

By the Committee on Finance & Taxation and Representative
Andrews

1 A bill to be entitled
2 An act relating to investment of public funds;
3 amending s. 112.625, F.S.; revising and
4 providing definitions under the Florida
5 Protection of Public Employee Retirement
6 Benefits Act; creating s. 112.661, F.S.;
7 requiring that investment of the assets of any
8 local retirement system or plan be consistent
9 with a written investment policy; specifying
10 requirements for such policies with respect to
11 scope, investment objectives, performance
12 measurement, investment standards, maturity and
13 liquidity requirements, portfolio composition,
14 risk and diversification, rate of return,
15 third-party custodial agreements, master
16 repurchase agreements, bid requirements,
17 internal controls, continuing education
18 requirements, reporting and filing
19 requirements, and valuation of illiquid
20 investments; requiring that such policies list
21 authorized investments and prohibiting
22 investments not so listed; amending s. 218.415,
23 F.S.; revising requirements relating to local
24 governments' investment policies; revising the
25 funds to which written investment policies
26 apply and revising requirements relating to
27 bids, internal controls, and reporting;
28 specifying authorized investments for those
29 local governments that adopt a written
30 investment policy; prohibiting investments not
31 listed in such policy; requiring continuing

1 education for officials responsible for
2 investment decisions or the chief financial
3 officer; revising the list of authorized
4 investments for those local governments that do
5 not adopt a written investment policy;
6 providing requirements with respect to the
7 disposition and sale of securities, and funds
8 subject to preexisting contracts; providing for
9 preemption of conflicting laws; providing that
10 audits of local governments shall report on
11 compliance with said section; providing powers
12 and duties of the Joint Legislative Auditing
13 Committee, the Department of Revenue, the
14 Department of Banking and Finance, and the
15 Department of Community Affairs to enforce
16 compliance; amending s. 11.45, F.S.; revising
17 provisions which authorize withholding of funds
18 from local governmental entities, district
19 school boards, or charter schools that fail to
20 submit certain required audit reports and
21 authorizing the Department of Revenue and
22 Department of Banking and Finance to implement
23 said provisions; amending s. 218.32, F.S.;
24 revising provisions which authorize withholding
25 of funds from local governments that fail to
26 file annual financial reports and authorizing
27 the Department of Revenue and Department of
28 Banking and Finance to implement said
29 provisions; amending s. 218.38, F.S.;
30 authorizing the Department of Revenue and
31 Department of Banking and Finance to implement

1 provisions which authorize withholding of funds
2 from local governments that fail to provide
3 certain information regarding bonded
4 obligations; amending ss. 28.33 and 219.075,
5 F.S.; providing for application of s. 218.415,
6 F.S., to investment of county funds by clerks
7 of the circuit courts and investment of surplus
8 funds by county officers; amending s. 159.416,
9 F.S.; providing for application of s. 218.415,
10 F.S., to investments made in connection with a
11 pool financing program under the Florida
12 Industrial Development Financing Act; amending
13 s. 236.24, F.S.; deleting provisions which
14 specify requirements with respect to investment
15 of surplus funds by school boards; amending s.
16 236.49, F.S.; providing for application of s.
17 218.415(16), F.S., to investment of surplus
18 funds derived from school district bond issues;
19 amending s. 237.211, F.S.; correcting a
20 reference; repealing ss. 125.31, 166.261, and
21 218.345, F.S., which specify requirements with
22 respect to investment of surplus funds by
23 counties, municipalities, and special
24 districts, s. 230.23(10)(k), F.S., which
25 provides requirements with respect to adoption
26 of investment policies by school boards, and s.
27 237.161(5), F.S., which authorizes school
28 boards to invest surplus assets as obligations
29 for a period of 1 year; providing an effective
30 date.
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1 Be It Enacted by the Legislature of the State of Florida:

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3 Section 1. Subsections (7) and (8) of section 112.625,
4 Florida Statutes, are amended, and subsection (9) is added to
5 said section, to read:

6 112.625 Definitions.--As used in this act:

7 (7) "Statement value" means the value of assets in
8 accordance with s. 302(c)(2) of the Employee Retirement Income
9 Security Act of 1974 and as permitted under regulations
10 prescribed by the Secretary of the Treasury. Assets for which
11 a fair market value is not provided shall be excluded from the
12 assets used in the determination of annual funding cost.

13 (8) "Named fiduciary, "board," or "board of trustees"
14 means the person or persons so designated by the terms of the
15 instrument or instruments, ordinance, or statute under which
16 the plan is operated.

17 (9) "Plan sponsor" means the local governmental entity
18 that has established or that may establish a local retirement
19 system or plan.

20 Section 2. Section 112.661, Florida Statutes, is
21 created to read:

22 112.661 Investment policies.--Investment of the assets
23 of any local retirement system or plan must be consistent with
24 a written investment policy adopted by the board. Such
25 policies shall be structured to maximize the financial return
26 to the retirement system or plan consistent with the risks
27 incumbent in each investment and shall be structured to
28 establish and maintain an appropriate diversification of the
29 retirement system or plan's assets.

30 (1) SCOPE.--The investment policy shall apply to funds
31 under the control of the board.

1 (2) INVESTMENT OBJECTIVES.--The investment policy
2 shall describe the investment objectives of the board.
3 (3) PERFORMANCE MEASUREMENT.--The investment policy
4 shall specify performance measures as are appropriate for the
5 nature and size of the assets within the board's custody.
6 (4) INVESTMENT AND FIDUCIARY STANDARDS.--The
7 investment policy shall describe the level of prudence and
8 ethical standards to be followed by the board in carrying out
9 its investment activities with respect to funds described in
10 this section. The board in performing its investment duties
11 shall comply with the fiduciary standards set forth in the
12 Employee Retirement Income Security Act of 1974 at 29 U.S.C.
13 s. 1104(a)(1)(A)-(C). In case of conflict with other
14 provisions of law authorizing investments, the investment and
15 fiduciary standards set forth in this section shall prevail.
16 (5) AUTHORIZED INVESTMENTS.--
17 (a) The investment policy shall list investments
18 authorized by the board. Investments not listed in the
19 investment policy are prohibited. Unless otherwise authorized
20 by law or ordinance, the investment of the assets of any local
21 retirement system or plan covered by this part shall be
22 subject to the limitations and conditions set forth in s.
23 215.47(1), (2), (3), (4), (5), (6), (7), (8), (10), and (16).
24 (b) If a local retirement system or plan has
25 investments that, on October 1, 2000, either exceed the
26 applicable limit or do not satisfy the applicable investment
27 standard, such excess or investment not in compliance with the
28 policy may be continued until such time as it is economically
29 feasible to dispose of such investment. However, no additional
30 investment may be made in the investment category which
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1 exceeds the applicable limit, unless authorized by law or
2 ordinance.

3 (6) MATURITY AND LIQUIDITY REQUIREMENTS.--The
4 investment policy shall require that the investment portfolio
5 be structured in such manner as to provide sufficient
6 liquidity to pay obligations as they come due. To that end,
7 the investment policy should direct that, to the extent
8 possible, an attempt will be made to match investment
9 maturities with known cash needs and anticipated cash-flow
10 requirements.

11 (7) PORTFOLIO COMPOSITION.--The investment policy
12 shall establish guidelines for investments and limits on
13 security issues, issuers, and maturities. Such guidelines
14 shall be commensurate with the nature and size of the funds
15 within the custody of the board.

