



FINANCIAL OPERATIONS MANUAL (FOM)



Revised December 2023

THIS PAGE IS INTENTIONALLY LEFT BLANK

Table of Contents

| | |
|---|-----------|
| INTRODUCTION | 6 |
| SECTION 1 SUMMARY OF SIGNIFICANT GENERAL ACCOUNTING POLICIES | 8 |
| 1.1 BASIS OF ACCOUNTING | 8 |
| 1.2 MEASUREMENT FOCUS | 8 |
| SECTION 2 GENERAL LEDGER AND FINANCIAL REPORTING | 10 |
| 2.1 CHART OF ACCOUNTS | 10 |
| 2.2 FUNDS | 10 |
| 2.3 DEPARTMENT TYPES | 13 |
| 2.4 ACCOUNT TYPES | 13 |
| 2.5 JOURNAL ENTRIES | 14 |
| 2.6 FINANCIAL REPORTING | 15 |
| 2.7 FISCAL YEAR END PROCESS | 16 |
| 2.8 AUDIT PREPARATION PROCEDURES | 16 |
| 2.9 ANNUAL GENERAL PURPOSE STATEMENTS | 17 |
| 2.10 ANNUAL REPORTS OF UNITS OF LOCAL GOVERNMENT | 18 |
| SECTION 3 CASH MANAGEMENT | 20 |
| 3.1 REVENUE COLLECTIONS | 20 |
| 3.2 PETTY CASH | 21 |
| 3.3 BANK STATEMENT RECONCILIATION | 22 |
| 3.4 INVESTMENTS | 23 |
| SECTION 4 ACCOUNTS RECEIVABLE | 24 |
| SECTION 5 ACCOUNTS PAYABLE | 26 |
| 5.1 PURCHASE ORDERS | 26 |
| 5.2 WIRE TRANSFERS | 28 |
| 5.3 VENDOR CHECKS AND ELECTRONIC PAYMENTS (“EPAYABLES”) | 29 |
| 5.4 OFF CYCLE (MANUAL) CHECK REQUESTS | 30 |
| 5.5 REQUEST FOR DIRECT PAYMENT (RDP) | 30 |
| 5.6 CALENDAR YEAR-END PROCEDURES | 31 |
| SECTION 6 CAPITAL ASSETS | 34 |
| 6.1 RECORDING CAPITAL ASSETS | 34 |
| 6.2 INSURING EQUIPMENT | 36 |
| SECTION 7 PROJECT ACCOUNTING | 38 |
| SECTION 8 PAYROLL ADMINISTRATION | 40 |
| 8.1 POSITION CONTROL | 40 |
| 8.2 PAYROLL PROCESSING | 42 |
| 8.3 EMPLOYEE DEDUCTIONS | 44 |
| 8.4 WITHHOLDING EXEMPTION CERTIFICATES | 44 |
| 8.5 MONTH-END PROCESSING | 45 |
| 8.6 QUARTER-END PROCESSING | 46 |
| 8.7 CALENDAR YEAR-END PROCEDURES | 46 |
| SECTION 9 GRANT MONITORING AND REPORTING | 48 |
| 9.1 JUSTICE ASSISTANCE GRANT (JAG) REPORTING | 50 |
| 9.2 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REPORTING | 51 |
| 9.3 GRANT INTERNAL AUDIT PROCESS | 52 |

| | | |
|-----------------------|---|---------------|
| SECTION 10 | BUDGET POLICIES & PROCEDURES | 54 |
| 10.1 | GENERAL BUDGET POLICIES | 54 |
| 10.2 | BUDGET PREPARATION | 57 |
| 10.3 | BUDGET CHANGES AFTER FISCAL YEAR ADOPTION..... | 66 |
| 10.4 | AGENDA MEMORANDUM FOR BUDGET CHANGES | 68 |
| 10.5 | BUDGET REVIEWS | 69 |
| SECTION 11 | CAPITAL IMPROVEMENT PROGRAM (CIP) | 72 |
| 11.1 | CAPITAL IMPROVEMENT PROGRAM POLICY | 72 |
| 11.2 | CAPITAL IMPROVEMENT PROGRAM PROCESS..... | 73 |
| 11.3 | AVOIDING COMMON CIP MISTAKES | 76 |
| SECTION 12 | PURCHASING POLICIES (REMOVED BY RESOLUTION 2023-140) | 78 |
| SECTION 13 | PURCHASE ORDER POLICY (REMOVED BY RESOLUTION 2023-140) | 79 |
| SECTION 14 | MULTI-YEAR CONTRACTS (REMOVED BY RESOLUTION 2023-140)..... | 80 |
| SECTION 15 | METHODS OF SOURCE SELECTION (REMOVED BY RESOLUTION 2023-140) | 81 |
| SECTION 16 | INSTRUCTIONS TO BIDDERS (REMOVED BY RESOLUTION 2023-140) | 82 |
| SECTION 17 | COOPERATIVE PURCHASING (REMOVED BY RESOLUTION 2023-140)..... | 83 |
| SECTION 18 | PURCHASING CARD POLICY | 84 |
| SECTION 19 | PROPERTY AND SUPPLY MANAGEMENT..... | 94 |
| 19.1 | CLASSIFICATION/DEFINITIONS OF PROPERTY | 94 |
| 19.2 | PROCEDURES..... | 95 |
| SECTION 20 | DISPOSAL OF SURPLUS PROPERTY | 96 |
| 20.1 | METHODS OF DISPOSAL | 96 |
| 20.2 | PROCEDURES..... | 97 |
| SECTION 21 | POLICIES | 100 |
| 21.1 | CAPITALIZATION POLICY | 100 |
| 21.2 | DEBT MANAGEMENT POLICY | 111 |
| 21.3 | FRAUD POLICY | 120 |
| 21.4 | FUND BALANCE RESERVE POLICY | 125 |
| 21.5 | INVESTMENT POLICY..... | 129 |
| 21.6 | TRAVEL POLICY | 151 |
| 21.7 | DONATION POLICY | 165 |
| INDEX | | 169 |

THIS PAGE IS INTENTIONALLY LEFT BLANK

(FOM) Revised January 2021

Adopted October 2010

Introduction

Objective

The Financial Operations Manual (FOM) is a policy and procedural document for all of the financial functions of the City of Cocoa. The purpose of this manual is to provide the user with one document covering all of the financial issues in accounting, budgeting and purchasing. This manual has updated and replaced the General Accounting Manual, the Budget Manual and the Purchasing Manual. In the last section of this document, all of the financial policies approved by City Council are available for review.

The objective of the FOM is to provide the user with the basic financial policies and procedures. Policy manuals are dynamic in nature, not static, and the FOM will be updated and modified as needed. If users have questions regarding information in any section in this manual, they should contact the appropriate divisions for clarity. The Finance Director has the authority to interpret the intent of this document and settle any disagreements regarding these policies and procedures.

Level of Authority

A. City Council

The authority to issue and/or revise the Financial Operations Manual is reserved for the City Council of the City of Cocoa and through the City Council's direction, the City Manager. The initial Financial Operations Manual was adopted by City Council on October 12, 2010. Individual policies initially adopted by City Council can only be amended or revised with City Council approval.

B. City Manager

The City Manager has the authority to approve technical, grammatical and administrative amendments to the policies and procedures provided said amendments update the Financial Operations Manual and are consistent with the authority vested in the City Manager by the City Charter. Further, the City Manager shall not have the authority to amend or supplement the FOM in a manner conflicting with State Statutes, the City Charter or Ordinances, Resolutions and directives adopted by the City Council.

C. Finance Director

The Finance Director has the authority to interpret, clarify and settle disputes on any issues covered in the Financial Operations Manual. The Finance Director is also responsible for updating and modifying the FOM when appropriate. The Finance Director is required to report any violation of the policies and procedures in this manual to the City Manager.

D. City of Cocoa Employees

Employees have the responsibility to review and adhere to the policies and procedures within the FOM. Violation of any policy or procedure may result in progressive discipline up to and including termination.

Conflicts

In the event any provision of the FOM is in conflict with local, state or federal law, the conflicting provision of local, state and federal law shall prevail and shall apply.

THIS PAGE IS INTENTIONALLY LEFT BLANK

Section 1 Summary of Significant General Accounting Policies

The purpose of this manual is to describe the accounting policies established by the Finance Department and to serve as a reference guide. These policies are designed to help safeguard the City's assets and to promote accuracy, efficiency and consistency in accounting operations throughout the City.

1.1 Basis of Accounting

The basis of accounting refers to revenues and expenditures being recognized in the accounts and relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized in the period in which they become susceptible to accrual, i.e., when they become measurable and available to pay liabilities of the current period. Ad valorem taxes, special assessments and charges for services are susceptible to accrual when collected in the current year or within 60 days subsequent to year-end, provided amounts received pertain to billings through the current fiscal year. Intergovernmental revenues, which include state revenue sharing allotments, local government one-half cent sales tax and county-shared revenue, among other sources, are recorded in accordance with their legal or contractual requirements if collected in the current period or within 60 days after year-end. Grant related revenues will also follow the 60-day general revenue recognition rule as long as the grant requirements in accordance with the grant are met. This 60-day rule applies to all grants regardless of the revenue source. Interest is recorded when earned. Other miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which is recognized when due.

The enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Unbilled utility service receivables are estimated and recorded at year-end. Fees collected in advance of the period to which they apply are recorded as unearned revenue.

Pension expenditures/expenses for the defined contribution plans are recognized based on the required contribution under the terms of the plan and the basis of accounting (modified accrual for governmental fund types and accrual for proprietary fund types).

1.2 Measurement Focus

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means only current assets and current liabilities are generally included on balance sheets. Reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Enterprise funds are accounted for on the "flow of economic resources" measurement focus. This means all assets and all liabilities (whether current or noncurrent) associated with the activity are included on the balance sheet. Enterprise funds operating statements present increases (revenues) and decreases (expenses) in net total assets.

(FOM) Revised January 2021

Adopted October 2010

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds (Water and Sewer Fund and Storm Water Fund) and the City's Internal Service fund (Worker's Compensation Self Insurance Fund) are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and enterprise fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Section 2 General Ledger and Financial Reporting

The City utilizes a double entry system including the general ledger and suitable subsidiary records. The general ledger information is stored in an automated general ledger system. The general ledger and subsidiary ledgers are kept current and balanced to the control accounts monthly.

2.1 Chart of Accounts

As of October 1, 1978, the City incorporated the Uniform Accounting System Chart of Accounts developed by the State of Florida Department of Banking and Finance as an integral part of its accounting system. The general ledger account classification structure, as defined by the City, consists of 14 digits appearing as FFF-VVDD-AAA-EE-OO. The position of each digit in the account number defines its meaning as follows:

| | DESCRIPTION |
|-----|-----------------------|
| FFF | Fund |
| VV | Department |
| DD | Division |
| AAA | Basic Activity |
| EE | Object Classification |
| OO | Sub Classification |

The structure of the Chart of Accounts will be modified as needed to accommodate each year's budget.

2.2 Funds

While each year's budget will determine which funds are used, in general, the City may utilize the following funds:

A. Governmental Funds

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The measurement focus in these types of funds is on determination of financial position (sources, uses and balance of financial resources) rather than on net income. There are four governmental fund types: General, Special Revenue, Debt Service and Capital Projects.

1. General Fund – The fund used to account for all financial resources except those required to be accounted for in other funds.
2. Special Revenue Fund – A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) legally restricted to expenditures for specific purposes.
 - a. The Cocoa Housing Assistance Trust Fund accounts for the funds received for the State Housing Initiatives Partnership (SHIP), enacted by the State of Florida through the Florida Housing Finance Agency. The purpose of the program is to provide funds to local governments as an incentive for the creation of partnerships to produce and preserve affordable housing.

- b. The Cocoa Redevelopment Agency Fund accounts for incremental tax revenues within the downtown Cocoa Village area. These monies are restricted by State Statute to specific projects or a class of projects within this geographical area.
 - c. Community Development Block Grant (CDBG) is used to account for revenues received from the Department of Housing and Urban Development (HUD). These monies are restricted to specific projects approved by HUD under the terms of the agreement.
 - d. Brevard County Home Program is used to account for revenues received from the Department of Housing and Urban Development (HUD). The City of Cocoa has executed an inter-local agreement with Brevard County to act as the Participating Jurisdiction (lead agency) in the Brevard County Consortium agreement with HUD. These monies are restricted by State Statute to specific projects approved by HUD under the terms of the inter-local agreement.
 - e. Police Confiscated Fund is used to account for property confiscated from individuals while conducting illegal activities.
 - f. Police Special Education Fund is used to account for portions of revenue received from traffic fines. The purpose of this fund is to administer police special education programs.
3. Debt Service Fund - Debt Service Funds are used to account for the servicing of general long-term debt not financed by proprietary or nonexpendable trust funds.
 4. Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition of capital assets or construction of major capital projects not financed by proprietary or nonexpendable trust funds.

B. Proprietary Funds

Proprietary Funds include Enterprise Funds and Internal Service Funds. They are used to account for operations that provide services on a user charge basis to the public and for activities where the period measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary Fund activities and basis of accounting are similar to those often found in the private sector.

An Enterprise Fund may be used to report any activity for which a fee is charged to external users for goods and services. GAAP also requires the use of an Enterprise Fund for any activity whose principal external revenue sources meet any of the following criteria:

- Debt backed solely by fees and charges
- Legal requirements to recover cost
- Policy decision to cover costs

Internal Service Funds are proprietary fund types sometimes used to report any activity providing goods or services to other funds, departments or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis.

Enterprise Funds

1. The Water and Sewer Fund accounts for water and sewer operations financed and operated in a manner similar to private business enterprise. The fund is intended to be predominantly self-supported from user charges.
2. The Storm Water Utility Fund is used to account for the operation of storm water services in the City.

Internal Service Fund

1. The Worker's Compensation Self Insurance Fund accounts for the activity of the City's workers' compensation self-insurance program. Services are provided to various City departments on a cost reimbursement basis.

C. Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a fiduciary capacity for individuals, governmental entities and others. Such funds are operated by carrying out specific terms of trust indentures, statutes, ordinances or other governing regulation.

1. The Pension Trust Funds account for assets, liabilities, revenues and expenses of the pension plans of the City's general employees, firefighters and police, and the defined contribution plan. The activities of these funds are subject to state mandatory regulations, local ordinances and the policies of the governing boards.
2. The Taylor Creek Project Fund accounts for assets, liabilities, revenues and expenses for the consumptive use permitting information development related to the Taylor Creek Water Supply Project. The use of this fund is subject to the terms of a Memorandum of Agreement between the parties dated December 5, 2011.

D. Component Unit Funds

Component Unit Funds are used to report a legally separate organization for which the elected officials of the primary government are financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements and are legally separate from the government.

1. Diamond Square Community Redevelopment Agency was organized under Section 163 of the Florida Statutes and formally came into existence in 1998. The Diamond Square Agency uses property tax incremental revenues derived from taxable real property within the geographic boundaries of the community redevelopment area to finance development within that area.
2. The US 1 Corridor Community Redevelopment Agency was organized under Section 163 of the Florida Statutes and formally came into existence in 1998. The US 1 Corridor Agency uses property tax incremental revenues derived from taxable real property within the geographic boundaries of the community redevelopment area to finance development within that area.

E. Account Groups

Account groups are not funds since they do not reflect available financial resources and related liabilities. Instead, they are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt.

1. General Fixed Assets Account Group - used to maintain control and cost information for all fixed assets other than those accounted for in the proprietary funds.
2. General Long-Term Debt Account Group - used to record outstanding long-term debt other than debt recorded in the proprietary funds.

2.3 Department Types

A. Within Governmental Funds

- City Council
- City Manager
- Finance
- General Operations
- Administrative Services
- Police
- Fire
- Community Services
- Public Works

B. Within Enterprise Funds

- Water and Sewer
- Storm Water

2.4 Account Types

A. Balance Sheet

The Balance Sheet accounts consist of Assets and Other Debits, Liabilities and other Credits and the Equity Section.

1. Assets and Other Debits - This heading covers not only assets, but also those items which are not assets at the date of the balance sheet, but are expected to become assets at some future time. This heading also includes accounts, which normally have debit balances even though they are not assets.
2. Liabilities and Other Credits - This heading covers not only liabilities in existence at the date of the balance sheet, but items which may become liabilities at some future time, and other accounts which normally carry credit balances.
3. Net Position – The residual of all other elements presented in a statement of financial position. The difference between assets plus deferred outflows of resources, and liabilities plus deferred inflow of resources. The net position includes Reserves, Changes in Equity and Fund Balance Accounts.

B. Statement of Revenue and Expenditures (Expenses)

The Statement of Revenues, Expenditures and Changes in Fund Balance is the financial statement for governmental funds, whereas the Statement of Revenues, Expenses, and Changes in Fund Net Position is the financial statement for proprietary funds.

1. Revenues - Revenues may be operationally defined in a governmental fund accounting context as “all increases in fund net assets except those arising from inter-fund reimbursements, inter-fund operating and residual equity transfers or long-term debt issues.”
2. Expenditures – For governmental funds, the term “expenditures”, whether used in connection with the accrual or modified accrual basis of accounting, denotes the cost of goods delivered or services rendered (whether paid or unpaid) including expenses, capital outlays, and the provision for debt retirement where such debt is not reported as a liability of the fund from which it was retired. Each expenditure should be analyzed and classified individually by transaction code and object, regardless of the organizational unit incurring it. Cost allocation may be necessary where material amounts of expenditures for a single organization unit cross function-activity.
3. Expenses – For proprietary funds, the term “expenses” denotes the outflow or other using up of assets or encumbrances from delivering or producing goods, rendering services or carrying out other activities constituting the entity’s ongoing major or central operation.

Procedures

2.5 Journal Entries

Journal entries are used to record all financial transactions in the general ledger. There are two types of journal entries: automated and manual entry. Journal Entry Sources are used to identify from where the journal entry originated. The sources are:

- Manual Journal Entry
- Payroll System
- Purchasing/Inventory
- Cash Receipts
- Miscellaneous Receivable
- Asset Management
- Utility Billing
- Planning & Zoning
- Occupational Licenses
- Building Permits
- Leisure Services

A. Automated Journal Entries

From the various subsidiary systems interfacing with the general ledger, automated entries are generated with daily processing. The Accounting Manager or designees are responsible for verifying the entries prior to updating and posting. Other checks and balances are completed to ensure accuracy.

B. Manual Journal Entries

Various Finance personnel are responsible for preparing and entering journal entries. The Accounting Manager or designee approves each manual entry prior to it being updated and posted into the general ledger. The documents should contain the following data:

- Transaction date
- Fiscal Year
- Journal type
- Source
- Department
- Group Description
- Account number(s)
- Account title
- Transaction debit or credit amount(s)
- Transaction description

Supporting documentation, where applicable, for the transaction being recorded is electronically scanned to Laser Fiche. Daily, the automated and manual journal entries are updated and posted to the general ledger in accordance with the automated financial software.

C. Reclassifications

Throughout the year, the Finance Department reviews the general ledger accounts and is required to reclassify items that have been incorrectly charged to the wrong account number. When an item is incorrectly recorded in the general ledger, Finance will notify the Department Director and the Finance Administration Division in writing. The notification will include the incorrect account number, the account number that the item should have been charged to and the reason for the reclassification.

When necessary, a Budget Adjustment Form will be completed by the Department or Finance before the actual money is moved to prevent a negative account balance. The Department Director is required to sign the Form as approval of the transfer. This budget change is an accounting adjustment and in most cases will not have to go to City Council. There may be circumstances when the Finance Director determines that the intent, scope or dollar amount of the adjustment may require City Council approval. In those cases, the Department Director will be advised to prepare an agenda memo and resolution to accompany the Form.

2.6 Financial Reporting

Monthly reports of operating results are prepared to facilitate management control of financial operations. The following reports are generated by the general ledger accounting system upon closing the accounting period. The month end closing normally occurs around the 20th of the following month.

- Trial Balance
- Balance Sheet
- Revenue Report
- Detail Budget Report
- Category Expense Report

In accordance with City Code, Section 2-74, the City Manager shall submit to City Council monthly data showing the relation between the estimated and actual income and expenses to date.

The following General Fund, Water & Sewer Fund and Storm Water Fund reports are provided to City Council on a monthly basis:

- Budget by Account Classification Report
- Revenue Report
- Detail Budget Report Summary by Object

A. Safeguards

Physical safeguards are maintained over the accounting records. A back-up copy, at the site of our software provider of the accounting system, is updated daily. Access to accounting records is restricted to employees with designated responsibility for the records. All personnel in a position of trust are adequately insured by the City in case of employee theft.

All general ledger accounts are reviewed periodically. Each Department Director is responsible for monitoring those accounts under his/her control.

Month end analyses of the various ongoing capital projects, miscellaneous accounts receivable, investment interest, cash flow activity and health insurance are conducted.

2.7 Fiscal Year End Process

The year-end checklist is used to end one fiscal year and begin the next.

- A. Create next year's chart of accounts. This is usually done by the Finance Administration Division
- B. Journalize all transactions for the last regular period
- C. Roll the balance sheet account balances into the next fiscal year
- D. Update the rollover groups
- E. Enter, update and post any auditing adjustments
- F. Close out the prior year

Steps A thru D are normally performed at the end of the fiscal year (September 30th) Step E is done during the audit and step F is done upon completion of the audit.

2.8 Audit Preparation Procedures

The preparation for the audit is an ongoing process throughout the year. During the fiscal year, the Finance staff begins reviewing revenues collected and verifies they are recorded in the proper accounts. Debt service payments and reclassifications are recorded and new assets eligible for capitalization are identified.

The designated Finance Department employee verifies that pension contributions are on target. Accounts payable staff works with departments on outstanding invoices for items received and open purchase orders for items not received.

Prior to the end of the fiscal year, the Finance staff prepares a detailed audit schedule assigning duties and due dates for each task. The schedule is sent to the auditors for review and approval prior to commencement of the audit process.

2.9 Annual General Purpose Statements

The Auditor General requires an annual audit of the financial records to be performed by independent certified public accountants. The audited general-purpose financial statements contain the following information:

Introductory Section

- Table of Contents
- City Manager's Letter of Transmittal
- City Council Members and Executive Management Team
- City Organizational Chart

Financial Section

- Independent Auditor's Report
- Management Discussion and Analysis (MD&A)
- Basic Financial Statements
 1. Government-wide Statement of Net Position
 2. Government-wide Statement of Activities
 3. Governmental Funds Balance Sheet
 4. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
 5. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
 6. Proprietary Funds Statement of Net Position
 7. Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position
 8. Proprietary Funds Statement of Cash Flows
 9. Statement of Fiduciary Net Position
 10. Statement of Changes in Fiduciary Net Position
 11. Notes to Financial Statements
- Required Supplementary Information (RSI)
 1. Trend Data on the Funding of Pensions and Other Post-Employment Benefits (OPEB)
 2. Budgetary Comparisons
 3. Notes to Required Supplementary Information
- Combining Fund Statements and Schedules
 1. Non-major Governmental Funds

Statistical Section

This section contains statistical tables reflecting various supplemental financial data concerning General Government and Propriety Fund operations. These tables are for informational purposes only and are not subject to audit by the City's independent certified public accountants.

Other Reports

- Auditors' Compliance Reports
- Single Audit Reports
- Schedules of Expenditures of Federal and State Financial Assistance

(FOM) Revised December 2023

Adopted October, 2010

- Management Letter Comments and Responses
- Affidavit of Impact Fee Compliance

2.10 Annual Reports of Units of Local Government

The City of Cocoa is required by Florida Statutes Chapter 218.32 to submit an Annual Financial Report to the Office of the Auditor General within forty-five (45) days after the completion of the audit report but no later than 9 months after the end of the fiscal year to report the results of operations for the fiscal year ended the prior September 30th.

THIS PAGE IS INTENTIONALLY LEFT BLANK

(FOM) Revised January 2021

Adopted October 2010

Section 3 Cash Management

The purpose of this policy is to establish and maintain an internal control structure conducive to accurate and complete cash reporting. Cash management includes the areas of cash receipts, cash disbursements and cash/bank reconciliation.

The City's deposits within various funds, except pension trust funds, are consolidated for income potential purposes. Substantially all deposits are invested using the pooled investment concept. Interest earned is allocated to the various funds based on their average cash and investment balances.

Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

3.1 Revenue Collections

A. Overview

Revenue is collected online, over the phone, over the counter, through the mail, direct debit of the customers' bank account and through the lock box service. The City accepts cash, personal checks, credit and debit card transactions, E checks and money orders. Collections may take place at multiple locations throughout the City for a number of purposes including:

- Utility payments
- Various fees and charges
- Confiscated monies
- Permits and Licenses
- Other charges for services
- Leisure Services
- Miscellaneous revenues

B. Procedures

1. Cash, checks and bank charges are processed, balanced and deposited daily. A customer can pay in person, on line, over the phone, to the lock box or in the drop box.
2. Walk-in, online and over the phone customers are processed and recorded immediately. The walk-in customers are given a receipt and online and over the telephone customers are given a confirmation number.
3. The bulk of the utility payments are sent to an outside company (lock box) for processing. The lock box payments are downloaded daily to update individual utility accounts.

4. Drop box payments are processed and applied to the appropriate accounts at the start of every business day.
5. All mail is received through the City Clerk's office. A designated employee in the City Clerk's office distributes the mail to the appropriate departments. Checks sent to the Customer Service Division and the Building Division are processed immediately. All other checks sent to other divisions must be sent to the Finance Department for processing. A designated employee in the Finance Department records the checks, prepares the deposit slip and submits the deposit to the Utility Billing Division for pickup by the armored car service. If the total daily deposit for all locations exceeds \$500,000, which is the maximum liability of the armored car service, then a police escort should be requested to accompany the designated Finance employee to hand carry the deposit to the bank. All monies received shall be deposited within two business days of receipt.

C. Safeguards

The duties of collecting cash, maintaining documentation and reconciling records are separated and performed by different individuals to minimize the potential for mistakes and misappropriation of cash. Several levels of internal controls are present with the funds passing between several departments.

All funds not deposited shall be kept in a bank bag in the safe in Customer Service overnight with a highly visible note reading, "Do not release to armored car service". The bank bag will be picked up by the designated Finance department employee the next business day for processing.

3.2 Petty Cash

A. Overview

Petty cash may be used to reimburse City employees for out-of-pocket expenditures under \$25, made on the City's behalf. Exceptions to the \$25 rule may be allowed, but must be approved by the Finance Director or designee. Petty cash boxes are maintained in various offices throughout the City and are used for small repetitive and incidental purchases. Petty Cash cannot be used when travel expense reports are required.

B. Procedures

Custodians assigned to the various petty cash boxes are responsible for the safekeeping and distribution of the funds. The custodians are also responsible for the accurate account code distribution and the replenishment of funds.

1. Petty Cash Disbursement:

- a. Requestor must submit a completed Petty Cash Voucher form with attached receipts to the custodian of the petty cash.
- b. The custodian must verify the general ledger account number.
- c. Requestor will sign the Petty Cash Voucher as receipt of the money.
- d. The voucher and receipts will be retained for cash replenishment.

2. Petty Cash Replenishment:

- a. The custodian must process a Request for Direct Payment to reimburse the petty cash fund. For security and auditing purposes, the custodian cannot prepare the purchase order since the check is made out to him/her.
- b. The Petty Cash Vouchers and corresponding receipts shall be attached to the Request for Direct Payment.
- c. The Accounts Payable Clerk will verify the backup documentation matches the requested reimbursement amount and process the payment. Any unexplained discrepancies will be reported to the Finance Director for investigation.
- d. The custodian of the petty cash will cash the check and replenish the petty cash fund.

C. Safeguards

Petty cash boxes will be kept in a secure place with any keys secured by the custodian. Petty cash audits will be performed periodically and randomly by the Finance Department.

The Finance Director or designee may revoke a petty cash fund for misuse or lack of accountability.

3.3 Bank Statement Reconciliation

A. Overview

Bank account balances on the City's books can be directly traced to an external banking organization's account balance. Because of the nature of "cash" general ledger accounts, when they are in balance with the external bank account, there is reasonable assurance that other functions within the City's operating system are working properly. Furthermore, the timely review of all "cash" bank accounts maintained by the City will help to uncover any mishandling of cash funds and reveal possible fraudulent activity.

B. Procedures

The designated Finance Department employee shall be responsible for the timely preparation of reconciliations of the City's cash accounts to the banks' monthly statements. Such reconciliations will be performed in the customary manner specifying outstanding checks, deposits in transit and other timing differences occurring from month to month. Each of the reconciliations will show all reconciling items, with significant differences being researched and reconciled. All reconciliations of cash shall be performed monthly.

Bank Statement Reconciliation

1. Collect all bank statements including Payroll Zero Balance Accounts (ZBA), Workers Compensation (ZBA) and the Master Concentration (pooled) Account, all debit and credit memos, corrections and confirmations, reconciled paperwork from Utility Billing, including returned check statements, monthly check registers for Payroll, Workers Compensation, Water Refunds and Accounts Payable.
2. Collect General Ledger Balance Sheet for month end.
3. Prepare Outstanding Checks Lists for Payroll, Workers Compensation, Water Refund and Accounts Payable.
4. Enter bank information from statements on the reconciliation form.

5. Enter book information from the general ledger on the reconciliation form.
6. Research and reconcile the differences.
7. File reconciliation with backup documents.

C. Safeguards

While the designated Finance Department employee is charged with the preparation of the reconciliations, it is the responsibility of the Finance Administration Manager to review/approve all reconciliations. The responsibility for cash reconciliation is segregated from cash disbursement.

3.4 Investments

A. Overview

The City maintains assets in the form of investments as outlined in the City's Investment Policy. The City's investments are structured with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of daily operations. It is the responsibility of the Finance Director to develop and recommend investment strategies to the City Manager as deemed necessary to maintain operations.

B. Procedures

The designated Finance Department employee shall be responsible for the timely recording of investment activity of the City's asset accounts. The employee shall record in the City's general ledger interest received, interest paid, administrative expenses and any investment gains/losses incurred as a result of the investment activity. The timely recording of all investment activity will help to uncover any mishandling of investment funds and reveal possible fraudulent activity.

1. Investments

- a. Collect all investment statements.
- b. Review statements and General Ledger, verifying the beginning balances match ending balances from the prior month.
- c. Segregate activity by fund ownership.
- d. Record activity as reported on each statement.
- f. File reconciliations with backup documents.

C. Safeguards

As part of its Investment Policy, the City has adopted internal controls relating to the management of investment assets. The Investment Policy also provides for segregation of duties to ensure the integrity of transactions and recordkeeping. Under the direction of the City Manager, the Finance Director shall periodically update the investment policy and present to the City Council any changes deemed necessary to meet the needs of the City's operations. Such changes shall be adopted by resolution.

Section 4 Accounts Receivable

A. Overview

The City maintains accounts receivable balances for invoices requested by various City Departments. The Finance Department is responsible for the aging and collection of the outstanding amounts.

B. Procedures

1. Requesting department will submit a Request for Invoice Form to the Finance Department.
2. The designated Finance Department employee will process invoice information for billing at least once a month and enter into the accounts receivable module.
3. Finance Department employee will send invoices out to the customer.
4. If payment is not received within 30 days, the Finance Department employee will send out a past due notice of non-payment.
5. If payment is not received within 60 days, the Finance Department employee will send out a letter notifying the customer that the account is going to collections and the collection fee will be added to the account.
6. The designated Finance Department employee will keep the requestor of the invoice informed about the progress of collection and may request additional information about the vendor to proceed with collections.
7. After 90 days, the Finance Department employee will send all uncollectible accounts to the Utility Accounting Division to process for collections.
8. Only after all avenues to collect the debt have been utilized will the bad debt be removed from the books as uncollectible. Sufficient records for an audit of bad debt written off will be maintained.
9. General ledger accounts receivable balances shall be reconciled monthly to the accounts receivable subsidiary ledger (module).

C. Safeguards

The designated Finance Department employee responsible for accounts receivable reconciliations will not receive checks for payment of invoices sent. Accounts receivable reconciliations are sent to the Accounting Manager for review. Write-offs shall be approved by the Finance Director.

THIS PAGE IS INTENTIONALLY LEFT BLANK

(FOM) Revised January 2021

Adopted October 2010

Section 5 Accounts Payable

This section describes the process through which the individual documents verifying purchases and the receipt of goods are brought together, reviewed and approved to assure valid payments of vendor invoices. These policies ensure no unauthorized payments are made, that complete and accurate records are made for each payment and that payments are recorded in the appropriate accounts and periods.

5.1 Purchase Orders

A. Overview

The Purchase Order is the standard instrument used to procure goods and services. All procurement transactions require a purchase order except in cases where an alternative method of payment has been specifically identified and approved by the Finance Department. A properly completed and vendor accepted purchase order is a legally binding contract and should be treated accordingly.

B. Procedures

1. The Accounts Payable Clerk receives invoices via inter-office mail from other departments or directly from the vendor through the mail system or via email addressed to accountspayable@cocoaf1.gov.
2. The invoices are stamped with the date received.
3. The receiving department ensures that the quantities and prices on the invoice match the purchase order.

If an item is overcharged according to the negotiated pricing as reflected on the purchase order, the receiving department must contact the vendor and request a credit memo for the variance. This type of variance will occur if the cost of the item is overcharged (invoice cost is higher than the PO cost). The receiving department will process the invoice for the purchase order amount and “short-pay” the invoice. The receiving department will notify Accounts Payable that a credit memo has been requested.

If the quantity received changes and the vendor invoices for the amount received, a change order to the purchase order must be done by the requesting department.

If an item is received and then later returned the original invoice must be paid. The vendor should process a credit memo for a returned item. Credit memos will be processed on a Request for Direct Payment by the receiving department.

All invoices are to be processed promptly and not held by the receiving department.

The receiving department will verify:

- a. Items on the invoice were authorized

- b. Items on the invoice match the purchase order
- c. The quantity and unit price on the invoice match the purchase order
- d. Account distribution numbers and project numbers

The Accounts Payable clerk will verify the following:

- a. Remittance address
 - b. Ensure receiving report matches the purchase order
 - c. Review all documentation for correctness
4. The Accounts Payable Clerk will inform the requesting department of missing receiving reports (“Receipts”) or any discrepancies with the purchase order or invoice to avoid incorrect charges. The Receipt constitutes and conveys to Finance the goods and services have been received and authorizes payment of the related invoices. In rare occasions, the City Manager or the City Council (when over the City Manager’s purchasing authority) may authorize a prepayment of a good or service in writing that may require the department to receive the goods/service in the system without actual receipt of goods/service. A copy of the authorization for prepayment must be attached in Laserfiche with the creation of the requisition.
 5. The Accounts Payable Clerk will enter the correct amount of the invoice while processing it in the City software and may adjust the receipt amount to match the invoice for an amount up to 10% of the purchase order or a maximum of \$25.00 in order to ensure that the correct amount is paid on an invoice. The receiving department may approve the invoice for payment with minor differences of 10% of the purchase order or a maximum of \$25.00.
 6. The Accounts Payable Clerk will confirm the receiving reports, match the invoice and scan into Laserfiche.
 7. When all documentation is determined to be complete and accurate, the Accounts Payable Clerk will process the invoice for payment.
 8. Payments to individuals, partnerships and unincorporated businesses for rent, professional services, contracting, prizes and awards, etc. require the individual's social security number or the business tax identification number and permanent address for tax reporting purposes. This number must be provided to Finance on IRS Form W-9, which is available in the Finance Department or on line at www.irs.gov. At the end of the calendar year, Finance will provide the vendor with an IRS Form 1099 MISC if payments equal or exceed \$600 as required by law.

