

# Basic 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, Section [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):  
<https://myfloridacfo.com/Division/AA/manuals/documents/UASManualEffectiveBeginning2020-2021.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 Section. [215.97](#), F.S., and Chapter [10.550](#), Rules of the Auditor General. In addition, s. 163.387, F.S., requires separate audits of each community redevelopment agency (CRA) with revenues or expenditures and expenses exceeding \$100,000 during the fiscal year. The audits shall be performed by an independent certified public accountant in accordance with Section. [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:

- For counties as a whole, municipalities, and special districts:
  - 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.
  - The following information regarding the auditor's application of financial condition assessment procedures:

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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:

- For counties as a whole, municipalities, and special districts:
  - 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.
  - 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).
    - 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 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.)
  - 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.)
  - 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 s. [373.536\(5\)\(d\)](#) and s. [\(6\)\(d\)](#), 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-C Section 315, promulgated by the American Institute of Certified Public Accountants, to determine the following, as applicable:

- For all local governmental entities, a determination of the entity's compliance with the requirements of s. [218.415](#), F.S.
- 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.).
- For clerks of the courts, a determination of the clerk's compliance with the requirements of s. [28.35](#) and [28.36](#), F.S.

- For clerks of the courts, a determination of the clerk's compliance with s. [61.181](#), F.S.
- 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.).
- For CRAs, with revenues or a total of expenditures and expenses in excess of \$100,000, a determination that the CRA complied with Sections 163.387(6) and (7), Florida Statutes.

Finally, the scope of the financial audit shall include a report that includes an opinion (or disclaimer of opinion) as to whether any supplementary information, including 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.

### **Audit Filing Requirements**

The following audit report filing requirements apply:

- Department of Financial Services (DFS) filing requirements:
  - Each regional planning council created under Section [186.504](#), Florida Statutes, each local government finance commission, board, or council, and each municipal power corporation created as a separate legal or administrative entity by interlocal agreement under Section [163.01](#)(7), Florida Statutes, shall submit to the department a copy of its audit report and an annual financial report for the previous fiscal year in a format prescribed by the department.
  - Section 163.387(8)(c), requires that audit reports for CRA audits conducted pursuant to that section be filed with the DFS.
- Auditor General filing requirements:
  - Each county, municipality, and special district required to obtain an audit pursuant to s. 218.39, Florida Statutes, is required to file its audit report with the Auditor General.

Any CRA required to obtain an audit pursuant to s. 163.387, Florida Statutes, is required to file its audit report with the Auditor General.

- The audit reports referenced above are required to be submitted within 45 days of delivery of the audit report to the entity's governing body or 9 months after the end of the entity's fiscal year, whichever occurs first. It should also be noted that,



although the Federal Office of Management and Budget, the GFOA, and other organizations may occasionally extend their filing deadlines, insofar as the State of Florida's audit deadlines are established by statutes, those filing extensions **do not** apply to filing deadlines contained in Florida Statutes.

- Further, it should be noted that other entities, such as grantors, may impose additional audit report filing requirements.

### **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 auditor selection committee to assist in the selection process.

Auditor selection committee composition requirements.

- For counties, the committee must, at a minimum, consist of each elected county officer, or their respective designees, and one member of the Board of County Commissioners.
- For municipalities and special districts, the committee must have at least three members, and at least one member must be a member of the governing body, who shall serve as committee chair.
- No employee, chief executive officer, or chief financial officer may serve as a committee voting member; however, they may serve in an advisory capacity.

In addition, the Government Finance Officers Association (GFOA), in its best practices, has recommended the following for audit committees, which may also apply to auditor selection committees:

- 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.

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.

The auditor selection 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. If negotiations fail 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 163.387, F.S.; Redevelopment Trust Fund

Section [215.97](#), F.S.; Florida Single Audit Act

Section 218.32, F.S., Annual Financial Reports; Local Governmental Entities

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](http://www.myflorida.com/audgen/pages/rules_localgovt.htm)

Auditor Selection Guidelines – [http://www.myflorida.com/audgen/pages/pdf\\_files/auditor%20selection%20guidelines.pdf](http://www.myflorida.com/audgen/pages/pdf_files/auditor%20selection%20guidelines.pdf)

OMB Circulars – [https://www.whitehouse.gov/omb/grants\\_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 Department of Financial Services (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 website 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 website, the county government's web site must provide the required link for the local governmental entity.

In addition, s., 218.32(1)(c), F.S., requires each regional planning council created under s. [186.504](#), F.S., each local government finance commission, board, or council, and each municipal power corporation created as a separate legal or administrative entity by interlocal agreement under s. [163.01](#)(7), F.S., to submit to the department a copy of its audit report and an annual financial report for the previous fiscal year in a format prescribed by the department. Further, s. 163.387(8)(c), F.S., requires that audit reports for CRA audits conducted pursuant to that section be filed with the DFS.

Chapter 2018-102, Laws of Florida, amended s. 218.32, F.S., to require the DFS to hire a contractor build one or more eXtensible Business Reporting Language (XBRL) taxonomies suitable for state, county, municipal, and special district financial filings and to create a software tool that enables financial statement filers to easily create XBRL documents consistent with such taxonomies. All work products are to be completed no later than December 31, 2021, and all local governmental financial statements for fiscal years ending on or after September 1, 2022, must be filed in XBRL format and must meet the validation requirements of the relevant taxonomy.

### **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 months after the end of its fiscal year. However, the 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 four to six 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 163.387, F.S.; Redevelopment Trust Fund

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](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
  - Elected and appointed officials gather information from citizens, taxpayers and other sources about financial and non-financial priorities.
  - Officials meet with staff and convey the goals, objectives, priorities, and concerns that will guide the development of the budget.
  
- Preparation
  - Revenues are estimated to determine what financial resources will be available to fund operations.
  - Expenditure requests and forecasts are prepared by the Departments.
  - The chief administrator submits a proposed budget that reflects the community needs and desires to the local government governing body for review.
  
- Adoption
  - The governing body reviews the proposed budget.
  - Changes are made according to the governing body's recommendations and public comments.
  - The proposed budget is approved by governing body.
  - The budget is adopted.

