



FINANCIAL AND PURCHASING POLICY

Adopted by the Westwood City Council
March 11, 2021

Amended November 10, 2022

Amended June 13, 2024

Accounting, Auditing, and Financial Reporting Policy

- A. The City will establish and maintain accounting records in such a manner that reports may be issued on a basis consistent with statutory requirements.
- B. The City will maintain a record of fixed assets which identifies all material City assets, except for general infrastructure assets. General Infrastructure assets are assets such as streets and drainage facilities which, if properly maintained, have an indeterminate life.
- C. The City will contract for an annual audit of City accounting records. The audit shall be conducted in accordance with the Kansas Municipal Audit and Accounting Guide as well as the Federal Single Audit Act, if required.
- D. The City will comply with all financial reporting requirements set forth in Kansas law, including publishing annually, in January, the City's financial statements showing, by fund for the previous year: beginning and ending balances, receipts, and expenditures along with obligation/liability information.
- E. The City Treasurer will provide the City Council with a yearend summary (unaudited) financial report within 90 days of the end of the fiscal year. Monthly financial reports shall also be provided to the City Council within 20 days of the end of each month.
- F. The Governing Body will designate its depositories for public funds at least bi-annually (once every two years), which depositories shall meet the requirements of K.S.A. 9-1401, et. seq. as amended and K.S.A. 12-1675, et seq.

General Accounting

Journal Entries

- A. Budgeted interfund transfers shall be planned in the annual budget submitted to the State and so approved by the City Council. Operationally, they shall be performed by the City Administrator, reviewed by the City Treasurer, and approved by the City Council by appropriations ordinance in the month in which they occur. Every effort should be made to coordinate transfers between funds in December and June of each year.
- B. Coding/line item reclassifications shall be performed as needed by the City Administrator and reviewed by the City Treasurer. These journal entries shall be reflected in the account and fund totals on the monthly Treasurer's Report as accepted by the City Council during the course of regular monthly business agendas.

Encumbrances

An employee or officer of the City may not obligate the City to make payment for goods, services or any other purpose, until it has been determined that funds are actually available in the proper account for the specific purpose (each department is responsible for determining the availability of

funds). As such, an encumbrance must occur prior to disbursement of funds. Once funds have been encumbered, they cannot be expended for anything other than what was authorized under the original encumbering authority.

Encumbrances are to be created by purchase order approved by Department Heads in alignment with the adopted purchasing policy, included in this document. Funds shall be disencumbered using the same authority and approval process from which they were originally created (i.e. upon request of the Department Head with approval of either the City Administrator or the City Council, depending on purchasing authority outlined in the purchasing policy).

City departments may disencumber and re-encumber funds within the same fiscal year. Prior-year encumbered funds may not be increased but may be disencumbered by a City department. Exceptions to this rule are continuing appropriations (e.g. expenditures budgeted in funds outside the General Fund, which are carried forward to the next budget year) which may be increased or decreased. Prior-year disencumbered funds may only be reprogrammed by the Mayor and City Council. At the end of a fiscal year, all unencumbered funds will revert to General Fund balance carryforward (i.e. reserve balance).

If the funds are not disencumbered, they will continue to be regarded as obligated balances, thereby reducing the available unobligated account balances. Consequently, the timely disencumbrance of funds is necessary to reflect an accurate and updated status on the availability of funds. As a general rule, any encumbered funds that remain unspent by June 30th of each year shall be reverted to the General Fund balance carryforward (i.e. reserve balance). Material long-term contracts are exceptions to this rule.

Fund Management

Special Highway Fund

Purpose

To construct, reconstruct, alter, repair, and maintain the streets and highways of the city and for the payment of bonds, and interest thereon.

Statutory Authority

K.S.A. 12-1,119; K.S.A. 68-590; K.S.A. 79-3425c(c)

Establishing Ordinance

Unknown. State statute passed in 1987; no ordinance on file for Westwood.

Revenue Sources

- Motor Vehicle Fuel Tax/Special Highway Funds, received from the County on or after January 15, April 15, and October 15 of each year; and
- City Connecting Links/State Highway Maintenance distributions, received from the State on or after January 1, April 1, July 1, and October 1; State-established amount per lane mile for Rainbow Blvd. (approximately 3 miles).

Allowable Expenditures

- The construction, reconstruction, alteration, repair, and maintenance of streets, sidewalks, and highways
- Payment of bonds for such activities

Operational Management

Budgeting – Annual fund activity shall be shown on the state budget form of the City for the information of the taxpayers.

Coding – Expenditures for eligible projects should be coded to this Fund based on resource availability. Projects funded across multiple funds should be tracked by project number assigned by the City Administrator so as to ensure comprehensive project accounting. City Connecting Links/State Highway Maintenance distributions are to only be utilized for construction, reconstruction, alteration, repair and maintenance on Rainbow Blvd. (US-169 Hwy) within the City of Westwood.

Transfers – Annual transfer from the Special Highway Fund to the Capital Improvement Fund budgeted to cover eligible project costs for planned/programmed projects.

Reserve Target – There is no reserve target for this fund.

(Special) Law Enforcement Trust Fund

Purpose

For deposit of proceeds of sale and any monies forfeited when the police department is involved in the investigation and seizure of illegal controlled substance activity.

Statutory Authority

K.S.A. 60-4117

Establishing Ordinance

732, approved February 9, 1989

Revenue Sources

- Any remaining proceeds of sales of property which is not required by law to be destroyed and which is not harmful to the public, and following disposition of proceeds in the manner set forth by state law pursuant to K.S.A. 60-4117(c).