16 (8) RISK AND DIVERSIFICATION.--The investment policy
17 shall provide for appropriate diversification of the
18 investment portfolio. Investments held should be diversified
19 to the extent practicable to control the risk of loss
20 resulting from overconcentration of assets in a specific
21 maturity, issuer, instrument, dealer, or bank through which
22 financial instruments are bought and sold. Diversification
23 strategies within the established guidelines shall be reviewed
24 and revised periodically, as deemed necessary by the board.

25 (9) EXPECTED ANNUAL RATE OF RETURN.--The investment
26 policy shall require that, for each actuarial valuation, the
27 board determine the total expected annual rate of return for
28 the current year, for each of the next several years, and for
29 the long term thereafter. This determination must be filed
30 promptly with the Department of Management Services and with
31 the plan's sponsor and consulting actuary. The department

1 shall use this determination only to notify the board, the
2 plan's sponsor, and consulting actuary of material differences
3 between the total expected annual rate of return and the
4 actuarial assumed rate of return.

5 (10) THIRD-PARTY CUSTODIAL AGREEMENTS.--The investment
6 policy shall provide appropriate arrangements for the holding
7 of assets of the board. Securities should be held with a third
8 party, and all securities purchased by, and all collateral
9 obtained by, the board should be properly designated as an
10 asset of the board. No withdrawal of securities, in whole or
11 in part, shall be made from safekeeping except by an
12 authorized member of the board or the board's designee.
13 Securities transactions between a broker-dealer and the
14 custodian involving purchase or sale of securities by transfer
15 of money or securities must be made on a "delivery vs.
16 payment" basis, if applicable, to ensure that the custodian
17 will have the security or money, as appropriate, in hand at
18 the conclusion of the transaction.

19 (11) MASTER REPURCHASE AGREEMENT.--The investment
20 policy shall require all approved institutions and dealers
21 transacting repurchase agreements to execute and perform as
22 stated in the Master Repurchase Agreement. All repurchase
23 agreement transactions shall adhere to the requirements of the
24 Master Repurchase Agreement.

25 (12) BID REQUIREMENT.--The investment policy shall
26 provide that the board determine the approximate maturity date
27 based on cash-flow needs and market conditions, analyze and
28 select one or more optimal types of investment, and
29 competitively bid the security in question when feasible and
30 appropriate. Except as otherwise required by law, the most
31 economically advantageous bid must be selected.

1 (13) INTERNAL CONTROLS.--The investment policy shall
2 provide for a system of internal controls and operational
3 procedures. The board shall establish a system of internal
4 controls which shall be in writing and made a part of the
5 board's operational procedures. The policy shall provide for
6 review of such controls by independent certified public
7 accountants as part of any financial audit periodically
8 required of the board's unit of local government. The internal
9 controls should be designed to prevent losses of funds which
10 might arise from fraud, error, misrepresentation by third
11 parties, or imprudent actions by the board or employees of the
12 unit of local government.

13 (14) CONTINUING EDUCATION.--The investment policy
14 shall provide for the continuing education of the board
15 members in matters relating to investments and the board's
16 responsibilities.

17 (15) REPORTING.--The investment policy shall provide
18 for appropriate annual or more frequent reporting of
19 investment activities. To that end, the board shall prepare
20 periodic reports for submission to the governing body of the
21 unit of local government which shall include investments in
22 the portfolio by class or type, book value, income earned, and
23 market value as of the report date. Such reports shall be
24 available to the public.

25 (16) FILING OF INVESTMENT POLICY.--Upon adoption by
26 the board, the investment policy shall be promptly filed with
27 the Department of Management Services and the plan's sponsor
28 and consulting actuary. The effective date of the investment
29 policy, and any amendment thereto, shall be the 31st calendar
30 day following the filing date with the plan sponsor.

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1 (17) VALUATION OF ILLIQUID INVESTMENTS.--The
2 investment policy shall provide for the valuation of illiquid
3 investments for which a generally recognized market is not
4 available or for which there is no consistent or generally
5 accepted pricing mechanism. If those investments are utilized,
6 the investment policy must include the criteria set forth in
7 s. 215.47(6), except that submission to the Investment
8 Advisory Council is not required. The investment policy shall
9 require that, for each actuarial valuation, the board must
10 verify the determination of the fair market value for those
11 investments and ascertain that the determination complies with
12 all applicable state and federal requirements. The investment
13 policy shall require that the board disclose to the Department
14 of Management Services and the plan's sponsor each such
15 investment for which the fair market value is not provided.

16 Section 3. Section 218.415, Florida Statutes, is
17 amended to read:

18 218.415 Local government investment
19 policies.--Investment activity by a unit of local government
20 must be consistent with a written investment plan adopted by
21 the governing body, or in the absence of the existence of a
22 governing body, the respective principal officer of the unit
23 of local government and maintained by the unit of local
24 government or, in the alternative, such activity must be
25 conducted in accordance with ~~the investment guidelines set~~
26 ~~forth in subsection(17)(15)~~. Any such unit of local
27 government shall have an investment policy for any public
28 funds in excess of the amounts needed to meet current expenses
29 as provided in subsections(1)-(16)(1)-(14), or shall meet
30 the alternative investment guidelines contained in subsection
31 (17)(15). Such policies shall be structured to place the

1 highest priority on the safety of principal and liquidity of
2 funds. The optimization of investment returns shall be
3 secondary to the requirements for safety and liquidity. Each
4 unit of local government shall adopt policies that are
5 commensurate with the nature and size of the public funds
6 within its ~~their~~ custody.

7 (1) SCOPE.--The investment policy shall apply to funds
8 under the control of the unit of local government in excess of
9 those required to meet current expenses. The investment policy
10 shall not apply to pension funds, including those funds in
11 chapters 175 and 185, ~~trust funds~~ or funds related to the
12 issuance of debt where there are other existing policies or
13 indentures in effect for such funds.

14 (2) INVESTMENT OBJECTIVES.--The investment policy
15 shall describe the investment objectives of the unit of local
16 government. Investment objectives shall include safety of
17 capital, liquidity of funds, and investment income, in that
18 order.

19 (3) PERFORMANCE MEASUREMENT.--The investment policy
20 ~~unit of local government~~ shall specify ~~develop~~ performance
21 measures as are appropriate for the nature and size of the
22 public funds within the its custody of the unit of local
23 government.

24 (4) PRUDENCE AND ETHICAL STANDARDS.--The investment
25 policy shall describe the level of prudence and ethical
26 standards to be followed by the unit of local government in
27 carrying out its investment activities with respect to funds
28 described in this section. The unit of local government shall
29 adopt the Prudent Person Rule, which states that: "Investments
30 should be made with judgment and care, under circumstances
31 then prevailing, which persons of prudence, discretion, and

1 intelligence exercise in the management of their own affairs,
2 not for speculation, but for investment, considering the
3 probable safety of their capital as well as the probable
4 income to be derived from the investment."

5 (5) LISTING OF AUTHORIZED INVESTMENTS.--The investment
6 policy shall list investments authorized by the governing body
7 of the unit of local government, subject to the provisions of
8 subsection (16) investments. Investments not listed in the
9 investment policy are prohibited. If the policy authorizes
10 investments in derivative products, the policy must require
11 that must be specifically authorized in the investment plan
12 and may be considered only if the unit of local government's
13 officials responsible for making investment decisions or chief
14 financial officer have has developed sufficient understanding
15 of the derivative products and have has the expertise to
16 manage them. For purposes of this subsection, a "derivative"
17 is defined as a financial instrument the value of which
18 depends on, or is derived from, the value of one or more
19 underlying assets or index or asset values. If the policy
20 authorizes investments in The use of reverse repurchase
21 agreements or other forms of leverage, the policy must limit
22 the investments shall be prohibited or limited by investment
23 policy to transactions in which where the proceeds are
24 intended to provide liquidity and for which the unit of local
25 government has sufficient resources and expertise.