- Implementation
  - Revenues are collected and expenditures are incurred in accordance with the budget.
  - The budget may be modified or amended by approval from the governing body in accordance with procedures established by State law.
- Evaluation
  - Internal reports may be prepared as needed for financial data, as well as for performance measurement.
  - Other evaluations are 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 two 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 s. [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 s. 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 five 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 non-consumable nature and requires the State’s Chief Financial Officer to establish, by rule, the requirements for the recording of property. Department of Financial Services (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 Government Finance Officers Association (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 Chapter 274, F.S., and DFS Rules, tangible personal property with a value or cost of \$5,000 or more and a projected useful life of one year is required to be recorded for inventory purposes.
- Attractive items with a value or cost less than \$5,000 shall be recorded in the local government's financial system as property for inventory purposes.
- Attractive items require special attention, because they either:
  - Pose a risk to public safety and could be the source of potential liability.
  - Are assets that must be accounted for pursuant to a legal or contractual provision.
  - Are 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 Chapter [274](#), F.S., and DFS Rules, an inventory is required for property with a cost or value of \$5,000 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 –  
<https://www.myfloridacfo.com/division/aa/localgovernments/default.htm>

Chapter 274, F.S.; Tangible Personal Property Owned by 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 – <https://www.gfoa.org/blue-book>

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>  
<http://www.gfoa.org/establishing-capitalization-thresholds-capital-assets>

GFOA Best Practices and Advisories:

*Establishing Appropriate Capitalization Thresholds for Capital Assets* –  
<https://www.gfoa.org/materials/capitalization-thresholds-capital-assets>

➤ *Establishing the Estimated Useful Lives of Capital Assets* –  
<https://www.gfoa.org/materials/estimated-useful-lives-capital-assets>

➤ *Ensuring Control over Noncapitalized Items* –  
<https://www.gfoa.org/materials/control-over-items-that-are-not-capitalized>

➤ *Capital Asset Assessment, Maintenance and Replacement Policy* –  
<https://www.gfoa.org/materials/capital-asset-management>

➤ *The Need for Periodic Inventories of Tangible Capital Assets* –  
<https://www.gfoa.org/materials/inventories-tangible-capital-assets>

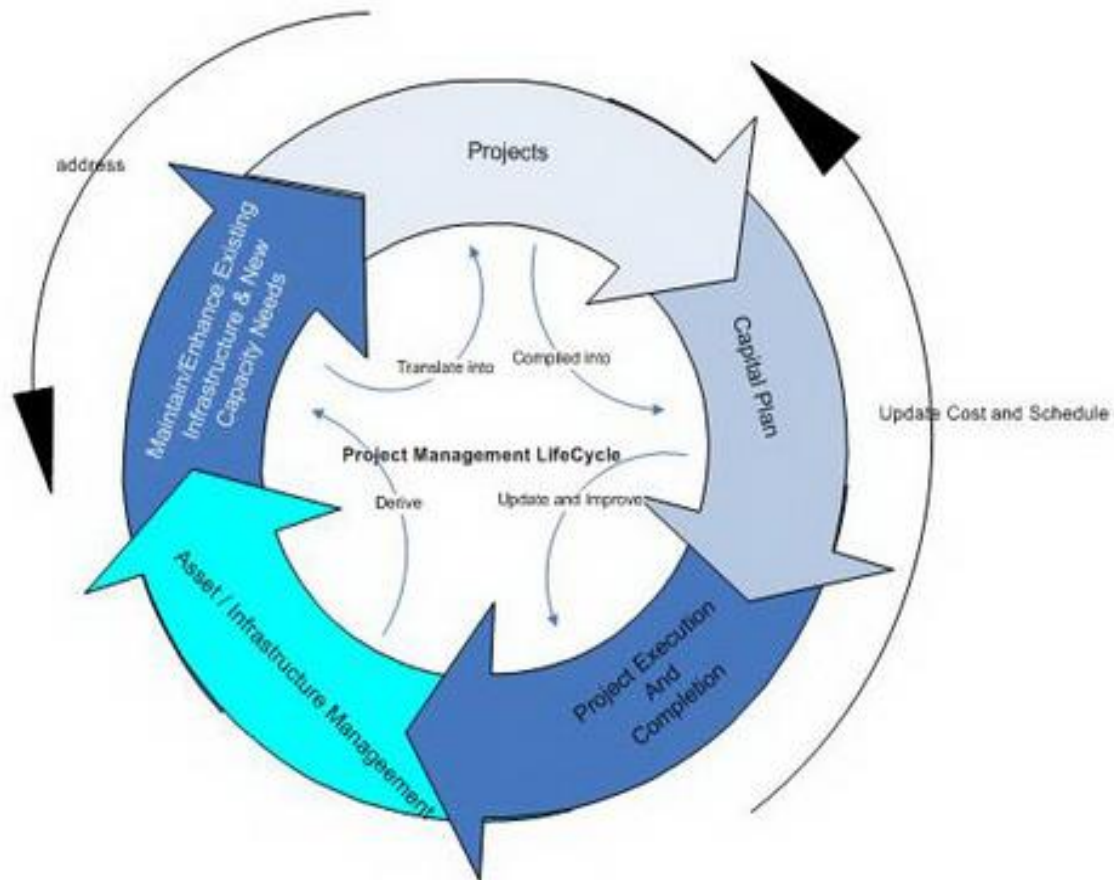
➤ *Role of the Finance Director in Capital Asset Management* –  
<https://www.gfoa.org/materials/role-of-the-finance-director-in-capital-asset-management>

➤ *Capital Project Monitoring and Reporting* – <https://www.gfoa.org/materials/capital-project-monitoring-and-reporting>

➤ *Financial Policy Examples - Capital Asset Management* –  
<https://www.gfoa.org/materials/capital-asset-management>

## 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**

GASBS No. 34 – <http://www.gasb.org/>

GFOA Best Practice - Capital Project Budget | Government Finance Officers Association – <https://www.gfoa.org/best-practices>

GFOA Financial Policy Examples - Capital Asset Management – <https://www.gfoa.org/materials/capital-planning-policies>

## **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](#), F.S. - Part IV – Investment of Local Government Surplus Funds.
- Chapter [219](#), F.S. - County Public Money Handling by State and County.
- Section [218.415](#), F.S. - Local Government Investment Policies.
- Chapter [280](#), F.S. - Security for Public Deposits.

### **Major Guidelines and Requirements**

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

- Federal agencies and instrumentalities.
- Securities of, or interest in, any open-end or closed-end
- management-type investment as further described in s. 218.415, F.S.
- Other investments authorized by law or ordinance.
- For local Governments that adopt an investment policy, the policy must comply with the requirements of ss. 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**

- Never invest in any security that is not fully understood, even if the security is an approved investment in an investment policy.
- 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.
- 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.

