

RESOLUTION NUMBER 24-127

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FORT MYERS BEACH, FLORIDA, AUTHORIZING THE ADOPTION OF FINANCIAL POLICIES; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Florida Statutes provide that municipalities shall have the governmental, corporate, and proprietary powers to enable them to conduct municipal government, perform municipal functions, and render municipal service, and exercise any power for municipal purposes, except when expressly prohibited by law; and

WHEREAS, Article X of the Town Charter of the Town of Fort Myers Beach ("Town") empowers the Town to adopt, amend, or repeal such ordinances and resolutions as may be required for the proper governing of the Town; and

WHEREAS, it is in the best interest of the Town to establish and maintain a strong internal financial control environment through the adoption and implementation of financial policies in accordance with Generally Accepted Accounting Principles, the Government Accounting Standards Board, Uniform Grant Guidance, state and federal regulatory requirements, and best practices advocated by the Government Finance Officers Association.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN OF FORT MYERS BEACH, AS FOLLOWS:

Section 1. The above recitals are true and correct and are hereby incorporated by reference as though fully set forth herein and are hereby adopted as the legislative and administrative findings of the Town Council.

Section 2. That the Town Council hereby authorizes the adoption of the following financial policies to be implemented by the Finance Director:

- Exhibit A: Emergency Financial Plan
- Exhibit B: Grant Financial Management Policy
- Exhibit C: Duplication of Benefits Policy
- Exhibit D: Accounting Policy

Section 3. This resolution shall take effect immediately upon its adoption by the Town Council of the Town of Fort Myers Beach.

The foregoing Resolution was adopted by the Town Council upon a motion by Council Member King and seconded by Council Member Woodson, and upon being put to a vote, the result was as follows:

Dan Allers, Mayor	Aye
Jim Atterholt, Vice Mayor	Aye
Karen Woodson, Council Member	Aye
Scott Safford, Council Member	Aye
John R. King, Council Member	Aye

ADOPTED this 17th day of June 2024 by the Town Council of the Town of Fort Myers Beach, Florida.

TOWN OF FORT MYERS BEACH


Dan Allers (Jun 20, 2024 15:01 EDT)

Dan Allers, Mayor

ATTEST:



Amy Baker, Town Clerk

**APPROVED AS TO FORM AND LEGAL SUFFICIENCY FOR THE USE
AND RELIANCE OF THE TOWN OF FORT MYERS BEACH ONLY:**


Nancy Stuparich (Jun 20, 2024 16:51 EDT)

Vose Law Firm, Town Attorneys

This Resolution was filed in the Office of the Town Clerk on this 20th day June 2024.

Exhibit A

Emergency Financial Plan

Introduction

Effective disaster financial management requires strong project and portfolio management skills. It involves defining and executing the steps necessary to meet the Town's recovery vision and goals, while balancing competing demands of scope, time, cost, quality, resources, and risks.

An emergency financial plan shall include a calculation of the costs of the natural disaster event and a determination of the financial resources available to the Town. If insufficient funds are available to fund the costs of the disaster event, the emergency financial plan shall identify strategies to close the gap between the disaster event costs and the Town's financial capacity, including use of reserves, reprioritizing annual budget, and borrowing.

Disaster financial management entails accurately managing the complex disaster budget to ensure all bills are paid; releasing funding according to schedule; tracking and reporting expenditures to inform the project sponsor on the use of finances; performing financial analysis; and maintaining accurate financial records in preparation for audits.

The Emergency Financial Plan complements the Town's Comprehensive Emergency Management Plan by expanding upon the financial management aspect of the Town's emergency response to a disaster. The recovery plan developed shall be in alignment with the Town's strategic plan and any previously developed recovery plans still in effect.

Emergency Financial Management Team

Effective disaster financial management requires the coordination and collaboration of a team of key members of the Town's financial and operational leadership. The team assists with budgeting, forecasting, cash flow management, debt monitoring, payroll, risk avoidance, disaster assessment, expense reimbursement pertaining to damage, emergency protective measures, debris management, timely tracking and reporting of costs and long-term disaster recovery project planning and funding streams.

The Town's disaster financial management team shall consist of the Town Manager and all directors, as well as any additional members deemed necessary by the Town Manager.

Project Management

From a project management perspective, effective disaster financial management involves the following process steps and related benefits:

- *Initiate*: Ensure proper financial policies, procedures and systems are in place and that staff have been trained in proper recording, submission, and/or reporting of awarded finances.
Benefit: Increases the ability to detect and deter fraud, waste, and abuse.

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- *Plan*: Identify existing resources and capability gaps for threats and hazards and the available financial resources to fill those gaps.
Benefit: Improves the Town's ability to project disaster financial needs and influence the budget.
- *Execute*: Effectively and promptly allocate funds among disaster project activities.
Benefit: Ensures that adequate monetary resources are available for the Town to complete its recovery mission.
- *Monitor and Control*: Monitor and track the status of recovery financial resources against stringent requirements to ensure that resources are used accurately and judiciously.
Benefit: Supports achievement of the program's desired return on investment.
- *Close*: Close out the project by concluding procurements, archiving documents, and participating in audits.
Benefit: When properly conducted, eases the burden of the audit process.

Portfolio Management

A portfolio is a group of projects or programs. A centralized manager or management function identifies, prioritizes, and authorizes the projects or programs to achieve strategic objectives. Portfolio management is critical for the Town to achieve its recovery vision and goals and manage its funding from various programs, each with different activating mechanisms, cost-sharing requirements, eligibility requirements, timelines and reporting requirements. Sound portfolio management skills are necessary to ensure the best use of funds and to avoid audit findings.

Coordination of Multiple Funding Sources

To effectively identify, apply for and manage the portfolio of programs needed after a disaster, the Town shall seek to identify and understand the variety of disaster assistance programs available, their scope and how they work together to address recovery needs. The Town also needs to establish mechanisms to effectively integrate these programs, as well as any insurance cost recovery, into a comprehensive solution. Integration will help the Town effectively coordinate multiple funding sources on the same project and the relevant tools that support the effort.

Procurement

The Town must comply with Federal procurement grant and sub-awarding regulations, specifically 2 CFR Part 200.300-.332, as well as all applicable local, state, tribal and territorial requirements, on all disasters. Since Federal rules are specific, the Town shall pay close attention to procurement practices pre-disaster to be positioned for post-disaster procurement activities. A best practice is to identify the most restrictive rule

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(which could be Federal or at the state, local or tribal level). Following the most restrictive rules can help ensure compliance with the less restrictive ones.

Important procurement and contracting regulations from 2 CFR Part 200 include:

- Maintain records to sufficiently detail the history of the procurement. These records are to include, but are not necessarily limited to, the rationale for the method of procurement, selection of contract type, contractor selection or rejection, basis for the contract price, the contract document and any contract modifications with signatures of all parties, and any authorizations required by Town Council.
- Transact all procurements in a manner providing full and open competition.
- Perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold.
- Use time-and-materials-type contracts only after determining that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. These may only be used for a limited time, and the Town must switch to a more suitable contract type once the scope is defined.
- Take affirmative steps regarding the solicitation from and use of small and minority businesses, women's business enterprises and labor surplus area firms.
- Maintain oversight to ensure contractors perform according to the terms, conditions and specifications of their contracts or purchase orders.
- Maintain written standards of conduct covering conflicts of interest and governing the performance of employees who select, award and administer contracts.
- Give subrecipients (if any) adequate guidance and grant management instructions.

Pre-Disaster Activities

The Town shall perform the following activities as often as necessary to maintain disaster financial management readiness:

- Review and codify emergency fiscal policies and procedures in ordinances.
- Form a disaster financial management team. Establish relationships and document financial management roles and responsibilities. Complete documentation and training for all recovery support function roles and responsibilities.
- Seek to acquire Environmental and Historic Preservation (EHP) expertise through mutual aid or by contract to be able to complete highly technical EHP reviews, assessments, and planning considerations before applying for grants. May be able to leverage single EHP review process for multiple funding programs.
- Complete and maintain a FEMA approved Hazard Mitigation Plan. This is required to be eligible for FEMA's HMGP (Hazard Mitigation Grant Program) and for permanent work under FEMA's cat C-G.
- Review and follow Grant Management Practices that comply with 2 CFR 200.

