be policies and procedures in place before the disaster. Equipment rates should be updated well before a disaster is anticipated. These rates must be less than or equal to FEMA rates (see resources below) in order for the reimbursement requests to be approved and paid. Retention of the reimbursement related records should be retained longer current retention policy states as FEMA can take a few years to close out their projects.

Training and preparedness are imperative to ensure your government receives the maximum reimbursement allowed from FEMA. Stay abreast of new developments in the

EM community. If your government receives federal grants, there are training requirements for ALL employees.

Mutual Aid (define, process, record keeping?)

Resources:

Federal Emergency Management Agency (FEMA) is a good resource for answers to many questions by using the search function www.fema.gov

FEMA provides equipment costs that are required for any disaster reimbursement for applicant-owned equipment. These costs may be used by your government in general practice, or just in an event.
https://www.fema.gov/schedule-equipment-rates

Florida has a website that is used for FEMA reimbursement reporting http://floridapa.org/

There are helpful guides, too http://floridapa.org/site/guidelines.cfm

The State of Florida has a public website http://www.floridadisaster.org/DEMpublic.asp

1. Lists information needed by the public in case of a disaster including shelters, evacuation zones and routes.
2. Answers many questions regarding disaster preparedness for your family, business, schools, pets and special needs.
3. Tracks training classes for easy sign up and tracking.
   http://trac.floridadisaster.org/trac/trainingcalendar.aspx
4. If you have never used this website, slides are provided for your use:
   http://trac.floridadisaster.org/trac/sert_trac_orientation.pdf

Section 12 – Human Resources

Overview

The Human Resources function often includes a variety of activities, such as recruiting and training of employees, maintaining current job descriptions on all positions, maintaining employee manuals, maintaining employee personnel files, and ensuring compliance with established policies and procedures as well as federal and state regulations. Each of these activities is discussed below.

Recruitment and Training of Employees

This includes the advertisement of open positions; review of applications received to determine whether applicants meet minimum qualifications; verification of applicants' education, experience, or certifications; and training of new employees regarding the entity's policies and procedures. Other responsibilities assigned to Human Resources may include routine training of employees and maintaining records for continuing education for employees with professional certifications.

Job Descriptions

To ensure that qualified employees are hired and that employees understand the responsibilities of their positions, job descriptions should be established for each position in the entity. Job descriptions should describe the responsibilities assigned to the position as well as the minimum qualifications, such as education, experience, or certification requirements. To assist with compliance with the Americans with Disabilities Act, job descriptions should also include information on the working conditions of the position (environmental and physical demands) such as physical and dexterity requirements, environmental hazards and sensory requirements.

Employee Manual

It is vital that the governing body establish personnel policies and procedures. Such policies and procedures should be codified into an employee manual and describe the entity's policies regarding hours of work, annual and sick leave, performance evaluations, promotion procedures, classification and pay schedules, and unacceptable activities. Each employee must be provided a copy, or access to a copy, of the entity's employee manual. The entity should maintain documentation evidencing that its policies were communicated to employees, and such documentation may be needed in case of litigation concerning the reprimand or dismissal of an employee.

Employee Files

Employee files should document all activities related to employees, including, but not limited to, the following:

- Employee application
- Documentation of verification of education, experience, and certifications
- Results of any background checks
- Date of hire, including classification and starting pay
- Direct deposit authorization, if applicable
- Optional benefits authorized by the employee
- Performance evaluations
- Salary changes, promotions, demotions, commendations, and reprimands, if any
- Termination documentation (e.g., letter of resignation, exit interviews)

Entity Policies and Procedures

Human Resources should ensure that established policies and procedures are followed for certain personnel actions, such as verification of qualifications of new hires and employees recommended for promotions, frequency of performance evaluations, training, and exit interviews for terminating employees.

Federal and State Regulations

There are many federal and state regulations that apply to employees, including minimum wage requirements, overtime issues, discriminatory laws, workplace safety, family and medical leave, and accommodations for persons with disabilities. It is advisable to consult with the entity's legal counsel to ensure compliance with applicable regulations.

References

Internal Revenue Service – https://www.irs.gov/pub/irs-pdf/p15.pdf

U.S. Department of Labor – http://www.dol.gov/

U.S. Equal Employment Opportunity Commission – http://www.eeoc.gov/

Florida Commission on Human Relations – http://fchr.state.fl.us/

Part I, Chapter 2, Florida Civil Rights Act.

Section 112.313, F.S. – Standards of conduct for public officers, employees of agencies, and local government attorneys

Section 13 – Intergovernmental Relationships

Overview

The establishment of effective lines of communication among governmental entities is essential to assuring that governments provide the appropriate level and quality of services in an economical manner. Such communication with the Federal government, State government entities, and other local governments can assist a local government in the identification of services to be provided to citizens, the enhancement of revenues, the effective and efficient delivery of services, and the conduct of operations in the manner specified by law and regulations.

Effective relationships between a city and the county in which it is located are necessary to assure that the citizens living in the city are provided the appropriate services in the most economic manner possible. This requires cooperation between the city and county as to which entity will provide which services and should be accomplished with input from the affected citizens to the extent possible.

It is particularly essential for the local government to have open and effective lines of communication with the State and Federal governments. Both levels of government are instrumental in the funding of the operations of a local government and both directly impact local government operations through the promulgation of laws and regulations that both empower the local governments and restrict the manner in which they conduct operations. The local governments can impact both of those functions by effectively communicating their needs and opinions. This is especially true at the State level where local governments have a greater ability to impact the promulgation of laws and regulations. It is essential that local governments open two-way lines of communication with legislators and their staff to assure a voice in deliberations that result in the enactment of laws affecting the local governments. Similarly, the establishment of working relationships with key personnel in the various State agencies provides a voice in the promulgation of rules that govern the operations of local governments.

One effective way to affect State laws and rules is to work together with other local governments that are subject to those same laws and regulation. The various types of local governments in Florida have formed organizations that provide a framework for communicating and working together to achieve common goals. A listing of such organizations is included in the reference section of this chapter.

Relationships with Other Local Governments

The responsibility for providing government services to citizens in any given geographical area is shared locally by counties, cities, and special districts. Local governments are empowered to impose taxes and fees on the public to provide funding for those services. Citizens subject to governance by local governments with overlapping jurisdictions are best served when those local governments work effectively together to provide needed services in an economic manner.

The Florida Interlocal Cooperation Act of 1969 (s. 163.01, F.S.) allows local governments to cooperate with each other to more efficiently utilize their resources by entering into interlocal agreements. In some instances, the interlocal agreement creates a separate legal entity to administer a function or program, specifying the extent and nature of the respective parties' participation with respect to the funding, and operations of the entity.

Relationships with State Government

There are several State agencies that interact with local governments in a meaningful way, typically by the exercise of rule-making authority often associated with the provision of State funding to local governments. State and local funding of local government operations is generally provided through various state revenue sharing programs or grants; however, virtually all funding from both State and local sources is authorized by State law and the use of such funds is typically constrained by such laws or rules promulgated by State agencies assigned to administer them. Certain State agencies also serve as a source of information that is useful to the financial management of local governments. While it is not feasible to list all of these interactions in this publication, it is useful to mention, by way of example, some of the more significant areas in which State agencies impact local government financial operations.

Department of Revenue (DOR) – responsible for the administration and/or distribution of various taxes and fees for local governments, including administration of property taxes, a primary source of local government funding.

Department of Financial Services (DFS) – responsible for providing a variety of financial services for the State of Florida and its citizens. Of special importance to local governments is DFS's Division of Accounting and Auditing. The Division is responsible for providing a Uniform Chart of Accounts required to be used by local governments for the preparation of their Annual Financial Reports (AFRs). The AFRs are required to be filed with DFS utilizing the Division's LOGER web-based filing system. The Division maintains a database of local government financial information derived from the AFRs. Other local government responsibilities include the promulgation of rules for tangible personal property accountability by counties and special taxing districts and the review and audit of financial information from Clerks of the Circuit Courts related to the funding of court operations.

