

# EXHIBIT A

## City of Medina, Washington Financial Management Policies

### General Financial Goals:

Ensure a financial base that is sufficient to sustain City of Medina Municipal Services, able to withstand local and regional economic challenges, able to adjust to changes in service requirements, and maintain sound fiscal policies in support of these goals.

### Financial Management Policies:

The Financial Management Policies assemble all of the City's financial policies in one document. They are the tools to ensure that the City is financially able to meet its immediate and long-term service objectives. The individual policies contained herein serve as guidelines for both the financial planning and the internal financial management operations of the City.

The City of Medina is accountable to its citizens for the use of public dollars. Municipal resources must be used wisely to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. These policies safeguard the fiscal stability required to achieve the City's goals and objectives.

The City of Medina's Financial Management Policies, and any amendments thereto, shall be adopted by resolution of the City Council.

### Policy Objectives:

The Financial Management Policies have the following objectives for the City's fiscal performance:

- Guide City Council and Management Policy decisions.
- Establish operating principles that minimize the cost of government and financial risk.
- Maintain revenue policies that ensure adequate funding for desired programs, currently, as well as in the future.
- Promote sound financial management by providing accurate and timely reporting information on the financial condition of the City.
- Protect the City's credit rating and provide for adequate resources to meet the provision of any debt incurred by the City.
- Ensure the legal use of financial resources through an effective system of internal controls.

- Promote cooperation and coordination with other governments and the private sector in the financing and delivery of services with the goal of obtaining the best value for the tax dollar.

## **Budget Policies**

- a. The annual budget will be designed in support of the Strategic Goals of the City and will focus on continual evaluation of the City's success at achieving the goals and policies it has set for itself. The operating budget is the City's comprehensive annual financial plan which provides for City services based on City priorities.
- b. The annual budget shall be developed consistent with state law and in a manner which encourages early involvement with the public and City Council.
- c. The City Council will establish municipal service levels and priorities for the ensuing year prior to and during the development of the preliminary budget.
- d. The City will maintain a balanced budget. The use of existing fund balances to achieve a balanced budget (while generally accepted as a practice in Washington Cities), is not sustainable for the long term. The City prefers to adopt an operating budget where current revenues meet or exceed current budgeted expenditures.
- e. The Finance Department will maintain a system for monitoring the City's financial performance. The system will provide the City Council with monthly and/or quarterly information in a timely manner at the fund level, by revenue resources and department level expenditures.
- f. Under the provisions of state law and the City's operating procedures, the budget is adopted at the fund level. Adjustments or reallocations of existing appropriations within the fund level, which do not change the bottom line of the fund, may be done administratively and do not require Council action. Additions to, or reductions of fund level appropriations, which change the bottom line of the fund, require an amendment of the budget and City Council action by Ordinance.
- g. Supplemental budget appropriations (appropriations requested after the original budget is adopted) will be submitted in the form of a Budget Amendment and will be considered as a result of the availability of new revenues.
- h. The annual budget will provide for the design, construction, maintenance and replacement of the City's Capital, facilities and equipment consistent with the Capital Projects Plan/ Comprehensive Plan/ Capital Improvement Plan, including the associated costs for operating the facilities.
- i. The City will maintain all assets at such a level that it protects the City's capital investment and minimizes future maintenance and replacement costs.
- j. The City will develop an equipment replacement and maintenance needs list by department for the life cycle of the equipment and will utilize this list during the annual budget development process.
- k. Fixed assets: inventories of larger physical fixed assets costing more than \$5,000 and having a useful life of more than one year, will be maintained on a Fixed Asset Schedule and will be updated as the property is added, retired or sold.

## **Fund Policies**

Adequate fund levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength.

### General Fund Operating Balance: Minimum 25% Fund Balance

The City will strive to maintain General Fund Operating Balances at a minimum level of 25% of the total General Fund Budgeted Expenditures.

The General Fund Operating Balance shall be created and maintained to provide sufficient cash flow to meet the needs of daily financial operations.

In general, the City shall endeavor to support ongoing operations with ongoing revenues, but may use General Fund Operations Balances on a limited basis to support City services pending the development of a longer-term financial solution.