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- Maintain accounting standards and practices that comply with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB), and which are documented by a yearly audit.
- Establish, document, and review financial management policies, procedures and account lines. Financial policies and procedures for non-disaster projects shall have the same requirements as disaster response and recovery projects to promote consistency and familiarity.
- Develop and maintain a disaster financial management toolkit with relevant policies, procedures, forms, and tools, readily available and easily accessible by those who will need them.
- Implement emergency contracting mechanisms and contracts. Pre-existing and pre-qualified contracts with vendors for goods and services expedite response and recovery. Pre-existing contracts also ease the cost reimbursement process by ensuring Federal compliance prior to performance execution. It is essential to follow the Town's procurement policies and the procurement regulations in 2 CFR §§ 200.317-.326 when establishing pre-existing contracts, as well as when executing them during an event. Pre-existing contracts must follow the Federal procurement rules at 2 CFR §§ 200.317-.326 and applicable local, tribal, and state requirements. Properly procured pre-event contracts must adhere to all applicable performance, pricing, and process standards. Contracts implemented through grants must adhere to the standards required by the grants.
- Research compliant, non-Federal cooperative purchasing ventures and GSA for the best options to quickly procure goods and services after a disaster.
- Consider enrolling in the GSA purchasing program to quickly procure or purchase federally approved goods and services, which helps ensure that pricing and terms are eligible for Federal disaster declaration reimbursements.
- Maintain Emergency Reserve Fund balance to enable rapid response to and recovery from a disaster. The Town shall annually reassess the fiscal impacts of threats, risks, and hazards to help identify the monetary amount needed in the reserve fund, and budget accordingly.
- Catalog disaster assistance programs and resources that are most applicable to the Town, as well as their eligibility criteria, timelines, and implementation requirements.

Initial Post Disaster Activities

Initial cost recovery starts concurrently with response operations and typically ends within weeks of an incident. For some disasters, like a hurricane, expenses can start to accumulate before the disaster strikes.

Proper organization and documentation from the start helps prevent denials, appeals and delays of funding. Processes and a database or accounting tools to log and track disaster

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response and recovery costs can rapidly provide the necessary documentation to obtain reimbursement. A centralized repository for expenses will save valuable time assembling documentation. Accuracy in documentation is also critical to avoid errors and audit findings.

Initial post-disaster activities shall include the following:

- Review pre-disaster recovery plans and identify key roles, responsibilities, systems, and processes, as well as the recovery vision, goals, and objectives. Review the pre-disaster plan in the context of the specific disaster, tailor the plan to address the recovery needs, and identify disaster-specific recovery vision and goals.
- Issue a local declaration of disaster using the existing declaration processes. Using the Town's pre-existing disaster declaration process activates the emergency powers and authorities needed for local response actions and fiscal expenditures. Any disaster cost reimbursements will require this declaration.
- Conduct a preliminary damage assessment (PDA). The preliminary damage assessment process is vital to establish disaster cost impacts. The Town shall validate and develop cost recovery actions based on these estimates.
- Activate and use disaster accounting general ledger line items and project numbers. These line items and project numbers allow the Town to track costs precisely, report them to agencies for reimbursement and conduct detailed reporting and analysis.
- Log and track time and expenses. Disaster cost reimbursement requires accurate and detailed records of the time and costs associated with response actions. Such records should include time sheets with detailed descriptions of precisely what was done, where, and with what equipment. Reimbursement for associated costs incurred for actions taken during a response or recovery requires precise and acceptable documentation.
- Activate emergency procurements and contracts as needed. Pre-existing contracts tremendously expedite response operations and can save the Town money, as terms and costs of response functions are also pre-determined. Pre-existing contracts still must follow the Federal procurement rules at 2 CFR §§ 200.317-.326 and all applicable state, local, tribal, or territorial requirements. Emergency contracts must comply with all procurement under grant regulations.
- Document all expenditures related to response and disaster impacts. The Town shall use the general ledger line items and project numbers to document every expenditure related to response and recovery. The Town must justify each expenditure and directly relate it to the incident response, as well as differentiating response costs from concurrent general operational costs.
- Document all equipment and materials used during response activities. Any reimbursements will require accurate documentation.

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- Document all damages and cost impacts. Any fiscal reimbursement requires documentation of all damages and cost impacts. The documentation will include cost and expense reports, as well as the damage cost estimation processes.
- Compile cost and expense data. To achieve certain thresholds for disaster cost reimbursements, the Town must show proof of cost and impact, which requires compiling and aggregating fiscal information.
- The Town shall reassess all emergency or exigency contracts and transition to a competitive contract once the emergency or exigency circumstance ends. Additionally, certain aspects of Federal procurement standards and other grant requirements under 2 CFR Part 200 apply even in emergencies, such as cost reasonableness and adequate documentation.

Initial Cash Flow Management

- The Town shall closely monitor the cost of the emergency response, including cost of services, supplies, equipment, additional personnel, and overtime hours, as well as any changes to the revenues and expenditures of normal operations, and compare the total to funds available in its emergency reserves.
- If the cost of the emergency response is expected to exceed the Emergency Fund Reserve, the Town shall seek financial assistance from its catalogue of disaster assistance programs and resources.
- If the Emergency Fund Reserve is depleted before financial assistance arrives, the Town may borrow from the following reserves in the order specified below for cash flow management purposes:
 - General Fund Emergency Reserve
 - General Fund Operational Reserve
 - General Fund Contingency account
 - Capital Fund Reserve
- Once financial assistance is received, the Town must repay the amounts borrowed from its other reserves mentioned above.
- The Town shall also consider temporarily scaling back non-essential operations to replenish its reserves.

Longer-Term Post-Disaster Activities

The Town shall continue good practices of disaster financial management throughout response and recovery. Many critical financial management activities must be completed during the initial recovery effort, but several activities occur later in the recovery process.

Many disaster funding programs for recovery become available months after the disaster has occurred, and more long-term funding programs for recovery can be

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implemented years into the recovery process. The Town may also see impacts to their tax receipts in the long term.

By incorporating longer-term post-disaster activities into the regular rhythm of disaster financial management, the Town will continue to reduce disaster financial management risk and improve financial practices for potential future disasters. The Town shall conduct the following activities after the initial weeks of recovery operations:

- Document use of mutual aid and volunteer recovery programs. The Town must track its mutual aid agreements and the costs associated with those response functions. This cost becomes a component of the disaster declaration process and analysis. In certain instances, properly tracked volunteer labor may also be counted as a non-Federal match for certain disaster funding programs for recovery, such as debris management.
- Engage Voluntary Organizations Active in Disaster (VOADs) in area-specific functions. VOADs in areas such as housing, infrastructure, sheltering, and mass care can often provide services in response and recovery operations, saving the Town large amounts of money.
- Consider requesting an emergency or major disaster declaration from the Governor and/or the President. This activates emergency powers/authorities for response actions and fiscal expenditures. Many disaster cost reimbursements require this declaration.
- Continue documentation processes. Detailed documentation and accounting requirements shall continue throughout response and recovery efforts.
- Determine fiscal program eligibility and application processes. Fiscal and damage impact reports and analyses are the basis for funding eligibility and grant awards. The Town must ensure that the types of disaster costs incurred, such as housing, infrastructure, or transportation, are eligible expenses for the disaster recovery program utilized.
- Identify leads for each project for reimbursement. Department heads can oversee each project being submitted for reimbursement. As appropriate, these leads shall respond to discipline-specific questions from grant providers.
- Engage legal counsel for contracts and procurement compliance. After the initial response is complete and operations are transitioning into recovery, legal counsel will advise and consult on non-emergent contractual and fiscal functions. The legal review helps ensure compliance for future fiscal reimbursements.
- Maintain positive cash flow. The Town must have adequate cash reserves to fund immediate expenditures, and adequate forecasted receipts to fund forecasted expenditures. The Town shall track the movement of fiscal resources for obligation and commitment and identify those that can be received and

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expended within a short accounting cycle, typically 30 days. If necessary, the Town shall consider delaying or eliminating expenditures of a non-essential nature in order to maintain positive cash flow. The Town may also consider redirecting or reallocating resources and/or adjusting the budget.

Annual Review

This Emergency Financial Plan shall be reviewed annually in conjunction with the Town's Comprehensive Emergency Management Plan.

The Town's Emergency Reserve shall be evaluated and adjusted if necessary as part of the Town's annual budget preparation process.

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Town of Fort Myers Beach Grant Financial Management Policy

Purpose

As a recipient of grant awards from a variety of sources for a variety of uses, the Town of Fort Myers Beach is often required to certify that its financial management system and internal control framework reasonably documents the eligible use for grant funding and minimizes risk of noncompliance by providing:

- 1) proficient financial management and accounting system documentation and controls,
- 2) full and open competitive compliant procurement,
- 3) prevention of duplication of benefits,
- 4) timely and compliant use and tracking of expenditures for approved projects,
- 5) financial and compliance reporting, and
- 6) means for detection and prevention of fraud, waste, and abuse.