C. Safeguards

Purchase order requests are generated by the individual departments and submitted electronically for approval and ultimately to the Purchasing Division. The Purchasing Division reviews and processes the purchase order and the Finance Department pays the invoice. The separation of responsibility provides a check and balance for the process.

5.2 Wire Transfers

A. Overview

Wire transfers are used to pay debt service, municipal payments, insurance payments, retirement contributions and other large miscellaneous payments. The General Accounting Manager and the Finance Director process all wire transfers. Accounting staff is responsible for recording the transactions in the general ledger through a journal entry.

B. Procedures

1. Invoices for wire transfer payment are sent to the General Accounting Division or are available on line.
2. A Wire Transfer Approval form is prepared for approval by the Finance Director or designee prior to the disbursement of funds.
3. The General Accounting Manager allocates the interest and principal on debt service payments to the correct general ledger account number and submits documentation to the designated Staff Accountant after the wire transfer for general ledger input.
4. Retirement contributions are generated thru payroll. The confirming letters and amounts are reviewed and signed by the Finance Director and submitted as documentation for the wire transfer. Employee contributions are wired weekly and the Employer contributions are wired quarterly. The Florida Retirement System (FRS) contributions are wired monthly.
5. Insurance invoices are reconciled by a Staff Accountant with payroll and personnel records provided by Human Resources.
6. The General Accounting Manager or Finance Director verifies the information on the documentation and processes the wire transfer. Debt service payments are confirmed with the debt service schedule to prevent missed or double payments.
7. The bank faxes a copy of the confirmation directly to the Finance Department.
8. The faxed confirmation is checked with the wire confirmation at the time of the wire transfer for accuracy. Finance staff records the transaction with a journal entry.
9. The Finance Manager or designee reviews and the General Accounting Manager updates the journal entry.

C. Safeguards

The General Accounting Manager and the Finance Director process the wire transfer payment, the bank confirms the actual transfer directly to the Finance Department, the Accounting staff records the journal entry, the Finance Manager or designee reviews and the General Accounting Manager updates the entries. The Finance Department's designated employee reconciling the bank statements is not responsible for the wire transfers.

5.3 Vendor Checks and Electronic Payments (“ePayables”)

A. Overview

Policy: The City processes vendor payments in compliance with vendor terms and the Florida Prompt Act, Sec. 218.70-218.79, and Florida Statutes. Invoices and Requests for Direct Payment received before 5:00 p.m. Monday are processed that Friday, provided all the correct information is available in LaserFiche or attached to the Request for Direct Payment. Those received after that deadline will be processed the following Friday. Off Cycle (manual) check requests require the approval of the Finance Director with the appropriate documentation. Each accounts payable invoice batch is reviewed by a Finance staff member other than the person who created the batch; the Accounting Manager or designee will update the batch. Accounts Payable batches are updated after all information has been reviewed and verified for completeness and correctness.

B. Procedures

1. Verify the actual request for payment to the edit register from the system module.
2. When all questions and problems are resolved, the General Accounting Manager or designee will update all batches related to the accounts payable activities.
3. When all the AP batches are updated, the checks are printed and the ePayables file is created by the designated staff member. Employees that are authorized to process payments do not have access to the signature encoded check printer, signature stamp and a key that is kept in a secured place.
 - a) The Finance staff will prepare an Expenditure Approval List (EAL) and review it to determine if invoices presented as due for the current wee are correct.
 - b) If invoices need to have their due date adjusted in order to pay outside of the vendor terms or Florida Prompt Payment Act, the Accounts Payable Clerk will review the desired changes with the Accounting Supervisor.
 - c) Once a final EAL is prepared for the weekly check run, the Accounting Supervisor or Accounting Manager will review and approve the EAL. After approval of the Expenditure Approval List, checks are generated. The check number range for each check run is maintained on a log to account for all checks. Off-cycle (manual) checks are also recorded on the log.
 - d) After checks are generated, the Accounts Payable Clerk will match the invoices to the check copies. Completed check documentation and the Accounts Payable Check Register will be presented to the Accounting Supervisor, Accounting Manager or designee for review.
 - e) The Finance Director reviews and approves the Accounts Payable Check Register.
 - f) Order of approval authority is: Accounting Manager or Finance Director may approve in place of the Accounting Supervisor, in their absence. Deputy Finance Director (1st) or Accounting Manager (2nd) may approve for the Finance Director, in their absence.

g) All check run documentation must be reviewed and approved prior to check distribution or ePayables upload.

5. All invoices and checks are scanned and stored with all backup documentation in Laserfiche.
6. The original checks are then distributed by mail service or held for pickup by the vendor. Electronic payments are processed through the banking service provider.

C. Internal Controls

- 1) Accounting Supervisor or Accounting Manager review EAL prior to checks being printed.
- 2) EAL is updated by the Accounting Supervisor, Accounting Manager or designee.
- 3) Invoices are matched to check copies and reviewed for accuracy, completeness and validity by an individual other than the person who matched the checks.
- 4) Finance Director reviews and approves the check register.
- 5) Accounts Payable batches are updated by an individual other than the person who enters the invoices.
- 6) Check signing instruments and check stock are kept in a secured area.
- 7) A check log is kept to record the check number range for each check run or to record off-cycle (manual) checks.
- 8) The Finance Director reviews the Expenditure Approval Report for any improprieties and the General Accounting Supervisor or designee updates all AP batches. All check signing instruments and check stock are kept in a secured area.

5.4 Off Cycle (Manual) Check Requests

Off Cycle checks should be prepared only in rare instances and require the approval of the Finance Director or designee.

5.5 Request for Direct Payment (RDP)

A. Overview

A Request for Direct Payment (RDP) is to be used ONLY for items that cannot be placed on a purchase order and are meant to be an exception to the rule. Items normally requiring the use of a Request for Direct Payment would include:

- Monthly Insurance Payments
- Monthly Municipal Payments
- Leisure Service Refunds
- Local Business Tax Refunds
- Building Permit Refunds
- Voided Water Refund Checks

(FOM) Revised December 2023

Adopted October, 2010

- Overpayments for New Meters
- Any item paid directly from a liability or revenue account including prepayments for the next fiscal year.

A Request for Direct Payment other than for the items listed above shall require prior approval from the Finance Director. A Request for Direct Payment without the proper supporting documentation and approval will be returned to the requestor.

B. Procedures

1. Each division is responsible for preparing their own Request for Direct Payment Form.
2. The person preparing the form should sign as the Requestor. The Department Director and the Finance Director must also sign the form. A Request for Direct Payment over \$35,000 requires the City Manager's signature for approval.
3. The completed and signed form should be sent to the designated Accounts Payable Clerk who will verify the vendor name and number, amounts, account numbers, signatures and that proper documentation is attached. The Accounts Payable Clerk will give the RDP to the Staff Accountant to verify the account numbers and required signatures.
4. After review by the Staff Accountant, the Request for Direct Payment is given back to the Accounts Payable Clerk for processing.
5. The properly authorized Request for Direct Payment, with supporting documentation, received by the Finance Department no later than 5:00 pm on Wednesday for a check to be processed on Friday. A Request for Direct Payment received after 5:00 pm on Wednesday will be processed for payment the following Friday.

C. Safeguards

Refunds are processed by each division in their respective modules. A General Accounting employee must match the batch amount from the modules to the Direct Pay Request. The Accounts Payable Clerk who processes the Direct Pay Request is not responsible for the update.

5.6 Calendar Year-End Procedures

All of the City's Calendar Year-End procedures are required by the Internal Revenue Service.

A. IRS Forms 1099 and 1096

The Federal Government requires the City to report all payments to unincorporated qualifying vendors for services greater than \$600 for the calendar year. The City reports to these vendors using the Form 1099 Miscellaneous and to the Internal Revenue Service on the Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Form 1099 Miscellaneous for vendors paid by procurement card are prepared, distributed, and filed with the IRS by the service provider.

The designated employee performs the following tasks:

1. Download the 1099 Form Instruction Publication from www.IRS.gov and make note of any changes in the reporting requirements from the prior year.
2. In the General Accounting module, Year End Menu, run a 1099 Register from the Vendor Master File.
3. Review 1099 Register for accuracy and reconcile any differences.
4. Forward 1099 Register to Accounting Manager for review and approval to proceed.
5. Mail Form 1099 Miscellaneous to each vendor postmarked by January 31st.
6. Prepare the Form 1096 Transmittal with information from the 1099 Register.
7. Mail Form 1096 along with copies of sent Form 1099 Misc. or submit electronically to the IRS by the due date stated on the instructions.
8. File copies and backup documents.

Safeguards

W9 forms are required from all new vendors to determine if they are subject to 1099 reporting. Several employees work together to verify the amounts paid to vendors. The Accounting Manager reviews and approves the final transmittal.

THIS PAGE IS INTENTIONALLY LEFT BLANK

(FOM) Revised January 2021

Adopted October 2010

Section 6 Capital Assets

6.1 Recording Capital Assets

A. Overview

The City uses the term “capital assets” for items of mostly tangible property either purchased or donated having a useful life of at least one year and exceeding the relevant thresholds. The assets are recorded at cost and depreciated using the Straight-Line Method of Depreciation. See the City’s Capitalization Policy for specific thresholds and useful lives. A physical inventory of the capital assets is completed annually.

The Capitalization Policy defines what should be capitalized vs. what should be expensed to operating costs. The definition is more descriptive than conceptual, focusing on what should be deemed a capital asset rather than why. A conceptual context is helpful for gaining an appreciation of how this definition should be applied in practice. The Finance Department will work with the other departments to determine the proper category prior to a purchase. Classification of assets is a financial function and the Finance Director is responsible for interpreting the Capitalization Policy for the appropriate classification in the financial statements.

B. Procedures

The designated Finance Department employee shall be responsible for the timely entry and reconciliation of purchased or donated capital assets into the City’s Asset Management System.

1. On a monthly basis, print and review account activity listings for all capital accounts for each department.
2. Create a spreadsheet report by fund for all capital asset acquisitions. The report must contain the account number, purchase order number, date of receipt or completion, vendor name, description of property, project number if applicable, purchase cost and inventory tag number.
3. Verify each capital asset meets the State statutory requirements for acquisition and reclassify by journal entry those items that are deemed not capital in nature to the appropriate general ledger accounts to which they are applicable. Notify the Department Director in writing of the reclassification in accordance with Section 2.5.C
4. Prepare a capital asset inventory card for each piece of equipment with all the appropriate information. Attach vehicle titles to the inventory card.
5. Record asset detail into the Asset Management module by asset class. Serial numbers, VIN numbers and/or model numbers, where applicable, should be entered into the system for easier identification of assets.
6. Assets requiring disposal due to sale, non-use, damage, theft, etc., must have a completed Asset Disposal Form authorized by the Department Director. The form should be sent to the Warehouse

(FOM) Revised January 2021

Adopted October 2010

along with the asset, if the asset is available. A copy of the Asset Disposal Form is also sent to the Finance Department so the asset disposal can be properly recorded.

7. When property is transferred between departments, the original controlling department is responsible for sending a completed Asset Transfer Form, authorized by the Department Director, to Finance for proper recording.
8. All property inventoried will be tagged with a unique city identification number. The assigned number will follow the asset throughout its life in the City's Asset Management System.
9. Work in Progress (WIP) is recorded into the Asset Management System when the project is substantially complete.
10. The City uses the following "useful life" for each capital asset classification:

| CLASSIFICATION | USEFUL LIFE | CAPITAL ASSETS (Governmental) | CAPITAL ASSETS (Enterprise Funds) |
|---|-------------|--|--|
| Land | N/A | All parcels of land acquired for buildings & other facilities, recreational & park sites, unspecified or future use & rights of way that fall within the capitalization threshold. | All parcels of land acquired for buildings, plant sites, well sites, lift stations, unspecified or future use & rights of way that meet or exceed the capitalization threshold. |
| Buildings | 30 | All structures and facilities, including permanently attached fixtures installed during construction and major improvements that add to the life of the building that meet or exceed the capitalization threshold. | All structures and facilities, including permanently attached fixtures installed during construction and major improvements that add to the life of the building that meet or exceed the capitalization threshold. |
| Infrastructure/ Improvements Other Than Buildings | 30 - 50 | Structures and facilities other than buildings such as streets, sidewalks, curbs, fences, lighting, etc., that meet or exceed the capitalization threshold. | Structures and facilities other than buildings such as fences, lighting, wells, water mains, sewer mains, etc., that meet or exceed the capitalization threshold. |
| Equipment | 5 | All equipment, other than computer equipment, that meets or exceeds the capitalization threshold. | All equipment other than computer equipment that meets or exceeds the capitalization threshold. |
| Computer Equipment | 3 | All computers related equipment and software that meet or exceed the capitalization threshold. | All computers related equipment and software that meet or exceed the capitalization threshold. |
| Heavy Equipment | 10 | All equipment such as forklifts, backhoes, rollers and dump trucks that meet or exceed the capitalization threshold. | All equipment such as forklifts, backhoes, rollers and dump trucks that meet or exceed the capitalization threshold. |
| Breathing Apparatus | 15 | All self-contained breathing apparatuses that meet or exceed the capitalization threshold. | All self-contained breathing apparatuses that meet or exceed the capitalization threshold. |
| Fire Trucks | 20 | All Fire trucks that meet or exceed the capitalization threshold. | |
| WIP | - | Construction projects in progress | Construction projects in progress |

(FOM) Revised December 2023

Adopted October, 2010

C. Safeguards

The City performs an annual physical inventory of all capital assets by department and location. Each Department Director is responsible for the accuracy of their assets and assigns a staff member to assist with the physical inventory. The Department Directors are also responsible for determining if purchases are “capital” in nature prior to the purchasing process. The Finance Accounting Division assists with capital inquiries and analyzes entries in the general ledger to verify capital items are recorded properly.

6.2 Insuring Equipment

A. Overview

The City’s insurance policy requires that all equipment with a purchase cost of \$15,000 or higher must be added to the insurance Inland Marine schedule within thirty (30) days from the purchase date. If the equipment is not added within thirty (30) days, it cannot be added or insured until October 1st. Items automatically covered on the Inland Marine Schedule are equipment under \$15,000, all watercraft, communication equipment, emergency service portable equipment, and non-owned equipment that is rented, leased, or borrowed. Examples of equipment over \$15,000 that must be insured are mowers, backhoes, excavators, pumps, loaders, trailers, boat engines, and forklifts. However, this is not an all-inclusive list; as other items may be purchased that require insurance. Department Directors should consult with Human Resources to determine if insurance is required for equipment not identified above.

B. Procedures

The designated Human Resources employee shall be responsible for the timely entry of purchased or donated equipment onto the City’s Inland Marine Schedule. The Department Directors will be responsible for confirming all of their equipment is insured.

1. Once equipment is purchased, within five (5) working days the department must complete the New Equipment Set Up form and forward the completed form to the Fleet Manager.
2. The Fleet Manager will enter the new equipment into the database, send notice to the designated Human Resources employee, and send a completed asset card to the designated Finance employee.
3. The designated Finance employee will record the equipment detail into the Asset Management module by asset class. Serial numbers, VIN numbers and/or model numbers, where applicable, should be entered into the system for easier identification of assets.
4. The designated Human Resources employee will add the equipment to the Inland Marine Schedule in order for the item to be covered by insurance.
5. Equipment assets requiring disposal due to sale, non-use, damage, stolen, etc., must have a completed Asset Disposal Form authorized by the Department Director. A copy of the Asset Disposal Form should be sent to the Finance Department, the Fleet Manager, and Human Resources so the asset disposal can be properly recorded and removed from the Inland Marine Schedule.

6. When equipment is transferred between departments, the original controlling department is responsible for sending a completed Asset Transfer Form, authorized by the Department Director, to Finance, Fleet, and Human Resources for proper recording.
7. Department Directors have the discretion to remove insurance on items with coordination between Human Resources and Finance.

C. Safeguards

Human Resources will provide to Department Directors a list of all insured equipment annually in August for their review. Each Department Director is responsible for the accuracy of their insured equipment. Any additions or deletions must be reported to Human Resources prior to September 1st. Human Resources will then provide to Finance and Fleet the list of additions or deletions to the insured equipment.

Section 7 Project Accounting

A. Overview

The City uses project numbers to accumulate all expenditures related to a discrete activity (“Project”) for cost planning and control and for performance evaluation of activities in order to help management make better decisions. Project cost information can help management explain budget variances in the current fiscal year, analyze actual results and trends of previous years, and forecast and budget for future projects.

B. Requirement for Project Accounting

Project accounting is recommended for each discrete activity charged in the following accounts:

- 61-00 Land
- 62-00 Building
- 63-00 Infrastructure
- 34-10 Allocations (Enterprise Funds)

It is required for all activities funded by grants or other special revenue.

It is required for all activities having a CIP number, except vehicles and equipment, regardless of the account(s) being charged.

It is recommended for Repairs & Maintenance accounts (46-XX) since usually this account is charged for multiple discrete activities and there are several sources of charges such as purchase orders, warehouse issue tickets and purchasing card transactions.

It is recommended when costs of a project are charged to multiple accounts.

It is optional for discrete activities in all other accounts at the Division Manager’s option unless directed by a higher authority.

C. Procedure

Each Department Director and Division Manager is responsible for directing his/her staff to (1) request a new project number as soon as a new project is identified and prior to costs being incurred for that project and (2) to enter the assigned project number on every related document including but not limited to agenda memos, budget change request forms, purchase orders, invoices, warehouse requisitions and purchasing card transactions.

1. An employee of the requesting division will complete a New Project Request Form and submit it via email to the Finance Department. If related to a CIP item, attach the approved CIP Request form.
2. The designated Finance Department employee will assign a Project Number, enter information from the New Project Request Form into the project accounting module, and inform the requestor of the new project number.

(FOM) Revised January 2021

Adopted October 2010

3. The requesting division must then prepare a Budget Adjustment Form, selecting the appropriate heading relating to the project amendment or transfer, to fund the project budget. Once all appropriate signatures are obtained, the form is then sent to the Finance Administration Division for entry into the project accounting module.
 - a. If the project is created during the budget process, the requesting department will submit a New Project Request Form to the Finance Administration Division in order to add the project number to the proposed budget. The New project will not be added to the project accounting module until after the budget is officially adopted. If a new Project Request form is not submitted to the Finance Administration Division during the budget process, the department will need to wait until the budget is officially adopted by City Council before submitting the project budget to the Finance Administration Division for entry into the project accounting module.
4. The Finance Manager reviews and the Accounting Manager updates the entry.

Life to Date vs. Year to Date

Once a project is created and a budget is established within the project accounting module, the system will keep a record of all transactions and adjustments made to the project throughout its lifetime until action is taken to close the project.

As both year to date and life to date options are maintained within the system, it is important that the project budget information be kept up to date. When a new budget is established for the new fiscal year within the General Ledger, the budget within the project accounting module will not occur automatically and will require the user to complete a Budget Change Request Form to clear out the unused portion of the project budget from the recently completed fiscal year (if in fact there is any left) and establish the new project budget for the new fiscal year.

- a. The requesting division will need to complete a Budget Change Request Form.
- b. Obtain all signatures on the Budget Change Request Form with the exception of the City Manager. The City Manager is not required to approve project budget changes, as they do not change the total of any individual account.
- c. Deliver the form to the Finance Administration Division where it will be entered and approved for posting to the project accounting module.

The exception to this procedure is for water and sewer main breaks. Most information about the main breaks is not available until after the repairs have been completed. "Blank" project numbers are created by Finance in advance so that a project number can be used by field employees in the event a main break occurs. Materials acquired via warehouse requisitions, purchase orders and purchasing card transactions are charged to the project number when those expenses are processed. Labor and equipment costs are tracked by employees of the responsible division. After repair of the main break is completed, including restoration when necessary, all labor, material and equipment costs are reported to Finance on the New Project Request Form. The designated Finance Department employee enters information from the Form into the module and informs the Finance Administration Division who then enters the Project Budget Journal based on the information on the Form.

D. Safeguards

Transactions in the General Ledger (journal entries, encumbrances) that are associated with a project number impact the Project Accounting Module. The designated Finance Department employee responsible for creating new projects enters project journals and project encumbrance adjustments.

Those entries must be approved by another Finance Department employee and are posted to the module by the General Accounting Manager. The designated Finance Administration Division employee enters project budget adjustments. Those entries must be approved by the Finance Manager and are posted to the module by the General Accounting Manager.

Section 8 Payroll Administration

A. Overview

For most local governments, personal services costs (payroll and related fringe benefits) constitute the single largest category of expenditures. Proper control over and the accounting for personal services is vital to financial controls. Payroll administration is a collaborative effort between the General Accounting Division, the Finance Administration Division and the Human Resources Division and begins well before the paycheck is issued. The Human Resources Division enters into the payroll module all file maintenance related to Human Resource functions (e.g. demographic changes, new hires). The Payroll Coordinator enters all file maintenance related to Payroll functions (e.g. direct deposits, payroll error corrections, supplemental pay such as termination payouts and certification pay). The General Accounting Division is responsible for the timekeeping and processing of weekly payroll, including any supplemental payments, deductions and retroactive entries.

B. Procedures

8.1 Position Control

Position Control contains the list of position titles and authorizations for each title within the City of Cocoa's personnel structure as approved by City Council. Maintaining Position Control includes the creation, maintenance, monitoring, and budgeting of positions within the City. While the City Manager has control over the composition of personnel, only City Council can increase the total number of authorized positions.

The City of Cocoa requires that a position be authorized, active and funded before the position can be filled. Position control is important to ensure every employee is in a position that is in the adopted budget. It is also important at this point to emphasize that Position Control is the link between the employee position and payroll. Staffing is a large part of the budget and it is critical that we ensure positions and their respective locations, budget codes, and status are accurate and reported appropriately.

1. Definitions:

- a. Authorization – a number associated with a Position/Position Number that uniquely identifies the position. For example, while two (2) Operator positions can exist under position number 2956; each would have a unique authorization number assigned such as 2956/1 and 2956/2.
- b. Closed Position – a position that was once budgeted but, whose funding is no longer being applied to that position. If position funding is reallocated to a new position or authorization, the originally funded position must be closed to avoid an increase in total authorizations. Closed positions are not included in the total number of authorizations for the City.
- c. Allocation Account – general ledger account number(s) to which the position expenses are to be charged. Accounts are assigned on a percentage basis and several accounts can be used to share the cost of a position as long as the total percentage equals 100 percent.

- d. Position/Position Number – a specific set of duties and responsibilities that are identified and assigned to a position number (i.e., title).
- e. Frozen Position – an unfunded position that was previously authorized by City Council or a position that was funded in the past, but is not currently funded. Frozen positions are included in the total number of authorizations for the City.
- f. Full-Time Equivalent (FTE) – the amount of effort associated with a position. Full-time (40 hours per week for 52 weeks per year) equals 1.000 FTE. Half time (20 hours per week for 52 weeks per year) equals 0.5 FTE.
- g. Interim Position – The City Manager may approve an Interim Position to double fill a position when an employee submits a notice of intent to retire or resignation and it is in the City’s best interest to temporarily double-fill the position for training purposes. Interim positions are temporary positions limited up to a six month period, are not included in the City’s total number of authorized positions and therefore do not require City Council approval.

2. Position Control Changes:

- a. The Position Control change process begins with a request to the Finance Administration Division for a budgetary analysis pertaining to employee or position change status. This includes title changes; promotions not part of the Employment Requisition process and FTE changes. If the requested change involves authorization of a new position or reclassification of an existing position, the requestor will need to contact HR before position control changes can be requested.
- b. The Finance Administration Division performs the requested analysis and returns it to the Department Requestor.
- c. If the Requestor feels the budget is not feasible, the request is dropped.
- d. If the Requestor agrees with the Finance Administration Division’s analysis and wants to move forward with the requested employee change and the total number of authorizations for the City would not increase, Requestor submits a completed Position Control Position Request/Change Form, approved by the Department Director to the Finance Administration Division along with the follow attachments:
 - i. An HR approved Job Description
 - ii. The Budget Analysis previously obtained from the Finance Administration Division
 - iii. A detailed justification memorandum
- e. Upon receipt of the completed request and attachments, the Finance Administration Division will review and then forward to Human Resources for their approval of the EEO and Worker’s Compensation coding.
- f. Once HR has approved and returned the request to the Finance Administration Division, the package will be delivered to the City Manager for review and approval.
- g. When the City Manager returns the request to the Finance Administration Division, the department will be notified as to the approval/denial.
 - i. If not approved, the Finance Administration Division will notify the Requestor and file the request accordingly.
 - ii. If the total number of authorizations for the City is increased by the request and has been reviewed and approved by the City Manager, the request must then be presented to City Council in the form of an agenda item with the funding source identified before the Finance Administration Division can make this requested change to Position Control.

- iii. If approved by City Council, the Requestor returns a copy of the approved agenda package to the Finance Administration Division for processing.
 - h. The Requestor should then process the necessary steps to implement the change (i.e., Employment Requisition to hire or a Personnel/New Hire change form to request a payroll update for a current employee.)
 - i. The Finance Administration Division will maintain the original Position Request/Change form and any pertinent attachments for the file.
3. Safeguards: The Position Request form is generated by the requestor, reviewed by the Finance Administration Division for budget impact, verified for HR and must be approved by the Department Director and City Manager. Any Position Request/Change that increases the total number of authorizations for the City requires a copy of the agenda item approved by City Council.

8.2 Payroll Processing

1. The City of Cocoa's pay period covers a one-week cycle starting at 12:01AM on Monday and ending at 12:00 midnight on Sunday. For all regular, full-time employees, with the exception of firefighters, a normal workweek is 40 (forty) hours. For firefighters, a normal workweek is 50 (fifty) hours.
2. Employees record their time attendance in the City's designated timekeeping system, an electronic time sheet that records the hours an employee works each day. All hourly employees clock in at the beginning of their workday and clock out at the end of their workday. Exempt employees have a total of forty (40) hours recorded in the timekeeping system.
3. All Departments must have their payroll approved by the Department Director (or acting Director if absent) by 2:00 pm on Monday. Exceptions to this rule may be made by the Finance Director or designee on holiday weeks and emergencies. Failure to approve the payroll within the appropriate time frame may result in the department employees being paid for a straight 40-hour workweek and all adjustments will be made the next week.
4. The Human Resources Division maintains all employee personnel records that include changes in rates of pay, promotions, demotions, transfers, leaves of absence with or without pay, temporary suspensions from duty, changes to taxes, deductions, benefits, accruals etc. HR enters file maintenance into the payroll module all file maintenance related to Human Resources functions. All file maintenance shall be completed by Monday afternoon.
5. The Payroll Coordinator enters all file maintenance related to Payroll functions (e.g. automatic direct deposit data, court-mandated deductions, and all retroactive pay or deductions). Payroll maintains all employee payroll records related to automatic direct deposit information, court-mandated payroll deductions and retroactive entries.
6. Payroll change forms that require data entry on a future date will be filed in a "tickler" file. The Human Resources Division and the Payroll Coordinator will be responsible for maintaining their own tickler file. The tickler files will be reviewed weekly ensuring the correct changes are made in the payroll module.
7. The Payroll Coordinator or designee reviews the time sheets in Kronos for electronic approval by the employee's supervisor and department director or acting director in the director's absence.

8. The Kronos file containing time sheet data is exported into the payroll database by the Payroll Coordinator or designee.
9. The Payroll Coordinator generates and reviews an Hours Proof Report. Totals are compared to hours recorded in Kronos. If adjustments are required, the General Accounting Manager or designee makes the appropriate changes and informs the Payroll Coordinator when they are completed.
10. The Payroll Coordinator reviews the file maintenance changes entered by Human Resources and initiates the automated payroll system process, generating payroll calculations and the applicable payroll reports. These reports are reviewed by the Payroll Coordinator and submitted to the General Accounting Manager or designee for final review. Once payroll calculations are approved by the General Accounting Manager or designee, the Payroll Coordinator is responsible for printing the paychecks (for the few employees who request actual checks) and sending the direct deposit receipts electronically to the employee.
11. Except during holidays and State of Emergency, payroll calculations will be run by 2:00 pm on Tuesday and given to the General Accounting Manager or designee for review. The completed payroll will be processed no later than 4:00 pm on Tuesday. Every effort will be made to follow these procedures and meet these deadlines.
12. The General Accounting Manager or designee will give the “all clear” for monthly, quarterly and year-end processing.
13. Once the payroll checks and direct deposit emails have successfully generated, the payroll file will be imported into the database by the Payroll Coordinator. This generates a general ledger file that is reviewed by the General Accounting Manager or designee prior to posting to the general ledger.
14. In an effort to keep the employees informed about any changes in their paycheck, Human Resources will send to the employees a copy of the personnel change form or any other documentation to explain deviations from the previous payroll.
15. Payroll reports related to various pre-tax and post-tax deductions are printed by the Payroll Coordinator. The General Accounting Manager or designee uses these reports to transmit the direct deposit and 401a defined benefit plan contributions.
16. The Payroll Coordinator provides the General Accounting Manager or designee with the information for the transmission of payroll related taxes.
17. The Payroll Coordinator provides the Finance Director or designee with information to wire transfer employee retirement contributions.
18. The Payroll Coordinator processes the checks using the check printer. The check printer has limited employee access and the key, the USB device on which the digitized check image and signatures are stored and the signature stamp is kept in a secure location.
19. If an employee has a question regarding the hours for which he/she was paid, the employee is to contact his/her supervisor for corrections. The supervisor will contact Payroll and all adjustments will be documented with the proper forms and approvals. Payroll will maintain documents supporting hour adjustments.

20. If an employee has questions regarding automatic direct deposit data, court-mandated voluntary and/or involuntary deductions, and any retroactive pay or deductions, the employee should contact the Payroll Coordinator. All payroll change forms and any documentation concerning changes to an employee pay will be processed by the Human Resources division and forward to Payroll. The original documents will be stored in the employee's personnel file in Human Resources. Payroll will maintain documentation regarding these adjustments. Human Resources will provide the necessary forms, assist employees with completing those forms, obtain necessary approvals and process the corrections with the next file maintenance. Human Resources will maintain documentation regarding these adjustments. The adjustment to the payroll will be reflected in the next pay period.
21. If an error causes a financial hardship to the employee, the Finance Director may approve a manual check to replace the incorrect one.
22. The payroll process produces a Payroll Register, a permanent record detailing the gross earnings, deductions and net pay for each employee. This report includes various personal information such as date of employment, rate of pay, authorized deductions, accrued leave time and earnings, deductions and withholding per pay period, and year-to-date information for each employee.

8.3 Employee Deductions

1. The City participates in various deduction plans. Each plan is described in the Personnel Manual. For example, the City provides benefits to the employee in the form of medical, dental and vision insurance for which the employee may be required to contribute a certain amount, depending upon the coverage selected. The City is also required to make certain involuntary but court-mandated deductions such as for child support orders or garnishments.
2. Each voluntary deduction is supported by a source document originated by the employee, which will be retained in the employee's personnel folder and entered into the database by the Payroll Coordinator.
3. Each involuntary court-mandated deduction is supported by a source document, originated by the court system, which is maintained in Payroll and entered into the database by the Payroll Coordinator.
4. The City participates in two plans that defer payroll taxes: A Section 125 flexible spending account and 457 Deferred Compensation Plan. As applicable, each deduction may or may not be subject to the deferral of payroll taxes. The Payroll Coordinator enters these deductions, which are supported by source documents originated by the employee and filed in the employee's personnel folder. The Payroll Coordinator reviews the deduction and reviews the calculations for FICA and withholding taxes.

8.4 Withholding Exemption Certificates

Federal income tax regulations require an employer to withhold income taxes from all employees based upon their earnings for a payroll period and the exemptions claimed by the employee on the withholding certificate. The following procedures are applicable:

1. All new employees must fill out the IRS W4 form and submit the completed form to the Human Resources Division. When an employee's exemptions or status changes, the employee must submit a revised IRS W4 form to the Human Resources Division.
2. Information from the form is entered by Human Resources with weekly file maintenance and forwarded to the Payroll Coordinator.
3. The Payroll Coordinator verifies the information for accuracy and returns the documents to the Human Resources Division.

C. Safeguards

The employee clocks in on a timekeeping system, which requires two levels of approval before the payroll process starts. The immediate supervisor and the Department Director must approve the time sheets. If the supervisor is unavailable to approve time sheets in a timely manner, the Department Director's approval is deemed sufficient for the supervisor's approval. The Payroll Coordinator reviews the time sheets for electronic approval.

The Human Resources Division is responsible for the input of all Human Resources related file maintenance. The Payroll Coordinator enters all Payroll related file maintenance prior to processing the weekly payroll. The General Accounting Manager or designee reviews the system-generated reports for inconsistencies and errors. When all of the reviews have been approved, the Payroll Coordinator will process the payroll. This separation of duties ensures the integrity of the payroll processing.

8.5 Month-End Processing

Payroll has several mandatory functions occurring at the end of each month.

A. Overview

The following functions are performed by the Payroll Coordinator and General Accounting Manager or designee. The General Accounting Manager or designee completes the automated month-end closing procedures as described in the payroll system's user manual.

B. Procedures

1. The Payroll Coordinator uses the following reports to balance at month-end:
 - Cumulative Payroll Register
 - Tax Register
 - Adjustment Before Taxes (ABT) Register by type
 - Deduction Register by Type
2. The Payroll Coordinator reviews the payroll for the month and reconciles the batches created for Payroll Vendor Checks.
3. The General Accounting Manager or designee approves the batches.

4. The Payroll Coordinator prints the checks on the designated check printer and prepares the checks for distribution, filing all backup documentation and signed approvals.
5. Contributions to all the retirement plans must be reconciled each month by the Accounting Manager or designee to ensure the correct amount is submitted to allow for proper allocation to each employee.

C. Safeguards

The payroll month-end process is performed by two individuals and the work is verified by each.

8.6 Quarter-End Processing

Payroll has several quarter end processing mandatory functions.

A. Overview

The following functions are performed by the Payroll Coordinator and General Accounting Manager or designee at the end of each calendar quarter (March 31, June 30, September 30 and December 31).

