

RESOLUTION NO. 1309

RESOLUTION APPROVING THE CITY OF WEST BRANCH FINANCIAL
MANAGEMENT POLICIES

WHEREAS, the City Council of the City of West Branch would like to provide guidance on the City's financial management system; and

WHEREAS, the Council's intent is to support a sound and efficient financial management system which best utilizes resources and provides an acceptable service level to the citizens of West Branch; and

WHEREAS, a set of policies was presented to the Council for their consideration at the May 4, 2015 City Council Meeting; and

WHEREAS, the Council now wishes to officially adopt these policies.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the West Branch, Iowa, that the City of West Branch Iowa Financial Management Polices, attached as "Exhibit A" is approved.

Passed and approved this 29th day of June, 2015.



Colton Miller, Mayor Pro Tem

ATTEST:



Matt Muckler, City Administrator/Clerk

Exhibit A

City of West Branch Iowa Financial Management Policies

The following financial policies have been developed to provide guidance to the City's financial management system. The City's intent is to support a sound and efficient financial management system which best utilizes resources and provides an acceptable service level to the citizens of West Branch. The following statements are not intended to restrict the City Council's authority in determining service needs and or/ activities of the City. These financial policies do not limit the City Council's ability and responsibility to respond to service delivery needs above or beyond these policies. The City Council as a policy making group is still accountable for the efficient and responsive operation of the City.

1. OBJECTIVE OF CASH MANAGEMENT POLICY

The City Council of the City of West Branch is the trustee of the public revenues which it collects, and it therefore has an obligation to the community to ensure that the city's cash resources are managed effectively, efficiently and as economically as possible. This policy represents principles and practices that follow generally accepted accounting principles which should be used to help the city maintain financial stability.

The support of and commitment to the city's credit control policy, by the council and the city's officials, is an integral part of proper cash management, and by approving this policy the council pledges itself to such support and commitment.

2. EFFECTIVE CASH MANAGEMENT

1. Cash Collection

All monies due to the city must be collected as soon as possible, either on or immediately after due date, and deposited on a daily basis. Any delinquent amounts should be pursued vigorously in any legal manner to include:

- Utility shut offs as provided by local ordinance and state law
- Income Offset through the Department of Administrative Services
- Certification to taxes through the County Treasurer
- Third party collection agencies

The respective responsibilities of the City Administrator, Deputy Clerk and other Department Directors are defined in this document. Where practical, all receipts should be handled by City Clerk's office. Off sight collections shall be promptly delivered to the city office and deposited into City approved accounts. Each off sight collection point will be insured/bonded as necessary.

2. Payments to Creditors

The Deputy Clerk shall ensure that all bids and quotations invited by and contracts entered into by the city stipulate payment terms favorable to the city, for example, payment should fall due no sooner than at the conclusion of the month following the month in which a particular service is rendered to or goods are received by the city and approved by the Council. This rule shall be departed from only where there are financial incentives for the city to effect earlier payment, and preauthorized by resolution of the council, such as

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payroll, or payroll taxes. Any early payment shall be approved by the city council at the next Council meeting.

Notwithstanding the foregoing policy directives, the Deputy Clerk shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if it is determined that there are financial incentives for the city to do so.

Special payments to creditors shall only be made with the express prior approval of the city council, who shall be satisfied that there are compelling reasons for making such payments prior to the normal monthly processing.

3. Management of Inventory

Each department director shall ensure that the inventory in their department does not exceed what is normally required in those cases where items which are not readily available from suppliers, and emergency requirements in the case of items which are readily available from suppliers.

Each department director shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available for sale at a public auction or by other means of disposal, as provided in the city's policies.

4. Cash Management Program

An annual estimate will be prepared of the city's cash flows divided into calendar months. The estimate shall indicate when and for what periods and amounts idol revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred. Department directors shall furnish the City Administrator all cash flow information as is required for large dollar items. The threshold for this notification shall be \$ 5,000.00.

SECTION 3: OPENING OF BANK ACCOUNTS

City of West Branch shall maintain bank accounts. Each bank account must be in the name of the city, and all monies received by the city must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A bank account may not be opened:

- other than in the name of the city;
- abroad; or
- with an institution not recognized as a bank in the State of Iowa.

