

CITY OF TERRELL
FINANCIAL POLICY
MANUAL
2008



FINANCIAL POLICIES MANUAL

As public employees, we must maintain the highest standards in the area of purchasing and use of credit cards. Also at all times, we, as employees, must insure the City Council and the public that no conflict of interest exists.

The policies included in this manual (Purchasing Policy, Credit Card Policy, Cash Management Policy, Terrell Economic Development Corporation Policy, Investment Policy and Conflict of Interest standards) are clear and concise. These policies have been established to provide direction and guidance to staff and to insure that regulations of the State of Texas and City of Terrell are followed.

These policies are administered through the Office of the City Secretary. If you have questions or desire clarification, do not hesitate to contact the appropriate representative of the City Secretary's Office or City Management.

Torry L. Edwards
City Manager

CONFLICT OF INTEREST

CHAPTER 7, SECTION 6

Conflict of Interest of the City of Terrell Personnel Policy states, “No officer or employee of the City shall accept, directly or indirectly, any gift, favor, privilege, or employment having a monetary value in excess of twenty-five dollars (\$25.00) from any person, firm, or corporation doing business with, or seeking to do business with the City, during the term of office of such officer or during the employment of such employee of the City and in connection with such office or employment, except as may be in behalf of the City and for its benefit. Under no circumstance shall cash or any instrument of cash having monetary value be accepted. No officer or employee of the City who is employed, directly or indirectly, by any person, firm or corporation doing business with, or seeking to do business with the City shall in any manner participate in any discussion or decision of any agency, board, commission or instrumentality of the City having to do with the business done or sought to be done with the City by such person, firm or corporation without first declaring publicly such employment.

The following policies are included in this manual:

Policy Overview

Cash Management Policy

Purchasing Policy

Credit Card Policy

Investment Policy

FINANCIAL POLICIES

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FINANCIAL POLICIES OVERVIEW

1.0 Introduction

The City of Terrell financial policies set forth the basic framework for the fiscal management of the City. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of Terrell City Charter. The policies are intended to assist the City Council and City staff in evaluating current activities and proposals for future programs. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

2.0 Annual Budget (Charter Requirements)

- A. The fiscal year of the City of Terrell shall begin on the first day of October and end on September 30 of the following calendar. The fiscal year will also be established as the accounting and budget year.
- B. On or before the 1st day of August of each year, the City Manager shall submit to the City Council a budget for the ensuing fiscal year and an accompanying message.
- C. The City Manager's message shall explain in the budget both in fiscal terms and in terms of the work programs. It shall outline the proposed financial policies of the City for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures, and revenues together with the reasons for such changes, summarize the City's debt position and include such other material as the manager deems desirable.
- D. The budget shall provide a complete financial plan for the fiscal year, and shall be in the form and contain such information as required by state law and by the City Council. The budget shall conform to recommendations for budgets and crediting procedures as prescribed by the Municipal Finance Officers Association to the extent possible.
- E. The budget and all supporting schedules shall be filed with the City Secretary when submitted to the Council and shall be opened to public inspection by anyone interested.
- F. At the Council meeting at which time the budget is submitted, the Council shall name the date and place of a public hearing and shall cause to be published in the official newspaper of the City the time and place, which will be not less than ten (10) days nor more than thirty (30) days after date of notice. At this hearing, interested citizens may express their opinions concerning items of expenditures, giving their reasons for wishing to increase or decrease any items of expense.
- G. After public hearing, the Council shall analyze the budget, making any addition or deletions which they feel appropriate, and shall, at least ten (10) days prior to the beginning of the next fiscal year, adopt the budget by a favorable majority vote of all members of the Council. Should the Council take no final action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the Council.
- H. On final adoption, the budget shall be in effect for the budget year. Final adoption of the budget by the Council shall constitute the official appropriations as proposed expenditures for the current year and shall constitute the basis of official levy of the property tax as the amount of tax to be assessed and collected for the corresponding tax year. Estimated expenditures will in no case exceed proposed revenue plus cash on hand. Unused appropriations may be transferred to any item required for the same general purpose.

3.0 Basis of Accounting and Budgeting

- A. The City of Terrell finances shall be accounted for in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board.
 - 1. The accounts of the City of Terrell are organized and operated on the basis of funds and account groups. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. Governmental funds are used to account for the government's general government activities and include the General, Special Revenue, Debt Service and Capital Project funds.
 - 2. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrue (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Substantially all revenues are considered to be susceptible to accrual. Ad valorem, sales, hotel, and franchise tax revenues recorded in the General Fund, and ad valorem tax revenues recorded in the Debt Service fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are recognized when the related funds liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due, and compensated absences, which are recorded when payable from currently available financial resources.
 - 3. The City of Terrell utilizes encumbrance accounting for its Governmental fund types, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
 - 4. The Proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- B. The budgets shall be prepared and adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds except the capital projects funds which adopt project-length budgets. All annual appropriations lapse at fiscal year end. Under the City's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

4.0 Budget Administration

- A. All expenditures of the City of Terrell shall be made in accordance with the annual budget. Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase order to vendors.
- B. The following represents the City of Terrell budget amendment policy delineating responsibility and authority for the amendment process. Transfers between expenditure accounts in one department may occur with the approval of the City Manager's Office. Transfers between funds must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council. As a matter of course, continuous budget monitoring requires that deviations from expected amounts of revenue and/or expenditures be noted and estimates revised, if necessary, to avoid financial distress. Budget amendments are thus considered prudent financial management techniques and are deemed to fulfill the requirements of City Charter for budget amendment justification.

5.0 Financial Reporting

- A. Following the conclusion of the fiscal year, the City of Terrell Director of Finance shall cause to be prepared a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting and financial reporting principles established by the Governmental Accounting Standards Board. The document shall also satisfy all criteria of the Government Finance Officers Association's Certification of Achievement for Excellence in Financial Reporting Program.
- B. The CAFR shall show the status of the city's finances on the basis of generally accepted accounting principles (GAAP). The CAFR shall show fund revenues and expenditures on both a GAAP basis and budget basis for comparison purposes. Differences in format are acknowledged through reconciliations. Compensated absences (accrued but unused vacation leave) are not reflected in the budget but are accounted for in the CAFR's long-term debt account group. Depreciation expense is not shown in the budget's proprietary funds, although the full purchase price of equipment and capital improvements are reflected as uses of working capital.
- C. Included as part of the Comprehensive Annual Financial Report shall be the results of the annual audit prepared by independent certified public accountants designated by the City Council.
- D. The City Manager's Office shall, within sixty days following the conclusion of each calendar quarter, issue a report to the Council reflecting the City's financial condition for that quarter. The quarterly report format shall be consistent with the format of the annual budget document. The preliminary budget may serve as the report for the third quarter of the year, as it reflects the City's current financial status and expected year end posture.

6.0 Revenues

- A. To protect the City of Terrell's financial integrity, the City will maintain a diversified and stable revenue system to shelter it from fluctuations in one revenue source.
- B. For every annual budget, the City of Terrell shall levy two property tax rates: operation/maintenance and debt service. The debt service levy shall be sufficient for meeting all principal and interest payment associated with the City's outstanding general obligation debt for that budget year. The debt service levy and related debt service expenditures shall be accounted for in the Debt Service fund. The operation and maintained levy shall be accounted for in the General Fund. A portion may be designated for special purposes (i.e., Street Maintenance Fund).
- C. The City of Terrell will maintain a policy of levying the lowest tax rate on the broadest tax base. Mandated exemptions will be provided to home owners, senior citizens, and disabled citizens.
- D. The City of Terrell will establish user charges and fees at a level which attempts to recover the full cost of providing the service.
 - 1. User fees, particularly utility rates, should identify the relative costs of serving different classes of customers.
 - 2. The City of Terrell will make every reasonable attempt to ensure accurate measurement of variables impacting taxes and fees (e.g. verification of business sales tax payments, verification of appraisal district property values, accuracy of water meters, etc.)
- E. The City of Terrell will attempt to maximize the application of its financial resources by obtaining supplementary funding through agreements with other public and private agencies for the provision of public services or the construction of capital improvements. The City of Terrell will consider market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees and charges.
- F. When developing the annual budget, the City Manager shall project revenues from every source based on actual collections from the preceding year and estimated collections of the current fiscal year, while considering known circumstances which will impact revenues for the new fiscal year. The revenue projections for each fund should be made conservatively so that total actual fund revenues exceed budgeted projections.

