

City of Treasure Island

Financial Policies Manual

December 2004

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City of Treasure Island Financial Policies

Introduction

In order to provide guidance to the City Staff in handling the financial matters of the City, this set of financial policies has been promulgated and adopted by the City Commission. Where noted, these policies have been supplemented by detailed procedures contained in the Finance department's procedures manual. The City Commission may approve changes to these policies, by resolution.

Audit and Financial Reporting

The City's financial records are required to be audited by an independent auditor each year. To monitor compliance with this requirement, there will be an Audit Committee. The members of the Audit Committee will be the City Manager, the Finance Director and one City Commission member as appointed by the City Commission. At a minimum, the Audit Committee will meet with the auditors before the audit commences and again after the auditors have released their audited balances but before the actual financial report is prepared. The Audit Committee was established by Resolution 99-42.

The Finance Director will work directly with the auditors to set the work schedule. Once the auditors have released their audited figures, and the Audit Committee has met, the Finance Director will prepare the City's Comprehensive Annual Financial Report (CAFR). The Finance Director will work directly with the auditors to schedule review of all CAFR drafts.

The City Commission must accept the CAFR by the passage of a resolution. The Commission should accept the CAFR before any newly elected Commissioners take office.

Banking

The City should review its banking practices and relationships from time to time (about every five years). The review may be a formal request for proposal (RFP) or may be some more informal type of review, as determined by the City Manager.

Budgeting

Detailed procedures are in the Finance Department's procedures manual and in the annual budget manual.

The City's budget is prepared in four stages:

Department Request During April, each department head prepares their budget request for submittal to the City Manager.

Manager Recommendation During May and June, the City Manager reviews each department's request and, after meeting with the department head, makes changes he/she deems appropriate. The City Manager's recommended budget is presented to the City Commission, in June, for their review.

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The City Manager's recommended budget must include a budget message, a five-year capital program, and proposed expenditures for current operations detailed by department and the method of financing such expenditures.

Commission Proposal After reviewing the City Manager's recommended budget during July and August, a *Commission Proposed* budget is prepared for use during public hearings in September.

Final Budget The City Commission will adopt, by ordinance, a *Final Budget*. The procedures used to set the City's millage rate and adopt the budget will follow the Truth in Millage (TRIM) rules established by the Florida Department of Revenue. The Finance Director is responsible to see that these procedures are followed and file the necessary documents with the Department of Revenue to certify the City's compliance with TRIM.

Cash Receipts/Deposits

The Finance department processes all funds received by the City. Funds may be received either directly (i.e. cash, check, or if approved separately, credit/debit card) or via electronic funds transfer (EFT). Funds received directly will be entered into the City's cash receipts system to begin the audit trail. Funds received by EFT must be entered directly to the general ledger.

The Finance department is responsible for depositing all City funds and preparing account reconciliations. Reconciliations will be prepared monthly and filed with the bank statements.

Debt

Refer to the City Charter Section 4.10 (b):

Section 4.10 (b) (1) covers the City's total debt limit:

The outstanding debt of the City, excluding debt directly related to the Treasure Island Causeway, shall not exceed three and one-half (3 ½) percent of the City's annual assessed valuation of the total taxable property with the City of Treasure Island. No single project shall be approved for debt financing by the City Commission without an affirmative vote of the electors of the municipality, if the cost of said project shall exceed fifteen (15) percent of the three and one-half (3 ½) percent debt limitation set out above.

Section 4.10 (b) (2) covers the City's annual debt service limit:

The total annual debt service of the City, including required reserves but excluding all debt service revenue relating directly to the Treasure Island Causeway, shall never exceed twenty (20) percent of the annual total revenue of the City from all sources excluding Causeway revenues and federal and state revenue sharing funds.

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The issuance of debt is a process that has many legal, policy and procedural implications. Both the State of Florida and the Federal government have many laws and rules covering the issuance of debt. In the past, the City has not been a large issuer of debt. However, for all debt issued, the City must follow all regulations plus the recommended and accepted practices of the GFOA and any other authoritative guidance available.

Fixed Assets

Detailed fixed asset accounting procedures are kept in the Finance department's procedures manual.