SECTION 4: CONTROL OF MUNICIPAL BANK ACCOUNTS

The Deputy Clerk of the city must administer all of the city's bank accounts, is accountable to the city council for the city's bank accounts, and must enforce compliance with city purchasing policies.

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SECTION 5: WITHDRAWALS FROM CITY BANK ACCOUNTS

Only the City Administrator and Deputy Clerk of the city, or other city official of the city acting on the written authority of the city council, may withdraw money or authorize the withdrawal of money from any of the city's bank accounts. All money will be withdrawn by pre-numbered check or electronic transfer from the city's bank account only with approval of the city council.

Such withdrawals may be made only to:

- transfer money from checking account to money market or savings account or vice versa.
- to defray expenditures appropriated in terms of an approved budget.
- pay to another government agency money received by the city on behalf of the agency, including money collected by the city on behalf of the agency by agreement, or any insurance or other payments received by the city for the agency (sales tax, or sub-recipients for grants, payroll taxes, IPERS, sales tax, debt payments, for example).
- refund money incorrectly paid to the city or consumer deposits with the city for utilities, in accordance with city policy.
- refund guarantees, sureties and security deposits.
- make investments for cash management purposes in accordance with the city's investment policy.

SECTION 6: CASH MANAGEMENT AND INVESTMENTS

The City Council of West Branch, Iowa does hereby name the following as official depositories for City funds and sets the maximum amount of deposit opposite the name of each institution:

| DEPOSITORY NAME | MAXIMUM DEPOSIT |
|--|-----------------|
| Community State Bank, West Branch IA | \$3,000,000 |
| US Bank, West Branch, IA | \$250,000 |
| University of Iowa Community Credit Union, Iowa City, IA | \$250,000 |
| Hills Bank & Trust Company, Iowa City, IA | \$250,000 |
| Liberty Trust & Savings Bank, Tipton, IA | \$250,000 |
| West Liberty State Bank, West Liberty, IA | \$250,000 |

An investment policy has been established and approved by City Council Resolution 964 in 2011.

A monthly report describing the activity of investment purchases will be submitted to the City Council at the end of each month.

SECTION 7: REVENUE MANAGEMENT

Revenue Policy

The Deputy Clerk of the city is responsible for the management of the revenue of the city. The Deputy Clerk, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of this policy into the city's primary and other bank accounts. The Deputy Clerk must also ensure that all revenue received by the city, including revenue received by any collecting agent on its behalf, is reconciled on a

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monthly basis. The Deputy Clerk must take all reasonable steps to ensure that any funds collected by the city on behalf of another governmental agency are transferred to that agency as prescribed by the agreement or grant contract but at least on a quarterly basis, and that such funds are not used for purposes of the city.

1. The City will initiate efforts to maintain a diversified and stable revenue system in an attempt to avoid short run fluctuations in any one revenue source.
2. Annual revenues will be estimated by an objective, and whenever possible analytical process.
3. Existing revenue sources will be re-examined annually with new revenue sources investigated during the annual budget preparation process.
4. Revenues will be estimated at a level to fund estimated expenditures on an annual basis. Revenues may exceed expenditures if the fund balances of any fund needs to be increased to meet minimum balance requirements. Additionally, surplus fund balances may supplement revenues in order to fund estimated expenditure levels.
5. Property tax revenue collections will be established through a tax levy rate for general operations which will not exceed limits stated by the Iowa Code. This increase will not include levy collections due to natural growth of the City but will include any state mandated equalization orders.
6. In relation to enterprise funds which have been established to support expenditure levels, user fees and charges will be established to fund direct and indirect costs of the activity whenever feasible.
7. Licenses, fees and charges: The City will review licenses, fees and charges annually to determine if the revenues support the cost of providing the service. Adjustments will be made in the same manner as the enabling legislation.
8. User fees in other governmental areas such as recreational services will be established at a level which will not inhibit participation by all. The City will attempt to establish all user charges and fees at levels sufficient to cover the full cost (operating, direct and indirect) of providing proprietary services. Rate adjustments will be done by ordinance if state or locally legislated, or by resolution if not legislated by state or local code.
9. All user fees and charges will be re-evaluated on an annual basis during the budget preparation process.
10. One-time or special purpose revenues such as grant funds will be utilized to fund capital expenditures or expenditures required by that revenue. Such revenues will not be used to subsidize reoccurring personnel, operating, and maintenance costs.
11. The City will on a continuous basis seek methods to reduce the City's reliance on the property tax through seeking legislative support for local option taxes, investigating additional non-property tax revenue sources, and encouraging the expansion and diversification of the City tax base with residential, commercial and industrial development.