7.0 Operating Expenditures

- A. Operating expenditures shall be accounted, reported, and budgeted for in the following major categories:

4100	Personal Services
4200	Supplies
4300	Maintenance
4400	Contractual Services
4500	Capital Replacement/Lease
- B. The annual budget shall appropriate sufficient funds for operating, recurring expenditures necessary to maintain established quality and scope of city services.
- C. The City of Terrell will constantly examine the methods for providing public services in order to reduce operating, recurring expenditures and/or enhance quality and scope of public services with no increase to cost.
- D. Personal service expenditures will reflect the minimum staffing needed to provide established quality and scope of city services. To attract and retain employees necessary for providing high-quality service, the City shall maintain a compensation and benefit package competitive with the public and, when quantifiable, private service industries.
- E. Supply expenditures shall be sufficient for ensuring the optimal productivity of City employees.
- F. Maintenance expenditures shall be sufficient for addressing the deterioration of the City’s capital assets to ensure the optimal productivity of the capital assets. Maintenance should be conducted to ensure a relatively stable level of maintenance expenditures for every budget year.
- G. The City of Terrell will utilize contracted labor for the provision of city services whenever private contractors can perform at the lowest possible cost.
- H. Existing capital equipment shall be replaced when needed to ensure the optimal productivity of City of Terrell employees.
- I. Expenditures for capital equipment shall be made only to enhance employee productivity, improve quality of service, or expand scope of service.
- J. To assist in controlling the growth of operating expenditures, operating departments will submit their annual budgets to the City Manager within fiscal parameters provided by the City Manager’s Office.

8.0 Fund Balance

- A. The annual budget shall be presented to Council, with each fund reflecting minimum ending fund balances as follows:

General Fund	60 days of expenditures
Water and Sewer Fund	60 days of expenditures
Utility Debt Service	Compliance with bond covenants
General Debt Service Fund	60 days of expenditures
- B. Fund balances which exceed the minimum level established for each fund may be appropriated for non-recurring capital projects or programs.
- C. The City of Terrell will exercise diligence in avoiding the appropriation of fund balance for recurring operating expenditures. In the event fund balance is appropriated for recurring operating expenditures to meet the needs of the community, the budget document shall include an explanation of the circumstances requiring the appropriation and the methods to be used to arrest the future use of fund balance for operating expenditures.
- D. The Utility Capital Reserve (UCR) is established to provide a source of funds which can be used to address serious and unexpected conditions that may arise, such as adverse weather conditions which seriously alter expected revenue amounts. In addition, the fund alleviates the need for sudden and unexpected rates increases, allowing the City to implement needed rate increases in a phased and orderly manner. The UCR is a restricted sub-fund of the Water and Sewer Utility Fund and shall be

maintained at a targeted level of \$1,500,000. If monies from the UCR are transferred to operating working capital fund balances, UCR funds will be restored to the targeted level as soon as practical. Decisions involving the use of the UCR shall be at the discretion of the City Manager and reported in normal budgeting and financial reporting formats throughout the fiscal year.

9.0 Fund Transfers

- A. Fund transfers may occur when surplus fund balances are used to support non-recurring capital expenses or when needed to satisfy debt service obligations.
- B. Fund transfers are used to pay for general and administrative costs in the General Fund and to charge franchise fees to Proprietary Funds.

10.0 Debt Expenditures

- A. The City of Terrell will issue debt only to fund capital projects, which cannot be supported by current, annual revenues.
- B. To minimize interest payments on issued debt, the City will maintain a rapid debt retirement policy by issuing debt with maximum maturities not exceeding ~~20~~ 30 years. Retirement of debt principal will be structured to ensure constant annual debt payments.
- C. The City of Terrell will attempt to maintain base bond ratings (prior to insurance) of AA2 (Moody's Investors Service) and AA (Standard & Poor's) on its general obligation debt. The City shall continue to seek to enhance its credit quality by frequent contact and visits with the rating agencies, and monitoring the current trends and guidance from the agencies.
- D. When needed to minimize annual debt payments, the City of Terrell will obtain insurance for new debt issues.
- E. In order to minimize the impact of debt issuance on the property tax rate and to assist the City in meeting its arbitrage requirements, the City will consider the sequential sale of bonds for the purpose of financing capital projects.

11.0 Capital Project Expenditures

- A. The City of Terrell will develop a multi-year plan for capital projects which identifies all projects likely to be constructed within a five year horizon. The multi-year plan will reflect for each project the likely source of funding and attempt to quantify the project's impact to future operating expenditures.
- B. Capital projects will be constructed to:
 - 1.) Protect or improve the community's quality of life.
 - 2.) Protect or enhance the community's economic vitality.
 - 3.) Support new development.
 - 4.) Provide significant rehabilitation of City infrastructure for sustained service.
- C. Capital project expenditures will not be authorized by the City Council without identification and commitment of revenue sources sufficient to fund the improvement. Potential funding sources include, but are not limited to, reserve funds, debt issuances, matching funds revenues, user fees, grants, or reallocation of existing capital funds with the recognition that construction of previously authorized capital projects may be delayed or postponed.
- D. Capital Improvement Planning and Programming shall include the following categories for the determination of funding for individual projects: design costs, right-of-way costs, utility construction/adjustment costs, construction costs, appropriate contingency funds, furnishings and equipment, and direct project administration services provided by City employees or outside forces.
- E. Cost incurred for advanced planning of capital projects may be funded from reimbursement of appropriate debt or operating funds.

- F. The City will fund the entire cost of proposed projects in debt proposals, without relying on matching funds from other agencies or entities unless said matching funds are designated and available for use at the time of the issuance of the debt. Matching funds received for a project that is fully funded by a debt issuance shall be applied to debt service and shall not be used to fund additional capital projects.
- G. To minimize the issuance of debt, the City of Terrell will attempt to support capital projects with appropriations from operating revenues or excess fund balances (i.e., “pay-as-you-go”).

12.0 Utility Capital Expenditures

- A. Utility rates are designed to provide for a depreciation reserve which accumulates resources to replace or rehabilitate aging infrastructure. In addition, the multi-year financial plan provides debt strategies to finance needed capital items.
- B. Inasmuch as roads and other components are essential to extending utility service, revenues in excess of anticipated current year needs will be reserved for future road improvements and related infrastructure projects at year-end. This will assure that infrastructure costs are funded along with utility projects.

13.0 Long-term Financial Plan

- A. The City of Terrell will adopt the annual budget in the context of a long-term financial plan, or other multi-year budget analysis.
- B. The long-term financial plans will establish assumptions for revenues, expenditures and changes to fund balances over a five year horizon. The assumptions will be evaluated periodically as part of the budget development process.

14.0 Cash Management and Internal Controls

- A. Written guidelines on cash handling, accounting, segregation of duties, and other financial matters shall be maintained.
- B. Each department director shall ensure that departmental procedures are adequate to safeguard City funds.
- C. Staffing and training shall be reviewed periodically to ensure adequacy.
- D. Daily deposits of City cash shall be performed.
- E. The timing and amount of cash needs and availability shall be systematically projected in order to maximize interest earnings from investments.
- F. The City’s investment portfolio shall be managed in accordance with the Public Funds Investment Act and the City’s Investment Policy.
- G. The City shall conduct periodic reviews of Internal Controls and Cash Handling Procedures.

CASH MANAGEMENT POLICY

Introduction

The following procedure for over the counter receipts has been developed to provide you with policy for handling cash transactions for the City of Terrell.

Purpose

1. To promote a good image;
2. Safeguard money and other assets;
3. Provide accurate and reliable data and information;
4. Provide a good audit trail, which:
 - a) Pinpoints responsibility,
 - b) Protects the innocent, and
 - c) Provides for earlier detection of errors / irregularities
5. Encourages adherence to laws, regulations, policies, and procedures; and
6. Promotes efficiency and effectiveness

These procedures are subject to change and revision. All document changes shall include an effective date.

All employees handling cash transactions **are required** to adhere to the “CASH MANAGEMENT” procedures.

Employees handling cash transactions shall be bonded.

The *general public shall not be permitted in areas where cash transactions occur. Employees other than authorized employees are not permitted in areas where cash transactions occur.*

Before employees are allowed to handle cash transactions they shall be trained in the following:

- A. Department operations;
- B. General City policy and procedures;
- C. Customer Service;
- D. How to handle money;
- E. Department security;
- F. Types of collections
- G. Cash
- H. Money orders / cashiers checks
- I. Credit cards
- J. Other
- K. Amounts to be collected
- l. Forms used by the department.

All monies shall be deposited with the Accounting Office and secured in the vault.

Employees handling cash shall not commingle funds by;

- 1. Using personal money
- 2. Cashing personal checks
- 3. Using money to make personal change.
- 4. Combining Deposits on a Single Report.

Methods of accepted and not accepted payment shall be posted at each cashier station.

Currency denominations not accepted shall be posted.

RECEIPTS

Employees shall issue receipts for every payment received. (Receipt is proof of payment)

All receipts shall indicate the payment method (i.e. cash, check. Money order, cashiers check, etc.)

