

# FINANCIAL POLICIES & PROCEDURES

## CITY OF BOWLING GREEN, KENTUCKY



## COMMUNITY SERVICE GROWTH

ISSUED BY THE DEPARTMENT OF FINANCE

ORIGINAL POLICY: DECEMBER 15, 1987

AMENDMENTS:

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# TABLE OF CONTENTS

INTRODUCTION.....	1
SECTION I. ACCOUNTING AND ACCOUNTS PAYABLE .....	2
SECTION II. REVENUE COLLECTION AND ACCOUNTS RECEIVABLE .....	4
SECTION III. PAYROLL AND TAXABLE BENEFITS .....	6
SECTION IV. BANKING AND SEGREGATION OF DUTIES.....	7
SECTION V. INVESTMENTS .....	8
SECTION VI. PETTY CASH.....	12
SECTION VII. DEBT AND DEBT SERVICE .....	13
SECTION VIII. BUDGET MANAGEMENT .....	16
SECTION IX. TRAVEL POLICY .....	17
SECTION X. FUND BALANCE .....	18
SECTION XI. CAPITAL ASSETS .....	20
SECTION XII. CONFLICT OF INTEREST - GRATUITIES AND KICKBACKS.....	22
SECTION XIII. CITY PROCUREMENT CARD USAGE .....	23
SECTION XIV. INTERFUND TRANSFERS AND LOANS.....	24

## **INTRODUCTION**

The purpose of this policy is to provide general financial guidelines and procedures relating to financial matters of the City of Bowling Green. This policy shall be reviewed periodically to ensure effectiveness and appropriateness of current policies and to comply with changing accounting and legal requirements.

## SECTION I. ACCOUNTING AND ACCOUNTS PAYABLE

1. All accounting methods and financial statements of the City shall adhere to Generally Accepted Accounting Principles (GAAP) as applied to Governmental units and the Governmental Accounting Standards Board (GASB).
2. The Finance Department is responsible for the maintenance and oversight of the centralized functions of accounting and accounts payable for all City departments and shall issue an annual report of the City's audited financial statements in the form of an Annual Comprehensive Financial Report (ACFR) within six (6) months of the fiscal year-end. A brief summary of the ACFR shall be issued as a Popular Annual Financial Report (PAFR) and published within six months of the fiscal year-end.
3. A fiscal year-end soft close of all financial activity will be performed within 60 calendar days of year-end. All operational financial transactions will be recorded, all journal entries posted, all subsidiary ledgers reconciled, all balance sheets reconciled and materially correct, and all income and expense accounts reviewed and materially correct.
4. All Purchase Orders shall be issued in the City's financial software in numerical sequence and reconciled by Purchase Order Employees (POE) and the Finance Department.
5. All goods shall be inspected, counted and compared to the applicable Purchase Order before being accepted. All billings shall be recomputed for extensions, additions, discounts and pricing and then compared to the Purchase Order.
6. Determinations shall be made that the City is not paying Federal excise taxes or Kentucky State sales tax.
7. Supporting documentation shall be referenced to check or EFT number when paid, and vendor statements shall be regularly reviewed and reconciled to invoices.
8. Outstanding Purchase Orders shall be regularly reconciled to the encumbrance sub-ledger at the fund and department levels.
9. Each payment invoice should have correct vendor name and address, correct City general ledger account number, amount, Purchase Order number, complete description, explanation of purchase, and proper electronic approvals for payment.
10. Payment invoices should be queued for payment processing within twenty-four (24) hours of receipt of approved company invoice(s).
11. Purchasing policy details are found in the Purchasing Procedures Manual.
12. The Department of Finance shall have the right to withhold payment of City funds for items or services procured from any vendor doing business with the City if the vendor fails:
  - A. To provide the Department of Finance with its Federal Tax Identification Number (TIN) for tax withholding purposes as requested by the Substitute Form W-9; or
  - B. To be free of any liability to the City for reporting and paying taxes or fees.

**SECTION I. ACCOUNTING AND ACCOUNTS PAYABLE (Continued)**

13. City issued procurement cards are available for use by employees to purchase business related items and/or services that are small dollar and routine in nature. The procurement card program is administered by the Finance Department under the Procurement Card Policy; see Section XIII of the City's Financial Policies.

