

CITY OF TERRELL FINANCIAL POLICY MANUAL



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, 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

City of Terrell

Financial Policy Manual

CONFLICT OF INTEREST STATEMENT

All City of Terrell employees in their purchasing and all other job position decision-making responsibilities and authority shall exercise the utmost good faith in all transactions touching upon their duties and shall be held to a strict rule of honesty and fair dealing between themselves and the City of Terrell. Employees shall not use their position(s) to secure any item or benefit which would not ordinarily accrue to them in the performance of their official, professional or clerical duties. Employees shall not accept gifts, favors or hospitality that might influence or prejudice any of their decision-making activities.

All City of Terrell employees shall promptly report and make a full disclosure of the possible existence of a conflict of interests for themselves or any other person subject to the Purchasing Policy and Procedure and should any duality of interests exist, it shall not influence their decision-making on behalf of the City.

All City of Terrell employees who are engaged in outside independent contracting as a consultant or any other kind of outside employment shall avoid the use of any privileged information and/or appearance of a conflict of interest with the assigned City of Terrell duties and responsibilities.

I shall promptly report any information and/or any appearance of conflict in interest to my immediate supervisor and the City of Terrell Finance Director.

I, _____ (PLEASE PRINT) have read this Conflict of Interest Statement and the City of Terrell's Purchasing Policy and Procedure, I understand the content and agree to abide by the directives as set forth in both documents.

CITY OF TERRELL EMPLOYEE:

Signature

Date: ____/____/____

Department

Tele Ext: _____

The following policies are included in this manual:

Policy Overview

Cash Management Policy

Purchasing Policy

Credit Card Policy

Unclaimed Property 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 propriety 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 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.

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CASH HANDLING POLICY AND PROCEDURE

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CASH HANDLING POLICY AND PROCEDURE

1.0 PURPOSE OF POLICY AND PROCEDURE:

The Cash Handling Policy and Procedure provides City of Terrell employees with guidelines on handling cash from the initial point of collection through depositing and the reconciliation process.

A well founded Cash Handling Policy and Procedure is critical to safeguard the liquid assets of the City of Terrell. It provides a sound basis for generating accurate and reliable information and encourages adherence to federal and State of Texas laws and regulations. It promotes departmental efficiency and encourages employees who handle cash and interface with the public to provide courteous and outstanding customer service and support.

2.0 BASIC CASH HANDLING PRINCIPLES AND INTERNAL CONTROLS:

Effective internal controls during the entire cash handling process from cash collection to bank depositing are necessary to prevent mishandling of City funds and are designed to safeguard and protect employees from inappropriate misconduct charges of mishandling funds by defining their duties and responsibilities.

An essential element of internal control over cash is segregating duties among different employees for the handling and reconciling of cash and maintaining accurate accounting records. The following basic five (5) cash processing functions should be spread among different employees:

- 1) collecting cash
- 2) depositing cash
- 3) recording cash in the accounting records
- 4) balancing and reconciling daily cash received to cash receipts issued to payers, and
- 5) reconciling bank accounts to the general ledger

If the above duties cannot be appropriately segregated among different employees, it is important to increase supervisory reviews and oversight of all cash handling activities.

All City of Terrell employees who handle cash transactions are required to strictly adhere to the Cash Handling Policy and Procedure. Additionally, all employees who are authorized to handle cash transactions must first be trained in the following disciplines before they begin handling cash transactions:

- general City of Terrell personnel and operating policies and procedures,
- departmental operations,
- customer service,
- how to handle money,
- security and the use of departmental forms,
- types of money collections and amounts to be collected (i.e. cash-coins and currency, checks, money orders and credit cards.)

Acceptable payment methods (i.e. cash, check, money order, etc.) shall be posted at each cashier clerk's station. Currency denominations that are not accepted shall also be posted.

All monies shall be deposited with the Finance Department and secured in the accounting office vault. City of Terrell monies shall not be commingled with or used in the following ways:

- employees personal money,
- cashing employee personal checks,
- employees using City monies to make personal change, or
- combining deposits on a single report.

NOTE: The *general public and non-authorized employees* are not permitted in areas where cash transactions occur.

3.0 **EMPLOYEES AND OFFICERS FIDELITY BONDS:**

Fidelity bonds, issued by a surety company authorized to do business in the State of Texas, shall cover all City of Terrell employees and officers handling cash transactions. Fidelity bonds protect the City against employee theft, larceny or embezzlement of money or property. The fidelity bond requirement serves as an incentive to encourage the City to hire job seekers who might otherwise be denied employment.

4.0 **CASH BOXES:**

Employees who are authorized by the Finance Director to handle cash shall be issued their own individual cash box/drawer/register and one key. The Finance Director shall keep one key to each clerk's cash box. The Finance Director shall use his key to open a cash box only in the presence of at least two other clerks.

Cash boxes/drawers/registers shall always be **locked** when unattended or not in use and prior to being secured in the accounting office vault.

\$100.00 is the amount of change fund money kept in the utility and Municipal Court clerks cash boxes for daily operations. \$50.00 is the change fund balance that all other department clerks are authorized to maintain in their cash boxes. Cash and checks shall be separated and coins and currency must be separated by denomination. Change funds and petty cash receipts shall be logged, signed for and accounted for on each of the clerk's daily reconciliation form. Employees shall verify and balance the change fund amount in their cash boxes on an ongoing daily basis and at the close of business each day.

Employees collecting cash are held accountable for the transactions they handle. It should be possible to determine the amount of cash for which each clerk is responsible for at any point in time during any day.

5.0 **CASH COLLECTIONS, RECEIPTS AND RECONCILIATIONS:**

5.1 **Cash Collected In Person:**

Cash received in person from a payer by a City clerk shall be kept in view of and counted in front of the payer until the receipt is issued to the payer and the payer is satisfied. The City cashier clerk shall count change due to the customer/payer twice - once to himself and once back to the payer.

A receipt represents proof of payment and employees shall issue a receipt for every payment they receive. Receipts are computer-generated and each receipt shall indicate the payment method (i.e. cash, check, money order, etc.). Payments are entered in the Receipting Entry Screen in the Harris Open-

Window Financials Computer Software System. A separate receipt shall be issued for cash received for each fund.

Checks must be made payable to the City of Terrell. The City cannot accept third-party checks. Clerks should review checks carefully to determine the legal amount of the check. If the numeric amount on the check differs from the written amount, the written amount prevails as the legal amount. If the check includes only a numeric amount, the numeric amount is the legal amount. Clerks are not permitted to change any amounts on a check; however, clerks may add text to clarify the legal amount. For example, clerks may write “*see legal*” next to numeric amounts that differ from written amounts.

Clerks should also examine checks for required signatures. If on the face of the check one or more signatures are demanded, the required signatures must be present in order to accept the check. Checks without signature requirements may be accepted without a signature, although there is no guarantee the check will clear the bank processing system. When accepting checks in person, clerks should review the check for completeness and consistency of numeric/written amounts and request corrections from the maker at the time of payment. This procedure will increase the likelihood of collecting on checks presented for payment.

Returned Checks:

Checks that have been deposited may be returned by the bank for several reasons:

- insufficient funds
- missing signature
- stop payment
- account closed
- stale-dated

Banks will typically resubmit a returned check one more time if it was returned for insufficient funds. However, if the reason for the return is that a stop payment was placed on the check, the account is closed, the signature is missing or the check is stale-dated, the bank deposits the check only once and then returns the check to the City.