A Separate receipt shall be issued for each of the following funds

- 012 Interest & Sinking Fund No. 1
- 013 Public Improvement District
- 014 Airport Fund
- 016 Tourism Fund
- 019 Interest & Sinking Fund No. 2
- 026 Capital Improvement Fund
- 027 Impact Fee Fund
- 029 Park Land Dedication Fund
- 032 Asset Seizure Fund
- 904 Library ESL

The Director of Finance shall approve the format of a receipt form in advance for use. Each receipt shall have at least three parts Payer, Department, and City and be sequentially numbered.

RECONCILIATION

Reconciliation forms shall be completed daily for each cash drawer. Reconciliation forms shall be produced and distributed by the accounting department. The Finance Director or his/her designate shall verify all reconciliation forms.

Receipts and monies amount must be reconciled daily. Each Employee shall complete the following information daily.

Total Number of Receipts Issues _____

Total Amount of Receipts _____

Total Cash Collected _____

Total Checks Collected _____

Total Credit Card Receipts _____

Total of all Cash, Checks, and Credit Card receipts must equal Total amount of Receipts.

NOTICE OF ERRORS ON FORM

Employees shall notify the Finance Director or his/her designate of all overages/shortages and or missing receipts. The Finance Director or his/her designate shall catalog Overages/Shortages, missing receipts for reference.

Notice of errors must contain Date, Type, Cashier Name and any applicable notation.

DISTRIBUTION

- (1) Receipts shall be stored in the vault and distributed by accounting personnel.
Manual Receipts shall only be used in the following departments:

Animal Control

Employees obtaining receipt books are responsible;

For verifying the count of receipts issued; and

Must sign for what they receive; and

Must return all issued, voided and unused receipts issued prior to obtaining another receipt book.

Un-issued receipts must be kept in a secure place when not being used.

- (2) All other departments are required to use the receipt program designated in the city's automated accounting program.

CASH BOX

Employees handling cash shall be issued their own cash box/drawer/register. One key for each box/drawer/register shall be issued to the employee. The Director of finance shall keep one key. The Finance Director shall use his/her key to open a cash box/drawer/register, only in the presence of at least two people.

Cash box/drawer/register shall be kept locked when not in use.

The employee prior to securing it in the vault shall lock all cash boxes/drawers/registers.

\$100.00 is the maximum/minimum amount of change funds each Utility and Court cashier shall use for daily operations. All other departments \$50.00 shall be used for daily operations.

When a single cash box/drawer/register is used Employees shall verify change funds in the cash box/drawer/register daily. Each User must verify the change funds daily. The Department head or his or her designate shall verify the change funds daily

Change funds for currency exchange and Petty cash receipts shall be logged, signed for and accounted for in the Daily Cashier Reconciliation Form. Change funds can only be obtained from Finance director or his/her designate.

TRANSACTIONS

CASH

Keep cash received from payer in view until receipt is issued and payer is satisfied.
Count change twice, once to yourself and once back to customer.

CHECKS

All Checks, Money Orders and Cashier Checks shall be endorsed upon receipt.

MAIL

All checks, money orders, and Cashier checks received by mail shall not be commingled with daily cash or transactions. All mail shall be processed accounted for on separate forms and deposited in the City treasury.

Cash payments received by mail or drop box shall be recorded with mail in payments. Each cash transaction shall be noted on the reconciliation form

CLOSING OUT

Employees shall balance their own cash box/drawer/register.

Cash box/drawer/register must be balanced out each day.

PROCESS

Money and checks shall be separated. Currency and coins must be separated by denominations.

PURCHASING POLICY

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PURCHASING POLICY

1.0 INTRODUCTION

A. GOALS

Public purchasing is the process of acquiring all those goods and services that are necessary to provide the entity with those services that are required.

Private sector purchasing has several goals. Among these are to:

- Purchase the proper goods or services to suit the business's need.
- Obtain the best possible price for those goods or services.
- Assure that goods and services are available where and when they are needed.
- Assure a continuing supply of needed goods or services.
- Guard against any misuse of the businesses' funds.

Public purchasing has these goals as well. But it must also assure that:

- Responsible bidders are given a fair opportunity to compete for the City's business. This is done partially by the statutory requirement for competitive bids and proposals and partially by the procedures set up for purchasing.
- Public funds are safeguarded. Purchasing may usually not designate the types of purchases to be made, but it must certainly see that the best value is received for the public dollar.
- Public spending is not used to enrich elected officials or city employees or to confer favors by them on favored constituents.

The efficiency and effectiveness of any program depends on its being founded on good, sound principles of management. Purchasing is no different. There are common basic principles of purchasing theory, which can be applied on any purchasing program to make it operate to the best advantage of any city. In this manual, we seek to define those common principles and incorporate them into our program.

B. PURCHASING PRINCIPLES

Obviously there is no standard format that will exactly fit all situations. There are certain purchasing principles which can be applied to all so that they operate most effectively and efficiently.

Listed below are the principles to be used to govern the City of Terrell's purchasing operation.

- Establish purchasing policies and procedures for the City. Administration will recommend the procedures and the City Council will formally adopt them.
- Consolidate purchases of like or similar items, to take advantage of volume purchase discounts whenever possible.
- Eliminate the use of emergency purchases for non-emergency situations as much as possible. Implement procedures to track emergency purchases so that abuse of the system is easily detected. Require that all emergency purchases be fully justified.
- Implement procedures to require management and authorizations for all purchases of goods and services.
- Participate in cooperative purchasing programs with other public entities where cost savings can be achieved.
- Assure that favoritism and conflict of interest is avoided and that no person connected with the City has any interest in any City purchasing transaction either personally or through family or client.
- Assure that state bidding and purchasing laws and standards are carefully and scrupulously followed.

C. TYPES OF PURCHASES - DEFINITIONS

There are several different types of purchases that may be made by departments. Many of these will require different approaches. Since non-routine categories of purchases will frequently require more time to process, they should be minimized.

1. **Non-Stocked Items** – These are items which are not stocked or warehoused by the City. They may or may not be a standardized item, but are not in such constant demand as to be considered a negotiated price quote.
2. **Stocked or Warehoused Items** – These items are in such constant usage by the City that they are stocked routinely and are usually purchased on annual contracts with provisions to replenish stocks as needed. Such items will be standardized to the extent possible.
3. **Emergency** – Emergency purchases are those which are made to meet a critical need of the City in cases where its capacity to serve the public would be impaired if the purchase was not made immediately. Purchases which are designated as emergency are those which would normally be procured through routine procedures, but because of the emergency status are exempted from those procedures.
4. **Sole Source** – Sole source purchases are available from only one supplier for various reasons such as patents, copyrights or because the vendor is the only one which can supply the product or service.

These purchases are exempted from the bidding requirements normally. The City may be required to certify that only one supplier is available.

5. **Registrations** – Registrations for professional conferences, conventions, short schools, seminars and conventions for employees shall be authorized by the City Manager and subject to the city’s travel policy.
6. **Travel** – Meetings, visits to other cities and special leave expenses for the benefit of the City shall be subject to the City’s travel policy.
7. **Publications** – Books, magazines, periodicals and newspapers may be provided for by the City. Departments should work together to maintain control and eliminate duplication. Books may be subject to special rules.
8. **Memberships** – Membership in trade or professional organizations will be processed through Administration. The applications will be justified by the needs of the City and require City Manager authorization
9. **Services** – Many types of services are needed for the City. The department will procure these services as specified by state law, including professional services, which may be procured under special rules.

D. ETHICS

Purchasing by city employees exposes them to more than ordinary temptation to abuse that authority, simply because employees have direct use of public money. The exercise of influence by employees, rather than on a true competitive basis, whether for friendship or for actual direct benefit, is a serious breach of the public trust and city policy.

The statutes governing city purchasing impose criminal penalties for violating the provisions of the various acts.

Misuse of the purchasing authority by city employees carries drastic consequences, and since many such misuses are the result of lack of clear guidelines as to what constitutes abuse of office, the following is designated to establish clear guidelines for acceptable practice.

The city’s ethics policy for purchasing will consist of three parts:

- A. Formal adoption of this purchasing policy by the city by the City Council.
- B. Education by:
 1. Posting the policy in the various departments of the city
 2. Training of personnel authorized to purchase goods and or services in the provisions of the policy.

3. Requiring all persons directly engaged in purchasing to certify by signature that they have read and understand the policy and that they will abide by its provisions.
- C. Establishment through the regular audit program procedures to detect non-compliance with the policy.

On the following page, the elements of the policy are set out.

The city shall also require ethical conduct from non-employees who do business with the city. Contracts will contain a clause that any effort to influence an employee to violate the standards of the code is grounds to void the contract. Vendors to the city will be required to certify that they will not attempt to influence any employee to violate the code.

1. Statement of Purchasing Policy

Public employment is a public trust. It is the policy of the city to promote and balance the objective of protecting city integrity and the objective of facilitating the recruitment and retention of personnel. Such policy is implemented by prescribing essential standards of ethical conduct without creating unnecessary obstacles to entering public service.