## **SECTION II. REVENUE COLLECTION AND ACCOUNTS RECEIVABLE**

1. Once received by City departments, all donations, reimbursements, and/or payments shall be presented to the Revenue Division in the Finance Department. Cash and checks shall not be stored or maintained by departments, except for petty cash.
2. When a check is presented to the City in payment of any account, steps shall be taken to secure the individual's name, address, and phone number for possible follow-up action if needed.
3. When "cold" checks are written for payment to the City, reasonable efforts in compliance with bank regulations will be made to redeposit the check and collect the funds. If this is not possible, offenders will be turned over to the County Attorney's office. The occurrence of two (2) consecutive cold checks within a twelve-month period will result in non-acceptance of checks as a form of payment; only cash, credit cards, cashier's checks, and/or money orders will be accepted. After a period of three (3) years of on time and fully processed payments, checks may again be an accepted form of payment.
4. When there are multiple outstanding bills due to the City that include delinquent bills as well as a current bill and a partial payment is presented, the payment should be applied to the principal amount of the oldest bill first.
5. Daily receipts shall be deposited intact and promptly, either by the Finance Department or by the remote collection points authorized by the Assistant City Manager/Chief Financial Officer. For such remote collection points, adequate daily reports regarding each deposit shall be promptly submitted to the Finance Department following the deposit.
6. All receipts collected and processed by City departments shall be reconciled and approved by Finance Department before being posted to the general ledger.
7. All occupational returns selected for audit, including those deemed un-reconcilable, shall be reviewed by comparing the return to its supporting documentation by the Office of Occupational License. Auditing guidelines will be applied consistently to ensure accurate calculation of taxes owed.
8. All billings of accounts receivable are to be issued by the Finance Department and entered in the financial software system unless otherwise authorized by the Assistant City Manager/CFO to be decentralized. In cases of decentralization, departments shall be responsible for maintaining accurate records of outstanding receivables and report those annually at year-end to the Finance Department.
9. Accounts receivable shall be written off as uncollectible only upon the approval of the Assistant City Manager/CFO. Such review shall occur annually at the end of the fiscal year.
10. All cash collection systems maintained by the City must be authorized by the Assistant City Manager/CFO and are subject to audit at any time.
11. Finance staff shall maintain strict confidentiality in regard to revenue collections and occupational license tax information. Furthermore, employees shall not be allowed to perform work on or inspect their own information or information of an immediate family member.

**SECTION II. REVENUE COLLECTION AND ACCOUNTS RECEIVABLE (Continued)**

12. Finance staff shall comply with written policy requirements of the Kentucky Department of Revenue Exchange of Information agreements as well as the City's Protection of Personal Information Policy.

### **SECTION III. PAYROLL AND TAXABLE BENEFITS**

1. All duties for approval, payroll preparation and distribution shall be segregated. The Human Resources Department is responsible for Master File updates for all employees and the Finance Department is responsible for payment of all wages and benefits.
2. Personnel records shall be maintained for all employees by the Human Resources Department and payroll records shall be maintained by the Finance Department.
3. Electronic Personnel Action forms are utilized for all employee changes. The forms are approved by the appropriate Senior Manager, Human Resources Director, and City Manager. Employee change forms are issued for: Appointments, Personnel Changes, Leave without Pay, and Terminations.
4. Senior Managers, or their designees, shall approve the payroll register electronically with each payroll period.
5. Advance authorization for overtime pay is required at the Departmental level.
6. Vacation, holiday, sick, and other leave with pay shall be reviewed for compliance with the Administrative Personnel Policy and Procedures Manual by the Departmental POE.
7. Taxable benefits, such as cell phone stipends and uniform costs, shall be paid to employees through the payroll process by the Finance Department. Tuition exceeding the IRS tax exemption limit shall also be paid to employees through payroll with all applicable taxes withheld.
8. Tax obligations relative to non-cash benefits provided to City employees, such as use of municipal vehicles, shall be deducted by the Finance Department from applicable employee payroll checks on an annual basis; while gifts, prizes, and uniforms shall be deducted monthly and one-day trip meals on a quarterly basis.
9. Payment to City employees for "excess" sick leave shall be made each month by the Finance Department.
10. Payroll earnings from the City shall be paid to employees by way of direct deposit. The Direct Deposit authorization form must be completed and submitted to the Finance Department within the first week of hire. Subsequent banking changes must be documented on the direct deposit authorization form and submitted no later than seven (7) days prior to the next payroll check date.
11. Items in this Section are also intended to be consistent with the provisions of the City's Personnel Manual and Taxable Fringe Benefit Guide, and are not intended to be in conflict therewith.