Department of Economic Opportunity (DEO) – responsible for working with local governments to manage growth within the State, including review of required comprehensive plans and amendments. The DEO administers the Special District Accountability Program, which provides technical assistance regarding special districts and maintains the Official List of Special Districts, which provides information essential to the proper reporting of special district component units of counties and cities. The DEO also publishes the *Florida Special District Handbook Online*, which provides valuable information about special districts.

Auditor General – responsible primarily for conducting audits of State agencies, state universities, community colleges, school boards, and, at the direction of the

Legislative Auditing Committee, local governments. Additionally, the Auditor General promulgates rules for the audits of local governments by independent certified public accounting firms, reviews those audit reports, and reports on the results of that review, and provides various notifications relating to those audit reports. The Auditor General has established a system for monitoring the financial condition of local governments and makes the information derived from that system available to the local governments, their auditors, and others for further evaluation of financial condition of the local governments. The Auditor General also serves as a resource for local governments and their auditors who have questions relating to financial reporting and compliance issues.

Relationships with Federal Government

With respect to local governments, the Federal government serves as both a source of laws and regulations that govern many aspects of their operations and a source of funding for local governments. Regulatory aspects are discussed in the pertinent sections of this Manual. It is not practical to describe herein the numerous categories of funds made available to local governments; however, that information is readily available from the web site: www.grants.gov.

References

Department of Economic Opportunity – Special District Accountability Program - http://floridajobs.org/community-planning-and-development/special-districts/special-district-accountability-program/

Florida Special District Handbook (DEO) - http://floridajobs.org/community-planning-and-development/special-districts/special-district-accountability-program/florida-special-district-handbook-online

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

Florida Department of Revenue – http://www.myflorida.com/dor/

Auditor General – Local Government – http://www.myflorida.com/audgen/pages/localgovt.htm

Florida Government Finance Officers Association – http://www.fgfoa.org

Florida League of Cities – http://www.floridaleagueofcities.com

Florida Association of Counties – http://www.fl-counties.com

Florida Association of Court Clerks and Comptrollers – http://www.flclerks.com

Florida Association of Special Districts – http://www.fasd.com

Florida Clerks of Court Operations Corporation – http://www.flccoc.org

Section 14 – Payroll

Overview

Processing payroll is an important function in any governmental organization. Payroll processing consists of: (1) calculating the earnings of employees and the related withholding for taxes and other deductions, (2) calculating employer contributions for taxes, pensions, and other benefits, (3) recording the results of payroll activities, and, (4) preparing required tax returns and other forms.

The payroll department should review contracts or other agreements between the entity and the individual to determine if the arrangement qualifies under Internal Revenue Service guidelines as an independent contractor or is an employer-employee relationship (see http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Independent-Contractor-Self-Employed-or-Employee). Employment taxes must be paid on employee wages whereas no employment taxes are payable on payments to vendors/independent contractors.

The Internal Revenue Service publishes an Employer's Tax Guide (Publication 15) that, among other things, describes the various employment taxes, due dates, and information on whether fringe benefits are taxable or not. (See http://www.irs.gov/publications/p15/index.html).

The Process

In general, the payroll process is as follows:

- Payrolls are typically processed on a weekly, biweekly, semi-monthly, or monthly basis.
- Each pay period, the payroll department determines the hours worked by employees, including any changes to payroll, such as deductions, pay increases, new hires, and terminations.
- A calculation of gross wages or salaries, federal and state taxes, and pension contributions, as well as other types of deductions (e.g., insurance premiums, garnishments, union dues, etc.), is then performed.
- After verification, audit, and payroll posting to each departmental cost center, checks are issued and/or direct deposits are transmitted to authorized depositories (where net pay is directly deposited in employee bank accounts). Employees receive a pay voucher showing gross earnings, withholdings, and net pay.

Payroll journal entries detail the check number issued and the employee's wages, taxes, deductions, and net pay. The payroll journal also provides totals of wages, taxes, deductions, and net pay, as well as the employer's liabilities, such as FICA (Social Security and Medicare), Federal Unemployment Tax, and State Unemployment Tax.

Reporting and depositing payroll taxes to the appropriate agency in an accurate and timely manner is important as late or inaccurate deposits may result in penalties and interest charges. Additionally, timely remittance of amounts to providers of benefits such as health insurance is important to ensure continued coverage. One report that can provide assistance in the timely remittance of payroll taxes with the appropriate agencies is a Payroll Tax Summary that details by pay period, all wages, employee taxes, employer liabilities, and deposits. The Payroll Tax Summary is a cumulative report providing quarter-to-date and year-to-date balances and should be generated each time a payroll is processed.

Following is a sample of payroll-related reports:

Payroll Reports:	
Each Payroll	Each Quarter
• Employee Earnings Statements • Departmental Cost Summary • Payroll Checks • Payroll Journal • Payroll Tax Summary	• 940 Federal Unemployment Deposit • 941 Federal Tax Return • State Unemployment Tax Return
Each Month	Each Year
• Month-End Departmental Summary • Payroll Tax Summary	• Federal Unemployment Tax • Federal Withholding Recap 940 • W-2's for all Employees

The payroll department should ensure that vacation, sick, compensatory, and other leave balances are properly recorded and reconciled on a periodic basis. Leave balance reports can also be used to calculate amounts due employees for accumulated leave upon termination and to calculate compensated absences balances reported on the local government's annual financial statements.

<u>Helpful Hints</u>

- There should be a clear separation of duties between: (a) persons involved in preparing payrolls, (b) timekeepers, and (c) persons distributing pay to employees.
- Action should not be performed for the following without written approval from the appropriate authority:
    - Adding or deleting employees from the payroll

    - Changes to the rate of pay
    - Changes to payroll deductions
- Direct deposits for salaries should only be made pursuant to written authorizations from the employee and depository.
- Payrolls should be rechecked as part of routine payroll preparation.
- Payrolls should be subject to final approval by responsible person(s) outside the payroll department.
- Duties of payroll employees should be periodically rotated and payroll employees should be required to take leave.
- Custody of unclaimed payroll checks should be vested in someone other than person(s) who prepare payrolls or distribute payroll checks.
- Sufficient control should be maintained over blank payroll checks.
- Payroll revolving funds should be reconciled by someone other than the person(s) who prepare payrolls or distribute payroll checks. Additionally, reconciliation procedures should include verifying names on payroll checks to payroll records and examining some of the endorsements on payroll checks.
- Procedures should be in place to ensure compliance with:
    - Union agreements regarding wage rates, vacation pay, and similar items
    - Federal and state regulations regarding wage and employment taxes (e.g., Social Security, Medicare, unemployment taxes, withholding taxes)
    - Governing body policies on pay (classification and pay plan), leave, and benefits

References

Internal Revenue Service, Federal Employment Taxes –
http://www.irs.gov/businesses/small/article/0,,id=172179,00.html

Internal Revenue Service – Florida State and Local Government Specialists:

- Michael Moore – (561) 616-2029
- Fernando (Fred) Echevarria – (954) 423-7406 – fernando.echevarria@irs.gov

Florida Reemployment Taxes –
http://dor.myflorida.com/dor/taxes/unemploy_comp_law.html

Section 15 – Public Records/Sunshine Law (Open Government)

Overview

The State of Florida has established by law some of the most comprehensive open government laws in the country, laws that can impact virtually every aspect of local government operations. The open government laws include the Public Records Law (ch. 119, F.S.) and the "Sunshine Law" (See s. 286.011, F.S.). These laws are generally intended to provide public access to government records and meetings.

