

# FINANCIAL MANAGEMENT POLICIES

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## Santaquin City

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## INTRODUCTION

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This financial management policies document outlines the guidelines and goals that will influence and guide the financial management practices for Santaquin City. Financial policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management.

### General Guiding principles

1. Decisions should be in harmony with adopted ordinances and consistent with the General Plan, Capital Facilities Plans and the goals established by the City Council.
2. Revenues and expenditures should be estimated at levels that are believed to be achievable.
3. Sustainable, ongoing revenue sources should be used to pay for ongoing expenses.
4. Property taxes, fees, and other more stable sources of revenue should be set at sufficient rates to support critical services and programs essential for maintaining the public health, safety, and welfare.
5. One-time revenues should be used for one-time expenses.
6. Enterprise funds should be self-sustaining.
7. Fees and utility rates should be increased annually, consistent with inflationary rates, to maintain the operations of the City and to protect the public from significant future increases in rates and fees.
8. Use debt with prudence and wisdom. Debt should be used for capital expenditures that would place the City in a position of strength and preparedness for the community's future. Revenue bonds are the preferred bonding tool for all critical infrastructure needs. Community amenities or 'wants' should go before the voters in the form of general obligation bonds.
9. Develop and follow a market driven compensation plan that will entice and retain good, quality employees. Analyze the need for additions to staff and evaluate the need to replace staff when a position becomes open due to resignation or retirement.
10. Maintain updated capital facility master plans. The master plans should include strategic operations, maintenance, and replacement guidelines with supporting financial plans. Financial plans should justify rate structures that support the implementation of the master plans and be consistent with mandates from state laws.

Following these principles will enhance the City's image and credibility with the public, credit rating agencies, and investors. Many people and businesses who deal with the City (including the rating agencies) take comfort knowing the City adheres to established guiding financial policies.

Policy changes may be needed as the City and its citizen base grows and becomes more diverse and complex. It is important to regularly engage in the process of financial planning including reaffirming and updating these financial guidelines.

To these ends, the following financial management policy statements are presented.



As required by the Governmental Accounting Standards Board (GASB), Santaquin City utilizes fund accounting so that City resources may be “segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations”.<sup>1</sup> Below you will find a description of the different types of funds within Santaquin City.

## Governmental Funds

Governmental funds account for most of the City’s activities, functions, or programs that are financed through taxes and program or related service fees. In accordance with GASB standards, these funds are accounted for using a modified accrual basis<sup>2</sup>. In Santaquin City, the governmental funds are classified into the following three types:

- General Fund – The chief operation fund of a government, the General Fund provides the resources for the core administrative and operational activities of the City. These activities include what most people think of when they think of a city, including police, courts, streets, planning & zoning, building inspection, parks, cemetery, and administrative support services such as attorneys, engineers, finance, and utility billing. The General Fund also includes the Public Safety, Transportation, and Park Impact Fee Funds which are always accounted for in the same fund as their parent operations fund which in this case is the General Fund.
- Capital Project Funds – Reserved for long-term capital investment projects such as infrastructure or maintenance projects for any City owned asset including roads, water, sewer, storm drainage, public buildings, parks, and cemetery.
- Special Revenue Funds – Restricted or committed funds for a specific purpose. This includes all the Community Services funds and the Fire Department which have been separated out from the General Fund for cleaner accounting of departmental expenditures and retention of fund balances.

## Proprietary Funds

Proprietary funds account for the City’s business-type activities so called because they are financed by fees or charges for services provided by the City. As a business-like activity, accounting for these funds is done by an accrual basis under GASB standards<sup>3</sup>. In Santaquin City, there is only one type of proprietary fund as classified below:

- Enterprise Funds – Used for goods or services provided to the public on a user charge basis, like the operations of a commercial business. This includes the water, sewer, pressurized irrigation, and storm drainage operations funds and their associated impact fee funds.

## SECTION II: FUND BALANCE & CASH RESERVE POLICIES

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<sup>1</sup> GASB, 2019-2020 *Codification of Governmental Accounting and Financial Reporting Standards* (Cod.), Section (Sec.) 1300, “Fund Accounting,” Statement of Principle, Fund Accounting Systems.

<sup>2</sup> GASB Cod. Sec. 1600.106.

<sup>3</sup> Ibid



Fund Balance is the difference between assets and liabilities reported in governmental funds. It is used to measure the net financial resources available to finance future expenditures, in the event of revenue shortfall, or emergency situation. Net position is the difference between assets and liabilities in the proprietary funds. Fund Balance, Net Position, and Cash Reserves are all terms meant to measure the net financial resources available to finance future expenditures especially in the event of a revenue shortfall or emergency situation.

### **Governmental Fund Balance**

- Non-Spendable – assets or resources that are not in spendable form like buildings, roads, and vehicles while other assets or resources cannot be spent because they are legally or contractually required to be maintained ‘intact’.
- Restricted – constraints on the use of assets or resources that are externally enforceable, like use of grant funds by the grantor or impact fees by the State of Utah.
- Committed – assets or resources that have formal constraints put on them by the City Council that are generally legally binding unless removed in the same manner e.g., annual operational budget.
- Assigned – assets or resources that are set aside without formal action by the City Council.
- Unassigned – assets or resources that have *not* been classified as non-spendable, restricted, committed, or assigned in any other fund.

### **General Fund**

#### **Governmental Funds**

##### **General Fund**

1. The General Fund is the primary fund for the City. This fund is used to account for all financial resources not accounted for in other funds.

2. The desired unassigned fund balances at the close of each fiscal year should be between 15-35% of the total annual budgeted revenues for the following fiscal year.

3. The City's unassigned fund balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

4. In the event of a declared emergency or Council approved fiscal necessity to protect the long-term fiscal security of the City there may be a need to appropriate unassigned fund balance below the 15% policy level. In such circumstances, the City may:

- a. Take measures necessary to prevent its use in the following fiscal year by increasing fees or taxes and/or decreasing expenditures.
- b. Adopt a plan to restore the available fund balances to the policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time without severe hardship to the City, then the City Council will establish a different but appropriate time.