Allowable Expenditures

Expenditures are allowed only upon approval of the Governing Body and for only the following purposes:

- Defraying costs of protracted or complex investigations;
- Providing additional technical equipment or expertise;
- Providing matching funds for federal grants; and
- Other law enforcement purposes deemed appropriate by the Governing Body.

Operational Management

Budgeting – This fund is not budgeted. Neither the Police Department nor Governing Body shall anticipate future forfeitures or proceeds therefrom in the adoption and approval of its annual budget.

Reporting – Pursuant to Westwood Ordinance No. 732, should there be proceed in this fund, a quarterly report shall be submitted by the Police Department to the Governing Body specifying the type and approximate value of any forfeited property received and the amount of any proceeds received. Pursuant to K.S.A. 60-4117(d)2, the Police Department shall submit annually a special law enforcement trust fund report to the State of Kansas and such report shall specify, for such period, the type and approximate value of the forfeited property received, the amount of any forfeiture proceeds received, and how any of those proceeds were expended.

Transfers – The Governing Body may transfer amounts not needed, by adoption of a resolution, to the originating fund. Transfers into this Fund may include the equivalent of the annual depreciation on any given piece of equipment necessary to replace the used item when necessary.

Reserve Target – There is no reserve target for this fund.

Equipment Reserve Fund

Purpose

To finance the acquisition of equipment.

Statutory Authority

K.S.A. 12-1,117

Establishing Ordinance

752, approved August 21, 1991

Revenue Sources

- Proceeds of sales of surplus equipment;
- Grant proceeds; and
- Budgeted transfers from:
 - General Fund.

Allowable Expenditures

New and replacement equipment, including:

- Machinery;
- Vehicles;
- Computer hardware and software; and
- Any other equipment or personal property which the City is authorized to purchase for municipal purposes.

Operational Management

Budgeting – Adopt a five (5) year Equipment Replacement Plan during the annual budget process. Annual fund activity shall be shown on the state budget form of the City for the information of the taxpayers. This is a non-budgeted fund and, as such, budget authority is not annually adopted.

Coding – Revenues and expenditures from this fund shall be tracked by operating department. Generally, equipment with less than a five (5) year usable life or with a current value of less than \$10,000 should be acquired through the City's operating budget.

Transfers – The Governing Body may transfer amounts not needed, by adoption of a resolution, to the originating fund. Transfers into this Fund may include the equivalent of the annual depreciation on any given piece of equipment necessary to replace the used item when necessary.

Reserve Target – The reserve target for this fund is a minimum of 30% of the following fiscal year's revenue.

Capital Improvements Fund

Purpose

To fund the City's adopted multi-year capital improvement plan (CIP), setting forth the public improvement and infrastructure needs of the City on a prioritized basis.

Statutory Authority

K.S.A. 12-1,118

Establishing Ordinance

935, approved August 15, 2013

Revenue Sources

- 10 year ½-cent special sales tax (October 2018 – September 2028);
- Budgeted transfers from:
 - General Fund,
 - Special Highway Fund (including City Connecting Links/State Highway Maintenance distributions), and
 - Stormwater Utility Fund – amount shall reflect stormwater related project expenses;
- Year-end interfund transfers from operating budgets as recommended by City staff to be applied to reserve balance
- Intergovernmental cost share/aid proceeds (e.g. Johnson County CARS, State of Kansas KLINK);
- Grant proceeds;
- Reimbursements from bond proceeds, when active; and
- Special assessments, when active.

Allowable Expenditures

- Repair, restoration, and rehabilitation of existing public facilities;
- Engineering and other advance public improvement plans and studies; and
- Cost of issuance of debt issues for capital projects.

Operational Management

Budgeting – Adopt a five (5) year Capital Improvement Plan during the annual budget process. This is a non-budgeted fund and, as such, budget authority is not annually adopted.

Coding – Revenues and expenditures from this fund shall be tracked by project.

Transfers – The Governing Body may transfer amounts not needed, by adoption of a resolution, to the originating fund.

Reserve Target – The reserve target for this fund is 30% of annual expenditures.

Stormwater Utility Fund

Purpose

To provide services to real property within the incorporated city limits through collection, conveyance, detention, retention, treatment, and release of stormwater.

Establishing Ordinance

Charter Ord. No. 16, approved June 13, 2013

Ord. No. 936, approved August 15, 2013

Revenue Sources

- Stormwater utility fee

Allowable Expenditures

- Costs of capital improvements to operate, construct, maintain, repair and replace the public stormwater management system;
- Administration of the stormwater utility, including payment of employee salaries;
- Debt service of the stormwater management system; and
- Payment of interest on outstanding bonds issued for construction or extension.

Statutory Authority:

K.S.A. 12-631; K.S.A. 12-825d

Operational Management

Budgeting – Adopt an operating budget for the stormwater utility during the annual budget process. Annual fund activity shall be shown on the state budget form of the City for the information of the taxpayers.

Coding – Street sweeping and annual leaf pickup program expenses, including related equipment costs, are coded directly to this fund.

Transfers – May be transferred and merged into the General Fund or any other fund or funds of such city.

Reserve Target – The reserve target for this fund is 15% of annual expenditures.

Woodside Tax Increment/Special Allocation Fund

Purpose

Payment or reimbursement of project costs as described and set forth in the Redevelopment Agreement.

Establishing Ordinance

947, March 13, 2014 (repealed by Ord. No. 949)

949, June 12, 2014

Revenue Sources

- 1.1% CID [1] sales tax (on sales generated within Woodside Village and Woodside Club); and
- 0.9% CID [2] sales tax (on sales generated within Woodside Club, only).

