

City of New Meadows
Resolution TBD-2023
Financial Policy

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF NEW MEADOWS, ADAMS COUNTY, IDAHO TO IDENTIFY AND OUTLINE THE FINANCIAL POLICY FOR THE CITY.

WHEREAS, the City of New Meadows desires to formalize a Financial Policy to help frame resource allocation decisions and establish objectives, standards and internal controls for the funds of the City;

WHEREAS, this document summarizes the Fund / Enterprise Accounting Policy, Budget Policy, Debt Policy, Spending Limit Policy, Investment Policy, Reserve, Depreciation and Savings Policy, Capital Improvements Policy, Short-Lived Asset Policy, Credit Card Use Policy and Internal Control Policy.

Fund / Enterprise Accounting

The City holds its funds in FDIC Insured Institutions or the Local Government Investment Pool. The Institutions are identified by Ordinance of the City of New Meadows.

Enterprise Fund

The City of New Meadows holds four major Enterprise Funds. Each enterprise fund is to be self sufficient with its own revenues and expenses. The current Major Funds are:

Enterprise Fund #1 (General Fund)

The General Fund receives and expends Property Tax Monies for General Operations at City Hall, Elected Officials Salaries, Streets Operations and Maintenance, Parks & Recreation, Planning & Zoning Activities, Airport Commission Activities, Law Enforcement and Animal Control.

Enterprise Fund #60 (Water Fund)

The Water Fund receives and expends only Water Fund Monies for Maintenance and Operations of the Water Department. This includes revenues received from grants for specific water projects and income from the system rate payers.

Enterprise Fund #63 (Industrial Park Fund)

The Industrial Park Fund receives and expends only Industrial Park Monies for Maintenance and Operations of the city owned Industrial Park. This includes revenues from grants for specific Industrial Park Expansion, and income from the Industrial Park.

Enterprise Fund #65 (Sewer Fund)

The Sewer Fund receives and expends only Sewer Fund Monies for Maintenance and Operations for the Sewer Department. This includes revenues received from grants for specific sewer projects and income from the system rate payers.

Account

After monies are identified within a Fund, they are then separated into internal accounts, many based on departments. The General Fund identifies accounts for Administration, Emergencies, Streets, Parks, Parks & Recreation / Youth Sports, Law Enforcement / Animal Control, Planning & Zoning, Airport Commission and other General Fund activities.

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The Water Fund identifies accounts for Wages & Benefits, Operations & Maintenance, Capital Improvements, Depreciation, Emergencies and other Water Fund activities.

The Sewer Fund identifies accounts for Wages & Benefits, Operations & Maintenance, Capital Improvements, Depreciation, Emergencies and other Sewer Fund activities.

The Industrial Park Fund identifies accounts for Operations & Maintenance, Capital Improvements, Depreciation, Wages & Benefits and other Industrial Park Fund activities.

Object

As expenses are identified within the Fund and Account, they are further split into objects. Objects are an expense category. These objects range from 100 – 999 and identify for specific items, for example: Electrical Utilities, Street Lighting, Operations & Maintenance items, Publications, Legal & Engineering Fees, etc.

Organization

At times certain projects are identified within the budget. These projects require additional reporting and would need to be separated further into a category. These items may show Revenue and Expenses. Often Organizations would be tied to a grant or annual project.

Below is an example of an Organization for Pothole Repair:

- **Fund** = 1 (General Fund)
- **Account** = 41500 (Street Department)
- **Object** = 324 (Maintenance & Operations (Materials))
- **Organization** = 9 (Pothole Repair)

A claim for gravel for Pot Hole Repair would look like below:

- Vendor Name 1-41500-324 (9) in the amount of \$100.00

Budget Policy

The City of New Meadows, as required by Idaho State Code, must have a balanced budget. Great time and effort is taken to ensure the budget is as accurate as possible prior to the beginning of the fiscal year. The Fiscal Year begins October 1 and ends September 30.

There are statutory dates requiring when the budget must be adopted, when hearings must take place, along with certain publication requirements. These dates and publication requirements change from time to time due to legislative actions.

Early in the calendar year, City Staff begins to identify specific needs for each of the Funds. Some of these needs are urgent, while others have the ability to wait for another fiscal year in the future. City Staff will make recommendations to the Mayor and City Council for the needs of each department or fund.