- Consider shortening maturities in a rising interest rate market to reduce interest rate risk.
- Consider lengthening maturities of securities purchased in a falling interest rate market to lock-in higher interest rates.
- 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 Report: Annual Depositor Report to be filed with the Florida Department of Financial Services by November 30<sup>th</sup>, 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 – <https://www.gfoa.org/>

- *Investing Public Funds*, Girard Miller
- *Local Government Finance, -Concepts and Practices*, Peterson and Strachota
- *Best practices and policy examples*: <https://www.gfoa.org/best-practices>
- *Best practice - Managing Market Risk in Investment Portfolios*  
<https://www.gfoa.org/materials/managing-market-risk-in-investment-portfolios>

Florida State Treasury – [www.Fltreasury.org/treasury/](http://www.Fltreasury.org/treasury/)

Qualified Public Depository listing –

<https://www.myfloridacfo.com/division/treasury/collateralmanagement/documents/ListofActiveQPDs.pdf>

FGFOA – [www.fgfoa.org](http://www.fgfoa.org)

Federal Reserve Bank of New York – [www.newyorkfed.org](http://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 prenumbered 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 –

<https://www.myfloridacfo.com/division/aa/localgovernments/default.htm>

GFOA Best Practices and Advisories – <https://www.gfoa.org/best-practices--resources>

Revenue Collection Administration – A Guide for Smaller Governments. Allen, Ian J., GFOA

## **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.

SECTION 1 – PAYROLL .....	Pages 28-32
SECTION 2 – PAYABLES .....	Pages 33-35
SECTION 3 – ANNUAL SCHEDULE ....	Pages 36-44
SECTION 4 – REFERENCES .....	Pages 45-47



**PAYROLL TABLE**

<b>PROCESS:</b>			
<b>Frequency</b>	<b>Description</b>	<b>Method of notification-Reporting/payments</b>	<b>Comments</b>
<b>Weekly/ Biweekly</b>	Federal Withholding\ FICA & Medicare	<b>EFTPS</b> (Electronic Federal Tax Payment System) Online or by Phone. (Check Circular E to determine deposit schedule – monthly, semi-weekly or annual.)	<a href="http://www.eftps.gov">www.eftps.gov</a> Employer Identification Number (EIN) is needed for registration and a PIN number will be provided. An internet password is needed.
	Child Support Liens	Notice to Withhold Income for Child Support – Florida Department of Revenue 1-850-617-8989 Miami-Dade County – 305.530.2600	<a href="https://floridarevenue.com/pages/default.aspx">https://floridarevenue.com/pages/default.aspx</a>
	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.
<b>Monthly</b>	State Pension Contribution	<b>Florida Retirement System (FRS)</b> 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 <a href="http://www.dms.myflorida.com/workforce_operations/retirement/employers">http://www.dms.myflorida.com/workforce_operations/retirement/employers</a>	Note: Employer is also required to complete and submit a Contributions Summary Report monthly.
	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	
<b>Quarterly</b>	941 Quarterly Report to the Internal Revenue Service	<p><b>IRS Form 941</b> – 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.</p> <p>Tip: Each payroll, input all earnings, taxes, and deductions into a spreadsheet to verify accuracy of totals entered into 941s and SUI filings.</p>	<p><b>Form 941 must be filed by the last day of the month that follows the end of the quarter.</b> Consult Circular E for any questions. Forms can be found at <a href="http://www.irs.gov">www.irs.gov</a>.</p>

	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.
	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.	<a href="https://floridarevenue.com/taxes/taxesfees/Pages/reemployment.aspx">https://floridarevenue.com/taxes/taxesfees/Pages/reemployment.aspx</a>
<b>Annual</b>	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 to distribute or mail to your employees.	<a href="https://www.irs.gov/government-entities/federal-state-local-governments">https://www.irs.gov/government-entities/federal-state-local-governments</a>
	File W-2 Copy A with the	Submit paper W-2’s to the Social Security Administration usually by the end of	<a href="https://www.irs.gov/government-entities/federal-state-local-governments">https://www.irs.gov/government-entities/federal-state-local-governments</a>

	Social Security Administration	February, with a transmittal Form W-3.	
	Provide new W-4 Forms to all employees to update exemptions and deduction amounts for the new year.	<a href="http://www.irs.gov">www.irs.gov</a> – New W-4 Forms are available on the IRS web site.	<a href="https://www.irs.gov/government-entities/federal-state-local-governments">https://www.irs.gov/government-entities/federal-state-local-governments</a>
	944 Annual Report to the Internal Revenue Service	<b>IRS Form 944</b> – 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.	<a href="https://www.irs.gov/government-entities/federal-state-local-governments">https://www.irs.gov/government-entities/federal-state-local-governments</a>
<b><u>Upon Hiring New Employee</u></b>	E-Verify	<b>Form I-9</b> -Newly hired employees must complete Section 1 of Form I-9 on their first day of hire. Employers must complete Section 2 within three days of a new employee's hiring date.	<a href="https://www.e-verify.gov/e-verify-user-manual">https://www.e-verify.gov/e-verify-user-manual</a>  Tel: 888-464-4218

<b>ANNUAL SCHEDULE</b>		
<b>RECURRING REPORTING</b>		
<b>DESCRIPTION</b>	<b>MONTH</b>	<b>COMMENTS</b>
<b>Quarterly Reports Due</b>	January April July October	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; File Radon Report and Building Training Fees; File for Fuel Tax reimbursement Enter and post any recurring journal entries

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.
Changes due to Election of new Commissioners, Councilors or Board Members	March November	Information packets for newly elected officials; Signature cards for bank (if signors)  Cancel any benefits or credit card of outgoing officials
<b>SPECIFIC REPORTING</b>		
<b>January</b>	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 based on actual prior year payroll numbers	Issue 1 <sup>st</sup> Quarter Employer contribution to Pension Plan.
	Statement of County Funded Court-Related Functions	Report due within four months of the close of the fiscal year.
<b>February</b>	File Annual Report to Division of Retirement for Plans with \$250,000+ in assets	Report due February 1 <sup>st</sup> (Chapter Plans) and March 15 <sup>th</sup> (Local Law Plans)
	Begin preliminary Budget Process – Revenue analysis	Each agency has established procedures for the building of next

	and current year expenditure rates.	years' budget. Management implements the process with directives to Divisions and Departments as to the proposed Budget requests.
<b>March</b>	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.
<b>April</b>	Annual Financial Report	For local governments not required to provide an audit report pursuant to s. <a href="#">218.39(1)</a> , 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.
<b>May</b>	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.
<b>June</b>	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
<b>July</b>	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 1 <sup>st</sup> 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)
<b>August</b>	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	Ad to appear within 15 days of adoption of tentative budget.

	and millage rate and final public hearing schedule	
	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.
<b>September</b>	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 Agency's 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 provide an audit pursuant to s. <a href="#">218.39(1)</a> , F.S.	Due no later than nine (9) months after the end of the fiscal year or 45 days after delivery of the local 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( 1) for district school boards.
<b>October</b>	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 Program, Florida Department of Revenue	Counties, Municipalities, Special Districts – within thirty (30) days of Final Hearing.
	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.
<b>November</b>	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 30 <sup>th</sup> 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 – 29 <sup>th</sup>	Counties, Municipalities, Special Districts
<b>December</b>	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: <a href="http://www.gfoa.org">www.gfoa.org</a>
Florida Government Finance Officers Association	Professional resource providing opportunities through education, networking, leadership and information.	Attn: Executive Director P.O. Box 10270 Tallahassee, FL 32302 E-mail: <a href="mailto:ptshamoun@flcities.com">ptshamoun@flcities.com</a> Tel: 850.701-3648 Web site: <a href="http://www.fgfoa.org">www.fgfoa.org</a>
Office of Economic and Demographic Research	Provides informational data and statistics to support local government	Attn: Coordinator 111 W. Madison St. Suite 574 Tallahassee, FL 32399-6588 E-mail: <a href="mailto:baker.amy@leg.state.fl.us">baker.amy@leg.state.fl.us</a> Tel: 850.487.1402 Web site: <a href="http://edr.state.fl.us/Content/">http://edr.state.fl.us/Content/</a>
Municipal Police & Fire Pension Trust Office, Division of Retirement	Pension Plans – Police or Fire	Plan Questions & Submissions Florida Department of Management Services E-mail: <a href="mailto:mpf@dms.myflorida.com">mpf@dms.myflorida.com</a> Tel: 850.922-0667 Web site:  <a href="https://www.dms.myflorida.com/workforce_operations/retirement/local_retirement_plans/municipal_police_and_fire_plans">https://www.dms.myflorida.com/workforce_operations/retirement/local_retirement_plans/municipal_police_and_fire_plans</a>
Florida Retirement System (FRS)	Pension Plans – State, County, Elected Officials,	Florida Department of Management Services Division of Retirement PO Box 9000 Tallahassee, FL 32315-9000