Public Employees must discharge their duties impartially so as to assure fair competitive access to the city's procurement process by responsible contractors. Moreover, they should conduct themselves in such a manner as to foster public confidence in the integrity of the process.

To achieve the purpose of this article, it is essential that those doing business with the City of Terrell also observe the ethical standards prescribed herein.

2. General Ethical Standards

- A. It shall be a breach of ethics to attempt to realize personal gain through public employment with the City of Terrell by any conduct inconsistent with the proper discharge of the employee's duties.
- B. It shall be a breach of ethics to attempt to influence any public employee of the city to breach the standards of ethical conduct set forth in this policy.
- C. It shall be a breach of ethics for any employee of the city to participate directly or indirectly in procurement when the employees know that:

*1. The employee, any elected or appointed official of any member of their immediate family has a financial interest pertaining to the procurement.

2. A business or organization in which the employee, elected or appointed official or their immediate family has a financial interest pertaining to the procurement. Or
3. Any other person, business, or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement or may benefit in any manner from the procurement.

*(Regarding the above paragraph C-1: It shall not be applicable for any minor non-routine purchases made and not to exceed \$50.)

D. Gratuities. It shall be a breach of ethics to offer, give, or agree to give any employee or former employee of the city, or for any employee or former employee of the city to solicit, demand, accept or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, or preparation of any part of a program requirement or purchase request, influencing the content of any specification of procurement standards, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter, pertaining to any program requirement or a contract or subcontract, or to any solicitation or proposal therefore pending before this city.

E. Kickbacks. It shall be a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor for any contract for the city or any person associated therewith, as an inducement for the award of a subcontract or order.

F. Contract Clause. The prohibition against gratuities and kickbacks prescribed above shall be conspicuously set forth in every contract and solicitation thereof.

G. It shall be a breach of ethics for any employee or former employee of the City of Terrell to knowingly use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person. Provisions of these ethics policies shall be applicable to all employees, as well as elected and appointed officials of the City of Terrell.

REQUISITION/PURCHASE ORDER

2.0 REQUISITION/PURCHASE ORDER FORM

The city's Requisition/Purchase Order is an instrument designed to expedite and control buying for the City. Therefore, it is imperative that the procedure be followed closely.

The purchase of goods and or services that require a Requisition / Purchase Order, prior to the issuance of a Requisition /Purchase Order is prohibited.

Departments Are Not Authorized To Make A Purchase Before Obtaining Approval From Accounting. When A Requisition / Purchase Order Is Required To Make A Purchase.

Manual Form

The Department Shall Complete A Four (4) Part Requisition / Purchase Order Form. The Form Shall Be Forwarded To Accounting Prior To Purchasing For Processing And Distribution:

- Original – Accounts Payable
- 2nd Copy – Department
- 3rd Copy – Vendor
- 4th Copy – Accounting

Automated Program

When the automated Requisition / Purchasing System is implemented in the department employees are required to use the program.

2.1 REQUISITION/PURCHASE ORDER CONTENTS

The Requisition / Purchase Order Shall Contain The Following Information:

City:

- (A) Department Code/Project Number
Provided By Department
- (B) Sequence Purchase Order Number

Printed On Form

- (C) Accounts Payable Department Address

Printed On Form

- (D) City's Payment Policy

Printed On Form

- (E) Account Code, Item Count, Description & Price
Provided By Department
- (F) Department Head Authorization
Department Head Signature Or *Authorized Staff

- (G) Encumbered Verification
 Provided By Accounting Staff
- (H) Invoice Payment Verification
 Provided By Accounting Staff

**Authorized Staff – Employees Who By Memorandum Provided To Accounting May Sign Requisition / Purchase Order For Purchase Or Payment Authorization Up To A Specified Amount Set By A Department Head.*

Departments Are Not Authorized To Make A Purchase Before Obtaining Approval From Accounting. When A Requisition / Purchase Order Is Required To Make A Purchase.

Vendor:

The State of Texas requires by Statute that all entities desiring to conduct business with the City of Terrell complete Form CIQ on an annual basis. In addition, IRS code requires all entities to maintain Form W-9 for all vendors on an annual basis. To ensure compliance, all vendors are required to complete the following forms annually.

The following forms must be completed before a vendor will be accepted as a recognized vendor for the City of Terrell

- IRS Form W-9
- Texas State Form CIQ
- City of Terrell Vendor Application
- Vendor Statement of Agreement

Information and Forms are available from Accounting Staff.

- (A) Vendor Name
 Provided By Department
- (B) Vendor Address
 Provided By Department
- (C) Vendor Contact Person
 Provided By Department

All Vendor Information Must Be Completed Before The Form Is Submitted To Accounting.

3.0 SPENDING POLICY (BASIC RULES)

The City of Terrell has implemented Credit Cards to be used to procure low value maintenance, repair and operational expense items. Procurement of Goods and Services by credit card is limited. Refer to the Credit Card Policy

The Following Rules For Purchase By Department Shall Apply:

- (A) **\$0.01 - \$1,500.00**–Charge Card Issued By Department, Petty Cash (Maximum Petty Cash Limit \$100.00) Or Requisition / Purchase Order. Credit Card Daily Transaction Limit Is Not To Exceed \$500.00 up to the established credit limit of each individual card.

Credit Card Purchases – Refer To Your Credit Card Policy When Making Credit Card Purchases.

Contracts – Purchase Agreements, Maintenance And Service Shall Be Referred To Administration For Approval.

Rental Of Equipment – Requires Requisition / Purchase Order.

Travel – Refer To City Of Terrell Employee Handbook.

Cellular Telephones – Refer To City Of Terrell Employee Handbook

Departments Are Not Authorized To Make A Purchase Before Obtaining Approval From Accounting. When A Requisition / Purchase Order Is Required To Make A Purchase.

(B) \$1,500.01 - \$15,000.00 Quotations Accepted Via Mail, Telephone, Or Facsimile

Specifications For Quotations – Accurate Description Of Material Or Equipment To Be Purchased

1. As Simple As Possible, But Specific Enough That A Loophole Will Not Allow A Vendor To Evade Any Of The Provisions And Take Advantage Of The City.
2. Identified, When Possible With Some Brand Or Specification Already On The Market.
3. Capable Of Being Checked. A Method Of Checking That Will Govern Acceptance Or Rejection.
4. Capable Of Being Met By More Than One Vendor

- When making purchases of more than \$3,000 but less than \$50,000 the department shall attempt to contact at least two (2) historically underutilized businesses if available in the county.

Departments Are Not Authorized To Make A Purchase Before Obtaining Approval From Accounting. When A Requisition / Purchase Order Is Required To Make A Purchase.

Department Director, or their designee, shall approve all purchases up to 15,000.00

(C) \$15,001 - \$49,999 – Quotations Accepted Via Mail, Or Facsimile. Requisition / Purchase Order Must Be Accompanied By A Memorandum From Department Listing All Vendors Solicited, And A Recommended Vendor. **(Specifications Same As Listed In B)**

Requires approval of Finance Director or Assistant City Manager

(D) Budgeted Transfers and Debt Service Payments Budgeted transfers from one fund to another fund and budgeted debt service payments

Requires approval of Finance Director or Assistant City Manager

(E) \$50,000 & Up – Requires Sealed Request For Bids/ Proposals. Bids Except Construction Projects, Must Be Processed Through City Secretary's Office. Bids Should Be Developed On City Forms Then Forwarded To City Secretary's Office For Mailing, Publishing, Opening, Rejection, And Award.

All Required Forms, Quotes, and Requests for Proposals, or Bids Shall Be Submitted With Purchase Order.

Texas Local Government Code, Section 252.021 Competitive Bidding, And Competitive Proposal Requirements

The Section States (A) Before A Municipality May Into A Contract That Requires An Expenditure Of More Than \$25,000 From One Or More Municipal Funds, The Municipality Must Comply With The Procedure Prescribed By This Chapter For Competitive Sealed Bidding Or Competitive Sealed Proposals.

There Are Specified Exemptions To This Requirement. If You Have A Question As To When To Request Sealed Bids/Proposals, It Is Always Prudent On That Part Of The Purchaser To Either

- (A) Read The Law Concerning Municipal Purchasing;
- (B) Inquire Of The Finance Department Concerning The Proper Procedures; Or
- (C) Request Through The City Manager's Office, An Opinion From The City Attorney.

PURCHASE ORDER / CONTRACT CHANGE ORDERS

- A. For original purchase order less than \$15,000.00, change orders increasing or decreasing the original order by not more than 25% (Twenty Five Percent) shall be approved by the Department Director or his designee.
- B. For original purchase orders between \$15,000.00 and the State-bidding limit, change orders increasing or decreasing the original order by not more than 25% (Twenty Five Percent) shall be approved by the City Manager or his designee.
- C. For original purchase orders for bid items approved by Council, change orders increasing or decreasing the original contract or bid amount by more than the state authorized level or 25% (Twenty Five Percent) shall be approved by the City Council.
- D. In no case shall the combined total of all change orders exceed an increase of 25% (Twenty Five Percent) of the original contract amount.