Pursuant to the Redevelopment Agreement, two separate, segregated accounts shall be maintained by the City Treasurer for the following revenue sources:

1. *100% of the City's Incremental Real Property Taxes shall be deposited into the Real Property Taxes Account within the Special Allocation Fund,*
 - a. Increment of property tax above base, established at \$848,874 in the 2013 redevelopment plan; and
2. *40% of the City's Incremental Sales Taxes shall be deposited into the Sales Tax Account within the Special Allocation Fund,*
 - a. 40% of the City's local sales tax increment generated within the project area for the full term that the redevelopment plan is in place; base sales approximated to be \$4,918,787 as of the year prior to adoption of 2013 redevelopment plan.
 - b. This sum is calculated based upon the sales and use tax collected from businesses within the TIF project area, and does not include the City's portion of county sales tax receipts, nor any active special sales tax, nor does it include CID sales tax receipts or receipts.
 - c. The remaining 60% of the City's Incremental Sales Taxes are the City's to use at its discretion.

Allowable Expenditures

- Reimbursable project costs detailed in the 2013 redevelopment plan include: sitework, parking, infrastructure construction, and interest;
- Repayment of bonds:

- Series 2014 SO Tax Increment (TIF) Revenue Bonds in the principal amount of \$3,150,000;
- Series 2014A & 2014B Community Improvement District (CID) Revenue Bonds in the principal amount of \$1,700,000; and
- Payment of interest on the bonds.

Statutory Authority:

The Kansas Tax Increment Redevelopment Act, K.S.A. 12-1770 *et seq.*, as amended.

Operational Management

Budgeting – This Fund is not subject to statutory debt limitation or restriction and therefore does not need to be published on the state budget form.

Coding – Only expenditures to be coded to this Fund are disbursements to UMB.

Transfers – Annually, as a year-end transfer from the General Fund, the City Treasurer shall transfer 40% of the City’s local sales tax increment generated within the project area for the full term that the redevelopment plan is in place; base sales approximated to be \$4,918,787 as of the year prior to adoption of 2013 redevelopment plan. These tax proceeds are then disbursed to the bond holder.

Reserve Target – There is no reserve target for this fund.

Expiration – Except for CID Sales Taxes as set forth in the Redevelopment Agreement, no Real Property Taxes or Sales Taxes shall be collected within the Special Allocation Fund after that date which is twenty (20) years from the date of the approval of the Redevelopment Project Plan by the City Council.

Bond & Interest Fund/Debt Service Reserve Fund

Purpose

To repay the City’s general obligation debt as well as capital lease purchase payments.

Statutory Authority

K.S.A. 10-113

Establishing Ordinance

Resolution No. 79-2020

Revenue Sources

- ½ mill, deposited directly; and
- Budgeted transfers from:
 - General Fund,
 - Capital Improvement Fund, and
 - Stormwater Utility Fund (amount shall reflect stormwater related project expenses).

Allowable Expenditures

- Interest and principal on lease purchase agreements
- Interest and principal on bond payments for public capital projects

Operational Management

Budgeting – Annual fund activity shall be shown on the state budget form of the City for the information of the taxpayers.

Coding – Following the establishment of a sales tax trend, a corresponding amount of sales tax should be directly deposited into the debt service fund from the State.

Transfers – Annual transfer from the Capital Improvement Fund and Stormwater Utility Fund budgeted to cover debt payments. Should the City Council wish to pay down a debt issuance more expediently, annual transfers should be adjusted during budget adoption to pay down additional principle or interest.

Reserve Target – There is no reserve target for this fund. The fund should be budgeted to cover budgeted expenditures only, to enable flexibility of City resources.

Debt Management Policy

- A. The City will confine long-term borrowing to capital improvements which have an extended service life to the community, or to the acquisition of real property in situations where the City Council believes the acquisition of that property to be advantageous for purposes of carrying out objectives of the City's strategic plan.
- B. The City may use short-term debt (up to four years maturity) for bond anticipation purposes, or for the purposes of financing capital improvements for which it is not practicable to rely on cash financing, and for which long term debt is not deemed to be appropriate. Upon maturity of temporary notes, they should either be rolled into a longer term bond issuance or otherwise paid off.
- C. The City will follow a policy of full disclosure on every financial report and preliminary or official statement used to evaluate the City's financial condition for bond rating or investment purposes.
- D. General Obligation debt may be used for enterprise activities (including stormwater improvements), providing the specific enterprise fund makes the debt service payments on the bonds.
- E. General Obligation Bonds (City at-large portion) will normally be issued with a maturity similar to the life of the project funded not to exceed 20 years. The District portion for Special Assessment Bonds may not exceed the life of the GO Bond. Revenue Bonds or GO bonds for which enterprise revenue has been pledged, will be issued with a maturity not to exceed 40 years.

- F. General Obligation Bonds shall be issued with approximately level principal payments. Revenue Bonds shall be issued with approximately level debt service payments.
- G. The City will review the necessity of an application for a bond rating for every bond issue, and make all reasonable efforts necessary to maintain the City's bond ratings and seek upgrades when financial conditions merit.

The limit to debt issued by the city is equal to 30% of the total equalized assessed tangible valuation of the City.

Purchasing Policy

Purposes

- A. Encourage procurement of goods and services for use by the City of Westwood on the basis of the best necessary quality at the least cost (best value).
- B. Provide for ready availability of goods and services to support timely and effective service delivery, with a minimum of cumbersome procedure.
- C. Maintain a competitive private sector purchasing environment for the City of Westwood.
- D. Provide for appropriate budgetary control and financial oversight of the procurement process.