	Courts, Schools, Legislators	Employer Assistance: 1-844-377-1888 Web site: <a href="https://www.dms.myflorida.com/workforce_operations/retirement/employers">https://www.dms.myflorida.com/workforce_operations/retirement/employers</a>
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: <a href="http://www.eftps.gov">www.eftps.gov</a> 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: 1-850-717-7000 All counties except Miami-Dade County For Miami-Dade – Miami State Attorney's Office 305.530-2600. Web site: <a href="http://dor.myflorida.com/dor/eservices/filepay.html">http://dor.myflorida.com/dor/eservices/filepay.html</a>

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: <a href="https://floridarevenue.com/taxes/taxesfees/Pages/rt_return_pay.aspx">https://floridarevenue.com/taxes/taxesfees/Pages/rt_return_pay.aspx</a>
Social Security Administration	Either file electronically or mail copies of W-2 Copy A with a Form W-3 Transmittal of Wage and Tax Statements after calendar year close.	Social Security Administration Wilkes-Barre Data Operations Center P.O. Box 1030 Wilkes-Barre, PA 18767-1030 Web site: <a href="http://www.socialsecurity.gov/employer">www.socialsecurity.gov/employer</a>
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 – Website <a href="https://floridarevenue.com/Forms_library/current/dr700001.pdf">https://floridarevenue.com/Forms_library/current/dr700001.pdf</a>
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	For questions about the TRIM process, contact: Property Tax Oversight Florida Department of Revenue  <b>Email:</b> <a href="mailto:DORPTO@floridarevenue.com">DORPTO@floridarevenue.com</a> <b>Telephone:</b> 850-717-6570 <b>Fax:</b> 850-488-9482  <a href="https://floridarevenue.com/property/pages/trim.aspx">https://floridarevenue.com/property/pages/trim.aspx</a>

	support that budget.	

## **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.

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

### **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.

### **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 findings, in light of existing capital planning, budgetary, investment, and reporting policies.

### **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.

### **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).

### **Selection of Bond Professionals**

Government Finance Officers Association (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.

### **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 - <https://www.sbafla.com/bondfinance/Other-Functions/Local-Government-Reporting-Information>

## **Section 11 – Emergency Management**

### **Overview:**

As provided in ss. 252.31- 252.90, F.S., each County in Florida is tasked with establishing an Emergency Management (EM) Department and receives funding through the Emergency Management, Preparedness and Assistance Trust Fund as well as grant money from the U.S. Department of Homeland Security (DHS) annually to fulfill this task. The Emergency Management (EM) Department is responsible for reducing loss of life and property and protecting the people within their jurisdiction during an emergency resulting from manmade, technological or natural causes which could include hurricanes, wild fires, flooding, severe weather, hazardous material incidents, homeland security issues or any other event that affects a large portion of the community.

To complement County EM Departments, legally constituted municipalities are authorized to create municipal EM programs, per s. 252.38(2), F.S. Municipalities without EM programs shall be served by their respective county agencies. However, if a municipality elects to establish an emergency management program, it must comply with all laws, rules, and requirements applicable to county emergency management agencies. Each municipal emergency management plan must be consistent with and subject to the applicable county emergency management plan. EM develops and implements plans to prepare for, respond to, and recover from disasters including but not limited to:

- Comprehensive Emergency Management Plan (CEMP)
- Continuity of Operations Plan (COOP)
- Local Mitigation Strategy Plan (LMS)
- Floodplain Management Plan

In addition, each municipality must coordinate requests for state or federal emergency response assistance through its county regardless if they have an established EM program. *This requirement does not apply to requests for reimbursement under federal public disaster assistance programs.*

### **Community Support**

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 jurisdiction within a County should have representation at the EOC during activation to help share information and coordinate use of resources as needed. One or more Finance Department members are especially helpful.

## **Preparation**

Planning and preparedness for a disaster is important for every community. There should be policies and procedures in place before a disaster and they should be reviewed at least annually. Examples of preparedness activities that should be completed at least annually:

- Staff that will be requested to operate in the EOC should be identified in advance to allow for integration in preparation, planning and training to which include the annual mock hurricane or other table top exercise.
- Evaluate cash flow needs prior to an event and plan for delayed FEMA reimbursement

May require governing authority to authorize reserve funding, a line of credit, or both.

- Update equipment rates if utilizing your own employees and equipment.

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.

- Ensure employee policies and procedures are updated and in place
- Review Procurement contracts for FEMA compliance – <https://www.fema.gov/assistance/public/nonstate-nonprofit/procurement-checklist>
- Update Continuity of Operations (COOP) plan
- Review latest FEMA Policy guide – <https://www.fema.gov/assistance/public/policy-guidance-fact-sheets>
- Maintain paper copies of forms that may be needed (time sheet, equipment usage, travel logs, vendor payment forms, etc.) in the event of power outages and/or system unavailability.

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.

## **Reimbursement**

In the event of a disaster, your jurisdiction will be responsible for your community's response, recovery and mitigation as well as all of the Federal Emergency Management Agency (FEMA) required reporting to facilitate the reimbursement process. Generally, the responsibility for the reimbursement process is the Finance Departments. Retention of the reimbursement related records should be retained longer than current retention policy states as FEMA can take a few years to close out their projects.