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SECTION 8: RECEIPT MANAGEMENT & INTERNAL CONTROL

Proper control of cash and receivables is very important to the City. This is especially difficult (particularly with a limited staff) because a true segregation of duties and establishment of internal controls requires a clear-cut separation of activities. This is very challenging when responsibilities are shared. Without proper controls and policies, cash can be easily misappropriated; therefore, in accordance with good internal control, the following procedures need to be monitored and control must be established.

1. RECEIPT NUMBERING - All receipts must be pre-numbered, out of the control of those receiving cash or cash equivalents.
2. RETURNED CHECKS - from customer payments: Customers are mailed a letter notifying them of the NSF check, amount of the bill due and the \$30.00 service charge by the City of West Branch for NSF checks. A service charge in the amount of \$30.00 shall be assessed to any customer whose payment is not honored by the customer's financial institution for any reason when presented. The service charge shall be in addition to the late payment penalty. If two or more payments are dishonored within a twelve-month period, the City may require future payments in cash, cashier's check or money order. Such cash, cashier's check or money order payments shall be maintained until account has not been delinquent for twelve (12) consecutive months. (Ord. 640)
3. CASH DEPOSITS - Not less than daily, the Deputy Clerk, shall deposit all receipts of the City in accounts designated for such purpose in legal depositories, authorized by the City Council.
4. DIRECT DEPOSITS - ACH REMITTANCES. THIS IS A FORM OF ELECTRONIC FUNDS TRANSFER (EFT) - Revenues due to the city such as property taxes, Road Use Tax Allocations, or grant programs may be deposited directly into the accounts of the City with authorization of the Deputy Clerk and the respective agency. This method of fund transfer can be initiated by either the payer or the City. This transaction may incur some expense from the bank and bookkeeping departments.
5. SEPARATION FROM DUTIES. With limited staff each clerk handles cash or has the ability to process payroll, accounts receivable or accounts payable. This is part of cross training. Internal controls that are in place: the Deputy Clerk reconciles all financial transactions, investments and utility billing records monthly. The City Administrator reviews the financial reconciliations, accounts payable claims and payroll time sheets each month.

SECTION 9: DISBURSEMENTS AND CHECK MANAGEMENT

1. Checks should pre-number and are printed in batch format. To prevent the removing of checks, checks should be delivered in sealed boxes where strict control is exercised over the numerical sequence of checks on the expenditure system (a check register).

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2. Delegation/Rights for Disbursement (paper and electronic) execution:
3. The incumbents of the following positions are authorized to sign checks on behalf of Council:
 4. A-Signatory: City Administrator, Deputy Clerk, and Mayor.
5. Each payment needs to be signed by two signatures. Blank checks are never to be signed in advance. All invoices and other documentation should accompany the paper checks for payment so verifications of amount and appropriateness of purchase can be done.
6. Authorization should be done by two individuals, same as for checks above.

SECTION 10: FINANCIAL REPORTING

1. Monthly banking reports
2. Each account of the city shall be reconciled on a monthly basis.
Monthly financial reports to the council must include (at a minimum):
 - (a) Each investment to include the ownership of the investment by fund.
 - (b) Any changes to the investment portfolio during the reporting period.
 - (c) Summary of all receipts and disbursements made during the month by fund.
 - (d) Amounts of outstanding checks.
 - (e) Bank balances for each account in the city's name.
3. The Deputy Clerk shall report to the city council, the actual cash received and disbursed for the month, the cumulative to date, as well as the budgeted estimates or revised estimates of the anticipated revenue and expenditures for the remaining months of the fiscal year.
4. The City Administrator and Deputy Clerk shall also prepare all annual reports as required by federal, state or local requirements with presentation to or approval by the council as appropriate.
5. Audits shall be done in accordance with Iowa Code requirements by an external CPA firm versed in municipal audit requirements or State Auditor's office.