Bid Openings

All formal bids/proposals shall be submitted to the Finance Office where they are date and time stamped upon receipt. Bid openings are conducted on Fridays at 10:00 a.m. at the location specified in the invitation to bid. Vendors and the public are invited and encouraged to attend. Bids/proposals received after the specified date and time are disqualified. Late bids/proposals cannot be considered for award of purchase.

Bidder's Protest Procedure

1. **PROTEST.** A protest, if any, shall be submitted to the City of Terrell's Finance Department for transmittal to and consideration by the City of Terrell. A protest must be submitted in writing and must be supported by sufficient information to enable the protest to be considered. A protest will not be considered if it is insufficiently supported or it is not received within the time limits set forth in the Section entitled, "Timeliness," (below). A protest, may be submitted upon the following reasons:
 - a protest relating to restrictive procedures, alleged improprieties, or other similar situations arising prior to bid opening,
 - a protest of the award of contract or alleged impropriety arising after bid opening as set forth in the section, "Timeless", (below).

2. **TIMELINESS.** To be effective, a protest must be submitted so that it is received by the Contracting Officer by the following deadlines:
- A protest based upon restrictive procedures, alleged improprieties, or other similar situations arising prior to bid opening must be received by the City of Terrell's Finance Department no later than five (5) working days prior to the specified bid opening date and may only be protested once.
 - A protest of the award of contract or alleged impropriety arising after the bid opening must be received by the City of Terrell's Finance Department within five (5) working days following the earlier of the date on which the Bidder knew, or the date on which a diligent Bidder would have known, of the award or alleged impropriety.

3.1 SINGLE SOURCE PURCHASES

A Written Memorandum Must Accompany The Requisition / Purchase Order Explaining And Describing The Conditions Which Make The Supplier An Only Source.

Any Requisition / Purchase Order With One Quotation Attached Requires Written Explanation. Departments Are Responsible For Soliciting Competitive Quotations From Vendors.

3.2 BLANKET PURCHASE ORDER/REQUISITION REQUIREMENTS

- (A) Specific Vendor
- (B) Stated Period During The Budget Year
- (C) Description Of Goods/Services
- (D) Must Use The Bid Process (If Greater Than \$25,000.00)
- (E) Applicable Project Codes

3.3 SHIPMENT/PARTIAL SHIPMENT/RECEIPT

When An Order Is Received In Partial Deliveries, The Department Shall Notify Accounting Of The Partial Delivery.

Shipping Receipt(S), Packing Slip(S) And Or Invoice For Complete Or Partial Order(S) Shall Be Forwarded To Accounting.

3.4 EMERGENCY – REQUISITION/PURCHASE ORDERS

When An Emergency Occurs During Office Hours, Contact The Accounting Department To Receive Authorization For The Emergency Purchase. The Accounting Department Will Issue A Purchase Order Number. Purchases Under \$2,500 May Be Authorized By Accounting Personnel. Purchases Over \$2,500 Require Approval Of The Finance Director, Or Administration. No Emergency Requisition / Purchase Order Will Be Issued For Capital Outlay Item(S), Or For Restocking Supply Item(S). Immediately After The Receipt Of Goods And Or Services, The Department Must Complete The Requisition / Purchase Order Form Issued From Accounting. The Department Shall Include A Reason Justifying The Emergency On The Requisition / Purchase Order Form Or In A Written Memorandum Attached To The Form.

Emergencies Created Through Neglect Are To Be Avoided. They Are Examples Of Poor Planning By The Department.

Examples Of Emergencies Created Through Neglect:

Depletion Of Stock Due To Negligence,
Building Or Equipment Needing Repairs For Some Time,
Materials For Projects, Planned Ahead Of Time, Requested Just Before Use.

3.5 GENERAL INFORMATION

Insurance Requirements

CONTRACTOR shall secure and maintain insurance as will protect him from claims under the Workers' Compensation Act (statutory amounts), and from claims for bodily injury, death, or property damage which may arise from the performance of his services under this agreement (Commercial General Liability Insurance) with coverage of \$ 1,000,000 per occurrence and \$2,000,000 annual aggregate for bodily injury or death and property damage, written on an occurrence basis. CONTRACTOR shall maintain, Comprehensive Automobile Liability insurance covering all owned, non-owned, and hired vehicles with combined single limit coverage of \$ 1,000,000 for bodily injury, death or property damage, written on an occurrence basis. CONTRACTOR shall maintain, at no expense to CITY, a professional liability (errors and omissions) insurance policy placed with a company rated at least A-/VII by Best's Key Rating Guide, authorized to do business in Texas, in an amount not less than one million dollars (\$1,000,000).

All policies, except Workers' Compensation, shall name the CITY as additional insured. All policies shall contain a waiver of subrogation in favor of the City and require the giving of written notice to CITY at least thirty (30) days prior to cancellation, non-renewal or material modification of any policies. CONTRACTOR shall furnish CITY with copies of said policies or certificates evidencing such coverage.

Signatures/Authorization

Applications for Title, Tax Exemption Certificates, Agreements, and Contracts shall not be signed by any City employee unless authorized in writing by the City Manager or other proper official.

3.6 DEVELOPER/OWNER ESCROW COLLECTION AND REIMBURSEMENT FOR MATERIALS TESTING

DEVELOPER/OWNER REIMBURSEMENT

PROCEDURES

PURPOSE: To provide accurate and timely development of construction and proper documentation.

BACKGROUND: In accordance with the City's commitment, developers/owners are entitled to be reimbursed for money's collected, which are remaining in escrow for materials testing, after improvements required for the development of their project have been completed. The amount collected is 3% of construction cost or amount agreed upon by City and Owner.

Funds are administered by the City to the laboratory of choice by the City. The primary purpose of the funds is to insure quality construction of the necessary infrastructures. The funds will only be used for the material testing during the construction of the specific improvements.

When requesting a reimbursement, the developer must submit a written request.

The request will be processed after the maintenance bond is in place and final payment is processed.

The City will provide forms for developer/Owner to complete and return.

Project: _____

Construction Cost \$_____

Testing Fee (3 %) \$_____

Engineering Collections (Escrow Funds)

CITY OF TERRELL, TEXAS

PLEASE PRINT ALL INFORMATION

PROJECT NAME: _____

PROJECT NUMBER: _____

ESCROW DESCRIPTION: _____

ESCROW AMOUNT: _____

GENERAL LEDGER ACCOUNT NUMBER: _____

APPROVED BY:

CITY ENGINEERING

DATE

CITY SECRETARY

DATE

CHECK NUMBER: _____

RECEIPT NUMBER: _____

RECEIVED BY: _____

DATE RECEIPTED: _____

Engineering Reimbursement (Escrow Funds) CITY OF TERRELL, TEXAS

PLEASE PRINT ALL INFORMATION

Reimbursement

PROJECT NAME: _____

PROJECT NUMBER: _____

ESCROW DESCRIPTION: _____

BALANCE IN ESCROW: _____

GENERAL LEDGER ACCOUNT NUMBER: _____

CHECK NUMBER: _____

DATE MAILED: _____

MAILED TO: _____

APPROVED BY:

CITY ENGINEERING

DATE

CITY SECRETARY

DATE

Disposition of Entity's Property

Surplus property, confiscated property, abandoned vehicles, and real estate shall be sold at auction. For information regarding the sale of this property, contact the Purchasing Office.

3.7 PAYMENT AUTHORIZATION

Once Goods And Or Services Have Been Received, And The Department Verifies All Goods And Or Services Have Been Provided, The Department Shall Submit Shipping Receipt(S), Packing Slip(S) And Or Invoice To Accounting As Evidence Of Receipt Of Good And Or Services.

Discrepancies In The Amount Of The Invoice And Purchase Order Are The Departments Responsibility. The Discrepancy (If Any) Shall Be Resolved With The Department Before Payment Of The Invoice.

4.0 DATA PROCESSING

The Following Rules Will Apply For The Processing Of Requisition / Purchase Order.

4.1 REQUISITION/PURCHASE ORDER

Forwarded To Accounting

Information Entered Into Accounting System To:

1. Verify Proper Account Is Charged.
2. Insure Sufficient Funds Are Available For The Purchase.

If Expenditure Exceeds The Balance In The *Unappropriated Account, Accounting Will Notify The Department.

It Is The Department's Responsibility To Maintain Funds In The Budget Account To Allow For Purchases. If The Account Lacks Sufficient Funds, The Department Shall Choose One Of The Following Procedures:

- (A) Withdraw The Request, Or
- (B) Request A Transfer Of Funds Within The Departmental Budgeted Accounts, Or
- (C) Request A Budget Amendment.

**Unappropriated– Amount In An Account Not Encumbered, Already Expended, Or Previously Designated To Be Spent By Management Or Council Action.*

Any Change To The Budget Requires City Manager Approval. Budget Amendments Require City Council Approval.