The General Fund Operating Balance shall not be used in a manner that puts the City in danger of being unable to sustain future operations. If the General Fund Operating Balance falls below the policy level stated above, it will be important for the City to create a long-term plan to replenish the fund balance level.

Budget surpluses in the General Fund Operations Balance may be used on a limited basis to fund operations and to fund reserve accounts if:

- a) There are surplus balances remaining after all current expenditure obligations are met.
- b) The City has decided that revenues for the ensuing budget year are sufficient to support budgeted General Fund Operating needs.

A surplus is defined as the difference between the actual beginning fund balance and budgeted beginning fund balance. It consists of "under-expenditures" and/or "excess revenues" over and above the amounts included in the following year's annual budget.

## **Reserve Account Policies**

The City maintains Reserve Accounts for a Levy Stabilization Fund Account, a Contingency Fund Account, a Capital Projects Fund Account, and an Equipment Replacement Account. The priority or sequence for allocating reserves to these accounts is:

1. The Levy Stabilization Fund account up to the annual targeted amount identified in the Levy.
2. The Contingency Fund account up to 25% of the annual general fund budgeted expenditures.
3. Any remaining reserves allocated to the Capital Projects Fund, the Equipment Replacement Account and/or the Levy Stabilization Fund as recommended by the City Manager and/or Finance Director.

### Levy Stabilization Fund

On the November 2019 ballot, Medina voters approved a 6-year increase to their City property tax levy, starting in 2020, in order to maintain then-existing levels of service for the next 10 years. A promise was made to the voters that these additional funds would be managed in such a way as to keep those service levels in place for at least 10 years. The purpose of the Levy Stabilization Fund is to hold excess amounts resulting from the levy increase during 2020-2025 and to draw from the Levy Stabilization Fund to cover General Fund and Street Operations funding gaps during 2026 to 2029 (or longer, if feasible).

### Contingency Fund

The Contingency Fund may be used for the following:

- a) To sustain City services in the event of a catastrophic event such as a natural/manmade disaster (e.g. earthquake, windstorm, flood, terrorist attack) or a major downturn in the economy.
- b) To address temporary, short-term (less than one year) economic downturns and temporary gaps in cash flow. Conditions, such as expense reductions and/or restrictions may be imposed.
- c) Amounts held in the Contingency Fund in excess of its limit (25% of the annual general fund budgeted expenditures) may be used to fund the Capital Improvement Plan.
- d) To pay down debts expeditiously when financially advisable, consistent with expert recommendations and with consideration of the City's overall financial status.

All expenditures transferred into and out of the Contingency Fund, must be authorized by the City Council.

### Capital Projects Fund

The Capital Projects Fund may be used for Capital Improvement Plan projects. See Capital Investment Policies section for further details.

### Equipment Replacement Account:

The City may elect to maintain an Equipment Replacement Account for the purpose of funding fleet maintenance (police and public works) or a capital equipment reserve for the purpose of capital asset replacement.

### Development Services Fund:

The City provides Development Services to the community. Prior to 2022 this was done as a department within the General Fund, charging fees directly to individual property owners who wish to develop their private property. These revenue sources exist to offset the expense the City incurs on the individual property owners' behalf.

The City desired greater transparency of Development Services' financial activities as well as a more focused and streamlined accounting structure to evaluate its cost recovery rate. The Government

Accounting and Standards Board (GASB) has pronounced that if any service or program's principal revenue source has a pricing policy that fees and charges be set to recover cost meets the criteria to be reported as a separate "Enterprise Fund". The City desired to extract the Development Services Department's related revenues, expenses (direct and allocated) and customer deposits from the General Fund and place them in a newly created Development Services Fund, starting with Budget Year 2022.