5. The unassigned fund balance should not be used to support recurring operating expenditures.

6. The unassigned fund balance can only be appropriated by City Council resolution.

#### **Other Governmental Funds**



1. Special Revenue Funds – As mentioned previously, special revenue funds have been set up for all Community Service and Fire operations. One of the advantages of this fund structure is that unlike in the General Fund, these special revenue funds can retain their fund balance year to year for either an unplanned or planned expenditure without burdening General Fund operations. As current special revenue funds set up within Santaquin City are department specific, there are no general policies for fund balance and cash reserves other than they are encouraged to maintain them.

2. Capital Project Funds – The construction of governmental capital assets may require more than one fiscal year for completion and if so, assigned fund balances are generally carried over from year to year until completed. As future capital projects are generally anticipated, planned, and budgeted ~~for~~ according to our Capital Improvement Plan(s), there are no general policies for fund balance and cash reserves for capital project funds.

## Proprietary Fund Net Position

### Enterprise Funds

1. The City should develop healthy reserves in enterprise funds for long-term replacement needs, emergency repair, and maintenance of critical facilities.
2. The existing enterprise funds account for construction; operation; maintenance; related debt; and property, plant, and equipment within each fund.
3. The desired fund balance at the close of each fiscal year should be 50% of the annual operating revenues for the following fiscal year.

### Minimum Cash Reserves

The desired cash reserve at the close of each fiscal year should be determined by using the following methodology:

1. 50% of annual operating expenses and current debt service obligations (excluding depreciation expenses, transfers).
2. It is recommended that departments reserve additional funds if they plan to front impact fee capital projects and/or budgeted city capital projects.
3. These minimum cash reserves can only be used for critical purposes. Critical purposes will be determined by the City Manager and City Council.
4. When cash reserves drop below 50% of annual operating expenses divisions must develop and implement a plan that will bring them into compliance.

## SECTION III: FISCAL PLANNING AND BUDGETING

The budget is one of the most important documents the City prepares as it identifies the services to be provided and how the services are to be financed. The annual budgets for all City funds will be structurally balanced throughout the budget process. Recurring revenue will equal or exceed recurring expenditures in both the Proposed and Adopted Budgets. If a structural imbalance occurs, a plan will be developed and implemented to bring the budget back into balance.

### Budget Process



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1. The Mayor, City Manager and Finance Director shall provide annually a Budget Preparation Schedule outlining the preparation timelines for the proposed budget.
2. Budget packages for the preparation of the budget, including spreadsheets, PowerPoints, and instructions, shall be distributed to City departments to complete. Departments shall prepare and return their budget proposals to the City Finance Director as required in the Budget Preparation Schedule.
3. The Finance Director will budget revenues and expenditures based on a fiscal year which begins July 1 and ends on the following June 30.
4. The City Manager and Finance Director will prepare a budget in accordance with the guidelines established by the Utah State Auditor's Office and Fiscal Procedures Act.
5. The annual fiscal plan will contain the following:
  - a. Revenue estimates by major category
  - b. Expenditure estimates by program levels and major expenditure categories
  - c. Debt service summarized by issues detailing principal and interest amounts by fund
  - d. Proposed personnel staffing level
  - e. A detailed schedule of capital projects
  - f. Any additional information, data, or analysis requested of management by the City Council
6. The City Council will adopt the budget no later than June 30; if a Truth in Taxation hearing is necessary adoption must take place by August ~~17~~ 31.

#### Budget Policies

1. The City will fund current expenditures with current revenues and other resources.
2. The City will use one-time revenues for one-time expenditures and ongoing revenues for ongoing expenditures.
3. Funds appropriated for multi-year capital projects will be automatically re-appropriated for the same project in subsequent years until the project is complete.
4. The City will not use debt to fund current operations.
5. If a deficit is projected during any fiscal year, the City will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using fund balance, to the extent necessary to ensure a balanced budget at the close of the fiscal year.
6. The Mayor may institute a cessation during the fiscal year on hiring, promotions, transfers, and capital equipment purchases. Such action will not be used arbitrarily and without knowledge and support of the City Council and will allow for exceptions in appropriate areas to comply with emergency needs such as a loss or decline in a major revenue source or natural disaster.
7. Unspent budget may be considered for re-appropriation in the current and subsequent fiscal year with approval from the Mayor and City Council.
8. Budget Amendments will be made as needed or at a minimum of bi-annually, at the end of the calendar year and at the end of the fiscal year with appropriate public noticing and hearings as required by Utah State Code 10-6-113.

#### Performance and Measurement

1. Budgeting procedures will attempt to identify distinct functions and activities and to allocate budget resources to perform these functions and activities as required.



2. Alternatives for improving the efficiency and effectiveness of the City's programs and the productivity of its employees will be considered during the budget process.
3. Duplication of services and inefficiency in delivery should be eliminated wherever identified. The City will continue to examine alternative service delivery options for all City functions.
4. Performance measurement and productivity indicators will be integrated into the budget process as appropriate.
5. A quarterly report on the status of the General Fund and other major funds will be presented to the City Council at the end of each quarter in accordance with Utah State Code 10-6-148.
6. Department directors and division ~~supervisors heads~~ are required to monitor and control expenditures to prevent exceeding the amount of their total departmental expenditure budget.

## SECTION IV: REVENUES

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The City collects revenues from many sources to provide services and meet operational needs. The largest revenue sources are sales taxes, property taxes, franchise fees and user fees. The structure, fluctuation, and collection of revenues are examined by rating agencies to determine the City's credit quality.