3. Purchase Order Amount Encumbered In Accounting System
4. Purchase Orders Sent To Administration For Approval In Accordance With Spending Policy (\$15,000 & Above)
5. Approved Purchase Order Returned To Originating Department.
6. Department Orders Goods And Or Services.

Requisition / Purchase Order Submitted To Accounting By 11:00 A.M. Returned Next Business Day.

4.2 MONTHLY BUDGET EXPENDITURES REPORTS

Distributed On The 15th Of Each Month.

4.3 INVOICES AND PAYMENTS

An invoice is an itemized statement of merchandise shipped by the vendor. Invoices are based upon the Purchase Order and should describe the goods or services ordered at prices given by the vendor.

All invoices should be mailed directly to the User Department per instructions. In the event invoices are delivered to Accounting, they should be forwarded directly to User Department where they will be checked against User Department's copy of the Purchase Order. If these forms are in agreement, the approved invoice will be forwarded to Accounting and place din line for payment on the next check writing day. Any difference between the invoice and the receiving copy of the Purchase Order or of the partial receipt will be called to the attention of the vendor.

Complete descriptions, quantity, unit prices, and extension are required on invoices. City Purchase Order number must appear clearly on each invoice. No vendor's invoice will be paid that is not supported by a proper Purchase Order number. Properly submitted and completed invoices will be paid within thirty (30) days of receipt of ;authorization to pay from use department.

The City writes checks on a scheduled basis to ensure that vendor payments will be made by the thirtieth (30) day after receipt of all paperwork on a given Purchase Order in accordance with state law. Vendor inquiries should first be directed to the User Department to determine if all paperwork is complete, then to Accounting to determine if an invoice has been received.

Vendor Requirements Listed on the Requisition / Purchased Order Must be Completed before Payment Processing.

All Correspondence Regarding Invoices Should Contain the Following Information: Invoice Number, Invoice Date, Vendor Name, Amount Billed, and If Applicable, the Requisition / Purchase Order Number.

4.4 PAYMENT PROCESSING

Invoices Shall Be Received By Accounting.

- (a) Invoice Arrives In Mail.
- (b) Invoice Is Stamped With Date Stamp
- (c) Extension And Footings Are Checked, And Invoice Is Initialed.
- (d) Purchase Order And Receiving Document Are Located And Compared With Invoice.
- (e) Discrepancies (If Any) Are Resolved With Department.
- (f) If No Purchase Order Exists, Incident Is Reported To City Manager's Office.
Authorization To Pay Shall Be The Responsibility Of The Department Head.

(A) Encumbered Entry Reversed

Invoice Purchase Order Difference Greater Than 5% - Subject To Review.

(B) Invoice Entry In Computer

- (C) Check Is Prepared And Invoice Is Stamped "Paid".
- (D) Check Is Reviewed For Accuracy
- (E) Check Mailed To Vendor

Invoices Shall Be Paid When Accounting Receives Evidence From The Ordering Department That The Goods And Or Services Have Been Received.

ATP must be submitted to accounting within 3 working days after receipt of goods or services.

Vendor Requirements Listed On The Requisition / Purchased Order Must Be Completed Before Payment Processing.

Invoices For Payment Received Between The 26th & 10th Day Of The Month Shall Be Processed For Payment By The Last Business Day Of The Month. Invoices For Payments Received Between The 11th & 25th Shall Be Processed For Payment By The 15th Of The Following Month.

Vendors Requiring Advance Funding Must Submit An Invoice For The Advance. Advance Funding Requirements Must Be Stated On The Requisition / Purchase Order Before Submission To Accounting.

To Avoid Delays In Processing Payment, Shipping Receipt(S), Packing Slip(S) And Or Invoice Should Be Sent To Accounting When The Department Accepts The Goods Or Services.

All Correspondence Regarding Invoices Should Contain The Following Information: Invoice Number, Invoice Date, Vendor Name, Amount Billed, And If Applicable, The Requisition / Purchase Order Number.

4.5 PAYMENT AUTHORIZATION

Requires no formal processing prior to expenditure funds.

- A. Payment authorization may be used to pay for memberships, dues, subscriptions, refunds not related to travel arrangements, utility bills, non-contractual service (not to exceed \$500,000) and postage.
- B. Payment authorizations are forwarded directly to accounts payable with the appropriate supporting documentation.

Use the same Requisition/Purchase Order form.

5.0 RECORDS PROCESSING

To Eliminate Unnecessary Paperwork, The Following Procedures Will Be Incorporated For Record Keeping.

All Accounts Payable Records Including Project Files Are Kept In Security Area

Access To Records, Requires A Written Records Request.

Record Request Forms May Be Obtained From The City Secretary's Office.

No Original Record Will Leave The Security Area

6.0 POLICY VIOLATIONS

Violations Of Purchasing Policy Shall Be Referred To The City Manager's Office.

CREDIT CARD POLICY

TABLE OF CONTENTS

- 1.0 OVERVIEW**
- 2.0 ELIGIBILITY AND GUIDELINES**
- 3.0 GENERAL INSTRUCTIONS**
- 4.0 CREDIT CARD MANAGEMENT**
- 5.0 RETURNS, CREDITS AND DISPUTED ITEMS**
- 6.0 CREDIT CARD SECURITY**
- 7.0 AUDIT**

CREDIT CARD POLICY

1.0 OVERVIEW

Welcome to the City of Terrell, Texas' implementation of the Credit Card Procurement Program. This program is to be used to procure low-value maintenance, repair and operational expense items. Many items that are processed today using Requisition / Purchase Order forms, or petty cash are candidates for the credit card procurement.

Benefits

Users will be able to obtain goods and services much faster and easier. Paperwork and processing in the Finance, Accounts Payable and by the User's Departments will be reduced. These efficiencies will allow all groups and individuals involved to be more effective and focus on the value-added aspects of their jobs.

Controls

The Credit Card Procurement Program uses internal management controls (policy) as well as features and reports from Card management Company to manage and audit the credit card program to ensure that policy and procedures are followed.

Each card has a daily transaction limit of \$500.00 established. (*Exceptions City Manager and City Secretary*)

- The billing cycle is every 30 days.

2.0 ELIGIBILITY AND GUIDELINES

Eligibility

Department Heads shall be issued a credit card in their names. Department cards shall be issued to individual employees on an as needed basis. Employees on probation and temporary employees **ARE NOT TO USE A CARD!!!**

Department Criteria For Determining Cardholders

When determining which employees should be allowed to use a Credit Card, Department Heads may wish to use the following criteria:

- Will the employee's use of a Credit Card enhance productivity?
- Will the employee's use of a Credit Card reduce paperwork?
- Will the employee utilize the Purchasing Card regularly for the purchasing of authorized (budgeted) goods, supplies, and services?

Acceptable Credit Card Uses

When using the credit card to procure goods and services the user is responsible for complying with the purchasing limits.

Credit Cards may be used for small dollar purchases which do not exceed the daily transaction limit established by the purchasing policy and that do not exceed the cards maximum limit.

Acceptable purchase items:

- * Maintenance and repair of equipment
- * Operational expense items.
- * Registrations for professional conferences, conventions, short schools, seminars and conventions.
- * Travel expenses incurred for Meetings and Visits.
- * Spending Limits established by the travel policy must be applied.
- * Prior to traveling Travel Authorizations must be submitted to the Finance Department and authorized by the City Manager.

Non-Acceptable Credit Card Uses

Credit Card purchases shall not to be split to make purchases which exceed the daily transaction limit.

Credit Cards shall not to be used for:

- Unbudgeted goods
- Gift Certificates
- Entertainment
- Personal services
- Service where a potential liability may exist and requires insurance and/or bonds
- Products or services which require the purchase approval of the City Manager.
- Fuel operated mechanical equipment

*****USE OF YOUR CREDIT CARD FOR PERSONAL PURCHASES, ***
CASH ADVANCES OR CASH REFUNDS IS STRICTLY PROHIBITED!**

Consequences for Failure to Comply with Program Guidelines

- Revocation of card.
- Notification of City Attorney's office to investigate matter further.
- Assignment of Wages.
- Disciplinary measures that may include **termination** and **legal action**.

3.0 GENERAL INSTRUCTIONS

Obtaining a Credit Card

A correspondence to the Accounting requesting a credit card, or department card. Purchase limits will be established by the Finance Director.

Employees who have not been given formal training by accounting personnel are prohibited from using the card. All employees allowed to use a credit card are required to attend a credit card procurement training seminar every other year.