B. Procedures

1. The Payroll Coordinator prints, through quarter-end processing, reports including a 941 Report and Summary, and Calendar Year to Date Earnings Detail Report.
2. The Payroll Coordinator prepares the IRS Form 941, Employee's Quarterly Federal Tax Return.
3. The General Accounting Manager or designee approves the IRS Form 941.
4. The Payroll Coordinator runs the State Unemployment Wages Report.
5. The General Accounting Manager or designee prepares the Florida Unemployment Compensation Quarterly Tax and Wage Report.

C. Safeguards

The payroll quarter-end process is performed by two individuals and the work is verified by each individual.

8.7 Calendar Year-End Procedures

All of the City's Calendar Year-End procedures are required by the Internal Revenue Service.

A. IRS W2 and W3 Forms

The Federal Government requires the City to report all wages and earnings by way of the Forms W2 and W3. The City reports to the employees on the W2 Form and to the Internal Revenue Service on the W3 Form, Transmittal of Income and Tax Statements. The following functions are performed by the Payroll Coordinator and General Accounting Manager or designee.

1. The Payroll Coordinator generates the year-end wage reports and reviews and reconciles the Quarterly 941 Forms to the wages posted in the general ledger.
2. The General Accounting Manager or designee reviews and approves the final numbers to be submitted to the Internal Revenue Service.
3. The W2 Forms are printed and distributed to the employees by January 31st.
4. The W3 Form, Transmittal of Income and Tax Statements, are submitted electronically through the Business Services Online Division of the Social Security Administration, (due to the IRS by February 28th).
5. The General Accounting Manager or designee reviews and sends the W3 form to the Finance Director for signature.

Safeguards

The W2 and W3 process is performed by two individuals and the work is verified by each individual. The Finance Director reviews/signs the required official documents.

Section 9 Grant Monitoring and Reporting

Grants are contributions or gifts of cash or other assets from other government entities to be used or expended for a specified purpose, activity or facility. Loans from Florida Department of Environmental Protection (FDEP) State Revolving Funds are also considered grants. Responsibility for correctly administering the grant lies directly with the department applying for and awarded the funding. The General Accounting Division and the Finance Administration Division are responsible for monitoring compliance with the awarded grants.

The Grants Committee, made up of employees from General Accounting, the Finance Administration Division and other departments involved with the acquisition of grants meets on a quarterly basis to discuss new grants and share information on existing grants.

A. Point of Contact (POC)

Departments applying for grants must appoint a Point of Contact to administer the grant activity. The POC is responsible for the following:

1. Participation on the Grants Committee
2. Provide assistance to the appropriate personnel in their department regarding opportunities and/or information regarding the grants
3. Ensure copies of all submitted reports are provided to the Finance Administration Division
4. Maintain essential data on the department to include mission statements, general information on the department, updated resumes for key personnel and a list of current and proposed projects

B. The Finance Administration Division

The Finance Administration Division oversees the Grants Committee and the monitoring and compliance of the grants. This division is responsible for the following:

1. Preparing the agenda and setting up the quarterly Grants Committee meetings
2. Presiding over the quarterly Grants Committee meetings
3. Providing grant assistance by identifying opportunities and identifying technical requirements.
4. Providing tracking and reporting on grants
5. Monitoring and compliance
6. Providing the auditors with a point of contact during the audit process
7. Processing completed grant submittal forms received from departments by obtaining required signature approvals

(FOM) Revised January 2021

Adopted October 2010

8. Notifying requesting departments when submittal form is approved

C. General Accounting Division

The General Accounting Division is responsible for the correct and accurate accounting of the revenues and expenditures associated with the grants. The Division is responsible for the following:

1. Participate on the Grants Committee
2. Provide technical assistance on accounting for revenues and expenditures
3. Ensure all expenditures are made in accordance with the accepted standards and Grantor's requirements
4. Work with the Finance Administration Division and the POC from the other divisions for reporting purposes

D. Department

The Department must fill out a Grant Submittal Form and should consider the following when planning and preparing to apply for a grant:

1. Determine if the department has the ability to administer and comply with the grant's fiscal resources and reporting requirements
2. Determine if the grant requires City Council approval and, if so, will the department be able to meet time line requirements
3. Determine if the City/Department can meet all of the grant's requirements (i.e. Grant Stipulations, Future Consequences and Matching Requirements)
4. Determine if overhead costs can be reimbursed
5. Submit to the Finance Administration Division the grant submittal form for the City Manager's approval prior to the submission of the grant

E. City Manager

The City Manager must approve grant requests that exceed \$1,000 prior to the application being submitted.

F. City Council

City Council approval is required if:

1. Grant exceeds the City Manager's purchasing authority
2. Grant match is required
3. Grant requires approval/Resolution
4. Grant increases the number of authorized positions

G. Procedure

The application for a grant is to be completed by the Department requesting the funds, although they may request assistance from the Finance Administration Division. The Department must also submit a copy of the grant application along with the Grant Application Submittal Form to the Finance Administration Division. **Prior to submitting the grant application, the Grant Application Submittal Form must be signed by the City Manager or designee for approval.** During the course of administering the grant, all reporting requirements are the responsibility of the requesting Department.

If funds are awarded, the Department must notify the Finance Administration Division and the General Accounting Division. Depending on the grant, the next step is to hold a planning meeting to establish a project number, review the grant contract and complete any other post award requirements.

City Council approval will be required to amend the budget to accept the funds and approve related expenditures. The agenda item should also request that the City Manager be authorized to:

- Sign the contract on behalf of the City and
- Sign all other forms related to grant administration

The Department will prepare and complete the necessary documents for reimbursement requests. Finance will review the request to ensure accuracy, record the receivable and submit the invoice to the Grantor or return the invoice to the Department for submittal (whichever is appropriate). The Department will prepare required reports (monthly, quarterly, annual, etc.) and submit to the appropriate agencies. Copies of all reports will be submitted to the Finance Administration Division.

At any time, the Finance Administration Division may select a grant for an internal review or evaluation at the next Grants Team meeting.

A grant is not considered “closed out” until all requirements have been met, including final reimbursement and reporting.

If a grant is found to be noncompliant through an internal or external audit, the appropriate Department will be notified immediately. At that time, a meeting will be scheduled to discuss the findings and establish a plan of action. The Finance Administration Division will coordinate with the Department and the monitoring agency to craft the response to the audit comment/finding. The Finance Administration Division will continue to monitor the situation until satisfaction of the finding has been obtained.

H. Safeguards

Several Departments and many different personnel are involved in the grant process, from the application to the final report, allowing for sufficient internal control as to the funding and the spending. In addition, some grants require executive level approval and, therefore, are subject to higher scrutiny.

9.1 Justice Assistance Grant (JAG) Reporting

A. Overview

The City periodically receives Justice Assistance Grant (JAG) dollars from the Department of Justice to be used for law enforcement purchases/expenditures. The funds are required to be deposited into an interest-bearing account and the interest must be spent on the grant project. The City is required to report the activity of the use of these funds on a quarterly basis via the internet.

B. Procedures

The designated Finance Department employee shall be responsible for reporting the grant information to the Department of Justice on a quarterly basis using the DOJ Standard Form 269a (Financial Status Report). The reports are due forty-five (45) days after the end of each calendar quarter and are reported at <https://grants.ojp.usdoj.gov/>.

JAG Reporting

1. Run Account Activity Listings for the JAG Grant expenditures and interest income
2. Calculate the amount of interest income applicable to the JAG Grant
3. Fill out the internet report SF 269 using the available information
4. Send copies of the report and receipt confirmation to the Police Department
5. File the completed report and backup documentation

C. Safeguards

The quarterly reports are reviewed by the Finance Manager. Attached to each report is the General Ledger detail outlining all expenditures and interest income.

9.2 Community Development Block Grant (CDBG) Reporting

A. Overview

The City of Cocoa receives grant dollars from the U.S Department of Housing and Urban Development to be used in accordance with the action plan submitted by the City's Community Services Department. The dollars received from this grant are on a reimbursement basis.

B. Procedures

The designated Community Services Department employee shall be responsible for reporting the grant information to the U.S. Department of Housing & Urban Development (HUD) on a quarterly basis by preparing standard form 425 (Federal Financial Report). The reports are due 30 working days after the end of each calendar quarter.

The designated Finance Department employee verifies that the ending cash balance on the report matches the ending cash balance in the general ledger and forwards the report form to the Finance Director for signature. The form is returned to the designated Finance Department employee who transmits the report to HUD and sends a copy to the Community Services Department.

The designated Community Services Department employee initiates the request for funds (drawdown) through the Integrated Disbursement and Information System (IDIS) and gives the designated Finance Department employee the paperwork to verify expenditures. The designated Finance Department employee verifies the request for funds and approves the drawdown on the IDIS website.

C. Safeguards

Community Services prepares and Finance verifies the reports and requests for funds.

9.3 Grant Internal Audit Process

A grant internal audit is a review of the records during the life cycle of the grant. It verifies the financial records and programmatic reports and confirms compliance with contract requirements. All State, Local and Federal grants that are awarded to the City of Cocoa are subject to internal reviews.

Each quarter, grants will be randomly selected for internal audit by the Grants Administrator, Finance Manager or City Manager. The Grants Administrator will review each aspect of the grant from program to financial to ensure the effectiveness of the operation and compliance with regulations. Throughout the course of a fiscal year, all grants will have this internal audit conducted.

If any areas of the grant are found to be deficient, a meeting with the Program Manager of the grant will be scheduled to review the deficiencies and prepare a corrective action plan. Once the deficiencies have been corrected, the Grants Administrator will prepare a follow-up report noting the corrections.

Records of every internal audit will be retained in the Finance Administration Division grant files.

THIS PAGE IS INTENTIONALLY LEFT BLANK

(FOM) Revised January 2021

Adopted October 2010

Section 10 Budget Policies & Procedures

10.1 General Budget Policies

The City of Cocoa has a variety of financial guidelines that can be found in many sources including State Statutes, Government Accounting Standards Board (GASB), City Charter, City Council Ordinances and Resolutions, existing accounting and purchasing policies, and Special Revenue Funds program regulations. These Finance Administration Division Policies & Procedures are designed to be in concert with existing policies and address policies that need to be documented. The guidelines are used to promote the vision and goals of the City.

The operating budget shall serve as the annual financial plan for the City and as a tool for implementing City Council goals and objectives. Additionally, the budget will provide staff the resources necessary to meet service levels determined by City Council. The adopted annual budget is a balanced budget with revenues equal to expenditures. Upon adoption of the budget by City Council, all appropriations are approved. When expenditures are to be incurred against the adopted appropriation, the requesting department will be required to obtain City Council's approval if the expenditure exceeds the City Manager's purchasing authority. All unbudgeted capital, over the City Manager's spending authority, \$50,000, is required to be approved by Council before entering into any contracts or expending any funds.

A. Budgeting For Revenues

Many revenues are budgeted based on the history of the prior three to four years including current year-to-date revenues that have been received. Some collections vary depending on utility usage, prices for these utilities, weather conditions, etc. Therefore, substantial fluctuations may be experienced from these revenue sources that are beyond the ability of the City to predict or control. A conservative use of the historical average should result in annual budget projections that are reasonable.

Revenues based on contractual agreements are the easiest to budget. Annually, the City should review all fees and charges. This is to ensure the fees are providing adequate coverage of costs and/or services and, where applicable, remain competitive with similar fees of surrounding communities or other providers. The revenue budget will also include any new revenue sources.

When budgeting for revenues, the following should be considered:

1. Property Tax: Florida Statutes permit municipalities to levy a property tax, without referendum approval, to a maximum of ten mills (1 mill = \$1.00 of tax per \$1,000 of taxable value). The Brevard County Property Appraiser and Brevard County Tax Collector administer property assessments and tax collections, respectively. Currently in Florida, homeowners may claim a homestead exemption on their principal place of residence and additional homestead exemptions may be authorized by law. On homesteaded properties, the assessed value is reduced by the exemption, resulting in the taxable value of the property. The City of Cocoa has no control over the determination of the taxable value of property. This is the Brevard County Property Appraiser's responsibility. The City only has control over the tax rate levied against the taxable value of the property in accordance with Truth in Millage Law (TRIM). The property tax revenue, as well as all other tax revenues, is used to support the General Fund budget. The City cannot budget less than 95% of projected property taxes.

(FOM) Revised January 2021

Adopted October 2010

2. Revenue Collections: The manner in which different revenues are received varies throughout the year and from one type of revenue to another. Some revenues are subject to cyclical variations based on the performance of the economy (sales tax) or usage (utilities), so collections may vary from month to month based on the level of activity for that month.
3. Departmental Expertise: While the primary responsibility for budgeting and projecting revenue falls on the Finance Administration Division, there are times when the expertise within specific departments should be utilized. Each department is responsible for budgeting revenues generated by their activities and/or functions. In particular, a department needs to bring attention to current grants continuing into the next fiscal year to ensure all revenue sources are reported. The Finance Administration Division is responsible for reviewing the projected revenue to ensure it is still appropriate.

B. Budgeting for Expenditures

When budgeting expenditures, the following should be considered:

1. The City will maintain a level of expenditures providing, to the extent reasonable and practicable, for the public health, safety and welfare of the residents of the community.
2. The City will only propose operating expenditures supported by ongoing operating revenues.
3. The City will maintain expenditure categories according to State and administrative regulations.
4. Expenditure forecasts will be cognizant of the fluctuating revenues.
5. The City will budget a contingency account in accordance with the policies described in this document. Expenditure of monies from a contingency account will require prior approval from the City Manager as well as the City Council.

C. Budgeting for Maintenance of Capital Expenditures

Another important component of budgeting expenditures is the need to appropriately budget for the maintenance of capital items. An important way to ease the financial burden of capital investment decisions in a period of scarce resources is to establish an appropriate maintenance schedule. Routine preventive maintenance, such as painting and patching, as well as rehabilitation, may reduce the need for future, more expensive replacement. Furthermore, it may mitigate any possible economic disruption or inconvenience resulting when a capital item breaks down or must be replaced unexpectedly.

The decision to invest operating funds in the maintenance of existing facilities and equipment must be based, in part, on the potential capital cost savings and the possible cost consequences of deferring maintenance. When choosing between maintenance, repair, replacement or abandonment of an existing facility, it is essential to know the facility's current condition, the rate of its deterioration and the cost and benefits to be obtained from various investment strategies. These considerations must then be compared with the need for a new capital item. Conversely, the City must take into account future maintenance and repair requirements when designing or purchasing new capital items. Improved design and use of higher quality materials may significantly reduce future maintenance and repair costs on new acquisitions.

D. Budget Accountability

Budget control and accountability rests at the departmental/divisional level with oversight by the Finance Administration Division. In accordance with the City Charter, primary responsibility for the City's budget rests with the City Manager. The Charter also states that the Finance Director is responsible to ensure all monies are legally expended and budget appropriations are not exceeded.

Department Directors have the responsibility to and will be held accountable for controlling their budgets and making every effort to operate within the appropriations allocated to their departments/divisions. The Department Directors should monitor their budget on a monthly basis and prepare the appropriate transfers prior to the accounts going negative. The City Manager has the authority to approve appropriation transfers between accounts within the same Department, within a fund; not exceeding the City Manager's purchasing authority. Transfers between funds require a budget amendment that must be approved by City Council.

1. Annual Budget Document: The annual budget document will identify all available funds and adopted appropriations. The budget for the new fiscal year shall be distributed to City Council members and City administration after the proposed budget is approved.
2. "Pending Budget Approval": The City of Cocoa has a number of contracts that continue from one year to the next as approved by City Council in accordance with the City's Purchasing Policies. These contracts need to be viable as of October 1st of the new fiscal year. After the first public hearing on the budget has occurred and the tentative budget approved, departments/divisions may submit their annually renewed contracts for the upcoming fiscal year to City Council for approval "Pending Budget Approval". Essentially, the "Pending Budget Approval" clause means that, if the proposed budget for the new fiscal year is approved by City Council at the final public hearing, all contracts approved with the "Pending Budget Approval" stipulation shall be considered officially approved. If the budget is not approved, however, the contracts shall be considered void.

Three requirements for submitting contracts for approval under the "Pending Budget Approval" clause are as follows:

- a. The tentative budget for the upcoming fiscal year must be approved at the first public hearing; and
 - b. Agenda items must be submitted for approval at a September City Council meeting that is held after the first public hearing when the tentative budget is approved ; and
 - c. Agenda items must specifically include the clause "Pending Budget Approval".
3. Object Classification:

The State of Florida's Uniform Accounting System Manual establishes the method for numbering accounts. The eleventh and twelfth digits (FFF-VVDD-AAA-~~EE~~-OO) of the account designate the object classification. Following the State's classification, the City of Cocoa will define object classification at the object level within a Division. Funds expended, contracted or liabilities incurred may not exceed the budgeted appropriation for Personal Services, Operating Expenditures/Expenses and Capital Outlay classifications within a Division.

- 10-29 Personal Services
- 30-59 Operating Expenditures/Expenses
- 60-69 Capital Outlay
- 70-79 Debt Service
- 80-89 Grants and Aids
- 90-99 Other Uses

In accordance with Article XII, Section 6 of the Charter, “No officer or department shall, during any budget year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose, in excess of the amounts appropriated for that general classification of expenditure pursuant to budget appropriations.” The general classification is considered the object classification. Whereas, on occasion, an account number may go over the budget resulting in a negative balance, expenditures resulting in a negative object classification are prohibited. Object Classifications 70 through 90 have very specific uses and most departments/divisions do not have such accounts. If these accounts are negative, appropriate corrective action should be taken as specified by the policies and procedures within this manual. The only exception to this is if the account goes negative due to accounting adjustments or entries (i.e. depreciation expense, interest expense through amortizations, accruals of interest expense and other non-cash year-end adjustments) initiated by the General Accounting Division.

Object Classification Budgeting is an operational tool allowing a division to continue operating during the exceptional times when a line item becomes negative. On the rare occasion when a division’s expenditures exceed the account budget, object classification budgeting allows the division to continue operation. In an effort to prevent a negative account, the Department Directors are responsible for reviewing their account expenditures on a monthly basis, anticipating negative potentials, and providing corrective action prior to the account going negative whenever possible.

Department Directors will be held accountable for any negative accounts in their divisions. On a monthly basis each Department Director is required to review his/her budget and work with the Finance Administration Division to prepare a Budget Adjustment Form for all the negative accounts. The Budget Adjustment Form shall include a detailed justification for the negative condition and the corrective action. The Finance Administration Division will provide a quarterly report of negative balances to the City Manager.

10.2 Budget Preparation

The financial operating plan, referred to as “the budget” for the City of Cocoa, covers an annual period termed as a “fiscal year”. The City’s fiscal year begins on October 1st and ends on September 30th. The annual budget is proposed by the City Manager and adopted by the City Council with legal budgetary control at the fund and department level. Expenditures may not exceed appropriations and all unexpended appropriations lapse at the end of the fiscal year. All carry forward expenditures are required to be re-budgeted in the next budget year.

Annually, the Finance Administration Division will distribute information which is unique to the new fiscal year, i.e., calendar of events identifying the specific dates through the budget adoption process; all changes, corrections, or additions to the information included in this policy; updates or changes to any forms; new rates, etc. Standardization of the budget process helps to ensure all requests receive the same level of consideration by clearly defining the required elements for budget requests and setting forth easy-to-read

submission formats. This policy explains why certain criteria are needed and how information should appear in the budget submission. Departmental support of these efforts will ensure priorities are clearly communicated and requests receive the appropriate level of consideration.

A. Budget Preparation Policies

The City of Cocoa will prepare the annual budget in accordance with all applicable State and local guidelines. *Florida Statutes, Chapter 200 Determination of Millage* and the *City Charter ARTICLE XII. Budget*, establishes the process by which the City's annual budget is prepared. This policy is designed to complement the Statutes and Charter, not supersede them.

It is the City's policy to prepare an annual operating budget that is complete and easy to use. The budget will be based directly on service needs. When budget requests are prepared, departments are required to carefully consider:

- Needed level of service;
- Minimum and maximum levels of service to be provided;
- Resources needed to deliver levels of service;
- How current resources can be used more efficiently in providing services; and
- Whether any services could be provided more effectively/efficiently by the private sector.

This type of analysis is a year-round process, not simply an annual budget-development exercise. It requires Department Directors to be challenged constantly to think about what they are doing, why they are doing it, and how it can be improved from a service and cost viewpoint. City policy dictates that there is a careful analysis of citywide needs. During the budget preparation process is the time for planning for major expenditures, not during the fiscal year. Requests for new positions, equipment purchases and operating expenses are to be made during budget preparation. Any deviation from this policy must be approved by the City Manager. Additionally, the department must be able to fund the request within its own appropriations. The only exception to this would be unplanned emergencies or legislative mandates arising after the budget has been presented to the City Council and adopted.

Departments are required to budget transaction detail for each account and will be expected to practice budgetary control. The transactions listed under each account number are considered the detail of the account. On a regular basis throughout the fiscal year, each Department Director is required to review his/her budget. If a negative balance situation occurs, the Department Director will work with the Finance Administration Division to prepare a Budget Adjustment Form to adequately fund negative accounts. The designated Finance Administrative employee will prepare the actual Budget Adjustment Form for all budget adjustments in the Personnel Category for the appropriate approvals. The Budget Adjustment Form will state a full justification as to why the account went negative and the corrective action. The Finance Administration Division will provide a monthly report of negative balances to the City Manager.

B. Overall Budget Preparation Guidelines

1. Review of Historical Information

The City's financial database has historical information for each cost center. Departments should review their current year's budget and prior years' actual results for analysis. The Finance Administration Division has information on individual accounts within divisions and tracks

changes made to all department budgets throughout the year. Anyone needing assistance in obtaining this information is asked to contact the Finance Administration Division.

2. Process Overview

Yearly, each Department Director will prepare and submit to the City Manager a recommended budget for his/her respective department for the upcoming fiscal year. Upon receipt of the proposed departmental budgets, the City Manager, Finance Director, Finance Manager and the Department Directors will meet and refine these requests into a workable budget proposal. The Finance Administration Division makes the appropriate changes so that the City Manager can present the proposed operating budget to the City Council. The City Council will adopt an operating budget for the City of Cocoa no later than September 30th of each year. Except under the conditions as detailed in the section of these policies that addressed the “Pending Budget Approval” process, funds may not be expended or encumbered for the following fiscal year prior to October 1st.

The City’s annual budget will be presented in an account/transaction detailed format. A separate summary budget presentation will be submitted at a public hearing for discussion and review by the City Council and the public in accordance with Florida Statutes.

Florida Statute Chapter 200.065 establishes the budget process and the time limits under which a budget must be developed under a provision called Truth in Millage (TRIM) Compliance Regulation. Although the budget process is subject to change by the Florida Legislation, each year the City of Cocoa follows the procedures generally outlined below to establish its annual budget and comply fully with the State statutes:

- a. The Capital Improvement Plan (CIP) is formally approved by City Council with the adoption of the budget.
- b. At the beginning of the budget process, the Finance Administration Division will distribute the new budget calendar and any changes and/or procedural updates to the budget process.
- c. During the first month of the budget process, each Department Director finalizes a budget for his/her individual department that is then compiled and reviewed in detail by the City Manager, Finance Manager and Finance Director.
- d. The next step in the budget process is for the City Manager, Finance Director and Finance Manager to meet with every Department Director to review submittals and make needed financial adjustments. The Finance Administration Division compiles any changes for final review and approval by the City Manager.
- e. In July, the City receives the Certificate of Taxable Value (DR-420), the Tax Increment Adjustment Worksheets (420-TIF) and the Municipality Maximum Millage Levy Calculation Preliminary Disclosure (DR-420M-P) from the Brevard County Property Appraiser’s Office that are used to establish the City’s Rolled-back Millage Rate and Proposed Operating Millage and corresponding TIF revenue.
- f. Budget for the Community Redevelopment Agencies (CRA) is approved by their respective boards by the end of August for inclusion in the citywide budget. The City Council does not have to approve CRA budgets or amendments.

- g. Within 35 days of certification of value, the City must establish the Rolled-back Millage Rate, the Proposed Millage Rate for the new fiscal year, and the scheduled first public hearing for the budget. This is accomplished no later than the last City Council meeting in July.
- h. In August, the City Council reviews the proposed citywide budget during a Council-Staff workshop session as presented by the City Manager and the Finance Administration Division.
- i. Based on City Council input, the budget is finalized in September.
- j. Within 80 days of certification of value, but not earlier than 65 days, the tentative budget hearing is held by the City Council to adopt the tentative millage rate, the percent it exceeds the Rolled-back Rate, and the tentative budget.

Note: City budget hearings cannot occur on the same day as the Brevard County School Board's or Brevard County Commission's budget hearings. Hearings held Monday through Friday must begin after 5:00pm. Hearings may be held on Saturdays but never on Sundays.

- k. Within 15 days following the tentative budget hearing, the City must advertise its intent to adopt a final millage rate and budget in a local newspaper of general paid circulation. TRIM has very specific requirements for the advertisement and should be consulted to ensure City compliance.
- l. The City Council must hold its final public hearing to adopt a final millage rate and final budget not less than 2 days or more than 5 days after the day that the advertisement mentioned above is first published.
- m. Within 3 days of the final hearing, the resolution adopting the final millage rate shall be forwarded to the Brevard County Property Appraiser's Office and the Brevard County Tax Collector's Office.
- n. Pre-Filing TRIM Compliance will be done after adoption of the final millage rate and final budget. Pre-Filing Certification of Compliance (DR-487-P), the Municipality Maximum Millage Levy Calculation (DR-420M) and Vote Record for Final Adoption of Millage Levy (DR-487V) will be completed and submitted to the State of Florida's TRIM Compliance Section.
- o. Within 3 days of receipt of Certification of Final Taxable Value (DR-422), the City will complete and certify the final millage rate to the Property Appraiser.
- p. Within 30 days of final hearing and adoption of a final millage rate and budget, the City will prepare the complete TRIM compliance package and forward it to the State of Florida's TRIM Compliance Section.

C. Preparation Responsibility

The actual preparation of the budget document is primarily the responsibility of the Finance Administration Division under the direction of the Finance Director. However, there are many different components.

- 1. The Finance Administration Division: It is the responsibility of the Finance Administration Division to prepare the annual budget calendar, provide information concerning the City's financial resources, and updated information. The Finance Administration Division will prepare the Personal Services portion of the budget (with the exception of overtime and various special pay

accounts) through the use of the City's financial software. The Finance Administration Division provides assistance in the preparation of operating and capital requests. The Finance Administration Division reviews and coordinates all requests for review by the City Manager. Once the budget is complete, the Finance Administration Division prepares the document for submittal to the City Council. After adoption by City Council, the Finance Administration Division distributes the budget document to City Council, and the City Manager and ensures the information is available to all Department Directors, Division Managers and pertinent City Staff.

2. Department Directors: It is the responsibility of each Department Director to prepare a budget. The Director will need to detail his/her department's needs, including staffing. Providing information on proposed funding sources and expenditures is crucial. The Director will also need to carefully review provided reports detailing the Personal Services portion of their budget for accuracy and report to the Finance Administration Division any discrepancies. The Director administers his/her budget and operates within its appropriations.
3. Finance Director: In addition to preparing the Finance Department's budget and the Enterprise Funds revenues, the Finance Director assists in reviewing the citywide budget throughout the entire budget process.
4. City Manager: The City Manager oversees the entire budget process. Conducting the final review of the proposed budget before submission to the City Council is also the responsibility of the City Manager. The proposed budget is then submitted by the City Manager to City Council for adoption.
5. City Council: It is the responsibility of the City Council to review and adopt an annual operating budget by September 30th.

D. Preparation Instructions

Budgets presented with detailed justification for expenditures have a much better chance of being approved. A Department Director who prepares a budget solely on the basis of an incremental change from the current year's budget is not utilizing the budget as a planning or management instrument. Each Department Director should examine current activity levels and determine whether alternatives that are more efficient exist. If it is determined that expansion is necessary, the Director must be able to demonstrate why additional expenditures for personnel and operating expenses and capital equipment are needed. A statement indicating the impacts of disallowing the requested expansion should also be presented. Each Department Director should identify priorities and issues and ensure that budget figures are arithmetically correct and consistent.

1. Revenue Guidelines: Each department is responsible for providing the Finance Administration Division with revenue projections, including grants, and special revenue funds generated within its activities and/or functions. Current year-to-date revenues and last year's revenue should be used for projecting revenues. Pay particularly close attention to current grants and newly awarded grant funds to ensure all revenue sources are reported.
2. Reserves Guidelines: In accordance with the Fund Balance Policy, the City Manager will establish a Capital Replacement Reserve, a Health Insurance Reserve and a Stabilization Reserve for the upcoming budget year for the General Fund during the budget process.
3. General Instructions: All entries will be made through the City's software system, rounding up to the nearest dollar. The current year-to-date expenditures and last year's actual expenditures should

be used as a guide in estimating the expenditure levels for the new fiscal year. Historical evidence is a normal starting point when preparing a budget, with inflation as a calculation aspect of the outcome. Following this analysis, estimate the costs required to accomplish the planned objectives for each account.

- All expenditures must be adequately justified, particularly if the estimated expenditures deviate significantly from the past years. If a budgeted expense is out of the norm, indicate the reasons why, always keeping the explanation as simple as possible but still sufficient to explain the situation.

4. Personal Services Costs and Guidelines:

Determining personnel requirements is a key step in formulating budgetary estimates. In most departments, personnel costs constitute a large portion of the total budget. Essential to establishing personnel requirements for the future is the evaluation of current position classifications. Department Directors will be responsible for reviewing all job titles and corresponding salaries.

Often overlooked during this process, is whether existing positions within the department are still needed. In other words, is a new position truly needed or should an outdated classification be changed and/or upgraded? It is often easier to request a new position instead of re-evaluating a current position, especially when the position is currently filled.

It is a fact that personnel costs are often one of the largest expenses in any governmental entity. Consequently, anyone involved in budgeting has a responsibility to make an honest evaluation of needs no matter how difficult it is. After evaluation of current classifications, the next step is to complete the Position Control Budget Change Request Form.

For more information on adding and/or changing positions with a department that is not part of the budgeting process, please refer to the “Position Control” section within this document under Payroll.

a. Position Control Budget Change Process If there is an existing position currently in the City of Cocoa’s Position Control Module then the following budget process should be followed:

- 1) Requestor contacts the Finance Administration Division for a payroll analysis of the requested position.
- 2) If the cost analysis provided by the Finance Administration Division is determined to be feasible to your upcoming budget, complete the Position Control Budget Request Change Form and submit to your Department Director for approval.
- 3) Upon receiving the Department Director’s approval, submit to the Finance Administration Division with a copy of the following:
 - a. the Finance Administration Division Payroll Cost Analysis
 - b. Job Description approved by HR
 - c. Justification memo for the City Manager’s review
- 4) The Finance Administration Division will review the completed request and attachments and obtain HR coding for EEO and Worker Compensation.

- 5) Once HR has coded the EEO and W/C, the request and attachments will be sent by the Finance Administration Division to the City Manager for approval.
- 6) When the request is returned to the Finance Administration Division by the City Manager, one of the following actions will take place:
 - a. If not approved by the City Manager, the Finance Administration Division will notify the Requestor of the non-approved status.
 - b. If approved by the City Manager, the Finance Administration Division will:
 - i. Send a copy of the approved request to the Requestor.
 - ii. Enter the position changes into the Budget Payroll Module for the upcoming fiscal year budget and will add the position change to the City Council headcount authorization listing for their review during the budget approval process.
 - iii. Retain the original paperwork with all approval signatures.
 - iv. During the 1st week of the new fiscal year, enter the approved change into the Position Control module.
 - c. Once the Requesting Department is notified of the City Manager's approval, the Requestor will:
 - i. Prepare the necessary Payroll Change Form for the upcoming fiscal year budget.
 - ii. Follows Payroll Change Request or Employment Requisition Process to implement changes in the new fiscal year.

It is important to note that approval to submit the request(s) as part of the department's proposed budget does not equate to final approval. Once all proposed budgets are submitted, the Finance Administration Division prepares the citywide budget. A balanced budget must be submitted to the City Council. If revenue funds are not available to support all of the requests (including personnel, operating and capital) submitted, the City Manager must then make additional necessary cuts.

b. Budgeting Personal Services Costs

The process for Payroll Budgeting is mainly an automated process utilizing the City's financial software system. The Finance Administration Division will make the necessary changes to the data to include raises and rate changes that impact benefits. Human Resources will provide the Finance Administration Division any corrections to worker's compensation rates and new rates for Life/Health insurance.

The Finance Administration Division will notify department directors when the proposed payroll changes to individual departments are ready for review. After the departments have reviewed and identified any errors, the Finance Administration Division will make the corrections. Once this process is completed, the data in Payroll Budgeting will be finalized in the budget module. Accounts automatically populated through this process include:

- Regular Salaries and Wages (certification/ license pay) (12-00)
- Other Salaries and Wages (13-00)

- FICA (21-00)
- Retirement (22-00 thru 22-02)
- Insurance (23-00)
- Worker's Compensation (24-00)
- Unemployment Compensation (25-00)
- Cafeteria Plan (27-00)

In addition to reviewing reports for accuracy, the department will also be responsible for establishing the amount to be budgeted in miscellaneous wage accounts such as:

- Salaries/Contractual (12-06)
- Holiday Pay (12-00) for Police and Fire only
- Retirement Leave Accruals (12-12)
- Overtime (14-00)
- Special Pay (15-00)
- Clothing/Shoe Allowance (20-00)

Planned Retirement: The retirement of an employee with many years of service can be quite costly to the City, even when it is planned. Accumulated vacation and sick time that is eligible for cash payout can greatly impact a department's budget. In order to protect the City's interests, supervisors should be discussing potential retirement plans with eligible employees. The Notification of Intention to Retire Form should be distributed to any employee eligible to retire or enter the Deferred Retirement Option Program (DROP).

Forms will be collected by the department and then submitted to HR prior to the budget preparation period. HR will confirm the calculations and notify the Finance Administration Division and the respective department to budget the appropriate amount in the Retirement Leave Accrual Account (12-12).

Clothing/Shoe Allowances: In accordance with IRS Regulations, monies paid to employees as part of a uniform allowance are subject to taxes and will be budgeted in account 20-00. This is applicable for shoe and uniform allowances. As-needed, shoe reimbursements for non-union employees, rental of uniforms and purchase of mandatory uniforms should be budgeted in the applicable operating account (52-00) and are not subject to taxes.

c. Organizational Chart and Personnel Verification

The Finance Administration Division will forward to the Department Director the previous year's organization chart that was used in that Budget Document to review for any and all changes that may have occurred since that publication was released. Upon review, the Department Director is to update this chart to reflect the current organization while maintaining the integrity of the formatting and then return to the Finance Administration Division for publication in the upcoming release of the Budget Document.

