



GENERAL FINANCIAL AND BUDGETARY POLICIES

ADOPTED BY MARION CITY COUNCIL
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ACCOUNTING, AUDITING, FINANCIAL REPORTING POLICY 4

CAPITAL IMPROVEMENT PROGRAM 4

CASH MANAGEMENT POLICY 6

DEBT MANAGEMENT POLICY 7

FUND BALANCE..... 7

INVESTMENT POLICY..... 9

 A. Scope 9

 B. Objectives..... 9

 C. Delegation of Authority..... 9

 D. Prudence..... 9

 E. Internal Controls 10

 F. Allowed Investments 10

 G. Maturities 10

 H. Risk and Diversification 11

 I. Collateralization, Safekeeping, and Custody..... 11

 J. Interest Earnings 12

 K. Authorized Depositories, Institutions, and Broker/Dealers..... 12

 L. Bank Services 12

 M. Reporting and Evaluation 13

INVESTMENT PROCEDURES: 13

 A. Responsibility for Investments: 13

 B. Determination of Investment Amount and Maturity:..... 13

 C. Selection of Investment: 13

 D. Closing Procedure:..... 14

 E. Records required 14

 F. Authorized institutions:..... 14

 G. Broker/Dealers:..... 14

 H. List of agency securities authorized: 14

 I. Internal Control:..... 14

Attachments to Investment Procedures 15

Internal Control Checklist, Investment Procedures 16

OPERATING BUDGET 17

REVENUE POLICY 18

CHART OF ACCOUNTS..... 19

Account Number Structure 19

Expenditures..... 19

General Revenues:..... 20

Grants:..... 20

Charges for services:..... 21

Special Situations..... 21

FUND AUTHORIZATION AND PURPOSE 21

Fiduciary Funds 21

Governmental Type Funds 21

Proprietary Type Funds 22

CASH RECEIPTING 23

 METHODS OF PAYMENT 23

Check Acceptance:..... 23

Returned Checks, Cash Receipting:..... 23

DAILY BALANCING 23

BANK DEPOSITS..... 24

RECEIPTING LOCATIONS..... 24

REIMBURSEMENTS 25

Donations:..... 25

<i>Regular Reimbursements:</i>	25
RECEIPTS ON BEHALF OF OTHER ENTITIES	25
ACCOUNTS RECEIVABLE.....	26
CREDIT CARD ACCEPTANCE	26
ACCOUNTS RECEIVABLE, GENERAL	26
<i>Returned checks, Accounts Receivable:</i>	27
<i>Charge Accounts:</i>	27
DEPARTMENTAL BILLING	28
<i>Remittances, Accounts Receivable:</i>	28
<i>Timing of Billing, Due Dates:</i>	28
<i>Fees and Charges, Accounts Receivable:</i>	28
<i>Method of Payment, Accounts Receivable:</i>	28
<i>Late Fees, Delinquency, Accounts Receivable:</i>	28
<i>Adjustments:</i>	29
<i>Collections:</i>	29
UTILITY CUSTOMER ACCOUNTING.....	30
<i>Connect Fee Policy:</i>	30
<i>Fees and Charges, Utility Billing:</i>	31
<i>Water and Electric Bill Estimations:</i>	32
<i>Water and Electric Bill Adjustment Policy:</i>	32
<i>Information required to establish an account:</i>	32
<i>Returned Checks, Utility Billing:</i>	33
<i>Remittances, Utility Billing:</i>	33
<i>Timing of Billing, Due Dates:</i>	34
<i>Extension policy:</i>	34
<i>Method of Payment, Utility Billing:</i>	34
<i>Late Fees, Delinquency, Utility Billing:</i>	34
<i>Bad Debt:</i>	34
<i>Collections: Turn off day policy</i>	34
GRANT RECEIVABLES.....	36
BUILDING PERMITS	37
REVENUE.....	38
PAYMENT IN LIEU OF TAXES:	38
PURCHASING.....	39
GENERAL PURCHASING; DOCUMENTATION:	39
<i>Purposes:</i>	39
<i>General:</i>	39
<i>Local Preference:</i>	40
<i>Code of Ethics:</i>	40
<i>Competitive Bidding:</i>	42
<i>Non-Competitive Bidding</i>	42
<i>Operational Purchasing:</i>	43
<i>Purchase Orders:</i>	43
BIDDING PROCEDURES.....	44
<i>Bid Opening Procedures:</i>	44
<i>Preparation for Bidding:</i>	44
<i>Bid Receipt:</i>	44
<i>Bid Opening:</i>	44
<i>Lowest Responsible Bidding</i>	45
<i>Justification of Award</i>	45
<i>Tie Bids</i>	46
<i>Solicitation of Firms</i>	46