The Florida Department of Legal Affairs (DLA), headed by the Attorney General, is responsible for administration of the open government laws and publishes the *Government-in-the-Sunshine Manual* to assist local governments and others in implementing these laws. An electronic edition of the Manual is available on the Attorney General's website, http://www.myflsunshine.com/sun.nsf/sunmanual. The Attorney General's Office provides training resources on the website to assist local governments in resolving issues related to public records (including exemptions and redactions thereto), fees and costs that may be charged for providing public records, and public meeting requirements – http://myfloridalegal.com/pages.nsf/Main/A142321A365C83168525791B006A54E5 The web site also includes a searchable database of Attorney Generals' opinions – http://myfloridalegal.com/ago.nsf/ Opinions.

Public Records Law

Chapter 119, F.S., provides that as a matter of state policy, "…. all state, county, and municipal records are open for personal inspection and copying by any person. Providing access to public records is a duty of each agency." Public records are defined to include "all documents, papers, letters, maps, books, tapes, photographs, films, sound recordings, data processing software, or other material, regardless of the physical form, characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of official business by any agency." The Division of Library and Information Services within the Florida Department of State (DOS) is responsible for adopting rules to establish retention schedules and a disposal process for public records. With regard to the provision of access to such records, ch. 119, F.S., includes requirements related to:

- Maintenance, preservation, and retention of public records.
- Fees for inspection and copying of public records.
- Exemptions from inspection or copying of public records.

These requirements have given rise to numerous questions regarding their application to specific circumstances, many of which have been resolved either through an opinion rendered by the Attorney General or by a court of law. Such resolutions have been summarized by the Attorney General in the *Government-in-the-Sunshine Manual*. Topics covered in the *Manual* include:

What kinds of records are subject to the Public Records Law?

To what extent can an agency regulate inspection and copying of public records?

What are the statutory exemptions?

What fees may be imposed for inspection and copying of public records?

What are the requirements for maintenance and disposal of public records?

Sunshine Law

At the local government level, the Sunshine Law is intended to provide open access to government meetings. The basic requirements of the Sunshine Law are as follows:

- Meetings of public boards or commissions must be open to the public

- Reasonable notice of such meetings must be afforded the public

- Minutes of the meeting must be taken

As with the Public Records Law, the resolution of numerous questions regarding the application of Sunshine Law requirements to specific circumstances have been summarized by the Attorney General in the *Government-in the Sunshine Manual*. Topics covered in the *Manual* include:

Which agencies are subject to the Sunshine Law?

What meetings are subject to the Sunshine Law?

Does the Sunshine Law apply to telephone, electronic, or written communication between Board members?

What types of discussions are subject to the Sunshine Law?

To what other activities does the Sunshine Law apply?

What are the meeting notice and procedural requirements?

What are the exceptions?

What are the consequences for failure to comply with the requirements?

Government officials should also be aware that there may be other requirements in State law, local ordinance, or policy that are supplemental to the Sunshine Law, particularly with regard to notice and minutes requirements.

Issue Resolution

In the event that a local government is faced with a Public Records Law or Sunshine Law issue, the appropriate government officials should:

- Review the requirements of the Public Records or Sunshine Law and any other applicable statutory provisions
- Review any applicable local ordinances or policies
- Consult the Attorney General's Manual
- Seek the advice of legal counsel
- If still unresolved, request an opinion from the Attorney General

References

Chapter 119, F.S.; Public Records

Section 125.001, F.S.; Board meetings; notice

Section 125.17, F.S.; Clerk

Section 125.66, F.S.; Ordinances; enactment procedure

Section 166.041, F.S.; Procedures for adoption of ordinances and resolutions

Section 286.011, F.S.; Public meetings and records; public inspection; criminal and civil penalties

Government-in-the-Sunshine Manual – Florida Office of the Attorney General – (http://www.myflsunshine.com/sun.nsf/sunmanual)

Information relating to archives and records management, including retention requirements – http://dos.myflorida.com/library-archives/records-management/general-records-schedules/

Section 16 – Purchasing

Overview

The purchasing function in larger governments is often handled by a central department. Some local governments do not have the resources necessary to fully centralize purchasing therefore it is essential to have proper policies and procedures in place to ensure that purchases are made in the most efficient and economical way possible.

Policy

A government should have a policy regarding purchasing that assigns authority, establishes thresholds, and promotes full and open competition. Such a policy should describe the duties that the department/local government purchasing agent is responsible for, and also develop specific procedures in order to complete those tasks associated with purchasing.

Full and open competition is important because it helps obtain the best value for the taxpayer and prevents corruption in the process. The procedure to ensure full and open competition is the competitive bid process. This process should be specific when outlining the selection criteria however, this process does not necessarily mean that the lowest bidder will always be chosen.

Purchasing Cards

Many governments have implemented a purchasing card program in order to provide an efficient, cost-effective method of purchasing and paying for small-dollar as well as high-volume purchases. This reduces the work load within the finance department due to less purchase orders being issued, as well as a reduction in invoices to be processed for payment.

There are many advantages to the local government implementing a purchasing card program such as:

- Simplified purchasing and payments
- Lower overall transaction processing cost per purchase
- Reduced paperwork
- Increased management information on purchasing histories
- The ability to set control purchasing dollar limits
- Receipt of rebates from the bank based on dollar volume of total purchases
- Better pricing
- Lower risk of non-payment
- Expediting payment of travel expenses

While there are many advantages, the local government should be mindful of the disadvantages as well which include possible duplicate payments to vendors, abuse of the purchasing card even though internal controls are in place, and also the public's perception of issuing the cards to employees.

The GFOA's recommendation for the implementation of such a program is:

- Competitive bid process should be used to select a purchasing card provider
- Consideration should be given to vendors who can provide automated approval and reconciliation software
- Program should be designed to be simple and easy to use
- Controls need to be maintained and should include:
    - Written agreements with banks
    - Written policies and procedures for the staff
    - Systems to ensure compliance with IRS 1099 reporting regulations.

The above controls should be in compliance with the government's current purchasing policies and procedures.

Prompt Payment

Sections 218.70 through 218.80, F.S. outlines the Local Government Prompt Payment Act, which stipulates that all payments for non-construction and construction services must be made in a timely manner, or when payment is due.

Internal Controls

Internal controls over purchases should be designed to ensure compliance with formal or informal competitive purchasing requirements; purchase order approval; recording/eliminating encumbrances; recording purchases in the correct time period with sufficient documentation; and when grant funds are used, documenting it as a proper expenditure. There are potential weaknesses associated with each of the above, and compensating controls should be implemented to address those weaknesses.

The GFOA has published *Evaluating Internal Controls: A Local Government Manager's Guide*. The appendix has a comprehensive outline of objectives, potential weaknesses, compensating controls and other procedures to ensure compliance.

References

Financial Policies: Design and Implementation. Kavanagh, Shayne and Williams, Wright Anderson GFOA (available for purchase from the GFOA at a minimal cost).

GFOA Best Practice - Purchasing Card Programs - http://www.gfoa.org/search/node/purchasing%20card

Evaluating Internal Controls: A Local Government Manager's Guide. Gauthier, S. Available for purchase from http://www.gfoa.org/evaluating-internal-controls-local-government-managers-guide-0

Section 17 – Reporting Requirements

Overview

The Joint Legislative Auditing Committee (JLAC) has prepared a comprehensive listing of recurring reporting requirements for local governments in the State. Most of these requirements are financial in nature and thus typically fall into the responsible hands of the government finance officer. EDR staff has compiled the linked calendar related to Local Government Financial Reporting Requirements, Local Government Truth-In-Millage (TRIM) Compliance Requirements, and Local Government Retirement Plans Reporting Requirements.

In addition, the Special District Accountability Program publishes Reporting Requirements by Due Date for special districts and is available from http://www.floridajobs.org/community-planning-and-development/special-districts/special-district-accountability-program/florida-special-district-handbook-online/reporting-requirements-by-due-date.

EDR Reporting Calendar

The calendar presents a compilation of statutorily-mandated reporting requirements made of all local governments. For each reporting requirement, the following is listed:

1. due date (if specified);
2. title of the required report;
3. statutory or Administrative Rule authority; and,
4. current contact person in state government to whom the report is submitted.