General

- A. In the interests of eliminating delays in service provision, the City will use a de-centralized purchasing system by which individual departments may make operational purchases independent of a central designated procurement coordinator, subject to the control of this policy, and, within that, at the discretion of the Department Head.
- B. Departments of the City are encouraged and expected to coordinate the purchase of similar items. Bulk or large quantity purchasing is encouraged in those areas where storage space is available, and inventory can be controlled.
- C. Any single purchases made in excess of \$500 are to have prior authorization of the Department Head and are subject to the further general oversight of the City Administrator. The Department Head's signature on the invoice, purchase order, or vendor quote shall be considered as an affirmative statement that they have reviewed all items on such purchasing commitment. As such, the invoice, purchase order, or vendor quote is required to be signed by the Department Head in all cases. Staff involved in purchasing is expected to use common sense and good judgment in the application of these guidelines.
- D. All goods must be verified as received prior to processing purchase orders for payment. Packing slips or sales receipts which are received and sent to the Department Head are regarded as acknowledgment that the goods were received. The Department Heads

submittal of the invoice or purchase order is an affirmative statement that the goods or services were properly ordered and received for City services.

- E. Goods and services purchased by the City are intended to provide services to the public. Diversion of materials or services purchased by the City to personal or private use (without public purpose) is considered to be misuse and will result in administrative and/or criminal justice system consequences.
- F. Where departments are spending federal grant money federal purchasing policies may supersede these policies. It is an expectation that departments maintain an awareness of when this is necessary.

Operational Purchasing

Purchases totaling less than \$500, needed in the routine course of work may be made by employees subject to the discretion and review of Department Heads. Purchases of more than \$500 but less than \$5,000 may be authorized by the Department Head.

Staff is encouraged to use informal quotes or written competitive bidding for supplies or materials acquired in bulk, or whenever appropriate in their best judgment. If taken, a tabulation of quotes shall be attached to the invoice or purchase order.

Purchases of items, material, or services less than \$5,000 in value, or when purchases of groups of items exceed \$5,000 in value, which items are of a routine operational nature and are regularly purchased by the Department, may be made by the Department Head subject to final approval by the City Administrator, without prior approval of the City Council. This specifically excludes equipment purchases or purchases that are not routine needs of the Department.

Purchases of items, material, or services less than \$25,000 in value, or when purchases of groups of items exceed \$25,000 in value, which items are of a routine operational nature and are regularly purchased by the Department, may be made by the City Administrator, without prior approval of the City Council.

For unavoidable emergency repairs to equipment that were not planned nor expected and exceed \$5,000 in value, Department Heads may approve such expenditures but such expenditures shall be also approved by the City Administrator and noted on the monthly Treasurer's Report for the month the emergency expenditure occurred and a full explanation of the circumstances of such emergency shall be documented in the minutes of the City Council Meeting and in the General Ledger for auditing purposes.

Non-routine, non-budgeted purchases over \$25,000 shall require the prior approval of the City Council.

Competitive Bidding

For purchases more than \$10,000 but less than \$100,000, written competitive bids or price quotations are required, except in the case where a pre-negotiated contract through another governmental agency for the product or service exists. Normally, a minimum of three (3) quotes

should be solicited. A quote tabulation should be attached to the invoice or purchase order. These purchases shall be requested by Department Heads and contracts and purchase orders are to be approved by City Council.

Sole-sourced procurement is allowed when requested by a Department Head and determined in writing to the City Administrator that the purchase meets the following conditions:

- A. Supplies or services are proprietary and only available from the manufacturer or a single distributor;
- B. Based on past procurement experience, it is determined that only one (1) distributor services the region in which the supplies are needed;
- C. Supplies or services are available at a discount from a single distributor for a limited period of time; or
- D. A firm has significant previous or specialized knowledge on a proposed project that would result in significant monetary and/or time savings in completion of the project.

Sole source purchases shall be subject to approval as follows:

- \$.01 – \$9,999.99: Department Head prior to purchase.
- \$10,000.00 - \$24,999.99: City Administrator prior to purchase, with written recommendation from the above.
- \$25,000.00 and over: City Council prior to purchase with written recommendation from the above.

Capital items that are specifically scheduled in the annual budget, and for which the cost exceeds \$100,000, shall be awarded by the City Council only after a closed bid process. The City Clerk shall solicit and receive closed bids in coordination with the Department Head.

Contracts for professional services, or similar services or items of a nature which render development of detailed specifications difficult or impossible; may be procured through the use of Requests for Proposals and negotiation of those proposals. The City Council may choose to award contracts procured by Request for Proposal based on qualifications rather than price alone.

Public works contracts exceeding \$100,000 shall be properly bonded. A surety bond shall be received from the contractor in a sum of not less than the sum total in the contract conditioned that such contractor shall pay all indebtedness incurred for labor, materials, equipment, or supplies consumed in the construction described in the contract.

Competitive bidding requirements may be satisfied through City participation in cooperative purchasing relationships which utilize competitive bidding.

Non-Competitive Bidding

Non-competitive bidding can be used when 1) The use of competitive bidding is not feasible, such as only one source is available, 2) There is a public emergency, or 3) The results of competitive bidding are inadequate.

- A. The scope of the proposed goods and/or services shall be defined as in competitive bidding. The scope will include the proposed goods and/or services, time frame, terms of compensation as defined by the City.
- B. The contract will be approved by City Council prior to executing a formal contract including bonds, if applicable. All unsuccessful bidders will be notified in writing with copies of the documentation retained in the City's files.