1. The City will strive to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.
2. Major revenue sources should provide for the following principles:
  - a. Revenue sources should provide appropriate treatment of taxpayers at different economic levels.
  - b. Revenue sources should treat taxpayers equally regardless of income or wealth.
  - c. Revenue sources should not unduly influence economic decisions by consumers or business except for targeted development or redevelopment programs approved by the City Council.
  - d. Revenue administration and enforcement should not absorb an undue percentage of revenue collected.
3. The City will periodically recalculate the full costs of providing services in order to provide a basis for setting the associated service charge or fee. Full cost shall incorporate direct and indirect costs, including operations and maintenance, overhead, and charges for use of capital facilities, thereby setting fees at a level that is related to the cost of producing the good or service, unless otherwise restricted by law. The City will periodically examine current competitive rates and establish new charges and fees as needed and as permitted by law. It is recognized that occasionally competing policy objectives may result in user fee levels that recover only a portion of service costs.
4. The Finance Director will provide the City Council with an estimate of the City's revenues annually as part of the budget preparation process.
5. The City will pursue intergovernmental aid, including grants, for those programs and activities that address a recognized need and are consistent with the City's long-range objectives, and will attempt to recover all allowable costs associated with those programs.
6. Before accepting grant funds, the following will be reviewed:
  - i. Present and future funding requirements.
  - ii. Cost of administering the funds.
  - iii. Matching funds and requirements to retain positions beyond the grant period.





- iv. Costs associated with the special conditions or regulations attached to the grant award.

7. When grants are reduced or eliminated, the plan or project it supported will be reduced by a commensurate amount unless otherwise funded for continuation.

## SECTION V: TRANSFERS

### ~~General Fund~~ Transfers

#### Transfers ~~in~~ from Enterprise Funds to General Fund

Fund to fund transfers provide the City an opportunity to fund quality of life offerings such as Santaquin Special Events, Recreation, City Library, Museum and Senior's Programs. Due to low property tax and sales tax revenues, it is necessary for Santaquin City to transfer funds from the Enterprise Funds (e.g., Water, Sewer, and Pressurized Irrigation Water) into the General Fund for the purpose of covering overhead related costs.

1. Enterprise utility funds provide a transfer of an approved percentage of gross utility sales to the General Fund each fiscal year.
- ~~1-2.~~ Additional transfers may be approved by the City Council but should not be considered as a long-term revenue source for the General Fund.
- ~~2-3.~~ Transfer of enterprise fund money to another fund must follow Utah State Code §10-6-135.5.

#### Transfers ~~Out~~ to Other Funds from the General Fund

Funds are also transferred from the General Fund ~~into the~~ Special Revenue Funds to meet their operational needs. Finally, funds are transferred from the Enterprise Funds into the Capital ~~Project~~ Funds to cover capital related expenditures related to the Enterprise Funds. The City works to keep those transfers as low as possible from year to year.

1. The General Fund provides transfers to various departments for debt service, lease payments and operating subsidies.
2. Current funds receiving an annual subsidy from the General Fund are:
  - a. Special Revenue Funds and
  - b. Capital ~~Project~~ Funds.

## SECTION VI: CAPITAL IMPROVEMENT PROGRAM & CAPITAL ASSETS

The City's assets are held primarily in the form of infrastructure, physical assets, or capital plants such as roads, buildings, equipment, and other City owned infrastructure. Sound infrastructure is an important aspect of the quality of life, economic development, and the credit quality of the City.

Capital Assets are defined as any city asset with:

1. Value of \$5,000 or more.

AND



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2. Useful life of 5 years or more.

Capital expenditures are defined as the improvement, construction, or acquisition of any capital asset.

Dedicating resources to capital investment is appropriate for a growing City such as Santaquin City. Committing to and implementing the City's capital investment program will protect and prolong the life and functionality of its capital assets, minimize future maintenance, and appropriately anticipate and plan for asset replacement costs.

### Capital Improvement Plan(s)

1. The City will direct its annual allocation for its capital investments to projects which best support the City's strategic goals, the comprehensive plan and facility master plans. The City will consider all capital improvements in accordance with adopted capital improvement plans.
2. The City will maintain a five-year plan for capital improvements and will review and update the plan annually. The Budget Officer will submit the Capital Improvement Plan for review by the City Council each year. Submission of the Capital Improvement Plan shall be consistent with State of Utah and City of Santaquin legal requirements.
3. The Capital Improvement Plan may include capital improvements for all funds and agencies for which the City sets tax rates, makes levies or approves budgets or plans.
4. The Capital Improvement Plan shall include the following elements:
  - a. An implementation plan for each of the capital improvements
  - b. A statement of the objectives of the Capital Improvement Plan and the relationship with the comprehensive plan and the City's strategic plan
  - c. An estimate of the cost and of the anticipated sources of revenue for financing the capital improvements, and an estimate of the impact of each capital improvement on City revenues and the capital and operating budget, including estimated debt service costs, if applicable.
5. The City will fund projects and activities identified in the Capital Improvement Plan with the most appropriate revenue sources (E.g., impact fee revenue, utility rate revenue, B&C-Road revenue, state and federal grant revenues, and transfers of unrestricted cash from governmental funds).
6. Upon the completion of a capital project, the City will reappropriate any remaining funds to the general capital reserve fund.
7. The City will project its equipment replacement needs as part of the capital improvement process. From this projection, a replacement schedule will be developed and followed. The City will maintain a schedule of capital fixed assets in its fixed asset accounting system.

### Capital Improvement Budget Policies

1. The City will create ~~an annual capital budget in FY2022-23, and maintain in the future, a consolidated capital improvement plan~~ based on the five-year capital improvement plan. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in economic base will be included in capital budget projections.
2. The City will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
3. The City will maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.



4. The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
5. When current revenues or resources are available for capital improvement projects, consideration will be given first to those capital assets with the shortest useful life and/or to those capital assets whose nature makes them comparatively more difficult to finance with bonds or lease financing.
6. Non-recurring revenues, which cannot be used to fund recurring costs and are not required to meet the Unassigned Fund Balance objectives in Fund Balance section, should be used for non-recurring capital expenditures or the early retirement of existing City debt.
7. The City will attempt to determine the least costly and most flexible financing method for all new projects. Financing may include debt financing or “pay as you go” or other financing sources.