The calendar lists reporting requirements that may apply to all or one type of local government (counties, municipalities, special districts - independent or dependent, school districts) on various topics. This calendar lists information concerning statutorily-mandated reporting requirements due throughout the year.

Because local government budgeting can be a critical and complex process, Truth-in-Millage (TRIM) compliance requirements are highlighted in gray and comprise reporting requirements associated with local government budgeting and TRIM Compliance. Local government retirement plans reporting requirements are highlighted in yellow and include statutorily mandated requirements applicable to local governments with retirement and or pension plans.

If you have any questions about reporting requirements or action taken against noncompliant entities, contact the Joint Legislative Auditing Committee (JLAC) at jlac@leg.state.fl.us (850) 487-4110.

Section 18 – Retirement Plans

Overview

Retirement plan benefits are deferred compensation for services and form an important component of recruiting and retention within a compensation and benefits policy. Furthermore, they are significant financial commitments requiring the serious attention of government employers' financial staff.

Types of Plans

Public sector employers offer several retirement options for their employees. Retirement plans fall into three general categories: defined benefit plans, defined contribution plans and hybrid plans. The defined benefit plan retirement option historically has been the primary retirement plan offered to employees. In an effort to control costs some government agencies now offering a defined contribution plan as an alternative to the defined benefit plan. Other governmental entities have adopted a hybrid plan which combines the features from a defined benefit plan with a defined contribution.

Many public sector employers have implemented deferred retirement option plans as a feature in their defined benefit plans to achieve a variety of financial and human resource management objectives.

Defined Benefit Plan

A defined benefit (DB) plan provides employees with a predictable retirement benefit for life. DB plans are based upon an established formula and defined by a legal plan document. DB plans promise a monthly pension for life (with survivorship options). The amount of the monthly pension is determined by a formula, multiplying a benefit accrual rate (as a percentage) times a final average monthly pay times years of service with the government. The monthly pension usually begins after leaving employment and upon satisfying certain age and service eligibility conditions. DB pensions usually provide disability pensions and death benefits to surviving beneficiaries as well.

A DB pension fund is professionally managed and builds up over time to systematically and actuarially finance the benefits promised. A reasonable goal is to work toward maintaining a 100% funded status; that is, a pension fund with assets equal to the liability attributed to past years of service. Typically, employees in a DB plan pay a fixed rate of payroll contributions into the pension fund to help finance their future monthly pension benefits. However, the employer is responsible for contributing the balance of what is actuarially required each year.

Under conventional DB plans, the employer bears all the risks of a given plan, including investment and longevity risks. Since the employer pays the balance of the actuarially determined contributions, any shortfalls in investments and any other adverse actuarial experience must be made up by the employer over time. Conversely, if the plan's actuarial experience is better than expected, the employer reaps the reward of lower contribution requirements. The employer's contribution rates will fluctuate based upon the actuarial experience of the plan and if there are changes to the benefits offered under the plan.

For every year of employment, the employee earns a right to a guaranteed benefit in accordance with the formula. The ultimate monthly benefit to the employee is reasonably predictable, based on the formula, and is payable for life.

Defined Contribution Plan

Defined contribution plans are the opposite of defined benefits plans in several ways. Contributions to defined contribution (DC) plans may be made by the employee and/or the employer. The employer contributions are fixed and defined by the contribution formula, while the employee/retiree bears all the investment risks. Account balances are maintained in the name of each employee, with the ultimate benefit being unpredictable because it depends on the performance of the account's investment. DC plans provide funds for retirement based solely on the contributions made to the plan and the gains and losses on the assets available in an employee's individual account. Typically, the employee decides what investments are appropriate from a predetermined list, and all investment-related risk is borne by the employee.

The account balance is paid out to the employee according to the options outlined in the plan documents. This may include a lump sum payment upon termination or retirement, which would allow for the purchase of an annuity, or withdrawls may be made over the lifetime of the employee that are in compliance with required minimum distribution rules promulgated by the Internal Revenue Service. DC plans can be offered as the primary retirement plan or as a supplemental retirement plan to a DB plan, or they can be part of a Hybrid DB-DC pension plan.

Hybrid Plans

Other plan designs incorporate features of both DB and DC plans. Hybrid plans can be offered as a primary, optional or supplemental plan. There are a growing number of hybrid plans that express future retirement benefits as account balances. The key difference between defined contribution plans and hybrid plans is that defined contribution plans establish an actual funded account for each participant, which contains employer and employee contributions and investment gains and losses, while hybrid plans establish "accounting" or notational accounts for each participant. The participant's balance in a hybrid plan continues to grow throughout employment, and the benefit is defined by the current value of the account.

- **Cash Balance Plans** – Cash balance plans maintain notional account balances in the name of each employee, crediting their accounts with pay credits and interest credits, and pay lump sums upon termination or retirement like DC plans. However, the interest credits come from a professionally managed pooled fund. The ultimate benefit to the employee may or may not be predictable depending on the interest crediting method; and the employer contributions are not predictable either. The employer bears much or all the investment risk and reward.

The employer sets aside a percentage of an employee's salary each period, and the balance set aside earns interest at a set rate. In other words, the employer promises to make a contribution to an account, usually with a specified percentage of pay (also referred to as a credit to the employee's account), and to credit the account with interest, usually a specified rate of return or a rate based on the yield of a particular benchmark. The employer invests the funds, retaining all investment income and bearing all the risks. The plans generally provide participants the option of receiving their vested account balances as an annuity or as a lump sum.

- **Pension Equity Plans** – In a pension equity plan, the balance in the employee's account equals a given percentage of the employees' final average salary for each year of service. Some plans increase the percentage with additional years of service. Pension equity plans have various flexible features, which should be analyzed before a plan is selected. The plans generally provide participants the option of receiving their vested account balances as an annuity or as a lump sum.

Plans with Hybrid Features

- **Defined Benefit Plans (DB) with Defined Contribution (DC) features –** Public sector plans have options under section 401(a) of the Internal Revenue Code (IRC) to add a defined contribution feature to a defined benefit plan. There are several variations of DB plans with defined contribution features. Some of these are referred to as blended plans or combination plans. Another common approach is to simply offer a defined benefit plan and a separate voluntary defined contribution plan such as a 457, 403(b) or 401(k) plan.

- **Defined Contribution Plan (DC) with Defined Benefit (DB) features –** Defined contribution plans may seek ways to allow members to manage the risk of outliving their money. This could include the purchase of an annuity contract, or allowing a transfer out of the DC plan into an appropriate DB plan where the employee can annuitize this transferring DC balance.

Deferred Retirement Option Plans (DROP)

Although DROP plan features can vary significantly, the plans usually result in a lump sum payout that supplements an employee's pension. DROP plans allow employees who would otherwise retire in a defined benefit plan to continue working. However, rather than continuing to accrue credit for service and compensation, the monthly pension payment is credited to a separate account under the government's retirement plan. The account increases in value from the monthly payments which may include an agreed-upon interest amount, or may increase or decrease in accordance with the investment return of the account, until the end of the DROP period.

A significant concern about the use of DROP plans is that costs have been substantially higher than anticipated in some jurisdictions. In these cases, unexpected cost increases have been attributed to factors such as unfavorable plan design and guaranteeing an interest rate that exceeds the actual faulty investment return of the plan assumptions.

Essential Elements of a Retirement Plan

1. Defines employee groups that are eligible to participate in the retirement plan.

2. Indicates vesting requirements for members of the plan.

3. Defines benefits provided by the plan, including the components of the formula to determine those benefits (e.g., benefit accrual rate in percentage, years of service, and final average compensation).

4. Defines other benefit options, such as early and disability retirement, joint and survivor options, and lump sum withdrawals.

5. Defines eligible service, including an employee's ability to purchase past service, such as prior military or other government service.