Change Orders

In the case of change orders on contracted purchases or projects, change orders up to 10% of the contract amount may be approved by the City Administrator upon request by the Department Head.

Purchasing Card Policy

Recordkeeping

In order to facilitate prompt payment on the account it is important that employees obtain appropriate documentation for purchases made with a purchasing card. Acceptable forms of documentation are:

- A. Itemized suppliers sales receipt.
- B. Charge slip with itemized description of the products purchased.

In any case, the documentation should clearly provide a description of the items purchased, in plain language. If it does not, the employee making the purchase should make a note describing the purchase. If needed, direction on this can be obtained from departmental supervisory staff.

Each employee cardholder will be responsible for submitting a detailed receipt for every purchase made on their card during the billing cycle. If a receipt is missing it will be the supervisor and/or employee's responsibility to locate the receipt or obtain a copy of the receipt. In the case no receipt copy is attainable, the employee who made the purchase should create a document describing the details of the purchase, which document shall be reviewed and approved by the Department Head. It is also the responsibility of the employee to ensure sales tax is not applied to the purchase on applicable sales within the state of Kansas.

Reconciling Statements

Purchasing card statements are to be reconciled to the detailed purchase records first by the employee to whom the purchasing card is issued and reviewed and approved by the Department Head before payment can be made. It is the card user's responsibility to obtain documentation for each purchase and to submit the same to the Department Head.

The Department Head is responsible for gathering that information and for presenting it to the City Administrator for reconciling it to the monthly statement.

Card Security

Each employee is responsible for the card provided to them. Any lost or misplaced cards must be reported to the Department Head immediately. The Department Head will report the lost or misplaced cards to the City Administrator.

The card is to be used for business expenditures only.

Purchases made with the card must comply with the other requirements of the City purchasing policy.

Balance Limits

The cards have been issued with initial balance limits of \$6,500. Employees that are aware that the balance is going to exceed the limit should notify the Department Head. The Department Head will contact the City Administrator to discuss obtaining a higher limit.

Changes in Staff

When an employee resigns or is otherwise separated from employment with the City of Westwood, cards in their care must be accounted for before the final paycheck is issued, as is the case with other City property.

Audit

The Department Head is responsible for ensuring that the required documentation is obtained and on file for each purchase. It is critical that any users of the card obtain sales receipts specifically identifying the nature of the purchase.

ACH Transactions and Wire Transfers

The City receives receipts and makes disbursements electronically, either through the ACH or wire transfer systems. These transactions may be initiated either by the City or by others.

For non-typical City-initiated transactions over \$100,000 in value, the City Administrator is responsible for creating the transaction and the City Treasurer is responsible for reviewing and approving such transaction prior to final disbursement.

In the case of ACH transactions and wire transfers initiated by others, it is normally (but not always) the practice for the initiating party to provide notice of the impending transaction.

All transactions are initiated by the City Administrator. Transactions initiated by outside agencies are done only upon some form of prior authorization (payroll reporting, sales tax return, etc.). Detailed documentation supporting the transactions is to be retained in the City Clerk's office.

Electronic transactions of this nature include:

- A. State provided revenue receipts (Sales Tax, Property Tax, Alcohol Tax, etc.). Notice for these are typically provided to the City Administrator, who will forward the notice to the City Clerk's receipting station to be entered as a receipt.

- B. Interest earnings.
- C. Grant proceeds from some State and Federal Agencies.

End of month procedure

Reconciliation should be completed monthly by the City Treasurer, with final approval by the City Administrator. In order to accomplish that, the following will need to happen:

- A. When the bank statement is first available, the City Treasurer will verify the credit card receipts against the statement.
- B. Interest income on the bank statement will be processed as a journal entry through the General Ledger. These entries will be approved by the City Administrator.
- C. The City Administrator will review the bank statements, and make any supplemental entries that are necessary or that have been missed during the month.
- D. Assemble the statements from the bank and the Investments report.
- E. The City Administrator will run a balance sheet for cash only and an outstanding transaction register from the financial software. The total of these reports must equal the total of the bank statements.

The following reports and information will be maintained as documentation:

- A. The final reconciliation report
- B. The bank statements
- C. The computer-generated Treasurer's Report
- D. The outstanding check register
- E. Distribution Notices from the State of Kansas, Johnson County, or other taxing jurisdictions
- F. Voided checks
- G. Insufficient fund notifications

Investment Policy

1.0 POLICY

It is the policy of the City of Westwood to invest public funds in a manner which will provide the highest investment return, with the maximum security, while meeting the daily cash flow demands of the City of Westwood and conforming to all state, county, and local statutes governing the investment of public funds.

2.0 SCOPE

The City Administrator will establish and maintain written procedures for the operation of the cash management and investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Administrator.

3.0 DELEGATION OF AUTHORITY

Responsibility for the management of the City's investment portfolio is delegated to the City Administrator. This policy applies to the cash management and investment activities of the City of Westwood, Kansas, except for the debt service funds, reserve funds, and other financial assets held by various fiscal agents and trustees as provided by the appropriate bond ordinance. The financial assets of all other funds shall be administered in accordance with the provisions of this policy.

4.0 OBJECTIVES

The City of Westwood recognizes that effective cash management is an integral component of good financial management. Therefore, it is the policy of the City that funds deemed idle, based on projected cash flow, be invested in a manner that seeks to maximize their productivity until such time as they are needed for the operations of the City. Investments shall be at the highest rates obtainable at the time of investment, within the limitations of the law and our prudent investment policy. The City's investment portfolio shall be designed and managed in accordance with the responsibility of ensuring the public's trust and consistent with state, county, and local laws.