## SECTION VII: DEBT MANAGEMENT

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The City currently enjoys a “AA+” bond rating from Standard and Poor’s which is valuable in getting lower interest rates on bonds. This AA+ rating is remarkable for a smaller city the size of Santaquin. The City will maintain a high credit rating in the financial community to:

- Assure the City’s taxpayers that the City government is well managed and financially sound.
- Obtain reduced borrowing costs.

The City will utilize a balanced approach to capital funding: utilizing debt financing, draws on capital reserves and/or fund balances more than policy targets, and current-year (pay-as-you-go) appropriations.

### General Debt Policies

1. The City will consider each project’s useful life, and utility along with market conditions to determine the most appropriate method to finance the project.
2. The City will not use debt financing to fund current operations.
3. The City will confine long-term borrowing to capital improvement or projects that cannot be financed from current revenues except where approved justification is provided.
4. Reserve funds, when required, will be provided to adequately meet debt service requirements in the subsequent years.
5. The term of any bond or lease obligation issue will not exceed the useful life of the capital project or equipment for which the borrowing is intended.
6. The City shall comply with federal, state and City legal requirements regarding the issuance of bonds and certificates of the City or its debt issuing authorities.

### Debt Levels/Ratios

The bonded debt of the City is limited by the Utah Constitution (Article XIV, Section 4) to 8% of the value of taxable property. Of this percent, a maximum of 4% may be used for general purposes. The remaining 4% and any unused portion of the 4% available for general purposes up to the maximum 8% may be utilized for water and/or sewer purposes.

1. Debt ratios will be calculated annually during the financial audit process.



2. Direct net debt is defined as all debt that is tax-supported. This ratio will be measured annually. Direct net debt as a percentage of estimated market value of taxable property should not exceed 8% as outlined in Article XIV, Section 4 of the Utah Constitution.
3. The City recognizes the importance of underlying and overlapping debt in analyzing financial condition. The City will regularly analyze total indebtedness including underlying and overlapping debt.

## Debt Instruments

Santaquin City utilizes two forms of debt instruments for investment into its capital infrastructure and equipment needs.

- Long-Term Debt – Used for capital infrastructure and is enacted in the form of bonds.
- Short-Term Debt – Used for purchase of equipment and is enacted in the form of leases.

## Bonds

Bonds can come in two forms. The first is the more commonly used “Revenue” bond, which dedicates a portion of a revenue stream, such as utility revenues, sales or property taxes, or state allocated road funds, for the purpose of repayment of the bond. The second type of bonding available to the City is a “General Obligation” bond commonly referred to as G.O. bonds. These G.O. bonds pledge the overall asset/taxable value of all property within the jurisdiction and require a vote of the people.

Where feasible, the City will explore the usage of revenue bonds instead of general obligation bonds. Revenue bonds should be considered for financing a community need and general obligation bonds for community wants or amenities.

## General Obligation Bonds

1. Whenever the City finds it necessary to issue tax supported bonds, the following policy will be adhered to:
  - a. Tax supported bonds will, whenever feasible; be issued on a competitive basis unless market conditions favor negotiated sales.
  - b. Average weighted maturities for general obligation bonds of the City, and whenever possible for any type of annual debt, will be maintained at thirty (30) years or less.
2. General obligation bond issues, whenever feasible, will be issued on a competitive basis and will be structured to allow an approximately equal annual debt service amount over the life of the issue.
3. The City shall comply with federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditures, use of bond-financed property, investment of proceeds in compliance with arbitrage rules, and retention of record all U.S. Internal Revenue Service rules and regulations regarding issuance of tax exempt governmental bond debt including arbitrage rebate requirements for bonded indebtedness, and with all Securities and Exchange Commission requirements for continuing disclosure of the City's financial condition, and with all applicable Municipal Securities Rulemaking Council requirements.

## Revenue Bonds



1. The City will adhere to the following guidelines when it finds it necessary to issue revenue bonds:
  - a. For any bonds or lease anticipation or appropriation debt in which the debt service is partially paid from revenue generated by the project and partially paid from tax sources, the portion of the bond or lease to the extent that its debt service is paid from non-tax sources shall be deemed to be revenue bonds and is excluded from the calculation of the annual debt service limitation.
  - b. Revenue bonds of the City and any of its agencies will be analyzed carefully by Management and the Finance Department for fiscal soundness. The issuance of City revenue bonds will be subject to the most careful review and must be secured by covenants sufficient to protect the bondholders and the credibility of the City.
2. Revenue bonds will, whenever feasible, be issued on a competitive basis and will be structured to allow an approximately equal annual debt service amount over the life of the issue.

#### Variable Interest Debt

The issuance of variable rate debt by the City will be subject to the most careful review and will be issued only in a prudent and fiscally responsible manner.

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## SECTION VIII: INVESTMENT POLICY

The intent of the Investment Policy of Santaquin City is to define the parameters within which funds may be invested. In methods, procedures and practices, this policy formalizes the framework for the City's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the City's funds. This policy is intended to be broad enough to allow the city's authorized investment officers to function properly within their parameters of responsibility and authority, yet specific enough to adequately safeguard the investment of assets.

~~Governing Authority~~ The investment program shall be operated in conformance with federal, state, and other legal requirements, including the Money Management Act of Utah (Utah Code, Title 51). All City investments are currently in the Utah State Pool of Investments.

### Scope

This policy applies to activities of Santaquin City about investing the financial assets of all funds. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the state of Utah.

### General Objectives

The primary objectives, in priority order, of investment activities shall be:

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 goal will be to mitigate credit risk and interest rate risk.

## 2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

## 3. Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints of safety and liquidity needs.

## 4. Special Considerations

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State.

Except for funds in certain restricted and special funds, the City may commingle its funds to maximize investment earnings and to increase efficiencies about 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.

## Standards of Care

### 1. Prudence

The standard of care 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 liability for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

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 activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

### 3. Governing Body



The governing body will retain ultimate fiduciary responsibility for the portfolios.