Essential Elements of a Plan Design

1. Determine the adequacy of the retirement plan in meeting the needs of employees.

2. Conduct a full actuarial analysis based on workforce demographics and the desired level of replacement income to determine the related cost of providing the benefit.

3. Provide a tax deferral to the employee through the use of Mandatory employee contributions (employer pick-ups).

4. Design a plan that is financially sustainable for the employer.

Financial Statement Accounting and Footnotes

Government entities that offer a defined benefit plan for their employees are required to have an actuary perform a valuation of the plan annually or at least every three years to determine the condition and funding requirements of the plan, which will determine the amount of employer contribution for the upcoming year. When the actuary does not perform an annual valuation of the plan, the actuary should estimate the employer contribution for the year. Usually, the plan administrator files a copy of the actuarial report with the Division of Retirement, Local Retirement Section, Florida Department of Management Services (DMS).

There are many different rules governing pension reporting and disclosure depending on the type of fund and the governmental entity's makeup. Pension funds can be classified in several different ways such as a single-employer defined benefit plan, agent multiple-employer defined benefit plan, cost-sharing multiple-employer defined benefit plan, defined contribution plan, or insured defined benefit plan.

If a government includes a pension trust fund, that fund typically issues its own separate report, but if a separate report is *not* issued, then the financial reporting entity is required to provide all disclosures ordinarily required of stand-alone pension plan reports.

Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* and Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which now comprise the accounting standards for reporting pension information in governmental financial reports.

For those local governments that participate in the Florida Retirement System (FRS), the FRS will be providing the pro rata data required for reporting.

Benefits Policy Considerations

Adequacy and Competitiveness

The level of retirement benefit promised should be part of the employer's overall considerations as to benefits policy. How much in retirement income is considered "adequate" for a career employee? How much should be provided for retirement benefits in order offer a competitive compensation package?

These are among the key questions to address as part of the employer's discussions of its benefits policy.

Affordability and Sustainability

Adequacy and competitiveness sometimes are competing objectives to affordability and sustainability. Affordability is an assessment of whether the employer can afford the cost of the retirement benefit for a given year, while sustainability is an assessment of the affordability over a long period of time. Both of these assessments are, of course, measured against other claims on limited revenue.

Sacrificing adequacy and competitiveness, in the name of affordability, can result in a lower standard of essential services by staff and a decline in public perception. On the other hand, sacrificing affordability and sustainability, in the name of adequacy and competitiveness, can result in higher taxes and reduction or elimination of other worthy programs.

Defined Benefit Plan Management

Pension Board

Typically, a pension board is created and comprised of appointed and elected trustees. The board and its trustees have fiduciary responsibilities to operate the plan prudently, as adopted by the elected officials, and not to act in their own self-interests. A pension board will need to engage the services of independent professionals to advise it, including an attorney, an actuary and an investment consultant.

Funding Policy

A written funding policy sets forth the principles to determine when and how much the employer is to contribute to the pension fund in order to ensure the plan is well-funded, giving the employees and retirees a high level of benefit security. A funding policy strikes a balance among several policy objectives: a pension fund with sufficient assets to pay benefits when due, a reasonable annual matching of the cost to the employer and the service rendered by members earning benefits, manage contribution volatility, transparency and accountability, and consideration governance (agency risk and employer commitment to fund the program).

A good resource for establishing a funding policy is found in *Actuarial Funding Policies and Practices for Public Pension Plans* issued in 2014 by the Conference of Consulting Actuaries.
https://www.ccactuaries.org/Portals/0/pdf/CCA_PPC_White_Paper_on_Public_Pension_Funding_Policy.pdf

Investment Policy and Risk/Reward

The pension board is typically given the responsibility to invest the pension fund. The board should adopt an investment policy to guide its investment duties.

The most important aspect of setting an investment policy is the decision about the risk profile of the fund. That decision should be made in cooperation with the employer's assessment of its own risk appetite and its natural desire for lower contributions.

A pension fund portfolio with a higher risk profile will usually result in volatile levels of investment returns and, thus, volatile employer contribution requirements. But a higher risk profile usually carries with it higher "expected" returns which lowers the contribution requirements. Conversely, a pension fund portfolio with a lower risk profile will usually result in more stable levels of investment returns and, thus, more stable employer contribution requirements. But a lower risk profile usually carries with it lower "expected" returns which raises the contribution requirements.

Since the employer is bearing all the investment risk in conventional DB plans, the employer should have significant input to the pension board on the risk profile of the

pension fund and the resultant level of employer contributions required. The pension board should not set the risk profile of the fund in a vacuum.
Actuarial Assumptions

DB plans make promises to public employees that can easily stretch over a period of several decades. Demographic actuarial models of the projected workforce and retired population are employed to estimate the number and timing of disabilities, terminations, retirements and deaths among covered plan members and their beneficiaries. Economic actuarial models are integrated with the demographic models to estimate future salary increases, inflation and investment performance. The combined models help the actuary to determine the future cash flow expectations, present values, annual contribution requirements, funded status and pension liability.

These models require a selection and adoption of assumptions about the future. These are called actuarial assumptions. The assumptions must be reasonable and constitute an honest, best estimate of the future events, without influence or bias in favor of any parties' self-interest Two of the more significant actuarial assumptions are the mortality tables that estimate future longevity and the investment return assumption that estimate how much the pension fund will earn over time.

Defined Contribution Plan Management

Fiduciary responsibility

DC plans have fiduciaries to select vendors and to monitor the investment performance of the pre-determined list of investments offered. These fiduciaries are often the employer's own finance department or other committee, or can be a board of trustees.

Bundled vs. Unbundled

DC plans require outside vendors to provide various services. These services can be grouped as follows:

1. Recordkeeping: (a) prepare quarterly statements and IRS forms, (b) distribute funds as required, (c) develop and maintain a website, (d) maintain a platform for access to investment funds and (e) execute investment trades;

2. Education: assist plan members to make informed decisions concerning which investment funds they should select from the pre-determined list for their own account;

3. Investment management: manage the investment funds made available to plan members (usually mutual funds); and

4. Investment consulting: (a) assemble the list of funds or investment managers, (b) monitor the performance of the funds and (c) recommend fund replacements within the list or the entire list when advisable.

The most *unbundled* arrangement involves engaging four independent vendors for the four categories of services, separately. Some might group categories 2 and 4 under one vendor. Decoupling the list of investment funds from the recordkeeping provides a better chance of maintaining optimal investment choices and optimal investment performance over time for the plan members' accounts. Unfortunately, there is not a broad range of choices for fully unbundled arrangements for small employers.

The most *bundled* arrangement involves engaging one vendor for all four categories. Most DC vendors' programs bundle categories 1 through 4(b), leaving the employer to decide whether to engage an independent advisor for category 4(c). Many bundled vendors may not even permit an alternative version of the fund list, forcing the employer to terminate the entire relationship to rid the plan of less-then-desirable fund offerings. The most bundled arrangement relieves the plan fiduciaries of more day-to-day responsibilities. However, it leaves the most opportunity for conflicts of interest and is harder to unbundle later because the plan is locked in with all the services.

Small employers can consider a *bundled* vendor with a wide range of investment funds that also leaves latitude for employer participation in selection of the pre-determined list of funds and some flexibility in replacing them as needed. Under that arrangement, an independent investment consultant can assist the employer or board in the discharge of the fiduciary duties it has in the selection, monitoring and replacement of investment options made available to plan members.