CREDIT CARD POLICY	47
Authorized Credit Card Holders:.....	47
PAYROLL.....	48
TIMEKEEPING:	48
PAYROLL DATA ENTRY:.....	48
PAYROLL DISTRIBUTION:	48
EARNED LEAVE.....	48
DIRECT DEPOSIT.....	49
GENERAL ACCOUNTING.....	50
JOURNAL ENTRIES.....	50
BANK RECONCILIATION.....	52
GENERAL: MONTHLY RECONCILIATION REQUIRED.....	52
DETAILED PROCEDURES:.....	53
ACH TRANSACTIONS AND WIRE TRANSFERS.....	54
ACH RECEIPTS.....	54
ACH PAYMENTS:.....	54
ELECTRONIC TRANSACTIONS OF THIS NATURE INCLUDE:.....	54
DAILY SCRUTINY OF BANK TRANSACTIONS:.....	55
END OF MONTH PROCEDURE:.....	55
BANK/CASH ACCOUNTS.....	56
GENERAL CHECKING:.....	56
PETTY CASH AND CHANGE FUNDS:.....	56
COMPUTER POLICY.....	58
COMPUTER APPLICATIONS:.....	58
COMPUTER CONTROL:.....	58
DATA BACKUP AND STORAGE:.....	58
SALES TAX EXEMPTION CERTIFICATE POLICY.....	59
AMENDED POLICY.....	59

General Financial and Budgetary Policies

Accounting, Auditing, 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 Federal Single Audit Act, if required.
- D. The City will comply with all financial reporting requirements set forth in Kansas law.
- E. The City will identify and implement less formal methods than the annual budget document to provide important financial data to the citizens of the community. Efforts will be made to provide these "popular reports" via print and electronic media.
- G. The City Clerk will provide the City Council with a year end summary (unaudited) financial report within 90 days of the end of the fiscal year. Interim updates on financial condition shall also be provided to the City Council throughout the fiscal year.

Capital Improvement Program

- A. The City shall establish a five-year Capital Improvement Program (C.I.P.) to guide decision-making on public improvements and expenditures. The C.I.P. provides a mechanism for scheduling public physical improvements over a number of years. It establishes the City's priorities for public projects based on available financial resources and project criteria.
- B. The C.I.P. shall be updated annually following analysis of year-end financial reports, and prior to the adoption of the City's annual operating budget. Generally, the updated C.I.P. shall be approved by the City Council by July 10 of each year.
- C. The City shall use a portion of its annual budgeted revenues for cash capital investments. Mill levy proceeds, sales taxes, user fees or other local revenues may be dedicated for capital improvements.
- D. The City will maintain its physical assets at a level adequate to protect its capital investment and to minimize future maintenance and replacement costs. The C.I.P. and budget will provide for the major renovation and orderly replacement of buildings, facilities and equipment from current revenues where possible.
- E. The Capital Improvement Plan shall include an appropriate reserve for contingencies for approved projects.