The City mails a copy of the returned check to the maker with a letter advising the maker:

- that the check was returned by the bank,
- provides the reason for the return, and
- requests the maker to personally make a trip to the applicable City department to pickup the returned check and pay the deficiency in cash or money order along with a \$35.00 return check fee.

The City reserves the right to interrupt services (e.g. utility) and may pursue other available legal remedies as needed by the affected City department if the maker does not pay the deficiency.

All checks must be restrictively endorsed immediately with a stamp that bears the following information:

FOR DEPOSIT ONLY
City of Terrell
Account No. XXXXXX
RETURN CHECK ACCOUNT
ZZZZZZ

Cash and checks shall be secured in the cashier clerks' **cash boxes** until the bank deposit is prepared. A bank deposit that includes all of the previous day's cash collections for all departments is hand-delivered to the bank each morning by the Utility Billing Supervisor.

5.2 Checks Received By Mail and Drop Box:

A designated cashier clerk retrieves and opens customer mailed check payments from the mailroom each morning. All checks are immediately endorsed with a stamp that bears the restrictive endorsement information noted in the preceding section 5.1. Payments are then entered and receipts are generated. Receipts for payers who mailed in their payments or placed them in the drop box are mutilated and destroyed.

All checks, money orders and cashiers checks received by mail and drop box shall not be commingled with daily cash received in person. All checks received by mail and drop box shall be processed with a separate computer receipting batch before the bank deposit is made and separately noted on the daily reconciliation form. All checks shall be secured in the cashier clerks' cash boxes until the bank deposit is prepared.

5.3 Reconciliations:

Each cash box clerk/custodian prepares a daily reconciliation of his/her cash box. Money amounts received, receipts issued and actual monies deposited must be reconciled each day. The Finance Director shall review and approve all reconciliations.

The total of all cash, checks, money orders and credit card received must equal the total amount of receipts issued to customers. A Notice of Error Statement–Cash Overage or Shortage Form (Schedule A) must be prepared and given to the Finance Director in the event of a money overage or shortage discrepancy. This Form must contain the date, clerk's name, type of payment, overage or shortage amount, explanation as to what caused the error(s) and be signed by the applicable clerk and Director of Finance.

NOTE: The **Animal Control Department** uses manual receipts, however payments received by this Department are subsequently entered in the computer receipting entry screen by a City of Terrell Police Department's clerk. This manual receipt system will be phased-out when the current supply of manual receipt books are depleted.

6.0 **MISCELLANEOUS:**

6.1 **Major Sources of Cash Received In Person or By Mail or Drop Box:**

The Utilities, Municipal Court and Municipal Development Departments provide the major sources of cash received by the City **in person, by mail or by drop box.**

The following items represent a partial listing of the various types of revenues generated from the aforementioned three (3) Departments as well as other City departments:

- utility (water, sewer and refuse)
- Municipal Court fees and fines
- airport hanger rental fees
- hotel/motel occupancy taxes
- alarm permits
- beer and wine permits
- pavilion rental fees
- dump permits
- solicitors permits
- birth certificates
- library fees
- trash bags
- building permits
- water meter permits
- culvert permits
- impact fees
- mowing fees
- demolition of substandard house
- rental property inspections
- zone change applications fees
- plat fees
- animal control registrations, boarding and adoption fees
- accident reports
- offense reports
- background check reports

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PURCHASING POLICY AND PROCEDURE

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PURCHASING POLICY AND PROCEDURE

1.0 POLICY STATEMENT:

Being an employee of the City of Terrell is a public trust. It is the City's policy to promote and balance the objective of protecting the City's assets and integrity while recruiting and retaining qualified public service personnel who are expected to perform their job functions with the highest standards of ethical conduct. City employees should conduct themselves in such a manner as to foster public confidence in the City of Terrell's governance.

City employees who are empowered with purchasing authority are particularly in positions of trust, confidence and responsibility and it is their duty to obtain the best value for the materials, equipment and services that they purchase and maintain the highest ethical standards when dealing with vendors and suppliers. The value of a purchase includes price, quality and service.

It is the City of Terrell's goal to ensure that:

- Responsible bidders are given a fair opportunity to compete for the City's business. This is done partially by the Texas Statutory requirements for some goods/services to be purchased through competitive bidding and proposals and partially by the procedures setup through the City's Purchasing Policy and Procedure.
- Public funds are safeguarded.
- The best value possible is received for the public dollar, and
- Public spending is not used to enrich elected City Officials or employees or to confer favors by them on favored constituents.

2.0 PURPOSE OF POLICY AND PROCEDURE:

The Purchasing Policy and Procedure provides the necessary basic instructions, guidelines and information for the procurement of equipment, materials, supplies, services, rentals, leases, independent contractor agreements and other goods or services for the City of Terrell. The efficiency and effectiveness of any public and private sector purchasing program is founded on sound principles of management decision-making. This Purchasing Policy and Procedure defines basic principles of purchasing and is incorporated into the City's Financial Policy Manual.

A **Purchase Order** document initiates the purchasing and procurement process. Please refer to Section 7.0, "**HOW TO ISSUE A REQUISITION/PURCHASE ORDER**" for an explanation on how to initiate and make a purchase through the purchase order system.

3.0 BASIC PRINCIPLES OF PURCHASING AND INTERNAL CONTROLS:

The City of Terrell utilizes comprehensive checks and balances to ensure the propriety of the Purchasing Policy and minimize risks and errors and the possibility of collusion and fraud. Some of the basic purchasing principles and goals that City employees should be aware of include:

- New vendors/suppliers are investigated and evaluated.
- New vendors/suppliers are approved before adding to vendor Master File List.
- Competitive prices are evaluated and obtained.
- Obsolete vendors or those that are no longer used are deactivated and purged from the vendor Master File List.
- Purchases are made with the appropriate level of authorization and approval.
- Purchase Orders are properly authorized and prepared.
- Purchases that exceed a department's budget are prohibited.
- Accounts payable disbursements are made with the proper approval.
- Receipt, custody and verification of goods and services is documented.
- Prices charged on vendor/suppliers' invoices match the Purchase Order or pricing program.
- All emergency purchases must be fully justified to eliminate the unnecessary use of emergency purchases for non-emergency situations whenever possible and procedures must be implemented to track emergency purchases so any misuse of this nature can be easily detected.
- Amounts that are recorded in or disbursed from accounts payable match the approved vendor/supplier invoice(s).
- Volume purchase discounts should always be taken whenever available.
- Duplicate vendor/supplier invoice numbers are not allowed to be recorded in the accounts payable program.
- The accounts payable program does not allow an invoice number to be paid more than one time.
- Outstanding credit memos should be routinely reviewed and applied to current or future vendor/supplier invoices.
- Vendor/supplier invoices are coded to the correct general ledger account.
- Purchases that have been made are always recorded in the accounts payable program and paid on a timely basis.
- When accounts payable disbursements are made, checks are printed and shown as paid.
- Manual check payments are recorded in the general ledger.
- Payments are recorded in the proper accounting period.
- The accounts payable purchase details are summarized, posted to the general ledger and are in balance with one another.
- The accounts payable disbursement details are summarized, posted to the general ledger and are in balance with one another.
- Accounts payable duties and responsibilities are effectively segregated to minimize the risk of collusion or fraud.
- Whenever possible the City should participate in cooperative joint-purchasing programs with other public-sector entities to achieve cost savings through volume discounts.
- Personnel who are authorized to purchase must ensure that the State of Texas bidding and purchasing laws and standards are carefully and scrupulously followed.

Each department head must make sure that the foregoing principles and guidelines and all other provisions of Purchasing Policy and Procedure are in effect before orders are placed with vendors/suppliers.