#### 4. Investment Officers

In accordance with Utah Code, §10-5-125, authority to manage the city's investment program is granted to the Finance Director also referred to as the investment officer. Responsibility for the operations of the investment program is hereby delegated to the Treasurer who shall act in accordance with established written procedures and internal controls within this Investment Policy.

All participants in the investment process shall seek to act responsibly as custodians of the public trust.

#### 5. Investment Adviser

The City may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with the entity's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy.

### Authorized Financial Institutions, Depositories, and Broker/Dealers

Any financial institutions, depositories, and broker/dealers utilized by the city for investment purposes shall be certified by the Utah Money Management Council. Any investment activities with financial institutions, depositories, and broker/dealers shall be conducted based upon written contracts.

### Standards for Performance Review/Evaluation

The Finance Director and Treasurer will review the performance of investments monthly. The Utah State Pool interest rate will be used as a benchmark if any investments are made outside of the State Pool. If the Utah State Pool is outperforming outside investments for a reasonable amount of time, outside investments will be sold and deposited into the Utah State Pool.

In the event that the City has monies invested outside of the state State pool Pool with investment advisors, the Finance Director and Treasurer will meet at least semi-annually with them to discuss the City's portfolio safety, liquidity, and performance.

### Communications and Reporting

The City Treasurer shall provide all reports required by the State Money Management Council.

Interest earned on investments are/is reported in the City's monthly financial reports. These reports are made available to the public, City's department directors, and to the City Council during quarterly financial reports the end of the 2<sup>nd</sup> and 4<sup>th</sup> quarters of the calendar year and in the Annual Audit Report.

## SECTION IX: CASH HANDLING

This Policy establishes uniform policies and procedures to be followed in the centralized collection, custody, reporting and deposit of cash receipts for all departments within Santaquin City (the City). "Cash," as referenced herein, includes coin, currency, checks, e-checks, cashier's checks, travelers checks,



money orders, debit/credit card receipts, direct bank deposit remittance receipts, electronic funds transfers (ACH), and wire transfer receipts.

## Cash Deposits

1. Storing cash receipts anywhere overnight should be avoided, where feasible, deposits should be made daily. All cash collected by or on behalf of the City shall be directly remitted to the City's Treasury Division within one (1) business day.
2. Cash received at various locations will be adequately always safeguarded, and properly receipted and/or documented. Until remitted to the Treasury Division or otherwise deposited, all cash collections will be kept in a safe, locked drawers, cash boxes, or cash registers. If a safe is available, all cash kept overnight will be moved into the safe and locked. All customer checks, cashier's checks, traveler checks, and money orders will be restrictively endorsed immediately upon receipt. Restrictive endorsement will be made with stamped imprint indicating "for deposit only, Santaquin City".
3. The Director of Finance-City Treasurer (or his/her designee) will be responsible for depositing cash received by the Treasury Division to the proper bank depository daily, if practicable, but no later than three (3) two (2) business days after collection. During transport of deposits, prudent measures shall be taken to assureensure that funds are adequately safeguarded. Such measures may include bonding of the employee who transports the deposit, and security escort or armored car courier service.
4. Under no circumstances should disbursements be made from cash receipts. Cash receipts should be accounted for in detail and reconciled to the penny against the corresponding source journal(s). No checks are to be cashed from the cash receipt coin/currency originally collected. Refunds or returns may be processed against like-tender; currency for currency, credit card for credit card, etc., however refunds of cash for checks or credit card payments are not permissible. Such unlike refunds or returns must be processed through the city's cash disbursement accounts payable system with normal disbursement oversight and control.

## Cash Handling Procedures

### Cash Collection Points other than the Treasury Department at City Hall

1. Cash collection points must be established in conjunction with the Treasury Division of the City's Finance Department. The City has established requirements for cash collection point activity and associated personnel.
2. Upon receipt of any currency or coins; a preprinted and pre-numbered receipt form or signup sheet, a license form, or permit form showing the date of the transaction shall be completed by the employee or agent. The specific receipt used will be based upon operational customs and the type of service program offered by each department/location. A copy of the receipt shall be provided to the customer in all instances and upon the Finance Department's request signage within the department will be displayed indicating that all cash (currency or coin) transactions will be concluded with a numerically controlled receipt reflecting the date, the amount of the transaction and the receiving clerk's name or identifier.
3. Collections received in mediums other than currency or coins shall be receipted on a pre-numbered Receipt Register produced by the various software programs used by the City, or manual receipt books, and deposited per policy guidelines above. Examples include checks,





traveler's checks, E-checks, Money Orders, Wire Transfers receipted in Accounts Payable, ACH transfers, and credit/debit card slips (settlements).

4. Wherever practical each clerk/employee who ~~process~~ processes cash receipts will have his/her own starting cash fund which will not be mingled with any other clerk/employee's transactions. Employees handling cash and processing cash receipts may be required to be bonded.
5. Each employee, who remits cash through his/her department will have a supervisor review and sign that the deposited funds have been verified as part of the deposit process. If a supervisor is not available a co-worker may review and sign that the deposited funds have been verified. Departmental discretion is allowed in conjunction with the Functional Area Director or Supervisor to assure appropriate separation of duties.
6. Remittance of funds to the Treasury Division shall include a pre-numbered Receipt Register along with collected cash and equivalents. Treasury shall return a date/time stamp endorsed copy of the Receipt Register to the authorized agent who submitted the Receipt Register. Pertinent supporting receipts, journals should be maintained by the originator and are subject to no-notice audit/review. All collections, including a summarization by type of currency and coins received, shall be itemized on the Receipt Register. The itemization shall specify the source of the receipt, the appropriate revenue code and/or expenditure general ledger account.
7. The total amount of cash collected shall be reconciled daily to supporting documents and to the total amount shown on the Receipt Register prior to submission to the Treasury Division. All cashier overages and shortages will be recorded to the Over/Under – Miscellaneous General Ledger account assigned to the specific department.

#### Cash Collection Point Resources

1. If a department does not have a numerically controlled receipt system available for use, generic pre-numbered hand-receipt books from Treasury must be requested. Acquisition and distribution of the supply of hand-receipt books will be maintained and accounted for by the Treasury Department on a regular basis.
2. For collections received directly from payees at windows in Treasury, a pre-numbered receipt shall be completed and provided to the customer.