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Utilizing the various plans of the city, like the Street Master Plan, Water Master Plan and Sewer Master Plan, the City can identify the Capital needs to operate the City efficiently and effectively. These plans are tools that should be utilized and updated as needed and necessary for the orderly operations of the City.

The City should work towards creating and implementing an extended strategic budget plan for five to ten years into the future. This would set definitive goals for future City Councils.

The competing interests of the Public, Elected Officials and City Staff must be a balanced approach. Often the Public sees specific problems in their neighborhood prior to anyone else. The public is encouraged to relay that information to the Elected Officials or City Staff during the budget process. Elected Officials are private citizens as well but also have information or ideas for the future goals of the City. City Staff may have knowledge of all the information above but also specific needs to implement the goals of the City. These needs will be shared during the budget process. Sharing of information is vital for the City's efficiency.

A Budget Preparation Calendar is created annually and shared with the City Council as soon as the dates have been identified. The Calendar helps to guide the process for creating the budget. The following is an example of that timeline:

- October 1 – Beginning of the New Fiscal Year
- April – Set Budget Hearing Date, Time, and Place (forwarded to the County Clerk)
- April – City Staff, Engineers, Sheriff & Attorney meet to discuss potential projects and needs
- May – City Council to determine if Water / Sewer Rate Study needs to be completed
- May – Elected Officials tour and meet with departments to gain information on future projects or budgetary issues for upcoming fiscal year.
- May – Project Expenses for future projects is due to the City Clerk / Treasurer for inclusion in budget workshops
- June – Budget Workshops with Elected Officials
- July – Tentative Budget Adoption (published twice seven days apart identifying the Public Hearing Date)
- August – Budget Hearing and Final Adoption by Ordinance
- September – Publication of the Budget
- September 30 – Last day of the Fiscal Year

From time to time as the process requires, the City Council shall call for Special Meetings to discuss and prepare the budget. The budget should not be left solely up to City Staff or a single elected official, but instead should be a shared responsibility between all, including the public.

Debt Policy

The City will use debt when appropriate to assure that needed facilities are funded with longer-term perspective that matches costs to the useful life of the facilities. The City will not issue debt when the repayment schedule exceeds the useful life of the asset acquired. The City will demonstrate comprehensive, sound and well managed financial policies and practices to provide assurance to investors in City debt instruments of timely payment of all obligations. The City will assure the debt service can be fully supported within current revenues or income for the relevant fund.

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From time to time, the City of New Meadows must take on debt. Debt can be in the form of Short-Term Municipal Leases or Long-Term Bonds.

Short-Term Municipal Leases must have a clause within the contract that allows for the equipment to be returned if the payments are not appropriated in any particular fiscal year. Short-Term Municipal Leases should be reviewed by the City's General Counsel prior to signing. Short-Term Municipal Leases may be used for Lease / Purchase of equipment, land or technology-based programs that are necessary for the orderly function of the City and support the general mission of the City.

Long-Term Bonds must be approved by the voters of the City of New Meadows or by Judicial Confirmation as required by Idaho State Statutes.

It is the policy of the City of New Meadows to only accept Long-Term Debt after public involvement, careful consideration and review of repayment terms and conditions.

Spending Limits Policy

The City Council of the City of New Meadows has determined the need to exercise a greater degree of review of expenditures;

That no single non-emergency purchase, lease or lease-purchase or any other financing arrangement in excess of \$500 **\$1000** shall be made without the prior approval of the New Meadows City Council; and

Purchases made that are identified as budgeted line items and are within actual budgeted amounts are defined to meet the requirements of this resolution and do not need additional approval at the time of purchase or lease; and

Each department shall not exceed their individual department budgeted amounts without prior approval by the New Meadows City Council and Mayor.

Investment Policy

It is the policy of the City of New Meadows to invest public funds in a manner which will first maximize security, followed by meeting the daily cash flow demands of the city and then provide the highest investment return consistent with, and conforming to, all state and local statutes governing the investment of public funds.

The primary objectives, in priority order, of the City of New Meadows investments activities shall be:

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City of New Meadows shall be undertaken in 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. Funds invested with the Local Government Investment Pool administered by the Idaho State Treasurer meet this requirement as do Time Deposits with Idaho First Bank
- **Liquidity:** The City of New Meadows investment portfolio will remain sufficiently liquid to enable the City of New Meadows to meet all operating requirements as reasonably anticipated. Time Deposits (CD's) should not be longer than a two-year period.