References

Several Best Practices regarding retirement and benefits - http://www.gfoa.org/best-practices

An Elected Offcial's Guide: The New Pension Accounting (e-book) http://www.gfoa.org/elected-officials-guide-new-pension-accounting-e-book

Annual Conference and School of Government Finance Materials - www.fgfoa.org –

Florida Retirement System - http://FRS.myflorida.com

Chapter 112, F.S. – Public Officers and Employees: General Provisions

Chapter 175, F.S. – Firefighter Pensions

Chapter 185, F.S. – Municipal Police Pensions

Chapter 60T-1, F.A.C. – Local Retirement Systems
https://www.flrules.org/gateway/ChapterHome.asp?Chapter=60T-1

Section 19 – Revenues

Overview

Local governments generate revenues from a wide range of sources. The authority for generating revenues is derived from the State Constitution, home rule authority, or Florida law. The Florida Office of Economic and Demographic Research annually publishes a *Local Government Financial Information Handbook* (which references most of the revenue sources available to local governments). Some of the major revenue types for local governments in Florida are discussed below.

Revenues Authorized by the State Constitution and State Law

Ad Valorem Taxes – Ad valorem taxes on property are assessed as of January 1 each year and are first billed (levied) and due the following November 1. Under Florida law, the assessment of non-exempt properties and the collection of county, municipal, school board, and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. State laws regulating tax assessments are also designed to assure a consistent property valuation method statewide.

Except for voted levies, Section 9(b), Art. VII, of the State Constitution permits counties and municipalities to levy property taxes at a rate of up to 10 mills ($10 per $1,000 of assessed taxable valuation). Additional taxes may be levied by counties providing municipal services. Only certain special districts are authorized to levy taxes. The tax levies are established prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the local tax roll. All property is reassessed according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the DOR's Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of state statutes.

All unpaid taxes on real and tangible personal property become delinquent and liens are attached on April 1 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes are provided in state law.

State-shared Revenues - The Florida Legislature has passed several laws providing for the sharing of fees and taxes assessed by the State with counties and municipalities, including sales and use taxes, fuel taxes, alcoholic beverage license taxes, cigarette taxes, and alternative fuel user decal fees. For many of these shared revenues, the authorized use is at the local government's discretion. However, some shared revenues, such as fuel taxes, are authorized for specific purposes. The category of state-shared revenues includes the following sources, which are discussed in greater detail in the *Local Government Financial Information Handbook:*

Alcoholic Beverage License Tax
Cardroom Revenues
Constitutional Fuel Tax
County Fuel Tax

County Revenue Sharing Program (Derives Funding from Transfers of 2.9 Percent of Net Cigarette Tax Collections and
2.0810 Percent of Sales and Use Tax Collections)
Distribution of Sales and Use Taxes to Counties
Emergency Management Assistance
Enhanced 911 Fee
Fuel Tax Refunds and Credits
Indian Gaming Revenues
Insurance License Tax
Intergovernmental Radio Communication Program
Local Government Half-Cent Sales Tax Program (Derives Funding from Separate Transfers of Net Sales Tax Proceeds)
Miami-Dade County Lake Belt Mitigation Fee
Miami-Dade County Lake Belt Water Treatment Plant Fee
Mobile Home License Tax
Municipal Revenue Sharing Program (Derives Funding from Transfers of 1.3653 Percent of Sales and Use Tax
Collections and Net Collections from the Municipal Fuel Tax)
Oil, Gas, and Sulfur Production Tax
Payments from State Forest Timber Sales to Eligible Fiscally Constrained County Governments
Phosphate Rock Severance Tax
State Housing Initiatives Partnership Program
Support for School Capital Outlay Purposes
Vessel Registration Fee

Home Rule Authority Revenues

Under Florida's Constitution, local governments possess expansive home rule powers. Given these powers, local governments may impose proprietary fees, regulatory fees, and special assessments to pay the cost of providing a facility or service or regulating an activity.

Proprietary fees – Proprietary fees are home rule revenue sources, which are based on the assertion that local governments have the exclusive legal right to impose such fees. Examples of proprietary fees include admissions fees, franchise fees, user fees, and utility fees. The guiding legal principle is that the imposed fee is reasonable in relation to the government-provided privilege or service or that the fee payer receives a special benefit. Local governments may impose a franchise fee upon a utility for the grant of a franchise and the privilege of using local government's rights-of-way to conduct the utility business. The imposition of the fee requires the adoption of a franchise agreement, which grants a special privilege that is not available to the general public. The fee is considered fair rent for the use of such rights-of-way and consideration for the local government's agreement not to provide competing utility services during the term of the franchise agreement. Typically, the franchise fee is calculated as a percentage of the utility's gross revenues within a defined geographic area. User fees are imposed to recoup the costs of providing a service or a facility to the public. Local governments cannot impose a user fee higher than the cost. Local governments charge customers fees for the utility services provided. Utility fees may include a reasonable profit that can be used for purposes other than providing utility services.

Regulatory fees – Regulatory fees are imposed pursuant to a local government's police powers in the exercise of a sovereign function. Examples of such regulatory fees include building permit fees, impact fees, inspection fees, and stormwater fees. Two principles guide the use and application of such fees; 1) the imposed fee cannot exceed the cost of the regulatory activity, and 2) the fee is generally required to be applied solely to pay the cost of the regulatory activity for which it is imposed. In terms of fiscal impact to local governments and school districts, impact fees are the most significant.

Special Assessments – Special assessments are often used to fund major capital facility projects, such as utility infrastructure and expansion as well as general operations. As established by Florida case law, two requirements exist for the imposition of a valid special assessment: 1) the property assessed must derive a special benefit from the improvement or service provided, and 2) the assessment must be fairly and reasonably apportioned among the properties that receive the special benefit. If a local government's special assessment ordinance withstands these two legal requirements, the assessment is not considered a tax, which is levied for the general benefit of residents and property rather than for a specific benefit to property.

Revenues Authorized by the Legislature

The Legislature has authorized certain revenue sources for local governments through legislation providing authority for local governments to assess a tax or fee:

Communication Services Tax
Convention Development Taxes
Discretionary Surtax on Documents
Green Utility Fee
Gross Receipts Tax on Commercial Hazardous Waste Facilities
Highway Safety Fees - Red Light Cameras
Insurance Premium Tax
Local Business Tax (Including the Panama City and Panama City Beach Merchant License Tax)
Local Discretionary Sales Surtaxes
Local Option Food and Beverage Taxes
Motor Fuel and Diesel Fuel Taxes (Ninth-Cent, 1-6 Cents, and 1-5 Cents Local Option Fuel Taxes)
Municipal Pari-mutuel Tax
Municipal Parking Facility Space Surcharges
Municipal Resort Tax
Public Service Tax
Tourist Development Taxes
Tourist Impact Tax

Some of these revenue sources are discussed below.

Discretionary sales surtax – The discretionary sales surtax may be adopted by Florida counties and applies to most transactions subject to sales tax. The selling dealer must collect the surtax in addition to Florida's general sales tax of 6 percent. The discretionary sales surtax is based on the rate in the county where taxable goods or services are delivered. A few counties do not impose the surtax. The DOR distributes the discretionary sales surtax collected back to the counties that levy the surtax. Counties use these funds to help pay for local authorized projects or distribute these funds and a portion of general sales taxes among the local municipalities in revenue sharing arrangements. In accordance with s. 212.055(2), F.S., municipalities need to review interlocal agreements with Counties in local jurisdictions as to any restrictions governing category of expenditures authorized to be incurred for payment with the Discretionary Sales tax revenue proceeds (i.e. infrastructure expenditures only).

Local option fuel taxes – Levied on each gallon of fuel sold within a county's boundaries, the tax is collected by the State and remitted back to the originating county. Counties are required to share some of these proceeds with municipalities residing in the county.

Local business taxes – Historically known as occupational license fees, but recently classified as business taxes, these taxes grant the privilege of engaging in a business or profession within the local government's boundaries. This tax is billed annually and remitted to the local government directly.

Fines and forfeitures – Local governments are authorized to issue fines for violations of local laws, such as overdue parking or for unsafe structures, and may acquire property as a result of such actions.