User agreement contracts shall be signed and kept on file in Accounting. A new user agreement must be signed upon renewal of the credit card, (See Attachment 2)

Cardholder Duties and Responsibilities include

- Maintain cards in secured location. Cardholders are responsible for ensuring cards are maintained on city property and kept in a secured (locked) area when not in use.
- Fraudulent use or misapplication of the card. Cardholders are responsible for reporting immediately any fraudulent use or misapplication of the card to the Finance Director.
- Credit card dispute resolution. Cardholders are responsible for immediately investigating any disputed charges and invoking the disputed charges procedures when necessary.
- Lost or stolen credit cards. Cardholders are responsible for immediately notifying the selected vendor and the Finance Director if a card is lost or stolen.
- Cardholders are accountable and responsible for their credit card.
- Cardholders are responsible and accountable for adherence to the established daily per transaction and per 30 day cycle limits set for their card.
- Cardholders are accountable for the physical receipt of the merchandise.
- In case of returns, cardholders are responsible for coordinating returns directly with the supplier.
- The credit card is to be used for city business only. **NO PERSONAL USE!** Personal purchases will be considered misappropriation of municipal funds which constitutes a criminal offense and must be referred to the City Manager.
- The Card is intended to complement the existing city purchasing processes.
- Cardholders must log all purchases/transactions and verify their monthly billing statement. Additionally, each item on a transaction shall be listed with the appropriate expense account.

Making a Purchase

When making a purchase via the Credit Card, the user (cardholder) is to:

- Call or visit most competitive vendor available within reasonable travel distance. **Department heads** are responsible for establishing internal policy.
- Obtain the best possible price; many vendors offer government discounts - **Remember: The City is exempt from sales tax.**
- Determine what you need to purchase and present your Credit Card to the vendor. For mail or phone orders, provide your card number as requested.
- Verify the charges (and that we are not charged tax) and sign the receipt. Auditors must be able to identify what was purchased. Stock numbers or other unidentifiable nomenclature must be clarified. All charges in a transaction shall be noted on a credit card log and charged to the proper account.
- You should receive a charge card receipt, and possibly a cash register receipt. Keep them! If the order was placed by phone, you may not get a receipt – that’s OK. You are required to note on the credit card log sheet that the order was placed by phone or mail.
- Have supplier ship according to terms. FOB: Destination, seller pays for freight.
- (IMPORTANT). Give the supplier your address, department names, user name. Make sure the supplier incorporates this information on the shipping label if material is to be shipped.
- Confirm pricing and tax exempt status. Request the supplier encloses a copy of the sales slip with each shipment listing price.
- Credit Card Logs are required for each credit card purchase/transaction. (See Attachment 3).
- Several things to remember:
 - Competitive bidding is not required.
 - Log each purchase/transaction.
 - The signed Credit card sales receipt will serve as the receiving document.
 - Remember, we do not pay State of Texas sales tax.
 - Accounts Payable has tax exempt certificates available if needed.

4.0 CREDIT CARD MANAGEMENT

Credit Card Log

Each cardholder is to maintain an accurate Credit Card Log (Attachment 3) which contains a detailed log of each credit card purchase. The Credit Card Log is to contain:

- Account Number

- If multiple Account Numbers on a single purchase transaction, enter each purchased item and its Account Code separately on the Credit Card Log.
- Purchase Date
- Description of Purchase
- Vendor Name
- Amount
- Account Reconciliation
- Department Authorized Signature

Important: Credit Card Logs are due back in Accounting five (5) working days after the department receives the statement.

Credit Card Record Keeping

It is each cardholder's (employee's) responsibility to:

- Maintain accurate purchase transaction information on the Credit Card Log.
- Verify their 30 day bank Activity Statement for Credit Card purchases/uses and send completed records to the Finance Department, within five (5) working days.
- At the end of each 30 day period, the servicing bank will send an Activity Statement which will detail charges billed during the month. The Credit user is to:
- Review the monthly bank statement for any discrepancies
- Obtain approval for payment from the department head
- Attach original vendor cash register receipts, credit card receipts and invoices to the bank Activity Statement in the same order as on the Activity Statement
- If a receipt has been lost, the user is to attach a signed memo containing the required purchase transaction information.
- Attach bank Activity Statement and vendor receipts to the Credit Card Log. Any differences are to be forwarded to the Finance Manger for explanation.

The department supervisor is to review the employee's usage of the Credit Card and is responsible for ensuring the user conforms to the Credit Card usage guidelines and city purchasing policies. Inappropriate usage of the Purchasing Card by the user (employee) shall be addressed by appropriate disciplinary measures.

Credit Card Cancellation – May be cancelled by the Department Head or the Finance Director.

Changes in Employment Status

Promotion, transfer, etc.:

In the event a cardholder changes employment status with the City, their current card must be turned in to the Finance Director and the card account shall be closed

Note: If your funding information does not change, then you don't need to cancel the card.

Resignation, termination, etc.:

If a cardholder's status with the City changes in such a manner that he/she is no longer an employee of the City their card must be turned in to the Finance Director and card account shall be closed **IMPORTANT:** This cancellation must be in writing. (See Attachment 4

Account closing procedure:

The cardholder should cut the card in half, and send it with a final credit card log form marked "delete" to the Finance Director

5.0 RETURNS, CREDITS AND DISPUTED ITEMS

What if There is an Error on the Statement or Other Problems?

In the case of an exception or disputed charge, you should first contact the supplier. Most exceptions or issues can be resolved between the cardholder and the supplier. If you cannot reach an agreement with the supplier, the next step is to contact the Finance Director.

Disputed Purchases

If after the audits, it is determined that some charges are disputable, the Finance Director will immediately investigate these charges to determine if any abuse has occurred or if the charges are valid. If an extended investigation is necessary, the cardholder will be notified of the disputed charges. Anyone suspecting fraudulent use or misapplication of the card should report this immediately to the Finance Director.

Disputed Charges Procedures

1. Cardholder attempts to resolve disputes (or returns) directly with the vendor.

Lost or Stolen Cards

In the event your card is lost or stolen, you (the cardholder) must notify the selected vendor and the Finance Director immediately! Representatives of The selected vendor are available 24 hours a day. Lost or stolen cards will be replaced by the selected vendor within fifteen (15) days after notification of the loss.

(Tell the representative the call is regarding a Purchasing Card. Always obtain the name of the selected vendor representative to whom you reported the lost or stolen card.)

Liability. The City is financially liable for the card in the event it is lost or stolen and is subsequently used. Total liability for all state agencies together is \$10,000 per year; after that limit is reached, it is \$500 per Card per year. This will come out of your budget. However, once you have notified the selected vendor that your card is lost or stolen; the City is no longer liable for any purchases made with the card.

Returned Merchandise

If a cardholder returns Credit Card merchandise to the store of purchase, the cardholder is to obtain a credit against the Credit Card. **Cash reimbursements are not allowed.**

In the event there are returns, the cardholder is to log the Statement for the credit and attach the credit slip to the statement when processing for payment. If a credit slip was not obtained, the cardholder is to attach a written explanation of the return. If credit does not appear by the second subsequent statement, the cardholder is to contact the Finance Director.

6.0 CREDIT CARD SECURITY

The Credit Card should always be treated with at least the same level of care that you treat your own personal credit cards.

Storage of the Credit Card

Keep your credit card in an accessible but secure location. Since you, as the Cardholder, should be the only one using the card, it needs to be accessible only to you.

Account Number

Guard the credit card account number carefully! Do not post it at your desk or write it in any other place that is easily accessible by others.

7.0 AUDIT

The Department head is responsible for verifying and sending an accurate Log to the Finance Department every Month.

**EMPLOYEE AGREEMENT
USE OF
CREDIT CARD
ISSUED BY THE CITY OF TERRELL, TEXAS**

The City of Terrell, Texas is pleased to present you with this credit card. It represents the City's trust in you and your empowerment as a responsible agent to safeguard and protect our assets.

I, _____, hereby acknowledge receipt of a City of Terrell, Texas Corporate Credit Card, number _____. As a Cardholder, I agree to comply with the terms and conditions of this Agreement, including the "City of Terrell, Texas Credit Card Program Procedures".

I acknowledge receipt of said Agreement and Procedures and confirm that I have read and understand the terms and conditions. I understand that the City is liable to for all City charges.

I agree to use this card for City approved purchases **only** and agree **not** to charge personal purchases. I understand that the City **will** audit the use of this card and report any discrepancies.

I further understand that improper use of this card may result in disciplinary action, up to and including **termination** of employment. Should I fail to use this card properly, I authorize the City to deduct from my salary that amount equal to the total of the discrepancy. I also agree to allow the City to collect such amounts even if I am no longer employed by the City.

I understand that the City may terminate my right to use this card at any time for any reason. I agree to return the card to the City immediately upon request or upon termination of employment.

Employee:

Signature_____

Date_____

Department _____ Phone Ext._____

STATEMENT OF QUESTIONED ITEM

RETURN ADDRESS:

_____	ACCOUNT NO: _____
_____	MERCHANT NAME: _____
_____	AMOUNT: _____
_____	TRANSACTION DATE: _____
	REFERENCE #: _____

To assist in our investigation, please indicate below the reason for your dispute

_____ I did not make nor authorize the above transaction.
(Please indicate the whereabouts of your credit card).

_____ There is a difference in the amount I authorized and the amount I was billed. (A copy of your charge must be enclosed).