26 (6) MATURITY AND LIQUIDITY REQUIREMENTS.--The
27 investment policy shall require that the investment portfolio
28 is structured in such manner as to provide sufficient
29 liquidity to pay obligations as they come due. To that end,
30 the investment policy should direct that, to the extent
31 possible, an attempt will be made to match investment

1 maturities with known cash needs and anticipated cash-flow
2 requirements.

3 (7) PORTFOLIO COMPOSITION.--The investment policy
4 shall establish guidelines for investments and limits on
5 security issues, issuers, and maturities. Such guidelines
6 shall be commensurate with the nature and size of the public
7 funds within the custody of the unit of local government.

8 (8) RISK AND DIVERSIFICATION.--The investment policy
9 shall provide for appropriate diversification of the
10 investment portfolio. Investments held should be diversified
11 to the extent practicable to control the risk of loss
12 resulting from overconcentration of assets in a specific
13 maturity, issuer, instrument, dealer, or bank through which
14 financial instruments are bought and sold. Diversification
15 strategies within the established guidelines shall be reviewed
16 and revised periodically, as deemed necessary by the
17 appropriate management staff.

18 (9) AUTHORIZED INVESTMENT INSTITUTIONS AND
19 DEALERS.--The investment policy should specify the authorized
20 securities dealers, issuers, and banks from whom the unit of
21 local government may purchase securities.

22 (10) THIRD-PARTY CUSTODIAL AGREEMENTS.--The investment
23 policy shall provide appropriate arrangements for the holding
24 of assets of the unit of local government. Securities should
25 be held with a third party; and all securities purchased by,
26 and all collateral obtained by, the unit of local government
27 should be properly designated as an asset of the unit of local
28 government. No withdrawal of securities, in whole or in part,
29 shall be made from safekeeping, except by an authorized staff
30 member of the unit of local government. Securities
31 transactions between a broker-dealer and the custodian

1 involving purchase or sale of securities by transfer of money
2 or securities must be made on a "delivery vs. payment" basis,
3 if applicable, to ensure that the custodian will have the
4 security or money, as appropriate, in hand at the conclusion
5 of the transaction.

6 (11) MASTER REPURCHASE AGREEMENT.--The investment
7 policy ~~unit of local government~~ shall require all approved
8 institutions and dealers transacting repurchase agreements to
9 execute and perform as stated in the Master Repurchase
10 Agreement. All repurchase agreement transactions shall adhere
11 to the requirements of the Master Repurchase Agreement.

12 (12) BID REQUIREMENT.--The investment policy shall
13 require that the unit of local government's staff determine
14 the approximate maturity date based on cash-flow needs and
15 market conditions, analyze and select one or more optimal
16 types of investment, and competitively bid the security in
17 question when feasible and appropriate. Except as otherwise
18 required by law, the bid deemed to best meet the investment
19 objectives specified in subsection (2) must be selected.~~After~~
20 ~~the unit of local government staff has determined the~~
21 ~~approximate maturity date based on cash-flow needs and market~~
22 ~~conditions and has analyzed and selected one or more optimal~~
23 ~~types of investment, the security in question shall, when~~
24 ~~feasible and appropriate, be competitively bid.~~

25 (13) INTERNAL CONTROLS.--The investment policy shall
26 provide for a system of internal controls and operational
27 procedures. The unit of local government's officials
28 responsible for making investment decisions or chief financial
29 officer shall, by January 1, 1996, establish a system of
30 internal controls which shall be in writing and made a part of
31 the governmental entity's operational procedures. The

1 investment policy shall provide for review of such controls by
2 independent auditors as part of any financial audit
3 periodically required of the unit of local government. The
4 internal controls should be designed to prevent losses of
5 funds which might arise from fraud, employee error,
6 misrepresentation by third parties, or imprudent actions by
7 employees of the unit of local government.

8 (14) CONTINUING EDUCATION.--The investment policy
9 shall provide for the continuing education of the unit of
10 local government's officials responsible for making investment
11 decisions or the chief financial officer. Such officials or
12 chief financial officer must annually complete 8 hours of
13 continuing education in subjects or courses of study related
14 to investment practices and products.

15 (15)(14) REPORTING.--The investment policy shall
16 provide for appropriate annual or more frequent reporting of
17 investment activities. To that end, the governmental entity's
18 officials responsible for making investment decisions or chief
19 financial officer shall prepare periodic reports for
20 submission to the legislative and governing body of the unit
21 of local government, which shall include securities in the
22 portfolio by class or type, book value, income earned, and
23 market value as of the report date. Such reports shall be
24 available to the public.

25 (16) AUTHORIZED INVESTMENTS; WRITTEN INVESTMENT
26 POLICIES.--Those units of local government electing to adopt a
27 written investment policy as provided in subsections (1)-(15)
28 may by resolution invest and reinvest any surplus public funds
29 in their control or possession in:

30 (a) The Local Government Surplus Funds Trust Fund or
31 any intergovernmental investment pool authorized pursuant to

1 the Florida Interlocal Cooperation Act as provided in s.
2 163.01.
3 (b) Securities and Exchange Commission registered
4 money market funds with the highest credit quality rating from
5 a nationally recognized rating agency.
6 (c) Interest-bearing time deposits or savings accounts
7 in qualified public depositories as defined in s. 280.02.
8 (d) Direct obligations of the United States Treasury.
9 (e) Federal agencies and instrumentalities.
10 (f) Securities of, or other interests in, any open-end
11 or closed-end management-type investment company or investment
12 trust registered under the Investment Company Act of 1940, 15
13 U.S.C. ss. 80a-1 et seq., as amended from time to time,
14 provided that the portfolio of such investment company or
15 investment trust is limited to obligations of the United
16 States Government or any agency or instrumentality thereof and
17 to repurchase agreements fully collateralized by such United
18 States Government obligations, and provided that such
19 investment company or investment trust takes delivery of such
20 collateral either directly or through an authorized custodian.
21 (g) Other investments authorized by law or by
22 ordinance.
23 (17)(15) AUTHORIZED INVESTMENTS; NO WRITTEN INVESTMENT
24 POLICY ALTERNATIVE INVESTMENT GUIDELINES.--Those units of
25 local government electing not to adopt a written investment
26 policy in accordance with investment policies developed as
27 provided in subsections (1)-(15) may invest or reinvest any
28 surplus public funds in their control or possession in:fn
29 addition to or in lieu of establishing a written investment
30 plan in accordance with investment policies developed pursuant
31 to subsections (1)-(14), a unit of local government electing

1 ~~to conduct investment activity outside the framework provided~~
2 ~~by this part shall do so under the guidelines set forth in~~
3 ~~this section. The unit of local government may invest in the~~
4 ~~following instruments and may divest itself of such~~
5 ~~investments, at prevailing market prices or rates, subject to~~
6 ~~the limitations of this section.~~

7 (a) The Local Government Surplus Funds Trust Fund, or
8 any intergovernmental investment pool authorized pursuant to
9 the Florida Interlocal Cooperation Act, as provided in s.
10 163.01.

11 (b) Securities and Exchange Commission registered
12 money market funds with the highest credit quality rating from
13 a nationally recognized rating agency.