Additionally, each department head must ensure that adequate supporting documentation is requested and received from vendors/suppliers to completely and accurately describe the goods and/or services purchased and received.

3.1 Types of Purchases:

There are several different types of purchases that can be made by City departments. Since non-routine categories of purchases frequently require more time to process they should be minimized. Some of the different types of purchases include:

- **Non-Stocked Items:**
These are items that 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.
- **Stocked or Warehoused Items:**
These items are in such constant usage by the City that they are routinely stocked and are usually purchased on annual contracts with provisions to replenish stocks as needed. Such items should be standardized to the extent possible.
- **Emergency:**
Emergency purchases are those which are made to meet critical needs of the City in cases where its capacity to serve the public would be impaired if the purchase was not immediately made. Purchases which are designated as emergency are those which would normally be procured through routine procedures, but because of the emergency status are exempt from those procedures.
- **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 normally exempt from the bidding requirements. The City may be required to certify that only one supplier is available

A written memorandum must accompany the Requisition/Purchase Order explaining and describing the conditions which make a supplier a **sole (single) source**. Additionally, departments are responsible for soliciting competitive quotations from vendors, therefore any Requisition/Purchase Order with only one quotation attached requires a written explanation.

- **Registrations:**
Registrations for professional conferences, conventions, short schools, seminars and conventions for employees must be authorized by the City Manager and are subject to the City's Travel Policy.
- **Travel:**
Meetings, visits to other cities and special leave expenses for the benefit of the City are subject to the City's Travel Policy.

- **Publications:**
Books, magazines, periodicals and newspapers may be provided for by the City. Departments should coordinate these purchase functions to eliminate duplication. Books are sometimes subject to special rules. Please contact the Finance Director for any questions concerning these special rules.
- **Memberships:**
Memberships in trade or professional organizations are processed through Administration. The membership applications will be justified by the needs of the City and require City Manager authorization.
- **Services:**
Many types of services are needed for the City. The department will procure these services in accordance with State of Texas Statutory Law, including professional services, which may be procured under special rules.

4.0 CODE OF ETHICS:

Many governmental agency activities are continually scrutinized by some sectors of the general public for possible misuse or abuse of public funds, therefore it is imperative to avoid any possibility of misunderstanding, embarrassment, perception of favoritism or unethical behavior or conflict of interests on the part of City employees who are authorized to purchase on the behalf of the City.

City of Terrell employees who are empowered to purchase on behalf of the City occupy a special position of trust and responsibility. In order to avoid the potential problems of unethical behavior, all City employees must strictly adhere to a sound Code of Ethics, which includes the following personal conduct standards, and sign a **Conflict of Interest Statement** (Schedule A).

Employees must strictly adhere to the following Code of Ethics and general ethical standards:

- ✓ Strive to conduct all business with honesty, fairness, integrity and loyalty in accordance with the City's Purchasing Policy and Procedure.
- ✓ Conduct themselves in such a manner as to merit the respect of the City, co-workers, general public and vendors/suppliers.
- ✓ Exercise skill and good judgment to obtain the maximum value for each dollar of expenditure.
- ✓ Consistently practice ethical behavior during the entire purchasing process.
- ✓ Treat with discretion all information obtained in confidence including quotations, pricing and other privileged information.
- ✓ Refuse all gifts and favors from vendors and suppliers.
- ✓ Purchasing should be routinely subjected to competitive evaluation.
- ✓ Settle claims and disputes on the basis of facts and in the spirit of fairness.
- ✓ Report any suspected or known purchasing misuse or abuse to the Finance Director.
- ✓ Strive for standardization to reduce cost and improve efficiency.
- ✓ No personal gain shall be realized by any misconduct or inappropriate actions in the discharge of the employee's duties.
- ✓ 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. This Policy provision is applicable to all City employees as well as elected or appointed officials of the City of Terrell.

- ✓ It shall be a breach of ethics to attempt to influence or persuade any employee of the City to violate the standards of ethical conduct as set forth in this Policy.
- ✓ It shall be a breach of ethics for any employee of the City to participate directly or indirectly in a purchase procurement when the employee has knowledge that:
 - a) the employee or any elected or appointed City of Terrell official of any member of their immediate family has a financial interest pertaining to the procurement (Exception: This provision shall not be applicable for minor non-routine purchases that do not exceed \$50.00)
 - b) a business or organization in which the employee or elected or appointed City of Terrell official or their immediate family has a financial interest pertaining to the procurement, or
 - c) 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 way from the procurement.

4.1 Gratuities and Kickbacks:

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 of 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 the City.

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 tiered subcontractor for any contract with the City or any person associated therewith, as an inducement for the award of a subcontract or order.

The foregoing Code of Ethics and personal conduct standards are formally incorporated into the Purchasing Policy and Procedure by the following three ways:

1. formal adoption of the City of Terrell's Purchasing Policy and Procedure by the City Council
2. educating City employees by:
 - a) posting the Purchasing Policy and Procedure in all City departments,
 - b) training personnel authorized to purchase goods and/or services in accordance with the provisions in this Policy, and
 - c) requiring all employees with purchasing authorization to sign a Conflict of Interest Statement (Schedule A) agreeing that they have read and understand the Purchasing Policy and Procedure and agree to abide by its provisions.
3. establishing regular and periodic internal audits to detect non-compliance with the Purchasing Policy and Procedure.

NOTE: The prohibition against gratuities and kickbacks that are described above shall be conspicuously set forth in all City of Terrell contracts and solicitations thereof.

5.0 SPENDING AUTHORIZATION REQUIREMENTS:

- (a) **\$0.01 - \$1,500.00:**
Bids/quotations are not required.
- (b) **\$1,500.01 - \$15,000.00:**
The department director or their designee shall approve all purchases up to \$15,000. Quotations must be solicited which can be accepted via mail, telephone or facsimile.

Specifications of Material or Equipment:

All quotations must include accurate Specifications which includes a complete description of the material or equipment to be purchased and adhere to the following guidelines:

- Keep the specifications as simple as possible but specific enough that a loophole will not allow a vendor to evade any of the intended provisions of the purchase or take undue advantage of the City.
- The item(s) should be identifiable with some brand or specification already on the market.
- The item(s) should be capable of being inspected to assure quality control and permit acceptance or rejection.
- The item(s) should be available by more than a sole vendor. The department shall attempt to contact at least two (2) historically under-utilized businesses if available in the county when making a purchase of more than \$3,000 but less than \$50,000.

- (c) **\$15,000.01 - \$49,999.99:**
This range of purchases requires the approval of the Finance Director or Assistant City Manager. Written quotations must be solicited which can be accepted via mail, or facsimile. The **Written Specifications** of material or equipment requirements are the same as listed in the above Section (b).
- (d) **Budgeted Transfers From One Fund To Another Fund and Debt Service Payments:**
These require the approval of the Finance Director or Assistant City Manager.
- (e) **\$50,000 & Up:**
These purchases require sealed requests for bids/proposals. All bids, except for construction projects, must be processed through the City Secretary. Bids should be developed on City forms then forwarded to the 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 a **Purchase Order**.