#### Finance Department – Treasury Division

1. Acquisition and distribution of the supply of "manual entry" Report of Receipt forms, generic pre-numbered receipts and sign-up forms shall be maintained and accounted for by the Treasury Division on a regular basis. If a department does not have a numerically controlled receipt system available for use, the generic pre-numbered receipt forms from Treasury must be requested.
  2. For collections received directly from payees at windows in Treasury, a pre-numbered receipt shall be completed and provided to the customer.
- 
1. Checks should be made payable to Santaquin City.
  2. Under no circumstances should any city employee alter any negotiable instrument from its original presented form.
  3. If a negotiable instrument is presented without signature; arrangements should be made to return the check to the original owner or obtain the owner's signature.



4. Any modification to a check after presentment can only be made by the account owner. The modification by the account owner must be approved by a supervisor and done in the presence of a supervisor.
- ~~5.~~ If the negotiable instrument is presented and there is a conflict between the “written amount” and the “numeric amount,” the “written amount” is considered the legal and controlling value.
- ~~6.~~

## SECTION X: INTERNAL CONTROLS AND FINANCIAL REPORTING

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Internal control or the system of internal controls is the integration of activities, plans, attitudes, policies, and efforts of the people in an organization working together to provide reasonable assurance that the organization will achieve its goals and objectives. Financial reporting provides the informational infrastructure for the City.

1. The City will maintain a system of internal controls to maintain accountability to the citizens of the City and the City Council; meet established goals and objectives; promote adherence to laws and regulations; encourage sound financial and operational practices; develop and maintain accurate, reliable, and timely financial and management data; safeguard assets/resources and prevent, detect and deter fraud.
2. The City will comply with state and federal policies which require accounting transactions be authorized according to sound management practices including Segregation of Duties. Segregation of Duties is a key internal control intended to ensure separation of different functions, define authority and responsibility over transactions, and minimize the occurrence of errors or fraud by ensuring no single employee should be in a position to initiate, approve, and review the same action.
3. In accordance with Utah State Code Title 10 Chapter 6 and City ordinances, all revenues received by the City will be the responsibility of the Treasurer and the disbursement and monitoring of expenditures will be the responsibility of the City Finance Director.
4. The City will comply with Generally Accepted Accounting Principles (GAAP) in its accounting and financial reporting as contained in the following publications:
  - a. Codification and Pronouncements of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standards Council (GASB)
  - b. Codification and Pronouncements of Accounting and Financial Reporting Standards, issued by the Financial Accounting Standards Council, (FASB)
  - c. Uniform Accounting Manual for Utah Cities, issued by the Utah State Auditor's Office. The City's annual financial audit report will be issued by December 30 of each year for the preceding fiscal year to the State Auditor's Office and to the City Council as required by the Utah Code.
  - d. State and Local Governments – Audit and Accounting Guide, an industry guide published by the American Institute of Certified Public Accounts (AICPA)
  - e. Government Accounting Standards, issued by the Comptroller General of the United States.
5. The City will contract for a comprehensive financial audit, including an audit of federal grants in accordance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, to be performed annually by an independent



external auditor (public accounting firm). The independent external auditor will express an opinion on the City's Financial Statements.

If required, the City will prepare a Single Audit Report each year after the completion of the annual financial audit.

6. Financial data will be made available electronically to the City Council and department directors allowing them to review key financial data.

~~6.~~

## SECTION XI: RISK MANAGEMENT

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Risk Management functions are to protect City resources such as employees, buildings, equipment, vehicles, and financial assets. The City will manage its risk and limit risk exposure in a professional and prudent manner.

1. The City shall make diligent efforts to protect and preserve City assets against losses that could deplete City resources or impair the City's ability to provide services to its citizens. The City shall reduce its exposure to liability through training, safety programs, environmental monitoring, risk financing and the transfer of risk when cost effective.
2. The City shall manage its exposure to risk through the most appropriate means of self-insurance and/or the purchase of traditional insurance in the following areas:
  - a. General liability
  - b. Automobile liability
  - c. Workers' compensation
  - d. Commercial Crime: Employee Theft, Computer Fraud, Fund Transfer Fraud, Social Engineering Fraud.
  - e. Commercial Property
  - f. Excess Cyber Liability
3. The City will further control its exposure to risk using hold harmless agreements in City contracts and by requiring contractors to carry liability insurance, with the City listed as an additional ~~insures~~insured where appropriate.

## SECTION XII: ~~PURCHASING~~PROCUREMENT & PAYMENT AUTHORIZATION

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### Procurement Policy

~~Purchasing~~Procurement authorizes contracts and commitment of monetary assets of the City to acquire products and services. All acquisitions must be performed in accordance with applicable laws and regulations.

1. The City will comply with all applicable federal laws and regulations, state laws, and financial policies set forth in this document regarding the purchasing of goods.



November 18, 2025~~May 17,~~  
~~2022~~

2. The City will endeavor to obtain supplies, equipment, property, services, etc. as economically as possible ~~while being consistent with all applicable state and federal laws.~~ materials in a timely manner to avoid interruptions in the delivery of services.
3. Purchases should be made using the City tax exempt status.
4. As a general rule, purchases will be made through vendor accounts paid through accounts payable first, using charge accounts at approved vendor locations second, and using an assigned credit card last.
- 3.5. All purchases will be approved by at least two separate employees (i.e., supervisor and/or Department Director and Finance Director and/or City Manager, prior to payment.
4. ~~All purchases of goods to be made by or on behalf of the city will be made only by a full-time employee of the City, or such other person as may be authorized by a supervisor, department head, or director.~~