14 (c) Interest-bearing time deposits or savings accounts
15 ~~in state-certified~~ qualified public depositories, as defined
16 in s. 280.02.

17 ~~(d) Certificates of deposit in state-certified~~
18 ~~qualified public depositories, as defined in s. 280.02.~~

19 ~~(e)~~ Direct obligations of the U.S. Treasury.

20 ~~(f) Federal agencies and instrumentalities.~~

21
22 The securities listed in paragraphs (c) and, ~~(d), (e), and (f)~~
23 shall be invested to provide sufficient liquidity to pay
24 obligations as they come due ~~match investment maturities with~~
25 ~~current expenses.~~

26 (18) SECURITIES; DISPOSITION.--

27 (a) Every security purchased under this section on
28 behalf of the governing body of a unit of local government
29 must be properly earmarked and:
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1 1. If registered with the issuer or its agents, must
2 be immediately placed for safekeeping in a location that
3 protects the governing body's interest in the security;
4 2. If in book entry form, must be held for the credit
5 of the governing body by a depository chartered by the Federal
6 Government, the state, or any other state or territory of the
7 United States which has a branch or principal place of
8 business in this state as defined in s. 658.12, or by a
9 national association organized and existing under the laws of
10 the United States which is authorized to accept and execute
11 trusts and which is doing business in this state, and must be
12 kept by the depository in an account separate and apart from
13 the assets of the financial institution; or
14 3. If physically issued to the holder but not
15 registered with the issuer or its agents, must be immediately
16 placed for safekeeping in a secured vault in a financial
17 institution in this state which maintains adequate secured
18 vault insurance.
19 (b) The unit of local government's governing body may
20 also receive bank trust receipts in return for investment of
21 surplus funds in securities. Any trust receipts received must
22 enumerate the various securities held, together with the
23 specific number of each security held. The actual securities
24 on which the trust receipts are issued may be held by any bank
25 depository chartered by the Federal Government, this state, or
26 any other state or territory of the United States, which has a
27 branch or principal place of business in this state as defined
28 in s. 658.12, or by a national association organized and
29 existing under the laws of the United States which is
30 authorized to accept and execute trusts and which is doing
31 business in this state.

1 (19) SALE OF SECURITIES.--When the invested funds are
2 needed in whole or in part for the purposes originally
3 intended, the unit of local government's governing body may
4 sell such investments at the then-prevailing market price and
5 place the proceeds into the proper account or fund of the unit
6 of local government.

7 (20) PREEXISTING CONTRACT.--Any public funds subject
8 to a contract or agreement existing on October 1, 2000, may
9 not be invested contrary to such contract or agreement.

10 (21) PREEMPTION.--Any provision of any special act,
11 municipal charter, or other law which prohibits or restricts a
12 local governmental entity from complying with this section or
13 any rules adopted under this section is void to the extent of
14 the conflict.

15 (22) AUDITS.--Certified public accountants conducting
16 audits of units of local government pursuant to s. 11.45 shall
17 report, as part of the audit, whether or not the unit of local
18 government has complied with this section.

19 (23) AUDITOR GENERAL; REVIEW.--During the Auditor
20 General's review of audit reports of units of local
21 government, the Auditor General shall notify the Joint
22 Legislative Auditing Committee of any unit of local government
23 not in compliance with this section. Following notification of
24 failure by a local government to comply with this section, a
25 hearing may be scheduled by the committee. If a hearing is
26 scheduled, the committee shall determine which units of local
27 government will be subjected to further state action. If the
28 committee finds that one or more units of local government
29 should be subjected to further state action, the committee
30 shall:

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1 (a) In the case of a county, municipality, or district
2 school board, request the Department of Revenue and the
3 Department of Banking and Finance to withhold any funds not
4 pledged for bond debt service satisfaction which are payable
5 to such governmental entity. The Department of Revenue and the
6 Department of Banking and Finance are authorized to implement
7 the provisions of this paragraph. The committee, in its
8 request, shall specify the date such action shall begin, and
9 the request must be received by the Department of Revenue and
10 the Department of Banking and Finance 30 days prior to the
11 date of the distribution mandated by law.

12 (b) In the case of a special district, notify the
13 Department of Community Affairs that the special district has
14 failed to comply with this section. Upon receipt of
15 notification, the Department of Community Affairs shall
16 proceed pursuant to the provisions specified in ss. 189.421
17 and 189.422.

18 Section 4. Paragraph (a) of subsection (3) of section
19 11.45, Florida Statutes, is amended to read:

20 11.45 Definitions; duties; audits; reports.--

21 (3)(a)1. The Auditor General shall annually make
22 financial audits of the accounts and records of all state
23 agencies, as defined in this section, of all district school
24 boards in counties with populations of fewer than 125,000,
25 according to the most recent federal decennial statewide
26 census, and of all district boards of trustees of community
27 colleges. The Auditor General shall, at least every other
28 year, make operational audits of the accounts and records of
29 all state agencies, as defined in this section. The Auditor
30 General shall, at least once every 3 years, make financial
31 audits of the accounts and records of all district school

1 boards in counties with populations of 125,000 or more. For
2 each of the 2 years that the Auditor General does not make the
3 financial audit, each district school board shall contract for
4 an independent certified public accountant to perform a
5 financial audit as defined in paragraph (1)(b). This section
6 does not limit the Auditor General's discretionary authority
7 to conduct performance audits of these governmental entities
8 as authorized in subparagraph 3. A district school board may
9 select an independent certified public accountant to perform a
10 financial audit as defined in paragraph (1)(b) notwithstanding
11 the notification provisions of this section. In addition, a
12 district school board may employ an internal auditor to
13 perform ongoing financial verification of the financial
14 records of a school district, who must report directly to the
15 district school board or its designee. The Auditor General
16 shall, at a minimum, provide to the successor independent
17 certified public accountant of a district school board the
18 prior year's working papers, including documentation of
19 planning, internal control, audit results, and other matters
20 of continuing accounting and auditing significance, such as
21 the working paper analysis of balance sheet accounts and those
22 relating to contingencies.

23 2. Each charter school established under s. 228.056
24 shall have an annual financial audit of its accounts and
25 records completed within 12 months after the end of its fiscal
26 year by an independent certified public accountant retained by
27 it and paid from its funds. The independent certified public
28 accountant who is selected to perform an annual financial
29 audit of the charter school shall provide a copy of the audit
30 report to the district school board, the Department of
31 Education, and the Auditor General. A management letter must

1 be prepared and included as a part of each financial audit
2 report. The Auditor General may, pursuant to his or her own
3 authority or at the direction of the Joint Legislative
4 Auditing Committee, conduct an audit of a charter school.

5 3. The Auditor General may at any time make financial
6 audits and performance audits of the accounts and records of
7 all governmental entities created pursuant to law. The audits
8 referred to in this subparagraph must be made whenever
9 determined by the Auditor General, whenever directed by the
10 Legislative Auditing Committee, or whenever otherwise required
11 by law or concurrent resolution. A district school board,
12 expressway authority, or bridge authority may require that the
13 annual financial audit of its accounts and records be
14 completed within 12 months after the end of its fiscal year.
15 If the Auditor General is unable to meet that requirement, the
16 Auditor General shall notify the school board, the expressway
17 authority, or the bridge authority pursuant to subparagraph 5.