5.1 Competitive Bidding and Competitive Proposal Requirements:

- The City of Terrell must be compliant with the **State of Texas Local Government Code, Section 252.021**, "Competitive Bidding and Competitive Proposal Requirements," which states: "*Before a municipality may enter into a contract that requires an expenditure of more than \$50,000 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 the Section 252.021 requirement, therefore if you have a question as to when to request sealed bids/proposals, it is recommended that the purchaser:

- ✓ read the law concerning municipal purchasing,
- ✓ make an inquiry to the Finance Department concerning the proper procedures or
- ✓ request an opinion from the City Attorney through the City Manager’s Office

5.2 Purchase Orders With Contract Change Orders:

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

5.3 Bid Openings:

All formal bids/proposals shall be submitted to the Finance Director’s Office where they are date and time stamped upon receipt. Bid openings are conducted on each **Friday** starting 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 deadline are disqualified. Late bids/proposals cannot be considered for award of purchase.

5.4 Bidder(s)’ Protest Procedure:

➤ **PROTEST:**

A statement of 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 below paragraph entitled TIMELINESS. A protest may be submitted upon the following reasons:

- a protest relating to restrictive procedures, alleged impropriety, or other similar situations arising prior to bid opening, or
- a protest of the award of contract or alleged impropriety arising after bid opening as set forth in the below section entitled TIMELINESS.

➤ **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 impropriety 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.

6.0 **CONTRACTOR INSURANCE REQUIREMENTS:**

Independent prime and subcontractors (hereinafter referred to as, "CONTRACTOR"), shall secure and maintain insurance that will protect him from claims under the **Workers' Compensation Act** in amount(s) prescribed by the Texas Statutes and from claims for bodily injury, death or property damage which may arise from the performance of his services under his CONTRACTOR agreement with the City of Terrell. This **Commercial General Liability Insurance** must provide coverage of \$1,000,000 per occurrence and \$2,000,000 annual aggregate for bodily injury, 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 the City, a **Professional Liability Insurance** policy (i.e. errors and omissions) 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 \$1,000,000.

All insurance 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 the City at least thirty (30) days prior to cancellation, non-renewal or material modification of any policy.

CONTRACTOR shall furnish the City with copies of the aforementioned insurance policies or certificates of insurance evidencing such required coverage.

7.0 **HOW TO ISSUE A PURCHASE ORDER:**

A **Purchase Order** document initiates the procurement process for purchasing higher-dollar items or those that have special purchasing restrictions. A Purchase Order represents a binding and enforceable agreement with a vendor/supplier to provide the goods and services in accordance with the terms and conditions of the Purchase Order and associated documents. The City of Terrell's Purchase Orders are

sequentially-numbered and computer-generated through the City's Purchase Order computer program in the Harris Open-Window Financials Computer Software System.

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

NOTE: The Procurement Credit Card (PCard) program is used for purchasing relatively low-dollar and high volume items such as materials and supplies that are routinely consumed in the normal course of operations. The PCard program is intended to complement, not circumvent the Purchase Order program. Please read the **PROCUREMENT CREDIT CARD POLICY AND PROCEDURE** for details on how the PCard program works.

Procedure To Issue A Purchase Order:

1. The department head or other authorized employee creates a **Purchase Requisition** for the procurement of goods or services by opening the computer software Departmental Purchasing screen and entering all of the pertinent information relating to the purchase that includes:
 - Ship To Address (and Attention)
 - Bill To Address:
 - ✓ This is unnecessary unless the Bill To Address is different from the Ship To Address.
 - Vendor Number
 - Vendor Name and Address:
 - ✓ The vendor's name and address is automatically activated by the vendor number which is setup in the vendor Master File.
 - Purchase Order Number:
 - ✓ The purchase requisition and purchase order numbers are both computer-generated, sequentially-numbered and are both different thereby preventing additional purchases from being made from the same original purchase requisition and purchase order numbers.
 - Purchase Order Type
 - Purchase Order Date
 - Purchase Requisition Number
 - Purchase Requisition Date
 - Ordering Unit and Buyer Name:
 - ✓ This identifies the requisitioner's department and specific fund that the vendor invoice will be paid from.
 - Body of the Purchase Order :
 - ✓ The order should be described in as much detail as space permits and should specify exact quantity, unit of measure, manufacturing number, description of goods or service, unit price and total price. Special comments or terms can be added when creating the purchase requisition. The freight F.O.B (Free on Board) options of Destination or Origin should be noted if the product is shipped.

Employees, who by memorandum furnished to the Accounts Payable Section, may sign a Requisition/Purchase Order for a purchase or payment authorization up to a specified limit that is set by the department head.

2. The department head approves or rejects the Purchase Requisition.

3. It is the department's responsibility to maintain sufficient funds in the budget account to allow for purchases. If the account lacks sufficient **Unappropriated***—funds, the department shall choose one of the following three (3) procedures:
 1. withdraw the request, or
 2. request a transfer of funds within the departmental budgeted accounts, or
 3. request a budget amendment

**Unappropriated = This is the balance in an account that is not encumbered, already expended or previously designated to be spent by management or council action. Any change to the budget requires the City Manager's approval. Budget amendments require the City Council's approval.*

4. The Authorized department purchaser encumbers the purchase order amount in the accounting computer software.
5. The Authorized department purchaser then checks the approval box that processes the **Purchase Requisition** information and creates a **Purchase Order** which is printed by entering the computer batch number on the Print Purchase Order screen:
1st Part - ORIGINAL
6. The Authorized department purchaser then sends the purchase order for approval as required to be approved as set out in Section 5.0, **SPENDING AUTHORIZATION REQUIREMENTS**, in the Purchasing Policy and Procedure.
7. After the purchase order has been printed the Authorized department purchaser elects the same computer batch number that created the purchase order and prints a **Purchase Order Distribution Report** that interfaces with and posts the following purchase order information to the general ledger:
 - Batch Number
 - Fund
 - Account (General Ledger)
 - Description
 - Post Date
 - GL Batch Number
 - Vendor No
 - Debit and Credit Dollar Amounts

The **Purchase Order Distribution Report** is edited for mistakes, errors or omissions and then filed in the Accounts Payable for future reference and accounting audit trail documentation.

The purchase order system interfaces with the general ledger program under a **Batch System**. The purchase order system records the user name of the employee that opened the batch so the reviewer/approver knows which employee to question if there is a problem encountered in the batch. The system requires an employee to post a purchase order batch in order to update the general ledger and generate a Purchase Order Distribution Report. Batches are posted at various times throughout a given workday.

NOTE: The Accounts Payable Technician, Utility Billing Supervisor and Finance Director are the only authorized persons to update and post batches.

8. The departmental buyer orders the goods and/or services.

After the ordered goods have been received or the services have been provided and the ordering department has ensured that all goods and services ordered have been received or provided, the department buyer will sign and attach the original Purchase Order to the vendor invoice, bill of lading, packing slip, correspondence and all other receiving and supporting documentation. The Authorized department purchaser will enter the invoice information into the Accounts Payable System.

NOTE: The Accounts Payable Section distributes monthly budget expenditure reports to departments for their review and analysis on the 15th calendar day of each month.

7.1 **Blanket Purchase Order requirements:**

- A specific vendor must be used for each blanket purchase requisition/purchase order.
- A stated period during the budget year must be specified.
- A description of the goods and/or services must be detailed.
- Applicable project codes must be used, and
- The bidding process must be used if the dollar amount is greater than \$25,000.00.

7.2 **Partial Shipments:**

- The responsible buying department shall keep all shipping receipts, packing slips and vendor invoice(s) for partial as well as complete orders.