The term fixed assets, or capital items, typically is used to refer to land, buildings, equipment, and improvements other than buildings acquired by a government for use in the provision of goods or services to citizens. In general, a fixed asset is defined as an individual item that has an estimated useful life of at least five years and with a value of \$5,000 or more. (*GFOA Recommended Practice, Fall 2000*)

Any fixed asset or equipment disposal with a residual value of \$5,000 must be authorized by City Commission resolution. This requirement does not include fixed asset or equipment *replacements*; such as the disposal of a police vehicle that is being replaced with a new vehicle or the disposal of computer equipment that is being replaced.

The accounting and financial reporting procedures used for fixed assets will conform to current generally accepted accounting principals.

Fund Balance

This policy addresses the proper amount of fund balance that should be carried in the general fund. By definition, fund balance is the excess of a fund's assets over its liabilities. Since the general fund accounts mostly for items that are "current" in nature, its fund balance is a close equivalent to the amount of cash reserves in the fund.

There is no "universal" rule or guideline as to how much fund balance a city should carry. The primary purpose of carrying a fund balance is to allow for emergency or unexpected items and, therefore, to decrease the likelihood of the city having to enter the short term debt market to raise cash to pay for current operating expenditures. Because the City of Treasure Island has other funds besides the general fund that it can borrow cash from, the general fund does not need to carry a large fund balance.

The amount of fund balance is expressed as a percentage of the budget. The City's policy is to carry a minimum fifteen percent (15%) fund balance with a maximum of twenty-five percent (25%).

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The City Commission, via Resolution 03-71, has established a minimum fund balance for the Beach Improvement Fund at \$500,000.

Investments

The City's investment policy is attached to, and made a part of these financial policies, as attachment A.

Organization Chart – An organization chart for the Finance Department is attached, as attachment B.

Payroll

The City processes its payroll weekly. Detailed procedures are in the Finance department's procedures manual.

The following is a summary of the procedures:

Department Different departments may have different timekeeping procedures. Some may use a time clock while others may use a logbook. All time information is submitted to the Personnel department on a standardized time sheet. This time sheet will include all hours worked and any leave time used. The department head or his/her designee must sign the time sheet. Use of leave time requires a separate, approved *Personnel Action Form*. If not submitted before, the *PAF* must be submitted with the time sheet.

Personnel Department After review by the Personnel department, the time sheets will be approved by the City Manager. Time information will then be entered. After all time information has been entered, it will be checked against an edit report. The time sheets and edit report will be passed to the Finance department for further processing

Finance Department The Finance department will check the time sheets against the edit report. Once this review is completed, and the Personnel department confirms that no other entries are necessary, the Finance department will proceed with check printing, direct deposit transmissions and all other items necessary to properly pay employees and the associated liabilities. The Finance department is also responsible for completing and filing any reports required by the state or federal government.

Payroll checks are distributed on Thursday after 2:00pm. Direct deposit is available on Friday morning.

Purchasing and Vendor Payments

Detailed purchasing and vendor payment procedures are in the Finance department's procedures manual and has been adopted separately by the City Commission (with Ordinance #99-04) and are attached as attachment C.

The City's purchasing policy is broken into levels. Levels 1 and 2 allow the department head to approve purchases not exceeding \$4,000 if there are budgeted and available funds. Level 3 allows the City Manager to approve purchases not exceeding \$8,000 after soliciting a minimum of three quotes. All purchases exceeding \$8,000 must be approved by Commission resolution after going to bid, "piggybacking" on another entity's bid, or using the State of Florida Contract Schedule.

Regardless of the level of authority used, all purchase orders and check requests must be approved following the City Manager's memo (attached) regarding approval requirements.

The City makes vendor payments three times each month – on the 10th, 20th and last day of the month. Once checks are prepared but before they are signed or mailed, the Senior Finance Assistant or Finance Director will review each check's documentation to verify that all documents and approvals are in order.

Record Retention

The Finance department will follow the City Clerk's instructions as to ultimate record retention. For operational purposes, the following guidelines will be followed:

Accounts Payable Records - Keep current year plus 1 year prior in Finance department then pass to City Clerk's office.