### **Revenue Policies**

- a. The City will strive to maintain a diversified and stable revenue system in order to maintain the City's ability to handle fluctuations in individual revenue sources.
- b. Revenue forecasts should be realistically estimated and based on the best information available. The City will take into consideration that revenues are subject to local and regional economic activities.
- c. If long-term (greater than one year) revenue downturns are expected, the City will review and as appropriate revise its revenue forecasts. The City will also consider reducing expenses or increasing revenue in order to respond to and help stabilize the long-term impacts.
- d. When evaluating potential grants, the City must consider and communicate to management and, where applicable, Council, the near- and long-term financial impact of the grant on the City, including any requirements for local matching funds or for continuation of program with local funds after grant funds are exhausted, as well as any future expenditure impacts (e.g., on-going repairs and maintenance). A grant may be rejected if its impacts on City finances cannot be justified.
- e. The City will strive to set fee schedules at levels sufficient to cover the entire cost of service delivery. The City will systematically review user fees and consider adjustments as necessary to consider the effects of additional service costs and inflation.
- f. With respect to revenue-generating contracts and leases to be entered into by the City, the City shall review and, as applicable, present to Council for approval, the contract or lease on a timely basis in order to help ensure prompt approval by Council (where applicable) and generation of the related revenue streams. The City must undertake due diligence for any possible real or apparent conflicts of interest and recommend how to manage them. Any contracts or leases with real or apparent conflicts of interest must be approved by City Council, and the conflict and conflict-management information must be fully disclosed to the City Council prior to the presentation of the contract or lease to City Council for approval.

### **Expenditure Policies**

- a. The City budget will provide for sustainable levels of service.
- b. The City will propose only those operating expenditures that can be supported from on-going operating revenues.

- c. The City's operating budget will not rely on one-time revenues to fund ongoing expenditures. Before the City undertakes any agreements that would create fixed on-going expenses, the cost implications of such agreements will be fully determined for current and future years. Capital expenditures may be funded from one-time revenues, but the operating budget expenditure impacts of capital expenditures will be reviewed for compliance with this policy provision.
- d. Department heads are responsible for managing their budgets within the total appropriation for their department.
- e. The City will maintain expenditure categories according to state statute and administrative regulation.
- f. All compensation planning and collective bargaining will focus on the total cost of compensation, which includes direct salary, health care benefits, pension contributions, education, training allowance, and other benefits of a non-salary nature, which are a cost to the City.

### **Purchasing Policies**

- a. The City will follow state laws, and the City's adopted resolutions, ordinances and policies regarding procurement.
- b. The Director of Finance will develop detailed procedures for purchasing, credit card usage, petty cash, expenditure authorization and contract management activities.
- c. Federal Funds or Grants: When procurement involves the expenditure of federal, state or county funds, or private, funds or grants, the purchase will be conducted in accordance with any applicable federal, state and county grant laws or regulations and will be approved by the Director of Finance and the City Manager or their designee. When purchasing items to be funded by others or reimbursed by a grant, the purchaser will perform the due diligence required to ensure that the purchase meets the criteria of the specific grant prior to initiating the purchase and requesting a release of City funds for the purchase.
- d. Emergency Procurement: The City Manager or designee may make or authorize others to make emergency expenditures and procurements of materials, supplies, equipment, or services when a threat to public health, welfare or safety exists. Applicable state laws relating to emergency declarations, expenditures and purchases will be followed.

### **Definitions for Purchasing Policies**

- a. *Accounts Payable* – is the obligations incurred by the City during its operations that remain due and must be paid in the short term.
- b. *Accounts Receivable* – is the funds or obligations owed to the City by customers who were provided services.
- c. *Audit Officer* – The Finance Director and the City Manager will serve as the City's

Auditing Officer and will comply with the bonding and other provisions of RCW 42.24.180 and the requirements herein.

- d. *Claim* - a bill, invoice or written request for payment provided to the City by a vendor or owed party.

## **Food and Beverage Purchasing**

**PURPOSE:** The purpose of this procedure is to provide guidance regarding when purchases of meals and refreshments by the city are reasonable, allowable and related to the conduct of City business or services.