As required by Chapter 119, F.S., and by 2 C.F.R. §200.333, reimbursement records should be retained for a period of five (5) years from the date of submission of the final expenditure report, however, it is recommended that the records be retained longer as FEMA can take years to close out projects. *Training and preparedness are imperative to understand the reimbursement process requirements and ensure your government receives the maximum reimbursement allowed from FEMA.*

### **Resources:**

Chapter 252, F.S.; Emergency Management – [http://www.leg.state.fl.us/statutes/index.cfm?App\\_mode=Display\\_Statute&URL=0200-0299/0252/0252.html](http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0200-0299/0252/0252.html)

Federal Emergency Management Agency (FEMA) – [www.fema.gov](http://www.fema.gov)

FEMA Policy Guide (effective June 2020) – <https://www.fema.gov/assistance/public/policy-guidance-fact-sheets>

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

- Helpful guides – <http://floridapa.org/site/guidelines.cfm>

State of Florida public website – <http://www.floridadisaster.org/DEMpublic.asp>

State of Florida training classes – <http://trac.floridadisaster.org/trac/trainingcalendar.aspx>

If you have never used this website, slides are provided for your use – [http://trac.floridadisaster.org/trac/sertrac\\_orientation.pdf](http://trac.floridadisaster.org/trac/sertrac_orientation.pdf)

## **Section 12 – Human Resources**

### **Overview**

The Human Resources function often includes a variety of activities, such as recruitment and training of employees, maintaining current job descriptions on all positions, pay and compensation, 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 are 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. Human Resources is also charged with regular review of pay and benefits to ensure compensation is commensurate with the job description and local market conditions.

### **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, leaves of absence, performance evaluations, promotion procedures, classification and pay schedules, and discipline and discharge procedures and a description of the employee complaint process. 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.

## **Personnel Files**

Personnel 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
- Policy acknowledgement documentation
- Property checklist (listing of assigned municipality assets)
- Optional benefits authorized by the employee
- Performance evaluations
- Salary changes, promotions, demotions, commendations, and reprimands, if any
- Training completed
- Medical documents as required by position or law (e.g., FMLA, Workers Comp, OSHA, etc.)
- 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 promotion or termination, frequency of performance evaluations, training, and exit interviews.

## **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](http://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 – <https://www.myfloridacfo.com/Division/AA/LocalGovernments/default.htm>

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:

<b>Payroll Reports:</b>	
Each Payroll	Each Quarter
<ul style="list-style-type: none"> <li>➤ Employee Earnings Statements</li> <li>➤ Departmental Cost Summary</li> <li>➤ Payroll Checks</li> <li>➤ Payroll Journal</li> <li>➤ Payroll Tax Summary</li> </ul>	<ul style="list-style-type: none"> <li>➤ 940 Federal Unemployment Deposit</li> <li>➤ 941 Federal Tax Return</li> <li>➤ State Unemployment Tax Return</li> </ul>
Each Month	Each Year
<ul style="list-style-type: none"> <li>➤ Month-End Departmental Summary</li> <li>➤ Payroll Tax Summary</li> </ul>	<ul style="list-style-type: none"> <li>➤ Federal Unemployment Tax</li> <li>➤ Federal Withholding Recap 940</li> <li>➤ W-2's for all Employees</li> </ul>

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.

### **Helpful Hints**

- 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 –

<https://www.irs.gov/government-entities/federal-state-local-governments/government->

Florida Reemployment Taxes –

<https://floridarevenue.com/taxes/taxesfees/Pages/reemployment.aspx>



## **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 (Chapter [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.myfloridalegal.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. – The web site also includes a searchable database of Attorney Generals’ 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, Chapter [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.myfloridalegal.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 Government Finance Officers Association's (GFOA) 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
  - Implementing a training program, to include a training manual. 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).

Using Purchasing Cards to Streamline the Purchasing Process  
<https://www.gfoa.org/materials/purchasing-cards>

*Evaluating Internal Controls: A Local Government Manager's Guide.* Gauthier, S.

## **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. Office of Economic and Demographic Research (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:

- Due date (if specified);
- Title of the required report;
- Statutory or Administrative Rule authority; and,
- 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](mailto: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, usually 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 withdrawals 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 Combination DB-DC pension plan.

### **Hybrid Plans**

Other plan designs incorporate features of both DB and DC plans into a single plan. 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.

Cash balance plans have become common on the private sector, and have seen some growth in the public sector.

- **Variable Benefit Plans** – The benefit factors and formulas in traditional defined benefit plans are usually fixed and change up or down only through amendment by the governing body. However, a variable benefit plan is a defined benefit plan with a multiplier or other factor that automatically varies up or down depending on the investment performance of the fund or on the contribution budget, so as to *share* the risk between the employer and the member. While these are rare in the public sector, they have a long history (although in the minority) in the private sector.

### **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. These include floor offset plans and pension equity 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 equals or exceeds an overly optimistic return assumption.

### **Essential Elements of a Retirement Plan**

- Defines employee groups that are eligible to participate in the retirement plan.
- Indicates vesting requirements for members of the plan.
- Defines the 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).
- Defines other benefit options, such as early and disability retirement, joint and survivor options, and lump sum withdrawals.
- 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**

- Determine the adequacy of the retirement plan in meeting the needs of employees.
- 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.
- Provide a tax deferral to the employee through the use of Mandatory employee contributions (employer pick-ups).
- Design a plan that is financially sustainable for the employer.

### **Financial Statement Accounting and Footnotes**

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 primary accounting standards for reporting pension information in governmental financial reports. Other subsequent standards issues supplement these.

There are many different rules governing pension reporting and disclosure for accounting purpose, depending on the type of plan and the governmental entity's makeup. Pension plans 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.

A pension plan and trust sometimes issues its own separate financial statement in compliance with GASBS No. 67, but if such a separate financial statement is *not* issued, then the financial reporting entity is required to provide all disclosures ordinarily required by GASBS No. 67 of stand-alone pension plan reports in addition to the accounting and financial reporting requirements of GASBS No. 68. On defined benefit plans, these disclosures include significant information typically contained in actuarial valuations. The GASBS also require historical 10-year data to be reported as Required Supplementary Information.

For those local governments that participate in the Florida Retirement System (FRS), the FRS provides the pro rata data required for accounting and financial 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 or in other interests that are not aligned with the current pension interests of plan members. 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 actuarially 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 (in other words, inter-generational equity or not kicking the can down the road),
- Manage contribution volatility (not contribution affordability),
- Transparency and accountability, and
- Governance integrity (avoiding agency risk and the employer's 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.cactuaries.org/Portals/0/pdf/CCA\\_PPC\\_White\\_Paper\\_on\\_Public\\_Pension\\_Funding\\_Policy.pdf](https://www.cactuaries.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 which competes with actuarial benefit security.

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.

The board’s actuary and investment consultant should jointly advise the parties concerning the risk/volatility levels of different asset allocation policies.

### *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 and risk assessments.

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-interests or in other interests that are not aligned with the current pension interests of plan members. 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.

The investment return assumption should be developed through a robust process of estimating the future returns of the fund’s own portfolio, taking into account (a) the forward-looking capital market assumptions of multiple professional experts in the fields of forecasting inflation and investment returns, (b) the fund’s own asset allocation and (c) the plan’s expected cash flow.

During the 2015 legislative session, changes were enacted to ss. 112.63 and 112.664, F.S., which require local government pension plans to use the mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System (FRS), including the projection scale for mortality improvement, and appropriate risk and collar adjustments based on plan demographics. These changes were effective Jan. 1, 2016, and are to be used in preparing the local plans’ actuarial valuations and actuarial disclosures.