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- **Return on Investments:** The City of New Meadows investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City of New Meadows investment risk constraints and the cash flow characteristics of the portfolio.

The City Clerk / Treasurer shall provide the City Council monthly investment reports which provide a clear picture of the status of the current investment portfolio. The reports shall include the following:

- Amount of initial investment
- Anticipated rate of return
- Maturity Date
- Institution(s) holding the investment(s)

All investments shall be recommended by the City Clerk / Treasurer and approved by the Mayor & City Council prior to the transfer into any other institution not previously approved by the City Council.

Reserve, Depreciation & Savings Policy

It is the City of New Meadows' policy to set aside amounts to fund a portion of annual reserve payments, depreciation amounts and cash savings.

Reserve Amounts: The City shall set aside at least 10% annually of all Bond Amounts in a separate internal account to fund a final payment. Once the goal of the full final amount has been met for any bond, the additional monies may be used to fund future Capital Improvement needs for that particular department.

Depreciation Amounts: The City shall budget for Depreciation in each department. During the budget process, the city shall average the preceding three years depreciation amounts and identify that amount as the Depreciation Amount. The City shall budget 3% Cash of the Depreciation Amount to build additional reserve amounts up to 20% as a goal and set those amounts aside into the reserve accounts.

Cash Savings: The City shall set aside all Interest and Late Payment Fees paid through the Adams County Treasurer into an account for future improvements for the General Fund. These funds may not be used for regular Maintenance and Operations of the departments of the City's General Fund. The revenue generated from the Water and Sewer Late fees paid to the City shall be placed into an account on an annual basis after the audit has been completed for future improvements. The amount generated by the Late Payments paid, shall be split evenly between the Water and Sewer Funds. These funds shall not be used for the regular Maintenance and Operations of the Water or Sewer Departments.

Any revenue generated above and beyond the amount budgeted shall be set aside into a like account for Capital Improvements and not used for the Maintenance and Operations of any department or fund.

The Cash Savings Funds may be used for future Capital Improvements or as Grant Matching Funds for the same.

Capital Improvements Policy

It is the goal of the City of New Meadows to anticipate those Capital Improvements in the next 5-10 years that are necessary for projects that are prioritized in the following manner:

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- **Safety:** Projects that promote health and safety or correct a health or safety hazard should be given the highest ranking. Does the project reduce the number of deaths, injuries, or illnesses in the community? Is the project needed to meet a federal, state or local mandate? If the capital project is key to providing a legally mandated service, it should be ranked higher for this criterion. If the capital project does not assist in providing a legally mandated service, it should be ranked lower.
- **Protection & Preservation of City Assets:** The City is committed to protecting its investment by maintaining and preserving its capital facilities. Is this project required to maintain a City asset? Has the facility reached the end of its useful life or become obsolete?
- **Budget Impact:** Projects are ranked on their budget impact. A project's effect on operating expenses and operating revenues is considered in this criterion. Projects that increase the operating budget will rank very low, while projects that promote hard-dollar base savings will rank higher. What is the total capital cost, impact on the operating budget, impact on the tax base, impact on tax rate / user fees, and the availability of assistance to fund the project?

Capital Improvement Projects should be identified to ensure adequate financial resources can be found, either by User Fees, Property Taxes, Grants or Loans for up to ten years in the future.

Short-Lived Asset Policy

A Short-Lived Asset is an asset of the City that has a value of over \$5,000 and has an expected life of less than 15 but more than 5 years. This would include; vehicles, equipment, computer equipment and programs, as well as Master Plans like the Water Master Plan, Sewer Master Plan, Transportation Plan, and Comprehensive Plan.

It shall be the policy of the City of New Meadows to set aside annually a prorated amount of cash equal to the value of the life expectancy of the Short-Lived Asset. This will encourage saving the money rather than borrowing for its replacement in the future. If an asset does not have enough set-aside cash, the saved amount may be used for updates or for grant match to update or replace the asset.

Amounts that a lender or funder requires to be set-aside on an annual basis for Short-Lived assets may be re-invested into the department, facility or program. They are to be set-aside, excluding regular operations and maintenance.