Position	Authorized Spending
Employees	\$0 to \$500
<del>Department Heads/ Supervisors</del> Certain (approved) <del>Employees</del> <u>over designated programs &amp; events</u> <u>(I.e. Program &amp; Event</u> <u>Coordinators, Recorder, Admin</u> <u>Assts, HR, etc.)</u>	\$501 to \$2,500
<u>Division Heads/ Supervisors</u>	<u>\$2,501 to \$4,000</u>
<u>Functional Area Directors</u>	<u>\$4,001 to \$10,000</u>
Assistant City/Operations Manager	\$10,001 to \$15,000
City Manager	\$15,001 to \$25,000
Mayor	\$25,001 to \$50,000

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#### 5.7. Bidding Requirements

- a. No bidding process is required for materials or equipment procured through the state bidding process.
- b. The City will seek opportunities, when appropriate, to cooperate with other entities to maximize potential savings through large quantity purchasing of products such as asphalt, plant materials, concrete, piping, etc. Except as otherwise required by law, bids received directly or indirectly through such a cooperative bidding process shall fulfill the intent of these bidding requirements contained in c, d, and e, below.
- c. Three informal bids must be obtained and submitted to and approved by the Mayor and/or his designee prior to any purchase in an amount greater than the City Manager's authorized spending level but within the Mayor's authorized spending level, as outlined above. The City may reject any and all bids and is not required to accept the lowest bid.
- d. Prior to any purchase in excess of the Mayor's authorized spending level, as outlined above, at least three formal sealed bids must be obtained and submitted to and approved by the City Council. The City may reject any and all bids and is not required to accept the lowest bid.



- e. Bidding for professional services (E.g., Architects, Engineering, Surveying, etc.) may utilize a process similar to that utilized by the State of Utah for design professional services. The City may also utilize the professional services of an individual or firm without conducting a competitive selection process upon approval of the City Council.

8. Standard practice for setting up vendor accounts should be to establish tax exempt status and collect ~~all W-9~~ applicable forms from the vendor (E.g., W-9, ~~proof of worker's compensations insurance, URS post-employment certification, etc.~~) prior to submission of the first invoice to the accounts payable department for processing and payment.

The approach of setting up and using a vendor credit account for accounts payable processing is always preferred and encouraged whenever possible. When setting up a vendor credit account doesn't seem like an effective approach, (i.e. infrequent use of vendor, one-time purchases, vendors who only accept credit cards, or other irregular purchases) the use of a credit card is appropriate as it allows the city flexibility in its purchasing and procurement process.

#### Issuance and Limits of Credit Cards

1. Due to the limited amount of credit issued available to the City from financial institutions, The City Manager, in conjunction with the Finance Director and each Department Director, will determine which employee(s) in their department needs to have a city credit card.
2. The limits set for each credit card are determined by position (see above table for purchasing authorization levels) and as approved by the City Manager and Finance Director.

#### Approved Card Use

1. Credit Card use is subject to all existing procurement and purchasing laws and the policies listed herein. Because of the added risk of fraud and theft, extra care should be exercised in the use of all credit cards issued to employees for City authorized expenditures.

#### Cardholder Responsibility and Liability

1. The credit card is a corporate card that will not affect the cardholder's personal credit. However, it is the cardholder's responsibility to ensure that the card is used in accordance with State and city laws, policies, procedures and guidelines. Failure to comply with these laws, policies, procedures and guidelines may result in the permanent revocation of card, charge-back of improper or unsupported transactions to the cardholder for reimbursement to the City, notification of the situation to management, and further disciplinary action, which may include termination.

#### Lending Credit Cards

1. Lending credit cards to other employees is discouraged, however there may be times when a situation necessitates it. In these rare situations, the cardholder must understand that they are ultimately responsible and accountable for transactions made/placed on their credit card, including submitting documentation and approval in a timely manner.



Restricted Card Use – The following items should not be purchased with a credit card

1. Purchase of items for personal or non-City use, regardless of whether the employee intends to reimburse the City. This includes personal travel expenses that may occur during city approved travel, such as airline tickets for a spouse or extra night's stay at a hotel.
2. Meals paid for via per diem may not be charged on a City credit card.
3. Fuel purchases or vehicle repairs unless outside the service area and/or in an emergency.
4. Alcoholic beverage purchases.
5. Other purchases contrary to law or policy.
6. Gift card and gift certificates (see Gift Card Policy and Procedures section of this policy), unless otherwise assigned.

Documenting Transactions

1. An itemized receipt is required for each transaction. A summary type statement of the overall transactions is not sufficient to cover this requirement.
2. Each transaction needs to be coded to a general ledger account for payment.
3. The vendor, along with a detailed description of the purpose of each transaction is required. This includes documenting who was present for food, travel, and entertainment purchases and the purpose of the transaction.
4. Failure to provide the required documentation for payment processing may subject the cardholder to loss of credit card privileges and may cause the amount charge to be classified as a personal purchase and thus require reimbursement from the cardholder.

Reconciliation, Approval, and Payment

1. All credit card purchases must be approved by designated supervisor prior to submitting for processing. Supervisors will ensure transactions are coded properly and the description of the purchase is sufficient. Supervisors shall return transactions to the cardholder when necessary to correct coding errors, provide descriptions of the purchase, etc.
2. The Finance Director will receive the credit card statement and review and approve all credit card transactions, prior to monthly credit card account reconciliation. The statement will then be ready for payment. The City Manager will review and approve payment of the credit card statement. Credit card purchases are reviewed monthly by the City Council.
3. Monthly statements and supporting documentation will be retained with other city purchasing records.

Sales Tax on Credit Card Purchase

1. The use of the credit card does not justify the payment of -sales tax for which the city is exempt. As with all other purchases, the merchant shall be presented with the sales tax exemption form issued by the City and accordingly, state sales tax should not be charged.



2. Sales tax charged on hotel stays within the state of Utah is NOT tax exempt at the point of sale. The finance department will request this particular sales tax to be reimbursed by applying for a refund through the Utah State Tax Commission.

#### Disputing Transaction

1. Fraudulent transactions will need to be disputed by the cardholder. The issuing organization will generally only talk to the cardholder. The cardholder shall also immediately notify the Finance Director when there are fraudulent charges or disputed transactions.