**PROCEDURES:** The following is a list of situations in which the reasonable cost of food and beverage items and supplies are allowable City expenses:

- a. Working lunches where staff are expected to attend and the meeting is
- b. scheduled during a meal period.
  - a. Working meals attended by the City Manager and elected officials or
  - c. executives from other states and local agencies and jurisdictions.
    - a. Meals or refreshments provided at City Council meetings, City Council
    - d. study session meetings, City Council retreats and other meetings for
    - e. elected officials and/or staff members and others required to attend such
    - f. meetings
      - a. Meals provided during recruitment of key City positions and for interview
    - g. panels.
      - a. Meals provided at staff appreciation and recognition events.
      - b. Refreshments for ceremonies, receptions and special events sponsored
    - h. by the city.
      - a. Meals or refreshments provided for working lunch or dinner meetings of
    - i. commissions, committees, and task forces.
      - a. Light refreshments at meetings such as training sessions, committee and
    - j. commission meetings, regional meetings and staff meetings.
      - a. Meals or refreshments provided for city employees and others responding to emergency situations (e.g., weather-related event or other event requiring use of emergency coordination center).
      - b. Meals or refreshments provided to seasonal employees attending their department orientation.
  - k. Alcoholic beverages are prohibited at City functions and are not allowed
  - l. as reimbursable expense.
  - m. The purchasing employee or department must have sufficient budget authority to fund the expense.
  - n. Purchases are to be processed for approval according to City policy, work rules, or practices:

## **Per Diem**

Employee Per-Diem is to cover meals and other miscellaneous expenses when traveling.

Medina will use the General Services Administration ("GSA") standard to apply a flat rate for daily use. If any meal(s) is/are provided at no cost to the employee as part of their travel, that meal will be subtracted from the total daily per diem rate. If the area you are traveling to is not listed by the GSA, the standard rate will be applied.

*The General Services Administration (GSA) establishes per diem rates for federal employees traveling within the continental United States (CONUS) to cover meals and incidental expenses. These rates are updated annually, typically in mid-August, for the upcoming fiscal year, which begins October 1st. The GSA's per diem policy ensures fair and equitable reimbursement for federal travelers.*

Per-Diem reimbursement is not taxable and will be processed within two weeks of your travel.

## **Responsibilities of Accounts Payable**

- a. Accounts Payable is one of the primary role responsibilities of the Assistant Finance Director. If the Assistant Finance Director is unable to perform these duties, the Finance Director will assume the role of Accounts Payable. In this case, the only acting Audit Officer for the City would be the City Manager.
- b. Accounts Payable will ensure that all supporting documentation is attached to any payment request and that the original documentation is retained. Before the Auditing Officer's review, Accounts Payable will ensure that all appropriate accompanying material is included for each claim, verify the math relating to the bill is correct, check for double payment and ensure that a responsible department head has stamped and signed the claim for payment.
- c. Invoices will be reviewed by Accounts Payable to help prevent any errors, omissions, inconsistencies and wrongful or double payment. All claims and supporting documentation will be organized by Accounts Payable to allow for easy identification and retrieval.
- d. In order to ensure timely review of all claims against the City, Accounts Payable will compile a list of the claims for the month that will be presented to the Audit Officer and the City Council for their approval.
- e. To be included on the list for payment, each claim, with all appropriate documentation, will be presented as early as possible to Accounts Payable but no later than the last business day of the month prior to the next regularly scheduled City Council meeting on the second Monday of the month.

## **Management's Review & Certification**

- a. All claims submitted to the City will be reviewed, pre-audited and certified by the City's Auditing Officer prior to payment. With a dual signature process, both the Finance Director and City Manager will certify each claim.
- b. The Audit Officer will review and certify the payment status of all claims prior to presenting such claims to the City Council for approval. No claim will

be paid without such authentication and certification by the Audit Officer.

- c. Prior to the payment of any claim, the Audit Officer will clearly identify the specific claims and payroll checks certified for payment on an approval list.
- d. The certification will be signed and dated by the Audit Officer and will include the following statement:

"The undersigned Audit Officer does hereby certify under penalty of perjury that the forgoing claims are just, due and unpaid obligation of the City of Medina, and that the undersigned hereby authenticates and certifies said claims."

### **Payment of Claims**

After review and certification of a claim by the Audit Officer, a claim may be paid. When payment occurs prior to formal City Council approval of a claim, the City Council must still exercise its responsibility to review and approve all claims presented for payment and ensure that the audit and certification system is accurate and operating in a manner that provides the greatest possible protection to the City.