Credit Card Use Policy

The City of New Meadows has the use of Five Credit Cards issued through US Bank. These cards are kept safe at City Hall in the locked safe when not checked out. The limit of these combined cards is \$10,000 and each card has a maximum single purchase limit of \$500. The cards may be used for purchases during training or for City-approved purchases only. Users of the card agree to the following statements when checking out the cards:

"The U.S. Bank One Card represents our company's trust in you. You are empowered as a responsible agent to safeguard company assets. Your signature below is verification that you have read the following responsibilities. It also acknowledges that you have received the card.

1. I understand the card is for city-approved purchases only and I agree not to charge personal purchases.
2. Improper use of this card can be considered misappropriation of city funds. This may result in disciplinary action

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up to and including termination of employment.

3. If the card is lost or stolen, I will immediately notify U.S. Bank by telephone. I will confirm the telephone call by mail or facsimile with a copy of the notification to the program administrator.
4. I agree to surrender the card immediately upon termination of employment, whether for retirement, voluntary or involuntary reasons.
5. The card is issued in my name. I will not allow any other person to use the card. I am considered responsible for all charges against the card.
6. All charges will be billed directly to and paid directly by the City. The bank cannot accept any monies from me directly; therefore, any personal charges billed to the City could be considered misappropriation of city funds.
7. As the card is City property, I understand that I may be periodically required to comply with internal control procedures designed to protect city assets. This may include being asked to produce the card to validate its existence and account number. I will also be required to produce receipts to audit its use.
8. I am responsible for all charges (but not for payment) on the card, I will resolve any discrepancies by either contacting the supplier or the bank.
9. I understand 'The One Card' is not necessarily provided to all employees. Assignment is based on my need to purchase materials for the business and/or to provide for business travel. My card may be revoked based on change of assignment or location. I understand that the card is not an entitlement nor reflective of title or position.

The credit card may be used for approved out-of-town training purposes for meals and lodging.”

The credit card statement is entered into the claim system as identified above and approved for payment. Discrepancies, if any, are noted on the claim when presented for payment to the City Council. The card statements are noted in the audit report.

Internal Control Policy

Payment Processing

When payments for city services are paid for by any instrument, those payments shall be posted to the accounting software of the City on the same day. Regular routine deposits shall be made as often as necessary. Deposits should be reviewed prior to the deposit being made if at all possible, initialed and dated

Journal Corrections

When Journal Corrections are made, they shall be identified and approved at the following Regular City Council Meeting.

Bank Reconciliations

The Bank Reconciliation Reports shall be completed, initialed and dated by the City Treasurer, reviewed, initialed, and dated by another staff member and forwarded onto the Mayor and City Council for review, acceptance, initialed and dated at the next Regular City Council Meeting.

Claims

Claims entered for payment shall be entered by the City Treasurer or other city staff member, reviewed by the City Treasurer, reviewed by the purchaser, reviewed by the Mayor and approved by the New Meadows City Council at the

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next Regular City Council meeting. Certain claims may be paid prior to approval by the New Meadows City Council assuming they are regular and routine, but still must be approved after payment at the next Regular City Council Meeting. Each claim shall be initialed by at least one City Council Member and the Claim Approval List must be signed by the City Treasurer, Mayor and City Council Member reviewing the claims for that period.

Payment of Claims

Claims may be paid electronically through the City’s Approved Bank Electronic Banking System or paid with a paper check signed by at least two persons having that authority.

Automatic Clearing House Payments

Certain institutions have been authorized to make Automatic Deductions from the City’s Approved Banking Institutions. (ie: United States Department of Agriculture)

Wire Transfers

Occasionally a Wire Transfer is necessary, however it shall be approved at the preceding City Council Meeting.

The Financial Policy and its actions are subject to annual audit by the City’s Independent Contract Auditor.

This resolution shall be reviewed and adjusted appropriately at the first meeting of each January following an election at the swearing in of elected officials and from time to time as necessary for the Health, Safety, Sanitation and Transparency of the City; and

The City Clerk shall transmit this resolution to each New Meadows City Staff Member, Elected and Appointed Official of the City of New Meadows.

THIS RESOLUTION SHALL BE IN FULL FORCE AND EFFECT FROM AND AFTER ITS PASSAGE AND APPROVAL.

DATED this __ of __ 2023

City of New Meadows, Adams County, Idaho

Julie A. Good, Mayor

ATTEST: _____

Kyla Gardner, City Clerk