#### Lost or Stolen Credit Cards

1. When a credit card is lost or stolen the cardholder shall immediately notify the credit card company, their supervisor, and the Finance Director.
2. The Finance Director will facilitate the issuance of a replacement credit card, when applicable.

#### Credit Card Reward

1. Cardholders will not redeem their credit card rewards. Rewards are automatically paid back to the City, via direct deposit.

#### Credit Card Use Audits

1. The Finance Department will make periodic audits of credit card use and charges for appropriateness. Areas to be monitored include, but are not limited to, compliance with this and other purchasing policies. Excessive and/or non-use by cardholders will also be monitored.
- ~~1. Credit cards are authorized for use by those in Director level positions and additional supervisory positions within a department as that Director deems appropriate.~~
1. All property or equipment owned by the city must be declared surplus by the City Council prior to discarding or selling. Once declared surplus, city owned property or equipment can be ~~discarded, sold, or~~ advertised for submission of sealed bids, or discarded.
- 2.

## **SECTION XIII: GIFT CARDS**

The purpose of this policy is to set forth guidelines for the purchase and distribution of gift cards and/or gift certificates purchased using city funds.

1. The city must comply with all Internal Revenue Service (IRS) regulations as it pertains to gift cards and gift certificates at all times. Under the IRS Code Sections 132, a gift card, gift certificate, store-value card or a prepaid credit card, collectively referred to as a gift card, is



considered cash or cash equivalent that is subject to taxes regardless of the face value. As such all gift cards received by employees will be counted as income and the value thereof will be taxed through/during payroll processing.

2. Gift cards received by volunteers and non-employees are taxable and will be reportable income on IRS form 1099-MISC if the value of the gift cards received aggregate to an amount of \$600 or more per calendar year.
3. Gift cards can be susceptible to fraud and misappropriation because they lack the necessary audit trail that exists with a check or other form for payment. As a result, the city places strict restrictions concerning the purchase and distribution of gift cards. In all cases, employees must handle gift cards as they would cash.
4. Gift cards shall not be used to pay for services provided by non-employees. All services provided by non-employees must be processed through accounts payable for payment.

#### Segregation of Duties

Since gift cards must be treated as cash, it is important the proper segregation of duties exist. Ideally, the following duties must be performed by different employees.

<u>Function Performed</u>	<u>Employee/Division Responsible</u>
<u>Authorization</u>	<u>Functional Area Directors and/or Management</u>
<u>Custody (this includes purchasing, storing, and distributing)</u>	<u>Human Resources/Payroll</u>
<u>Record Keeping &amp; Reconciliation</u>	<u>Finance Director</u>

#### Authorization

Purchase of gift cards of any kind for employees or non-employees must be pre-authorized by the Functional Area Director. Directors are pre-approved to request gift cards for employees and non-employees up to \$25. Gift cards over \$25, must be approved by the Mayor or City Manager.

#### Purchase

Employees shall not purchase gift cards using city credit cards or by charging city vendor accounts. Employees shall not purchase gift cards with personal funds as a reimbursable expense. Human Resources/Payroll will be designated as the purchasing agent for all gift cards and may purchase gift cards as requested and authorized using authorized forms of payment.

#### Storage

Since gift cards must be treated as cash, physical cards will be secured in a separate locked cash drawer or cash box and kept in a locked safe. Physical gift cards will be disbursed by the Human Resources employee assigned to "Custody" of gift card and who has access to the secured gift card inventory. When digital gift cards are requested and authorized, the card will be printed and kept in the secured drawer/box until it is distributed or emailed directly to the recipient and documented

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will be submitted as record of the date, who the gift card was sent to, the reason for the gift card, and amount of gift card, along with the tracking number to the persons responsible for record keeping.

#### Distribution

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Human Resources will distribute requested and authorized gift cards to Functional Area Directors or designee for distribution. Functional Area Directors or designee will distribute physical gift cards to employees or non-employees. Proof of distribution forms must be signed by the person receiving the physical gift card, documenting the amount and date. Directors or designee must return proof of distribution to Human Resources. Any undistributed gift cards shall be returned to Human Resources.

#### Record Keeping

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The Finance Director will conduct the record keeping for both the documents that tracks purchases and distribution or both physical and digital gift cards, as well as making journal entries in the general ledger prepaid asset account. When gift cards are purchased to keep on hand, they will be recorded to a prepaid general ledger account until such time as they are distributed. At the time of distribution, a journal entry will be made to charge the gift card to the appropriate general ledger account. When gift cards are purchased for immediate distribution, they should be expensed out of the correct general ledger account.

#### Reconciliation

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The Finance Director will reconcile the physical gift cards on hand and digital gift cards to the gift card tracking document and the general ledger prepaid asset account at least quarterly. Reconciliations will be reviewed by the City Manager.

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#### Accounting for Gift Card

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All gift cards must be stored with the gift card inventory in a secure location. This includes gift cards that are purchased and not distributed within one (1) day. Gift cards given to the city will also be logged into the tracking document and recorded.

## **SECTION XIVH: ECONOMIC DEVELOPMENT**

The City's economic base is an important element and has a dramatic influence on the City's financial health in determining the City's quality of life and credit rating.

1. The City will continue to expand and diversify its economic base by attracting industrial and commercial firms to the City. Special emphasis should be given to industrial and commercial enterprises that will employ the local labor force and generate sales tax revenues. Such business and industry will be in accordance with the plans and ordinances of the City.
2. The City will endeavor to utilize a network of public facilities that link planned industrial and commercial areas with its growing residential areas.
3. The City will endeavor to increase, to the greatest degree possible, its commercial/industrial tax base and place professional employment within the City.



4. The City will perform a due diligence analysis of each economic development investment to evaluate the level of each type of risk associated with the economic development investment. The due diligence evaluation shall be presented to the City Council along with the economic development investment.
5. The City will perform a fiscal impact analysis on each economic development investment that evaluates the economic costs, economic benefits, intrinsic benefits and the levels of each type of risk associated with the economic development investment.