The Town of Fort Myers Beach, as the subrecipient of grant funding from Lee County (the grantee), must continuously demonstrate conformity to sufficient financial management and internal control requirements specified in grant regulations, including, but not limited to 2 CFR 200. In order to facilitate such conformity, the Town of Fort Myers Beach Finance Department adopted the financial management policies of Lee County and adapted them to its organizational structure.

These financial management policies and procedures outline the financial management systems and internal control framework that enables compliant implementation, accountability, and transparency related to Federal, State, and Local requirements of grant funds. These policies and procedures address:

- Roles, Responsibilities, and General Requirements,
- Internal Controls, Cost Principles, and Cost Allocation,
- Accounting Systems and Records,
- Budget, Cash Management,
- Program Income,
- Real Property, Supplies and Equipment,
- Audits, Reporting, and
- Related Topics.

Responsible Positions, Roles, and Responsibilities

The specific grant responsibilities will be outlined in the effected relevant financial management procedures. These responsibilities may include:

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- Providing budgetary account codes management,
- Maintaining central financial inventory for grant funds,
- Processing invoices for payment,
- Cash management and check deposits,
- Requisitioning purchase orders for goods and services,
- Maintaining records for fixed asset inventory,
- Financial reporting to granting agencies,
- Monitoring department financial activity for grant compliance,
- Coordinating preparation for the annual Federal and state single audits,
- Providing on-going budget analysis and guidance, and
- Providing training and guidance to department staff on policies and procedures related to the above activities.

Position/Entity	Role	Processes
Mayor and Vice Mayor	Authorized Signatory	Check signing (checks greater than \$10,000)
Town Manager	Authorized Signatory	Check signing Contract signing Payment Request review and approval
Town Manager	Procurement Oversight	Procurement
Legislative Liaison / Deputy Clerk	Contract Manager	Contract drafting
Legislative Liaison / Deputy Clerk	Contact Person	General contact
Town Attorney	Legal Counsel	Contract review
Director of Operations and Compliance	Authorized Organization Representative	Invoice review and approval
Finance Director	Fiscal Manager	Payment Request review and approval
Finance Department under direction of Finance Director	Financial Management	Maintain accounting system; collect program income and reimbursements; process invoices, prepared payment requests; reconcile systems of record; prepare DRGR financial reports; maintain financial records; coordinate audit; manage asset inventory.
External Auditor	Single Audit	Audit by independent vendor in compliance with Single Audit requirements.

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Contact

The Finance Department is responsible for the financial management of the grant programs.

To connect with the Finance Department, please contact:

Email: GrantAdmin@fmbgov.com

Phone: 239-765-0202 X 1701

Financial Management

Financial management related to grant funding is intended to enable compliant, effective, efficient, and transparent usage and reporting of funds. The Town has adopted financial management policies and procedures to guide the incorporation of cost principles, internal controls, generally accepted accounting principles, compliant record keeping, and reporting as prescribed by 2 CFR Part 200 Subpart E and 2 CFR 200.302. The Town's accounting policies and procedures will also define the controls and accountability over all funds, property, and other assets and ensure grant funds are used solely for the authorized purposes required by 2 CFR 200.302(b)(4). Per 2 CFR 200.400(d), the policies and procedures will also sufficiently define the standards for recording the accumulation of costs to document charges to the grant award.

The implementation of these general requirements and other guiding regulations establishes a financial management system with the following objectives:

- Clear Action Plan aligned spending plans, compliant procurement processes, and adequate accounting systems to capture actual expenditure, and reporting mechanism to enable periodic and frequent analysis of finances by program, activities, and objectives.
- Transparency and clear task ownership and accountability at all levels of operation to ensure compliant financial decisions.
- Assurance that costs are reasonable, necessary, allowable, and appropriately allocated.

Internal Controls

The Town will document and incorporate into its financial management system internal controls as required by 2 CFR 200.303. The controls will include processes, procedures, and technical safeguards effected by the Board, senior leadership, and other personnel to provide reasonable assurance regarding the achievement of the objectives related to operations reporting and compliance. The internal controls must conform to the "Internal

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Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and will:

- a) Provide reasonable assurance that the Town is managing the grant award in compliance with Federal, State, and local statutes, regulations and the terms and conditions of the grant award.
- b) Comply with “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as shown in the COSO framework principles table below.
- c) Provide a means to evaluate and monitor the Town’s and its compliance with statutes, regulations and the terms and conditions of grant awards, including detection and prompt action against fraud, waste, and abuse.
- d) Define the prompt actions to be taken when instances of noncompliance are identified (including noncompliance identified in audit findings).
- e) Demonstrate reasonable measures to safeguard protected personally identifiable information and other information the awarding agency or pass-through entity designates as sensitive or the Town considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and responsibility over confidentiality.

The COSO framework for internal controls has five components—the control environment, risk assessment, control activities, information and communication, and monitoring. The following results from adequately implemented internal controls:

- Fund oversight to ensure the appropriate use of funds.
- Separation of duties including authorization, reviews, payment management, reporting, and monitoring. No single person can have the authority to authorize a transaction, execute a transaction, record a transaction, and have custody of any resulting assets. Internal controls require that multiple people with different roles review every financial transaction. Report and entry cross-checks are conducted to ensure budgets, costs, records, and reports are reconciled.
- Risk assessments, compliance reviews, and monitoring are used to provide reasonable assurances the grant award is managed in compliance with statutes, regulations, and the terms and conditions of the award.

The following COSO components and principles are integral to the Town’s financial management processes and internal controls. The Town has operationalized these internal controls through documented procedures, activities, tools, and techniques identified in the Internal Control Crosswalk or similar control management system.

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Internal Control Component	Principles
Control Environment	1. Demonstrates commitment to integrity and values. 2. Demonstrates independence and exercises oversight responsibility. 3. Establishes structure, authority, and responsibility. 4. Demonstrates commitment to attracting, developing, and retaining competent staff. 5. Enforces accountability for internal control responsibilities.
Risk Assessment	6. Specifies suitable, specific objectives. 7. Identifies and analyzes risks. 8. Assesses fraud risk. 9. Identifies and analyzes significant changes.
Control Activities	10. Selects and develops control activities that help mitigate risks. 11. Selects and develops general controls over technology. 12. Bases controls on thorough policies and procedures.
Information and Communication	13. Uses relevant, high-quality information. 14. Communicates internally to support controls. 15. Communicates externally.
Monitoring	16. Conducts ongoing and/or separate evaluations. 17. Evaluates and communicates deficiencies.

Cost Principles

The Town is responsible for compliance and ensuring the adherence to 2 CFR 200.400 Cost Principles, which assumes:

- a) responsibility for the efficient and effective administration of grant award through sound management practices;
- b) responsibility for administering grant funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the grant award;
- c) recognition of its own unique combination of staff, facilities, and experience, and will employ sound organization and management techniques necessary to administer the award properly and efficiently;
- d) cost principles are incorporated into existing internal accounting policies and practices, including accounting wherein the accumulation and documentation of costs is required;
- e) responsiveness to an approved indirect costing allowance as a reasonable and equitable treatment of facilities and administrative costs; and

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- f) earnings and profit resulting from the grant may not be kept, unless explicitly authorized by the terms and conditions of the grant award and/or subrecipient agreements. See also § 200.307.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in subpart E of 2 CFR part 200 (the Cost Principles) applicable to grantees and their subrecipients require that costs are necessary and reasonable. 2 CFR 200.402 defines the total cost of a Federal award as the sum of the allowable direct and allocable indirect costs less any applicable credits. Therefore, direct and indirect cost classifications will guide the formation of the program's estimated budgets and the assignment of program expenditures to deliver program activities. Where conflicts occur between the definitions in 2 CFR 200 and more restrictive terms of the grant agreement, the definitions of the more restrictive grant agreement shall govern. See 2 CFR 200.101.

Classification of Direct and Indirect Costs

The Town will treat each cost item for the same purpose consistently in like circumstances, either as a direct or an indirect (Facilities & Administration) cost to avoid possible double charging grant awards per 2 CFR 200.412. Direct Cost classification will be guided by 2 CFR 200.413 and indirect costs by 2 CFR 200.414. As necessary, per 2 CFR 200.416, agency cost allocation plans will inform and provide backup documentation for central service costs. The Town will provide its basis for accounting and sufficient detail to understand how it formulated their estimated project budgets and assign a cost to accounting categories.