Copies of recent FRS actuarial valuations may be found on the FRS website on the Publications page at:

[https://www.dms.myflorida.com/workforce\\_operations/retirement/publications/actuarial\\_valuations](https://www.dms.myflorida.com/workforce_operations/retirement/publications/actuarial_valuations)

The mortality methodology is described in Appendix A of the valuation.

## **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:

- 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;
- Education: assist plan members to make informed decisions concerning which investment funds they should select from the pre-determined list for their own account;
- Investment management: manage the investment funds made available to plan members (usually mutual funds); and
- 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) or leave that to the single vendor as well. 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-than-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 Official'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](http://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 (EDR) 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<sup>st</sup> 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<sup>st</sup> 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<sup>st</sup> 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 (DSS) may be adopted by Florida counties and applies to most transactions subject to sales tax, specifically on the first \$5,000 on any one item of tangible personal property. Other transactions subject to DSS are not capped. 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 and ranges from a combined surtax of 0.5% to a 2.5% maximum. 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. DSS categories include: Charter County and Regional Transportation System Surtax; Local Government Infrastructure Surtax; County Public Hospital Surtax; Voter-Approved Indigent Care Surtax; Small County Surtax; Indigent Care and Trauma Center Surtax; School Capital Outlay Surtax; Emergency Fire Rescue Services and Facilities Surtax; and Pension Liability Surtax. 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). DSS rates are published by the Department of Revenue on Form DR-15DSS. Currently DSS rates may be implemented or changed effective January 1<sup>st</sup> of each year and must terminate only on December 31 of a given year (with rare exceptions). DSS is only authorized by enactment or amendment by voter referendum during a general election. At least 180 days before a referendum is held, a performance audit of the program associated with the proposed surtax must be performed in accordance with s. 212.055(11), F.S.

***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](http://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/>

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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>

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<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**

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## **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.

Strategic planning is about influencing the future rather than simply preparing or adapting to it. The focus is on aligning organizational resources to bridge the gap between present conditions and the envisioned future. While it is important to balance the vision of community with available resources, the resources available should not inhibit the vision. The organization's objectives for a strategic plan will help determine how the resources available can be tied to the future goals. An important complement to the strategic planning process is the preparation of a long-term financial plan, prepared concurrently with the strategic plan. A government should have a financial planning process that assesses the long-term financial implications of current and proposed policies, programs, and assumptions. A financial plan illustrates the likely financial outcomes of courses of actions.

Strategic planning for public organizations is based on the premise that leaders must be effective strategists if their organizations are to fulfill their missions, meet their mandates, and satisfy their constituents in the years ahead. Effective strategies are needed to cope with changed and changing circumstances, and leaders need to develop a coherent and defensible context for their decisions. National Advisory Committee on State and Local Budgeting (NACSLB) Recommended Practices provide a framework for financial management, which includes strategic planning.

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:**

- **Initiate the Strategic Planning Process-** It is essential that the strategic plan be initiated and conducted under the authorization of the organization's chief executive (CEO), either appointed or elected. Inclusion of other stakeholders is critical, but a strategic plan not supported by the CEO has little chance of influencing an organization's future
- **Prepare a Mission Statement –** The mission statement should be a broad but clear statement of purpose for the entire organization. One of the critical uses of a mission statement is to help an organization decide what it should do and, importantly, what it should not be doing. The organization's goals, strategies, programs and activities should logically cascade from the mission statement.

Assess Environmental Factors – A thorough analysis of the government's internal and external environment sets the stage for an effective strategic plan. A frequently used methodology for conducting an environmental assessment is a "SWOT" (Strengths, Weaknesses, Opportunities, Threats) analysis. Strengths and weaknesses relate to the internal environment, while analysis of opportunities and threats focuses on the environment external to the organization.

Local, regional, national, and global factors affecting the community should be analyzed, including (a) economic and financial factors, (b) demographic trends, (c) legal or regulatory issues, (d) social and cultural trends, (e) physical (e.g., community development), (f) intergovernmental issues, and (g) technological change.

Also, a government should develop mechanisms to identify stakeholder concerns, needs, and priorities. Among the mechanisms that might be employed to gather such information are (a) public hearings, (b) surveys, (c) meetings of community leaders and citizens interest groups, (d) meetings with government employees, and (e) workshops for government administrative staffs and the legislative body.

- Identify Critical Issues – Once the environmental analysis has been completed, the next step is to use the resulting information to identify the most critical issues. Issue recognition should reflect stakeholder concerns, needs, and priorities as well as environmental factors affecting the community
- 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.
- Develop Strategies to Achieve Broad Goals – Strategies are ways to influence the environment to meet the broad goals. A single strategy may relate to the achievement of more than one goal. There should be a relatively small number of specific strategies developed to help choose among services and activities to be emphasized. Use of flowcharts or strategy mapping is encouraged in the design of strategies. To optimize the success of these strategies, opportunities should be provided for input from those who will be affected
- Create an Action Plan – The action plan describes how strategies will be implemented and includes activities and services to be performed, associated costs, designation of responsibilities, priority order, and time frame involved for the organization to reach its strategic goals. There are various long-range planning mechanisms available to enable organizations to clarify their vision and strategy and translate them into action.
- Develop Measurable Objectives – Objectives are specific, measurable results to be achieved. Objectives and their timelines are guidelines, not rules set in stone. Objectives should be expressed as quantities, or at least as verifiable statements, and ideally would include timeframes.

- Incorporate Performance Measures – Performance measures provide an important link between the goals, strategies, actions and objectives stated in the strategic plan and the programs and activities funded in the budget. Performance measures provide information on whether goals and objectives are being met.
- Obtain Approval of the Plan- Approval from the governing body should be obtained. This will aid in their policy and budget decisions.
- Implement the Plan – Organization stakeholders should work together to implement the plan. Moreover, the strategic plan should drive the operating budget, the capital plan, and the government's other financial planning efforts.
- Monitor Progress – Progress toward planned goals should be monitored at regular intervals. Organizations should develop a systematic review process to evaluate the extent to which strategic goals have been met.
- Reassess the Strategic Plan – Many external factors, such as the national or regional economy, demographic changes, statutory changes, legislation, mandates, and climate/environmental changes, may affect the environment and thus achievement of stated goals. To the extent that external events have long-range impacts, goals, strategies and actions may need to be adjusted to reflect these changes. New information about stakeholder needs or results may also require changes to the plan. It is desirable to minimize the number of adjustments to longer-term goals in order to maintain credibility. However, governments should conduct interim reviews every one to three years, and more comprehensive strategic planning processes every five to ten years, depending on how quickly conditions change. Performance measure results need to be reviewed more frequently than the strategic plan.