F. In order to be considered as a City of Marion C.I.P. project, the following must be met:

1. New or expanded physical facility: routine maintenance is not a part of this program. “Routine Maintenance” is any expenditure which is required to be made every year for the same specific purpose and which are normally financed from the annual operating budget – such expenditures do not extend significantly the useful life of the assets being maintained (i.e. patching roofs, but not replacement of entire roof).
2. Project considered Capital Maintenance
“Capital Maintenance” is any project which restores, reconstructs, or maintains a City asset in substantially the same physical size as its original condition. (i.e. the replacement of an entire roof).
3. Expected life of 7+ years: Consumable products and services are not a part of this program.
4. If bonds are to be issued to fund the project: The expected life of the project should equal or exceed the duration of the bond issue.
5. Value exceeding \$5,000: Small, everyday operating items are not a part of this program.
6. Project must be associated with a city-owned & maintained facility.
7. The cost of Consultant services relative to a public improvement are a part of this program.
8. The land acquisition cost for a community facility: Such as a park, street, sewer line.

G. Certain capital improvement projects lend themselves specifically to public-private partnership, wherein project funding would be derived partially from the City and partially from private donations, dedicated user fees and other non-city sources. Community proponents wishing to initiate such projects should first present a concept plan to the City Council, including a financial cost-sharing plan for both the initial capital costs, as well as the ongoing cost for operations and maintenance. Generally, the City Council will consider proposed partnership projects at its regular C.I.P. planning period during the first quarter or each year. If approved by the City Council, proponents would be encouraged to complete project plans and initiate fund-raising efforts.

H. Certain non-infrastructure capital projects may be of such type and scope as to be beyond the financial capacity of the City without additional revenues, and thus may be appropriate for public referendum. Public Referendum projects should fall within the following criteria:

1. Projects not involving public health and safety or basic infrastructure; and.
2. With a capital cost estimate of \$750,000 or greater; or,

3. Potentially requiring a significant ongoing City appropriation for operations and maintenance.

Proponents of such projects may circulate a petition in accordance with state law, calling for a public referendum on the project and specified funding source. The City Council shall determine whether the City takes an official position on the issue. If approved by the voters, the project would be completed.

I. The C.I.P. as approved annually shall contain the following sections:

1. A listing of preliminarily approved capital projects, including estimated cost and funding source by years, which have undergone review for costs and benefits and have identified funding expected to be available for the project.
2. A separate listing of potential capital projects which require significant additional information, e.g. concept design, feasibility report, cost estimates, funding source analysis, etc. before they can be formally considered for approval and placement in a specific year in the C.I.P. This section shall be titled "Projects for Further Review."
3. A separate listing of projects for which adequate information exists as to planning, estimated costs, benefits, etc. and which the City Council agrees would be desirable projects for the community in the future, but for which an adequate and appropriate funding mechanism has not yet been determined as available. This section shall be titled "Projects Identified but Unfunded."
4. An identification within any of the "Five-Year," "Further Review," or "Identified but Unfunded" categories of any projects specified as "Partnership Projects" or "Public Referendum Projects."

Cash Management Policy

- A. The City will maintain one primary checking account.
- B. Petty cash funds may be established with the approval of the City Council.
- C. All checking and petty cash funds shall be balanced monthly. Reconciliations shall be maintained for review by the independent auditors on an annual or surprise basis.
- D. The City will establish and maintain an investment policy. This policy shall set guidelines on safety, liquidity, maturities, allowed investments, diversification, safekeeping, and other such issues.

Debt Management Policy

- A. The City will confine long-term borrowing to capital improvements which have an extended service life to the community.
- B. The City will 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 bonds are not deemed to be appropriate.
- 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, 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 not to exceed 10 years. The City Council may designate specific projects in the Capital Improvements Program for extended financing periods, not to exceed 15 years, due to the size, scope, life, or developmental impact of the project. The District portion for Special Assessment Bonds may not exceed 15 years. Revenue Bonds, or GO bonds for which enterprise revenue has been pledged, will be issued with a maturity not to exceed 20 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 apply 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.