_____ I only transacted one charge and I was previously billed for this sales draft. Date of previous charge _____.

_____ The above transaction is mine but I am disputing the transaction. (Please state your reasons why in detail).

_____ Please send me a copy of the sales draft. (Your account will be charged \$5.00 for each copy supplied).

_____ I have received a credit voucher for the above transaction, but it has not yet appeared on my account. (A copy of the credit voucher must be enclosed).

_____ My account has been charged for the above transaction, but I have not received this merchandise. The details of my attempt to resolve the dispute with the merchant and the merchant's response are indicated below.

_____ My account has been charged for the above transaction, but the merchandise has since been returned. (Please enclose a copy of your postal receipt).

Signature: _____ Date: _____

Send completed form to: City of Terrell
Accounting Dept.
P.O. Box 310
Terrell, Texas 75160

The completed form may be faxed to (972) 551-1101

TERRELL ECONOMIC DEVELOPMENT CORPORATION

RECOMMENDED ACCOUNTING PROCEDURES

- A. AUTHORIZATIONS**
- B. DISBURSEMENTS**
- C. FINANCIAL REPORTING**
- D. CASH MANAGEMENT**
- E. LOAN COMPLIANCE**

TERRELL ECONOMIC DEVELOPMENT CORPORATION
RECOMMENDED ACCOUNTING PROCEDURES

A. AUTHORIZATIONS

1. Every economic agreement, contract, service agreement or any other obligation incurred by the Terrell Economic Development Corporation (TEDC) that exceeds \$50,000 should be approved by the TEDC Board of Directors and the City Council.
2. The Board's authorization should be documented in the official minutes of the TEDC Board of Directors' meetings.
3. Board and Council authorizations should be granted prior to any commitments being made and or obligations incurred.
4. A standard payment authorization form should be used to provide supporting documentation for expenditures in excess of \$50,000. The standard form should provide details of the obligation authorized and should be signed by a representative of the TEDC Board and the City Council representing each governing body's approval.
5. An annual operating budget should be presented to the City Council for approval at the beginning of each year.

B. DISBURSEMENTS

1. Checks should contain two Board member signatures.
2. Expenditures should be documented and filed by vendor name with the check copy, vendor invoice and, if over \$5,000, signed payment authorization form.
3. Bank cash balance should be reconciled to the book cash balance each month and reviewed by the TEDC Manager or a Board member.

C. FINANCIAL REPORTING

1. Financial statements consisting of a balance sheet and operating statement (revenues and expenditures) should be submitted to the Board and the City Manager at least quarterly.
2. The operating statement (revenues and expenditures) should compare actual with the budget and contain a sufficient number of accounts to identify specific programs, projects, and functions.

D. CASH MANAGEMENT

1. The investment policies governed by state statutes and City ordinance should be adhered to at all times. (See attached policies).
2. All TEDC funds should be held on deposit at the City's depository bank.
3. The TEDC Manager should notify the City's Finance Director of any changes in depository accounts maintained by the TEDC.

E. LOAN COMPLIANCE

The TEDC should at all times maintain compliance with the covenants of its loan agreement with First State Bank unless granted a waiver in writing from the Bank. (See Loan Agreement attached).

INVESTMENT POLICY

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1.8	RESOLUTION NO. 531

RESOLUTION NO. 599

A RESOLUTION OF THE CITY OF TERRELL, TERRELL, TEXAS, ESTABLISHING A POLICY GOVERNING THE INVESTMENT OF CITY FUNDS

WHEREAS, the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) requires that investments shall be made in accordance with written policies approved by the governing body; and

WHEREAS, investment policies must address diversification, safety of principal, yield, maturity, with primary emphasis on safety and liquidity; and

WHEREAS, the City of Terrell City Council finds that the Investment Policy attached hereto is in the best interests of the City in order to promote sound management of the City's funds.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TERRELL, TEXAS:

Section 1. The Terrell City Council hereby adopts Exhibit "A" attached hereto as the Terrell Investment Policy which shall govern the investment of the City's funds in accordance with federal and state law.

Section 2. That this resolution shall take effect immediately from and after its passage.

PASSED, ADOPTED AND APPROVED by the City Council of the City Terrell this the 5th day of February, 2008.

APPROVED:

Signature on File

Hal Richards, Mayor

ATTEST:

Signature on File

John Rounsavall, City Secretary

EXHIBIT “A”

CITY OF TERRELL INVESTMENT POLICY

I. PURPOSE

A. Authorization

This Policy was adopted by the Terrell City Council on August 17, 2004, in accordance with the Texas Public Funds Investment Act.

B. Scope

This Policy shall govern the investment of all funds of the City of Terrell, Texas excluding the specific funds cited hereafter. For purposes of this Policy, funds of the City are all monies and other financial resources available for investment by the City. All such monies shall be invested at all times to the fullest extent practicable in accordance with the objectives and restrictions set forth in this Policy.

C. Review

This Policy shall be reviewed by the City Council annually and at other times, as needed, in the discretion of the Council.

II. OBJECTIVES

Objectives of this Investment Policy shall be in order of priority: safety, liquidity, and yield.

A. Safety

Safety shall be the foremost objective of the City’s Investment Policy. Safety shall be achieved through protection of principal and safekeeping.

1. Protection of Principal

The City shall seek to control the risk of loss due to the failure of a security issuer or guarantor. Such risk shall be controlled by investing only in the safest types of securities as defined in this Policy, by qualifying the financial institutions with whom the City will transact, and portfolio diversification.

All City investment transactions shall be executed delivery versus payment (DVP) according to the standard operating procedure for the industry. DVP means that City funds will not be released until securities are received and vice versa.

2. Safekeeping

All collateral must be held by a banking institution separate from the depository bank, or by the Federal Reserve Bank of Dallas. All funds in demand deposits, overnight deposits, time deposits or certificates of deposit must be fully collateralized in accordance with State law.

B. Liquidity

Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

A security may be liquidated to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to otherwise adjust the City's portfolio.

C. Yield

Investments (excluding assets managed under separate investments programs and bond funds limited as to yield by the Tax Reform Act of 1986) shall be made in permitted obligations at yields equal to or greater than the equivalent yield on United States Treasury obligations of comparable maturity.

No investment shall be made with a maturity greater than five years, unless previously authorized by the City Council and approved by the Investment Committee.

III. INVESTMENTS

The City of Terrell finds that it is reasonable and appropriate that each fund maintained by the

City shall be subject to the investment strategies as follows:

A. Investments shall only be made with those dealers or banks:

1. who have acknowledged receipt and understanding of the City's Investment Policy; and
2. who have met the qualifications and standards established by the City.

Competitive bids will be solicited on all transactions the City initiates.

B. Investments described below are those listed in the Public Funds Investment Act (Chapter 2256 of the Texas Government Code).

1. Collateralized time deposits and certificates of deposit.
 - a) Only national or state banks with FDIC membership, domiciled within the State of Texas, are eligible.

Banks serving as City depositories will be required to sign a depository agreement with the City as its safekeeping agent defining the City's rights to the collateral in case of default, bankruptcy, or closing.
 - b) Obligations of the United States or its agencies and instrumentalities.
 - c) Direct obligations of the State of Texas or its agencies.
 - d) Other obligations, the principal of and interest on which, are unconditionally guaranteed or insured by the State of Texas or the United States.
 - e) Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
 - f) Fully collateralized direct repurchase agreements having a defined termination date which:
 - i) must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in this State;
 - ii) the collateral must be pledged with a third party approved by the City; and
 - iii) the dealer or bank must have executed a City Attorney approved Master Repurchase Agreement with the City.
 - g) Common trust funds of banks domiciled in Texas may be used for bond proceeds including sale of bonds and reserves and funds maintained for debt service purposes.

IV. INVESTMENT STRATEGY

Investment Committee

An investment committee shall be established consisting of the City Manager or his designee and the City Secretary. The Investment Committee shall determine

general strategies and monitor performance. All investment procedures must be approved by the Investment Committee.

V. RESPONSIBILITY AND CONTROLS

A. Authorized Official

The City Manager or his designee shall direct the cash management program of the City with authority to make investment and redemption decisions.

B. Controls

The City Secretary/Finance Director shall establish a system of internal controls which shall be reviewed by the City Auditor.

C. Standard of Care

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

VI. REPORTS

A. The City Council shall receive a quarterly report of investment performance.

B. The Investment Committee shall receive quarterly reports, which shall include all securities held, average maturities, portfolio diversification, yields, income and all transactions executed that month. This report shall include an assessment of investment performance.

VII. AMENDMENTS

The City Council may amend this Investment Policy at a regular or duly called City Council meeting.