18 4. The Office of Program Policy Analysis and
19 Government Accountability within the Office of the Auditor
20 General shall maintain a schedule of performance audits of
21 state programs. In conducting a performance audit of a state
22 program, the Office of Program Policy Analysis and Government
23 Accountability, when appropriate, shall identify and comment
24 upon alternatives for accomplishing the goals of the program
25 being audited. Such alternatives may include funding
26 techniques and, if appropriate, must describe how other states
27 or governmental units accomplish similar goals.

28 5. If by July 1 in any fiscal year a district school
29 board or local governmental entity has not been notified that
30 a financial audit for that fiscal year will be performed by
31 the Auditor General pursuant to subparagraph 3., each

1 municipality with either revenues or expenditures of more than
2 \$100,000, each special district with either revenues or
3 expenditures of more than \$50,000, and each county agency
4 shall, and each district school board may, require that an
5 annual financial audit of its accounts and records be
6 completed, within 12 months after the end of its respective
7 fiscal year, by an independent certified public accountant
8 retained by it and paid from its public funds. An independent
9 certified public accountant who is selected to perform an
10 annual financial audit of a school district must report
11 directly to the district school board or its designee. A
12 management letter must be prepared and included as a part of
13 each financial audit report. Each local government finance
14 commission, board, or council, and each municipal power
15 corporation, created as a separate legal or administrative
16 entity by interlocal agreement under s. 163.01(7), shall
17 provide the Auditor General, within 12 months after the end of
18 its fiscal year, with an annual financial audit report of its
19 accounts and records and a written statement or explanation or
20 rebuttal concerning the auditor's comments, including
21 corrective action to be taken. The county audit shall be one
22 document that includes a separate audit of each county agency.
23 The county audit must include an audit of the deposits into
24 and expenditures from the Public Records Modernization Trust
25 Fund. The Auditor General shall tabulate the results of the
26 audits of the Public Records Modernization Trust Fund and
27 report a summary of the audits to the Legislature annually.

28 6. The governing body of a municipality, special
29 district, or charter school must establish an auditor
30 selection committee and competitive auditor selection
31 procedures. The governing board may elect to use its own

1 competitive auditor selection procedures or the procedures
2 outlined in subparagraph 7.

3 7. The governing body of a noncharter county or
4 district school board that retains a certified public
5 accountant must establish an auditor selection committee and
6 select an independent certified public accountant according to
7 the following procedure:

8 a. For each noncharter county, the auditor selection
9 committee must consist of the county officers elected pursuant
10 to s. 1(d), Art. VIII of the State Constitution, and one
11 member of the board of county commissioners or its designee.

12 b. The committee shall publicly announce, in a uniform
13 and consistent manner, each occasion when auditing services
14 are required to be purchased. Public notice must include a
15 general description of the audit and must indicate how
16 interested certified public accountants can apply for
17 consideration.

18 c. The committee shall encourage firms engaged in the
19 lawful practice of public accounting who desire to provide
20 professional services to submit annually a statement of
21 qualifications and performance data.

22 d. Any certified public accountant desiring to provide
23 auditing services must first be qualified pursuant to law. The
24 committee shall make a finding that the firm or individual to
25 be employed is fully qualified to render the required
26 services. Among the factors to be considered in making this
27 finding are the capabilities, adequacy of personnel, past
28 record, and experience of the firm or individual.

29 e. The committee shall adopt procedures for the
30 evaluation of professional services, including, but not
31 limited to, capabilities, adequacy of personnel, past record,

1 experience, results of recent external quality control
2 reviews, and such other factors as may be determined by the
3 committee to be applicable to its particular requirements.

4 f. The public must not be excluded from the
5 proceedings under this subparagraph.

6 g. The committee shall evaluate current statements of
7 qualifications and performance data on file with the
8 committee, together with those that may be submitted by other
9 firms regarding the proposed audit, and shall conduct
10 discussions with, and may require public presentations by, no
11 fewer than three firms regarding their qualifications,
12 approach to the audit, and ability to furnish the required
13 services.

14 h. The committee shall select no fewer than three
15 firms deemed to be the most highly qualified to perform the
16 required services after considering such factors as the
17 ability of professional personnel; past performance;
18 willingness to meet time requirements; location; recent,
19 current, and projected workloads of the firms; and the volume
20 of work previously awarded to the firm by the agency, with the
21 object of effecting an equitable distribution of contracts
22 among qualified firms, provided such distribution does not
23 violate the principle of selection of the most highly
24 qualified firms. If fewer than three firms desire to perform
25 the services, the committee shall recommend such firms as it
26 determines to be qualified.

27 i. If the governing board receives more than one
28 proposal for the same engagement, the board may rank, in order
29 of preference, the firms to perform the engagement. The firm
30 ranked first may then negotiate a contract with the board
31 giving, among other things, a basis of its fee for that

1 engagement. If the board is unable to negotiate a
2 satisfactory contract with that firm, negotiations with that
3 firm shall be formally terminated, and the board shall then
4 undertake negotiations with the second-ranked firm. Failing
5 accord with the second-ranked firm, negotiations shall then be
6 terminated with that firm and undertaken with the third-ranked
7 firm. Negotiations with the other ranked firms shall be
8 undertaken in the same manner. The board, in negotiating with
9 firms, may reopen formal negotiations with any one of the
10 three top-ranked firms, but it may not negotiate with more
11 than one firm at a time. The board shall also negotiate on the
12 scope and quality of services. In making such determination,
13 the board shall conduct a detailed analysis of the cost of the
14 professional services required in addition to considering
15 their scope and complexity. For contracts over \$50,000, the
16 board shall require the firm receiving the award to execute a
17 truth-in-negotiation certificate stating that the rates of
18 compensation and other factual unit costs supporting the
19 compensation are accurate, complete, and current at the time
20 of contracting. Such certificate shall also contain a
21 description and disclosure of any understanding that places a
22 limit on current or future years' audit contract fees,
23 including any arrangements under which fixed limits on fees
24 will not be subject to reconsideration if unexpected
25 accounting or auditing issues are encountered. Such
26 certificate shall also contain a description of any services
27 rendered by the certified public accountant or firm of
28 certified public accountants at rates or terms that are not
29 customary. Any auditing service contract under which such a
30 certificate is required must contain a provision that the
31 original contract price and any additions thereto shall be

1 adjusted to exclude any significant sums by which the board
2 determines the contract price was increased due to inaccurate
3 or incomplete factual unit costs. All such contract
4 adjustments shall be made within 1 year following the end of
5 the contract.

6 j. If the board is unable to negotiate a satisfactory
7 contract with any of the selected firms, the committee shall
8 select additional firms, and the board shall continue
9 negotiations in accordance with this subsection until an
10 agreement is reached.

11 8. At the conclusion of the audit field work, the
12 independent certified public accountant shall discuss with the
13 head of each local governmental entity or the chair's designee
14 or with the chair of the district school board or the chair's
15 designee, or with the chair of the board of the charter school
16 or the chair's designee, as appropriate, all of the auditor's
17 comments that will be included in the audit report. If the
18 officer is not available to discuss the auditor's comments,
19 their discussion is presumed when the comments are delivered
20 in writing to his or her office. The auditor shall notify each
21 member of the governing body of a local governmental entity
22 for which deteriorating financial conditions exist which may
23 cause a condition described in s. 218.503(1) to occur if
24 actions are not taken to address such conditions.

25 9. The officer's written statement of explanation or
26 rebuttal concerning the auditor's comments, including
27 corrective action to be taken, must be filed with the
28 governing body of the local governmental entity, district
29 school board, or charter school within 30 days after the
30 delivery of the financial audit report.