### **City Council Review & Approval of Claims**

The City Council will review and may approve the claims paid or to be paid at its next regularly scheduled public meeting. Upon the Council's approval for payment of claims and payroll, the following will be entered into the minutes of the meeting:

"Claims audited and certified by the City's Auditing Officer as required by RCW 42.24.080 and those expense reimbursement claims certified as required by RCW 42.24.090 have been recorded on a listing which has been made available to the Council.

As of this date, (DATE), the Council does approve for payment those claims included in the above-mentioned list and further described as follows:

Claim Checks #\_\_\_\_\_ through #\_\_\_\_\_ in the total amount of \$\_\_\_\_\_.  
Payroll Checks #\_\_\_\_\_ through #\_\_\_\_\_ in the total amount of \$\_\_\_\_\_.  
Voided Check numbers and record of deposit documents will also be noted on this report."

### **Claim Disapproval**

If the Council disapproves a claim or claims, the City Manager and Finance Director must recognize these claims as disapproved and receivables of the city and pursue collection diligently until the amounts that have been disapproved are either collected or the Council is satisfied and approves the appropriate resolution of the claims.

## **Check Requirements**

All City checks require two signatures for payment, and can be signed and paid only after certification by the Auditing Officer. If the Finance Director is acting as Accounts Payable for a claim, then a secondary check signature will be required in lieu of the Finance Director. A list of checks from this City's checking account, clearly showing the claims for that month, will be made part of a regular monthly Council approval list even though these such checks could already have been distributed in accordance with these policies.

## **Check Signers**

Each city check must be signed by two different Director level staff, each with the given authority to do so by the Medina City Council. The following are authorized to be the signatories on this account:

Primary Signature: City Manager  
Primary Signature: Finance Director

Secondary Signature: City Clerk  
Secondary Signature: Chief of Police

## **EFT (Electronic Fund Transfer) CONTROL PROCEDURES**

To promote the safety of City funds in the electronic funds transfer environment, the following procedures will be adhered to:

1. The procedure to initiate, approve, and record an EFT payment is subject to the same financial policies, procedures, and controls that govern disbursements made by any other means.
  - Review of transfer by Finance Director or her/his designee who will not be entering or initiating the transfer.
  - Two approval signatures from authorized check signers.
  - Reconciliation of bank activity to the General Ledger will be performed in a timely manner with all exceptions resolved.
2. EFT transactions will not be made without proper authorization of affected parties in accordance with federal and state statutes and accepted business practices.
3. All EFT payments should be initiated by secure computer-based systems:

- US Bank SinglePoint (designated administrator, dual control & time-limited token generated PIN)
- Known payroll benefit providers' portals, such as IRS, AWC, DRS, ADP.
- Reoccurring payments through vendor portals, such as utilities and Voyager (Through US Bank)

4. The City Finance Director will serve as primary administrator to manage and control access to the systems used to process EFT transactions. The administrator shall ensure that adequate separation of duties exists in accordance with accepted internal control standards. In addition, the administrator will ensure approval and maintenance of user system IDs, user permissions, including authorized representatives and their associated transfer limits. The City Manager has authority serve as back up administrator.

5. Because EFT transfers between City bank accounts have reduced risk, the Finance Office may use EFTs on a routine basis to concentrate funds for payment and investment purposes. Although the risks are minimal for transfers between City accounts, reasonable controls should exist with regard to authorization, reconciliation, and review of these transactions.

6. EFT payments are limited to transfers between City bank accounts, employee expense reimbursement, payroll and payroll benefits, and a limited list of approved vendors provided below.

### **Vendor List for EFT Payments**

US Bank Voyager  
 Puget Sound Energy  
 Bellevue Utilities  
 Republic Services  
 Century Link  
 Comcast  
 Home Depot Credit Card Services  
 Konica Minolta

### **External Payment Verification**

An external payment verification policy outlines the procedures for confirming the legitimacy of transactions and the identity of the parties involved when processing payments from outside sources. It is a critical component of a company's fraud management strategy and is required for compliance in many industries.

Employee Direct Deposit – For employee direct deposit verification, employees are required to submit a paper copy of their request directly to either the Finance Director, or the Assistance Finance Director. No form will be accepted electronically by email.