5. Operating Costs and Guidelines:

The amount estimated for operating expenditures is a function of the activities performed. These expenditures are broken down into objects necessary to carry out work activities. Typically, historical costs plus an inflation factor are used to estimate operating expenditures when the scope and method of completing an activity has remained unchanged. It is important to note, in estimating

various operating cost categories, historical costs and inflation should not be the only determining factors. The magnitude of past expenditures should be analyzed and the continuation of some cost categories should be challenged. Expenditure forecasts should incorporate other elements of demand while also considering the implications of new technology. If operating expenditure requests are made on the basis of new technology being placed in service, such assumptions must be clearly detailed and include estimates of cost both with and without the technology being placed in service.

Purchases of equipment having a unit value less than \$5,000 are to be included in operating expenditures. Purchase of machinery or equipment having a unit cost of \$5,000 or more will be explained in the next section, Capital Costs.

6. Capital Costs and Guidelines:

The financing of capital projects and purchases along with the Capital Improvement Plan process were discussed earlier in this manual. The remainder of this section will involve issues unique to entering the requests into the budget during the preparation phase.

a. Capital Asset/Non CIP Capital Project Request Forms

The Capital Asset/Non CIP Capital Project Request Forms are to be completed during the budget preparation period. If the capital item being requested is a vehicle, the Fleet Manager should complete the Vehicle Request Form. If the capital item is a technology related item, the Capital Asset/ Non CIP Capital Project Request Form must be approved through the IT Manager. All other capital projects must be recorded on the Capital Asset/Non CIP Capital Project Request Form. The form should include all related costs and a detailed justification as to why the item/project is warranted. Once completed, all forms must be submitted to the Finance Administration Division for review and approval by the City Manager during the City Manager's review of department entry of the new Fiscal Year Budget. The Finance Administration Division will notify all departments as to the approval status of their requests no later than the first week of May. When approved, the requesting department will be responsible for entering the item in their budget document.

b. Capital Items

The Capitalization Policy will define the policies and thresholds for budgeting capital. When in doubt as to whether or not the item you need to budget is capital, please contact the Finance Department for guidance.

Departments should use the Capital Improvements Program (CIP) as the source for their capital expenditures of \$30,000 or more. The CIP number should be referenced in the detail of the budgeted item. Capital items the department wishes to include in the budget that are not listed within the approved CIP will require prior City Manager's approval before including in the upcoming fiscal year budget.

When entering capital into the budget document, total cost of items being requested must be submitted in detail. This includes cost per item, installation and other costs related to placing an item in service. Estimated prices for capital items should be based on prevailing prices at the time of the request. Any known conditions that could significantly impact the price of the requested item should also be disclosed. Additionally, most capital items involve the use of

project accounting. When preparing the capital budget document, where the capital item is part of a project, the budget entry must refer to the project number.

E. Avoiding Common Budget Preparation Mistakes

1. One such mistake is increasing revenue projections to match desired expenses. Revenue projections are simply a best guess and are known as budget numbers only. They are not real funds until the revenue is actually received. As a result, failure to be conservative and project appropriate revenues can result in expending more than is received. Not only is this very poor fiscal management, it can also reduce City Council's confidence in future budget projections and make the budgeting process more difficult in the following fiscal years.
2. Another mistake is to give inadequate commitment and review to items included in the current fiscal year appropriations. Failure to analyze and budget for all costs associated with new additions to a budget, whether personnel, operations, equipment or projects so that the total cost is unknown should be avoided. Not budgeting for all expenses does not mean they will not occur, only that unbudgeted expenditures have now been created. It is always a best practice to identify as many potential costs as possible. Having to make frequent or large unplanned expenditures can endanger the financial well-being of the City.
3. "Shorting" a departmental budget during budget preparation with the intent to increase the appropriation through the year is another mistake. The goal is to appear as if the department is controlling expenses during the budget process. However, the intent is to then continuously ask for additional dollars during the fiscal year. This practice should always be avoided for the same reasons mentioned above.
4. Finally, Department Directors have a responsibility to consider the effect of their requests on the entire City when inputting budget expenditures. Placing individual departmental interests above what might be in the best interest of the City as a whole is not good planning. The City of Cocoa exists to provide services to its citizens. Along with that comes the responsibility to provide these services in the most efficient and effective manner possible.

10.3 Budget Changes after Fiscal Year Adoption

The City's operating budget is a dynamic document. It is normal to have changes throughout the fiscal year and, as a result, there are procedures in place to address the need for budget corrections, additions and deletions keeping in mind that no changes can be approved until after October 1st of the fiscal year in which the requested change is required. (*City of Cocoa Charter, Article XII, Section 5b.*) There are four basic ways in which budget changes can occur:

- Budget amendments
- Budget transfers
- Accounting adjustments
- Project Transfers/Amendments

There may be circumstances when the requesting department is uncertain if a budget change form is required. The Finance Director will have the responsibility to make the final determination.

The CRA budget transfers and amendments are approved by their appropriate boards and do not have to be approved by City Council.

Budget amendments/transfers may be made within a fiscal year or within up to sixty (60) days (November 30th of each fiscal year) following the end of the fiscal year. During the end of year close out process, budget transfers between budgetary levels that do not require City Council approval and are not increasing or decreasing the overall budget may be made after the November 30th date to prepare for the CAFR.

All budget change forms require original signatures beginning with the Requestor through the City Manager. During the signature approval process, the only changes that are permitted AFTER the Department Director approval are the change of budget balances. Changes pertaining to department, division, account information and/or justification, must be initialed and dated and requires the budget change request form to be returned to the requestor and rerouted through the approval process.

Types of budget change options accommodated within this form include:

1. Budget Amendments (BA)

A budget amendment is a revision to the adopted budget changing the total citywide and fund level dollar amount by adding or removing funds, thereby changing the balance and/or activity originally appropriated by the City Council. When this type of change occurs, the City Charter requires City Council to approve the amendment through the use of an Agenda Memorandum that, if approved, will create a Resolution.

The four main examples of a budget amendment include the increase or decrease in the original appropriation due to:

- The transfer of funds from one fund to another
- Additional or new sources of revenue received
- Additional or new expenditures incurred that require funding from reserves
- Adjustment of budgeted carry forward funds

2. Budget Transfers (BT)

A budget transfer is the movement of funds from one expenditure account to another. If the budget transfer is within the same Department and is within the City Manager's purchasing approval authority, it does not require City Council approval. If the budget transfer is between Departments and/or is over the City Manager's purchasing authority, City Council approval shall be required. A budget transfer does not change the bottom line of the adopted budget of the fund. This transfer is defined as a "shifting" of funds within the Department of the same fund. A transfer is required when an account reflects a negative balance and/or to prevent a negative balance.

Budget transfers cumulatively exceeding the City Manager's purchasing authority requires a Budget Adjustment Form to be presented to the City Council along with an Agenda Memorandum and Resolution.

3. Accounting Adjustments (AJ)

Accounting Adjustments are journal entries adjusting accounts in accordance with financial transactions deemed necessary by the Finance Department to comply with governmental accounting standards. Accounting Adjustments do not require City Council or City Manager approval. Common accounting adjustments are reclassifications, true up of multi-year projects and Scrivener's error.

A Scrivener's error is a clerical error occurring in a legal document. As it pertains to accounting adjustments, the legal document would apply to the adopted budget or any budget adjustment or transfer submitted to City Council for approval. Should it be suspected that a Scrivener's error has occurred, the person who discovered the error would be required to bring it to the attention of the appropriate Department Director. The Department Director would then be responsible for contacting the General Accounting Manager and the Finance Administration Division. The General Accounting Manager and the Finance Manager will determine whether or not a Scrivener's error has occurred and must be corrected. If a determination cannot be made between the two parties, the City Attorney and/or independent auditor may be consulted for guidance. The error will not be considered a Scrivener's error if the correction will change the basic intent of the document.

Common reclassifications include, but are not limited to, charges to incorrect account numbers, capital items charged to repair and maintenance and vice versa, and budgeted items recorded in an incorrect account number, etc. In any instance of uncertainty, the department will be required to complete a Budget Change Request Form, an Agenda Memorandum and Resolution to present the issue to the City Council for approval.

During the budget process, multi-year projects are estimated for the new fiscal year. It is not until the previous year is closed out that the project's true costs for the new year can be determined. After the previous year has been closed out, Finance will process a true up analysis of the previous year's project expenditures and provide a correct budgeted amount for the current year projects. Finance will prepare a budget adjustment for the Department Director to approve and any excess or deficiency of budgeted funds will be moved into or taken from, contingency. As an accounting function, this budget adjustment will not require City Council approval but will require the City Manager's approval. If the funds contingency is not adequate to cover a deficiency, then the Department Director will be required to submit a budget adjustment or amendment to Council for approval.

4. Project Transfers/Amendments (PT/PA)

Project Budget Transfer/Amendment requests are submitted when the line item account and object classification totals are not affected but only the project itself will gain or lose in the transaction. Project Budget transfers and/or amendments change the budget of a given project only. Project budget transfers occur when the movement of funds is from one project to another or from no project to an active project within the same line item account and therefore, do not require City Council approval. Project budget amendments that go outside the scope of the same line item account and would affect movements between object classifications would require City Council approval.

10.4 Agenda Memorandum for Budget Changes

Budget Adjustment Forms may require City Council approval. When a requesting department is uncertain if a budget adjustment is required to go to City Council, the decision will be the responsibility of the Finance Director.

1. The requestor prepares an Agenda Memorandum, Resolution and Budget Adjustment Form with both the requestor signature as the preparer and the Department Director's approval signature.

2. The requesting department forwards the Budget Adjustment Form, with the signatures indicated in item 1 to Finance for review. The designated Finance employee will verify the general ledger account number and the current budget on the form.
3. The Finance Administration Division is then given the Agenda Memorandum, Resolution and Budget Adjustment Form, signed by the Preparer, the Department Director, and Finance Staff to review for budget compliance. If corrections need to be made in regards to the budget included in the agenda item, the Finance Administration Division will contact the requestor to discuss the appropriate action to be taken.
4. If agenda packet is approved it will be submitted to the Clerk by the Finance Administration Division for processing.

The Finance Administration Division will prepare a log of all budgetary changes to be provided to the City Manager and Finance Director at each agenda committee meeting as an informational document supplementing the Department Director's Agenda Memorandum.

The following signatures are required on all Budget Adjustment Forms prior to input into the general ledger, regardless of whether or not the form is being presented to the City Council:

- Requestor
- Requesting Department Director
- Finance Administration Representative
- Finance Manager
- Finance Director
- City Manager (not required for Accounting Adjustment budget changes)

NOTE: On the agenda memorandum, there is a budgetary impact if there are any current or anticipated future funding requirements that impact the requested action, whether it is budgeted or unbudgeted.

10.5 Budget Reviews

A. Department Director's Monthly Reviews

Throughout each month of the Fiscal Year, Department Directors are required to review their respective divisional budgets to assure there are no accounts showing, or in jeopardy of showing, a negative balance. If it is discovered there are insufficient budgeted funds within an account, or expenditures will result in insufficient budgeted funds, immediate action is required to correct/prevent the deficiency within the account. Additionally, this same procedure is to be followed for each object classification within the divisional budget.

It is the responsibility of the Department Director to find the funds required to eliminate all deficiencies, prepare the Budget Adjustment Form to take appropriate action and, if necessary, create the Agenda Memorandum and Resolution to be presented to City Council. Failure to eliminate the negative balance for the object classification may result in Finance being required to stop all payment activities for line item accounts within the object classification. A single account reflecting a negative balance will not create a stop payment environment initially, but if left uncorrected could eventually affect the object classification balance.

B. Quarterly Sweeps

At the discretion of the City Manager, the Finance Administration Division will identify all unexpended funds within object classifications at account detail. Upon review by the City Manager, funds may be selected to be transferred to each fund's contingency account. A Budget Adjustment Form shall be prepared by the Finance Administration Division as the requestor and signed by the Department Director. This is to serve as a "bank" to accumulate appropriations for future unanticipated expenditures and to protect against the need to reduce service levels or raise fees that may occur from temporary revenue shortfalls and/or over spending.

All funds selected to be relocated to a fund's contingency account will be presented to the City Council by the City Manager on a Budget Adjustment Form with an Agenda Memorandum and Resolution, prepared by the Finance Administration Division, for their review and approval.

C. Year-End Closing

Year-end closing is an adjustment made at the end of the fiscal year to balance accounts, correct deficits and/or accommodate accrual expenses. This is also referred to as the "closing of the books" for the fiscal year or the finalizing of financial records for the fiscal year.

Each Department Director is responsible for reviewing their divisional accounts and object classifications to ensure they are not in a negative state throughout the fiscal year.

All negative balances must be corrected no later than the 2nd Tuesday in November. If the correction requires City Council approval, Department Directors will have three (3) City Council meetings in which to present their Budget Adjustment Form, Agenda Memorandum and Resolution. All anticipated negative balance requests must be approved and entered into the general ledger no later than the 2nd Friday in November.

THIS PAGE IS INTENTIONALLY LEFT BLANK

(FOM) Revised January 2021

Adopted October 2010

Section 11 Capital Improvement Program (CIP)

11.1 Capital Improvement Program Policy

For the purpose of this policy, “Capital Improvement” is defined as an acquisition, improvement or rehabilitation of land and/or buildings, infrastructure and machinery/equipment/furnishings with a useful life of at least five (5) years and a minimum cost of \$30,000.

The Capital Improvement Program (CIP) is an important planning guide for the City’s budgeting process and should not be confused with the Capitalization Policy that is an accounting tool to identify the accounting thresholds for recording capital assets. The CIP is a five-year program defining the City’s major projects and associated expenditures that is reviewed and revised annually. The CIP represents a framework for planning the maintenance and replacement of existing capital equipment and facilities as well as for planning major investments in acquiring and building new public facilities.

Capital projects and equipment that meet or exceed the \$30,000 threshold and have a useful life of at least five (5) years are required to be a part of the adopted five-year Capital Improvement Plan (CIP). Although replacement vehicles under \$30,000 will not be included in the CIP, the actual budgeted item should be considered a capital equipment request when preparing the department annual budget.

The CIP document outlines, over a five-year period, each proposed capital project, the year it is expected to begin, the amount expected to be expended in each year of the project and the proposed method of funding, and the priority for each project. The Capital Improvement Program is not limited by the accounting definition of capital; it should also include any major expenditure (excluding personal services and replacement vehicles) of \$30,000 or more and a useful life of at least five (5) years.

The City CIP cost management process will include the following tasks:

- Each department will identify estimated costs and potential funding sources for each capital project proposal before it is included in the five-year CIP plan.
- Each department with the Finance Director will determine the least costly financing method for all new projects.
- Future operating costs associated with new capital improvements will be projected and included in the operating budget forecasts.

Capital Improvement Element (CIE) and the Comprehensive Plan

Florida Statute 163.3177 establishes how a municipality is to prepare and present its Comprehensive Plan for the Department of Community Affairs. While the Comprehensive Plan is prepared by the Community Development Department, there are ramifications in this statute for the Finance Administration Division in relation to preparing the CIP. Within the CIP are projects considered Capital Improvement Element (CIE) projects. In order to meet the designation of a CIE, the improvement must be necessary to ensure adopted Level of Service (LOS) standards are achieved and maintained for concurrency related facilities located within the City of Cocoa. This may include LOS standards reducing existing deficiencies and must be corrected in order to meet future growth needs in Cocoa.

(FOM) Revised January 2021

Adopted October 2010

To meet these requirements, the CIP is to include a CIE schedule of capital improvements that includes any publicly funded projects of federal, state, or local government, which may include privately funded projects for which the local government has no fiscal responsibility. Projects necessary to ensure that any adopted level-of-service standards are achieved and maintained for the 5-year period must be identified as either funded or unfunded and should be given a level of priority for funding. Please refer to the City of Cocoa Comprehensive Plan for more details; Objective 14.1.3 Evaluation of Capital Projects and Policy 14.1.3.6 regarding levels of priority.

11.2 Capital Improvement Program Process

At the appropriate time after the beginning of the new fiscal year, the Finance Administration Division shall provide each City's Department Director with an updated CIP Procedures document including the current planning cycle and CIP Form in an electronic format. Each Department Director is responsible for evaluating his/her CIP needs and submitting requests for the upcoming five-year CIP with updated information, if the request appeared in a prior year, or new information for projects that were not in the prior year's CIP document.

Items not expected to begin within the five-year term for which requests are being solicited must not be submitted as part of this specific report cycle. Each Department Director will submit a completed electronic form defining each project in detail as requested on the form. (NOTE: All fields on this form must be completed. Missing information will result in the form being returned with a request to complete the missing data.) A complete description, total cost (including contents, design, accessories and ongoing maintenance), and any associated attachments supporting the justification are required.

A. Source of Funding:

The source of funding determines how the City will pay for the capital project or item. All capital projects and items should include the source of funding in the documentation. In considering the funding source, the Department should work with the Finance Department to determine the best option for the City.

1. Debt Financed – Purchase of assets costing \$1,000,000 or more, non-recurring within a five-year period, and with a useful life of five years or more are recommended for loans, the issuance of bonds or capital leases.
 - a. Loans: Capital equipment or projects may be financed through a loan process.
 - Bank Loans: Depending on the current interest rates and banking promotions, a bank loan may be the most economical alternative for purchases not qualifying for other debt options.
 - State Revolving Fund Loans (SRF): The Drinking Water State Revolving Fund (SRF) Program provides a low interest loan for planning, designing and constructing public water facilities. The Clean Water State Revolving Fund (CWSRF) program provides 20 year, low interest loans for planning, designing and constructing water pollution control facilities. Some Wastewater and Storm Water projects may be eligible. The City applies for SRF loans through the Florida Department of Environmental Protection (FDEP).
 - b. Bond Issues: Capital projects reliant upon bond issues need to account for additional time in their project timeline for the issuance of the bond as this is a complex process. Prior to going out for bond proceeds, the requesting department must provide to Finance a detailed budget of

the project(s), an estimate of the recaptured costs (i.e. planning, design and engineering services) and a time line for the project(s).

- c. Capital Leases: Capital equipment may be purchased through a capital lease program. This option should only be used if the terms and rates are more favorable to the City than other funding sources.
2. Reserves –All requests for funding to come from reserves must have prior approval from the City Manager.
3. Revenue – Capital projects or equipment funded with current revenue proceeds. Current revenue proceeds could be any funds available from savings from another project or other source of funds.
4. Grants or Aids to Government Agencies – Include projects financed by award funds, whether private grants or awards as aids to government agencies. Projects funded by matching revenues should be identified. In most cases, award monies are not budgeted until received. Therefore, projects relying on this type of funding may or may not materialize depending upon award issuance.

Information on proposed funding sources and debt management is also required. Source of funding must be noted in detail. Simple wording such as bond or loan will not suffice. Detailed information for the bond, loan or other source must include timeframe for requesting funds as well as the timeframe for obtaining those funds.

B. Preparation Responsibility

The actual preparation of the CIP document is primarily the responsibility of the Finance Administration Division under the direction of the City Manager. However, there are many components of the CIP requiring different departmental or individual responsibility.

1. The Finance Administration Division: It is the responsibility of the Finance Administration Division to prepare the annual CIP calendar, provide information concerning the City's financial resources, and prepare and distribute the package used by departments and divisions submitting capital project requests. In addition, the Finance Administration Division will provide assistance in the preparation of requests. The Finance Administration Division compiles the report and prepares the program for submittal to the City Council. After adoption by City Council, the Finance Administration Division will make electronic copies of the CIP document available to all parties.
2. Department Director: The Director is responsible for updating current CIP submittals and identifying new needs through the five-year period. The Department Director will detail the City's need for each project and its relative importance in the department's program. A complete description, total cost (including contents, design, accessories, and ongoing maintenance) and map is needed. Providing information on proposed funding sources and debt management is required. Finally, the Director is responsible for budgeting and initiating approved projects.
3. Fleet Manager: The Manager will evaluate and provide recommendations for the requests from the departments concerning new and replacement vehicles. The Manager will complete submittal forms for those requests as appropriate and necessary. The Fleet Manager is responsible for submittal of all information, including potential cost, related to vehicle requests.
4. Information Technology Manager: The Manager will evaluate requests concerning new technology and will provide feedback and a recommendation on the request.

5. Public Works Director: The Director will evaluate requests and provide feedback concerning new projects that will be the responsibility of the divisions within Public Works.
6. City Manager: The City Manager oversees the entire CIP process. The City Manager conducts the final review of the proposed CIP before submission to the City Council for administrative approval. The proposed CIP is then submitted to City Council by the City Manager who is responsible for implementing the adopted CIP.
7. City Council: The responsibility of City Council is to review the proposed CIP document, provide timely feedback on the document as a whole as well as on any projects City Council would like to see pursued, and adopt the five-year CIP as part of the budget approval process.
8. Community Development Director: The importance of the Capital Improvement Element (CIE) is to set the policies for the Community Development Department that coordinates the provisions of infrastructure with the land use plans of the community. The Community Development Director is required to review all CIP submissions to determine which requests meet the criteria that define a CIE project.

C. Fiscal Policies and Analysis

The capital improvement program is only as good as the plan for financing the proposed projects. The number of public improvements a municipality can finance generally depends on the level of recurring future operating expenditures and potential sources of additional revenue available for CIP financing. In addition, the current level of debt is a factor as there is a legal limit on debt the municipality may incur (bonded capacity). Financial analysis and planning are needed for intelligent capital improvement programming.

The Finance Administration Division will prepare a revenue and expenditure projection for the five year term in the CIP. The projection of operating revenues and expenditures enables the City to determine whether there will be sufficient operating revenues available to pay for CIP projects. If future operating expenditures equal or exceed future operating revenues, then CIP projects would have to be funded through other means such as borrowing, increasing future revenues and/or reducing future operating expenditures. Some projects may have to be delayed until the revenue sources are available.

If future operating expenditures are less than operating revenues, the remaining funds are then available to pay for capital improvements or to meet the obligations of debt service. The current debt structure of the municipality and its ability to incur new debt must also be considered.

D. CIP Review Process

1. A CIP Review Committee consists of the following:
 - City Manager
 - Finance Director (Advisory Role)
 - Finance Manager (Advisory Role)

NOTE: The City Manager has the option to invite other employees to participate, in an advisory role, as part of this committee.

2. The Finance Administration Division will be responsible for developing the CIP Review Packet for the Committee by the date noted on the current year's distributed CIP timeline.

3. Department Directors may be required to present to the CIP Review Committee and overview of year-by-year capital projects submitted for the current five-year plan. The presentation will speak to project timelines, budgets and a detailed outline for source of funding.
4. Evaluation criteria will include, but not be limited to, the following:
 - Financial feasibility
 - Extent of total benefit to the community, including potential improvement in the quality, efficiency and/or delivery of City services
 - Age and condition of the current facility or asset, including unusual or advanced wear or disrepair
 - Consistency with community goals and plans
 - Relationship to other projects
 - Environmental quality as well as legal and/or regulatory requirements
 - Economic development impact
 - Public health and safety
 - Total cost including expected operating cost as compared to current costs
 - Historical project completion rate of the requesting department
5. The Finance Administration Division will prepare the City of Cocoa Five Year Capital Improvement Plan document as part of the budget document to be presented to the City Council for adoption.
6. The Finance Administration Division will assume the responsibility of the electronic publication of the adopted CIP document.

11.3 Avoiding Common CIP Mistakes

In order to limit errors now or in future years of the CIP, some common mistakes can be avoided.

- One such mistake is placing a project in the “future” years of the CIP without adequate justification, leading to eventual funding of an unneeded expenditure. In addition, justifications for projects submitted in prior years should be reviewed annually as circumstances may have changed significantly, requiring modification or even elimination of a project.
- Another mistake is to give inadequate commitment and review to projects not included in the current fiscal year appropriation.
- Failure to analyze and budget for all costs associated with construction or failure to include all relevant future operational and personnel costs so that the total cost of the project is unknown is another mistake that should be avoided.
- At times, departments fail to give adequate attention to the staff effort necessary for appropriate supervision of proposed projects that can lead to slow moving or unsuccessful projects. Allowing projects to drift in the CIP from year to year without completion or even funds for design or planning activities is another common mistake.
- Basing CIP choices on federal and state funding dollars rather than on local needs can lead to misuse of staff time and effort on projects that are not the priorities for the community. Projects proposed must take into account the effect on the entire City. Placing individual departmental

interests or desires above what might be in the best interests of the City as a whole is not prudent planning. Finally, capital projects should always undergo the CIP process. Placing major projects directly into the upcoming operating budget means the project has not received the appropriate scrutiny prior to funding.

Section 12 — Purchasing Policies and Procedures (Removed by Resolution 2023-140)

(FOM) Revised January 2021

Adopted October 2010

Section 13 — Purchase Order Policy (Removed by Resolution 2023-140)

(FOM) Revised December 2023

Adopted October, 2010

Section 14 — Multi-Year Contracts (Removed by Resolution 2023-140)

(FOM) Revised December 2023

Adopted October, 2010

Section 15 — Methods of Source Selection (Removed by Resolution 2023-140)

(FOM) Revised January 2021

Adopted October 2010

Section 16—Instructions to Bidders (Removed by Resolution 2023-140)

(FOM) Revised January 2021

Adopted October 2010

Section 17 — Cooperative Purchasing (Removed by Resolution 2023-140)

(FOM) Revised January 2021

Adopted October 2010

Section 18 Purchasing Card Policy

The City of Cocoa Purchasing Card Program is designed to improve efficiency in processing small dollar purchases (not to exceed \$1,500) from any vendor accepting the purchasing card. The Purchasing Card should only be used for point of sale transactions.

This program will allow the cardholder to purchase approved commodities and services directly from vendors. Each purchasing card is issued to a named individual and the City of Cocoa is clearly shown on the card as the governmental buyer of the goods/services.

The Finance Department will monitor the performance of the program. All questions or concerns should be directed to the Procurement Card Coordinator.

18.1 Objectives

- A. To provide an efficient method of purchasing and paying for non-capital goods and services valued at \$1,500 or less per purchase/transaction/job/project.
- B. To reduce the use of petty cash and the processing of regular purchase orders for non-capital items valued at \$1,500 or less.
- C. To ensure purchasing card purchases are in accordance with the City's policies and procedures.
- D. To reduce the time spent by the Purchasing Division and Accounts Payable personnel processing small dollar transactions.
- E. To ensure the City bears no legal liability for inappropriate use of purchasing cards.
- F. To provide for disciplinary action if the purchasing cards are misused. The procedures provided herein are minimum standards for departments. Departments may establish additional controls if necessary or desired. Such controls should be noticed to the Purchasing Manager to ensure continuity of implementation.

18.2 Authorization

The purchasing card system simplifies the procurement/disbursement process. Procurement responsibility is delegated to the ordering department enabling an authorized cardholder to place an order directly with the vendor. When a purchase authorization is requested by the supplier at the point of sale, the purchasing card system validates the transaction against preset limits established by the employee's Department Director and approved by the City Manager. All transactions are approved or declined (electronically) based on the purchasing card authorization criteria established. The authorization criteria may be adjusted periodically as needed and may include, but are not limited to, the following:

- A. Single transaction limit (not to exceed \$1,500) except as approved by the City Manager.
- B. Billing Cycle spending limit (not to exceed \$7,000).
- C. Approved merchant category codes.

The authorization process occurs through the electronic system supporting the purchasing card processing services under the agreement established between the City of Cocoa and the financial services provider.

The SunTrust Purchasing Card Program provides a rebate program. To take advantage of this program, the City may choose to make some of the larger vendor payments with a purchasing card (or by electronic payment “ePayables”) rather than by a check. The authorization limits may be increased for certain Finance employees to allow these large payments to vendors that are willing to participate in the program. The purchasing cards with the higher limits are to be used only for payment of purchase orders that are not originated by the employee with the purchasing card and are not to be used as a purchasing card for point of sale purchases. The Finance employees who are authorized to make these large payments are required to obtain prior approval from the Finance Director and the City Manager before disbursement of any funds. The high limit purchasing cards are only a method of payment and the purchase orders paid by these purchasing cards shall comply with the purchasing policies within this manual.

The City Manager has the authority to authorize higher limits than the standard set-up profiles on a case-by-case basis.

18.3 Responsibilities

The following is a summation of the responsibilities of the individuals and organizations involved in the purchasing card system:

A. Cardholder

1. Hold and secure purchasing card.
2. Order materials and services.
3. Collect and save all sales receipts.
4. Log phone orders and request receipts.
5. Match receipts with weekly card statement report.
6. Code the correct general ledger account number in the Purchasing Card Module.
7. Review receipts weekly for discrepancies and tax charges.
8. Forward all back up paper work to the PCC.

B. Department Purchasing Card Representative (designated by Department Director)

1. Review weekly statement report with cardholder.
2. Assign and/or verify the appropriateness of accounting codes.
3. Assist department cardholders with disputed items.
4. Forward to Finance the statement report(s) and supporting receipts.
5. Collect cards from cardholders who end or transfer employment.

6. Notify the Procurement Card Coordinator (PCC) of terminated cards immediately.

C. Department Director

1. Request purchasing cards for designated employees.
2. Set departmental and cardholder spending limits within established guidelines.
3. Designate Department Purchasing Card Representative if necessary.
4. Approve, with electronic signature, all reconciled statements within the department each week. The Department Director may delegate approval authority to a Deputy Director or Acting Director in his/her absence.
5. Responsible for disciplinary action for purchasing card misuse by an employee in their Department.

D. Procurement Card Coordinator (PCC)

1. Process requests for purchasing cards submitted by Department Director.
2. Coordinate issuance and cancellation of cards.
3. Provide training and answer questions regarding the purchasing card program.
4. Coordinate program policy issues.
5. Participate in ongoing program reviews.
6. Participate in resolving billing disputes.
7. Coordinate and maintain internal controls.
8. Maintain procedures and cardholder guides/manuals.
9. Target new cardholders and expanded use of card.
10. Monitor established limits.
11. Receive approved weekly statements from all cardholders.
12. Receive consolidated statement from purchasing card provider.
13. Confirm that all charges are authorized by Department Director.
14. Notify departments when approved weekly statements are not received.

15. Process payment of all monthly charges from consolidated statement.
16. Process accounting data.
17. File electronically and store statements, receipts, etc.
18. Pursue supplier discount opportunities through Purchasing Policy and Procedures.

E. Purchasing Division

1. Pursue supplier discount opportunities.
2. Evaluate purchasing card feedback from suppliers and cardholders.

18.4 Procedures

A. Assignment and Control of the Purchasing Card

1. Requests for and issuance of purchasing cards.
 - a. Purchasing cards will be issued to individual employees who frequently purchase goods/services in single purchase amounts of \$1,500 or less.
 - b. The purchasing card will have the employee's name, the City's name, the City's sales tax exemption number, and the expiration date. The purchasing card issuing company will not have individual cardholder information other than the cardholder's work address and phone number for the purpose of verifying the cardholder's identity over the telephone.
 - c. All requests for purchasing cards must be made by the Department Director by using the Purchasing Card Request/Certification/Receipt form.
 - d. All requests for cards or for changes to current cardholder information will be made by completing the top portion and submitting a Purchasing Card Request/Certification/Receipt form to the Procurement Card Coordinator signed by the Department Director.
 - e. The Procurement Card Coordinator will notify the requesting department upon the issuance of all purchasing cards.
 - f. When the department Purchasing Card Representative receives a new purchasing card from the PCC, the cardholder will be required to personally take receipt of the card and sign the Purchasing Card Request/Certification/Receipt Form and an Agreement to Accept the Purchasing Card form. The cardholder will be given a copy of the Purchasing Card Procedures Guide and training by the department Purchase Card Representative.
2. Lost or Stolen Purchasing Cards
 - a. If a purchasing card is lost or stolen, the cardholder or department representative must immediately notify the financial service provider and the Procurement Card Coordinator.
 - b. The cardholder will be responsible for reporting all information necessary to reduce the

liability to the City for a lost or stolen card.

3. Termination or Transfer of Cardholder

- a. When an employee ends employment or is transferred to another department, the Department Director or his/her designee must collect the purchasing card, cut it in half, and submit the purchasing card to the Procurement Card Coordinator.
- b. If the department is unable to collect the purchasing card when an employee terminates, the Department Director or his/her designee must immediately notify the Procurement Card Coordinator. The PCC will ensure the card is canceled.

B. Limitation on Use of Purchasing Cards

1. Cardholder Use Only

The purchasing card may only be used by the employee whose name is embossed on the card. An exception to this rule is when purchases or travel arrangements are made for the employee whose name is embossed on the card by another employee for administrative purposes.

2. City Purchases Only

The purchasing card is to be used for authorized City purchases only. The purchasing card cannot be used for any personal use. Any such use **will require immediate reimbursement and may result in disciplinary action that may include dismissal.**

3. Dollar Limitations

| MONTHLY LIMITS | SINGLE TRANSACTION LIMITS |
|----------------|---------------------------|
| \$1,500 | \$500 |
| \$2,000 | \$1,000 |
| \$4,000 | \$1,500 |
| \$7,000 | \$1,500 |

- a. The Department Director approving the assignment of a purchasing card will set two limits for each cardholder: a single transaction limit and a billing cycle limit. The maximum limits shall be \$1,500 for a single purchase, \$4,000 for a daily limit and up to \$7,000 during the 30 day billing cycle. Requests for spending limit changes must be initialed and authorized by the Department Director and City Manager and forwarded to the Procurement Card Coordinator for processing. Monthly and single transaction limits over the amount listed above require City Manager or designee approval.
- b. A purchase may be made for multiple items, but the invoice cannot exceed the cardholder's single purchase amount. Payment for purchases shall not be split to stay within the single

purchase limit.

- c. The City Manager is authorized to increase the single transaction limit for a cardholder who encounters a long hotel stay or other extraordinary situations. The single transaction limit will be returned to normal once the situation has passed.

4. Other Conditions

- a. Sales tax may not be charged by the vendor. If necessary, provide the vendor with a sales tax exemption certificate. The City's tax-exempt number will appear on the face of each card issued.
- b. All items purchased over the counter must be immediately available (Point of Sale POS). No back ordering or special orders are allowed.
- c. All items purchased during one telephone transaction must be delivered in a single delivery. If an item is not immediately available, no back ordering is allowed.
- d. All items purchased by telephone must be delivered by the vendor within the 30-day billing cycle. The order should not be placed without this assurance.
- e. Check with the vendor when ordering by phone or check the catalog from which you are ordering to make sure shipping is included in the price quoted. If the price exceeds the single purchase limit with shipping added, you may NOT use the purchasing card.
- f. Purchases for services may be paid with a purchasing card if the service performed is off City property. Services performed on real property in which the City has an ownership or leased interest (including easements) may be paid by the City purchasing card if a Certificate of Insurance (or a signed waiver of insurance authorized by the City Manager) is provided by the vendor prior to the service in accordance with the City's purchasing policy. The Certificate of Insurance (or a signed waiver of insurance authorized by the City Manager) shall be given to the City Clerk prior to the performance of the service. It is the responsibility of the Department Director to ensure that the Certificate of Insurance (or a signed waiver of insurance authorized by the City Manager) has been obtained and is available for view in Laserfiche for audit purposes.