8.0 **VENDOR INVOICE REQUIREMENTS AND PAYMENT PROCESSING:**

A vendor invoice is an itemized statement of merchandise shipped or services provided by the vendor. The following basic and minimum information is required to be on the face of a vendor/supplier invoice. If any of this information is incomplete or incorrect, payment to the vendor may be delayed:

- **Invoice number:**
This number will be referenced on the City of Terrell's check when issued to help the vendor/supplier identify and apply the cash to the correct item on the vendor/supplier's accounts receivable ledger.
- **Invoice date:**
This date is used by the City's accounts payable system to start the payment cycle in terms of the number of days when payment becomes due and is needed to generate an accurate Accounts Payable Aging Report. The check will be printed and mailed within thirty (30) days unless otherwise specified by the terms indicated on the City's Purchase Order. Per the Uniform Commercial Code, a payment is constructively made on the postmarked date that the check is placed in a U.S.P.S. mail depository.
- **Dollar amount that the City Of Terrell owes to the vendor/supplier:**
This amount should be broken down into product/service subtotal, freight and total amount due to the vendor. These items need to match the same units of measure and prices listed on the City of Terrell's purchase order. Any discrepancies must be

resolved by the departmental buyer with the vendor otherwise, payment may be delayed.

- **Itemization of each item:**
Each vendor/supplier invoice should be itemized to show the date the shipment was made or the date the service was performed. This should include the quantity and the unit price agreed-upon with the City for partial shipments.
- **Type of currency, if other than \$USD:**
If the invoice is to be paid in currency other than United States dollars, it must be conspicuously printed on the face on the invoice, otherwise, payment may be delayed.
- **Purchase Order number:**
The City's purchase order number must be contained in its entirety on the face of the invoice, otherwise, payment may be delayed.
- **Remittance address:**
The address where the City of Terrell's payment should be mailed.

All vendor invoices should be mailed directly to the user department per the instructions on the purchase order and date-stamped when received. The ordering department buyer will review and check the invoice against the department's copy of the purchase order to ensure that both are in agreement. An invoice and purchase order with a difference greater than five percent (5%) is subject to review. If no purchase order exists for a vendor invoice that has been received, the incident is reported to the City Manager's Office for investigation.

NOTE: The authorization and approval to pay the vendor invoice is the responsibility of the department head.

Accounts Payable Procedure:

Departments:

Session – Create Batch.

Create a batch using your department as the batch name.

Make sure to only use this batch to enter your invoices.

Session – select batch

Use this option if the batch has already been created and you want to add more invoices or edit an existing invoice.

To Enter an invoice against a purchase order.

Activity - Invoice entry by PO number.

GL date will be Friday of this week.

Due date will be the same as the GL date.

Committee code will be left blank unless this PO is for a fixed asset

If for the purchase of land – enter committee code 1

If for the purchase of a building – enter committee code 2

If for the purchase of equipment – enter committee code 3
PO# - Enter the purchase order number
Invoice Number – Enter the invoice number
Amount – If the amount is different than the amount you will be paying on this invoice change the amount
Vendor – If the vendor number is blank, enter the vendor number for this vendor. If the vendor number is wrong change it.
Liquidate PO. - If this is the final payment on this PO mark this box. It will close the PO and return any remaining amounts to your budget.
Distribution. Verify the distribution accounts numbers and amounts. Do not change the distribution account numbers on this screen, only the amounts. If the account number is incorrect do not enter the invoice as it will have to be deleted, the PO will have to be voided and reissued. See the finance department if necessary.

Activity – Invoice Edit report.

Insert your batch number in the batch no. from and to fields.
Select the primary sort order.
Print this report and check it very carefully.
If any errors are found fix them. Any invoice not correct will be deleted by finance and returned to the department for corrections. This will delay the payment to the vendor until the next check cycle.

Activity – Invoice Entry

Use this screen to make any corrections found on the invoice edit report.
Enter the vendor number.
Hit F2 on the Invoice number and it will display the available invoices.
Select the appropriate invoice and select OK.
Remember that if an invoice is attached to a PO and the account number is incorrect DO NOT change it here. The invoice will need to be deleted, the PO voided and reissued and the invoice reentered. See the finance department if necessary.

Make corrections and select New or OK.

Print the Invoice Edit report again to make sure all has been corrected.
Once you are satisfied that all invoice have been entered and are correct they are ready to go to the finance department.

Run the edit report for the finance department using the primary sort of vendor name. Put the invoices in the same order as the edit report and attach the purchase order.

Only original invoices will be accepted.

All required documentation must be to the finance department by 3:00 on Thursday. Keep all remittance advices in your office. The checks will be cut on Friday and returned to you. Make sure you have all of your checks, attach the remittance advice and mail.

Finance Office:

Activity – Invoice Edit Report. Run the edit report for each batch by vendor name. Check it carefully against the original invoices submitted to you from the departments. If any invoice is incorrect, delete the invoice and return the invoice to the department. They will need to reenter it for the next check cycle.

Invoice Distribution. The distribution for each batch should balance back to the edit report.

Cash Requirements: Insert the first batch number and retrieve the data. If the totals are correct, hit NEW and insert the next batch number. Repeat until all batches have been selected for payment.

Checks - Select print checks, mark multiple batches, the screen options will change. Click on the select batches. All of the batches that have had cash requirements ran will be displayed here. You will select all of the batches and indicate what order the batches will print in.

Check Register – Select Multiple batches.

Payables Close – If you remove the batch number it should close all batches.

Activity – select Batches – make sure all batches have closed.

After the ordered goods and/or services have been received/provided and the requisitioning department has ensured that all goods and services ordered have been received/provided, the department buyer will sign and attach the original purchase order to the vendor invoice, bill of lading, packing slip, correspondence and all other receiving and supporting documentation as evidence of fulfillment of the order and return all of these documents in their entirety to the Accounts Payable.

Properly submitted, reviewed and approved invoices with the appropriate documentation attached thereto are paid within thirty (30) days of receipt of authorization to pay from the department head. The City writes checks on a scheduled basis to ensure that vendor payments will be made by the thirtieth (30th) day after receipt of all required documentation on a given purchase order in accordance with Texas State Law.

Invoices for payment received between the 26th and 10th calendar day of the month shall be processed for payment by the last day of the month. Invoices for payment received between the 11th and 25th calendar day of the month shall be processed for payment by the 15th calendar day of the following month.

Vendors who require advance funding must submit an invoice to the City for the advance. All advance funding requirements must be expressly stated on the requisition/purchase order before submission to the Accounts Payable Section.

Discrepancies between the amount as shown on the vendor invoice and the purchase order are the buying department's responsibility to reconcile and any such discrepancy must be resolved by the department before payment is processed.

All correspondence between the City and vendor relating to an invoice must contain the following pertinent information:

- ✓ Invoice Date
- ✓ Vendor Name
- ✓ Dollar Amount Billed, and if applicable,
- ✓ Requisition/Purchase Order Number

Payment Authorization:

Payment authorizations to pay for memberships, dues, subscriptions, refunds not related to travel arrangements, utility bills, non-contractual service (not to exceed \$500,000) and postage are forwarded directly to the Accounts Payable Section with the appropriate supporting documentation.

Inspection of Accounts Payable Records:

- ✓ All accounts payable records including project files are stored in a security area in the Finance Department.
- ✓ No original documents may be taken from the security area.

9.0 **OTHER SPECIAL VENDOR REQUIREMENTS:**

The United States Internal Revenue Service, State of Texas and City of Terrell require that all vendors desiring to conduct business with the City of Terrell complete and submit the following four (4) documents:

- 1) **Internal Revenue Service Form W-9**
- 2) **State of Texas Form CIQ**
- 3) **City of Terrell Vendor Application**
- 4) **Vendor Statement of Agreement**

The aforementioned documents are available in the Accounts Payable Section and will be furnished to the departmental buyer upon request.