Federal and state grants – Federal and state assistance programs are available to local governments for a myriad of areas, including, housing and urban development, and community development, as listed in the Catalog of Federal Domestic Assistance (CFDA) or the Catalog of State Financial Assistance (CSFA). The Federal government's one stop shop for Federal grants is www.grants.gov. The Florida CSFA is located here: https://apps.fldfs.com/fsaa/catalog.aspx

Financial Reporting Issues

For many entities, property taxes have traditionally been the largest *general revenue* source. In addition to ad valorem taxing authority, funds are generated from a variety of other areas. Revenues from charges for services, grants (federal, state), and contributions are known as *program revenues.* Both *general* and *program* revenues are further segmented for financial reporting purposes into two categories, governmental activities and business type activities. Governmental activities generally refer to taxes and other intergovernmental revenues while business type activities include operations that intend to recover all or most their associated costs through user fees and charges, more closely aligned with that of commercial business enterprises.

Revenues generated by fees and charges for typical governmental services, such as public safety, transportation, parks and recreation, and economic development, are classified as *governmental activities*. Some local governments also provide essential services to their residents that are classified as *business type activities*, such as electric or water delivery, and sewer and sanitation services, or operate a civic or sports facility.

References

Local Government Financial Information Handbook, Florida Office of Economic and Demographic Research http://edr.state.fl.us/Content/local-government/reports/

Source to find and apply for federal grants – http://www.grants.gov/

Governmental Accounting, Auditing, and Financial Reporting
Stephen J. Gauthier, Government Finance Officers Association

Tax information for local and county officials, Florida Department of Revenue
http://dor.myflorida.com/dor/property/cofficials/

Florida Municipal Official's Manual, Florida League of Cities:
http://www.floridaleagueofcities.com/Publications.aspx?CNID=176

Revenue Enhancement Training, Florida League of Cities,
http://www.floridaleagueofcities.com/Finance.aspx?CNID=649

Uniform Accounting System Manual, Florida Department of Financial Services, Bureau of Local Government –http://www.myfloridacfo.com/Division/AA/Manuals/UASManual-9-26-2014.pdf

Creating a Revenue Control Management Policy, Government Finance Officers Association Best Practices:
http://www.gfoa.org/canadian-best-practice/creating-revenue-control-and-management-policy

Primary Treatments: Revenue, GFOA - http://www.gfoa.org/primary-treatments-revenue

Section 20 – Risk Management

Overview

All organizations are subject to liability and claims from a variety of risks arising from torts, property damage, errors and omissions, injury to employees arising from unsafe conditions or hazards in the workplace, and natural disasters. Risk management encompasses identifying risks, evaluating potential losses, and ultimately planning and developing a risk management program to mitigate these risks to an acceptable level. The importance of risk management has grown steadily in recent years for various reasons, including increased use of technology and higher litigation costs.

Local governments face unique risk challenges. Unlike many business organizations, local governments provide facilities and services for all residents of a given area. Additionally, the nature of some of the services provided, such as public safety, can be considered high-risk areas, which could make obtaining adequate insurance coverage difficult or cost-prohibitive. Additionally, each community has unique risk attributes that might not be a risk area for other communities. For example, two seaside communities might exhibit similar risk profiles, except one operates a seaport facility with petroleum storage. Given the heightened awareness of terrorism on domestic soil, the seaport community would possess a very different risk profile. Consequently, a comprehensive risk management program is a vital component of a local government's administration. For some local governments, this responsibility and other insurance-related matters often falls to the finance department.

To implement a risk management program, the local government must establish written risk management policies and procedures that identify the local government's goals and individuals responsible for carrying out risk-related functions, and contain guidelines for making decisions about fundamental activities. Reviewing and updating a local government's overall risk assessment and insurance coverage can help ensure that the entity maintains the best mix of risk mitigation for the lowest possible cost to taxpayers.

Identifying Risks

The first step in creating an organization-wide risk management program starts with a comprehensive risk assessment, including identifying risks to understand the sources, types, and likelihood of risk. At a minimum, exposure to risks should be identified in the following areas:

- Economic environment (market trends)
- Internal environment (attitude of individuals towards risk)
- Legal environment (laws and legal procedures)
- Operational environment (day-to-day activities)
- Physical environment (e.g., natural disasters)
- Political environment (legislative activity, elections)
- Social environment (socio-economic composition of the community)

In most cases, such an assessment already exists; however, periodic re-assessment will provide a more current and accurate risk profile, reflecting the ever-changing risk environment. The purpose of this process is to ensure that all areas of significant risk have been identified and addressed, and that insurance coverage is adequate to meet potential claims.

Evaluating Potential Losses

To determine the level of coverage necessary for a given area, it is helpful to understand how the entity values particular assets. For instance, it wouldn't make sense to insure a new civic center from hurricane damages for significantly more than the cost to construct such a facility. Additionally, understanding the entity's liability profile and recent claims experience will also provide guidance on the correct level of coverage to consider. This can be accomplished by tracking the frequency and severity of claims, including such information as the number of open claims, the amount paid out, and the amount reserved.

Florida law provides most Florida local governments with some relief from liability claims. Section 768.28, F.S., makes it more difficult to collect on liability claims from a local government as well as setting approval and limitation terms on potential claims. If claims exceed specific thresholds ($200,000 per individual claim/$300,000 aggregate of all claims from common incident), the law requires approval by the Florida legislature before a claim can be paid.

Developing a Risk Management Plan

Based upon a completed assessment and a thorough understanding of the local government's risk profile, a risk management plan should be developed. A wide range of solutions are available to communities to combat each community's risk exposures. These include:

Loss Prevention and Control – This involves education and training to employees to raise awareness of safety issues and other workplace hazards that can result in loss. It also involves instituting routine inspection programs that detect, deter, or prevent unsafe conditions or practices that can result in accidents, theft, property damage, or other loss.

Risk Transfer – This involves acquisition of insurance, either directly by the local government or requiring others to do so contractually (e.g., construction contractor). Insurance can be obtained directly by local governments through:

- *Traditional Insurance Coverage.* Many insurance carriers provide property damage and liability coverage policies for local governments. Chances are an all-encompassing policy can be formulated for your entity. To reduce insurance company credit risks, it is advisable to deal with established A. M. Best Company rated "A" insurance companies.

- *Public entity risk pools.* Government associations may offer members participation in a variety of risk pools, which provide the opportunity to participate with other local governments and diversify self-insurance coverage geographically.

Self-Insurance – This involves the local government assuming the risk for the financial responsibility for all or some losses. Depending on the size of the local government and/or the assessed level of risk exposure for a given area, self-insurance can be an effective method of increasing coverage at reduced costs. Many commercial businesses and local governments currently provide self-insurance coverage or financial reserves for significant risks, such as workers compensation, property and liability exposures. Past claims experience, premium payments, and necessary coverage levels will assist in determining whether in house coverage would be a cost effective alternative. Self-insurance coupled with catastrophic insurance coverage for claims over a certain amount could provide the best mix of coverage for some local governments.

Risk Avoidance – This involves a local government avoiding the provision of specific services if the risk management costs are excessive. For example, a local government may decline adding a swimming pool in a recreational area.

References

Accounting for Insurance, Governmental Accounting, Auditing, and Financial Reporting, Stephen J. Gauthier, (2005) Government Finance Officers Association

Creating a Comprehensive Risk Management Program, Government Finance Officers Association, Best Practice (2009) – http://www.gfoa.org/creating-comprehensive-risk-management-program

Municipal Risk Management, Pace University, Dyson College of Arts and Science http://www.pace.edu/dyson/

Reinsurance, A.M. Best Company – http://www.ambest.com/

Risk Management, Alabama Municipal Insurance Corporation, Municipal Workers Compensation Fund, Inc. – http://www.amicentral.org/Loss%20Control/reference/Avoiding%20and%20Reducing%20Municipal%20Tort%20Liability.pdf

Section 21 – Strategic Planning

Overview

Strategic planning is a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organizations mission and achieve consensus on strategies and objectives for achieving that mission. Simply put, strategic planning is preparing for and influencing the future instead of reacting or adapting to it. The Government Finance Officers Association (GFOA) recommends that all governmental entities use some form of strategic planning to provide long-term perspective for service delivery and budgeting.