5. Prohibited Uses of Purchasing Cards (except as approved by the City Manager)

- a. Gasoline or oil that is normally provided by Fleet (except travel group)
- b. Vehicle repairs (except Fleet)
- c. Travel expenses such as hotels, food and airline tickets (except travel group)
- d. Cash advances (no exceptions will be granted)
- e. Food/Restaurants (except travel group and prior approval by the City Manager or his/her designee). All food/restaurant charges on the purchasing card shall have City Manager or his/her designee approval prior to the purchase.
- f. Payment of an invoice for previously received services/good to avoid the preparation of a

confirmation purchase order or change order to an open purchase order (except emergency repairs).

- g. Items stocked in warehouse inventory
- h. Special Orders that require payment up front (except customized printing)
- i. Service contracts under a Continuing Service Agreement

C. Procedures for Making and Paying for Purchases

1. Internet/telephone Orders

- a. The cardholder shall request the customer's copy of the charge slip be sent with the order. Packing slips are not sufficient documentation and will only be permitted in instances where the cardholder documents unsuccessful attempts to obtain a receipt.
- b. Charge slips should identify the merchandise purchased. If the merchandise is not sufficiently identified on the charge slip provided by the merchant, the cardholder should describe the merchandise sufficiently enough for the Department Director to determine the purchase was for City purposes.
- c. The charge slip will be retained either by the cardholder or by the department representative until forwarded to Procurement Card Coordinator with the weekly statement report.

2. Missing Documentation

If for some reason the cardholder does not have documentation of the transaction, the cardholder must contact the merchant to get a copy of the missing receipt or documentation. Continued incidents of missing documentation may result in the cancellation of the employee's purchasing card and/or disciplinary action.

3. Payment and Invoice Procedures

The responsible financial institution serving as the principle authority of the City's procurement card program will notify the cardholder via email of any daily transactions. A monthly transaction statement for all authorized cardholders will be mailed to the Finance Department to validate individual transactions. This State of Accounts will list all transactions made during the current billing cycle. If no transactions are made during a billing cycle, no Statement of Accounts will be generated unless adjustments for the previous cycle are yet to be reconciled.

Responsibilities of P-Card Holder and Approval Authorities

- Cardholders must review account transactions weekly to identify any errors, upload corresponding expense receipts and code transactions.
- All transactions must have a corresponding legible receipt electronically uploaded and matched to its specific transaction.
- Receipts must be legible, scanned individually per transaction, unobscured and not consolidated with others.

- Receipt upload, transaction coding should be completed each Friday for the week prior to ensure transactions are validated.
- Supervisors, Managers and Directors must approve expenses to ensure each are budgetarily monitored, receipts are reviewed, and transactions coded.
- Each line item on the Statement of Account must have an account number assigned to each dollar amount with the explanation of details of the item purchased.
- Explanation of details must be limited to no more than 25 spaces and cardholder must provide a brief, direct and to the point explanation of the expense.
- Department approval authority or designee must review the electronic statement and electronically approve the item(s) purchased by the cardholder.
- The electronic approval is certifying that all charges are appropriate and authorized and all charges have been approved by the employee and coded correctly.

The following timetable outlines dates that must be followed for the monthly Statement of Account to be processed timely and to address any issues prior to the statement's due date.

| | | |
|--|-------------------|---|
| Monthly Statement Cycle | Monitored Weekly | Begins on 5 th – ends on 4 th |
| Cardholder receipt upload, transaction coding / approval | Performed Weekly | Final completion by the 10 th |
| Supervisor, Manager and Director Approval | Performed Weekly | Final completion by the 17 th |
| Purchasing to process statement through Finance | Processed Monthly | 20 th |
| Finance to process statement for payment | Processed Monthly | 22 nd |

Purchasing will afford one (1) warning per cardholder per fiscal year, should the user fail to meet the above timeline. Suspension and Termination of cardholder accounts will be followed as outlined:

| | | |
|----------------|---|--|
| First Offense | Written warning to Cardholder, Supervisor and Manager | Account flagged by Purchasing |
| Second Offense | Cycle suspension (5 th – 4 th), written notice to Supervisor, Manager and Director | Cardholder must attend P-card refresher training to regain privileges. Coordinated through Purchasing. |
| Third Offense | Cycle suspension (5 th – 4 th), written notice to Supervisor, Manager and Director | Cardholder and Manager must attend refresher training to regain privileges. Coordinated through Purchasing. |
| Fourth Offense | Account terminated, written notice to Supervisor, Manager and Director. | Department Director must submit a request for justification to the Finance Director to reactivate terminated accounts. |

D. Disputes

If items purchased with the purchasing card are defective, the cardholder must return the item(s) to the

vendor for replacement or credit. If the service paid for with a purchasing card is faulty, the vendor must be notified and asked to correct the situation or provide a credit. If the vendor refuses to replace or correct the faulty item or service, the purchase will be considered in dispute.

A Cardholder Statement Report of Disputed Item Form must be completed by the cardholder and faxed to the financial services provider. A copy of the Cardholder Statement of Disputed Item Form must be sent to the PCC with the cardholder's weekly Statement Report

E. Review of Purchases by Departments

Because of their knowledge of the job responsibilities and requirements, the Department Director or designee, if absent, is required to review each purchasing card expenditure (item purchased, amount and vendor) to ensure the goods/services were necessary and for official use.

When the Department Director or designee (if absent) is not satisfied that the purchase was necessary and for official use, the cardholder must provide either a credit voucher proving the item(s) were returned for credit or a personal check for the full amount of the purchase. Checks must be sent to Accounts Payable with an explanation and account number to credit.

Serious or repeated misuse of the purchasing card will result in the revocation of the card. Employees incorrectly using their purchasing card will be disciplined by the Department Director/Division Manager as necessary. To help the departments in their reviews, management reports will be available from the Purchase Card Coordinator upon request.

F. Abuse/Violations

1. Participation in the City of Cocoa's Purchasing Card Program is a convenience carrying responsibilities along with it. Although the card is issued in a cardholder's name, it is City property and should be used with good judgment. Improper use of the card can be considered misappropriation of City funds that may result in disciplinary action, up to and including termination. Cardholders are expected to comply with internal control procedures to protect City assets. This includes keeping receipts, reconciling Purchasing Card weekly statements and following proper card security measures.
2. The Department Purchasing Card Representatives and Department Directors should notify the Purchasing Manager if a cardholder misuses the program or violates the procedures.
3. If an abuse or violation has occurred, the Department Director or the Purchasing Manager should notify the cardholder by using a Purchasing Card Misuse Notification Form.
4. The Procurement Card Coordinator will perform audits on all credit card purchases. If there appears to be a violation or abuse of the policy, the PCC will send out a Visa Activity Inquiry. The Visa Activity Inquiry is a fact-finding inquiry that may lead to an investigation. If an investigation reveals a violation of the purchasing policy or a misuse of the credit card program, the PCC will forward the information to the Purchasing Manager. The Purchasing Manager will send a Misuse Notification Form to the cardholder's supervisor. It is the responsibility of the supervisor to give the Misuse Notification Form to the cardholder and administer the appropriate discipline. A copy of the disciplinary action shall be placed in the cardholder's personnel file.
5. Misuse of the purchasing card may result in disciplinary or other appropriate action. Misuse of a

purchasing card by a Manager or above will be reported to the City Manager. Repeated misuse and violations will result in revocation of purchasing card privileges and may result in disciplinary action up to and including termination of employment for cause.

6. Abuse, misuse and violations include but are not necessarily limited to the following:
 - a. Purchase over authorized limit.
 - b. Purchase of unauthorized or prohibited items/services.
 - c. Multiple transactions to circumvent purchasing procedures.
 - d. Two or more employees using their cards to purchase one item/service to circumvent the purchasing limit on an individual card.
 - e. Failure to provide proper documentation, receipts, invoices, weekly statements, etc.
 - f. Purchase of unauthorized Capital Outlay items. Purchasing cards shall not be used on capital projects for general purchases but may be used, on occasion, for specific capital items that have been pre-approved by the Finance Director or designee.
 - g. Purchase from vendors that create a conflict of interest.
 - h. Personal charges.
 - i. Allowing another person, other than cardholder, to use the card except as allowed in Section 18.4 B.1.
 - j. Failure to report a lost or stolen card in a timely manner.

Section 19 Property and Supply Management

All capital assets, controlled property, sensitive items, and some betterments, additions and renewals, hereinafter called property that exceed the approved capital threshold will be assigned a property record number, tagged or inscribed, and recorded. Department Directors are responsible for identifying the property item(s) and acting as the custodian for the City property within the department. Property that exceeds the approved capital threshold should not be purchased on a purchasing card. The Central Warehouse shall generally be responsible for properly tagging and forwarding completed documentation to Finance-Property Control. Property should generally be received at Central Warehouse for tagging. Finance-Property Control is responsible for recording and maintaining official records of City property.

19.1 Classification/Definitions of Property

Property is classified and defined as follows:

Capital Assets

Tangible property, of a permanent or relatively fixed nature, having an expected life of one (1) or more years under the thresholds defined by the Capitalization Policy. Capital assets generally include equipment, machinery, buildings and improvements other than buildings, infrastructure and land.

Controlled Property

Items similar to capital assets but having a value of between \$250 and \$999. Along with machinery and equipment, this category includes furniture, machine tools and special clothing. (Not included in this category are items such as office supplies and accessories, materials, parts, components and small inexpensive hand tools or instruments).

Sensitive Items

Certain items not normally included within the Controlled Property category are, by their nature, subject to pilferage. It is necessary, therefore, to include certain "sensitive items" as controlled property. Examples of such sensitive items include, but are not limited to, binoculars, cameras, meters, microscopes, microwave ovens, office machines (calculators, printers, recorders, time stamps), personal computers and peripherals, phones (cellular), projectors, tape recorders, telescopes, television receivers, etc.

Betterments, Additions, and Renewals

Work performed on capital assets must be analyzed to determine if the asset has been improved upon or its useful life has been prolonged or if the asset has merely been restored (renewed) to its original condition. The Finance Department will assist the departments in making this determination. The criterion for determination of a betterment or addition is defined by the Capitalization Policy. The cost of betterments and additions is capitalized and added to the original cost of the asset.

Most repairs and maintenance generally will not prolong the useful life of an asset. In most instances, repairs will not be capitalized because they only allow the asset to retain its value rather than provide additional value.

Facilities

Facilities are defined as buildings, structures and enclosures including permanently attached or affixed exterior or interior equipment and mounted structures.

Property Value

The cost of the item will become its value, except for surplus property, donations and similar acquisitions. In these instances, the fair market value at the time of acquisition is used. All direct purchases of other items should be recorded at their cost to the department. Cost includes the purchase price and any other expenditure necessary to get the asset in place and ready to use. Examples of additional expenditures include transportation charges and installation fees.

Property Purchased with Federal Funds

In addition to local property control requirements, all real property acquired with federal funds will be managed and disposed of as outlined in 24 CFR Part 84 (84.31 through 84.37) and OMB Circular A-110 Subpart C – Property Standards.

19.2 Procedures

A. Requesting Department

The requesting department shall prepare a purchase order as outlined in Section 13:

1. Capital Item - Purchase orders of item(s) to be purchased and classified as Capital must be forwarded to the Finance Administration Division for approval and then routed to the Purchasing Division for processing.
2. Controlled Property/Sensitive Items - Purchase orders or credit card purchases of item(s) to be purchased and classified as Controlled Property or Sensitive Items shall be sent directly to the Purchasing Division for processing.
3. Betterments, Additions, and Renewals - Item(s) costing \$25,000 or more that extend the useful life of an asset will be capitalized and will be prepared as a capital item.

B. Warehouse Division

Warehouse Division will complete a Capital Asset Property Record and attach it to the pending purchase order copy. When property item(s) arrive, Receiving will enter serial number (if applicable) and receipt date to complete the form.

Numbered and bar coded property tags will be affixed to item(s) having a value of \$5,000 or more.

Whenever possible, property tags should be placed where they can be seen without moving the item. The Warehouse will separate the Capital Asset Property Record Form and distribute the original copy to the requesting department and a hard copy to the Finance Department. When a property item(s) is/are received off-site (not at Warehouse), a representative from the Warehouse will either travel to the off-site location and affix property tag(s) or will forward property tags to a responsible individual at the requesting department location for affixing.

C. Finance Department

The designated property control individual will record the property number and will maintain Capital Asset Property Record forms.

Section 20 Disposal of Surplus Property

It is the objective of this policy to maximize returns on excess and surplus property by transferring the property or disposing of it through a public auction, sealed bids, posted prices, trade-in, destruction, abandonment or donation for municipal purposes.

All departments are encouraged to designate a surplus property representative who should be responsible for all matters concerning the transfer and disposal of surplus property. To reduce opportunities for deception and to avoid any appearances of impropriety, no sale will be allowed to any employee except through sealed bid or public auction. Items classified as usable will be identified and held at the warehouse for a reasonable time to allow departments to inspect them for possible use. Requesting departments are encouraged to visit the warehouse to view the items available. Removal of items from surplus inventory must be approved by the Finance Director. All other transfers of current assets between departments or from a department to the warehouse shall be approved by the Department Director of the transferring department.

Items identified as surplus are classified as follows:

- Excess - Items without a useful purpose for a particular department may be transferred to another department. This should occur prior to transfer to surplus inventory.
- Obsolete and surplus. - Materials having no use to the City.
- Scrap - Items having sale value for material content only.
- Destruction or disposal by abandonment - Items that are unusable and have very little or no commercial value.

20.1 Methods of Disposal

After items are classified, the best method of disposition must be decided. Depending on the nature of the item and the needs of other departments, items may be transferred or disposed of through public auction, competitive sealed bids, posted prices, trade-in, destruction or abandonment or donation for municipal purposes. Any property may be disposed of through direct price negotiations with potential buyers or a public auction.

The following is a list of nonexclusive methods of disposition.

Transfer

The preferred method of disposition for an item no longer needed by a department is to transfer it to another department needing it.

Public Auction

The auction method is the standard disposition method used by the City. Professional auctioneer services may be used to prepare and handle sales. Auctions shall be publicly advertised, supplemented by the mailing of notices to regular bidders. After the auction is announced, interested parties can inspect items at the auction site or during the preview walk through on auction day. Auction items sold through internet based auction sites can be viewed online at that site at any time. Online auctions will be publicly noticed similarly to onsite auction notifications. Use of internet auction sites for surplus property disposal is also authorized by this section.

Sealed Bids

Property that cannot be transported to the site of an auction or failing to sell at an auction or property otherwise inappropriate for auction sale may be sold through sealed bids on an individual item or lot basis. The invitation for bids should be issued to all persons or firms on the bidder's mailing list.

Posted Prices

Property that cannot be disposed of through a public auction or through sealed bidding may be disposed of by posting a price and advertising it to the public.

Trade-in

In replacing obsolete equipment, it is sometimes advantageous to trade it in. Trade-in items are not required to be declared surplus. Obsolete, worn out, inactive or uneconomical operating equipment may be traded in or applied as a credit on the purchase of new equipment. If it is determined to trade-in a particular piece of equipment, the invitation for bids for the replacement item should request bid prices with and without the trade-in allowance and should allow for an award to be made either way. Items for trade-in must be fully described on the purchase order. The purchase order should show the price of the new equipment less the trade-in allowance. For recording purposes, the full amount of the equipment (before trade-in allowance) must be budgeted.

Destruction or Disposal by Abandonment

Property that is unusable and determined to have no commercial value, or property for which the cost of sale would exceed expected returns, may be destroyed or disposed of by the most efficient method. Metals, which have no auction value (as determined by the Department Director) and cannot be disposed of through any of the methods stated in section 20.1, may be disposed of through a "Scrap Metal Dealer". Proceeds from this type of disposal should be remitted in check form payable to the City of Cocoa. Checks should be forwarded to the Finance Department immediately upon receipt. Department Director approval documentation should accompany each check and filed for future reference.

Donation

Requesting departments may be allowed to donate surplus property that remains unsold, or when the cost of handling the sale would exceed expected returns, providing the donation serves some municipal purpose. Occasionally, it may be practical to donate an item to a worthy organization rather than sell it. Donations shall be approved on a case-by-case basis by the City Manager or City Council as deemed appropriate where such donation shall serve a municipal purpose.

Other

Any other method of disposing of surplus property approved by the City Council.

20.2 Procedures

- For items declared surplus, obsolete or scrap, the requesting department must fill out a Surplus Property Transfer/Disposal Form and forward it to the warehouse (a copy to Finance) along with the surplus property.
- For items that are part of the Water and Sewer System, a Water and Sewer System Disposition of Surplus Property Form must also be forwarded to the warehouse with the item.
- Arrangements for moving surplus property to the warehouse should be handled by the requesting department with the Senior Stock Clerk or Water Field Operations Manager.

- Disposal of surplus property or transfer of a surplus item to another department requires the surplus property transfer request to be updated by the warehouse and a copy forwarded to Finance.
- If the surplus property is not transferred, the property may be disposed of through a method described in Section 20.1, "Methods of Disposal."
- Proceeds from the sale will be submitted to the Finance Department for deposit into the appropriate fund.
- When an item is disposed of, the surplus property transfer request is updated by the warehouse and forwarded to Finance.
- Vehicles being transferred to surplus inventory must first be sent to Fleet Management for evaluation. The Fleet Manager will examine the vehicle and determine its condition and make a judgment as to whether it could be put back into service in another department or if it should remain in surplus inventory for auction. This assessment should be forwarded to the Administrative Services Director and a copy should be attached to the Surplus Property Transfer Form.
- Any department wishing to transfer a vehicle from surplus must first put their request in writing to the Fleet Manager. These requests will be kept on file, in the order they were received, until a vehicle becomes available. At that time, the Fleet Manager will contact the City Manager and obtain permission to transfer the vehicle to the requesting department. Once permission has been obtained, the requesting department will be notified by Fleet Operations to pick up the vehicle and arrange necessary licensing. The warehouse will notate the Capital Asset Transfer Form to reflect the disposition of the vehicle and forward the form to the Finance Department for processing and recording of transfer information.

THIS PAGE IS INTENTIONALLY LEFT BLANK

(FOM) Revised January 2021

Adopted October 2010

Section 21 Policies

21.1 Capitalization Policy

City of Cocoa

Capitalization Policy and Procedures

Effective Date: Oct. 1, 2011

The Capitalization Policy is meant to ensure compliance with various accounting and financial reporting standards including Generally Accepted Accounting Principles (GAAP) and applicable State and Federal capital asset regulatory and reporting requirements relating to property. Further, this policy is created to reflect the City of Cocoa's desire to meet the reporting requirements set forth in the Governmental Accounting Standard Board (GASB) Statement No. 34 of the Governmental Accounting Standards Board, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This accounting standard amends and establishes new financial reporting requirements, including significant changes to report infrastructure assets and depreciate general governmental capital assets. The purpose of this policy is as follows:

- To safeguard the investments of the City of Cocoa.
- To assign responsibility for the tracking and recording of the capital assets.
- To establish guidelines and general policies for the proper accounting for the City's capital assets.

Capital asset reporting thresholds as established in this policy may be higher than the existing thresholds for property control due to different objectives. The primary objective of financial reporting generally pertains to valuation, allocation, presentation and disclosure, whereas the primary objective of property control generally pertains to efficiency, effectiveness and safeguarding of assets. For example, controls designed to prevent or promptly detect a loss of a small value asset, while important operationally, are not necessarily relevant for financial reporting purposes. Because of the differences in objectives, this policy shall not be used for property control purposes nor shall the Asset Management Module be used for that purpose.

General Assertions

| | |
|-----------------------|---|
| Capital Assets: | Tangible or intangible assets used in operations and have initial useful lives extending beyond a single reporting period. Capital assets include land, buildings, building improvements, improvements other than buildings, easements, machinery and equipment, infrastructure, software, patents, and construction in progress. |
| Improvements: | Increase the capacity and/or efficiency of the asset, provide additional value, increase the ability to expand service and extend or lengthen the useful life. If the expenditure only maintains the original condition of the asset, it should be considered repair and maintenance. |
| Repair & Maintenance: | Any expenditure that allows an asset to continue to be used during its original established useful life or in its original condition. Repairs and maintenance |

(FOM) Revised January 2021

Adopted October 2010

RETAIN value rather than provide additional value. Such expenditures should not be capitalized.

- Salvage Value: The estimated value an asset will realize upon its sale at the end of its useful life.
- Valuation: Capital assets are recorded at historical cost including ancillary charges necessary to place the asset into its intended location and condition for use. Donated capital assets are recorded at their estimated fair market value at the time of acquisition.
- Construction in Progress: Reflects the economic construction activity of buildings and other structures, infrastructure, additions, alterations, reconstruction and installation that are substantially incomplete. Major expenditures for capital assets and improvements are initially reported in the construction in progress account and capitalized upon completion. Interest incurred during the construction phase of capital assets and improvements in business-type activities are included as part of the historical cost of these capital assets.
- Depreciation: All assets, with the exception of land, land improvements and construction in progress shall be depreciated using the straight-line method with no allowance for salvage values.
- Custody of Assets: Department directors shall be responsible for all resources in their care. Such responsibility requires control of capital assets and use of established procedures to safeguard assets from unauthorized use, theft and/or damage. Good stewardship requires prompt and accurate reporting of all acquisitions, transfers and dispositions in detail to the Finance Department. Details include such data elements as asset description, location, make, model, serial number, date of acquisition, cost, estimated useful life and other information deemed relevant. The Finance Director and/or his designee shall ensure accounting for capital assets is being exercised by establishing a capital asset inventory, both initially and periodically in subsequent years. The Finance Director and/or his designee will further ensure the capital asset report is updated annually to reflect improvements, additions, retirements and transfers.

Capitalization Thresholds

To be considered a capital asset for financial reporting purposes, an item must be at or above the capitalization threshold and have an estimated useful life extending beyond one year.

- Land All land shall be capitalized at time of acquisition regardless of cost or fair market value if donated.
- Buildings Buildings and/or related improvements costing twenty five thousand (\$25,000) dollars or more shall be capitalized.
- Machinery & Equipment Machinery and equipment with a unit cost of one thousand (\$1,000) dollars or more shall be capitalized.

- Infrastructure Infrastructure and infrastructure improvements costing twenty five thousand (\$25,000) dollars or more shall be capitalized.
- Improvements Other Than Buildings Improvements other than buildings costing twenty five thousand (\$25,000) dollars or more shall be capitalized and recorded in proprietary funds only.
- Leasehold Improvements Leasehold improvements costing twenty five thousand (\$25,000) dollars or more shall be capitalized.
- Property under Capital Lease Use the threshold for the appropriate asset category
- Intangibles A non-financial asset that lacks physical substance with a unit cost of five thousand (\$5,000) dollars or more with a useful life of more than two (2) years shall be capitalized.

Assets below the capitalization threshold but warranting “control” shall be inventoried and controlled at the department level and an appropriate list will be maintained. Data elements are to include asset description, location, make, model, serial number and other information that assists control or is deemed relevant. The Finance Director and/or his/her designee reserve the right to request copies of the inventory of controllable items.

Capital Asset Categories

The major classes of assets reported in the City’s Comprehensive Annual Financial Report (CAFR) are the following:

Land – the surface or crust of the earth, which can be used to support structures and may be used to grow crops, grass, shrubs and trees. Land improvements consist of betterments, site preparation and site improvements that ready land for its intended use. The cost associated with land improvements is added to the cost of land. Land and land improvements shall not be depreciated.

Land and land improvements costs include, but are not limited to:

- Land’s initial cost. This includes commissions, title searches, legal, engineering, appraisals, survey and any professional fees to acquire and improve property.
- Site preparation. Excavation, clearing, leveling, grading, drainage, filling and utility installation, with the intention of using the cleared land.
- Right-of-way acquisitions shall be valued and inventoried based on the amount paid directly or indirectly to the property owners to acquire the land or easement.
- Assumption of liens, mortgages or encumbrances on the property.
- Land excavation, fill, grading and drainage.
- Demolition of existing buildings and improvements (less salvage)

- Removal, relocation, or reconstruction of property of others (i.e. railroad, telephone, and power lines, etc.) with the intention of using the cleared land.
- Special use land cost. For example, parks, airports, etc.

Buildings – are structures permanently attached to the land, have a foundation and roof, are partially or completely enclosed with walls, and are not intended to be transportable or movable. Buildings are designed to house persons or City property. Construction of a new building is recorded as a number of “component” assets. Component assets consist of design, engineering services, site work, construction, contingency and professional services. The component assets have significant and separately identifiable costs associated with them. The separate recording of building components helps facilitate the tracking of budgeted construction costs, resulting in a more accurate and useful capital asset valuation. At the end of the fiscal year following the completion of the building, the individual component assets will be combined to record the total cost of the building in the building asset account. Also included in this major asset category are Building Improvements extending materially the useful life of the building, increase its capacity and/or efficiency, and/or adapt the building to a new use. (Leased buildings are included.)

Building and building improvements costs include, but are not limited to:

- Initial cost. Construction or purchase cost. If donated, fair market value at time of acquisition.
- Professional fees such as title searches, architectural work, legal, engineering, appraisals, inspections, negotiations, environmental compliance and commissions.
- Expenditures for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired (including internal labor cost if applicable).
- Cost of temporary buildings used during construction.
- Payments of unpaid or accrued taxes on the building to the date of purchase.
- Cancellations or buyout of existing leases.
- Permanently attached fixtures or machinery that cannot be removed without damaging the building.
- Unanticipated costs such as rock blasting, piling, etc.
- Installation or upgrade of phone, closed circuit television systems, data networks and fiber optic cables.
- Structural changes such as reinforcements of floors or other interior framing.
- Internal labor directly chargeable to a capital project that would otherwise not be incurred in the absence of activity associated with the project.

Machinery and Equipment – is typically any movable, non-consumable, tangible property used in the operation of the City. Fixtures attached to land or buildings in such a way that removal alters the intended use of the facility or site are part of the land or building to which they are attached and consequently are

not considered to be machinery and equipment. Each piece of machinery and equipment acquired that is determined to be a capital asset is recorded as a separate asset.

Examples of machinery and equipment include, but are not limited to:

- Machinery
- Tools
- Vehicles
- Furniture
- Computers
- Communications equipment

An asset with associated component parts that are necessary to the functioning of the asset is considered to be one asset when the life and utility of the component parts are mainly dependent on that asset. For financial reporting purposes, the cost of the asset and its component parts are together subject to the \$5,000 threshold. For example, a mainframe computer with a cost of \$3,900 and its associated cables with a cost of \$1,300 would qualify for financial reporting as a capital asset since their combined cost exceeds the \$5,000 threshold.

For purchases made in which the aggregated price is greater than the capitalization threshold of \$5,000, the unit price of each individual piece of equipment determines whether that piece of equipment will be capitalized. The aggregated purchase price is irrelevant. For example, the purchase of 4 identical chairs for \$1,600 would not require capitalization as the unit price for each chair is only \$400.

Cost of machinery and equipment includes the total purchase price minus the purchase discounts plus taxes and all other costs required to prepare the asset for the intended use in the intended location. Examples of other costs include, but are not limited to:

- Freight and transportation costs
- Handling and storage charges
- Import duties
- Installation, testing and preparing for use charges
- In-transit insurance charges
- Parts and internal labor directly chargeable to the capital asset to prepare the asset for its intended use in its intended location.

Infrastructure – are long-lived capital assets, normally are stationary in nature, have value only to the government unit, and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets shall be capitalized and depreciated. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets. Examples include roads, streetscape, parks, deeded property, bridges, tunnels, streetlights, docks, piers, dams, traffic signals, and drainage systems. In the CAFR, infrastructure is reported in the Governmental Funds only

Improvements made to infrastructure assets materially extending the useful life or increasing the value of the assets, or both shall also be capitalized.

The cost of depreciable infrastructure assets over the capitalization threshold shall be recorded and depreciated over the estimated useful lives of the assets using the straight-line method of depreciation.

Improvements Other than Buildings – are those long-term assets or improvements not otherwise classified in another capital asset category. Improvements Other than Buildings are recorded in proprietary funds

only. Improvements other than buildings shall not include maintenance and repairs made in the normal course of business. The cost of improvements other than buildings over the capitalization threshold shall be recorded and depreciated over the useful life of the improvement. Examples include but are not limited to new parking lots, landscaping, fencing, gateways, retaining walls, sprinkler systems, septic systems, paths and trails, golf courses, stadiums and recreation, athletic areas, storm water systems and water and sewer systems. All Enterprise Fund infrastructure costs are reported as Improvements Other than Buildings in the CAFR.

Leasehold Improvement – is an improvement made to a leased building or infrastructure asset by a department having the right to use this leasehold improvement over the term of the lease. This improvement will revert to the lessor at the expiration of the lease. The lessor may be another city department or someone outside the city government. The lessee will be responsible for recording the improvement if the lessee pays for the improvement.

Leasehold improvements shall not include maintenance and repairs done in the normal course of business. Further, moveable equipment or office furniture not attached to the leased property is not considered a leasehold improvement. The cost of a leasehold improvement shall be depreciated over the shorter of (1) the remaining lease term, or (2) the estimated useful life of the improvement. Improvements made in lieu of rent shall be expensed in the period incurred. If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement shall be depreciated over the life of the initial lease term or estimated useful life of the improvement, whichever is shorter.

The cost of leasehold improvements over the capitalization threshold shall be recorded and depreciated. Property under capital lease shall be capitalized if the lease agreement meets any of the following criteria:

- The lease transfers ownership of the property to the lessee at the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding execution costs, equals at least 90 % of the fair value of the leased asset.

The cost of assets under capital lease over the capitalization threshold shall be recorded and depreciated over the estimated useful lives of the assets. A lease not meeting any of the above capitalization requirements shall be reported separately as an operating lease.

Construction In Progress – is the accumulation of costs incurred during the construction of an asset. The accumulated costs are held in construction in progress until such time as the project is determined to be substantially complete or ready for its intended use. The cost of construction in progress shall be recorded but shall not be depreciated. It is the department’s responsibility to track all costs related to construction in progress so the final value of the constructed asset is correctly captured. Departments shall not use the multiyear appropriations for a project to circumvent the capitalization threshold for the project.

Intangibles – Computer software developed internally or acquired for internal use shall be capitalized if it meets **both** of the following characteristics:

- a) the software is acquired, internally developed or modified solely to meet the City’s internal needs, **and**
- b) during the software’s development or modification, no substantive plan exists or is being developed to market the software externally.

Computer software costs that are incurred in the preliminary project stage should be expensed. Computer software costs incurred to develop internal use computer software during the application development stage should be capitalized if the total cost exceeds the capitalization threshold. Computer software costs that are incurred in the post implementation/operation stage should be expensed. General administration costs and overhead costs should not be capitalized as costs of internal use software. Capitalization of computer software includes software license fees if the total dollar amount of the fee divided by the number of units served (terminals or servers) exceeds the threshold.

Engineering studies and master plan development that meet the capitalization requirements may be capitalized as an intangible asset and amortized over the estimated useful life.

Depreciating Capital Assets

In accounting terms, depreciation is the process of allocating the cost of the capital asset over its useful life rather than deducting the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal the original cost.

Capital assets shall be depreciated over the estimated useful lives unless they are:

- Inexhaustible (i.e. land and land improvements)
- Construction in progress

It is the Finance Department's responsibility to estimate the useful life of each capital asset. For financial statement purposes, the straight-line method will be used to calculate the depreciation for each capital asset recorded, with no salvage allowance, starting with the month that the asset is put into service by the responsible department. Finance is responsible for calculating the depreciation expense at year-end prior to closing. Departments, along with Finance, are responsible for ensuring costs relating to their assets are recorded in the correct project and general ledger account number.

Donations and Dedications

Donations shall be recorded at fair market value or a reasonable and equitable estimate of such value on the date of the acquisition. Fair market value is the estimated amount at which the capital asset might exchange between a willing buyer and willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts and with equity to both.

As infrastructure and rights-of-way are dedicated to the City, the developer, as a condition of approval and acceptance, shall provide a statement of cost or value. Permit applications are insufficient support as they are based on an estimate of cost rather than actual cost. The Engineering Division will provide Finance with developer contribution documentation for capitalization purposes. At a minimum, the documentation should include descriptions to support the improvement classification, the location or development, the acceptance or acquisition date and the estimated fair market value.

Developer dedications of water lines, sewer lines, manholes, fire hydrants and other improvements to the Water and Sewer System's network may not individually meet the capitalization threshold for Improvements Other Than Buildings/Infrastructure. However, the City is responsible for maintaining and replacing these improvements to the Water and Sewer System. Per GASB Statement, No. 33 and No. 34, a Proprietary Fund is required to report the fair value of capital improvements as contribution revenue in their annual financial statements. Therefore, all dedications of Improvements Other Than

Buildings/Infrastructure to the Water and Sewer System are capitalized annually since the network of dedications exceeds the capitalization threshold. However, the dedications are capitalized individually in the capital asset system to provide detail of the Water and Sewer System network.

Property Control Procedures

Acquisitions and Constructions:

Capital assets are acquired usually through purchase order requisition initiated at the departmental level. All acquisitions shall be acquired in compliance with the City of Cocoa's Financial Operations Manual. Machinery and equipment is frequently purchased in this manner. Improvements are usually budgeted over several years through the City's Capital Improvement Program and tracked by projects. The department is responsible for tracking its departmental project budgets and the associated expenditures.

Department directors shall notify the Finance Director or his/her designee of capital construction projects upon project approval. The department shall associate each disbursement with its corresponding project. Departments should notify the Finance Department upon completion of the project.

Interdepartmental Transfer:

The department director transferring a capital asset to another department or division within the City shall report the asset transfer to the Finance Department within fifteen (15) days of the transfer date using the Capital Asset Transfer/Disposal Form. Assets transferred from the Water and Sewer System also require completion of the Disposition of Surplus Property Form.

Disposal of Capital Assets:

Lost or stolen assets should be immediately reported to the appropriate law enforcement agency and to the Finance Department. Insurance claims, if applicable, shall be promptly initiated. Within thirty (30) days of date of loss, the responsible department shall submit a Capital Asset Transfer/Disposal Form to the Finance Department.

Departments shall dispose of capital items in accordance with the City of Cocoa's Financial Operations Manual, Methods of Disposal. Within thirty (30) days of date of the disposal, the responsible department shall submit a Capital Asset Transfer/Disposal Form to the Warehouse with a copy to Finance Department.

Physical Inventory:

The Finance Department shall provide a list of all assets assigned to the responsible department prior to the physical inventory. Each department shall verify the listing of assets. All differences must be investigated and reported to the Finance Department to ensure the accuracy of the listing.

The Finance Department shall conduct a physical inventory of capital assets annually.

Capitalization Procedures

All departments should refer to the City's Capitalization Policy for guidance in determining whether an expenditure, for financial reporting purposes, is capital or an operating expense and whether the expenditure meets the capitalization threshold so that the expenditure can be properly budgeted, tracked and recorded.