#### **SECTION IV. BANKING AND SEGREGATION OF DUTIES**

1. Banking service contracts shall be awarded to a local financial institution through a competitive procurement process using Request for Proposals on a periodic basis.
2. All bank accounts shall be authorized by the City Board of Commissioners through Municipal Order. Only those officials approved through Municipal Order by the Board of Commissioners shall be allowed to sign City checks and administer the City's banking program.
3. All checks shall bear two (2) imaged signatures, which have been designated by Municipal Order as the City Manager and Assistant City Manager/Chief Financial Officer. Any changes to the designated check signers must be approved by Municipal Order. These officials shall not have access to initiating purchases, processing checks, entering accounts payable, posting journal entries in general ledger, or posting payroll batches, and shall refrain from these and other tasks that would weaken the segregation of duties as it pertains to internal controls.
4. All City checks shall be signed by the computerized check writer in-lieu-of manual signatures. All City electronic funds transfers (EFT) shall be initiated by the Finance Department as part of the payment process. Proper accounting procedures shall be taken to safeguard the use of the check writer and financial data, including the use of specialized ink and check stock to deter fraud.
5. All City bank accounts shall be reconciled promptly at the end of each month by person(s) independent of handling cash receipts, accounts receivable bookkeeping, general ledger, check writing and revenue recording.
6. The person(s) reconciling the bank accounts shall receive monthly bank statements electronically on the first of each month in addition to electronic bank reports of daily activity. Other reports shall include source documentation and check images as available.
7. The person(s) reconciling the bank accounts shall periodically review the monthly reconciliation with the Assistant City Manager/CFO. In addition, the Assistant Chief Financial Officer will review daily reconciliations of the operating fund, while the remaining accounts are reconciled monthly and reviewed periodically. The Assistant City Manager/CFO, Internal Auditor, and Procurement Manager shall review payment registers containing all paid invoices on a rotating weekly basis.
8. Checks that remain outstanding for a period of sixty (60) to ninety (90) days from the date of issue shall be subject to investigation by the Finance Department. Checks which are still outstanding ninety (90) days from the date of issue shall become void. Void check information shall be automatically posted and accessible through the check reconciliation program. The City follows all applicable Unclaimed Property and/or Escheatment guidance issued by the Commonwealth of Kentucky.
9. The City shall maintain insurance coverage for crime, theft and misappropriation of funds on all employees. Senior level employees such as the Assistant Chief Financial Officers, Assistant City Manager/CFO, and City Manager possessing signatory authority or other authority over City bank accounts shall be covered at higher levels of coverage as deemed appropriate by the City's Risk Manager under the City's Government Crime policy.

## SECTION V. INVESTMENTS

1. It is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all State statutes and City regulations governing the investment of public funds. This investment policy applies to all financial assets held directly by the City and are accounted for in the City's annual financial report. Financial assets of the City held and invested by trustees or fiscal agents are excluded from these policies; however, such assets shall be invested in accordance with State laws applicable to the investment of local government funds and in accordance with the City's primary investment objectives.
2. Investments shall be placed only as follows:
  - A. With financial institutions or brokers/dealers which maintain an office located within the City limits of Bowling Green; or,
  - B. With a parent or subsidiary of a financial institution which maintains a full-time office located within the City of Bowling Green; or,
  - C. Through authorized investment pools through either the Commonwealth of Kentucky or the Kentucky League of Cities.
3. The City of Bowling Green's primary investment objectives, in order of priority, are as follows:
  - A. *Safety*. Safety of principal is the foremost objective of the City's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
  - B. *Liquidity*. The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
  - C. *Return on Investment*. The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.
4. Management responsibility for the City's investment program is hereby delegated to the Assistant City Manager/CFO. The Assistant City Manager/CFO shall have the authority, subject to the disapproval of the City Manager, to establish additional specific written procedures for the operation of the investment program which are consistent with this investment policy. The procedures shall include explicit delegation of authority, if any, to persons responsible for investment transactions. The Assistant City Manager/CFO, or designee, shall maintain all records related to the City's investment.
5. The actions of the Assistant City Manager/CFO as manager of the City's funds shall be evaluated using the "prudent person" standard that states, "investments shall be made with judgment and care under prevailing circumstances 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 and the probable income to be derived." The Assistant City Manager/CFO, acting in

## SECTION V. INVESTMENTS (Continued)

accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion to the governing body and appropriate action is taken to control adverse developments.

6. City investment funds shall only be invested in the following types of instruments in accordance with this policy and all applicable State statutes:
  - A. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
  - B. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
    1. United States Treasury
    2. Export-Import Bank of the United States
    3. Farmers Home Administration
    4. Government National Mortgage Corporation
    5. Merchant Marine Bonds
  - C. Obligations of any corporation of the United States government, including but not limited to:
    1. Federal Home Loan Mortgage Corporation
    2. Federal Farm Credit Banks
    3. Bank for Cooperatives
    4. Federal Intermediate Credit Banks
    5. Federal Land Banks
    6. Federal Home Loan Banks
    7. Federal National Mortgage Association
    8. Tennessee Valley Authority
  - D. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4).
  - E. Commercial paper rated in the highest category by a competent rating agency, which is an agency certified or approved by a national entity that engages in such a process as further defined in KRS 66.480(11).
  - F. Bonds or certificates of indebtedness of the Commonwealth of Kentucky or of its cities, counties, agencies and instrumentalities.