31

1 10. The Auditor General, in consultation with the
2 Board of Accountancy, shall adopt rules for the form and
3 conduct of all financial audits subject to this section and
4 conducted by independent certified public accountants. The
5 Auditor General, in consultation with the Department of
6 Education, shall develop a compliance supplement for the
7 financial audit of a district school board conducted by an
8 independent certified public accountant. The rules for audits
9 of local governmental entities and district school boards must
10 include, but are not limited to, requirements for the
11 reporting of information necessary to carry out the purposes
12 of the Local Government Financial Emergencies Act as stated in
13 s. 218.501.

14 11. Any local governmental entity or district school
15 board financial audit report required under subparagraph 5. or
16 charter school financial audit report required under
17 subparagraph 2. and the officer's written statement of
18 explanation or rebuttal concerning the auditor's comments,
19 including corrective action to be taken, must be submitted to
20 the Auditor General within 45 days after delivery of the audit
21 report to the local governmental entity, district school
22 board, or charter school, but no later than 12 months after
23 the end of the fiscal year. If the Auditor General does not
24 receive the financial audit report within the prescribed
25 period, he or she must notify the Legislative Auditing
26 Committee that the governmental entity or charter school has
27 not complied with this subparagraph. Following notification of
28 failure to submit the required audit report or items required
29 by rule adopted by the Auditor General, a hearing must be
30 scheduled by rule of the committee. After the hearing, the
31 committee shall determine which governmental entities or

1 charter schools will be subjected to further state action. If
2 it finds that one or more governmental entities or charter
3 schools should be subjected to further state action, the
4 committee shall:

5 a. In the case of a local governmental entity,
6 district school board, or charter school, request the
7 Department of Revenue and the Department of Banking and
8 Finance to withhold any funds not pledged for bond debt
9 service satisfaction which are payable to such governmental
10 entity or charter school until the required financial audit is
11 received by the Auditor General. The Department of Revenue and
12 the Department of Banking and Finance are authorized to
13 implement the provisions of this sub-subparagraph. The
14 committee, in its request, shall specify the date such action
15 shall begin, and the request must be received by the
16 Department of Revenue and the Department of Banking and
17 Finance 30 days prior to the date of the distribution mandated
18 by law.

19 b. In the case of a special district, notify the
20 Department of Community Affairs that the special district has
21 failed to provide the required audits. Upon receipt of
22 notification, the Department of Community Affairs shall
23 proceed pursuant to ss. 189.421 and 189.422.

24 12.a. The Auditor General, in consultation with the
25 Board of Accountancy, shall review all audit reports submitted
26 pursuant to subparagraph 11. The Auditor General shall request
27 any significant items that were omitted in violation of a rule
28 adopted by the Auditor General. The items must be provided
29 within 45 days after the date of the request. If the Auditor
30 General does not receive the requested items, he or she shall
31 notify the Joint Legislative Auditing Committee.

1 b. The Auditor General shall notify the Governor and
2 the Joint Legislative Auditing Committee of any audit report
3 reviewed by the Auditor General which contains a statement
4 that the local governmental entity or district school board is
5 in a state of financial emergency as provided in s. 218.503.
6 If the Auditor General, in reviewing any audit report,
7 identifies additional information which indicates that the
8 local governmental entity or district school board may be in a
9 state of financial emergency as provided in s. 218.503, the
10 Auditor General shall request appropriate clarification from
11 the local governmental entity or district school board. The
12 requested clarification must be provided within 45 days after
13 the date of the request. If the Auditor General does not
14 receive the requested clarification, he or she shall notify
15 the Joint Legislative Auditing Committee. If, after obtaining
16 the requested clarification, the Auditor General determines
17 that the local governmental entity or district school board is
18 in a state of financial emergency as provided in s. 218.503,
19 he or she shall notify the Governor and the Joint Legislative
20 Auditing Committee.

21 c. The Auditor General shall annually compile and
22 transmit to the President of the Senate, the Speaker of the
23 House of Representatives, and the Joint Legislative Auditing
24 Committee a summary of significant findings and financial
25 trends identified in audits of local governmental entities,
26 district school boards, and charter schools performed by the
27 independent certified public accountants.

28 13. In conducting a performance audit of any agency,
29 the Auditor General shall use the Agency Strategic Plan of the
30 agency in evaluating the performance of the agency.

31

1 Section 5. Paragraph (e) of subsection (1) of section
2 218.32, Florida Statutes, is amended to read:

3 218.32 Annual financial reports; local governmental
4 entities.--

5 (1)

6 (e) If the department does not receive a completed
7 annual financial report from a local governmental entity
8 within the required period, it shall notify the Legislative
9 Auditing Committee of the failure to report. Following receipt
10 of notification of failure to report, the committee shall
11 schedule a hearing for the purpose of receiving additional
12 testimony addressing the failure of local governmental
13 entities to comply with the reporting requirements of this
14 section. After the hearing, the committee shall determine
15 which local governmental entities will be subjected to further
16 state action. If it finds that one or more local governmental
17 entities should be subjected to further state action, the
18 committee shall:

19 1. In the case of a county or municipality, request
20 the Department of Revenue and the Department of Banking and
21 Finance to withhold any funds not pledged for bond debt
22 service satisfaction which are payable to the county or
23 municipality until the required annual financial report is
24 received by the department. The Department of Revenue and the
25 Department of Banking and Finance are authorized to implement
26 the provisions of this subparagraph. The committee, in its
27 request, shall specify the date such action shall begin, and
28 the request must be received by the Department of Revenue and
29 the Department of Banking and Finance 30 days prior to the
30 date of the distribution mandated by law.

1 2. In the case of a special district, notify the
2 Department of Community Affairs that the special district has
3 failed to provide the required annual financial report. Upon
4 notification, the Department of Community Affairs shall
5 proceed pursuant to ss. 189.421 and 189.422.

6 3. In the case of a special district that is a
7 component unit and that did not provide the financial
8 information required by paragraph (b) to the applicable
9 reporting entity, notify the Department of Community Affairs
10 that the special district has failed to provide the required
11 financial information. Upon notification, the Department of
12 Community Affairs shall proceed pursuant to ss. 189.421 and
13 189.422.

14 Section 6. Paragraph (a) of subsection (3) of section
15 218.38, Florida Statutes, is amended to read:

16 218.38 Notice of bond issues required; verification.--

17 (3) If a unit of local government fails to verify
18 pursuant to subsection (2) the information held by the
19 division, or fails to provide the information required by
20 subsection (1), the division shall notify the Legislative
21 Auditing Committee of such failure to comply. Following
22 receipt of such notification of failure to comply with these
23 provisions, a hearing shall be scheduled by the committee for
24 the purpose of receiving testimony addressing the failure of
25 units of local government to comply with the requirements of
26 this section. After the hearing, the committee shall
27 determine which units of local government will be subjected to
28 further state action. If it finds that one or more units of
29 local government should be subjected to further state action,
30 the committee shall:

31

1 (a) In the case of a unit of local government, request
2 the Department of Revenue and the Department of Banking and
3 Finance to withhold any funds not pledged for bond debt
4 service satisfaction which are payable to such governmental
5 entity. The Department of Revenue and the Department of
6 Banking and Finance are authorized to implement the provisions
7 of this paragraph. The committee, in its request, shall
8 specify the date such action shall begin, and the request must
9 be received by the Department of Revenue and the Department of
10 Banking and Finance 30 days prior to the date of the
11 distribution mandated by law.