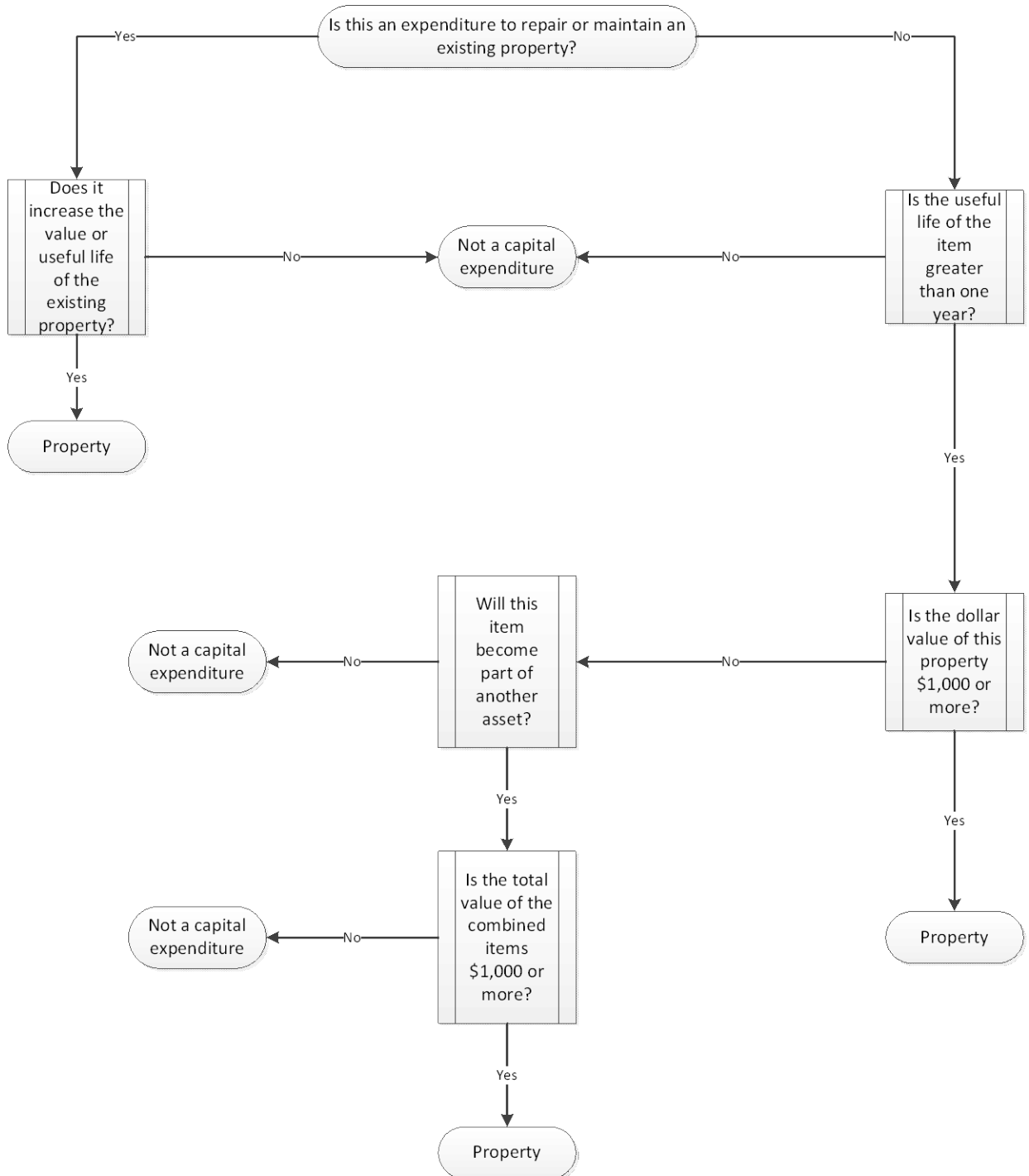
Departments should request assistance from the Finance Director or General Accounting Manager in making a final determination of expenditures that are not clearly defined.

Department directors, or their designees, are responsible for correctly reporting capital asset expenditures so the final value of the capital asset is correctly captured. The acquisition cost of an asset is the procurement cost (i.e. invoice price less discount, plus freight) plus any other charges incurred to place the asset in its intended location and condition for use.

When a department initiates a purchase order, the department shall provide Purchasing with a detailed description supporting the expenditure classification code. When a department authorizes payment for an invoice for a capital asset, the department will verify the expenditure is in the proper classification and, if the asset is being tracked by a project, the appropriate project has been charged.

Finance is responsible for reviewing documentation for capital asset expenditures to ensure compliance with the capitalization policy. Finance tracks capital expenditures in the general ledger to properly record them in the Asset Management Module.

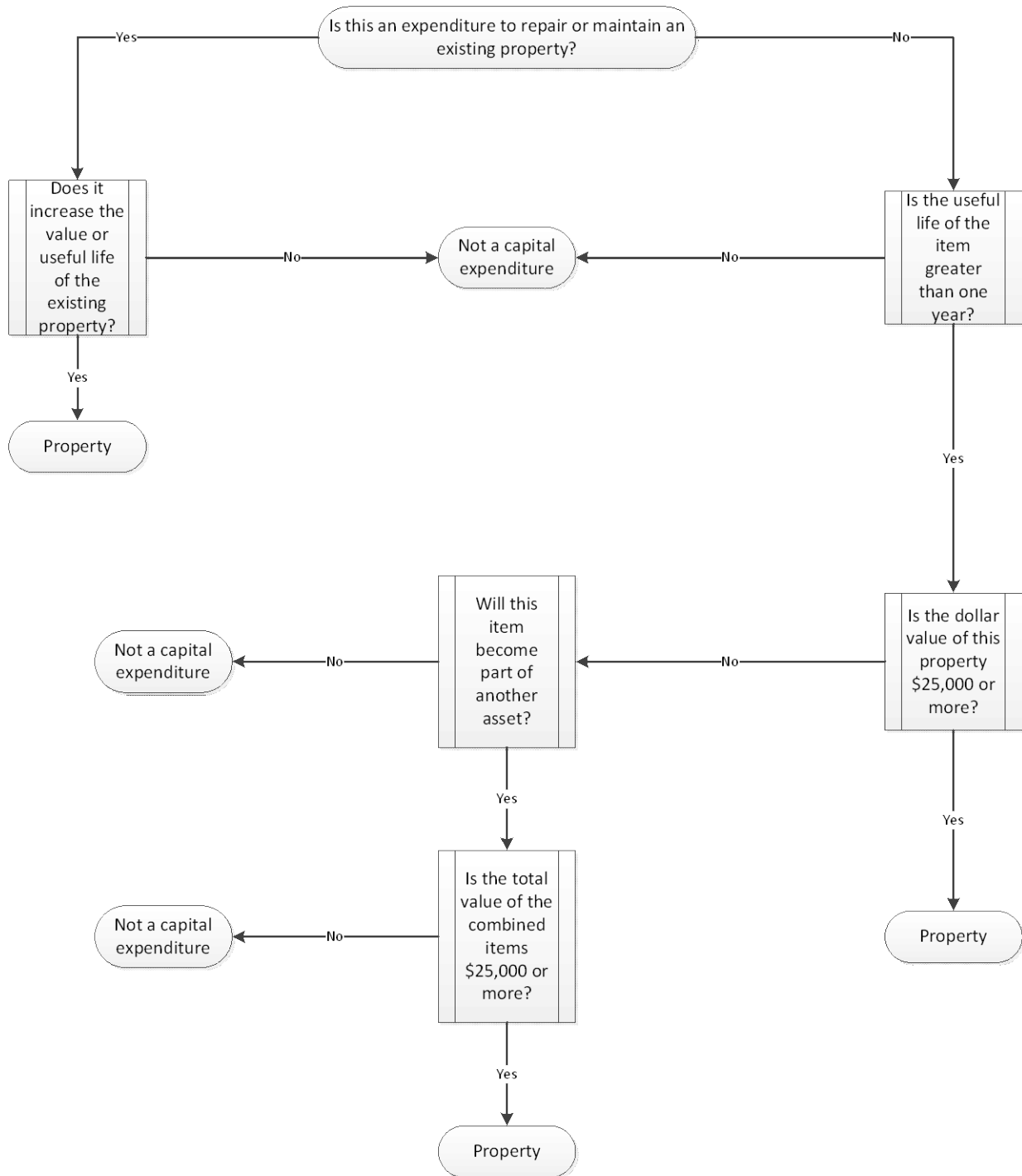
City of Cocoa Decision Tree for Equipment Determination



(FOM) Revised January 2021

Adopted October 2010

City of Cocoa Decision Tree for Building, Infrastructure and Improvement Determination



(FOM) Revised December 2023

Adopted October, 2010

21.2 Debt Management Policy

City of Cocoa Debt Management Policy

The purpose of the City of Cocoa debt management policy is to manage the issuance of the City's debt obligations and maintain the City's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities and equipment beneficial to the City and necessary for essential services.

The City plans long and short-term debt issuance to finance its capital improvement program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The Finance Director oversees and coordinates the timing and issuance process.

The City of Cocoa Charter Article XVI, Indebtedness:

- (a) The City shall have the power to borrow money and to issue bonds, revenue certificates, and other evidences of indebtedness, and security therefore, as provided by the constitution and the laws of the State of Florida.
- (b) No contract shall be executed for the acquisition of any property or for the purchase, construction, extension, repair, or reconstruction of any improvement or betterment to be financed by indebtedness until the resolution or ordinance authorizing the indebtedness shall have taken effect, and any contract executed before such date shall be unenforceable in any court. No purchase, construction, extension, repair, or reconstruction of any improvement or betterment funded by indebtedness shall commence until the funding is secured by the City.

A. Criteria

The City will issue debt only for the purposes of acquiring or constructing capital improvements and for making major renovations to existing capital improvements for the good of the public. Exceptions to this rule will be considered on a case-by-case basis to determine if the contemplated debt is in the best interests of the City.

Before issuing any new debt, the City will, in coordination with its Financial Advisor, consider the following factors:

- Global, national and local financial environment
- Current interest rates
- Expected interest rate changes
- Robustness of local and broad economy
- Cash position
- Current debt position
- Availability of funds to repay principal and interest
- Flexibility to cover future needs
- Urgency of current capital needs

B. Limitations on Indebtedness

(FOM) Revised January 2021

Adopted October 2010

The City will maintain a conservative debt position based on the criteria listed above. Pay-as-you-go and replacement programs will be utilized whenever feasible to avoid financing costs. Debt will be issued only if the benefits outweigh the costs of the debt.

C. Types of Debt

Long Term Debt

Depending on the specific circumstances, the City may use the following types of long-term (long-term is defined as having a term of more than one year) financing instruments:

1. **General Obligation Bonds**: The City may issue bonds payable from ad valorem taxes when approved by vote of the electors. The City may issue non-ad valorem bonds and covenant to budget and appropriate legally available funds to pay debt service for those bonds without voter approval.
 - a. The primary advantage to using general obligation bonds is the associated low interest costs and they are backed by the full faith and credit of the government.
 - b. There are several disadvantages:
 - The need for a voter referendum delays the financing of the project.
 - Although the taxpayers are paying for the project with general tax revenues, they may not necessarily benefit from the project.
2. **Revenue Bonds**: The City may issue bonds legally secured by a specific revenue stream other than ad valorem taxes and not the full faith and credit of the government.
 - a. One advantage is that revenue bonds are not subject to voter approval, so financing of the project is not delayed.
 - b. The disadvantages of revenue bonds are they result in higher costs (interest) to the issuer, usually have a reserve requirement and more restrictive covenants.
3. **Special Assessment Bonds**: Bonds issued to pay for improvements on property, usually at the property owners' request. Property owners make semi-annual payments of principal and interest to repay the bonds. Typical improvements include pavement, curbs, gutters, streetlights, and driveways.
4. **Master Lease Agreements**: The City may enter into a lease agreement with a provider or bank to lease equipment. The terms of the lease should coincide with the life of the equipment to be leased and a tax-exempt rate shall be sought. The City will strive to obtain the lowest rate possible using competitive bidding or current market analysis but must be aware that interest rates will be higher than those on either general obligation bonds or revenue bonds.
5. **Pooled Financing**: If it is financially or strategically beneficial, the City may participate in debt pools with other entities to obtain low-interest loans from state agencies or other organizations on either a long-term or short-term basis.
6. **Bank Qualified Bonds**: Designation given to a public purpose bond offering by the issuer if it reasonably expects to issue in the calendar year of such offering no more than \$30 million par amount of bonds of the type required to be included in making such calculation under the Internal

Revenue Code. When purchased by a commercial bank for its portfolio, the bank may receive an 80% tax deduction for the interest cost of carry for the issue. A bond that is bank qualified is also known as a “qualified tax-exempt obligation.”

7. State Revolving Fund Loans (SRF): The State Revolving Fund Loan Programs provide low-interest loans to communities for projects that improve wastewater, storm water and drinking water infrastructure. The Program's mission is to provide eligible entities with the lowest interest rates possible on the financing of such projects while protecting public health and the environment. SRF also funds non-point source projects tied to a wastewater loan.

Short-Term and Interim Debt

Short-term obligations (those due in less than one year) may be issued in anticipation of particular revenues such as taxes or grants, and such revenue may be pledged for repayment of the debt issuance. Short-term debt may also be issued to finance projects or portions of projects for which the City ultimately intends to issue long-term debt. Short-term and/or interim financing shall not exceed ten percent (10%) of outstanding long-term debt unless there is a situation needing immediate attention in order to address an emergency or to allow for significant cost savings. Under certain other circumstances, short-term obligations may be warranted upon the recommendation of the Finance Director.

Interim financing may be appropriate when long-term interest rates are expected to decline in the future. In addition, some forms of short-term obligations can be obtained quicker than long-term obligations and thus can be used in urgent situations until long-term financing can be obtained. Short-term obligations include:

1. Line of Credit: The City may establish a tax-exempt line of credit with a financial institution or other provider. Draws shall be made on the line of credit when the need for financing is so urgent that time does not permit the issuance of long-term debt or the need for financing is so small that the total cost of issuance of long-term debt would be prohibitive.
2. Pooled Financing: If it is financially or strategically beneficial, the City may participate in debt pools with other entities to obtain low-interest loans from state agencies or organizations on either a long-term or short-term basis.
3. Inter-fund Borrowing: Inter-fund borrowing, short-term cash lending from one fund to another fund, is discouraged. However, the use of this type of interim financing may be considered if it is in the City's best interests to do so as determined by the Finance Director and approved by the City Manager. Short-term transfers between funds are approved by City Council.
4. Internal Interim Financing: Should the City desire to issue bonds for large capital projects, the City can, upon passage of an intent-to-issue resolution, use non-restricted reserve funds as interim financing to pay a portion of project costs that will then be paid back with bond proceeds. This type of financing will be reviewed by Bond Counsel to ensure that the City is in compliance with applicable federal tax rules.
5. Other types: The City may consider the use of Tax Anticipation Notes, Bond Anticipation Notes, Revenue Anticipation Notes or other such structured borrowings if it is in the best financial interests of the City to do so.

- Tax Anticipation Notes: Notes issued in anticipation of receiving future tax receipts and revenues at a future date.
- Bond Anticipation Notes: Notes issued by a government unit, usually for capital projects, that are paid from the proceeds of the issuance of long-term bonds.
- Revenue Anticipation Notes: Notes issued in anticipation of receiving revenues at a future date.

D. Structural Features of Debt

Taxable and Tax-exempt Debt

The cost of taxable debt is higher than the cost of tax-exempt debt. However, the issuance of taxable debt is mandated in some circumstances and may allow flexibility in subsequent contracts for users or managers of the improvement constructed with the bond proceeds. Therefore, the City will usually issue tax-exempt obligations, but may occasionally issue taxable obligations when there is an expected benefit from doing so.

Maturity

The term of City debt issues shall not exceed the useful life of the project or equipment financed. The repayment of principal on tax-supported debt should generally not extend beyond 30 years unless there are compelling factors that make it necessary to extend the term beyond this point.

Bond Insurance

Bond insurance is an insurance policy that can be purchased by the City, guaranteeing the payment of principal and interest. This security provides a higher credit rating and thus a lower borrowing cost for an issuer. Bond insurance shall be acquired for all bonds issued by the City unless it is not in the best interest of the City (when the cost of insurance outweighs the increase in interest rate).

Surety and Debt Service Reserve Funds

Surety and Debt Service Reserve Funds are used to provide a ready reserve to meet current debt service payments should monies not be available from current revenues for the protection of the bondholders. The City shall utilize the methodology best serving its needs on a case-by-case basis.

Coverage Requirements

Coverage is the ratio of pledged revenues to related debt service for a given year. For each bond issue, the Finance Department, in conjunction with the financing team, shall determine the appropriate coverage requirements, if any.

Use of Variable-Rate Securities

When appropriate, the City may choose to issue securities paying a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities.

Validation

The City may seek judicial validation if it is deemed in the best interest of the City and if there is risk of a legal challenge.

E. Investment of Bond Proceeds

Investment of bond proceeds will be consistent with those authorized by existing state law and by the City's Investment Policy and applicable bond covenants. When financially in the best interests of the City, bond proceeds shall be invested and tracked separately from other investments.

F. Refinancing of Outstanding Debt

Advance Refunding Bonds

The City may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible, prudent, and a net present value savings of at least three percent (3%) is provided. Exceptions to the requirement shall be made only upon the recommendation of the Finance Director and approved by the City Manager.

Current Refunding Bonds

The City may issue current refunding bonds (as defined for federal tax law purpose) when advantageous, legally permissible, prudent and net present value savings equal or exceed three percent (3%).

Restructuring of Debt

The City may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refunding undertaken to restructure debt may be waived by the Finance Director upon a finding that such a restructuring is in the City's overall best financial interests.

G. Credit Objectives

The City's goal is to maintain or improve its bond ratings. To that end, prudent financial management policies will be established and adhered to in all areas. Full disclosure of operations will be made to the bond rating agencies. The City will strive to achieve an underlying rating in the double "A" range from one or more of the major rating agencies.

H. Ongoing Disclosure

In accordance with the Securities and Exchange Commission (SEC), Rule 15c2-12, the City will provide financial and operating information to the Electronic Municipal Market Access (EMMA) designated by the SEC. The City will also provide its annual financial statements and other relevant information to rating agencies, paying agent banking institutions and as required by Continuing Disclosure Requirements within all debt documents.

I. Method of Sale

There are three ways the City may sell bonds: negotiated sale competitive (public) sale, and private placement. The City shall seek to issue its debt obligations in a negotiated sale unless it is determined by the Finance Director that such a sale method would not produce the best results for the City.

Negotiated Sale

Bonds may be sold through an exclusive arrangement between the City and an underwriter or underwriting syndicate. At the end of successful negotiations, the issue is awarded to the underwriters. This method offers flexibility for the City. In a negotiated sale, the underwriter may be selected through the Request for Proposal (RFP) process. The criteria used to select an underwriter in a negotiated sale should include, but not be limited to the following: overall experience, marketing philosophy, capability, previous experience, underwriter's discount and expenses.

Competitive Sale

When determined appropriate by the Finance Director, the City may sell its debt obligations in which any interested underwriter is invited to submit a proposal to purchase an issue of bonds. The bonds are awarded to the underwriter presenting the best bid according to stipulated criteria set forth in the notice of sale. The criteria used to select an underwriter in a competitive sale shall be the true interest cost.

Private Placement

When determined appropriate by the Finance Director, the City may elect to sell its debt obligations through a private placement or limited public offering. Selection of a placement agent shall be selected through the Request for Proposal (RFP) process.

J. Assembling a Financing Team

A Financing Team will be assembled to provide professional services required to develop and implement the City's debt program with the goal of continuity, quality service and competitive prices.

Bond Counsel: The Bond Counsel's role is to prepare or review and advise the issuer regarding authorizing resolutions or ordinances, tax status, trust indentures, official statements, validation proceedings and litigation.

Disclosure Counsel: The Disclosure Counsel's role is to render an opinion as to the validity of facts contained in the bond documents as well as to assist the City in meeting its secondary market disclosure obligations.

Underwriters: The City shall solicit proposals for underwriting services for all debt issued in a negotiated or private placement sale. The underwriter helps the City bring the bond issues to market. The solicitation process used for these services shall comply fully with City Purchasing policy.

Financial Advisor: The Financial Advisor shall provide recommendations to the City in regards to financing alternatives, the sale of the bonds, timing of sale, etc.

City Staff: The City Manager shall appoint the Finance Director and any other City staff members deemed appropriate to coordinate the efforts of the hired consultants and the City. The City Attorney shall supervise all counsel as necessary as well as provide any other legal services required for issuance of debt.

K. Arbitrage Liability Management

It is the City's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the applicable laws.

Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, arbitrage calculations will be performed by qualified arbitrage professionals in strict adherence to applicable laws and regulations. These calculations will be done in accordance with required Internal Revenue Service reporting dates, which are five (5) years after the delivery date of each issue and each fifth year thereafter until the bonds have matured, have been redeemed early or have been retired.

The Finance Director or his/her designee will be responsible for identifying the amount of unspent debt proceeds, including interest, which is on hand and, to the extent feasible, ensure that the oldest proceeds on hand are spent first.

Arbitrage rebate costs shall be charged as negative interest revenue to the funds in which the related obligation proceeds were originally deposited.

L. Modification to Policy

This policy will be reviewed annually by the Finance Director and amended as required.

M. Glossary

Ad Valorem Tax: a tax calculated “according to the value” of property. Such a tax is based on the assessed valuation of real and tangible personal property.

Advance Refunding: a procedure whereby outstanding bonds are refinanced by the proceeds of a new bond issue. Typically, an advance refunding is performed to take advantage of interest rates that are significantly lower than those associated with the original bond issue or to remove restrictive language.

Arbitrage: the difference between the interest rate cost of a debt instrument and the rate of interest earned on the investment of the proceeds. Federal law limits the amount of interest cities earn on proceeds of debt issuance.

Bond: includes bonds, debentures, notes, certificates of indebtedness, mortgage certificates, or other obligations or evidences of indebtedness of any type or character.

Bond Anticipation Note (BAN): a short-term debt instrument issued by a state or municipality that will be paid off with the proceeds of an upcoming bond issue.

Bond Counsel: an attorney (or firm of attorneys) retained by the issuer to give a legal opinion concerning the validity of the securities. Bond counsel may prepare or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings and litigation.

Bond Insurance: an insurance policy purchased by an issuer who guarantees the payment of principal and interest of an issue. This security provides a higher credit rating and thus a lower borrowing cost for an issuer.

Capital Improvement Plan: a plan outlining capital needs for a specified period.

Capital Lease: an acquisition of a capital asset over time rather than merely paying rent for temporary use. A lease-purchase agreement, in which provision is made for transfer of ownership of the property for a nominal price at the scheduled termination of the lease, is referred to as a capital lease.

Conduit Bonds: conduit financings are securities issued by a government agency to finance a project of a business whose activities have a general public purpose. The business receives all proceeds of the tax-exempt bond issue and is responsible for payment of the debt in its entirety.

Competitive Bid: a sealed bid, containing price and terms, submitted by a prospective underwriter(s) to an issuer, who awards the contract to the bidder with the best price and terms.

Continuing Disclosure: the requirement by the Securities and Exchange Commission for most issuers of municipal debt to provide current financial information to the informational repositories for access by the general marketplace.

Coverage: the ratio of pledged revenues to related debt service for a given year.

Debt Service Reserve Fund: the fund into which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. This is often established with debt proceeds.

Derivatives: a financial product, the value of which is derived from the value of an underlying asset, reference rate, or index. Typically, these agreements are contracts between a lender/investor and a borrower.

Financial Advisor: a consultant who advises an issuer on matters pertinent to a debt issue such as structure, sizing, timing, marketing, pricing, terms and bond ratings.

Financing Team: the group of professionals consisting of City staff, Bond Counsel, Disclosure Counsel, Underwriters and Financial Advisor that work together to issue bonds.

General Obligation Bonds (GO): bonds that are secured by the full faith and credit and taxing power of the municipality and use funds that are legally available for payment of debt service. A city can issue ad valorem GO bonds, which are repaid solely from ad valorem taxes, or non-ad valorem bonds that are repaid from legally available general fund revenues by a covenant to budget and appropriate.

Improvement Bonds: special obligations of the municipality which are payable solely from the proceeds of the special assessments levied for an assessable project.

Master Lease Agreement: a pre-determined lease agreement between a city and a provider to lease equipment whose useful life is too short to finance with long-term debt.

Municipal Securities Rulemaking Board (MSRB): a 15-member self-regulating organization that is entrusted with the responsibility of writing rules of conduct for the municipal securities market.

Negotiated Sale: underwriting of a new securities issue in which the spread between the purchase price paid to the issuer and the public offering price is determined through negotiation with one or more underwriters rather than multiple competitive bidding.

Paying Agent: an agent of the issuer with responsibility for timely payment of principal and interest to bond holders.

Present Value: the value of a future amount or stream of payments stated in current dollars.

Project: any capital expenditure the City Council deems to be for a public purpose.

Reserve Fund: a fund established by the terms of a bond issue into which money is deposited for payment of debt service in case of a shortfall in current revenues.

Revenue Anticipation Note (RAN): a short-term debt issue of a municipality that is to be repaid out of anticipated revenues such as sales tax. When the revenue is collected, the RAN is paid off.

Revenue Bond: a bond payable from a specific source of revenue and to which the full faith and credit of an issuer is not pledged. Revenue bonds are payable from identified sources of revenue and do not permit the bondholders to compel a jurisdiction to pay debt service from any other source. Pledged revenues often are derived from the operation of an enterprise.

Tax Anticipation Note (TAN): a short-term obligation of a state or municipal government to finance current expenditures pending receipt of expected tax payments.

Underwriter: the firm that purchases a security (bond) offering from a governmental issuer for resale.

Yield Restriction: the investment of bond proceeds in financial instruments that earn interest rates that are not significantly higher than the cost of borrowing.

21.3 Fraud Policy

POLICY & PROCEDURES FOR HANDLING AND REPORTING FRAUDULENT ACTIVITY

A. Policy

1. General Policy

This Policy shall be referred to as “the City of Cocoa’s “Fraud Policy.” It is the City of Cocoa’s intent to ensure the conduct of its employees complies with the principles of right and wrong. The City, through the office of the City Manager or the City Manager’s designee (hereinafter “City Manager”), wants to eliminate, to the extent feasible, unethical practices while creating an environment in which employees and/or citizens are encouraged to report suspicions of fraud.

The term “fraud” or “fraudulent activity,” as used in this Fraud Policy, shall include, but shall not be limited to, the following:

- Any dishonest or fraudulent act, including forgery or alteration of any document;
- Misappropriation of funds, securities, supplies or any other asset;
- Improper handling or reporting of money or financial transactions;
- Deriving personal benefit as a result of inside knowledge;
- Intentional and unlawful destruction or disappearance of records, furniture, fixtures or equipment;
- Improperly accepting or seeking anything of material value from vendors or persons providing services or materials to the City for personal benefit;
- Any computer related activity involving the creation alteration, destruction, forgery or manipulation of data for fraudulent purposes or any misappropriation of City-owned software; or
- Any similar or related conduct deemed a violation of applicable law.

Notwithstanding the aforesaid, the personal use of City equipment, materials, tools, supplies, etc. is governed by the City’s Employee Handbook.

2. Reporting Fraud Form

When reporting fraudulent activity, the City encourages people to report such activity on the attached Reporting Fraud Form. This form shall be provided to all new hires, may be periodically distributed to employees by the City, and shall be on file with the City Manager’s office. It is intended to ensure detailed information is provided regarding any alleged fraudulent activity.

3. Applicability

This Fraud Policy applies to all employees of the City of Cocoa provided that, if this Fraud Policy is in conflict with any collective bargaining agreement or state statute, including but not limited to the Policeman’s Bill of Rights, the Firefighters’ Bill of Rights or City Charter/ordinances, the conflicting agreement, statute or City Charter/ordinance will prevail.

(FOM) Revised January 2021

Adopted October 2010

4. City Manager's Responsibilities

The City Manager shall be designated as the individual charged with investigations initiated pursuant to this Fraud Policy. Upon notification of a possible fraudulent act or practice, the City Manager shall determine the extent of any potential criminal activity. If any potential prosecutable criminal activity exists, the Cocoa Police Department or other applicable law enforcement agency will conduct the investigation. In every case, the City shall cooperate fully with the investigation and prosecuting authorities. If no potentially prosecutable criminal activity exists, the City Manager shall determine the proper City officials who should conduct the investigation under the direction of the City Manager.

The City Manager shall designate a phone number to be used for reporting fraud pursuant to this Fraud Policy and shall secure as much information as possible from the reporting individual.

In those instances in which the City Manager believes it to be in the best interests of the citizens of Cocoa, the City Manager shall have the authority and duty to:

- Take control/limit employee access, and/or gain full access to, all City premises, whether owned or rented; AND
- Examine, copy, and/or remove all or any portion of the contents of any public/private document in employee's work area.
- Suspend or terminate any employee, if appropriate, suspected of fraud during said investigation.
- In cases where the City Manager finds evidence of fraudulent activities, the City Manager may secure the services of a forensic fraud auditor to review and verify the findings. These findings will be coordinated with the City Attorney for possible future legal actions.

5. Director/Manager Responsibilities

It is the responsibility of Directors/Managers to establish systems and controls to provide reasonable assurance of the detection and prevention of fraud. Members of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of fraudulent activities.

Upon receiving a complaint of fraud from a subordinate employee, Department Directors/Managers shall compile all information provided by the reporting individual and report such information to the City Manager's office. The Director/Manager shall cooperate with the City Manager's office during the course of any investigation.

6. Employees' Responsibilities

Employees are required to sign a statement, upon commencement of employment, acknowledging and agreeing to abide by the City's Fraud Policy. All City employees are encouraged to be alert for possible fraudulent activity and are responsible for the reporting of any and all suspected violations of this Fraud Policy and/or other unethical practices.

Employees are required to promptly report any suspected fraudulent activity to the City Manager. Although employees are encouraged to identify themselves and otherwise cooperate in the process, employees may remain anonymous if they so desire.

7. Additional Responsibilities

On a case-by-case basis, the City Manager may delegate investigatory responsibility to appropriate City personnel who shall be required to report to the City Manager and who shall be required to comply with this Fraud Policy.

8. City Attorney's Responsibilities

To the extent directed by the City Manager or City Council, the City Attorney is authorized to assist in implementing this Fraud Policy.

9. Infractions/Disciplinary Action

Infractions of this Fraud Policy may result in disciplinary action, which may include suspension, termination and/or civil or criminal prosecution.

City employees who fail to report fraudulent activities shall be subject to disciplinary action, which may include suspension and/or termination.

False claims are governed by section "12" of this Fraud Policy.

10. Whistle-blower's Act

It is the City's intent to protect employees from retaliatory action due to reports of fraudulent activities in accordance with §112.3187, Florida Statutes ("Whistle-blower's Act"). The Whistle-blower's Act protects employees and persons who disclose information on their own initiative in a written and signed complaint from retaliatory action by an agency when that person reports to an appropriate agency a violation of law on the part of a public employer or independent contractor that creates a substantial and specific danger to the public's health, safety, or welfare. Additionally, the Act protects employees reporting improper use of a government office, gross waste of funds, or any other abuse or neglect of duty on the part of an agency, public officer or employee.

11. Confidentiality

To the extent permitted by law, the City Manager shall keep confidential the name or identity of any individual disclosing information related to fraudulent activities pursuant to this Fraud Policy and all information received or derived from fact-finding or investigation conducted pursuant to this Fraud Policy, and the same shall be exempt from public disclosure pursuant to Section 112.3188, Florida Statutes, and any other applicable law, as amended from time to time.

City employees with knowledge of a pending investigation are prohibited from discussing or commenting about the investigation without prior approval of the City Manager. All inquiries regarding a pending investigation shall immediately be forwarded to the City Manager.

12. Bad Faith Accusations

It is the intent of this Fraud Policy to discourage false accusations that could provide a basis for a lawsuit. The City Manager will not act on any claim that does not provide adequate documentation of fraud.

Specific information is necessary to substantiate and support a full investigation of any reported fraudulent activity. Unsubstantiated and inconclusive accusations, or accusations made in bad faith or with malice, shall not justify a full investigation under this Fraud Policy.

Any person who files a false claim of fraudulent activity in bad faith or with malice may be subject to civil or criminal penalties and if a City employee, the person may be subject to disciplinary action including and up to suspension and/or termination.

B. Reporting Fraud

A City employee or member of the public who desires to report suspected dishonest or fraudulent activity should notify the City Manager via facsimile at (321) 433-8690; or via email at swhitten@cocoaf1.gov. Reports of fraud should be made in writing using the Reporting Fraud Form attached to this Fraud Policy, even if the individual reporting fraud desires to remain anonymous, in order to ensure the necessary information is provided for the investigation.

REPORTING FRAUD Form:

Q. I saw something that isn't right. What can I do?

A. Per the City's Policy and Procedures for Handling and Reporting Fraudulent Activity, an incident of fraud/suspected fraud can be reported a number of ways:

- 1) Report your concerns to your direct supervisor/manager;
- 2) Complete this form and send it interoffice to the City Manager;
- 3) Complete this form and mail it to the City Manager at 65 Stone Street, Cocoa, FL 32922;
- 4) Complete this form and fax it to the City Manager at (321) 433-8690;
- 5) Complete this form and email it to swhitten@cocoafll.gov.

Q. Do I have to give my name?

A. While it can help the investigation, it is not required. An employee may remain unidentified if they choose. (Please note that the Whistle blower's Act (§ 112.3187, Fla. Stat.) protects public employees and persons from retaliatory action who disclose information on their own initiative in a *written and signed* complaint.)

Q. What type of information is required to report an incident?

A. You should report detailed factual information that substantiates your claim of fraud/suspected fraud. The following questions can be used as a guide. If you don't have all of the information, please provide as much as possible.

DEPARTMENT/DIVISION INVOLVED: _____

NAME(S) OF EMPLOYEE(S) INVOLVED: _____

DATE & TIME OF THE INCIDENT: _____

DESCRIBE THE INCIDENT: _____

NAME(S) OF ANY OTHER WITNESS (ES): _____

ANY PROOF ATTACHED? YES NO

PRINTED NAME (optional)

DATE

21.4 Fund Balance Reserve Policy

Fund Balance Reserve Policy Revised August, 2015 Effective September 30, 2011

A. Objective

To establish a fund balance reserve policy tailored to meet the needs of the City, to insure against unanticipated events adversely affecting the financial condition of the City and jeopardizing the continuation of necessary public services. This policy will ensure the City maintains adequate reserves in the City's various operating funds to provide the capacity to:

1. Provide sufficient cash flow for daily financial operations.
2. Secure and maintain investment grade bond ratings.
3. Offset significant economic downturns or revenue shortfalls.
4. Provide funds for unforeseen expenditures related to emergencies.