All of the aforementioned four (4) documents must be thoroughly and accurately completed on an **annual basis** by the vendor and forwarded to the Accounts Payable Section before the vendor is accepted and recognized as an official vendor and added to the City's vendor Master File List.

10.0 **DEVELOPER/OWNER MATERIALS TESTING:**

- 10.1 **Developer/Owner Materials Testing – Escrow Funds Collection and Reimbursement Procedures Form (Schedule B)**
- 10.2 **Engineering Escrow Funds Collections Statement (Schedule C)**
- 10.3 **Engineering Escrow Funds Reimbursement Request (Schedule D)**

City of Terrell

Financial Policy Manual

PURCHASING POLICY AND PROCEDURE

**Developer/Owner Materials Testing - Escrow Funds
Collection and Reimbursement Procedures Form**

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 %) \$_____

City of Terrell
Financial Policy Manual
PURCHASING POLICY AND PROCEDURE

Engineering Escrow Funds Collections Statement

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: _____

City of Terrell

Financial Policy Manual

PURCHASING POLICY AND PROCEDURE

Engineering Escrow Funds Reimbursement Request

PLEASE PRINT ALL INFORMATION:

PROJECT NAME: _____

PROJECT NUMBER: _____

ESCROW DESCRIPTION: _____

BALANCE IN ESCROW: _____

GENERAL LEDGER ACCOUNT NUMBER: _____

APPROVED BY:

CITY ENGINEERING

DATE

CITY SECRETARY

DATE

CHECK NUMBER: _____

DATE MAILED: _____

MAILED TO:

11.0 **GENERAL INFORMATION:**

Signatures/Authorization:

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

Disposition of Entity's Property:

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

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

The use of the City's credit card 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 (Last 4 Numbers) _____. As a User of this corporate credit card, 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 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

City of Terrell

Financial Policy Manual

UNCLAIMED PROPERTY REPORTING POLICY AND PROCEDURE

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City of Terrell

Financial Policy Manual

UNCLAIMED PROPERTY REPORTING

1.0 PURPOSE OF POLICY AND PROCEDURE:

Unclaimed Property is generally defined as cash and other financial assets that are considered lost or abandoned after the **owner** cannot be located by the **holder** of the asset within a specified period of time. Unclaimed property is typically created when the asset owner forgets that an account exists, or moves and does not leave a forwarding address or the forwarding order expires. In some cases, the owner dies and the heirs have no knowledge of the personal property.

All states acquire unclaimed property through their Unclaimed Property laws which require holders (e.g. corporations, financial institutions, insurance companies, counties, school districts and *municipalities*) of owners' unclaimed property to annually report and deliver/remit property after there has been **no owner contact for a specified period of time**. The property is presumably abandoned and therefore unclaimed after the specified period of time. When the abandonment/dormancy period of time has been reached the holder submits an unclaimed property report and the owner's property to the applicable state where the owner resides. The owner's last known address defines which state receives the report and escheatment of property.

Many states, including Texas, require counties, *municipalities* and school district holders of unclaimed property to publish a notice annually in a newspaper of general circulation in each holder's local jurisdiction to inform owners of abandoned property that they may have unclaimed property to claim.

Unclaimed Property laws were enacted by states to return unclaimed personal property to the lawful owners and prevent holders from using this money and converting it to revenue. No unclaimed property may be written off to income or surplus. State and local governments do not take permanent title to these escheated funds but act only as custodians to safeguard the property in perpetuity or until claimed by the rightful legal owner or heir.

Most state and local governments are committed to processing all unclaimed property claims within 90 days or less. There is no charge to the owner to submit a claim to a state or local government who has custody of their property and in all 50 states and possessions there is no time limitation for an owner to file a claim.

The property type determines the length of time for the abandonment period for each state. This period of time, as well as unclaimed property rules and regulations, varies from state to state but generally ranges from one to fifteen years. The most common property types of unclaimed property include:

- un-cashed accounts payable, payroll and cashiers checks
- customer accounts receivable credit balances
- stocks, bonds, mutual fund accounts
- utility deposits
- bank accounts

- safe deposit box contents
- insurance proceeds
- mineral interests and royalty payments
- court deposits, trust funds, escrow accounts
- money orders
- traveler’s checks

Abandonment periods for common types of unclaimed property reportable to the State of Texas and local governments:

- employee payroll checks: 1 year or older,
- customer/vendor accounts payable checks: 3 years or older
- customer accounts receivable credit balances: 3 years or older.

2.0 SPECIAL UNCLAIMED PROPERTY REPORTING PROCEDURES FOR THE STATE OF TEXAS LOCAL GOVERNMENTS:

2.1 Procedure for Reporting and Remitting Assets Over \$100 and Under \$100:

During the 75th Texas Legislative Session, Senate Bill 700 was introduced and subsequently passed effective September 1, 1997. This legislation updated the Texas Property Code by adding Chapter 76, requiring counties, school districts and *municipalities* to report and remit abandoned property valued at \$100 or less to the treasurer of that county, school district or municipality. The law also requires each county, school district and city to develop an unclaimed property program for reporting, public notification, claims processing, enforcement, and accounting for this locally-reported abandoned personal property.

Beginning on the November 1, 1998, due date, Texas law required each county, municipality and school district to file **two** unclaimed property reports for the report year ending June 30, 1998 and every report year thereafter. One report for property valued at **\$100 or less** must now be sent to the county, city or school district treasurer or whoever has been designated to handle this function. The second report for unclaimed property valued at **greater than \$100** must be sent to the State of Texas Comptroller.

➤ **Assets Greater Than \$100.00:**

Pursuant to the Texas Property Code, Title 6, Unclaimed Property and the Texas Comptroller of Public Accounts, “*Texas Unclaimed Property Holder Reporting Section–2008 Reporting Instructions,*” Page 35, (Schedule A) or before November 1st of each year, Texas counties, *municipalities* and school district holders shall submit Report Forms #53-119, **Texas Unclaimed Property Holder Report and Payment** and #53-105, **Texas Report of Unclaimed Property** and remit individual unclaimed property amounts **greater than \$100.00** to the State of Texas Comptroller of Public Accounts. The reporting period cutoff ending date is June 30th or four months preceding the November 1st reporting deadline each year. Property owners for this type of unclaimed property submit claims directly to the State of Texas who processes the claims and payments to owners.

NOTE: If the property is greater than \$100 and the last known address of the owner is an out of state address, the appropriate unclaimed property report and remittance must be sent to that state in accordance with the state’s instructions.

➤ **Assets \$100.00 or Less:**

Pursuant to the Texas Property Code, Title 6, Chapter 76, “*Report, Delivery and Claims Process For Certain Property*,” Subchapter A, General Provisions, Section 76.001, (Schedule B) on or before November 1st of each year, individual unclaimed amounts of **\$100.00 or less** shall be remitted with holder Report Forms #53-119, **Texas Unclaimed Property Holder Report** and Payment and #53-105, **Texas Report of Unclaimed Property** to the holder’s local government treasurer who shall publish the missing owners’ names in a newspaper in the calendar year immediately following the year in which the property report is filed and process and pay all valid claims submitted by prospective owners. Owners, heirs and assignees may claim their property from these local government holders without any fees or service charges.

Pursuant to the Texas Property Code, Title 6, Chapter 76, Subchapter 601, the local government treasurer/holder shall create and maintain a fund known as the “**Unclaimed Money Fund**” from which disbursements are made to owners for their unclaimed property.

2.2 **Public Legal Notification:**

The local government treasurer, during the calendar year following the receipt of a property report, may mail a notice to each unclaimed property owner who appears to be entitled to the reporting property. A mailed notice is not required; however, a published notice in the legal notices’ section of a newspaper of general circulation in the holder’s jurisdiction is required in the calendar year immediately following the report year.