## SECTION V. INVESTMENTS (Continued)

- G. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a competent rating agency.
- H. Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
  - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
  - 2. The management company of the investment company shall have been in operation for at least five (5) years; and,
  - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this Section.
- I. Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation.
- J. Individual high-quality corporate bonds that are managed by a professional investment manager that:
  - 1. Are issued, assumed or guaranteed by a solvent institution created and existing under the laws of the United States;
  - 2. Have a standard maturity of no more than ten (10) years; and,
  - 3. Are rated in three (3) highest rating categories by at least two (2) competent credit rating agencies.
- 7. The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the investment portfolio by institution, type of investment instrument, and term to maturity shall be the primary method to minimize investment risk. To the extent possible, the City will attempt to match investments with anticipated cash flow requirements.
- 8. The Assistant City Manager/CFO shall evaluate the financial capacity and credit worthiness of financial institutions and broker/dealers prior to the placement of the City's investments. The Assistant City Manager/CFO shall periodically review the financial condition and registrations of financial institutions and broker/dealers and, based on the review, make any recommendations regarding investment policy or program changes determined to be necessary.
- 9. It is the policy of the City to diversify investment portfolios within the restrictions of State and Federal law, limiting investments in securities to twenty percent (20%) of total investment with no more than five percent (5%) of total investment in a single issuer absent exceptions provided in KRS 66.480(2)(d). The City is also restricted from investing forty percent (40%) of allowed securities investment total in mutual funds and exchange traded funds, individual equity securities and individual high-quality corporate bonds pursuant to KRS 66.480 (2)(b). As of January 2020, any investment held that does not meet these guidelines shall be exempted from the requirements of this policy until maturity or liquidation of such monies, at which time such monies will be reinvested only as provided herein.

## **SECTION V. INVESTMENTS (Continued)**

10. It is also the policy of the City to require that all cash and investments maintained in any financial institution named as depository be collateralized. The collateralized level shall be at least 100% of the market value of principal after any applicable FDIC coverage. Collateral shall be limited to the types of instruments authorized as collateral for State funds in KRS 41.240. The right of collateral substitution is permissible subject to approval by Assistant City Manager/CFO.
  
11. New City investment accounts shall be established by the Assistant City Manager/CFO and require two signatures, which may include the City Manager, Assistant City Manager/CFO, and Assistant Chief Financial Officer supervising the Revenue Division. In cases of joint accounts with other governmental agencies, only one City official signature will be required.

## **SECTION VI. PETTY CASH**

1. Petty cash funds shall be created, closed, increased or decreased only upon the approval of the Assistant City Manager/CFO, or designee.
2. Custodianship of each petty cash fund shall be assigned to a responsible person approved by the Assistant City Manager/CFO, or designee; changes in custodianship must also be approved by the Assistant City Manager/CFO, or designee.
3. Duties of the petty cash custodians must be properly segregated from those employees creating reimbursements for the fund.
4. Petty cash funds must be stored in a safe, locked location.
5. The amount of individual disbursements and maximum amount of total disbursements in any one transaction shall be restricted to a specified and reasonable amount as determined by the Assistant City Manager/CFO.
6. All disbursements from petty cash require the completion of a pre-numbered voucher in ink, supported by vendor documents and signed as received by a responsible employee other than the custodian.
7. Reimbursements shall be made by check payable to the custodian of the individual petty cash fund.
8. Upon reimbursement, invoices for expenditures shall be reviewed by a responsible employee other than the custodian. The petty cash custodian is also responsible for completing the petty cash reconciliation form monthly and as the petty cash fund is replenished.
9. Petty cash system(s) maintained by the Police Department for investigative purposes may require special accounting and internal control procedures that must be reviewed and approved by the Internal Auditor and Assistant City Manager/CFO.
10. The petty cash fund may not be used to circumvent City purchasing procedures.