This policy will also address the new governmental fund balance reporting requirements defined in GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

B. Definitions

| | |
|----------------------------|--|
| Fund Balance | The difference between fund assets and fund liabilities. Fund Balance is referred to as net assets in the Governmental Funds. |
| Non-Spendable Fund Balance | The portion of the Fund Balance that cannot be spent because of their form or must be maintained intact. Examples include assets that will never convert to cash such as prepaid items and inventories; assets that will not convert to cash soon enough to affect the current period such as the long term portion of loans receivable and foreclosed properties; and resources that must be maintained intact pursuant to legal or contractual requirements such as the principal of an endowment. |
| Restricted Fund Balance | The portion of the Fund Balance subject to externally enforceable legal restrictions and otherwise not available for appropriation or expenditure. Externally enforceable legal restrictions are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws and regulation of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. |
| Committed Fund Balance | The portion of the Fund Balance representing resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision-making (City Council by Resolution) and that remain binding unless removed in the same manner. The |

underlying action imposing the limitation would need to occur no later than the close of the reporting period. Resources accumulated pursuant to STABILIZATION ARRANGEMENTS sometimes are reported in this category. Committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (by resolution) it employed to previously commit those amounts. Committed Fund Balances also should incorporate contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The formal action of the City Council committing Fund Balance to a specific purpose, by Resolution, should occur prior to the end of the reporting period, but the amount, if any, which will be subject to the constraints, may be determined in the subsequent period.

| | |
|---------------------------|---|
| Assigned Fund Balance | The portion of the Fund Balance reflecting the City's intended use of resources. Such intent would have to be established by the City Manager. Amounts in excess of Non-spendable, Restricted and Committed Fund Balance in funds other than the General Fund automatically would be reported in Assigned Fund Balance. |
| Unassigned Fund Balance | The General Fund, as the principal operating fund of the City, often will have net resources in excess of what can properly be classified in one of the four previous categories. The surplus is presented as the Unassigned Fund Balance. It is calculated by taking the Total Fund Balance in the General Fund less the Non-spendable, Restricted, Committed and Assigned Fund Balances. <u>Only the General Fund can report a positive amount of Unassigned Fund Balance.</u> Conversely, any governmental fund in a deficit position could report a negative amount of Unassigned Fund Balance. |
| Unrestricted Fund Balance | A measure of how much Fund Balance is left over at the end of the current fiscal year that can be used for the subsequent fiscal year's budget. This is calculated by taking the total Fund Balance less Non-spendable Fund Balance less Restricted Fund Balance. |

C. Policy

Fund balance by definition does not equal cash. It is the difference between the fund assets and the fund liabilities and is also known as fund equity or net assets. Financial statements for governmental funds report up to five components of fund balance.

- Non-spendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

The purpose of the Fund Balance Reserve Policy is to ensure there will be adequate liquid resources to serve as a financial cushion for the General Fund. The existence of externally enforceable restrictions on how fund resources can be used reduces or eliminates entirely their value for this purpose. Likewise, non-spendable resources are essentially irrelevant for this purpose. Accordingly, a Fund Balance Reserve Policy needs to focus on the Unrestricted Fund Balance.

| | |
|------|--------------------------------|
| | Total Fund Balance |
| Less | Non-spendable Fund Balance |
| Less | <u>Restricted Fund Balance</u> |
| | Unrestricted Fund Balance |

The Unrestricted Fund Balance for the General Fund will consist of the Committed Fund Balance (which will include the Stabilization Reserve, the Capital Replacement Reserve and the Health Insurance Reserve), the Assigned Fund Balance (funds designated for specific purposes by the City Manager) and the Unassigned Fund Balance (which will include funds available for future budgets).

D. Reserve Appropriations

The City Manager will establish a *Capital Replacement Reserve*, a *Health Insurance Reserve* and a *Stabilization Reserve* for each fiscal year. These reserves will be calculated based on most recent audited financial statements (CAFR). If the reserve amount remains the same, no further action is required, if the calculation changes the reserve amounts, City Council would have to approve the change by resolution. The reserves will be appropriated by the City Manager and approved by City Council through a resolution. Only the City Council can authorize expenditures out of these reserves and/or increase or decrease the reserve balances.

1. Capital Replacement Reserve

The City will attempt to maintain a reserve of no less than Five Hundred Thousand Dollars (\$500,000.00). The Capital Replacement Reserve can be used to fund additional future capital projects. The goal will be to fund future infrastructure and other one-time capital expenditures, such as capital projects and major capital equipment, not anticipated in the budget process or that cannot be entirely funded by current revenues. Capital Replacement Reserves will be reported as a component of the Committed Fund Balance in the CAFR.

2. Stabilization Reserve

The City will target a reserve of no less than \$9,500,000 or 33% of the total operating expenditures reported in the prior year audited CAFR for the General Fund, whichever is greater. The Stabilization Reserve is designed to cover revenue shortfalls, unfunded mandates and any event that threatens the health, safety and welfare of the people or the fiscal stability of the City. The reserve should only be utilized in the event of such occurrences. In the case of revenue shortfalls, the use of the stabilization reserve should not exceed the decline in revenues. In the case of unanticipated expenditures due to unfunded mandates and threats to the health, safety and welfare of people or fiscal stability, the use of the stabilization reserve should not exceed the additional expense. This reserve shall be used for unusual, one-time events and shall only be used if the shortfall or expenditure is more than 8% of the current year adopted General Fund total budget. The Stabilization Reserve will be reported as a component of the Committed Fund Balance in the CAFR. As with all Committed Fund Balance components, the underlying action imposing the limitation shall occur no later than the close of the reporting period.

E. All Other Funds

The various other governmental, enterprise and internal service funds of the City have vastly differing objectives, cash flows and revenue patterns. As a result, no one level of reserves is appropriate for them all. Therefore, the appropriate level of net assets in all of these funds will be determined on a case-by-case basis due to the specific needs of the fund. The City Manager shall determine this level.

F. Establishment and Utilization of Reserves

The City Manager will establish the reserve requirement for each fiscal year. The Reserves should only be used for one-time emergency expenditures. Reserves should not be used for ongoing expenditures unless a viable revenue plan designated to sustain the expenditures is simultaneously adopted.

Utilization of any of the Reserves, along with the plan to replenish the reserves, must be taken to City Council for approval.

G. Minimum Reserve Requirements

In the event the funds are not available to initially establish or replenish the minimum required balances, the target goals shall be achieved by adding a designated amount to the budget to cover the deficiency over a period not to exceed five (5) years.

H. Utilization of Unassigned Fund Balance

The Unassigned Fund Balance may be utilized for any lawful purpose. It is recommended that first priority be given to utilizing the excess within the fund in which it was generated. In order to minimize the long term effect of such use, the excess shall be appropriated to fund one time expenditures or expenses that do not result in recurring operating costs or other one-time costs including the establishment of or increase in legitimate reservations or designation of fund balance or reservation of retained earnings in other funds.

I. Spending Order of Fund Balances

The City will use restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use Unassigned Fund Balance, unless the expenditure is identified as a component of the Committed or Assigned Fund Balance, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

J. Annual Review

Compliance with and revisions to this policy shall be reviewed annually.

21.5 Investment Policy
Adopted July 27, 2010

Investment Policy
City of Cocoa, Florida

I. PURPOSE

The purpose of this Investment Policy (hereinafter “Policy”) is to set forth the investment objectives and parameters for the management of public funds of the City of Cocoa, Florida (hereinafter “City”). This Policy is designed to safeguard the City’s funds, ensure the availability of operating and capital funds when needed, and provide for an investment return competitive with comparable funds and financial market indices.

II. SCOPE

In accordance with Section 218.415, Florida Statutes, this Policy applies to all cash and investments held or controlled by the City with the exception of the City’s funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Additionally, this policy does not apply to funds not under investment control of the City, such as the Police, Firefighters and the General Employees’ Pension Funds. Cash and investment balances as defined in this Section are entirely known as “Available Funds”.

III. INVESTMENT OBJECTIVES

Safety of Principal

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

From time to time, securities may be traded for other similar securities to improve yield, maturity or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security:

- A. Yield has been increased, or
- B. Maturity has been adjusted in anticipation of interest rate changes
- C. Quality of the investment has been improved

Maintenance of Liquidity

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed ensuring the portfolios are positioned to provide sufficient liquidity.

Return on Investment

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and

(FOM) Revised January 2021

Adopted October 2010

liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

IV. DELEGATION OF AUTHORITY

As designated by the City Council, the responsibility for providing oversight in regards to the management of the investment program resides with the Finance Director, under the direction of the City Manager. The day-to-day management responsibility for all City funds in the long-term core investment program and investment transactions is delegated to the City's Investment Manager, who has been afforded discretionary authority in executing investment transactions, in accordance with the terms of this Investment Policy. However, in no way does this delegation of authority diminish the responsibility of the Finance Director to provide oversight for the City's investment program and report any deviations from the provisions of the Investment Policy to the City Manager and City Council. The Finance Director or designee will further be responsible for the transferring of appropriate funds to affect investment transactions as recommended by the City's Investment Manager or for the long-term core investment program. The City Finance Department will be responsible for the investment of operating funds, operating reserves funds and bond proceeds. In employing an Investment Manager to manage the City's long-term investment portfolio, such Investment Manager or firm must be registered under the Investment Advisors Act of 1940.

V. STANDARDS OF PRUDENCE

The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the City Council in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy. The "Prudent Person" rule states the following:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

While the standard of prudence to be used by investment officials who are officers or employees is the Prudent Person standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing and disposing of investments of these funds, the contractor shall exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

VI. ETHICS AND CONFLICTS OF INTEREST

Employees or contractors involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Also, employees or contractors involved in the investment process shall disclose to the City Council and Investment Committee (if applicable) any material financial interests in financial institutions conducting business with the City, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment program.

VII. INTERNAL CONTROLS AND INVESTMENT PROCEDURES

The Finance Director or designee shall establish a system of internal controls and operational procedures in writing and made a part of the City's Financial Operational Manual. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error and misrepresentation by third parties or imprudent actions by employees. The written procedures should include reference to safekeeping/custodial, separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts, collateral/depository agreements and "delivery-vs.-payment" procedures. No person may engage in an investment transaction except as authorized under the terms of this Policy.

Independent auditors, as a normal part of the annual financial audit of the City, shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

VIII. CONTINUING EDUCATION

The Finance Director and/or designee shall annually complete 8 hours of continuing education in subjects or course of study related to investment practices and products as required by Florida Statutes 218.415 (14).

IX. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

The Finance Director or designee and/or the City's Investment Manager shall only purchase securities from Qualified Financial Institutions and investment institutions designated as Primary or Non-primary Securities Dealers by the Federal Reserve Bank of New York. The Finance Director or designee and/or the City's Investment Manager shall only enter into repurchase agreements with financial institutions that are Qualified Institutions and Primary Securities Dealers as designated by the Federal Reserve Bank of New York. The Finance Director or designee and/or the City's Investment Manager shall maintain a list of financial institutions and broker/dealers approved for investment purposes and only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- 1) Regional dealers qualifying under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- 2) Capital of no less than \$10,000,000;
- 3) Registered as a dealer under the Securities Exchange Act of 1934;
- 4) Member of the National Association of Securities Dealers (NASD);
- 5) Registered to sell securities in Florida;

- 6) The firm and assigned broker engaging in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.
- 7) Public Depositories qualified by the Treasurer of the State of Florida, in accordance with Chapter 280, Florida Statutes.

All brokers, dealers and other financial institutions deemed to be Qualified Institutions shall be provided with current copies of the City's Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the City transacts business.

X. MATURITY AND LIQUIDITY REQUIREMENTS

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements.

A. Maturity Guidelines

Securities purchased by or on behalf of the City shall have a final maturity of seven (7) years or less from the date of purchase. The overall weighted average duration of principal return for the entire portfolio shall be less than three (3) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

B. Liquidity Requirements

The Finance Director or designee shall determine the approximate amount of funds required to meet the day-to-day expenditure needs of the City. All funds in the depository bank will be "swept" each night into a fully collateralized repurchase agreement or money market fund. In order to have an available source of funds to meet unexpected cash requirements, a minimum of two months operating expenses will be invested within an overnight investment vehicle such as an AAAM rated money market fund or open market securities rated AA or better and maturity of 60 days or less. The balance of the City's funds will be available for investment according to the guidelines incorporated within this Policy.

XI. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

After the Finance Director or designee and/or the City's Investment Manager has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on securities in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected. If the lowest bid is not selected, a written explanation for the selection shall be submitted with the copies.

However, if obtaining bids/offers is not feasible and appropriate, securities may be purchased/sold utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

- A. Telerate Information System
- B. Bloomberg Information Systems

- C. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing
- D. Daily market pricing provided by the City's custodian or their correspondent institutions

Examples of when this method may be used include:

- A. When time constraints due to unusual circumstances preclude the use of the competitive bidding process
- B. When no active market exists for the issue being traded due to the age or depth of the issue
- C. When a security is unique to a single dealer, for example, a private placement
- D. When the transaction involves new issues or issues in the "when issued" market

Overnight sweep investment instruments will not be bid, but may be placed with the City's depository bank relating to the demand account for which the investment instrument was purchased.

XII. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION

Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the City's needs change. City Department Directors are responsible for updating cash flow projections and expenditure projections over \$100,000 and for providing this information to the Finance Director on a quarterly basis or as needed. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Finance Director or designee and/or the City's Investment Manager may sell the investment at the then-prevailing market price and place the proceeds into the proper account with the City's custodian.

The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the City. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the Finance Director or designee and/or the City's Investment Manager. The City shall have the option to further restrict investment percentages from time to time based on market conditions, risk and diversification investment strategies. The percentage allocation requirements for investment types and issuers are calculated based on the original cost of each investment. All investment allocation limits apply to the portfolio as a whole, not to the individual accounts within the portfolio. Investments not listed in this Policy are prohibited. The following requirements do not apply to funds derived from the sale of debt.

- A. THE FLORIDA LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND ("SBA")
 - 1. Purchase Authorization
Florida Local Government Surplus Funds Trust Fund/Florida Prime ("SBA")
 - 2. Portfolio Composition
A maximum of 25% of available funds may be invested in Florida Prime (SBA).
- B. UNITED STATES GOVERNMENT SECURITIES

1. Purchase Authorization
Negotiable direct obligations or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:
Cash Management Bills
Treasury Securities – State and Local Government Series (“SLGS”)
Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips
2. Portfolio Composition
A maximum of 100% of available funds may be invested in the United States Government Securities with the exception of Treasury Strips that are limited to 10% of available funds.
3. Maturity Limitations
The maximum length to maturity of any direct investment in the United States Government Securities is seven (7) years from the date of purchase.

C. UNITED STATES GOVERNMENT AGENCIES

1. Purchase Authorization
Bonds, debentures, notes or callable issues or guaranteed by the United States Governments Agencies, provided such obligations are backed by the full faith and credit of the United States Government. This includes adjustable and fixed rate mortgage-backed securities. The adjustable interest rate securities are to only adjust to the US Treasury indices. Such securities will include, but not be limited to the following:
United States Export – Import Bank
-Direct obligations or fully guaranteed certificates of beneficial ownership
Farmer Home Administration
-Certificates of beneficial ownership
Federal Financing Bank
-Discount notes, notes and bonds
Federal Housing Administration Debentures
Government National Mortgage Association (GNMA)
-GNMA guaranteed mortgage-backed bonds
-GNMA guaranteed pass-through obligations
General Services Administration
United States Maritime Administration Guaranteed
-Title XI Financing
New Communities Debentures
-United States Government guaranteed debentures
United States Public Housing Notes and Bonds
-United States Government guaranteed public housing notes and bonds
United States Department of Housing and Urban Development
-Project notes and local authority bonds
2. Portfolio Composition

A maximum of 50% of available funds may be invested in United States Government Agencies.

3. Limits on Individual Issuers

A maximum of 25% of available funds may be invested in individual United States Government Agencies.

4. Maturity Limitations

The maximum length to maturity for an investment in any United States Government Agency Security is seven (7) years from the date of purchase.

D. FEDERAL INSTRUMENTALITIES (UNITED STATES SPONSORED AGENCIES)

1. Purchase Authorization

Bonds, debentures, notes or callable issues or guaranteed by United States Government sponsored agencies (Federal Instrumentalities), which are non-full faith and credit agencies. This includes adjustable and fixed rate mortgage-backed securities. Sub-prime, Alt-A and other non-first lien mortgage securities are prohibited. Permitted adjustable interest rate securities are to only adjust to the US Treasury indices. These are limited to the following:

Federal Farm Credit Bank (FFCB)

Federal Home Loan Bank or its City banks (FHLB)

Federal National Mortgage Association (FNMA)

Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal Home Loan Mortgage Corporation participation certificates

2. Portfolio Composition

A maximum of 80% of available funds may be invested in Federal Instrumentalities.

3. Limits on Individual Issuers

A maximum of 25% of available funds may be invested in any one issuer.

4. Maturity Limitations

The maximum length to maturity for an investment in any Federal Instrumentality security is seven (7) years from the date of purchase. Mortgage backed securities will have average duration not greater than five (5) years.

E. INTEREST BEARING TIME DEPOSIT OR SAVING ACCOUNTS

1. Purchase Authorization

Non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. Additionally, the bank shall not be listed with any recognized credit watch information service.

2. Portfolio Composition
A maximum of 25% of available funds may be invested in non-negotiable interest bearing time certificates of deposit.
3. Limits on Individual Issuers
A maximum of 25% of available funds may be deposited with any one issuer.
4. Limits on Maturities
The maximum maturity on any certificate shall be no greater than three (3) year from the date of purchase.

F. REPURCHASE AGREEMENTS

1. Purchase Authorization
 - a. Repurchase agreements composed of only those investments authorized in Section XII. B, C, and D. All firms are required to sign the City's Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
 - b. A third party custodian with whom the City has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Finance Director or designee and retained.
 - c. Securities authorized for collateral must have maturities less than five (5) years and with market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from the 102 percent requirement are permissible only upon the approval of the Finance Director or designee and/or the City's Investment Manager.
 - d. The overnight sweep arrangement shall adhere to the agreement between the City and the City's depository bank.
2. Portfolio Composition
A maximum of 20% of available funds may be invested in repurchase agreements excluding one (1)-business day agreements and overnight sweep agreements.
3. Limits on Individual Issuers
A maximum of 5% of available funds may be invested with any one institution excluding one (1)-business day agreements and overnight sweep agreements.
4. Limits on Maturities
The maximum length to maturity of any repurchase agreement is 90 days from the date of purchase.

G. COMMERCIAL PAPER

1. Purchase Authorization
Commercial paper of any United States company that is rated, at the time of purchase, “Prime-1” by Moody’s and/or “A-1” by Standard & Poor’s (prime commercial paper). If the commercial paper is backed by a letter of credit (“LOC”), the long-term debt of the LOC provider must be rated “A” or better by at least two nationally recognized rating agencies at the time of purchase.
2. Portfolio Composition
A maximum of 25% of available funds may be directly invested in prime commercial paper.
3. Limits on Individual Sectors
A maximum of 10% of available funds may be invested with any one sector.
4. Limits on Individual Issuers
A maximum of 2% of available funds may be invested with any one issuer.
5. Maturity Limitations
The maximum length to maturity for prime commercial paper shall be 270 days from the date of purchase.

H. CORPORATE NOTES

1. Purchase Authorization
Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and/or a minimum long term debt rating of “AA” by Standard & Poor’s.
2. Portfolio Composition
A maximum of 25% of available funds may be directly invested in corporate notes.
3. Limits on Individual Sectors
A maximum of 10% of available funds may be invested with any one sector.
4. Limits on Individual Issuers
A maximum of 2% of available funds may be invested with any one issuer.
5. Maturity Limitations
The maximum length to maturity for corporate notes shall be (3) three years from the date of purchase.

I. ASSET BACKED SECURITIES

1. Purchase Authorization
Asset Backed Securities (ABS) issued by a corporation organized and operating within the United States by or by depository institutions licensed by

the United States that have a long term debt rating, at the time of purchase, of “Aaa” by Moody’s and/or “AAA” by Standard & Poor’s.

2. Portfolio Composition
A maximum of 25% of available funds may be directly invested in Asset Backed Securities.
3. Limits on Individual Sectors
A maximum of 10% of available funds may be invested with any one sector.
4. Limits on Individual Issuers
A maximum of 5% of available funds may be directly invested in any one issuer.
5. Maturity Limitations
A maximum length to maturity for Asset Backed Securities shall be three years from the date of purchase.

J. BANKERS’ ACCEPTANCES

1. Purchase Authorization
Bankers’ acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System if, at the time of purchase, the short-term paper is rated, at a minimum, “P-1” by Moody’s Investors Services and “A-1” Standard & Poor’s.
2. Portfolio Composition
A maximum of 15% of available funds may be directly invested in Bankers’ acceptances
3. Limits on Individual Issuers
A maximum of 5% of available funds may be invested with any one issuer.
4. Maturity Limitations
The maximum length to maturity for Bankers’ acceptances shall be 180 days from the date of purchase.

K. STATE AND/OR LOCAL GOVERNMENT TAXABLE AND/OR TAX-EXEMPT DEBT

1. Purchase Authorization
State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least “Aa” by Moody’s and/or “AA” by Standard & Poor’s for long-term debt, or rated at least “MIG-2” by Moody’s and “SP-2” by Standard & Poor’s for short-term debt.

The City may purchase its own outstanding obligations with the agreement of the Finance Director, the City Manager, the Investment Manager and the City’s Bond Counsel; as applicable and allowable by federal regulations.

2. Portfolio Composition

A maximum of 25% of available funds may be invested in taxable and tax-exempt General Obligation bonds.

A maximum of 10% of available funds may be invested in taxable and tax-exempt Revenue and Excise Tax bonds of the various municipalities of the State of Florida, provided none of such securities have been in default within five (5) years prior to the date of purchase.

3. Maturity Limitations

A maximum length to maturity for an investment in any state or local government debt security is five (5) years from the date of purchase.

L. REGISTERED INVESTMENT COMPANIES (MONEY MARKET MUTUAL FUNDS)

1. Investment Authorization

Shares in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7, which stipulates that money market funds must have an average weighted maturity of 90 days or less. In addition, the share value of the money market funds must equal to \$1.00.

2. Portfolio Composition

A maximum of 35% of available funds may be invested in money market funds.

3. Limits of Individual Issuers

A maximum of 15% of available funds may be invested with any one money market fund.

4. Rating Requirements

The money market funds shall be rated “AAAm” or “AAAm-G” or better by Standard & Poor’s or the equivalent by another rating agency.

5. Due Diligence Requirements

A thorough review of any money market fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Finance Director or designee and/or the City’s Investment Manager containing a list of questions covering the major aspects of any investment pool/fund.

M. INTERGOVERNMENTAL INVESTMENT POOL

1. Investment Authorization
Intergovernmental investment pools that are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes and provided said funds contain no derivatives.
2. Portfolio Composition
A maximum of 25% of available funds may be invested in intergovernmental investment pools.
3. Due Diligence Requirements
A thorough review of any investment pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Finance Director or designee and/or the City's Investment Manager containing a list of questions covering the major aspects of any investment pool/fund.

Although the Investment Manager is granted discretionary authority to make investment decisions within the parameters of the investment policy, the following guidelines should be applied regarding sector allocation percentages:

| <u>Nature of change to current asset allocation</u> | <u>Approval required</u> |
|---|--|
| Less than 10%, does not exceed policy maximums | Investment Manager only |
| Greater than 10%, does not exceed policy maximums | Finance Director |
| Any change which would exceed policy maximums | Finance Director, City Manager, City Council |

The Finance Director and the Investment Manager also recognizes that the City's Investment Policy should be a document that is reviewed periodically to coincide with current financial market conditions. As such, it is the responsibility of the Investment Manager, in conjunction with the Finance Director, upon the review of quarterly and annual investment reports, as well as with knowledge of current financial market conditions to periodically recommend changes in investment strategies (i.e. percentage allocations-sector, sub-sector, issuer), as deemed necessary. Such recommendations will be communicated to the City Council, by way of the City Manager, for formal approval.

XIII. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

The City may not invest in investment products that include the use of derivatives. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values. Reverse repurchase agreements are not permitted by this Policy.

XIV. PERFORMANCE MEASUREMENTS

In order to assist in the evaluation of the portfolios' performance, the City will use performance benchmarks for short-term and long-term portfolios. The use of benchmarks allows the City to measure its returns against other investors in the same markets.

- A. The short-term investment portfolio shall be designed with the annual objective of exceeding the return of the Standard & Poor's AAA Money Fund Government Index.
- B. The long-term investment portfolio shall be designed with the annual objective of exceeding the return of the Merrill Lynch 1-3 Year Treasury/Agency Index compared to the portfolio's total rate of return. The Merrill Lynch 1-3 Year Treasury/Agency Index represents all U.S. Treasury/Agency securities maturing over one year, but less than three years. This maturity range is an appropriate benchmark based on the objectives of the City.

XV. REPORTING

- A. The City's Investment Manager shall provide quarterly investment reports on the City's short-term and long-term core investments to the Finance Director, the City Manager, the City Council and Investment Committee (as applicable). Schedules in the quarterly report should include the following:
 - 1. A listing of individual securities held at the end of the reporting period
 - 2. Percentage of available funds represented by each investment type
 - 3. Coupon, discount or earning rate
 - 4. Average life or duration and final maturity of all investments
 - 5. Par value and market value
 - 6. Charts and/or graphs depicting the City's investments by type/instrument compared to the policy limits
- B. Annual Investment Report

On an annual basis, the City's Investment Manager shall submit to the Finance Director, City Council and Investment Committee (as applicable) a written report on the long-term core investment funds. The annual report shall provide at least the following information: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment. The annual report will show performance on both a market yield and total rate of return basis and will compare the results to the above-stated performance benchmarks. The annual report should also show the City's portfolio compared to the limits established by the Investment Policy. All investments shall be reported at fair value per Government Accounting Standards Board (GASB) standards. In addition, the annual report shall

provide all disclosures as required by GASB Statement 40, *Deposit and Investment Risk Disclosures*. Investment reports shall be available to the public.

C. Review of Quarterly and Annual Investment Reports

It is primarily the responsibility of the Finance Director and/or designee to perform a thorough review of all investment reports provided by the Investment Manager to ensure compliance with the terms of this Investment Policy, as well as to evaluate performance of the investment manager against the established performance benchmark. The Finance Director, through the City Manager, must communicate in writing to the City Council, any violations of said policy provisions or failure of the Investment Manager to meet the minimum performance benchmark.

Should such a review result in proposed strategic changes to the existing terms of this Investment Policy (i.e. asset allocation percentages-sector, sub-sector, issuer), based on existing financial market conditions, such proposed revisions will be presented to the City Council, by way of the City Manager, for formal approval.

XVI. THIRD-PARTY CUSTODIAL AGREEMENTS

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Finance Director and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless withdrawn by such a duly authorized person. Withdrawals must be sent by wire transfer or ACH delivery to the City's primary operating bank account.

Monthly the custodian shall provide the Finance Director or designee and/or the City's Investment Manager with detailed information on the securities held by the custodian using the cash basis of accounting. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, ensuring the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Only after receiving written authorization from the Finance Director shall authorized securities be delivered "free". Securities held as collateral shall be held free and clear of any liens.

XVII. RESERVATION OF AUTHORITY

The authority to issue and/or revise this Policy is reserved for the City Council.

XVIII. POLICY CONSIDERATIONS

Any investment currently held that does not meet the guidelines of this policy shall be temporarily exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

Attachment

Glossary of Cash and Investment Management Terms

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Asked - The price at which securities are offered

Average Life - The average length of time that issues of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Bankers' Acceptance (BA) - A draft, bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Broker - A broker brings buyers and sellers together for a commission.

Certificate of Deposit (CD) - A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

Certificate of Deposit Account Registry Service (CDARS) – A private, patented, for-profit service that breaks up large deposits (from individuals, companies, nonprofits, public funds, etc.) and places them across a network of more than 3,000 banks and savings associations around the United States.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for securing the repayment of a loan and/or security.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Dealer - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian

Derivatives - For hedging purposes, common derivatives are options, futures, swaps and swaptions. All Collateralized Mortgage Obligations (“CMOs”) are derivatives. (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Derivative Security - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Federal Home Loan Banks (FHLB) - Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal National Mortgage Association (FNMA) - FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation’s purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA’s securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Government National Mortgage Association (GNMA OR GINNIE MAE) - Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. The security holder is protected by full faith and credit of the U. S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages. The term “pass-through” is often used to describe Ginnie Maes.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, Bonds, and SLGS."

Internal Controls - An internal control structure designed to ensure the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Investment Company Act of 1940 - Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Liquidity - An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds, (i.e., Florida State Board of Administration/Florida Prime “SBA”).

Long-Term Core Investment Program – Funds that are not needed within a one-year period.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Value - Current market price of a security.

Master Repurchase Agreement - A written contract covering all future transactions between parties to repurchase—reverse repurchase agreement that establishes each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity”.

Money Market - The market in which short-term debt instruments (bills, commercial paper, bankers’ acceptance, etc.) are issued and traded.

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets, which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

$$[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$$

Par - Face value or principal value of a bond, typically \$1,000 per bond.

Portfolio - Collection of securities held by an investor.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Qualified Public Depository - Per Florida Statute 280, means any bank, savings bank or savings association that:

- (a) Is organized and exists under the laws of the United States, the laws of this state or any other state or territory of the United States;

- (b) Has its principal place of business in this state or has a branch office in this state that is authorized under the laws of this state or of the United States to receive deposits in this state.
- (c) Has deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss.1811 seq.
- (d) Meets all requirements of F.S. 280
- (e) Has been designated by the Treasurer as a qualified public depository.

Rate of Return - For fixed income securities (bonds and preferred stock), current yield which is the coupon or contractual dividend rate divided by the purchase price. For common stock, dividend yield, which is the annual dividend divided by the purchase price.

Repurchase Agreement (repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Structured Notes - Notes issued by government sponsored enterprises (FHLB, FNMA, SLMA, etc.) and corporations that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, and derivative-based returns) into their debt structure. Their market performance is impacted by fluctuation of interest rates, the volatility of the imbedded options, and shifts in the shape of the yield curve.

Swap - Trading one asset for another.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. $(\text{Price Appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Treasury STRIPS – An acronym for “separate trading of registered interest and principal securities”. Treasury STRIPS are fixed-income securities sold at a significant discount to face value and offer no interest payments because they mature at par.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield Curve - A graph showing the relationship at a single point in time between the available maturities of a security or similar securities with essentially identical credit risk and the yields that can be earned for each of those available maturities. A graphical depiction of the term structure of interest rates at any given point in time. Yield curves may be constructed for different instruments.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual increase of the principal of the security and is payable at par upon maturity.

Credit Rating Definitions

Long-Term Debt Ratings (maturities of one year or more):

- **Investment Grade**
Aaa - highest- grade
Aa1, Aa2, Aa3 - high-grade
A1, A2, A3 - upper-medium grade
Baa1, Baa2, Baa3 - medium grade
- **Speculative Grade**
Ba1, Ba2, Ba3 - speculative elements
B1, B2, B3 - lack characteristics of a desirable investment
Caa1, Caa2, Caa3 - bonds of poor standing
Ca - highly speculative
C - lowest rating, extremely poor prospects of attaining any real investment standing

Short-Term Debt Ratings (maturities of less than one year):

Prime-1 (highest quality)
Prime-2
Prime-3

Ratings Definitions – Standard and Poor's

'AAA' Extremely strong capacity to meet financial commitments. Highest Rating.
'AA' Very strong capacity to meet financial commitments.

‘A’ Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.

| Credit Risk | Moody's | Standard and Poor's | Fitch Ratings |
|-----------------------------|---------|---------------------|---------------|
| Investment Grade | | | |
| Highest Quality | Aaa | AAA | AAA |
| High Quality | Aa | AA | AA |
| Upper Medium | A | A | A |
| Medium | Baa | BBB | BBB |
| Not Investment Grade | | | |
| Lower Medium | Ba | BB | BB |
| Lower Grade | B | B | B |
| Poor Grade | Caa | CCC | CCC |
| Speculative | Ca | CC | CC |
| No Payments / Bankruptcy | C | D | C |
| In Default | C | D | D |

- ‘BBB’ Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
- ‘BBB-’ Considered lowest investment grade by market participants.
- ‘BB+’ Considered highest speculative grade by market participants.
- ‘BB’ Less vulnerable in the near-term but faces major ongoing uncertainties due to adverse business, financial and economic conditions.
- ‘B’ More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
- ‘CCC’ Currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments.
- ‘CC’ Currently highly vulnerable.
- ‘C’ Currently highly vulnerable obligations and other defined circumstances.
- ‘D’ Payment defaults on financial commitments.

Note: Ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Bond Rating Grades

21.6 Travel Policy

RESOLUTION NO. 2021-53

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COCOA, FLORIDA, ADOPTING THE CITY OF COCOA TRAVEL POLICY; PROVIDING FOR THE REPEAL OF PRIOR INCONSISTENT RESOLUTIONS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Cocoa desires to adopt a Travel Policy applicable to City of Cocoa employees; and

WHEREAS, Ordinance 20-2020 repealed Section 2-76 of the City Code and allowed for adoption of the Travel Policy Resolution; and

WHEREAS, the City Council deems it to be in the best interest of the City of Cocoa to adopt the Travel Policy as provided in this resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COCOA, as follows:

SECTION 1. The City of Coca Travel Policy is approved by City Council at the meeting on this date.

SECTION 2. All prior resolutions or prior resolutions inconsistent with this resolution are hereby repealed to the extent of the conflict.

SECTION 3. This resolution shall become effective immediately upon its adoption by the City Council of the City of Cocoa, Florida.

ADOPTED by the City Council of the City of Cocoa, Florida, in a regular meeting assembled on the day of , 2021.

Policy

Number: CC 21.6
Supercedes: Ordinance 9-2014
Approved: 1/12/21
Resolution #: 21-51

Travel Policy

1. *Objective*

To provide for a City of Cocoa policy for the reimbursement of authorized travelers' expenses incurred during the performance of their official duties which serve a public purpose.

2. *References*

- A. Florida Statutes Sec. 112.061 – Per diem and traveling expenses of public officers, employees and authorized persons.
- B. Administrative Procedure **AP 01**
- C. Travel Authorization Form **APFT1**
- D. Travel Expense Report **APFT2**
- E. Request for Direct Payment **RDP**

3. *Directives*

- A. To regulate official travel expenses of city officers, employees and other authorized persons, as defined in F.S. § 112.061.
- B. The provisions of F.S. § 112.061, pertaining to municipalities, and any amendments, additions or modifications to such provisions, shall be incorporated herein by reference, and the provisions contained in this section shall be supplemental and in addition to the provisions of F.S. § 112.061.
- C. In the event of any conflict between City of Cocoa Financial Policy CC 21.6 and F.S. § 112.061, City of Cocoa Financial Policy CC 21.6, in accordance with F.S. § 112.061 (1) (b) 2, shall prevail.