If the City decides to send mailed notices to unclaimed property owners in addition to the newspaper publication, Schedule C.2 is a representative example of such a mailed notice.

There are no formal guidelines as to the information to be included in the publication so each local government may format and include whatever content and information it deems appropriate in the circumstances. Schedule C, **City of Terrell Notice of Abandoned and Unclaimed Personal Property**” is a representative example of a newspaper publication notice that would be appropriate for the City of Terrell to use.

3.0 **OWNER CLAIM FORMS AND INSTRUCTIONS:**

3.1 **Owner Claim Forms:**

Owner/claimants must file a **TEXAS UNCLAIMED PROPERTY ORIGINAL OWNER CLAIM FORM**, (Schedule D) that includes an instruction page, **INSTRUCTIONS – ORIGINAL OWNER CLAIM FORM**, (Schedule D.1) with the City’s Finance Department and attach the following documentation to successfully claim their property:

- Photocopy of owner’s driver’s license or other photo identification,
- Proof of owner’s social security number. Photocopies of any of the following documents provide acceptable proof of an owner’s social security number:
 - ✓ social security card,
 - ✓ tax return or records,
 - ✓ school records,

- ✓ military identification,
 - ✓ payroll check stub, or
 - ✓ insurance identification card.
- If there is an additional owner of the property listed on the claim form, provide the same identification as above for that co-claimant as well.
- Verification must be made if the owner's last known address as shown by the City's records is different from the owner's current address. Proof must be established by associating the claimant with the last known address provided to the City. Photocopies of the following documents are acceptable:
 - ✓ utility bill,
 - ✓ mortgage payment coupon,
 - ✓ post-marked envelope,
 - ✓ driver's license,
 - ✓ cancelled check,
 - ✓ birth certificate,
 - ✓ school report card,
 - ✓ credit report, and
 - ✓ payroll check stub
- If the City does not have a record of the owner's social security number, account number or last known address of the owner/claimant, **proof of business transactions between the owner and City** may be the only information that the City has to determine rightful ownership, therefore photocopies of the following documents are acceptable:
 - ✓ invoice, receipt, account statement, court document or
 - ✓ any other document that establishes a business relationship between the owner/claimant and the City.

The owner/claimant must complete, sign and return the claim form to the City with the above required identification and documentation. The City may be able to establish ownership based upon the available information that an owner/claimant submits even if he/she is unable to provide all of the requested documents.

The City of Terrell will review each claim carefully and a payment to the claimant determination shall be made as quickly as possible if proof of ownership exists. If the evidence is not adequate to prove a claimant's ownership, the City shall contact the claimant for additional information or return all documents submitted with a letter stating why the claim is incomplete or rejected.

3.2 **Tracking Claims on Unclaimed Property Records:**

The local government treasurer must track and maintain a claim status on all individual owners' unclaimed personal properties. The three "claim status indicators" are:

- "N" is the original status indicating no claim has been made.
- "M" is indicated when a claim form has been received from a claimant.
- "C" indicates that the property has been claimed.

The foregoing three "claim status indicators" should be appropriately entered in the **Status** field on Schedule E, "**Outstanding Checks \$100 or Less Published By The City of Terrell In A Local Newspaper – City of Terrell To Process and Pay Owners' Claims.**"

Tracking each property record is important. When property has been claimed, it cannot be eliminated from the original database (i.e. Schedule E). The individual property record must stay to maintain the integrity of the original database. A record of the name, address and amount for each claimant should be available for review or audit, particularly if another, or the same claimant comes forward again to claim the same property.

It is important to be able to demonstrate consistency in approving or rejecting claims. An owner whose claim has been rejected can appeal the City's decision pursuant to Title 6, Chapter 76, Subchapter F, and Section 505.

4.0 DUE DILIGENCE REVIEW OF OUTSTANDING CHECKS AND CUSTOMERS' ACCOUNTS RECEIVABLE CREDITS:

Rather than waiting for the one or three year abandonment periods of time to lapse when the likelihood of locating a property owner becomes minimal, a systematic due diligence review of all un-cashed/outstanding checks and stale-dated customer accounts receivable credit balances should be conducted within 90 to 120 days from the date of presumptive abandonment by researching check payee/owners and customers new addresses and re-mailing or telephoning those vendors and customers when appropriate.

5.0 CRIMINAL AND CIVIL OFFENSE:

Under the State of Texas Property Code, Title 6, Unclaimed Property, Chapter 71, a holder is subject to the following criminal and civil penalties:

(a) A person commits an offense if the person:

- (1) willfully fails to file a report required by this Chapter,
- (2) refuses to permit examination of records in accordance with this Chapter,
- (3) makes a deduction from or a service charge against a dormant account or dormant deposit of funds, or
- (4) violates any other provision of this Chapter.

(b) An offense under this Section is punishable by:

- (1) a fine of not less than \$500 or more than \$1,000,
- (2) confinement in jail for a term not to exceed six months, or
- (3) both the fine and confinement.

- (c) In addition to a criminal penalty, a person who commits an offense under Subsection (a) is subject to a civil penalty not to exceed \$100 for each day of the violation. The attorney for the holder shall collect the civil penalty by bringing suit in a district court of the county in which the holder is located.

6.0 INTEREST AND PENALTY - FAILURE TO PAY OR DELIVER PROPERTY WITHIN THE PRESCRIBED TIME:

Under the State of Texas Property Code, Title 6, Unclaimed Property, Chapter 71, a holder is subject to the following interest and penalty provisions:

6.1 **Interest:**

A holder who fails to pay or deliver property within the prescribed time shall pay interest at an annual rate of ten percent (10%) of the value of the property from the date the property should have been paid or delivered until the date the property is actually paid or delivered.

6.2 **Penalty:**

A penalty equal to five percent (5%) of the value of the property shall be imposed on a holder who fails to pay or deliver property within the prescribed time. If a holder fails to pay or deliver property before the 31st day after the date the property is due, an additional penalty equal to five percent (5%) of the value of the property shall be imposed.

For property that should have been reported on prior years' reports, the State Comptroller will calculate the amount of interest and penalty and send the holder a bill for the amount owed in arrears.

7.0 **MISCELLANEOUS PROVISIONS:**

7.1 **Record Retention Requirements:**

Record retention requirements vary from state to state. The State of Texas requires that all Unclaimed Property reports and related records and information be retained for ten (10) years.

7.2 **Negative or Zero Reporting Requirements:**

Many states require holders to submit a Negative Unclaimed Property Report if there is no unclaimed property to report. The State of Texas does not require negative reporting.

7.3 **Texas Reporting Methods:**

Unclaimed Property Reports may be submitted to the State of Texas and local governments using any of the five delivery methods listed below with NAUPA formatting: (NAUPA = National Association of Unclaimed Property Administrators)

- internet,
- diskette,
- CD Rom,
- magnetic tape cartridge (3480 or 3490), or
- manual report form (Forms #53-119 and #53-105)

NOTE: Manual reporting to the State of Texas Comptroller may not be used if there are more than 9 property owners to report; however, this provision does not apply to local government reporting for Texas counties, municipalities and school districts.

7.4 **Combining Properties Owed to the Same Owner:**

Owners who are owed more than one amount of the same property type should be listed on the State of Texas Unclaimed Property Report only once. Accumulate all the amounts due the owner during the applicable reporting period into one total. Provide the beginning and ending dates, or check numbers, on which the amount were paid.