## SECTION VII. DEBT AND DEBT SERVICE

1. The purpose of this Debt Service Policy is to establish parameters and provide guidance governing the issuance, management and continuing evaluation of and reporting on all debt obligations issued by the City of Bowling Green and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy. All debt and similar obligations shall be authorized by the City Board of Commissioners and must adhere to guidelines stated hereafter.
2. The objectives of the City of Bowling Green Debt Policy are:
  - A. Minimize debt service and issuance costs;
  - B. Maintain access to cost-effective borrowing;
  - C. Achieve the highest practical credit rating;
  - D. Full and timely repayment of debt;
  - E. Maintain full and complete financial disclosure and reporting;
  - F. Ensure compliance with applicable State and Federal laws.
3. The Finance Department shall be responsible for managing and coordinating all activities related to the issuance and administration of debt. The Finance Department shall be responsible for the preparation of debt service schedules including forecasts of short and long-term borrowing for planned expenditures in future years.
4. All debt instruments are to be signed by the Mayor of the City, following approval by the Board of Commissioners.
5. The City has established the following purposes for debt issuance:
  - A. Long-term borrowing may be used to finance the acquisition or improvement of land, facilities, or equipment for which it is appropriate to spread these costs over more than one budget year. Long-term borrowing may also be used to fund capitalized interest, cost of issuance, required reserves and any other financing-related costs which may be legally capitalized. Long-term borrowing shall not be used to fund City operating costs.
  - B. Short-term borrowing, such as commercial paper and lines of credit, will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing related costs. Additionally, short-term debt may be considered if available cash is insufficient to meet short-term operating needs.
  - C. Refunding will generally be considered (within federal tax constraints) if and when there is a net economic benefit of the refunding of at least three percent (3%) of the refunded debt. Refundings may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status, issuer or the debt service profile and will be considered on a case-by-case basis. Refundings with negative savings will not be considered unless there is a compelling public policy objective that is accomplished by retiring the debt.

## SECTION VII. DEBT AND DEBT SERVICE (Continued)

6. The City may also desire to issue debt obligations on behalf of external agencies or authorities for the purpose of constructing facilities or assets which further the goals and objectives of the City government.

In such case, the City shall take reasonable steps to confirm the financial feasibility of the project, the financial solvency of the borrower or developer; and consider all the potential risks of financially supporting the project before reaching a final decision.

7. The Assistant City Manager/CFO shall solicit rate quotations from appropriate financial institutions for the issuance of all short-term notes and leases. The quotations shall be reviewed and evaluated by the Assistant City Manager/CFO who shall make a recommendation for consideration and approval by the City Board of Commissioners in the issuance of the debt instrument.
8. The City will keep outstanding debt within the limits of the Kentucky Revised Statutes and any other applicable law.
9. The City seeks to obtain and maintain the highest possible credit ratings for all categories of short and long-term debt. The City will not issue bonds directly or on behalf of others that do not carry investment grade ratings.
10. The following structural features are hereby established by the City:
  - A. Debt Repayment. Debt will be structured for a period consistent with a fair allocation of costs to current and future beneficiaries of the financed capital project. The City shall structure its debt issues so that the maturity of the debt issue is consistent with the economic or useful life of the capital project to be financed. When feasible, level debt service payments should be structured to avoid delays in the amortization of principal balances.
  - B. Variable-rate Debt. The City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. Such issuance must be consistent with applicable law and covenants of pre-existing bonds, and in an aggregate amount consistent with the City's creditworthiness objectives.
11. The City shall work with a qualified outside Financial Advisor and Bond Counsel in addition to qualified internal staff to assist in the analysis, evaluation, and decision process related to the issuance of long-term bonds or notes.
12. Except to the extent a competitive process is required by law, the Assistant City Manager/CFO shall be responsible for determining the appropriate manner in which to offer any securities to investors. The City's preferred method of sale is competitive bid. However, other methods may be considered on a case-by-case basis.



## **SECTION VII. DEBT AND DEBT SERVICE (Continued)**

13. All debt and all proceeds from debt shall be immediately recorded as to account, amount, and service period.
14. The investment of bond proceeds shall be consistent with federal tax requirements, the City's Investment Policy (Section V.), and with requirements contained in the governing bond documents.
15. The City is committed to full and complete primary and secondary market financial disclosure in accordance with disclosure requirements established by the Securities and Exchange Commission and Municipal Securities Rulemaking Board. The City is also committed to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, timely and accurate financial information.
16. The Finance Department shall maintain a system of record keeping and reporting to meet the arbitrage compliance requirements of the federal tax law.