Direct Costs Definition and Determination

Direct costs are those that can be identified specifically with a particular final cost objective, such as that of the grant award, and that can be directly assigned to activities with relative ease and with a high degree of accuracy. Per 2 CFR 200.403(a), costs incurred for the same purpose in similar circumstances must be treated consistently as direct or indirect costs. See also 200.405. Direct costs can be:

- a. Exclusively associated with a particular good or service and can be classified to a final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. See 2 CFR 200.413 and 200.405.

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- b. Identified with the grant award rather than the nature of the goods and services involved is the determining factor such as extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities, program evaluation costs, or other institutional service operations. 2 CFR 200.413(b)
- c. Identified with activities performed by the Town primarily as a service to members, clients, or the public when significant and necessary to the Town's mission. 2 CFR 200.413(f)

The typical direct budget categories will include, but are not limited to:

- Salaries and Wages and other personnel costs,
- Professional fees and services,
- Consumable supplies,
- Utilities,
- Travel,
- Rent,
- Other operating expenses, and
- Capital expenditures.

In-direct Costs Definition and Determination

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Uniform Guidance, Appendix VII to Part 200 requires that governmental entities support indirect costs allocation with a cost allocation plan or an indirect cost proposal prepared in accordance with the three standard methodologies. (See OMB Circular A87 and A122) Indirect costs should be allocated in a manner that will result in the grant program bearing its fair share of total indirect costs.

A central service cost allocation plan is required if the local government has indirect costs resulting from centralized services that will be charged to federal awards. A central service cost allocation plan, for the purposes of local governments, refers to a description of a process whereby services provided on a centralized basis (e.g., motor pools, computer centers, purchasing and accounting services) can be identified and assigned to benefited departments/agencies on a reasonable and consistent basis.

An indirect cost proposal is required if the subrecipient has indirect costs resulting from centralized services that will be charged to federal awards and other indirect costs originating in various departments/agencies carrying out federal awards. An indirect cost proposal is the documentation prepared by a subrecipient to substantiate its request for the

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establishment of an indirect cost rate. This rate, expressed in percentage terms, is applied to direct costs to determine the amount of reimbursement a grantee can obtain for indirect costs. (Attachment E of OMB Circular A-87 provides instructions on preparing indirect cost proposals. OMB Circular A-122 prescribes three methods for allocating indirect costs, from which one must be chosen.)

Note that the Town of Fort Myers Beach does not currently have an established or negotiated indirect cost rate. If the Town were to be awarded reimbursement for indirect costs, it is expected to be awarded at the standard de minimis indirect cost rate of 10%.

Budgets

The Town will use budgets as a project management and control tool. A budget is a financial plan listing by category the required goods, services, and resources and allocated funding and cost estimates needed to execute the project across a designated period. The project budget will include all necessary revenue (including grant allocations) and expense estimates (including all direct and indirect costs estimates). The budget will use the prescribed form or format presented as a chart or table showing revenues and expenditures at the most practical level. Budget reports developed from ongoing accounting should be organized to allow comparisons by accounting categories of the estimated or proposed budget, actual expenditures, budget balance, and variances.

Financial Accounting

The Town of Fort Myers Beach will account for grant funds in accordance with generally accepted accounting principles and in compliance with Florida Statute 218.33. Grant funds, revenue, and expenses will be classified and allocated using the Town's standard method of fund-based accounting. All grant financial information, including supporting procurement and other related documentation will be recorded as described in the Accounting and Bookkeeping Procedure. Financial records are subject to monitoring by the grantor, or its contractors and other concerned parties as described in the grantor's subrecipient monitoring policies.

The Town may be required by the grantor to provide a copy of its accounting policy and documentation describing its basis for accounting and its procedure for cost classification.

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Expenditure Certifications

Per 2 CFR 200.415, the Town's requests for payment, reports, and financial records under the grant funding agreements may be required to include a certification, signed by an official who is authorized to legally bind the entity. The cost allocation plan or indirect cost rate proposal must be certified and comply with 2 CFR 200.415(b). Uniform Guidance General Provisions for Selected Items of Cost will be the reference to guide considerations of allowability for selected items of cost.

Accounting Funds and Cost Classification Structure

The Town of Fort Myers Beach utilizes an abbreviated version of the Florida Uniform Accounting System account structure. Fund numbers are only two digits rather than three and object codes are only five digits rather than six. However, the Town's numbering convention for the Town's account numbers follows the Uniform Accounting System numbering system as closely as possible within those limitations. The Town's complete account number string is represented as ##.###.###.#####.###. Each position is defined below.

Account Number String Definition				
##	##	###	#####	###
Fund	Department	Function	Object	Project

Fund: The fund is represented by the first two digits. The Town currently utilizes governmental funds consisting of the general fund, special revenue funds, debt service funds and capital funds; and utilizes proprietary funds consisting of utility funds.

Department: The department is represented by a two-digit code indicating the specific unit within the Town's organizational structure.

Function: The function is represented by a three-digit code indicating the specific function associated with the revenue or expenditure.

Object: The object code is represented by a 5-digit code indicating the specific revenue, expense, asset, liability, deferred inflow, deferred outflow, fund balance or net asset balance. The first three digits of the object code generally follow the Uniform Accounting System numbering convention for the type of account, although several object codes unique to the Town have also been created.

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Project: The project number is represented by a 3-digit code indicating the specific grant or project associated with the transaction being recorded.

Allowability of Costs

The Town will evaluate the allowability of costs as guided by criteria outlined in 2 CFR 200.403, including ensuring that all costs:

- a) are necessary and reasonable for the performance of the grant award and are allocable thereto under these principles;
- b) conform to any limitations or exclusions set forth in these principles or in the grant award as to types or amounts of cost items;
- c) are consistent with policies and procedures that apply uniformly to both grant financed and other activities of the Town;
- d) are given consistent treatment; (e.g. cost may not be assigned to a grant award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the grant award as an indirect cost);
- e) are determined to be in accordance with generally accepted accounting principles (GAAP), except for state and local governments and Indian tribes only, as otherwise provided for in this part;
- f) are not included as a cost or used to meet cost-sharing or matching requirements of any other grant financed program in either the current or a prior period unless specifically allowed. (See also 2 CFR 200.306(b));
- g) are adequately documented; (see also 2 CFR 200.300 through 200.309); and
- h) are incurred during the approved budget period. At its discretion, the awarding agency is authorized to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to 2 CFR 200.308(c)(3).

Reasonable Costs

The Town will evaluate the reasonableness of costs as guided by criteria outlined in 200.404, including:

- a) whether the cost is of a type generally recognized as ordinary and necessary for the operation of the Town or the proper and efficient performance of the grant award;
- b) the restraints or requirements imposed by such factors as: sound business practices, arms-length bargaining, Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the grant award;
- c) market prices for comparable goods or services for the geographic area; and

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- d) whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the Town, its employees, where applicable its students or membership, the public at large, and the granting agency;
- e) whether the Town significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the grant award's cost.

To avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the Town may seek prior written approval or other technical assistance before special or unusual costs occur, as advised by 200.407.

Allocable Costs

The Town will evaluate the allocability of costs as guided by criteria outlined in 2 CFR 200.405. A cost is allocable to a particular grant award or other cost objective if the goods or services involved are chargeable or assignable to that grant award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- 1) Is incurred specifically for the grant award;
- 2) benefits both the grant award and other work of the Town and can be distributed in proportions that may be approximated using reasonable methods; and
- 3) Is necessary to the overall operation of the Town and is assignable in part to the grant award in accordance with the principles in this subpart.

All activities which benefit from the Town's indirect cost will receive an appropriate allocation of indirect costs.

Any cost allocable to a particular grant award under the principles provided for in this part may not be charged to other grant awards to overcome fund deficiencies, to avoid restrictions imposed by statutes, regulations, or terms and conditions of the grant awards, or for other reasons. However, this prohibition would not preclude the Town from shifting costs that are allowable under two or more grant awards in accordance with existing statutes, regulations, or the terms and conditions of the grant awards.

Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, the costs may be allocated or transferred to benefitted projects on any

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reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a grant award, the costs are assignable to the grant award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also 2 CFR 200.310 through 200.316 and 200.439.