City Vendors – For all other vendors, the City requires that every change to a company's bank account information or mailing address shall be verified by either the Finance Director or the Assistant Finance Director by phone with a trusted point of contact and never by email alone. For new vendors that are processed by ACH, the pre-note process may be utilized to ensure banking information is accurate prior to payment.

## **Capital Investment Policies**

- a. The City will make capital improvements in accordance with an adopted Capital Improvement Plan.
- b. It is the policy of the City to maintain a Capital Projects Fund to provide funding for future projects including debt repayment. The use of any funds within the Capital Projects Fund must be recommended by the City Manager or their designee and approved by City Council.
- c. The Capital Improvement Plan and the base budget will be reviewed at the same time to ensure that the City's capital and operating needs are funded and that the Capital Improvement Plan is aligned with the City's other long-range plans.
- d. The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval.
- e. The City will comply with state and local laws regarding use of Real Estate Excise Tax (REET) Revenue.

## **Accounting, Auditing and Financial Reporting**

The City will maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives are met.

**Accounting Records and Reporting:** The City will maintain its accounting records in accordance with state and federal regulations. Budgeting, accounting and reporting will conform to Budgeting, Accounting and Reporting System (BARS) for Governments as prescribed by the Washington State Auditor's Office. Regular monthly and annual financial reports will present a summary of financial activity by fund type and will be provided to the City Council.

**Auditing:** The City shall prepare and submit in a timely manner, the Annual Financial Report to the Washington State Auditor's Office in accordance with the standards established for the Annual Financial Report. The Washington State Auditor's Office will perform the City's financial and compliance audits on an annual basis. Results of the audit will be provided to the City Council in a timely manner.

The Finance Department will develop, maintain, and consistently seek to improve cash management systems and processes which will ensure the accurate and timely accounting, investment and security of all cash assets. Cash received will be deposited in a timely manner and monies will be safeguarded (e.g. kept in a safe) until they are deposited.

The City will establish a Petty Cash Fund in the amount of \$200. The Petty Cash Fund is to be used solely for the purpose of making payment and/or small reimbursements for City related purchases.

## Investment Policy

### 1.0 Policy:

It is the policy of the City of Medina to invest public funds in a manner which will provide the maximum security of the principal; meet the daily cash flow demands of the City; provide the City with the highest investment return and conform to all Washington statutes governing the investment of public funds.

### 2.0 Objective:

The City's investments will follow all statutes governing the eligible investments for public funds in the State of Washington, in accordance with the Revised Code of Washington (RCW) 35A.40.050.

The primary objectives, in priority order, of the City's investment activities shall be:

- a) Safety: Safety of principal is the foremost objective of the City of Medina. Investments of the City shall be undertaken in such a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- b) Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated.
- c) Return on Investment: The City's investment portfolio shall be designed with the objective of attaining a market rate of return considering the City's risk constraints and the cash flow requirements.

The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate all investment activities, and report promptly to the Council any adverse development with any investment.

### 3.0 Ethics and Conflicts of Interest:

Anyone involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and Council Member officials shall disclose to the City Manager and the City Council any material financial interests in financial institutions that conduct business with the City, and she/he shall further disclose any personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and Council Member officials shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchases and sales.

### 4.0 Authorized Financial Dealers/Institutions:

Authorized broker/dealers and financial institutions will be limited to those that are approved by the Finance Committee and meet one or more of the following:

- a) Financial institutions approved by the Washington Public Deposit Protection Commission (RCW 39.58); or,
- b) Primary dealers recognized by the Federal Reserve Bank; or,
- c) Non-primary dealers qualified under the U.S. Securities and Exchange Commission Rule 15c3-1, the Uniform Net Capital Rule, and a certified member of the National Association of Securities Dealers.

At the request of the City, financial institutions, brokers and dealers performing investment services for the City shall provide their most recent financial statements or Consolidated Report of Condition ("call report") for review.