Bank Statements/Cash Reconciliations – Keep minimum five years in Finance department after which they can be passed to the City Clerk's office.

Budgets

Workpapers – Keep minimum five years in Finance department after which they can be passed to the City Clerk's office.

Finished Documents – Keep in Finance department indefinitely.

Cancelled Checks – Keep current year plus 1 year prior in Finance department then pass to City Clerk's office.

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Comprehensive Annual Financial Reports

Audit Workpapers – Keep minimum five years in Finance department after which they can be passed to the City Clerk's office.

Finished Documents – Keep in Finance department indefinitely.

Daily Cash Reports – Keep current year in Finance department until after audit then pass to City Clerk's office.

General Ledger Printouts (Annual) – Keep current year in Finance department until after audit then pass to City Clerk's office.

Paying Agent Statements, Cancelled Bond documents - Keep in Finance department for life of issue after which they can be passed to the City Clerk's office.

Payroll Records - Keep current year plus 1 year prior in Finance department then pass to City Clerk's office.

Returned Checks

All returned checks will incur a \$15 service fee. Returned checks that were submitted as payment on a utility account may require the payment of a deposit.

Utility Billing and Collections

The City bills for sewer, solid waste and the stormwater management fee every two months. Detailed procedures and explanations are included in the Finance department's procedures manual.

Following is a summary of our policies and procedures:

General Policies: By default, the City will bill the owner of record of the property. If a tenant desires to assume responsibility for an account, a deposit must be posted. Utility account deposits were established with Ordinance 97-8 and amended by Ordinance 99-3. The City will not hold the property owner responsible for any unpaid charges the tenant may incur if the tenant has properly signed up for service and the appropriate deposit was paid. Charges are assessed on all improved property regardless of current occupancy status.

Property Sales/Name & Address Changes: All change requests must be made in writing either by completing the City's form or by mailing or faxing in a written request. This is to prevent any misunderstandings between the customer and department staff.

When a property is sold, it is the responsibility of the buyer, seller or agent to notify the City of the change. Buyers must supply proof of ownership to have the deposit waived. The Finance department does not calculate a final bill, but will provide accurate billing information to the title/mortgage company when the request is submitted in writing. If any charges are not settled at the closing, it becomes the new owner's responsibility to pay the charges and then contact the title/mortgage company.

Bill Preparation: The *sewer volumetric* charge is based on the amount of water used as metered by Pinellas County Utilities (PCU). PCU will provide us with the meter readings each billing cycle. These readings will be used to calculate our *sewer volumetric* charge. Other charges do not vary from cycle to cycle and need to be changed only in the event of a City Commission approved rate change. Also during bill preparation, any account service changes must be entered. Once the billings have been calculated, they can be printed and mailed. The City's policy is to allow at least three weeks to receive payment. After that time, we will mail a "reminder" notice to all unpaid accounts, allowing an additional two weeks for payment.

Payment Collection: Our customers may pay their bill by mail, in person, or automatic bank payment. Cash payments must be entered directly into the cash receipts system before being posted to the customer account. Check payments may be batched together, posted to the customer account and then entered into the cash receipts system. Automatic bank payment receipts will be collected on the stated due date and posted to the customer account

Past Due Accounts/Discontinuance of Service: After the "reminder" notice due date has past, all remaining accounts will be reviewed for possible discontinuance of service. Unless an account has been on the immediately preceding billing cycle's discontinuance list, the City will allow an account to go two cycles before placing it on the discontinuance list. All accounts placed on the discontinuance list will be mailed a letter advising of the possible discontinuance and deposit required, if applicable and will be given ten (10) days to pay the account in full. Checks will not be accepted for payment. After the ten (10) days have past, a revised discontinuance list will be provided to PCU so that they may schedule the discontinuances. A department employee will accompany PCU. To restore service, the customer will be required to pay the full balance on the account plus the applicable discontinuance fee. Checks will not be accepted for payment. Accounts not paid within forty-eight hours will be referred to Code Enforcement for further action. The City may ultimately file a lien for any unpaid amounts.