If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

Limitation on Allowance of Cost

Some grant funds are subject to statutory requirements that limit the allowability of costs. When the maximum amount allowable under a limitation is less than the total amount expended, the amount in excess of the allowance may not be charged to the grant award. (2 CFR 200.408 Limitation on allowance of costs)

Collection of Unallowable Costs and Improper Payment

Payments made for costs determined to be unallowable by the grantor, for direct or indirect costs, must be refunded (including interest) to the grantor in accordance with the grantor's instructions unless statute or regulation directs otherwise. See 2 CFR 200.410, 2 CFR 200.428, 2 CFR 200.300 through 200.309 in subpart D of 2.CFR 200.

Financial Management System Requirements

Per 2 CFR 200.302 Financial Management, the Town will use a financial management system that enables a system of record for documenting compliance with statutes, regulations, and the terms and conditions of the grant award, sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and for tracking of funds to a level of expenditures adequate to establish that such funds have been used according to the statutes, regulations, and the terms and conditions of the grant award. The system will permit the accurate, complete, and timely disclosure of financial results in accordance with grantor reporting requirements and will minimize the time elapsed between the disbursement of funds and the receipt of funds from the grantor.

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Accounting System General Capabilities

Per 2 CFR 200.302(b), the Town will utilize an accounting system with the following capabilities:

- a) Identify and separately maintain accounts for each grant award received, and expended by unique identifiers (e.g., a project number associated with subrecipient agreement number and year) as required at 2 CFR 200.302 (b)(1).
- b) Provide accurate, current, and complete disclosure of the financial transactions of each grant award in accordance with 2 CFR 200.327 Financial reporting and 2 CFR 200.328 Monitoring and reporting program performance.
- c) Enable record keeping that adequately identifies the source and application of funds for grant-funded activities. These records must contain information pertaining to grant awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.
- d) Effective control over, and accountability for, all funds, property, and other assets. The town must adequately safeguard all assets and assure that they are used solely for authorized purposes. See 2 CFR 200.303.
- e) Allow for comparison of expenditures with budget amounts for each grant award.
- f) Well-documented procedures to effectively implement the requirements of 200.305 and 2 CFR 200 Subpart E – Cost Principles.
- g) Comply with 2 CFR 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission, and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records.

Accounting System Specific Capabilities

The Town will use an accounting system that sufficiently identifies the source and application of grant funds provided to them. The accounting system shall have the capacity to generate and manage the functions and capabilities below:

1. Chart of Accounts - this is a list of account names and the numbers assigned to each account name. The names describe the type of transactions that will be recorded in each account (e.g., an account titled “cash” denotes that only transactions affecting cash should be recorded in that account). The account number is required by most accounting software programs and is assigned to an account name to group similar types of accounts. A typical chart of accounts will generally include the following categories: assets, liabilities, net assets/fund balances, revenues, and expenses.

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2. Cash Receipts Journal - a cash receipts journal document for chronological recording the receipt of funds, including when the funds are received, the amounts, and the sources.
3. Cash Disbursements Journal - a cash disbursement journal documents, in chronological order, when an expense was incurred, for what purpose, how much was paid, and to whom it was paid.
4. Payroll Journal - a payroll journal documents payroll and payroll-related benefit expenses on salaries and benefits, including distinguishing between categories for regulatory purposes.
5. General Ledger - a general ledger summarizes, in chronological order, the activity and financial status of an organization's accounts. Information is transferred to the general ledger after it is entered into the appropriate journal. Entries transferred to the general ledger should be cross-referenced to the applicable journal to permit the tracing of any financial transaction. All journal entries must be properly approved and supported by source documentation.

The Town currently uses MIP for its accounting system but is in the process of selecting a new system. A replacement system will be selected that meets these requirements.

Documentation Management

The accounting system must manage documentation that demonstrates that grant expenditures were incurred during the effective period of the grant agreement; paid out (or properly accrued); expended on eligible items; and approved by the appropriate official(s) within the Town.

Source documentation must explain the basis of the costs incurred and the actual expenditure dates. For example, source documentation for payroll would include employment letters, authorizations for rates of pay and benefits, and time and attendance records. Source documentation on supplies would include purchase orders or purchase requisition forms, invoices from vendors, canceled checks made to vendors, information on where the supplies are stored, and the purpose for which they are being used.

The Town shall ensure that their accounting records include reliable, up-to-date information on the sources and uses of grant funds, including:

1. Amount of grant funds received;
2. Current authorization of funds;
3. Obligations of funds;

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4. Unobligated balances;
5. Assets and liabilities;
6. Program income; and
7. Actual expenditures broken down by the grant program, the year for which the funds are derived, and the activity for which the funds were used.

Accounting Records Management

To comply with 24 CFR 570.506, 24 CFR 570.490, and 24 CFR 570.502 recordkeeping requirements, the Town will be responsible for the acquisition and maintenance of recordkeeping systems. The Town will process all grant-related financial records as described in the Financial Management Recordkeeping procedure. The financial recordkeeping procedure shall clearly define:

- how financial records will be organized, stored, retrieved, and reported;
- identify the person responsible for recordkeeping and reporting; and
- the required records and formats.

Required financial records will include, but are not limited to:

- Chart of accounts,
- Accounting procedures,
- Accounting journals and ledgers,
- Source documentation (purchase orders, invoices, canceled checks),
- Procurement files (including bids, contracts, etc.),
- Real property inventory,
- Bank account records (including RLF records, if applicable),
- Draw down requests,
- Payroll records and reports,
- Financial reports,
- Audit files; and
- Relevant financial correspondence.

Record Retention, Storage, Transmission, and Access

The Town will retain financial records, supporting documents, statistical records, and all other Subrecipient records pertinent to the grant agreement for 5 (five) years after the close-out of the grant.

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The Town's Financial Management system will comply with 200.336 Methods for collecting, transmitting, and storing information. When possible, the standard for record will be in open and machine-readable formats rather than in closed formats or on paper, in accordance with applicable legislative requirements. A machine-readable format is a format in a standard computer language (not English text) that can be read automatically by a web browser or computer system.

Per 200.337 and 200.338, the Town will grant access to the appropriate grantor staff and to financial records pertinent to the grant award for monitoring and audit purposes.

Financial Reporting

The Town will use standard reporting requirements as described in the financial reporting procedures. Financial Reporting is required for the following:

- Track expenditures each month;
- Monitor expenditures of subrecipients;
- Ensure timely expenditures of funds per budget and schedule;
- Account for and manage program income;
- Reprogram funds in a timely manner for activities that are stalled; and
- Monitor project expenditures to ensure spending of all grant funds is within the grant agreement period.

Payments

The Town will pay contractors and vendors for eligible and allocable grant-related expenses per the Payment Standards outlined at 2 CFR 200.305. The Town must include accurate information in drawdown requests. Funds drawn down erroneously must be returned.

Reimbursement Requests

The Town will submit reimbursement requests (Payment requests) to the grantor substantiated with documentation of payments having been made for which the Town is seeking reimbursement.

Improper Payments

This policy documents the process used by the Town for determining cost allowability – both programmatic and financial - as well as plans for determining cost allocation. However,

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should costs be determined to be ineligible at any point after disbursement, the Town reserves the right to recover any payment determined to be improper. Improper payments mean any payment that:

- should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements,
- is made to an ineligible party,
- is made for an ineligible good or service,
- is duplicative,
- is for a good or service not received (except for such payments where authorized by law),
- does not account for credit for applicable discounts, or
- has insufficient or lack of documentation that prevents a reviewer from discerning whether a payment was proper. [2 CFR 200.53].

If it is determined that an improper payment was made, the Town will issue a written notice of repayment obligation to which supporting documentation will be attached and which indicates that improper payments must be repaid within 60 days of the written notice of the repayment obligation.

Program Income

The Town must report and remit program income to the grantor if required to do so. Program income is defined as any gross income received that was generated from the use of grant funds, regardless of when the grant funds were appropriated and whether the activity has been closed out.

When income is generated by an activity that is only partially assisted with grant funds, the income shall be prorated to reflect the percentage of grant funds used (e.g., a single loan supported by grant funds and other funds, or a single parcel of land purchased with grant funds and other funds).

Program income generated by a grant must be remitted to the grantor in full, if required to do so. The Town shall consult with grantor staff regarding any anticipated or received proceeds related to the grant-funded Program, even though the income might not be classified as program income, or to prorate proceeds generated from an activity that is only partially assisted with grant funds.