12 Section 7. Section 28.33, Florida Statutes, is amended
13 to read:

14 28.33 Investment of county funds by the clerk of the
15 circuit court.--The clerk of the circuit court in each county
16 shall invest county funds in excess of those required to meet
17 expenses as provided in s. 218.415.~~make an estimate of his or~~
18 ~~her projected financial needs for the county and shall invest~~
19 ~~any funds in designated depository banks in interest-bearing~~
20 ~~certificates or in any direct obligations of the United States~~
21 ~~in compliance with federal laws relating to receipt of and~~
22 ~~withdrawal of deposits. All investments shall be open for bid~~
23 ~~to all qualified depositories in the county. The clerk shall~~
24 ~~select the highest and best bid for deposit. All bids~~
25 ~~received by the clerk shall include, but not be limited to,~~
26 ~~the interest rate to be earned and the total amount of dollar~~
27 ~~return to be paid to the clerk. In the event of a like bid~~
28 ~~between two or more banks, the moneys shall be divided and~~
29 ~~deposited in each bank, so long as the total interest income~~
30 ~~from the divided deposits will not be less than the total~~
31 ~~interest income had the deposits not been divided. If at the~~

1 ~~time of bid the dollar return on direct obligations of the~~
2 ~~Federal Government is greater than the highest bank return,~~
3 ~~then the clerk shall invest in the higher return security.~~
4 ~~Moneys deposited in the registry of the court shall be~~
5 ~~deposited in interest-bearing certificates at the discretion~~
6 ~~of the clerk, subject to the above guidelines.No clerk~~
7 ~~investing such funds shall be liable for the loss of any~~
8 ~~interest when circumstances require the withdrawal of funds~~
9 ~~placed in a time deposit and needed for immediate payment of~~
10 ~~county obligations. In any county where local banks refuse to~~
11 ~~bid on securing such money on interest-bearing certificates,~~
12 ~~the clerk may request and receive bids from banks in other~~
13 ~~counties within the state and make such deposits to the~~
14 ~~successful bidder.Except for interest earned on moneys~~
15 ~~deposited in the registry of the court, all interest accruing~~
16 ~~from moneys deposited shall be deemed income of the office of~~
17 ~~the clerk of the circuit court investing such moneys and shall~~
18 ~~be deposited in the same account as are other fees and~~
19 ~~commissions of the clerk's office. The clerk may invest~~
20 ~~moneys deposited in the registry of the court and shall retain~~
21 ~~as income of the office of the clerk and as a reasonable~~
22 ~~investment management fee 10 percent of the interest accruing~~
23 ~~on those funds with the balance of such interest being~~
24 ~~allocated in accordance with the interest of the depositors.~~
25 ~~Each clerk shall, as soon as practicable after the end of the~~
26 ~~fiscal year, report to the county governing authority the~~
27 ~~total interest earned on all investments during the preceding~~
28 ~~year.~~

29 Section 8. Subsection (9) of section 159.416, Florida
30 Statutes, is amended to read:

31 159.416 Pool financings.--

1 (9) Proceeds of bonds and moneys held for the payment
2 of debt service on bonds, including, but not limited to,
3 amounts held in the loan fund, any reserve fund, or debt
4 service fund for the bonds, may be invested in investments
5 authorized by or pursuant to an ordinance or resolution
6 providing for the issuance of the bonds or any trust agreement
7 or trust indenture or other instrument approved by such
8 ordinance or resolution, including, but not limited to,
9 investments described in s. 218.415 ~~ss. 28.33, 125.31,~~
10 ~~166.261, 218.345, 219.075, and 236.24~~ and chapter 280. The
11 acquisition of any debt obligation or investment contract or
12 investment agreement of any bank, savings and loan
13 association, insurance company, registered broker-dealer, or
14 other financial institution shall be deemed to be an
15 investment and not a loan and therefore need not meet the
16 criteria of subsections (5), (6), and (7).

17 Section 9. Section 219.075, Florida Statutes, is
18 amended to read:

19 219.075 Investment of surplus funds by county
20 officers.--

21 (1)(a) Except when another procedure is prescribed by
22 law or by ordinance as to particular funds, a tax collector or
23 any other county officer having, receiving, or collecting any
24 money, either for his or her office or on behalf of and
25 subject to subsequent distribution to another officer of state
26 or local government, while such money is in excess of that
27 required to meet current expenses ~~surplus to current needs of~~
28 ~~his or her office~~ or is pending distribution, shall invest
29 such money, without limitation, as provided in s. 218.415. ~~in:~~

30 ~~1. The Local Government Surplus Funds Trust Fund, as~~
31 ~~created by s. 218.405;~~

1 ~~2. Bonds, notes, or other obligations of the United~~
2 ~~States guaranteed by the United States or for which the credit~~
3 ~~of the United States is pledged for the payment of the~~
4 ~~principal and interest or dividends;~~

5 ~~3. Interest-bearing time deposits or savings accounts~~
6 ~~in banks organized under the laws of this state, in national~~
7 ~~banks organized under the laws of the United States and doing~~
8 ~~business and situated in this state, in savings and loan~~
9 ~~associations which are under state supervision, or in federal~~
10 ~~savings and loan associations located in this state and~~
11 ~~organized under federal law and federal supervision, provided~~
12 ~~that any such deposits are secured by collateral as may be~~
13 ~~prescribed by law; or~~

14 ~~4. Securities of, or other interests in, any open-end~~
15 ~~or closed-end management type investment company or investment~~
16 ~~trust registered under the Investment Company Act of 1940, 15~~
17 ~~U.S.C. ss. 80a-1 et seq., as amended from time to time,~~
18 ~~provided the portfolio of such investment company or~~
19 ~~investment trust is limited to obligations of the United~~
20 ~~States Government or any agency or instrumentality thereof and~~
21 ~~to repurchase agreements fully collateralized by such United~~
22 ~~States Government obligations and provided such investment~~
23 ~~company or investment trust takes delivery of such collateral~~
24 ~~either directly or through an authorized custodian.~~

25 (b) These investments shall be planned so as not to
26 slow the normal distribution of the subject funds. The
27 investment earnings shall be reasonably apportioned and
28 allocated and shall be credited to the account of, and paid
29 to, the office or distributee, together with the principal on
30 which such earnings accrued.

31

1 (2) Except when another procedure is prescribed by
2 law, ordinance, or court order as to particular funds, the tax
3 collector shall, as soon as feasible after collection, deposit
4 in a bank designated as a depository of public funds, as
5 provided in s. 658.60, all taxes, fees, and other collections
6 received by him or her and held prior to distribution to the
7 appropriate taxing authority. Immediately after such funds
8 have cleared and have been properly credited to the tax
9 collector's ~~his or her~~ account, the tax collector shall invest
10 such funds according to the provisions of s. 218.415 ~~this~~
11 ~~section~~. The earnings from such investments shall be
12 apportioned at least quarterly on a pro rata basis to the
13 appropriate taxing authorities. However, the tax collector
14 may deduct therefrom such reasonable amounts as are necessary
15 to provide for costs of administration of such investments and
16 deposits.

17 (3) The State Board of Administration may establish a
18 schedule and guidelines to be followed by tax collectors
19 making deposits ~~and investments~~ under the provisions of
20 subsection (2).

21 ~~(4) The provisions of this section are subject to the~~
22 ~~provisions of s. 218.415.~~

23 Section 10. Section 236.24, Florida Statutes, is
24 amended to read:

25 236.24 Sources of district school fund.--

26 ~~(1)~~ The district school fund shall consist of funds
27 derived from the district school tax levy; state
28 appropriations; appropriations by county commissioners; local,
29 state, and federal school food service funds; any and all
30 other sources for school purposes; national forest trust funds
31 and other federal sources; and gifts and other sources.