**Resources:**

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

GFOA Best Practice – Performance Measures –  
<https://www.gfoa.org/materials/performance-measures>

*Strategic Planning for Public and Non Profit Organizations*, 4<sup>th</sup> 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 Chapter. [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 unrepresented (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 Chapter. [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 Chapter. [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**

- 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.
- 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 Chapter. [717](#), F.S. The Division has a website that contains important information including required forms, key contacts within the Division, and other relevant information to assist in complying with Chapter [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 website 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 –

<https://myfloridacfo.com/division/unclaimedproperty/home>

## **Section 23 – Information Technology**

### **Overview**

Information technology is most commonly used to refer to a system of computers and computer networks. Information technology is prevalent in local government operations of all sizes. Many government employees spend the vast majority of their workday on their computers. There are specialized software programs for just about any governmental activity or task, and large enterprise resource planning systems (ERP) that can coordinate all a government's data management needs. Employees draft correspondence on word processing software, do calculations and track management information on computer spreadsheets, and report to governing bodies with presentation software.

Employees use email, telephones, and the internet for communications, including telephony. They interface with the public through the local government's website, with other departments through fiber optic networks, and use internal and third-party secured portals for transferring money and other information.

Often these computer-assisted activities appear seamless to the users, but the computer hardware, software, networks, and processes must be installed correctly and managed properly to minimize disruptions and data loss, and to protect against unauthorized intrusion or data modification. Managing and maintaining the local government's information infrastructure is usually the responsibility of the organization's Information Technology Department (ITD), but in small governments with no such department, it is often the responsibility of Finance.

The information technology activities need support from the highest levels of the organization. Without proper funding for the maintenance of hardware, software and the computer network, the organization risks (1) becoming outdated, (2) data loss due to hardware failure, and (3) suffering from lack of interoperability between departments and other agencies.

### **Responsibilities of the Department**

The ITD should provide a collaborative relationship with all departments by facilitating the identification of appropriate technology and assisting in the training and implementation of that technology. Written policies and procedures should be developed in all key IT areas. Goals and responsibilities of employees who oversee information technology activities in the organization, may relate to the following areas:

- IT Management
- IT Hardware and Software Procurement
- Network Administration
- Application Installation/Development, Support and Change Management



- Business Development
- Security

Following is a description of the duties with best practices in each of these areas.

- 1. IT Management** – The IT Director or Manager oversees IT initiatives to ensure that all technology- related projects run smoothly and align with overall organizational policy. He/she performs strategic planning and recommends action for technology-related improvements.

*Best Practices:*

- Nurture a relationship with the organization’s chief executive.
- Stay abreast of new developments in this ever-changing industry through conferences, publications and blogs.
- Don’t reinvent the wheel – see what others are doing.
- Establish and receive feedback from a user steering group.
- Work with departments to identify and prioritize critical business processes and services.

- 2. IT Hardware and Software Procurement** – These ITD employees manage the acquisition and replacement of technology-related hardware, software, or services. They troubleshoot equipment errors and failures and handle the disposition of the equipment at the end of its useful life.

*Best Practices:*

- Acquire technology that aligns with organizational needs.
- Standardize hardware and software (including upgrades and options) to minimize incompatibility and maximize cross-agency usage.
- Centralize purchasing in IT to avoid duplication and encourage technical considerations.
- Maintain detailed, up-to-date inventory records for all computer hardware with identification numbers, and software with required software licenses.
- Over-write hard drives before discarding computer equipment.

- 3. Network Administration** – Here, the ITD employees manage the Organization’s technology backbone, i.e., its data servers and networks. They design, implement and maintain server and network configurations, routing protocols, and storage environments. They monitor usage and loads, and implement programs to minimize system downtime. They coordinate system backup, storage and retrieval systems. They facilitate the organization-wide design and test of disaster recovery and business continuity plans.

*Best Practices:*

- Develop network documentation and network change authorization procedures.
- Assign unique ID’s for all users, including administrators.
- Institute system redundancies.
- Maintain an inventory of information assets (i.e., data) that classifies the data according to sensitivity and identifies where the data resides.
- Understand applicable laws and regulations surrounding the data (i.e., confidentiality requirements, sunshine laws, etc.).
- Protect inter-facility networks with a Virtual Private Network (VPN) that requires an encrypted connection.
- Consider record retention and sunshine law requirements

Network Access

- Work with Departments to establish new user access profiles commensurate with job responsibilities.
- Limit access to dangerous or inappropriate websites.
- Monitor your systems (establish baselines, watch trends, intrusion detection systems, security incident logs, etc.).

Backups and Contingency Plans

- Backup regularly and test restores. Store backup media off-site (or the cloud).
- Develop a disaster recovery plan and perform training runs.
- Develop a security incident response plan.

- 4. Application Installation/Development, Support, and Change Management** – These ITD employees work with end users and customers to develop system needs and specifications. They research, develop/acquire and install new software for end users. They coordinate software training and support, troubleshoot technical issues, and fine tune applications for users. They

implement software updates including bug fixes, patches, enhancements and customized options.

*Best Practices:*

- Prohibit user software installations (installations done by IT).
- Establish and maintain a relationship with vendor support departments.
- Design Go-Live plans for major software installations.
- Coordinate adequate training on new software.
- Use an automated deployment system and log the timely installation of all software updates, patches, changes, etc.
- Use audit trails to detect unapproved changes.
- Implement change management processes that require authorization and testing.

**5. Business Development** – These ITD employees develop databases and applications that pool, extract and analyze data for management insight and use. They use tools like SQL databases to manage the organization’s data and produce reports.

*Best Practices:*

- Understand user needs and data characteristics.
- Based on user needs, maximize efficiency through re-use of applicable and supported systems.

**6. Security** – These ITD employees design, communicate, and enforce policies and procedures to mitigate risk from internal and external data breaches and cyberattacks. They develop and implement security incident management plans. They insure protection of private data (e.g., bank account information, social security numbers, etc.) when it resides in the organization’s systems. Securing data means securing the confidentiality, integrity and availability of the data. There is a happy medium between security and convenience.

*Best Practices:*

Physical Controls

- Establish physical controls (guards, gates, cameras, and/or locks, etc.) in buildings and server rooms.

- Make sure server areas have appropriate environmental protection such as smoke detectors, fire alarms and extinguishers, and uninterrupted power supplies.

#### Network Security

- Add a firewall between the internet and the network, and ensure it is monitored and updated. Ensure that access to the firewall or router is password protected.
- Employ website filters and scans.
- Utilize a centrally-managed anti-virus system with regular automatic updates.
- Install intrusion prevention systems and/or anti-malware software (e.g., ransomware) to minimize system criminal attacks.
- Draft incident management policies and procedures (to prevent an incident from becoming a disaster).

Perform vulnerability scans or penetration testing (or outside security audit). Institute procedures for encrypting proprietary information.

#### Banking and Customer Interfaces

- Only transfer private data over secure networks, e.g., VPN's, with appropriate encryption technology.
- Use wired networks only for banking transactions and online access.
- Use Payee Positive Pay and “dual authorizations” and/or build layered-defense mechanisms for online banking transactions.
- Monitor bank activity daily.
- Carefully check ACH/direct deposit authorization forms and change requests and verify them with authorized vendor representatives by telephone to minimize fraud risk.