SECTION 11. CASH RESERVE POLICIES

Operating cash balances at fiscal year-end will be maintained at a level to ensure sufficient cash flow throughout the fiscal year as follows:

1. The General Fund cash balances shall be maintained at 25% of the annual expenditures.
2. All general obligation debt will be paid from the Debt Service Fund. All enterprise revenues pledged to abate general obligation issues will be a budgeted transfer to the Debt Service Fund.
3. All reserves required by bond covenant or other external agreements shall be allocated to the fund required (not comingled with the general fund reserve).

SECTION 12. OPERATING BUDGET/EXPENDITURE POLICY

1. The City Administrator/Clerk will compile and submit to the City Council a balanced budget by the first Monday in March of each year.
2. The balanced budget will reflect expenditures which will not exceed estimated resources and revenues.

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3. The operating budget for the City will be developed and established on a service level basis. Any additions, deletions and/or alterations in the operating budget will be related to services to be provided to the general public.
4. The operating budget will emphasize productivity of human resources in providing services, efficient use of available revenue sources, and quality of services to be provided.
5. New service levels will be considered when additional revenues or offsetting reductions of expenditures are identified, the new services fall within the broad framework of the City operation, or when such services are mandated by the State of Iowa or the federal government.
6. Current City expenditures will be funded by current revenues unless specifically approved by the City Council.
7. The City will avoid the postponement of current expenditures to future years, accruing future year's revenues, or utilization of short term debt to fund operating expenditures.
8. The operating budget will provide funding for the on-going maintenance and replacement of fixed assets and equipment. These expenditures will be funded from current revenues and, in the case of replacement of equipment, surplus fund balances in excess of the minimum working balance reserve.
9. The budget will provide adequate funding for all retirement systems as prescribed by state law.
10. A working fund balance for general operations will be maintained in order to support expenditures prior to the collection of taxes.
11. Each year the City will revise current year expenditure projections during the succeeding year's budget preparation process. Costs of operating future capital improvements included in the capital projects budget will be included in the operating budget.
12. The City will participate in a risk management program to minimize losses and reduce costs. This program will also protect the City against catastrophic losses through the combination of insurance, self-insurance, and various federal and state programs.
13. The City will maintain a budgetary control system to monitor its adherence to the approved operating budget.
14. Budget amendments may be made throughout the year with approval of the City Administrator/Clerk. The City Council formally reviews and approves all amendments processed by staff twice a year.
15. The City administration will prepare monthly expense and revenue reports comparing actual revenues and expenditures to budgeted amounts.
16. Department directors shall furnish the City Administrator/Clerk all information as is required for large dollar items. The threshold for this notification shall be \$5,000.00. City Administrator/Clerk shall have authority to authorize purchases, repairs or replacement equipment for water and sewer plants as requested by the Public Works Director, without council approval, up to \$10,000.00 in an emergency situation, to keep the infrastructure operational for the citizens.

SECTION 13 DEBT ADMINISTRATION POLICY

1. The City will limit its long-term borrowing to capital improvements or projects which cannot be financed from current revenues or for which current revenues are not adequate.
2. Long-term borrowing will only be utilized to fund capital improvements and not operating expenditures.
3. The payback period of the bonds issued to fund a particular capital project will not exceed the expected useful life of the project.
4. The City will attempt to keep the average maturity of general obligation bonds at or below 20 years.
5. The City will maintain its debt limitation at 5 percent or less of actual property valuation as mandated by the State of Iowa.
6. Whenever possible, special assessment, revenue and/or general obligation bonds abated by enterprise revenues will be issued instead of general obligation bonds funded by property tax.
7. For those general obligation bonds issued and funded by property taxes, debt service and interest payment schedules shall be established whenever possible in such a manner to provide equalization of debt and interest payments each year for the life of the total outstanding general obligation bonds.
8. The City shall encourage and maintain good relations with the financial and bond rating agencies and prepare any reports so requested by these agencies. Full and open disclosure on every financial report and bond prospectus will be maintained.

SECTION 14. ANNUAL REVIEW OF POLICY

This cash management policy on will be reviewed annually or earlier if so desired by the Council. Any changes to the policy must be adopted by council and be consistent with the Code of Iowa.

SECTION 15. EFFECTIVE DATE

The effective date of this policy shall be upon passage by Resolution No. 1309 on this 29th day of June, 2015.