1 ~~(2)(a) Unless otherwise authorized by law or by~~
2 ~~ordinance, each school board shall, by resolution to be~~
3 ~~adopted from time to time, invest and reinvest any surplus~~
4 ~~public funds in its control or possession in:~~
5 ~~1. The Local Government Surplus Funds Trust Fund;~~
6 ~~2. Negotiable direct obligations of, or obligations~~
7 ~~the principal and interest of which are unconditionally~~
8 ~~guaranteed by, the United States Government at the then~~
9 ~~prevailing market price for such securities;~~
10 ~~3. Interest-bearing time deposits or savings accounts~~
11 ~~in qualified public depositories as defined in s. 280.02;~~
12 ~~4. Obligations of the federal farm credit banks; the~~
13 ~~Federal Home Loan Mortgage Corporation, including Federal Home~~
14 ~~Loan Mortgage Corporation participation certificates; or the~~
15 ~~Federal Home Loan Bank or its district banks or obligations~~
16 ~~guaranteed by the Government National Mortgage Association;~~
17 ~~5. Obligations of the Federal National Mortgage~~
18 ~~Association, including Federal National Mortgage Association~~
19 ~~participation certificates and mortgage pass-through~~
20 ~~certificates guaranteed by the Federal National Mortgage~~
21 ~~Association; or~~
22 ~~6. Securities of, or other interests in, any open-end~~
23 ~~or closed-end management type investment company or investment~~
24 ~~trust registered under the Investment Company Act of 1940, 15~~
25 ~~U.S.C. ss. 80a-1 et seq., as amended from time to time,~~
26 ~~provided the portfolio of such investment company or~~
27 ~~investment trust is limited to obligations of the United~~
28 ~~States Government or any agency or instrumentality thereof and~~
29 ~~to repurchase agreements fully collateralized by such United~~
30 ~~States Government obligations, and provided such investment~~
31

1 ~~company or investment trust takes delivery of such collateral~~
2 ~~either directly or through an authorized custodian.~~

3 ~~(b)1. Securities purchased by any such school board~~
4 ~~under the authority of this law shall be delivered by the~~
5 ~~seller to the school board or its appointed safekeeper. The~~
6 ~~safekeeper shall be a qualified bank or trust company~~
7 ~~chartered to operate as such by the State of Florida, any~~
8 ~~other state or territory of the United States, or the United~~
9 ~~States Government, that has a branch or principal place of~~
10 ~~business in this state as defined in s. 658.12. The safekeeper~~
11 ~~shall issue documentation for each transaction, and a monthly~~
12 ~~statement detailing all transactions for the period.~~

13 ~~2. Securities physically delivered to the school board~~
14 ~~shall be placed in a safe deposit box in a bank or other~~
15 ~~institution located within the county and duly licensed and~~
16 ~~insured. Withdrawals from such safe deposit box shall be only~~
17 ~~by persons duly authorized by resolution of the school board.~~

18 ~~3. The school board may also receive bank trust~~
19 ~~receipts in return for investment of surplus funds in~~
20 ~~securities. Any trust receipts received must enumerate the~~
21 ~~various securities held together with the specific number of~~
22 ~~each security held. The actual securities on which the trust~~
23 ~~receipts are issued may be held by any bank depository~~
24 ~~chartered by the United States Government, the State of~~
25 ~~Florida, or any other state or territory of the United States,~~
26 ~~that has a branch or principal place of business in this state~~
27 ~~as defined in s. 658.12, or their designated agents.~~

28 ~~(c) When the money invested in such securities is~~
29 ~~needed in whole or in part for the purposes originally~~
30 ~~intended, the school board is authorized to sell such security~~
31 ~~or securities at the then prevailing market price and to pay~~

1 ~~the proceeds of such sale into the proper account or fund of~~
2 ~~the school board.~~

3 ~~(d) For the purposes of this law, the term "surplus~~
4 ~~funds" is defined as funds in any general or special account~~
5 ~~or fund of the school board, held or controlled by the school~~
6 ~~board, which funds are not reasonably contemplated to be~~
7 ~~needed for the purposes intended within a reasonable time from~~
8 ~~the date of such investment.~~

9 ~~(e) Any surplus public funds subject to a contract or~~
10 ~~agreement on the date of this enactment shall not be invested~~
11 ~~contrary to such contract or agreement.~~

12 ~~(f) The provisions of this subsection are supplemental~~
13 ~~to any and all other laws relating to the legal investments by~~
14 ~~school boards.~~

15 ~~(3) Investments made pursuant to this section may be~~
16 ~~in book entry form and may be under repurchase agreements.~~

17 ~~(4) The provisions of this section are subject to the~~
18 ~~provisions of s. 218.415.~~

19 Section 11. Paragraph (a) of subsection (2) of section
20 236.49, Florida Statutes, is amended to read:

21 236.49 Proceeds; how expended.--The proceeds derived
22 from the sale of said bonds shall be held by the school board
23 and shall be expended by the board for the purpose for which
24 said bonds were authorized for said school district, and shall
25 be held and expended in the manner following:

26 (2) All or any part of the fund derived from the
27 proceeds of any such bond issue that in the judgment of the
28 school board is not immediately needed may be placed in the
29 following securities maturing not later than the time when the
30 funds are reasonably expected to be needed:

31

1 (a) In investments listed in s. 218.415(16)~~authorized~~
2 ~~in s. 236.24(2)(a) for the district school fund.~~

3 Section 12. Paragraph (b) of subsection (6) of section
4 237.211, Florida Statutes, is amended to read:

5 237.211 School depositories; payments into and
6 withdrawals from depositories.--

7 (6) EXEMPTION FOR SELF-INSURANCE PROGRAMS AND
8 THIRD-PARTY ADMINISTERED EMPLOYEES' FRINGE BENEFIT PROGRAMS.--

9 (b) The school board is authorized to contract with an
10 insurance company or professional administrator who holds a
11 valid certificate of authority issued by the Department of
12 Insurance to provide any or all services that a third-party
13 administrator is authorized by law to perform. Pursuant to
14 such contract, the school board may advance or remit money to
15 the administrator to be deposited in a designated special
16 checking account for paying claims against the school board
17 under its self-insurance programs, and remitting premiums to
18 the providers of insured benefits on behalf of the school
19 board and the participants in such programs, and otherwise
20 fulfilling the obligations imposed upon the administrator by
21 law and the contractual agreements between the school board
22 and the administrator. The special checking account shall be
23 maintained in a designated district school depository. The
24 school board may replenish such account as often as necessary
25 upon the presentation by the service organization of
26 documentation for claims or premiums due paid equal to the
27 amount of the requested reimbursement. Such replenishment
28 shall be made by a warrant signed by the chair of the board
29 and countersigned by the superintendent. Such replenishment
30 may be made by electronic, telephonic, or other medium, and
31 each transfer shall be confirmed in writing and signed by the

1 superintendent or his or her designee. The provisions of
2 strict accountability of all funds and an annual audit by an
3 independent certified public accountant as provided in s.
4 230.23(10)(k)~~(l)~~ shall apply to this subsection.

5 Section 13. Sections 125.31, 166.261, and 218.345,
6 Florida Statutes, paragraph (k) of subsection (10) of section
7 230.23, Florida Statutes, and subsection (5) of section
8 237.161, Florida Statutes, are repealed.

9 Section 14. This act shall take effect October 1,
10 2000.

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