4.1 Safety

The primary tenet of the City of Westwood investment strategy is ensuring the safety of principal. Cash investments of the City of Westwood shall be undertaken in a manner that seeks to maximize investment income while ensuring the preservation of capital in the portfolio.

4.2 Return on Investment

The investment portfolio shall be designed to attain, at a minimum, a market-based rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints, Kansas State Statutes, and the cash flow needs of the City's operations. Investments will be made at the highest rates obtainable at the time of investment, within the limitations of the law, and the City's prudent investment policy.

4.3 Liquidity

The City of Westwood's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements and expenses without early redemption of securities. In a situation where an unforeseen event arises that creates the need for securities in the portfolio to be sold, the following procedure will be followed. The amount and timing of the cash requirements will first be determined. A compilation of anticipated revenue and maturing investments will be made. The net amount of any cash shortage will then be calculated. The City's portfolio will be reviewed and those investments that can be sold prior to maturity will be evaluated to determine the order that the investments should be sold. Consideration will be given to the size of the investment, interest rate on the investment, and maturity date. In most cases, any investments that have gained in value will be sold first. In some cases, it may be necessary to negotiate the early liquidation of certificates of deposit. If those deposits are with more than one financial institution, the institution that requires the lowest penalty will be sold first. The City Administrator must approve all such sales.

5.0 INTERNAL CONTROL

5.1 Written Process

The City Administrator shall establish a system of written internal controls, which shall be reviewed annually by the independent auditor. These controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions. No security will be purchased without the approval of the City Administrator, or their designee

5.2 Delivery vs. Payment

All securities purchased under this policy will be on a delivery versus payment basis.

5.3 Investment Staff

Investments will be made either by the City Administrator, or employees, or third parties with experience and knowledge of investments by Kansas local governments. The quality and capability of the investment staff will be demonstrated by having prior experience in investing funds in accordance with K.S.A.12-1675, prior employment with a broker-dealer, or registered investment adviser that involved investing funds in

United States Government Agencies or Sponsored Corporations, or participating in training sponsored by an agency such as the Government Finance Officers Association that is familiar with governmental investing.

6.0 PRUDENCE

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the effectiveness of the government of the City of Westwood.

The standard of prudence to be used by investment officials shall be the “prudent investor” rule, which states, “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.”

The rule shall be applied in the context of managing the entire portfolio.

Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for a specific security’s credit risk or market price changes, providing deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

7.0 LEGAL AUTHORITY AND LIMITATIONS OF INVESTMENT INSTRUMENTS

All investments purchased for operating portfolios (i.e., not including bond proceeds or moneys held for expenditure pursuant to a multi-year capital improvement program or equipment reserve fund) under this policy shall be governed by K.S.A. 12-1675, et. seq. and all revisions thereto, as may be made by the Kansas Legislature. Investments are limited to a maximum maturity of two years unless the City’s investment policy is approved by the State of Kansas Pooled Money Investment Board (the “PMIB”), in which case the maximum maturity of investments can be for up to four years.

7.1 Presumption of Bank Deposits for Idle Operating Funds

With respect to operating portfolios (that is, not including bond proceeds or moneys to be used with respect to a multi-year capital improvement program or equipment reserve fund), Kansas law makes a presumption that idle funds will be deposited with commercial banks. As a result, the deposits below are permitted at any time:

7.1.1 Commercial Bank Deposits ^[1]_{SEP}

All bank deposits that qualify for protection from Federal deposit insurance also qualify as permitted

investments.

7.1.2 Certificates of Deposit (CDs)

Instruments issued by banks or savings and loans that state specified sums have been deposited for specified periods of time and at specified rates of interest. Certificates of deposit are required to be backed by acceptable collateral securities as dictated by K.S.A 9-1402.

7.2 Alternative Investments

To the extent commercial banks with main offices or branches located within the corporate boundaries of Johnson County, Kansas are unable or unwilling to provide deposits at rates meeting or exceeding those set forth by Kansas law, the City may, at its discretion, invest idle operating funds in the alternative investment provided by state law.

7.2.1 Repurchase Agreements (REPOs)

Repurchase agreements are contractual agreements between the City and commercial banks, trust companies, state or federally chartered savings and loan associations, or federally chartered savings banks. The repurchase agreement issuer receives cash and, in turn, sells securities to the City. The City agrees to resell the securities to the issuer on a specific future date at the original purchase price plus a negotiated interest payment. Repurchase agreements are required to be backed by acceptable collateral securities as dictated by K.S.A 9-1402. If the City's investment policy is approved by the PMIB, a repurchase agreement may be executed with a primary dealer or a broker-dealer registered in accordance with K.S.A.17-12a401.

7.2.2 United States Treasury Obligations

These are direct obligations that are insured as to principal and interest by the United States Government.

7.2.3 United States Government Agency Securities

United States Government Agency securities include indirect obligations of the federal government, issued by the Government National Mortgage Association and the Small Business Administration. These securities are backed by the full faith and credit of the United States Government.

7.2.4 Government Sponsored Corporations Instruments

Obligations of enterprises sponsored by the United States Government, such as Federal Farm Credit System, Federal Home Loan Mortgage Association, Federal National Mortgage Association, and the

Student Loan Marketing Association.

7.2.5 Kansas General Obligation Bonds

General obligation municipal bonds or other general obligations issued by any municipality of the state of Kansas as defined in K.S.A. 10-1101.