#### 5.0 Authorized Investments:

The City may invest in any of the securities identified as eligible investments as defined by RCW 35A.40.050. In general, these consist of:

- a) Investment deposits (certificates of deposits) with qualified public depositories as defined in Chapter 39.58 RCW.
- b) Certificates, notes or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association).
- c) Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to, Federal Home Loan Bank notes and bonds; Federal Farm Credit Bank consolidated notes and bonds, and Federal National Mortgage Association notes, bonds and guaranteed certificates of participation.)
- d) Bankers' acceptances purchased on the secondary market.
- e) Bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.
- f) Repurchase agreements for securities listed in 2, 3 and 4 above, provided that the transaction is structured so that the City of Medina obtains control over the underlying securities and a Master Repurchase Agreement has been signed with the bank or dealer.
- g) The State of Washington Local Government Investment Pool.

- h) For a complete list of eligible investments for public funds in the state of Washington, visit: [http://www.tre.wa.gov/documents/inv\\_elig.pdf](http://www.tre.wa.gov/documents/inv_elig.pdf)

## 6.0 Safekeeping and Custody

All securities transactions entered into by the City of Medina shall be conducted on a delivery versus-payment (DVP) basis. Securities will be held by a third-party financial institution designated by the Finance Director as custodian on the City's behalf. All securities purchased by the City of Medina shall be properly designated as an asset of the City and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Finance Director as authorized herein, or by the Director's designee.

## 7.0 Reporting:

The Finance Director will determine what investment information will be included in the monthly financial report.

## **Debt Policy**

The City will maintain adequate available debt capacity for specific priority projects.

The objectives of the City's Debt Management Policy will be to minimize the need for debt by maintaining strong revenue sources which meet or exceed expenditures.

Debt may be utilized to address short-term cash flow needs and/or to finance significant capital or other obligations. Debt will not be used to fund long-term revenue shortages. City Council approval is required to approve the issuance of debt.

Current Operations will not be financed with long term debt. In the event that the need for long term debt arises, the term of the long-term debt will not exceed the life of the projects financed.

When evaluating the use of non-voted Councilmanic Debt and the associated debt service obligations, an analysis shall be performed to determine the City's ability to make debt service payments, considering revenue fluctuations associated with periodic economic cycles. Debt may be considered where the Director of Finance can demonstrate that there is sufficient projected discretionary revenue to service the debt without disrupting the City's existing service delivery or programs.

Voted and non-voted Councilmanic Debt will be used prudently in a manner to avoid an adverse impact on the City's credit rating or ability to issue subsequent or additional debt.

Upon the issuance of any debt, the Director of Finance will establish the appropriate procedures to assure compliance with bond/debt covenants and applicable federal, state and local laws, policies and regulations.

In the event that the use of debt is required, the City will raise capital at the lowest cost, consistent with the need to borrow. This will be accomplished by keeping a high credit rating, and maintaining a good reputation in the credit markets by managing the annual budget responsibly.

## **Small and Attractive Asset Policy**

It is the policy of the City to maintain accountability over all tangible items that may have the likelihood of disappearing without being noticed.

A small and attractive item is an item that is easily concealed and carried off, priced between \$500 - \$4999, and has a life expectancy of more than one year. This item also is not likely to be missed immediately upon disappearance. Examples include without limitation laptops, cellphones, cameras, projectors, shop tools, guns, etc.

Each department head, or their designee, will prepare an Inventory List annually of their small and attractive items. If an item from the previous year is deleted, the department head will note the reason and/or means of disposal. This inventory list will be provided to the Finance Director by June 30<sup>th</sup> each year for monitoring. The Finance Director or designee will do a physical inventory based on random selection representing approximately 10-25% of items not previously selected in the prior 2 years.

The asset list will contain the serial number, model or other identifying information. Whenever feasible, each piece of property will be engraved or marked with the city's name. Such markings will be removed or obliterated only when the item is sold, scrapped, cannibalized, or otherwise disposed of.

The City may acquire property via purchase, construction, donation, or lease. Regardless of how it is acquired, when the property is received, the department head or their designee will add it to their Small & Attractive Assets Inventory List and mark the item with the City's name.

Items missing without adequate or feasible explanation may require additional reports to the Police Department, City Manager and/or Insurance Company. Deletions brought about as a result of natural disasters or theft would require reporting to the insurance provider for an eventual reimbursement claim.