## **SECTION VIII. BUDGET MANAGEMENT**

1. The City Manager, or designee, is responsible for preparing and submitting an Annual Operating Budget and a Capital Improvement Plan to the City's Board of Commissioners for formal review and adoption for each fiscal year. The fiscal year of the City shall begin on the first day of July and end on the last day of June.
2. The Assistant City Manager/CFO is responsible for issuing the budget calendar, coordinating all budget activities and preparation of the Annual Operating Budget as well as the day-to-day management of the Annual Operating Budget.
3. The Assistant City Manager/CFO is also responsible for preparation of the annual revenue budget projection for the General Fund and other major funds. Budgeted expenditures for the General Fund and other major funds must be equal to or less than the budgeted revenues for the General Fund and other major funds, unless the use of fund balance for one-time capital-related expenditures is determined to be feasible by the staff budget team.
4. Budget amendments are defined as changes to the Annual Operating Budget which increase or decrease revenues, expenditures, or reserves in an operating fund above or below the levels adopted by the original Budget Ordinance for the Fiscal Year. Amendments are approved by Ordinance of the City's Board of Commissioners.
5. Budget transfers are defined as changes to the Annual Operating Budget revenues, expenditures, or reserves in an operating fund as adopted in the original Budget Ordinance for the Fiscal Year that do not result in a net increase or decrease in an operating fund. Departments may request transfer of appropriated amounts within certain accounts in their own budgets, or request contingency funds through the Assistant City Manager/CFO. The Assistant Chief Financial Officer and Assistant City Manager/CFO may transfer within or between any one or more City Departments, agencies, programs, or accounts in any one City fund to reconcile budget variances.
6. General Fund sub-funds, Golf and Aquatics, are considered units of the General Fund and budget transfers posted between these funds shall be considered General Fund amendments. Amendments between the sub-funds are subject to approval by the City Manager and Assistant City Manager/CFO.
7. Annually, as part of the Budget process, the Assistant Chief Financial Officer shall review all planned expenditures recommended in all of the City's special revenue funds for the next fiscal year to confirm that expenditures meet the special purpose of the fund.

## SECTION IX. TRAVEL

1. The Finance Department's Accounting Division is responsible for establishing rules, regulations, and required documentation for advancing or reimbursing employees for authorized City-related travel either locally or out-of-town.
2. The Accounting Division shall issue a Travel Policy and shall supply appropriate forms necessary for City employees and City officials to properly complete to record authorized travel.
3. All local and out-of-town travel involving the use of one's personal vehicle may be reimbursed at the rate set periodically by the Internal Revenue Service.
4. All out-of-town travel with anticipated expenses must be requested in advance and approved by the appropriate Senior Manager or designee. The City Manager shall authorize all travel for Senior Managers.
5. If an advance of City funds for travel expenses by an employee is desired, the request must be received by the Finance Department no later than five (5) working days prior to departure or desired date of payment.
6. All travel expenses and cash advances to employees for out-of-town travel expenses shall be reconciled as to form, documentation, and monetary value no later than five (5) working days following return from the trip.
7. Per Diem meal/gratuity allowances are mandated for overnight travel eliminating the necessity of accumulating actual receipts. The per diem meal/gratuity allowance is only available to an employee on an advance basis and should not be requested after the travel occurs. The City's per diem meal/gratuity allowance for each eligible meal is based upon the destination city of travel per GSA rules.
8. Meals and other travel expenditures incurred for one-day trips will be advanced to the employee as defined in the Travel Policy Manual. Meals will be prepaid at the per diem rate of the destination city and other expenditures will be reimbursed upon return and substantiation. All one-day reimbursements are taxable to the employee and will be withheld on a quarterly basis through the payroll process.
9. The City shall pay for the cost of fuel, additives and any repairs to a City vehicle used in out-of-town travel. Employees are required to produce a receipt of all City vehicle expenses.
10. The City's procurement card cannot be utilized in-lieu-of the per diem allowance by City employees and officials for meals during travel, with the exception of documented business meal expenses for meetings with associates not employed by the City.
11. Items in this Section are intended to be considered consistent with the City's Travel Policy and are not intended to conflict therewith. The Assistant City Manager/CFO may approve interim policy changes pending later approval of the Board of Commissioners.

## SECTION X. FUND BALANCE

1. The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances.

The Fund Balance consists of five (5) categories:

- A. Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.
  - B. Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation. Examples include grants and projects funded through bond proceeds.
  - C. Committed Fund Balance consists of funds that are set aside for a specific purpose, such as Stabilization Arrangement, by Ordinance approved by the City's highest level of decision making authority (Board of Commissioners). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
  - D. Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose (such as encumbrances) by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance, unless in a General Fund.
  - E. Unassigned Fund Balance consists of excess funds that have not been classified in the previous four (4) categories. All funds in this category are considered spendable resources and are only found in the General Fund. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.
2. Nonspendable funds are those funds that cannot be spent because they are either:
    - A. Not in spendable form (e.g. inventories and prepaid expenses), and/or
    - B. Legally or contractually required to be maintained intact.
  3. Restricted funds are those funds that have constraints placed on their use either:
    - A. Externally by creditors, grantors, contributors, or laws or regulations or other governments, and/or
    - B. By law through constitutional provisions or enabling legislation.