7.2.6 Kansas Municipal Investment Pool

A pool of investments consisting of CD's, United States Treasuries, United States Agencies, Commercial Paper, and Repurchase agreements. The pool is administered by the Pooled Money Investment Board.

7.2.7 Temporary Notes of the City

Although the City is permitted to hold its own temporary notes as investments, in most cases, the City's purchase of its own notes will result in the cancellation of such notes.

7.3 Modifications to Permitted Investments

The City Administrator may add other types of investments or modify this list at his/her reasonable discretion as changes to the statutes governing such investments are revised. The above instruments may be purchased from any financial institution permitted by Kansas law.

8.0 BOND AND TEMPORARY NOTE PROCEEDS

The City of Westwood may invest any bond or temporary note proceeds, as well as the balances in an equipment reserve fund designated by ordinance pursuant to K.S.A. 12-1,117, or balances in a multi-year capital improvement fund designated by ordinance pursuant to K.S.A. 12-1,118, which are not immediately needed, in accordance with Kansas Statute 10-131 and the specific bond or note resolution. Funds will be invested as required by federal regulations regarding arbitrage on tax-exempt bond proceeds.

The interest received on the investment of bond and note proceeds shall be used for the purpose of paying interest on the bonds or notes issued, or for paying the cost of the project for which the bonds or notes were issued.

9.0 CONTRACTS WITH FINANCIAL INSTITUTIONS

The City of Westwood may place funds with depositories having their main offices or branch locations located in Johnson County, Kansas as provided by K.S.A. 9-1401. All depositories of the City of Westwood shall execute a contract with the City of Westwood which shall designate the requirements of serving as a depository for the City, including collateralization of City funds invested at such depository, and the related

safekeeping requirements of the pledged securities. The City shall have a separate contract with the “operating bank” which will execute a contract once every three years in accordance with the practice of bidding banking services every three years. Any financial institution in which the City has funds shall provide such financial data to the City Administrator as may be required by the City to evaluate the financial condition of the institution. Such data will be in the form of audited financial statements, Federal Deposit Insurance Corporation regulatory reports, and shall be provided at least annually by the financial institutions to the City Administrator. Any refusal to provide such information to the City may be cause for termination of the depository contract with such institution.

9.1 Safekeeping of Securities

All securities will be perfected in the name of the City and held by the City or a third party custodian. A third party institution will hold securities pledged as collateral by the City’s financial institutions. The City is authorized to use the Federal Reserve Bank of Kansas City as a custodian, but may use other custodians as permitted by state law.

Safekeeping records of pledged securities may be mailed, faxed or emailed to the City in order to accommodate timely and legal investment transactions.

9.2 Collateralization

The City requires full collateralization of all deposits held by commercial banks that exceed the FDIC coverage limit, as required by Kansas State Statutes. Collateral underlying repurchase agreements is limited to obligations of the United States Government and its agencies. The City will accept as collateral for such deposits those securities listed in K.S.A. 9-1402 in the following manner:

- A. All deposits shall carry FDIC insurance (current protection extends to deposits up to a maximum of \$250,000 per institution), or
- B. If deposits on-hand at any eligible depository of the City exceed the then applicable FDIC insurance limit, such depository is required to pledge securities with a market value equal to not less than 100% of City deposits on hand (less \$250,00 per institution).
- C. Securities eligible to be pledged against City deposits include those listed below. The City may, at its sole discretion, reject any pledged securities proposed by any institution:
 - 1. Direct obligations of or obligations insured by the United States Government (By policy, market value equal to or exceeding 100% of deposits on hand.)
 - 2. United States Government Agency Securities (By policy, market value equal to or exceeding 105% of deposits on hand.)
 - 3. Bonds of any Kansas municipality or quasi-municipality that have been refunded in advance of their maturity and are fully secured by an irrevocable escrow consisting of non-callable US

Treasury and Agency securities. (By policy, market value equal to or exceeding 100% of deposits on hand.)

4. Bonds of the State of Kansas. (By policy, market value equal to or exceeding 102% of deposits on hand.)
5. General obligation bonds of any Kansas municipality. (By policy, market value equal to or exceeding 105% of deposits on hand.)
6. Revenue bonds of any Kansas municipality or quasi-municipality. (By policy, market value equal to or exceeding 105% of deposits on hand.)
7. Temporary notes of any Kansas municipality or quasi-municipality. (By policy, market value equal to or exceeding 102% of deposits on hand.)

The City Administrator or his/her designee will monitor the adequacy of collateralization weekly. The City requires monthly reports with market values of pledged securities from all financial institutions with which the City has certificates of deposit or repurchase agreements.

10.0 [RESERVED]

11.0 INVESTMENT PROCEDURES

As required by K.S.A. 12-1675, the City of Westwood gives preference to local financial institutions when investing idle operating funds. Before investing any funds, the City shall conduct a competitive bid process. Investment bids will be taken by the City Administrator, or his/her designee, at times when investment of idle funds would be in the best interest of the City.

Such bid requests may be made in writing and any required collateral forwarded to the City prior to the investment being purchased.

If one or more qualified financial institution is unable to meet or exceed the state calculated benchmark investment rate for a given maturity, the City may invest in the alternate permitted investments listed in Section 7.2 above.

12.0 INVESTMENT DIVERSIFICATION

Investment maturities shall be scheduled to coincide with projected cash flow needs. Cash flow needs will be projected based upon the weekly amount of claims paid, the biweekly payroll and anticipated revenue.