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Proceeds that are Program Income

Typical sources of program income include, but are not limited to, the following:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with grant funds;
- Proceeds from the disposition of equipment purchased with grant funds;
- Gross income from the use or rental of real or personal property acquired by the Town with grant funds, less costs incidental to the generation of the income;
- Gross income from the use or rental of real property owned by the Town that was constructed or improved with grant funds, less the costs incidental to the generation of the income;
- Payments of principal and interest on loans made using grant funds;
- Proceeds from the sale of loans or obligations secured by loans made with grant funds;
- Interest earned on program income pending disposition of the income, including interest earned on funds held in a revolving fund account;
- Funds collected through special assessments made against nonresidential properties and properties owned and occupied by non-LMI households, where the special assessments are used to recover all or part of the grant-funded portion of a public improvement; and
- Gross income paid to a Town from the ownership interest in a for-profit entity in which the income is in return for the provision of grant-funded assistance.

Program income may be received before or after closeout of the grant activity that generated the program income. Any amount that meets the definition of program income must be returned to the grantor if required to do so.

Subrecipient Program Income Reporting and Transfer

The Town will work together with the grantor to anticipate and plan for program income. The Town will report program income through monitoring and desk audits and will be prepared to provide a Program Income Report for the grantor upon request. The Report will identify all receipts, including funds received that are not program income and any funds returned to the grantor.

The Town will maintain a distinct chart of accounts that provides for all booked program income, including the date the Town submitted the earned program income to the grantor.

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Timelines Requirement and Reprogramming Grant Funds

If the grant agreement includes a performance schedule, the Town will work with grantor to ensure that timeline objectives and deliverables are met, and that the performance schedule is substantially met. The Town's Program Manager will review progress status reports monthly and monitor the financial progress monthly through reporting and the system of record grant management system.

The grant agreement with the Town may outline benchmarks, draw schedules, and noncompliance processes for the project/activity. When sufficient progress is not being made and the project/activity is more than a certain number of days behind schedule as specified in the grant agreement, the Town may be subject to possible corrective actions, possible conditions (if necessary), and a possible reevaluation progress. Upon the reevaluation of the progress of the project/activity, if the Town is unable to complete grant activities in a timely manner, the grantor may reprogram the funds. In the event of an unanticipated termination of the Town's grant agreement, the Town may be required to remit all program income to the grantor within a certain number of days after the termination of the agreement.

Program income (other than program income deposited in a revolving fund) must be disbursed prior to the drawdown of additional funds from the grantor. Program income in a revolving fund must be disbursed for the activity for which the fund was established before additional requests are made for reimbursement from the grantor.

De-obligation of Funds

The Financial Review for closeout of activities may evaluate if funds obligated for the project will require de-obligation. If activities undertaken incur less costs than originally expected, funds may be de-obligated at agreement closeout, and made available for other eligible projects.

An unencumbered and obligations report will be reviewed monthly to ensure that funds are being expended and obligated in a timely manner to viable projects.

Asset Management

The Town will document and track all assets obtained with grant funds. All tangible personal property obtained by the Town through the use of grant funds will be controlled under the property management standards of the appropriate regulations governing the grant

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regarding the acquisition, record keeping, use and disposal of the asset, in addition to the procedures outlined in the administrative code.

Fixed Assets Management

The Federal monetary asset threshold is \$5,000 or more. Under Florida Statute 274, the Town will track all fixed asset property with a purchase price of \$5,000 or more. This is consistent with CFR 200.313 and 200.314, which requires that equipment and supply assets acquired with a value of \$5,000 or more per unit be capitalized, inventoried, and monitored.

To ensure accurate accounting of the Town's fixed assets, all staff are required to adhere to the following guidelines:

- Never remove property tags.
- Before disposing of any asset, regardless of its value, (even if not tagged), check with the Finance Department.

Disposal of Town Property Other Than Fixed Assets

Guidelines for disposing of surplus Town-owned office equipment, fixtures and materials that do not fall under the category of tangible fixed assets are as follow:

1. The surplus item(s) are to be advertised on the Town's intranet bulletin board for five business days to see if another Town department has a need for the item(s).
2. If no department is interested, then the item(s) can be considered salvage, and disposed of in the following order:
 - a. Transferred to another local, non-town government agency;
 - b. Donated to a local not-for-profit charity;
 - c. Donated to another Florida Town;
 - d. Disposed of as trash, using appropriate solid waste guidelines.

Real Property

Per 2 CFR 200.311 Real Property, the title to real property acquired or improved under a Federal award will vest upon acquisition by the Town. Real property must be used for the originally authorized purpose if specified in the grant agreement, during which time the Town must not dispose of or encumber its title or other interests.

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Disposition of Real Property

When real property is no longer needed for the originally authorized purpose, the Town must obtain disposition instructions from the grantor. The instructions must provide for one of the following alternatives:

1. Retain title after compensating the grantor. The amount paid to the grantor will be computed by applying the grantor's percentage of participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property. However, in those situations where the Town is disposing of real property acquired or improved with a grant award and acquiring replacement real property under the same grant award, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.
2. Sell the property and compensate the grantor. The amount due to the grantor will be calculated by applying the grantor's percentage of participation in the cost of the original purchase (and cost of any improvements) to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the grant award has not been closed out, the net proceeds from sale may be offset against the original cost of the property. When the Town is directed to sell property, sale procedures must be followed that provide for competition to the extent practicable and result in the highest possible return.
3. Transfer title to the grantor or to a third party designated/approved by the grantor. The Town is entitled to be paid an amount calculated by applying the Town's percentage of participation in the purchase of the real property (and cost of any improvements) to the current fair market value of the property.

Audits

The Town will comply with the audit standards set forth in OMB Circular A-133 "Audits of States, Local Governments and Non-profit Organizations". In addition, the Town is subject to the scrutiny of two annual audits: one audit is of all general fund activity and the other is the required single audit of all Federal and state grants. The Town is also routinely monitored for financial and performance compliance by various Federal, state and private granting agencies, as well as the previously mentioned oversight divisions and offices.

The Finance Department routinely acts as the liaison between all auditing entities and program staff for financial audits. Town staff are expected to make every reasonable effort to provide clear and accurate documentation on all financial transactions to ensure a proper

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audit trail is in place. To this end, the following policies, procedures, and forms have been developed to ensure a valid and reliable audit trail.

The Town of Fort Myers Beach Audit Reports are retained on the Finance page of the Town of Fort Myers Beach website at <https://fortmyersbeachfl.gov/1136/Annual-Reports>

Finance Department staff are responsible for the continuous update of monitoring exhibits, policies and procedures, and program documentation to ensure audit readiness at all times. Upon notification of audit, Finance staff will complete and assemble all required Monitoring Checklists, Forms, or other required exhibits prior to the grantor's deadline.

During the audit, Finance staff will provide on-site monitoring staff with a space in which to review the provided documents, if such space is available. Town staff must ensure access to systems of record, Town networks, printers, or any other resources necessary to complete the audit. For any monitoring conducted remotely, Town staff will ensure Microsoft Teams appointments are established and coordinated to ensure a streamlined audit.

Audits performed for the Town will be performed by an independent auditor in accordance with Government Auditing Standards and must be conducted in accordance with the OMB circulars. Specifically, the audit will cover financial statements, internal controls, and compliance with applicable laws and regulations.

Single Audit

The Single Audit Act requires an annual audit of non-Federal entities that expend \$750,000 or more of Federal Financial Assistance in a fiscal year. The Single Audit must be performed by an independent auditor and the reporting package (which includes the audit report) must be submitted to the Federal Audit Clearinghouse within 30 days after your organization receives the audit report or 9 months from your organization's fiscal year end. The annual audit report must also be submitted to all granting agencies and financial institutions holding debt instruments of the Town.

A Single Audit includes an audit of both financial statements and compliance with Federal award requirements for those programs identified as "major programs" (based on application of the risk-based approach and criteria outlined in 2 CFR § 200.518 and 200.519) for the audit.

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In accordance with 2 CFR 200.509, the Town procures audit services to complete the single audit. The Town Clerk's Office maintains procurement records for the single audit provider and are available upon request.

Notification regarding the selection of a grant for single audit will be provided to the Finance Director. The Finance Director will notify the Finance Department of the audit and staff will begin gathering all required information to comply with the audit. Finance Department staff will serve as the single point of contact for grant-related audit concerns.

Grantor Audits

Federal and state agencies will audit the Town of Fort Myers Beach for financial, performance, and overall grant management for any grants awarded. Notifications regarding audits by grantors, including the Office of Inspector General (OIG) may arrive through a variety of means. Most often, grantors will send a notification regarding a planned audit to the grantee contact on file. The grantee contact must then notify the Finance Director, who will then notify Finance Department staff of the audit and staff will begin gathering all required information to comply with the audit. Finance Department staff will serve as the single point of contact for grantor auditors.