Steps to Establishing a Strategic Plan:

1. Initiate the Strategic Planning Process-This should be spearheaded by the entity's Chief Executive Officer (CEO) and all stakeholders should be included. It is imperative that the CEO supports the strategic planning process as well as the plan itself otherwise, there is little chance of its success.

2. Prepare a Mission Statement – The mission statement should be a broad but clear statement of purpose for the entire organization. This allows the organization to decide on what it should be doing, but also what the organization should not be doing.

3. Assess Environmental Factors – The organization should assess both its internal and external environment. This can be accomplished by utilizing the SWOT methodology, which is assessing the organizations Strengths, Weaknesses, Opportunities and Threats. In addition to SWOT other factors such as economic and financial, demographic trends, legal or regulatory issues, social and cultural trends, physical (i.e. community development), intergovernmental issues and technological change and its effect on the community as a whole should be analyzed.

4. Identify Critical Issues – These would be identified after completing step three. The issues should recognize stakeholder concerns, needs and priorities.

5. Agree on a Small Number of Broad Goals – These written goals should address the most critical issues facing the community. It may be necessary to define priorities among goals to improve their usefulness in allocating resources.

6. Develop Strategies to Achieve Broad Goals – Strategies are ways to influence the environment to meet the broad goals. There should be a relatively small number of specific strategies developed to help choose among services and activities to

be emphasized. To ensure that the strategies succeed, opportunities for feedback from those that will be affected should be provided.

7. Create an Action Plan – This plan outlines how the strategies will be implemented which includes activities and services to be performed, how much it will cost, designation of responsibilities, priority order, and the time frame for the organization to reach its strategic goals.

8. Develop Measurable Objectives – Objectives are specific, measureable results to be achieved. These are guidelines, not rules. Objectives should be expressed as quantities or another form of quantifiable evidence and should include time frame.

9. Incorporate Performance Measures – Performance measures provide information on whether goals and objectives are being met.

10. Obtain Approval of the Plan- Approval from the governing body should be obtained. This will aid in their policy and budget decisions.

11. Implement the Plan – Stakeholders need to work together in implementing the plan. The plan should also drive the operating budget, capital plan and other financial planning efforts of the governmental entity.

12. Monitor Progress – Progress towards goals should be monitored on a regular basis through a systematic approach.

13. Reassess the Strategic Plan – Since environmental factors, both internal and external are constantly changing, a government's strategic plan should be reassessed to ensure the outlined goals still apply. Governmental entities should conduct strategic plan reviews every one to three years and adjust accordingly if necessary; and a comprehensive review and planning process should be conducted every five to ten years.

Resources:

GFOA Best Practice – *Establishment of Strategic Plans*
http://www.gfoa.org/establishment-strategic-plans

GFOA Best Practice – *Performance Measurement: Using Performance Measurement for Decision Making http://www.gfoa.org/canadian-best-practice/performance-management-using-performance-measurement-decision-making*

GFOA Best Practice – Updated Performance Measures
http://www.gfoa.org/performance-management

Strategic Planning for Public and Non Profit Organizations, 4th Edition by John M. Bryson

Financing the Future Long-Term Financial Planning for Local Government by Shayne C. Kavanagh

National Advisory Committee on State and Local Budgeting-*Recommended Budget Practices: A Framework for Improved State and Local Governmental Budgeting*

Section 22 – Unclaimed Property

Overview

Local governments are required to comply with the unclaimed property provisions contained in ch. 717, F.S., (Florida Disposition of Unclaimed Property Act). It is critical that local governments be aware of the specific requirements applicable to them because monetary penalties can be imposed for noncompliance.

Requirements

Section 717.113, F.S., provides that all intangible property held for the owner by any court, government or governmental subdivision or agency, public corporation, or public authority that has not been claimed by the owner for more than one year after it became payable or distributable is presumed unclaimed. Section 717.101(14), F.S., defines intangible property to include items such as moneys, checks, drafts, deposits, interest, dividends, credit balances, customer overpayments, security deposits, unpaid wages, unused airline tickets, and unidentified remittances (list not to be considered all inclusive). Section 717.115, F.S., provides that unclaimed wages, including wages represented by unpresented (i.e., uncashed) payroll checks, that have not been claimed for more than a year after becoming payable, are presumed unclaimed. Section 717.117(1)(f), F.S., provides that any person or business association or public corporation holding funds presumed unclaimed and having a total value of $10 or less may file a zero balance report for that reporting period and the balance brought forward to the new reporting period is zero. Also, s. 717.117(1)(h), F.S., states that credit balances, customer overpayments, security deposits, and refunds having a value of less than $10 shall not be presumed unclaimed.

Sections 717.117 and 717.119, F.S., require that funds or other property presumed unclaimed and subject to the Florida Disposition of Unclaimed Property Act be reported and simultaneously delivered to the DFS, the agency charged with the responsibility for administering the provisions of ch. 717, F.S. Forms for such reports are available on the DFS's web site. The report is to be filed before May 1 of each year and shall apply to the preceding calendar year. The Department may impose and collect a penalty of $10 per day up to a maximum of $500 for the failure of a local government to timely report information required by ch. 717, F.S. (see s. 717.117, F.S., for the specific reporting requirements).

Section 717.117(4), F.S., requires holders of unclaimed property, including local governments, to perform "due diligence" for accounts of $50 and greater. Local governments must attempt to notify the apparent owners of the property being held that may belong to them. Failure to perform due diligence can also result in the local government being fined or penalized by the state.

Recordkeeping

1. Governments should maintain sufficient information in bank reconciliations for outstanding checks to allow identification of unclaimed property as of December 31. Such information would include issue date, check number, and amount. Information about payees (full name, address, identifying number) should also be maintained to comply with the state requirements regarding due diligence and reporting.

2. If the entity plans to contact vendors, employees/former employees, or other payees of outstanding checks of less than a $50 value to determine whether the old check should be voided and a new check issued, this process should be completed prior to one year after the date the check was issued. Once the check has been outstanding for more than one year, the entity no longer has the option to reissue the check and must report the check and remit the amount in its unclaimed property report as of December 31. Entities holding accounts or checks with an individual value of $50 or more must use due diligence in attempting to locate the owners prior to filing the report.

Bureau of Unclaimed Property

Within the DFS Division of Unclaimed Property has responsibility for the administration of ch. 717, F.S. The Division has a web site www.fltreasurehunt.org that contains important information including required forms, key contacts within the Division, and other relevant information to assist in complying with ch. 717, F.S. DFS issues an "Unclaimed Property Reporting Instructions" manual (http://www.myfloridacfo.com/appresources/UPMIS/HolderReporting/Reporting-Instructions-Manual.pdf), which can be used as authoritative guidance in complying with the state's requirements regarding unclaimed property.

Abandoned or Lost Tangible Personal Property

Section 705.103, F.S., prescribes the procedures required for abandoned or lost tangible personal property present on public property, such as impounded or abandoned vehicles. After performing a series of required procedures, the state or local government can retain the property, trade it to another state or local government, donate it to a charitable organization, sell it, or notify the appropriate refuse removal service.

Helpful Suggestion

It is also prudent practice for governments to periodically check the Bureau of Unclaimed Property's web site (http://www.fltreasurehunt.org/index.jsp) for unclaimed property that the State may be holding for the local government itself to claim.

References

Section 705.103, F.S.; Procedure for abandoned or lost property

Section 717.101, F.S.; Definitions

Section 717.113, F.S.; Property held by courts and public agencies

Section 717.115, F.S.; Wages

Section 717.117, F.S.; Report of unclaimed property

Section 717.119, F.S.; Payment of delivery of unclaimed property

Florida Department of Financial Services – http://www.fltreasurehunt.org/index.jsp