12.1 Investment Limitations per Institution

Pursuant to current policy of the Pooled Money Investment Board, the City may not limit the amount of bank deposits (including certificates of deposit) that can be held in its investment portfolio. In order to protect the City from the failure of any one financial institution, the City shall not invest more than 50% of

idle funds with any one financial institution. The 50% limitation does not apply to securities held in safekeeping by an institution on behalf of the City. The 50% limitation shall be determined prior to the solicitation of bids. If an institution exceeds the 50% limitation after the bids have been awarded, no further bids will be accepted from the financial institution until sufficient maturities have occurred to reduce their share of the portfolio to below 50%.

12.2 Investment Type

- A. The City imposes no restrictions on the amount of Bank Deposits it can hold in its investment portfolio.
- B. The City imposes no restrictions of the amount of U.S. Treasury or Agency obligations (including receipts evidencing ownership in such securities) it can hold in its investment portfolio.
- C. The City limits the amount of repurchase agreements it can hold to no more than 50% of its portfolio.
- D. The City limits the amount of investments in the Municipal Investment Pool to no more than 30% of its portfolio, except in January, February, July, and August each year (during which months the City may use the MIP to hold funds pending deposit with the State Treasurer for payment of principal and interest on its bonds.)
- E. The City imposes no restrictions on the amount of municipal refunding bonds with principal and interest fully secured by an irrevocable deposit of U.S. Treasury and Agency securities it can hold in its portfolio.
- F. The City limits the amount of Kansas general obligation bonds with a credit rating below “A3”, “A-”, or “A-” from Moody’s, Standard and Poor’s, or Fitch, respectively, to no more than 5% of its portfolio.
- G. The City limits the amount of Kansas general obligation bonds with a credit rating of “A3”, “A-”, or “A-” or higher from Moody’s, Standard and Poor’s, or Fitch, respectively, to no more than 30% of its portfolio.

12.3 Maturity

The maximum maturity for an investment for an operating fund is two years. The maximum maturity for an investment of bond proceeds or moneys to be used for a multi-year capital improvement program coincides with the expected timing of expenditure of such moneys. Investment maturities shall be distributed to coincide with projected cash flow needs to meet the objectives of Section 4.3.

13.0 REPORTING REQUIREMENTS

The investment officer shall generate investment reports for management purposes at least quarterly. The reports will be made available to the Westwood City Council as part of the quarterly financial report. In addition, the auditors will be provided a report on the City’s investments that shows the investment type, rating, and maturity. The report will also discuss interest rate risk, credit risk, concentration of credit risk,

and custodian credit risk.

14.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees 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 investment officials shall disclose to the City Administrator any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Westwood.

15.0 SEPARATE PROVISIONS OF POLICY AND CONFLICTS WITH KANSAS LAW

The above policies shall remain in full force and effect until revoked by the City Council. If, after adoption of this policy, there is any conflict of this policy with Kansas laws and/or statutes, current law shall dictate.

16.0 GLOSSARY

The following is a glossary of key investing terms that appear in The City of Westwood's Investment Policy.

Cash Flow—Cash receipts minus disbursements from a given asset, or group of assets, for a given period. An analysis of the movement of cash through a venture as contrasted with the earnings of the venture.

Certificate of Deposit—A time deposit with a commercial bank with a specific maturity evidenced by a certificate.

Collateralization—Process by which a borrower pledges securities or deposits for the purpose of securing the repayment of a loan and/or security.

Cost—An amount paid or required in payment for a purchase of an investment.

Fannie Mae—Fannie Mae (formerly the Federal National Mortgage Association) is a private stockholder-owned corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed rate mortgages. Fannie Mae's securities are also highly liquid and are widely accepted. Fannie Mae assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Home Loan Bank (FHLB) —Government-sponsored wholesale banks, which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLB is to liquefy the housing-related assets of its members who

must purchase stock in their district Bank.

Federal Home Loan Mortgage Corporation (FHLMC) —A federal agency which purchases first mortgages from members of the Federal Reserve System and the Federal Home Loan Bank System, referred to as “Freddie Mac.”

Interest Rate—The interest rate is the annual rate of interest received by an investor from the issuer of fixed income securities. It is also the percentage of an amount of money that is paid for its use for a specified time.

Internal Controls—An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Investment—Commitment of money to gain profit or interest as by purchasing securities.

Investment Agreements—An agreement with a financial institution to borrow public funds subject to certain terms and conditions regarding collateralization, liquidity and interest rates.

Kansas Municipal Investment Pool (MIP) —The State of Kansas offers a Local Government Investment Pool (LGIP) entitled “State of Kansas Municipal Investment Pool,” which is governed by the State of Kansas Pooled Money Investment Board.

Kansas Statutes—A written law enacted by the Kansas State Legislature.

Liquidity—Refers to the ability of an instrument to be converted into cash rapidly without substantial loss of value.

Market Value—The price at which a security is trading and could be purchased or sold on a given day.

Portfolio—Collection of securities held by an investor.^[SEP]

Principal—(1) The face amount or par value of a debt security. (2) One who acts as a dealer buying and selling for his own account.

Repurchase Agreement (Repo) —An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price at a specified later date.

Safekeeping—The holding of securities by a financial institution on behalf of the securities owners.

Safety—The measure of the degree of freedom from risk.

Securities—Documents that can be traded for value; an instrument of ownership or debt used to finance government and corporate entities.

Time Deposits—Another term for a savings account or certificate of deposit in a commercial bank.

United States Government Securities (Treasuries) —Bonds, notes, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to the full and timely payment by the United States of America.