Audit Reports

Following the completion of the audit, an audit report must be prepared. The audit report must, at a minimum, contain the following:

- An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects to conform with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole;
- A report on internal controls related to the financial statements and major programs. This report shall describe the scope of testing of internal controls and the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs;
- A report on compliance with laws, regulations, and the provisions of contracts or grant agreements, and any noncompliance which could have a material effect on the financial statements. This report shall also include an opinion (or disclaimer of opinion) as to whether the grantee or subrecipient complied with laws, regulations,

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and the provisions of contracts or grant agreements which could have a direct and material effect on each major program, and, where applicable, refer to the separate schedule of findings and questioned costs; and

- A schedule of findings and questioned costs that includes a summary of the auditor's results, findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, and findings and questioned costs for Federal awards.

The audit must be completed, and the report submitted to the Federal clearinghouse designated by OMB within the earlier of 30 days after receipt of the auditor's report(s), or 13 months after the end of the audit period. The Town shall make copies available for public inspection on its website. Copies of audit reports must be kept on file for a minimum of three years from the date of submission to the Federal clearinghouse designated by OMB.

The auditor shall retain working papers and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the grantee or subrecipient, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, or pass-through entity to extend the retention period. If there are unresolved audit issues at the end of this three-year period, the grantee or subrecipient should notify the auditor in writing to extend the retention period.

Auditor Selection and Procurement

In arranging for audit services, the Town must follow the procurement standards found in 2 CFR Part 200, Subpart F, as applicable. The regulations at 2 CFR Part 200.501 – Subpart F states that a non-Federal entity that expends \$750,000 or more during its fiscal year in Federal awards, shall comply with audit requirements as set forth in the federal regulations by obtaining a single or program-specific audit conducted for that year, in accordance with the provisions of Part 200.501 – Subpart F. The Town is subject to the single-audit requirement and procures an audit firm per the procurement requirements at 2 CFR 200.509 Auditor, Selection, 200.509(a) Auditor Procurement, 2 CFR 200.318(e), and 2 CFR 200.319.

Whenever possible, the Town shall make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises when procuring audit services. In requesting proposals for audit services and objectives, the scope of audit, terms of services and duration of contract are made clear within the RFP to facilitate fair and open competition among all proposers. Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of

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staff with professional qualifications and technical abilities, the results of external quality control reviews, and price.

Audit Costs

The costs of audits made in accordance with the applicable regulations are allowable charges to Federal assistance programs. These charges can be treated as either a direct cost or an allocated indirect cost, as determined in accordance with the provisions of the applicable OMB cost principles circulars. The cost of any audit under OMB Circular A-133 not conducted in accordance with this part is unallowable. The cost of auditing the Town, which has Federal awards expended of less than \$750,000 per year and is thereby exempted from having an audit conducted under this part, is also not allowable.

Exhibit C

Town of Fort Myers Beach Duplication of Benefits Policy

Background

Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) (42 U.S.C. 5155) requires that recipients of federal disaster recovery funding make certain that no "person, business concern, jurisdiction, or other entity" will receive duplicative assistance. Because disaster assistance to each person/entity varies widely based on their insurance coverage and eligibility for federal funding, grantees cannot comply with the Stafford Act without first completing a duplication of benefits (DOB) analysis specific to each applicant.

Overview

The Town of Fort Myers Beach (The Town) is the recipient of a Community Development Block Grant-Disaster Recovery (CDBG-DR) grant to support long-term recovery efforts.

This assistance is intended to supplement, not replace, other public, private, and nonprofit sector resources that have already been provided for the same need or loss. In order to ensure that CDBG-DR funding is spent on eligible activities, the Town will be responsible for verifying that the assistance it receives is only to the extent that it has a disaster recovery need that has not been fully met by funds that have already been, or will be paid, from another source.

A Duplication of Benefit occurs when:

- A beneficiary receives assistance, and
- The assistance is from multiple sources, and
- The assistance amount exceeds the need for a particular recovery purpose.

The federal regulation pertaining to procedures for identifying Duplication of Benefits is found in 84 FR 28836.

It shall be the policy of the Town of Fort Myers Beach to take affirmative steps to ensure that a duplication of benefit does not occur in the administration of its federal funding.

A duplication of benefits occurs when an entity receives financial assistance from multiple sources for the same purpose, and the total assistance received for that purpose is more than the total need for assistance.

CDBG-DR funds are intended to be the payer of last resort for eligible recovery activities. The Town will verify that CDBG-DR funds are not used for activities reimbursable by or for which funds are made available by Insurance, FEMA or the Army Corps. If FEMA or the Army Corps are accepting applications for a project that is being considered for CDBG-DR funding, the Town will seek assistance from those sources before using CDBG-DR. If FEMA or Army Corps funding is received after the use of CDBG-DR to pay for the same costs,

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In addition, The Town understands that it must also be willing to sign, at the time of application, an affidavit as follows:

PENALTY FOR FALSE OR FRAUDULENT STATEMENT: U.S.C. Title 18, Sec. 1001, provides: "Whoever, in any matter, within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies . . . or makes any false, fictitious, or fraudulent statement or representation, or makes or uses any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than five years, or both."

I/We have read and understand the foregoing statement.

Date: Applicant(s):

Assessment of Needs Prior to Assistance

To ensure that funds are not duplicative of benefits provided by other sources, the Town will first determine its total post-disaster need, regardless of suspected duplicative funds or caps. After the calculation of total need, any duplicative assistance will be subtracted out and the cap will be applied, as per applicable cost reasonableness principles that must be considered when calculating the amount of the final award.

The Applicant's total post-disaster need shall be determined by a cost estimate completed by the Town, an implementation contractor, or its authorized representatives, according to the procedures established in each project's policies.

Supporting documentation for any sources of funding provided by the applicant to validate the DOB amount, including certifications, and benefit statements; agency communications, and calculation forms, will be maintained by the Town to support the Town's duplication of benefits calculation. If requested, the Town will submit its DOB calculations to Lee County for final review and approval.

Verification of Assistance

The Town will be prepared to disclose to the County all disaster related assistance it has received and to provide supporting documentation indicating what is the source of the assistance, what is the purpose of the assistance, what is the amount of the assistance, and are the uses eligible. Supporting documentation includes award letters, insurance proof of loss or estimates, cancelled checks.

Duplication of Funds Calculation

Exhibit C

Town of Fort Myers Beach Duplication of Benefits Policy

To calculate DOB, the projects consider the following:

- 1) total assistance received by or available to the applicant,
- 2) assistance considered to be non-duplicative; and
- 3) the unmet needs of the applicant.

Total DOB is calculated by subtracting non-duplicative assistance from the total assistance received. Under Federal law, any duplication of benefit must be deducted from the assistance provided by the projects.

According to 84 FR 28836, assistance is available if an applicant: (1) would have received it by acting in a reasonable manner, or in other words, by taking the same practical steps toward funding recovery as would disaster survivors faced with the same situation but not eligible to receive CDBG-DR assistance; or (2) has received the assistance and has legal control over it. Available assistance includes reasonably anticipated assistance that has been awarded and accepted but has not yet been received.

Duplication of Benefits (DOB) Analysis

- 1) Identification of the total need for assistance for the specific activity, according to the process established by each project (e.g., damage assessments, appraisals, quotes, among others);
- 2) Identification of the total assistance received by and available to the applicant for the specific activity;
- 3) Identification of the assistance provided to the applicant that has been determined not to be available, including the following exception to DOB:
 - Assistance provided for a different purpose;
 - Funds used for a different, eligible purpose;
 - Funds not available to the applicant;
 - Funds from a private loan not guaranteed by SBA unless such a loan is forgivable;
 - Applicable exceptions related to subsidized loans; and
 - Any other asset or line of credit available to the applicant.
- 4) Determine which sources must be excluded as non-duplicative as described in the Exceptions of DOB section of this policy, including amounts used for a different purpose, or same purpose, different allowable use.
- 5) A calculation to determine the total funds available from other sources for the specific activity:
 - o Calculated by subtracting the assistance not available to the applicant or excluded by Lee County from the total assistance received by the applicant.

Exhibit C

Town of Fort Myers Beach Duplication of Benefits Policy

- 6) An award cap to be used as a check for the max award.
- 7) Determine the maximum award:
 - o Calculated by subtracting available funds from other sources (as defined above) from the total need for assistance and comparing the result to the project cap (if applicable) and entering the lesser of the award cap or the maximum award as the maximum eligible award.