7.5 **Filing for Reimbursements or Refunds:**

A holder who pays an owner after a Report and remittance has been submitted to the State of Texas can file a reimbursement claim with the State. The reimbursement route

should be used for those customers and owners demanding immediate payment. The State of Texas can process a reimbursement faster than an owner claim and the owner will not be charged the State's 1.5% processing fee. The holder must submit a completed Form #53-115, **Texas Unclaimed Property Holder Reimbursement Request Form** and proof of payment for each owner that was paid. After receipt of a holder's reimbursement request form and proof of payment to the owner, the State will mail a reimbursement check to the holder in approximately three weeks.

Refunds will be made to holders who have inadvertently overpaid the State of Texas unclaimed property report because of accounting errors or other mistakes made during the preparation of the reports. To claim a refund, a holder must submit a completed Form #53-116, **Texas Unclaimed Property Holder Refund Request Form** with an explanation and reasons for the requested refund. The State will mail a refund check to the holder in approximately three weeks.

City of Terrell
Texas Unclaimed Property
INSTRUCTIONS - ORIGINAL OWNER CLAIM FORM

Owner/claimants must file a **Texas Unclaimed Property Original Owner Claim Form** (Schedule C) with the City's Finance Department and attach the following documentation to successfully claim their property:

- Photocopy of owner's driver's license or other photo identification,
- Proof of owner's social security number. Photocopies of any of the following documents provide acceptable proof of an owner's social security number:
 - ✓ social security card,
 - ✓ tax return or records,
 - ✓ school record
 - ✓ military identification,
 - ✓ payroll check stub, or
 - ✓ insurance identification card.
- If there is an additional owner of the property listed on the claim form, provide the same identification as above for that co-claimant as well.
- Verification must be made if the owner's last known address as shown by the City's records is different from the owner's current address. Proof must be established by associating the claimant with the last known address provided to the City. Photocopies of the following documents are acceptable:
 - ✓ utility bill,
 - ✓ mortgage payment coupon,
 - ✓ post-marked envelope,
 - ✓ driver's license,
 - ✓ cancelled check,
 - ✓ birth certificate,
 - ✓ school report card,
 - ✓ credit report, and
 - ✓ payroll check stub
- Proof of business transactions between the owner/claimant and the City. If the City does not have a social security number, account number or last known address of the owner/claimant, this may be the only information that the City has to determine rightful ownership. Photocopies of the following are acceptable:
 - ✓ invoice,
 - ✓ receipt,
 - ✓ account statement,
 - ✓ court document, or
 - ✓ any other document that establishes a business relationship between the owner and the City.

The owner/claimant must complete, sign and return the claim form to the City with the above required identification and documentation. The City may be able to establish ownership based upon the available

information that an owner/claimant submits even if he/she is unable to provide all of the requested documents.

The City of Terrell will review each claim carefully and a payment to the claimant determination shall be made as quickly as possible if proof of ownership exists. If the evidence is not adequate to prove a claimant's ownership, the City shall contact the claimant for additional information or return all documents submitted with a letter stating why the claim is incomplete or rejected.

Schedule D

TEXAS UNCLAIMED PROPERTY ORIGINAL OWNER CLAIM FORM

Claim Number

Mail or deliver to the following address:

City of Terrell – Finance Dept/Unclaimed Property P.O. Box 310 201 E. Nash Street Terrell, TX 75160
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<i>CLAIMANT INFORMATION</i>					
Name	(Last)	(First)	(Middle)	(Maiden)	Social security number
Additional Owner	(Last)	(First)	(Middle)	(Maiden)	Social security number
Current mailing address					Daytime phone (Area code and number)
City			State		ZIP Code
E-mail address					FAX (Area code and number)
The named Claimant hereby certifies that this claim for property presumed abandoned is valid and just, that all statements herein are true and correct, and upon payment of this claim said Claimant will indemnify and hold harmless the City of Terrell and its employees from any damages, claims or losses of any kind resulting from the payment of the property to the Claimant.					
sign here	Claimant's signature				Date
sign here	Additional owner's signature				Date

PLEASE DO NOT WRITE BELOW THIS LINE

<i>PROPERTY INFORMATION</i>		
Reported property owner	Reported additional owner	
Reported property address		
Property type	Description	
Reporting Company	Last active date	Claimed amount

- <i>FOR INTERNAL USE ONLY</i> -			
Issued to			
Approved by	Date	Number of properties	Total amount of claim

The Claimant must complete, sign and return this Claim Form to the City of Terrell with the required identification and documentation per the instructions as described in the attached Schedule D-1, Texas Unclaimed Property, INSTRUCTIONS – ORIGINAL OWNER CLAIM FORM.

The City of Terrell will review each claim carefully and a payment to the Claimant determination shall be made as quickly as possible if proof of ownership has been established. If the evidence is not adequate to prove a Claimant's ownership, the City shall contact the Claimant for additional information or return all documents submitted with a letter stating why the claim is incomplete or rejected.

INVESTMENT POLICY

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RESOLUTION NO. 663

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 7th day of September 2010.

APPROVED:

Hal Richards, Mayor

ATTEST:

John Rounsavall, City Secretary

Exhibit A

City of Terrell, Texas

Investment Policy

I. PURPOSE

Authorization of this Policy was adopted by the Terrell City Council on September 7th, 2010, in accordance with the Texas Public Funds Investment Act. The investment policy shall be formally approved and adopted by the governing body of the City and reviewed annually

II. Scope

This policy applies to the investment of all funds, excluding the investment of employees' retirement funds. Proceeds from certain bond issues and assets managed under separate investment programs.

1. Pooling of Funds Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. *[This paragraph refers to the pooling of funds within City of Terrell, and implies no reference to local government investment pools]*

III. General Objectives

The primary objectives, in priority order, of investment activities shall be **safety, liquidity, and yield:**

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from

any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see section VIII).

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

IV. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

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

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

3. Delegation of Authority

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. Authority to manage the investment program is granted to City Secretary who shall act as the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials

V. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. Authorized Financial Institutions, Depositories, and Broker/Dealers
a list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the [entity's] investment policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer

VI. Safekeeping and Custody

1. Delivery vs. Payment

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

2. Safekeeping

Securities will be held by a [centralized] independent third-party custodian selected by the entity as evidenced by safekeeping receipts in the city's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70 or SAS 70)

3. Internal Controls

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated annually. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal control structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

Accordingly, the investment committee shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures or alternatively, compliance should be assured through the City's annual independent audit.

VII. Suitable and Authorized Investments

1. Investment Types

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions,
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher)

by a nationally recognized rating agency;

- Investment-grade obligations of state and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

VIII. Investment Parameters

1. Diversification

The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations. For cash management funds:

Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.

Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.

Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

The investment committee/investment officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The committee shall conduct a review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

2. Maximum Maturities

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The City shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the City Council.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

IX. Reporting

1. Methods

The investment officer shall prepare an investment report at least quarterly including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter *[or month]*. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the entity's chief administrative officer, the legislative body, the investment committee and any pool participants. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.
- Each quarterly report shall indicate any areas of policy concern and suggested or planned revision of investment strategies. Copies shall be transmitted to the independent auditor.
- The City's annual Comprehensive Annual Financial Report, shall include a

report on the investment program and investment activity.

2. Performance Standards

The City's cash management portfolio shall be designed with the objective of regularly meeting or exceeding a selected performance benchmark, which could be the average return on three-month U.S. Treasury bills, the state investment pool or the average rate of Fed funds. These indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.

X. Policy Considerations

1. Exemption

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

2. Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by City Council.