Ensure systems are in compliance with banking institution’s compliance requirements, including PCI compliance for merchant services.

#### End Users

- Provide user security education and awareness training.
- Remove/change default passwords.
- Require complex passwords for all users, changed regularly. Consider the need for multifactor authorization.
- Remove access credentials at an employee’s termination or transfer.
- Institute relatively short session time-outs.
- Limit/control super user privileges and the use of shared accounts.

Periodic review of user access for segregation of duties conflicts.

## **Security – Defense in Depth**

Defense-in-depth refers to the implementation of multiple layers of security to protect data, networks and systems. Building successive layers of defense mechanisms can reduce the risk of a successful attack by someone with malicious intent. There is no single control that can be used to adequately protect against sophisticated threats. A combination of controls is needed.

## **Size of the Department**

The size of an ITD should be proportional to the size of the organization. The more users and data on the information infrastructure, the more individuals are needed to manage those users and data. In a small organization, one qualified individual may be able to handle all the above responsibilities. Lacking a qualified individual, the organization can retain an outside consultant or utilize managed services, but should do so under a carefully written contract. A benefit of using an outside consulting firm may be access to individuals with varied experiences in the above areas.

## **Finance Involvement**

The organization's finance team should understand the IT operations, whether or not there are IT specialists on the organization's team. A background in IT is not necessary to ask questions about key IT internal controls and understand the answers. Extensive IT knowledge is not necessary to perform extensive procedures (e.g., review documents or reports) that can corroborate these answers. The finance team should work with IT to develop and fully test all financial reports. An evaluation of the financial software systems should be a component of the annual external audit.

## **References**

Florida Local Government Information Systems  
Association: <http://www.flgisa.org>

Manual – IT Governance and organization self-  
assessment:  
<http://www.osc.state.ny.us/localgov/pubs/lmgm/itgovernance.pdf>

Free cyber self-assessment checklist:  
<https://www.glatfelterpublicpractice.com/public-entity-news-2016/ID/1194/Download-our-FREE-cyber-self-assessment-checklist>

Florida League of Cities:  
<http://floridaleagueofcities.com/resources/social-media-toolkit>

Florida Municipal Communicators Association (for government in the sunshine) <http://fmcaonline.com/training/social-media/>

Spiceworks Best Practices and General IT Forum  
<https://community.spiceworks.com/best-practices?crumb=true>

Fiber Optics:  
<https://citiesspeak.org/2018/06/05/small-cities-use-fiber-infrastructure-to-decrease-digital-divide/>

Security Training:  
<https://www.cisecurity.org/>

## **Section 24 – Grants**

### **Overview**

Grants are an attractive source of funding for local governments to fund programs and services when other sources of revenue are declining or otherwise unavailable. Grants that are received from other governmental entities and/or private foundations often have specific compliance rules along with specialized reporting requirements. It is the responsibility of both the Grants Manager and Finance personnel to ensure that all requirements are met. If the specific requirements are not met, negative consequences could occur. It is recommended that grant recipients not only have a grant policy in place, but also procedures for grant administration, internal controls for grants, and establish a grants administration oversight committee.

### **Grants Policy**

Since grants often commit a government to financially maintain a program or asset after the grant period, a grants policy should have been adopted and implemented prior to applying for a grant. The Government Finance Officers Association (GFOA) has issued a best practice, “Establishing an Effective Grants Policy”, which outlines what the policy should contain. The policy should contain the following components: grants identification and application, strategic alignment, funding analysis, evaluation prior to renewal or grant continuation, and administrative and operational support.

### **Post Grant Award**

According to the GFOA’s best practice on Grants Administration, local governments should develop processes that establish awareness that grants come with specific and significant requirements and that this awareness should be maintained throughout the life of the grant. On many occasions both the Grant Manager and Finance Manager work together to ensure the efficiency of grant administration. In smaller governments, these are often combined.

Many procedures of grant management and finance management overlap, such as developing procedures for cash management, record keeping, audit requirements, reporting requirements, and communication with granting agency and in-house personnel.

One important aspect of grant administration is the development of proper internal controls. The GFOA has a recommended best practice on Internal Controls for Grants which ensure that the grant resources are being utilized effectively and efficiently, assets purchased or developed with the grant resources are being safeguarded properly and the grant resources are being utilized in compliance with appropriate laws and regulations. A resource to aid in the development of those internal controls is the

Committee of Sponsoring Organizations (COSO), and the Internal Control-Integrated Framework which includes: Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

To aid in complying with all the complex requirements some grant programs set forth, the GFOA has recommended to establish a Grants Administration Oversight Committee. The issued best practice outlines who should be a member of the committee and its duties. This recommendation is made so that a local government does not experience the negative consequences of not complying with all of the conditions and requirements of a grant from acceptance to expiration.

### **Audit Compliance**

The U.S. Office of Management and Budget (OMB) has published Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The GFOA has issued a best practice recommendation on OMB Uniform Guidance that state and local governments need to take appropriate steps to ensure that they comply with the Uniform Guidance.

The Yellow Book is another source of auditing standards published by the United States Government Accountability Office (GAO). Some grant programs, due to the amount of the grant award, will require a single audit to be performed. As of 2020, the audit threshold amount is \$750,000. However, some grants may have specific language that require an audit regardless of any dollar threshold.

The Florida Single Audit Act, s. 215.97, F.S., establishes state audit and accountability requirements for state financial assistance provided to nonstate entities. The Legislature found that while federal financial assistance passing through the state to nonstate entities was subject to mandatory federal audit requirements, significant amounts of state financial assistance was being provided to nonstate entities that was not subject to audit requirements that paralleled federal audit requirements. Accordingly, the intent of the Act is that state audit and accountability requirements, to the extent possible, parallel the federal audit requirements. The audit threshold amount is also \$750,000.

### **References**

GFOA Best Practice – Internal Control Grants – <https://www.gfoa.org/materials/internal-control-for-grants>

GAO Auditing Standards – <https://www.gao.gov/assets/700/693136.pdf>

GFOA Best Practice – Grants Administration – <https://www.gfoa.org/materials/grants-administration>



GFOA Best Practice – OMB Uniform Guidance – <https://www.gfoa.org/materials/omb-uniform-guidance>

GFOA Best Practice – Establishing Effective Grants Policy  
– <https://www.gfoa.org/materials/establishing-an-effective-grants-policy>

GFOA Best Practice – Establishing a Grants Administration Oversight Committee – <https://www.gfoa.org/materials/establishing-a-grants-administration-oversight-committee>

Committee on Sponsoring Organizations – <https://www.coso.org/Pages/default.aspx>

Florida Department of Financial Services Single Audit- <https://apps.fldfs.com/fsaa/>

Florida Administrative Code – <https://www.flrules.org/>

U.S. OMB Uniform Guidance – [https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

Florida Single Audit Website – <https://apps.fldfs.com/fsaa/>