4. *Reservation of Authority*

The authority to issue or revise this Policy is reserved to the Cocoa City Council.

Carie Shealy
City Clerk

Michael C. Blake
Mayor

Adopted by City Council on January 8, 2021

Administrative Procedure AP-01

Effective: 1/14/21

Rev: N/A

Travel Procedures

A. PURPOSE AND SCOPE

To implement Council Policy CC 21.6 and provide instructions for a traveler's reimbursement of expenses incurred during authorized travel on City business and provide instructions for reimbursement of those expenses.

B. DEFINITIONS

1. Appointing Authority - City Officer, City Manager, Assistant City Manager, and Department Directors.
2. Authorized Representative - A person, other than a City officer or employee, authorized by the City Council or the City Manager to contribute time and services as a consultant or as a candidate for an executive or professional position.
3. Class A Travel - Continuous travel of 24 hours or more away from official headquarters.
4. Class B Travel - Continuous travel of less than 24 hours which requires overnight absence from official headquarters.
5. Class C Travel - Short or day trips where the traveler is not away from his or her official headquarters overnight.
6. Common Carrier - Train, bus, commercial airlines, or rental cars of an established rental car firm.
7. City Officer - Elected or appointed by the citizens of Cocoa to hold the office of Council Member and/or Mayor of the City of Cocoa.
8. Official Headquarters - The city or town in which the individual's office is located. In the event a person is located in the field, the official headquarters is the building where the person normally reports to work.
9. Traveler - A City officer, employee or other authorized representative on official City business.
10. Local Travel (Class C Travel) - Travel for short or day trips where the traveler is not away from the City overnight.

C. REFERENCES

1. Florida Statutes Sec. 112.061 – Per diem and traveling expenses of public officers, employees and authorized persons.
2. Administrative Procedure **AP 01**
3. Travel Authorization Form **APFT1**
4. Travel Expense Report – Class A & B Travel **APFT2**
5. Travel Expense Report – Class C Travel **APFT3**
6. Request for Direct Payment **RDP**

D. TRANSPORTATION REQUIREMENTS

1. Mode Determination

The most economical method of travel shall be used for each trip. The conditions, which shall determine the method of travel, include the nature of business, value of time of the traveler, impact of productivity of the traveler, cost of transportation and per diem or subsistence required, the number of travelers, and amount of equipment or material to be transported.

2. Routes of Travel

All travel must be by a usually traveled route. Any extra costs incurred by a traveler using an indirect route for his/her own convenience shall be the responsibility of the traveler.

3. Allowable Methods

a. Common Carrier

An airplane ticket for authorized travel is authorized at the lowest available (coach) rate, taking advantage of early reservation discounts wherever possible. The purchase of a ticket through a travel agent shall be deemed to be at the lowest available rate, and includes reimbursement of any associated service fees.

b. Rental Cars

Car rentals may be available through State contract and must be arranged in advance. Rental automobiles may be used when necessary and must be approved by the City Manager, prior to travel. Rental automobiles may be utilized when city-owned vehicles are not available for the required use or when use of a City vehicle is impractical, and the anticipated cost of using a commercial carrier will exceed the cost of the rental car.

c. City Vehicles

City vehicles shall be utilized whenever possible for official travel. When more than one traveler is scheduled to travel from one location to the same destination, only one vehicle, when practical, shall be authorized.

Employees are encouraged to contact Fleet for the use of a pool vehicle.

d. Privately Owned Vehicles

Privately owned vehicles may be utilized for official business, if authorized by the responsible Appointing Authority.

E. TRAVEL AUTHORIZATION FOR CLASS A AND CLASS B TRAVEL

1. Class A and B travel, not approved by the City Council as part of adopted annual budget or travel that exceeds the Council's approved budget amount by more than 20 percent, shall be approved by the City Manager. A completed Travel Authorization Form (APFT1) with written justification must be submitted and approved by the City Manager or designee prior to travel.
2. Travel approved by the Council as part of the annual budget approval process does not require subsequent Council approval or approval by the City Manager. A completed Travel Authorization Form (APFT1) with written justification must be submitted and approved by the Appointing Authority or designee, in the absence of the Appointing Authority. City Manager and City Council are exempted from completing a Travel Authorization Form (APFT1) prior to travel. Authorization is provided through notification to City Council.
3. The City Manager shall notify City Council of any travel. Budget for travel of City Manager shall be as approved by City Council in the annual budget approval process. Unbudgeted travel requests shall follow requirements in item (1) above.
4. Travel of City Council Members that is approved by the Council as part of the annual budget approval process does not require subsequent Council approval or approval by the City Manager. Unbudgeted travel requests for any City Council members must be approved by a majority vote of the City Council at a public meeting.
5. Class A and B travel approved by the Council as part of the adopted annual budget requires submittal to the City Manager or designee if:
 - a. Travel approved in budget is being substituted by travel that was not included in the budget approval process, or
 - b. When travel is out of state, or
 - c. When a trip is classified as Class C, but the employee chooses to stay overnight at their own expense it becomes A and B travel, or
 - d. A City Council Member travels.

- e. The City Council member undertaking the travel shall inform the City Council of the travel, departure date, return date, the estimated expense and the reason for such travel during a regular council meeting or if not reasonably feasible, then notify the City Manager who shall inform council.
 - f. Consensus by the City Council and the corresponding minutes from said meeting shall constitute notice.
6. The City Manager may approve advance payment or reimbursement of Class A, B, and C travel expenses for employment candidates, recommended by an Appointing Authority.
 7. Class A and B travel must be submitted on a Travel Authorization Form (APFT1) any time an employee is on official business. All Travel Authorization Forms (APFT1) must be submitted with requests for reimbursement or travel advances.

F. APPROVAL TO INCUR CLASS C TRAVEL

All Travel Expense Reports for Class C travel shall be approved by the Appointing Authority or designee as evidenced by an approved Travel Authorization Form (APFT1) with required detailed receipts and submitted to the Finance Department for reimbursement.

Travel Expense Reports for Class C travel for a City Council Member shall be submitted to the City Clerk or designee along with required receipts and who shall submit to the Finance Department.

G. ELIGIBILITY CRITERIA

Class A and B travel shall include any assignment on official business away from the traveler's official headquarters when it is considered reasonable and necessary to stay overnight and for which travel expenses are approved. The time, for purposes of reimbursement, is calculated as follows:

1. The travel day for Class A travel shall be a calendar day beginning at midnight and consisting of four 6-hour quarters. Per Diem will not be paid for any quarter unless a traveler departs on or before midpoint of the quarter and returns on or after midpoint of the quarter.
2. The travel for Class B is based on 6-hour cycles beginning at the hour of departure and ending at the hour of return. The "Midpoint" references for Class A travel controls the per diem on the return 6-hour cycle.

H. RATES OF REIMBURSEMENT

Class A and B travelers, when traveling within or outside the State to conduct official business will be paid the following per diem amounts for meals:

1. Meals - Per Diem allowed up to \$51 for a 24-hour period. This includes meals only. Only per diem amounts will be paid for Class A and Class B travel. No receipts for meals will

be accepted. Employees will be reimbursed the following per diem amounts per meal for Class A and B travel:

Breakfast - \$10.00

Lunch - \$15.00

Dinner - \$26.00

Meals for Class C travelers may be reimbursable for actual costs incurred not to exceed authorized rates specified in (H) (i) above, when the meal is integrally associated with the Class C travel requirement and is clearly considered to be a public purpose. Class C Meals consumed within the boundaries of Brevard County will not routinely be eligible for reimbursement unless the employee is restricted in meal options and incurs an involuntary financial hardship.

Meals during one-day conferences and meetings with professional organizations where meals are not included in the registration fee will be paid for in advance by the City or will be reimbursed.

Travel Expense Reports, which include Class C meals, must have authorization from the Appointing Authority or designee, in the absence of the Appointing Authority, before they are submitted to the Finance Department for processing.

2. Lodging

- a. Lodging will be reimbursed at the actual cost for lowest available single occupancy room rate to be substantiated by paid bills. Hotel accommodations are an authorized expense for overnight stays where the distance traveled is more than sixty (60) miles from the city or in the case of multi-night conferences where the distance traveled is more than forty (40) miles.
- b. Every attempt should be made to reduce the cost of lodging, such as requesting the government rate, membership, or conference discounts, room sharing when appropriate, etc.
- c. Changes in accommodations are not reimbursable once travel has commenced unless written justification is provided with the Travel Expense Report noting a safety or health hazard. When a different hotel is used by the traveler other than the one where the reservations were initially made and the reason for the change was not a safety or health hazard related reason the traveler will reimburse the city for the difference in the two (2) rates.

3. Monetary Advances Prior To Travel

Monetary advances may be granted if absolutely necessary. The requirements for processing monetary advances are as follows:

- a. A properly approved Travel Authorization Form (APFT1) must be received in the Finance Department at least fifteen (15) business days prior to when the check is required;
- b. Travel advances to the traveler will only be issued upon request and generally only if estimated expenses (i.e. meals, tolls, parking, mileage, etc.) exceed \$100.00. The advance and determination of the actual amount must be approved by the Appointing Authority or designee, in the absence of the Appointing Authority.
- c. If an advance is granted, the traveler must submit the Travel Expense Report within ten (10) business days of the scheduled return date. Failure to file a Travel Expense Report within 10 days following the traveler's return results in notification to the employee's Appointing Authority of the delinquency. If, after 20 days following the traveler's return, the Travel Expense has not been submitted, notification will be made to the City Manager or designee who may suspend travel advance privileges for the employee until such time that a proper Travel Expense Report is received.
- d. The traveler is responsible for returning any overpayment of monetary advances, if applicable, within ten (10) business days following the return date.

The City Manager or designee may approve advance payment or reimbursement of Class A, B, and C travel expenses for Authorized Representatives, recommended by an Appointing Authority.

4. Advance Travel Expense Payments

- a. If advance payment for a registration fee or lodging expenses is required, all pertinent information (i.e., required payment date, name and address for submittal of advance payment and room rate) shall be inserted in the Travel Request Form (##), and supporting documentation provided, including a copy of the hotel confirmation.
- b. All requests for advances must be received in the Finance Department fifteen (15) business days prior to when warrant (check) is required.
- c. If the Travel Authorization is not submitted in time (15 business days prior to the deadline) to take advantage of any early registration discounts, the late registration amount will be paid, unless the Department/Office indicates on the Travel Authorization that the vendor will accept the lower amount.

It is the responsibility of the individual and department to obtain a refund (from agents, airlines, etc.) for all prepayments and advances for airline, registration, etc., if the trip is canceled. All refunds must be forwarded to the Finance Department after receipt.

- d. If an advance payment is granted, the traveler must submit the Travel Expense Report within ten (10) business days of the return date.
- e. Purchasing Card - Individuals are required to have an approved Travel Authorization Form (APFT1) prior to using the purchasing card for travel expenses (registration, lodging, airline, etc.). Meals incurred while traveling should not be placed on the purchasing card.

I. TRAVEL EXPENSE REIMBURSEMENT REQUIREMENTS

1. All requests for reimbursement of travel expenses must be itemized on the Travel Expense Report. For Class A and B this would include all advance payments. All expenses charged on the purchasing card must be listed on the TER. Class A or B Travel reimbursement requests must be submitted on a separate APFT2 form (i.e., Class A and B travel may not be commingled with Class C travel on any report). Class C travel reimbursement must be submitted to the Finance Department on the APFT3 form.
2. All Travel Expense Reports shall be approved by the Appointing Authority or designee, in the absence of the Appointing Authority, and submitted to the Finance Department with required receipts. The authorizing signature cannot be a subordinate of the traveler. All travel for the prior fiscal year should be submitted by the end of October to be charged properly.
3. The Finance Department will determine the accuracy of the report and will return any items that are determined to be ineligible in accordance with this Administrative Procedure to the Appointing Authority.
4. Specific instructions for completion of a Travel Expense Report for reimbursement consideration are provided below in subparagraphs 1 through 3 as follows:
 - a. Mileage for Privately-Owned Vehicle
 - 1) Allowable mileage:
 - a) Only the mileage determined to be for official business is eligible for reimbursement. The rate of mileage reimbursement is tied to the annual Internal Revenue Service (IRS) mileage reimbursement rate. This rate is updated periodically by the IRS. The Finance Department will update the mileage reimburse rate on the TER when the IRS rate changes.
 - b) When an authorized person is required to report to an initial work location other than their official work location, mileage is allowed only in an amount equal to the difference between the distance from residence to initial work site and the distance from residence to the official work location. If the distance to initial work location is less than the official distance traveled to authorized persons' official work location, then no mileage is allowed.

- c) Mileage for travel to a residence from the last work location other than the official work location is allowed only in an amount equal to the difference between the distance from the last work location to residence and the distance from official work location to residence. If the distance from the last work location is less than the distance ordinarily traveled, then no reimbursement for mileage is allowable.
 - d) Those employees working on an emergency basis or special work assignment, as defined and approved by their Department or Office Director, shall be allowed mileage reimbursement when traveling from their residence to an assigned work or task location and when returning to their residence after completion of assignment.
- 2) An entry shall be listed for each point of origin to point of destination. Travelers shall indicate the city of origin/destination.
 - 3) The specific purpose of every entry shall be stated.
 - 4) If reimbursement is claimed for meals or per diem, the time of departure and return shall be shown.
 - 5) Mileage - Any mileage traveled shall be shown in the Mileage section of the Travel Expense Form (APFT1 or APFT2).
 - 6) Traveler and Appointing Authority or designee, in the absence of the Appointing Authority, must sign certification statement on all Travel Expense Reports. The authorizing signature cannot be a subordinate of the traveler. Travel Expense Reports must be typed or completed in blue or black ink and legible.

A copy of a mapping service printout that provides the beginning and ending points verifying the miles of travel requested for reimbursement must be submitted. All Travel Expense Reports for Class C travel shall be approved by the Appointing Authority or designee with required detailed receipts and submitted with an approved Travel Authorization Form (APFT1).

b. Incidental Expenses

- 1) The following expenses shall be authorized for reimbursement when incurred while on travel status:
 - a) Taxi and ferry fares
 - b) Tolls
 - c) Parking fees. Valet parking will only be reimbursed when the traveler provides written documentation that valet parking was the only parking option available. In the event that valet parking is the only available option or the safety of the traveler is a concern, documentation must be provided with the Travel Expense Form.
 - d) Official communications

- e) Convention registration fees
- f) Fuel for City vehicle if City credit card is not used
- g) Use of private cellular telephone for City business
- h) Sales Tax - Sales tax will not be reimbursed unless the City is also required by law to pay such tax, i.e. out of state costs as determined by the Finance Director or designee.
- i) Gratuity. Gratuities (tips), valet parking, baggage handling, etc. are recognized as a legitimate part of the cost of travel and are properly charged against the city, when such expenses are necessary.
 All gratuity payments must be kept to a minimum. The City will not reimburse gratuities exceeding twenty percent (20%). Reasonable tips (i.e. one dollar (\$1.00) per bag) will also be reimbursed for bellhops, skycaps, valet parking, etc.
 Other gratuities will only be reimbursed for exceptional circumstances as determined by the Finance Director, or designee. Tips for maid service will not be reimbursed. The City recognizes that there are circumstances where obtaining a receipt for gratuities is not possible. The City will reimburse for gratuities without a receipt when substantiated, but travelers are required to get a receipt whenever possible.
- j) *Other Miscellaneous Expenses.* The eligibility of reimbursement for any other miscellaneous expense that has not been addressed in this section will be determined by the Finance Director or designee.

- 2) The amount and type of incidental expenses shall be listed on the report under the Miscellaneous Section.
- 3) A substantiated paid receipt for each expense must accompany the report for reimbursement.

c. Class A and B Expenses

- 1) The time of departure and time of return must be shown for all travel.
- 2) If a private vehicle was used, the mileage must be shown on the mapping service report.
- 3) Itemized receipts for lodging (includes expenses paid in advance) must accompany each report for any Class A or B travel reimbursement.

On-line training does not require a Travel Authorization form (APFT1) or a Travel Expense report.

J. FRAUDULENT CLAIMS

- 1. Any traveler requesting reimbursement for false or fraudulent travel expenses is subject to legal prosecution and/or discipline in accordance with the City of Cocoa Fraud Policy (Sec. 21.3 of the Financial Operations Manual.)

2. All travelers requesting reimbursement shall certify that the statement of travel expenses are true and correct and incurred in the conduct of City business for a public purpose authorized by law.
3. Travel and/or reimbursement for the following are not authorized:
 - a. Any meals or lodging included in a convention registration fee except under special circumstances;
 - b. Transportation or mileage when gratuitously transported or when transported by another traveler who is entitled to mileage or transportation;
 - c. Expenses incurred using an indirect route for convenience of the traveler;
 - d. Travel for the purpose of job placement activities;
 - e. Expenses for tips.

K. HOTEL ACCOMMODATIONS

1. Documentation of hotel name and daily rate will be submitted in advance on the Travel Authorization Form (APFT1) for preapproval by the appropriate Appointing Authority or designee, in the absence of the Appointing Authority.
2. Only hotel rates that are considered as reasonable for the locale will be approved.
3. The City will not provide per diem for any meals included with lodging fee will not be paid. This does not include meals such as a continental breakfast.

L. RENTAL CARS

1. Rental car requests, including car size, will be submitted in advance on the Travel Authorization Form (APFT1) for pre-approval by the appropriate Appointing Authority or designee, in the absence of the Appointing Authority.
2. Rental car size will be dependent on the number of travelers utilizing the vehicle.
 - a. One (1) to two (2) traveler(s) - compact car.
 - b. Three (3) to four (4) travelers - mid-size car.
 - c. Five (5) or more travelers - van.

M. OTHER TRAVEL

- a. Gratuitous Travel: Proposed payment by a third party of any meals, lodging or other expenses related to official travel for any individual (excepting members of City Council), regardless of whether they fall under the financial disclosures law or not, must have prior approval by the City Manager, or designee. Proposed payment by a third party of any meals, lodging or other expenses related to official travel for any individual who falls under the financial disclosures law must be in accordance with the F.S. §§112.3148, 112.313 (2) and (4). Payment for gratuitous travel must be paid to the City directly by the 3rd party.

- b. Vendor Travel: Vendors requesting travel reimbursement will be reimbursed for actual costs up to the travel policy thresholds. Vendor travel reimbursement must be negotiated and an itemized written estimate of the travel expenses must be presented to the Finance Director or designee prior to the travel.
- c. Traveler Dependents: The City shall not process any advance payments for or authorizations of the payment of any expenses incurred by spouses, relatives, or dependents who accompany public officers or employees on official travel.
- d. Entertainment: Any expenses incurred by an individual on official travel related to entertainment (such as recreation activities, hospitality suites, etc.) are not authorized and shall not be reimbursed by the City.
- e. Emergency Travel: During official travel, in the event of an emergency or out of the ordinary situation occurs which requires the traveler to extend his/her travel and /or change his/her travel plans, the following procedures should be followed:
 - 1) Telephone or e-mail his/her Department Director, explain the situation, and request whatever additional travel approval is necessary, based on the situation.
 - 2) The Department Director shall inform the City Manager or designee of any travel under “emergency travel” in writing, explaining the situation, what emergency travel expenses are necessary and why, and stating whether such emergency expenses are approved by the Department Director. A copy of the written justification shall be attached to the Travel Expense Report.
 - 3) If the traveler has use of a City’s purchasing card and is authorized for travel, the emergency expenses may be taken care of with the purchasing card.
 - 4) If the traveler does not have the use of a City’s purchasing card, the traveler may be required to use his or her own personal credit card. Upon return, a Travel Expense Report should be filled out, all receipts attached and reimbursement will be made in accordance with whatever expenses have been authorized.
 - 5) Each situation will be evaluated on a case-by-case basis. The Finance Department will assist the traveler in any way possible.
 - 6) Emergency situations are defined as those situations requiring unbudgeted hotel nights, meals, tolls, etc., as a result of an act of nature, act of war/terrorism or other unforeseen event out of the control of the traveler.
- f. Compliance: The Finance Director or designee will determine the compliance of any variances from the policy and procedures and have full approval authority.

RESERVATION OF AUTHORITY

The authority to issue and/or revise this Administrative Procedure is reserved for the City Manager.

(FOM) Revised December 2023

Adopted October, 2010

Approved by: _____ Date _____
Stockton Whitten
City Manager

21.7 Donation Policy

Adopted by City Council 06/12/2012, Resolution #2012-054

It is the intent of this section to establish the method by which the City of Cocoa will identify eligible projects that could receive in-kind or monetary donations (grants) from the City. The establishment of this policy does not mean that City donations will be mandatory or available each fiscal year. To the contrary, it is intended to establish a procedure by which donations could occur but will always be dependent on the availability of City funds and whether the City Council finds that the donation serves a municipal purpose.

1) **Criteria for Eligibility:**

Cocoa City Charter *Article III. City Council and Mayor, Section 4. Limitations on Powers of City Council, (a) Charitable contributions* states that “The city shall not expend municipal funds for the purpose of making a monetary contribution to private persons or private entities solely for the purpose of making a charitable contribution to such private persons or private entities.” It goes on to state that “...this provision shall not be construed to limit the city’s power and authority to expend municipal funds for a municipal purpose where such expenditure has the accompanying effect of benefiting private charitable organizations...”

In accordance with the City Charter, there must be a “municipal purpose” in order to be eligible to receive donation. It is the intent of this policy to establish the criteria that will insure that donations meet the “municipal purpose” provision. The minimum criteria for consideration of an in-kind or monetary donation by the City shall be as follows:

- a) **Eligible Organization:** An organization is considered eligible to apply if the following are met:
 - Organization is in good standing and licensed to do business in Florida;
 - Provides a service beneficial to the citizens of the City of Cocoa;
 - Does not receive funding from any other City source, e.g. CDBG funds, CRA funds;
 - Has not already been awarded funding by the City or a City source within the same fiscal year;
 - Organization has not violated terms of previous fiscal year awards;
 - Organization does not have any past due fees and taxes owed to the City.

- b) **Application Process:** Each organization must submit a written application to the City Clerk’s Office that includes, but is not limited to:
 - Application that designates the contact person for the administration of funds and what the applicant believes to be the municipal purpose;
 - Use of Funds Schedule specifying how the requested monetary donations will be used and estimated costs or specifies what in-kind services are being requested, time period, and estimated cost;

- Materials Purchases Schedule for purchase of specific item(s) that will be purchased with the monetary donations;
- “After Action Report” submitted to the City no later than 30 days following the completion of the event/program/activity outlining how the funds were utilized and including documentation such as copies of cancelled checks, purchase invoices, sales receipts (if applicable) that support the funded project;
- When in-kind donations (e.g. City staff time) are provided, timesheets will be used to verify the actual donation. If it exceeds the maximum amount previously approved, the organization may be billed for the overage.
- Application form should be approved by the City Attorney and should require, at a minimum, the applicant to properly expend or use the donation for the expressed purpose as approved in the application if the donation is approved by City Council.

Funds donated by the City are to be used for the sole purpose delineated in the submitted application unless unforeseen circumstances arise which affect the use of donated funds (e.g. natural or man-made disaster). The organization will be responsible for reporting any changes to the application to the City Clerk as soon as possible, and the City Clerk will report said change to the City Manager. If the monetary donation was for a special event and the event is canceled due to events outside of the organization’s control such as inclement weather and the event cannot be rescheduled, the City Manager will have the discretion to request the reimbursement of City funds if the organization’s justification for the change is not reasonable. If the City’s donation was for in-kind staff time and the event is re-scheduled, the organization will have to coordinate with staff and the donation may not be possible due to the change in date.

Failure to adhere to the above requirements will result in denial of future application requests and possible forfeiture of funds already committed. The applications forms and instructions are included in Appendix A.

2) Criteria for Donations:

In order to provide assistance to organizations while still maintaining budgetary constraints, the City establishes a cap per fiscal year. If financially feasible, a maximum of \$15,000 will be budgeted each fiscal year within the City Council’s budget. Even if budgeted, the City Council shall have the right to reallocate the budgeted appropriation for some other purpose(s). The maximum donation per organization per fiscal year is \$1000, although donations may be smaller. Donation requests will be processed in the order that they are received. All requests are considered officially received by the City when the City Clerk’s office receives them and date stamps the application as received.

Whether direct monetary donations or in-kind services, the funds will be distributed as follows:

- \$3,000 will be available city-wide;
- \$3,000 of funding will be available in each of the four Council districts.
- If the allotment is less than \$15,000, each member of City Council will have 1/5 of funding available.

The above split reflects the representation of Cocoa's City Council...At-Large Mayor and four City Council districts.

In addition, the distribution of funds across City Council districts is to encourage activities/community involvement throughout the City of Cocoa. However, City Councilmembers may support activities that are outside of the district they represent.

The determination of whether the funds would come from a district or citywide allocation will be made during the application process depending on the location of the activity, those serves, and/or the member of City Council supporting the application. In accordance with the City's Financial Operations Manual, any funds not committed within a fiscal year will not be carried forward to the next fiscal year.

The City's fiscal year begins October 1st and elections are in November. There will be times (leaving office due to term limits, choosing not to run for re-election, or running for re-election) when there will be a new member of City Council within the first two months of the fiscal year. In these instances, the member of City Council will be limited to one-third of funds allotted to that City Council member. The purpose of this is to ensure that funds remain for projects the new City Council member would like to support.

Funds provided by the City are not intended to be used for cash scholarships, sub-grants, or sub-awards. They are to be used by the applying organization. To clarify, however, membership scholarships for needy children, such as Little League, would be eligible. In-kind services from the City that may be requested include, but are not limited to, the following:

- Personnel time (police, fire, public works personnel);
- Waiver of fees for permits, banners, rental of facilities;
- Use of City equipment.

Whether the donation is monetary or in-kind, the maximum donation is \$1,000. If the donation is in-kind, upon City Council approval the requested funds will be transferred to the appropriate account to cover the costs of the donation.

3) Approval Process:

As of the initial date of adoption of this policy, the City Manager, through his/her designee, the City Clerk, will handle the processing of requests for any monetary contributions or donation. Each applicant must submit a Donation Application Request with all attachments directly to the City Clerk's Office. All requests submitted directly to the City Council will not be considered for eligibility but will be referred to the City Clerk's Office for an application.

Requests for a monetary contribution for a special event must be submitted to the City Clerk's Office a minimum of 60 days prior to the date of the event. The Donation Application Request does not eliminate the need to complete a Special Events application. The City's Special Events application is required for planning and coordinating purposes, not donations.

Donation Application Request forms will be processed as they are received, but submission of any application does not ensure funding. Applications will be reviewed internally by an employee of the City Clerk's Office, the Finance Department, and the Finance Administration Division. Those applications that meet the minimum criteria will be submitted to the City Attorney to insure that the contribution request is consistent with the City Charter and applicable law. Requests that meet **ALL** minimum criteria will be forwarded to the City Manager for final review and then to the City City Council for action at its next regularly scheduled meeting. The City Council shall have the sole and absolute discretion to approve or deny any donation request. An applicant whose application does not meet the required criteria will be notified in writing that the request will not be forwarded to the City Council for further action. That decision is final.

INDEX

A

Abandonment, 56, 129
Account Groups, 14
Accounting Adjustments, 16, 58, 67, 68
Accrual Basis, 9, 15
Agenda, **49, 51, 57, 68, 70, 88, 90, 97, 101, 104**
Arbitrage, 149, 150
Assets, 9, 10, 12, 13, 14, 15, 17, 24, 35, 37, 49, 74, 125,
127, 133, 134, 135, 136, 137, 138, 139, 140, 158, 159,
161, 163, 173, 175, 178, 180, 181
Assigned Fund Balance, 159, 160
Audit, **17**, 49, 51, 164

B

Balance Sheet, 14, 16, 18, 23
Betterments, Additions, and Renewals, 127, 128
Bid Modification, 96
Brevard County Home Program, 12
Budget Amendment, 57, 68
Budget Change Form, **69, 70, 71**
Budget Preparation Guidelines, **59**
Budget Preparation Mistakes, **67**
Budget Transfer, 68

C

CAFR, 135, 137, 138, 160
Calendar, 28, 32, 47, 52, 58, 60, 61, 75, 145
Capital Asset Transfer/Disposal Form, 130, 140
Capital Asset/Non CIP Capital Project Request Forms,
66
Capital Assets, 35, 127, 133, 139, 140
Capital Improvement Element (CIE), **73**
Capital Improvement Program, 73, 74, 140
Capital Replacement Reserve, 62, 160
Capitalization Thresholds, 134
CCNA, **102**
Change Order, 84, 87, 91
Chart of Accounts, **11**
CIP Mistakes, **77**
City Manager's Purchasing Authority, 50, 55, 57, 68, 83,
89, 90, 97, 102
Cocoa Redevelopment Agency, 12
Committed Fund Balance, 158, 159, 160
Community Development Block Grant, 12, 52
Community Redevelopment Agency, 13
Competitive Bidding, **80, 82, 83, 87, 99, 104, 105, 145,**
151, 166
Component Unit Funds, 13
Comprehensive Annual Financial Report (CAFR), 135
Confirmation Purchase Order, **93, 94, 106, 123**
Construction in Progress, 134
Construction Projects, 83, 91, 96, 140
Consultant's Competitive Negotiation Act, 99
Continuing Service Agreement, 102, 103

Controlled Property, 127, 128
Cooperative Purchases, 83
Cooperative purchasing agreements, **104, 115**
CRA Budgets or Amendments, 60

D

Debt Service Fund, 12
Depreciation, 10, 137, 139
Destruction or Disposal by Abandonment, 130
Diamond Square Community Redevelopment Agency,
13
Discretely Presented Component Units, 13
Donation, 129, 130, 139

E

Easements, 133
Emergency, 83, 84, 89, 94, 99, 101, 106, 107, 123, 146,
161
Emergency Purchase, 106
Enterprise Fund, 9, 10, 12, 13, 14, 39, 138
Equity, 14, 15, 139, 159
Exceptions to Competitive Sealed Bidding, 83, 94
Expenditure, 9, 11, 15, 22, 39, 41, 50, 51, 52, 55, 56, 58,
59, 62, 63, 65, 66, 67, 68, 70, 71, 73, 76, 77, 89, 90,
93, 125, 128, 133, 134, 140, 141, 151, 152, 158, 160,
161, 165, 166
Expense, 9, 13, 15, 16, 63, 111, 112, 113, 139, 140, 160

F

Fiduciary Funds, 13
Formal Protest Procedures, 97
Fund Balance, 9, 158, 159, 161
Funds, 9, 10, 11, 12, 13, 14, 15, 21, 22, 23, 24, 51, 52,
56, 57, 60, 62, 64, 67, 68, 69, 70, 71, 75, 76, 77, 81,
88, 89, 118, 125, 128, 135, 137, 144, 145, 146, 150,
151, 153, 155, 158, 159, 160, 161, 162, 163, 164, 165,
166, 167, 168, 169, 170, 171, 172, 173, 174, 177, 178,
179, 180, 181

G

General Fund, 11, 55, 62, 159, 160
Governmental Funds, 9, 11, 14, 15, 18, 137, 158, 159
Government-Wide, 10, 13
Grant Application, 51
Grants Committee, 49, 50

H

Health Insurance Reserve, 62, 160
HUD, 12, 178

I

Improvements, 133
Improvements Other than Buildings, 135, 138
Infrastructure, 36, 39, 135, 137, 139
Insuring Equipment, 37
Intangible, 133, 135
Internal Service Fund, 10, 12, 13, 161
Inventory, *15, 35, 37, 123, 129, 131, 134, 135, 140, 177*
Invitation for Bids, 95

J

Joint Bidding, *115, 116*
Journal Entry, 15, 40, 68
Justice Assistance Grant (JAG), 51, 52

L

Large Purchases, 94
Leasehold Improvements, 135, 138
Letter of Transmittal, 18
Level of Authority, 7
Liability, 9, 15, 107, 108, 113, 117, 121
Limitation on Use of Purchasing Cards, 121
Limitations on Indebtedness, 144
Local Preference Policy, 99

M

Management Discussion and Analysis (MD&A), 18
Manual Check, 31, 45
Maturity Limitations, 167, 168, 170, 171, 172
Modified Accrual, 9
Month End, 16, 17, 23, 46, 47
Multi-Year Contract, 89

N

Non-Spendable Fund Balance, 158

O

Object Classification, *11, 57, 58, 68, 69, 70*
Obsolete, 129, 130

P

Payroll Administration, 41
Personnel Requisition Form, *63*
Petty Cash, 22, 23
Police Confiscated Fund, 12
Police Special Education Fund, 12
Prohibited Uses of Purchasing Cards, 122
Project Accounting, 39, 40, 67
Project Transfers/Amendments, *67, 69*
Proprietary Fund, 9, 10, 12, 14, 15, 104, 135, 137
Public Auction, 129, 130
Purchases Less than \$25,000, 82, 93
Purchases of \$25,000 or More, 79, 82, 94, 95, 109, 128

Purchasing Card, *117, 118, 119, 120, 125, 126*

Q

Quarter End Processing, 47

R

Rebate Program, 118
Reclassification, 16, 17, 68
Repair and Maintenance, 69, 133
Request for Proposal (RFP), 79, 95, *96, 97, 99, 100, 148, 149*
Request for Quotation (RFQ), 94, *96, 97*
Reserves, 14, 62, 75, 160, 161
Restricted Fund Balance, 158, 159, 160
Revenue, 9, 11, 12, 39, 55, 56, 60, 62, 64, 67, 68, 71, 75, 76, 139, 144, 145, 146, 150, 151, 152, 158, 160, 161, 171

S

Salvage Value, 134
Scrap, 129, 130
Sensitive Items, 127
Small Purchases, *93, 101*
Software, 16, 17, 36, 43, 62, 64, 133, 138, 139, 153
Sole Source Negotiations, 104
Source Selection, 79, 93
Special Revenue Fund, 11
Stabilization Reserve, 62, 160
State Housing Initiatives Partnership (SHIP), 11
State Revolving Fund Loans (SRF), 74, 146
Statement of Revenue and Expenditures (Expenses), 15
Surplus Property, 128, 129, 130, 131
Sweeps, 70

T

Tangible, 35, 136, 150
The US 1 Corridor Community Redevelopment Agency, 13
Thresholds, 35, 66, 127, 133

U

Unassigned Fund Balance, 159, 160, 161
Unrestricted Fund Balance, 159, 160
Useful Life, 35, 36, 73, 74, 127, 128, 133, 134, 135, 136, 137, 138, 139, 147, 151

V

Vendor Insurance Requirements, 107
Verbal Quotations, *93, 94*

W

W2 Form, 47

W3 Form, 47, 48
Waiver of Competitive Bidding Process, **104**
Wire Transfers, 29
Written Quotations, 82, 93, **94**

Z

Zero Balance Accounts (ZBA), 23

Y

Year-End, 9, 17, 33