Subrogation and Recapture of Funds

All duplicative assistance received by the Town must be accounted for and remitted to Lee County or its subrecipient, regardless of when it is received. By accepting the award, the Town agrees that it will report any duplicative funds to Lee County whenever received. Upon receipt of a report that additional assistance has been received, Lee County will recalculate the Town's award and provide instructions as to whether such funds must be used for the same purpose as the CDBG-DR-funded activity prior to expending additional funding by Lee County or whether the applicant must remit such amounts as a reimbursement. All applicants and subrecipients will be required to sign a Subrogation Agreement as part of their written agreement.

Once it has been determined that the Town must return funds to the CDBG-DR grant fund, the Town must repay their funds in a timely manner. All repayments shall be expected to be repaid in full, as one lump sum amount. The projects will review any Town claims of financial hardship and may make limited accommodations on a case-by-case basis.

Method of Capturing Duplication of Benefits

The Town will code each receipt of disaster recovery assistance for the same project and/or activity with the same project number. In this way, the Town will be able to identify all funding sources related to a particular project and then determine to which extent any of the sources of funding represents a duplication of benefits.

Town of Fort Myers Beach

Accounting Policy

The Town of Fort Myers Beach, Florida (the “Town”) was incorporated pursuant to Chapter 95-494, Laws of Florida. The Town operates under a Town Manager form of government and is governed by an elected five-member Town Council. The Town Manager is appointed by a majority vote of the Council. The Town provides the following services: parks and recreation, public works, streets and roads, planning and zoning, water utility services, museum and cultural, stormwater, and general and administrative services.

The basic financial statements of the Town have been prepared in conformity with accounting principles generally in the United States of America (GAAP), applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (statements and interpretations), constitutes GAAP for governmental units.

A. Reporting Entity

In evaluation of the Town as a reporting entity, management considered all potential component units in accordance with applicable Governmental Accounting Standards Board Statements (GASBS). A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Management reviewed all of the financial accountability concepts and determined that there are no component units required to be included in the Town’s financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund but distinguish between the Town’s governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position includes non-current assets and non-current liabilities. In addition, the governmentwide statement of activities reflects depreciation expense on the Town’s capital assets. The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Town of Fort Myers Beach

Accounting Policy

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

The Gas Tax Fund (Special Revenue Fund) is used to account for gas taxes and other resources dedicated to road related projects.

The Building Fund (Special Revenue Fund) is used to account for funds and other resources dedicated to community development.

The Beach Access Fund (Special Revenue Fund) is used to account for funds and other resources used for improvements to, and maintenance of, public beach access.

The Capital Projects Fund is used to account for funds and other resources used for the acquisition and/or construction of major capital facilities.

The American Rescue Fund (Special Revenue Fund) is used to account for grant funds received by the Town under the American Rescue Plan Act.

The Town reports the following major proprietary funds:

The Water Fund is used to account for the activities of the Town's water system.

The Stormwater Fund is used to account for the activities of the Town's stormwater system.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues, except intergovernmental revenues, to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenues are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when

Town of Fort Myers Beach

Accounting Policy

the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences and claims and judgments are recorded only when payment is due.

Taxes, licenses and permits, intergovernmental revenue, charges for services, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water function and various other functions of the Town. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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.

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

Cash and Investments

The Town's cash consists of amounts in demand deposits and certificates of deposit. Investments consist of amounts on deposit with the Florida State Board of Administration's Florida Prime pool and with the Florida Municipal Investment Trust.

The Town's investment policy follows Section 218.415 of the Florida Statutes and allows management to invest any surplus funds in its control in the following:

- The Florida State Board of Administration's SBA Florida Prime;

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Accounting Policy

- Florida Municipal Investment Trust (an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida Statute 163.01);
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Florida Statutes, Chapter 280.02;
- Direct obligations of the United States Treasury.

For accounting and investment purposes, the Town maintains cash and investment pool available for use by all funds except those whose cash and investments must be segregated due to legal or other restrictions. Investments within this pool are treated as a demand deposit account by the various funds of the Town that participate. Interest earned on investments in the pool is allocated to the various funds based upon each fund's equity balance in the pool during the allocation period.

SBA Florida Prime meets the necessary criteria to elect to measure all of the investments in Florida Prime at amortized cost.

For purposes of the statement of cash flows, the Town considers highly liquid investments, including those held as restricted assets, with maturities of three months or less when purchased to be cash equivalents.

Customer deposit resources in the Water Fund are restricted to the payment of customer's deposits as they become due.

Receivables

The accounts receivable of the Town are recorded net of an allowance for doubtful accounts which generally is equivalent to the receivables that are over 90 days past due. In the Water Fund, revenues and receivables are accrued for services provided to customers through year-end even if the customers have not yet been billed.

Interfund Transactions

During the course of operations, the Town has activity between funds for various purposes. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either "due from/to other funds" or "advances to/from other funds," the latter being amounts due in excess of one year. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

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Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents set aside for the repayment of deposits to utility customers.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the governmental activities column in the government-wide financial statements. As permitted by GASB No. 34, the Town has elected not to report infrastructure assets retroactively.

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Town follows a capitalization policy that calls for the capitalization of all capital assets that have costs of \$5,000 or more and useful lives in excess of one year. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Leasehold improvements	10 years
Equipment	5 - 10 years
Computer equipment	3 - 10 years
Furniture	3 - 10 years
Vehicles and rolling stock	3 - 10 years
Distribution lines	20 - 25 years
Booster stations	25 years
Generators	10 years
Infrastructure	40 years

Deferred Outflows/Inflows of Resources

The Town reports deferred inflows and deferred outflows related to the recording of changes in its total OPEB liability. Certain changes in these liabilities are recognized as OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Town's actuary which adjust the total OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into OPEB expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the total OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining lives of plan members. Additionally,

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any contributions made by the Town to the OPEB plan before year-end but subsequent to the measurement date of the Town's total OPEB liability are reported as deferred outflows of resources.

In addition to the above OPEB related deferred inflows, the Town also has one other type of these items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenues from certain charges for services and fines and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt payable is reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued and debt premiums are separately reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures when incurred.

Compensated Absences

Full-time employees may accumulate paid time-off. The Town's policy allows employees to accumulate up to 560 hours of paid time-off. Upon voluntary or involuntary separation from employment, an employee will be paid for all accumulated vacation leave (up to 560 hours). The accumulated compensated absences are accrued when incurred in the government-wide financial statements for both the current and long-term portions.

Fund Balance/Net Position

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance—Generally, fund balance represents the difference between current assets and current liabilities in fund financial statements using the current financial resources measurement focus. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balances are classified as follows:

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Nonspendable—Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (1) not in spendable form (i.e., items that are not expected to be converted to cash such as prepaid items), or (2) legally or contractually required to be maintained intact.

Restricted—Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed—Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution or ordinance. Only the Town Council may modify or rescind the commitment. These self-imposed limitations must be set in place prior to the end of the fiscal year.

Assigned—Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Intent is stipulated by the Town Council or an official for whom that authority has been given by Town Council. The Town Manager has the authority to assign fund balance.

With the exception of the General Fund, amounts in all other governmental funds that are not nonspendable, restricted or committed will be considered to be assigned. Also, at fiscal year-end, any appropriation of existing fund balance to eliminate a projected budgetary deficit in the next year’s budget is considered to be an assignment of fund balance.

Unassigned—Fund balances reported as unassigned are the residual amount of balances that do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds.

Net Position—Net position represents the difference between assets and liabilities in reporting units using the economic resources measurement focus. Net position reported as net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, adding back unspent proceeds. Net position reported as restricted consists of amounts that have limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position not reported as “net investment in capital assets” or “restricted” is reported as unrestricted.

Flow Assumptions—When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed.

For unrestricted amounts of fund balance, it is the Town’s policy to use fund balance in the following order:

- Committed
- Assigned

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- Unassigned

Property Taxes

The billing and collection of all property taxes is performed for the Town by the Lee County, Florida Tax Collector. Property taxes are levied after formal adoption of the Town's budget and become due and payable on November 1 of each year. Discounts are allowed for payment of property taxes before March 1 of the following year. Taxes are recognized as revenue when levied to the extent that they result in current receivables and meet availability criteria. On April 1, any unpaid taxes become delinquent. If the taxes are still unpaid in May, tax certificates are then offered for sale to the general public. The proceeds collected are remitted to the Town.