## SECTION X. FUND BALANCE (Continued)

4. When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.
5. The Board of Commissioners has the authority to set aside or constrain funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of an Ordinance. The passage of an Ordinance must take place prior to June 30<sup>th</sup> of the applicable fiscal year. If the actual amount of the commitment is not available by June 30<sup>th</sup>, the Ordinance must state the process or formula necessary to calculate the actual amount as soon as information is available.
6. The desired minimum fund balance in the General Fund shall be 25% of estimated revenues adopted in the upcoming fiscal year budget. Furthermore, additional committed or assigned fund balance that is set aside by the Board of Commissioners or the Assistant City Manager/CFO may be carried forward to future fiscal years to fund new projects or one-time expenditures.

In the event that the Minimum Fund Balance drops below the established minimum level, the Assistant City Manager/CFO, or designee, will develop a plan to replenish the balance to the established minimum level through expenditure reductions or by capturing surplus revenues at the end of the fiscal year.

7. Authority is given to the City Manager and Assistant City Manager/CFO to assign funds for specific purposes. Funds set aside as Assigned Fund Balance must be included in a Budget Amendment and approved by Ordinance. The Board of Commissioners has the authority to remove or change the assignment of the funds with a simple majority vote.
8. Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls. Unassigned fund balance may be used in funds other than the General Fund for deficit reporting only.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures upon approval of a budget amendment by the Board of Commissioners. The Assistant City Manager/CFO shall monitor the level of unassigned fund balance and report fund levels to the City Manager on a periodic basis.

## SECTION XI. CAPITAL ASSETS

1. Capital assets are real, intangible, or personal property that have a value equal to or greater than the capitalization threshold for the particular classification of the asset and have an estimated useful life of greater than two years. A capital asset shall be reported and, with certain exceptions, depreciated using the straight-line method based on the depreciation schedule set for the corresponding asset classification.
2. The Finance Department shall maintain a General Capital Asset Group of Accounts in order to safeguard municipal vehicles, equipment, land, buildings, improvements, intangible property, and facilities. The Finance Department shall also conduct random physical inventory verifications in addition to a biennial citywide physical inventory.
3. All capital assets shall be valued at historical cost or estimated historical cost if the actual cost is not available. Donated assets shall be recorded at the acquisition cost at the time the City takes ownership. The acquisition value is the price that would be paid to acquire an asset and place it into equivalent operational service.
4. Public domain infrastructure assets consisting of certain improvements other than buildings and including such items as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems shall be included in the City's records according to the Governmental Accounting Standards Board (GASB), Statement 34.
5. Assets of any City Enterprise Fund shall be maintained and accounted for separately within the Enterprise Fund. All general capital assets will be tracked in the General Government Asset Fund.
6. Assets with a life expectancy of two (2) years or more shall have the following capitalization thresholds and be recorded as capital assets by the Accounting Division:
  - A. Equipment with a value of \$7,500 or more,
  - B. Intangible software assets with a value of \$7,500 or more,
  - C. Land, buildings and improvements with a value of \$25,000 or more, and
  - D. Infrastructure, including streets, sidewalks, and storm drainage, with a value of \$50,000 or more per project.

All capital assets are assigned an asset number by the Finance Department and equipment assets will be tagged with a City Asset Tag, which is a green, metal sticker affixed to the asset.

7. No item or property belonging to the City shall be disposed of by any department unless the following steps are taken:
  - A. The department shall submit a request for disposal of the item or property to the Procurement Manager. The request shall include a complete description of the item or property, the asset tag number (if applicable), condition and location of the item(s), the reasons for the disposal of the item or property, and recommended method of disposal.

## **SECTION XI. CAPITAL ASSETS (Continued)**

- B. All items or property determined to be surplus may only be disposed of in one (1) of the following manners:
  - 1. Transferred to another governmental agency with or without compensation, by written request from the Department Head and approved by the Procurement Manager and City Manager.
  - 2. Sold at public auction.
  - 3. Sold by sealed bid in accordance with KRS 45A.365.
  - 4. If no bids are received, the item or property may be disposed of as deemed appropriate by the department in which the item or property is located and the Procurement Manager.
  
- 8. Surplus/obsolete items will be made available to City departments to utilize if needed. If the item is utilized, the Procurement Manager will notify the appropriate staff in the Finance Department to transfer accountability for the asset to the new department within the financial software. If the item is not utilized, the Procurement Manager will prepare the item for auction.
  
- 9. Function of government classifications shall be based upon the department responsible for the maintenance and safekeeping of each asset.
  
- 10. Controlled assets are defined as those assets with a life of two (2) years or more and a value less than \$7,500 and as having special legal, safety, and/or heightened risk of theft characteristics that require them to be tracked; such as handguns, items acquired through grant contracts, and electronic equipment. Departments may track such assets within the City's financial software or manually outside the system.
  