Fund Balance

- A. The City recognizes the need to maintain appropriate fund balances to: secure and maintain investment-grade credit ratings; meet seasonal requirements in cash flow; and, reduce susceptibility to negative impacts from emergency or unanticipated expenditures or to revenue shortfalls.
- B. To meet these requirements, the City will adopt budgets which provide for an undesignated fund balance reserve in each of the City's budgeted funds, in accordance with the following guidelines:
1. General Fund – A fund balance reserve of not less than 15% nor more than 20% of anticipated current year revenues for the fund.
 2. Bond and Interest Fund – A fund balance of not less than 10% nor more than 15% of the anticipated General Obligation debt bond and interest payments for the upcoming budget year, including any special assessment-paid debt, but excluding debt planned for repayment by enterprise funding or other City funds.

4. Other Budgeted Funds – Fund balance reserves shall be planned for and maintained as needed, based on the volatility and reliability of the revenue mix for the fund, as well as the predictability and degree to which expenditures in the fund are controllable.

C. In June of each year, prior to the presentation of the proposed budget, the City Administrator shall recommend to the City Council specific fund balance targets for each budgeted fund, based on guidelines established above. Upon acceptance by the City Council, those targets shall be used in the upcoming budget planning, as well as financial reporting for the next year.

D. Fund balance reserves shall generally be shown as appropriations in the City budget, but shall be designated separately in the budget and staff financial reports.

E. The City Administrator shall provide the City Council with a year-end fund balance reserve report within 90 days following the end of the fiscal year. This preliminary report shall provide results for each budgeted fund compared to its established fund balance target, as well as staff analysis of revenue or expenditure occurrences accounting for any variance. If a fund balance at year-end has failed to meet its established target, the City Administrator shall prepare and recommend a plan designed to address the shortfall. If a fund balance at year-end exceeds the established target, as well as the current budget estimate, the City Council may consider use of the unanticipated available funds in accordance with the following guidelines:

General Fund

1. One-time expenditures which do not substantially increase recurring operating costs.
2. Newly identified or previously unfunded capital improvement projects, considered in light of the full capital improvement program.
3. Shifting of capital projects from bond financing to cash financing, to reduce future debt service costs.
4. Start-up expenditures for new programs undertaken at mid-year, provided that such action is considered in the context of revenue expectations and expenditure obligations in future budget years.

Bond and Interest Fund

1. If the year-end Bond and Interest Fund balance exceed the target as well as current budget estimates, the allocation of mill levy/property tax to that fund shall be adjusted for the next budget year to bring the fund balance reserves in line with the established targets.

Other Budgeted Funds

1. If the year-end fund balances in any fund exceed the target fund balance and current budget estimate, the City Administrator shall provide analysis and impact evaluation of that situation. The City Council will take into account any unanticipated available funds when considering capital purchases, one-time program needs, or setting of user fees.

Investment Policy

A. Scope

This investment policy applies to the investment activities of the City of Marion for all of the funds entrusted to its care, including bond proceeds and building funds.

B. Objectives

1. Safety of principal. The first objective for each investment transaction is to insure that capital losses are avoided.
2. The City of Marion's cash management portfolio shall be designed with the objective of regularly exceeding the State Investment Rate for 0 –89 days, or for 3 months, whichever is higher. These indices reflect the fed funds rate, and the 3 month treasury securities yield, and are considered benchmarks for risk free investment transactions, and therefore comprise a minimum standard for the portfolio's return. The investment program shall seek to achieve returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.
3. All investments shall be made in accordance with State Law.
4. The investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The governing body, however, recognizes that in a diversified portfolio occasional accounting losses from the sale of a security are possible, and must be considered within the context of the overall portfolio's investment safety and return.

C. Delegation of Authority

Management responsibility for the investment program is hereby delegated to the City Clerk, who shall establish written procedures for the operation of the investment program, consistent with this investment policy, and subject to the approval of the City Administrator. Such procedures shall include explicit delegation of authority, where appropriate, to persons responsible for the 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 Clerk. The City Clerk shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

D. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" and shall be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual securities credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to avoid adverse developments.