- 11. Intangible right-to-use assets are those assets leased by the City, where the City is the lessee, meeting the requirements set forth in the Governmental Accounting Standards Board (GASB) Statement Number 87, Leases. The capitalization threshold for intangible right-to-use assets is \$25,000 or greater in future lease payments through the lease term. Assets with remaining lease payments below the threshold shall be expensed as payments are made. The threshold should only be applied once upon entering into a lease agreement as defined by GASB Statement 87.

## SECTION XII. CONFLICT OF INTEREST - GRATUITIES AND KICKBACKS

1. The City has created a comprehensive Ethics Policy, which is contained in Chapter 25 of the City Code of Ordinances. The items listed below are consistent with those requirements and are not intended to be in conflict therewith. The Code of Ordinances will rule if there are any discrepancies between the two.
2. With the exception of public bidding, no City employee with procurement authority may participate directly in any procurement contract or subcontract, or any procurement proceeding in which to their knowledge:
  - A. They, or any member of their immediate family (spouse, children, grandchildren, parents, grandparents, brothers and sisters, in-laws and stepbrothers and sisters, or half brothers and sisters), has a financial interest therein.
  - B. Financial interest shall mean:
    1. Ownership of any interest which the employee has, within the past three (3) years, received more than \$1,000 per year, or its equivalent; or
    2. Ownership of more than ten percent (10%) interest in any business; or
    3. Holding a position in a business such as an officer, director, trustee, partner, employee, or the like.
3. It shall be a breach of ethical standards for any person to offer, to give, or to agree to give any City employee, or for any City employee to solicit, demand, accept, or to agree to accept from any person, a gratuity, monetary kickback, or an offer of employment in connection with any decision, approval, disapproval, recommendation, or preparation of any part of a purchase contract, subcontract, or any solicitation or proposal thereof.
4. Gratuity shall mean a payment, loan, subscription, advance, and deposit of money, services or anything of more than one hundred dollars (\$100) in value, present or promised, unless consideration of substantially equal or greater value is received.
5. Each elected official and certain City employees as listed in Subsection 25-12 (1) of the Code of Ordinances shall annually file with the Board of Ethics a "Financial Interest Form" disclosing any and all material information relative to real, possible, or potential conflicts of interest with respect to City procurement. The Financial Interest Form shall include the information required in Subsection 25-12 (9) of the Code of Ordinances.
6. The City shall not provide "gifts" to vendors in exchange for, for reduction in, in place of, or in appreciation for an actual expense incurred by the City.
7. Items in this Section are also intended to be consistent with the provisions of the Model Procurement Code contained in KRS Chapter 45A, which have been adopted by the Board of Commissioners, and are not intended to be in conflict therewith.



### **SECTION XIII. CITY PROCUREMENT CARD USAGE**

1. The City Board of Commissioners shall authorize the creation of any procurement card accounts to be used by the City in its procurement card procedures.
2. The Assistant City Manager/CFO and the Procurement Card Program Administrator(s) are responsible for establishing rules, regulations, training and required documentation for the use of procurement cards by City employees for authorized City-related procurements.
3. The Finance Department shall maintain the Procurement Card Policy and Procedures Manual and shall supply appropriate forms necessary for administration of the program.
4. Personal use of the procurement card by a City employee or City official is prohibited. Any such use will require immediate reimbursement and may result in disciplinary action and/or possible dismissal.
5. The provisions of the City's Manual of Purchasing Policies and Procedures and Procurement Card Policies and Procedures Manual shall be followed at all times while the procurement card is being used.
6. Each City employee or official who has been issued a City procurement card shall be responsible for the maintenance of proper receipts and records regarding each purchase. The departmental POE shall be responsible for the prompt general ledger account maintenance for each purchase through the procurement card's secure bank website for the department's cardholders.
7. Senior Management will approve department procurement card purchases electronically and the Finance Department will initiate the weekly transaction import process from the bank's website to the accounts payable system.
8. While the City will be responsible for the payment of all eligible expenses incurred properly under established policy, any City employee or official utilizing the City's procurement card shall be accountable and responsible for its proper use and may be held personally liable for the payment of any and all expenses deemed ineligible under the Procurement Card Policy.
9. Items in this Section are intended to be considered consistent with the City's Procurement Card Policies and Procedures and are not intended to conflict therewith. The Assistant City Manager/CFO may approve interim policy changes pending later approval of the Board of Commissioners.

#### **SECTION XIV. INTERFUND TRANSFERS AND LOANS**

1. Interfund transfers or loans shall be made at the direction of the Assistant City Manager/CFO or Assistant Chief Financial Officer when necessary in order to cover cash flow requirements of all City funds.
2. All such interfund transfers or loans shall be non-interest bearing.
3. All such interfund transfers or loans made during a fiscal year shall be repaid in full as soon as the cash flow of the borrowing fund will allow.