E. Internal Controls

The City Clerk shall establish a system of internal controls with respect to investment activities. Such internal controls shall be documented in writing. The internal controls shall be reviewed with the independent auditor. The controls shall be designed to provide reasonable assurances against losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City of Marion. Internal controls shall be so designed as to achieve the above listed objectives without being unduly burdensome on the organization.

F. Allowed Investments

The City Clerk may invest in any investment allowed under Kansas Law applicable to the City of Marion at the time the investment is made. These include, as of the effective date of the policy, the following:

1. N.O.W. accounts, Pass book savings accounts, money market accounts in designated Depository Banks.
2. Temporary Notes or no-fund warrants issued by the City of Marion;
3. Certificates of Deposit in banks, savings banks, and savings and loans organized under the laws of the United States or incorporated under the laws of the State of Kansas, having a main office within the State of Kansas, and which have main or branch offices located within the City of Marion.
4. In United States Treasury bills or notes
5. In the Municipal Investment Pool
6. Repurchase agreements

In the event that the City of Marion applies for and receives authority to invest under KSA 12-1677b (the "expanded powers" statute), investments may also include direct obligations of, or obligations that are insured as to principal and interest by the United States of America or any agency thereof; and obligations and securities of United states sponsored enterprises which may be accepted as security for public funds; excluding mortgage backed securities. The City Clerk shall maintain a list of securities authorized under this section

G. Maturities

Assets of the City of Marion may be invested in instruments whose maturities do not exceed two years, provided that in the event authority to invest under KSA 12-1677b is granted, the maximum maturity shall be 4 years. Investment maturities shall be scheduled on a ladder basis in a manner as to coincide with projected cash flow needs.

H. Risk and Diversification

The goal of diversification is to reduce the extent of losses due to having an unbalanced portfolio in terms of maturities, instrument type, and issuers. Therefore, portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector.

Liquidity, free of market risk, shall be assured through practices insuring that the next disbursement date and payroll date are covered through maturing investments, marketable U.S. Treasury Bills, the Daily Municipal Investment Pool, or money market accounts.

Default risk shall be minimized by requiring that all security purchases occur on a delivery vs. payment basis, and that all securities are adequately collateralized.

Risk of market price volatility shall be controlled through the adoption of a "buy and hold" strategy whereby the City holds each investment to maturity, coupled with maintenance of an adequate liquidity position to insure the ability to meet normal anticipated cash flow needs. When advantageous, it is allowable to sell investments to realize a gain due to price fluctuations; however, such transactions shall not be a part of the normal course of business.

The City of Marion recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk due to issuer default. In the event of a default by a specific issuer, the City Clerk shall review, and, if appropriate, proceed to liquidate securities having comparable credit risks.

I. Collateralization, Safekeeping, and Custody

1. Deposits and Re-purchase Agreements: Collateralization shall be required on all deposits and repurchase agreements. Collateral pledged must meet state statute requirements, and must be held by the Federal Reserve Bank, the Federal Home Loan Bank in Topeka, or by a third party custodian pursuant to an adopted tripartite custody agreement. The City of Marion shall enter into a Security Agreement for Deposits with the depository bank for all deposits. The city will receive a deposit advice for the pledged securities from the Federal Reserve Bank, or a joint custody receipt from the third party custodian. The maximum Federal Insurance provided for account customers can be considered a part of the institutions pledged collateral. Collateralization shall be maintained at 100% of the market value of principal and accrued interest at all times, including peak periods. At the end of each month, the depository bank will provide the market value of each pledged security to the City.

In the event a third party custodian is used, such custodian shall not have an ownership relationship or affiliation with the depository bank.

Pledged collateral shall not be released until an acceptable replugging of collateral is made by the depository bank and confirmed to the City Clerk or their designee in the event of a transfer of collateral.

2. Investments (Treasury Securities, Agency Securities): Collateralization of investments shall be by the actual investment instrument.

All securities owned by the City of Marion must be perfected in the name of the City of Marion, and held by the City or its authorized safekeeping agent. All investments of the City of Marion shall be confirmed and safekeeping receipts identifying the investment security shall be issued as required by this policy.

The City will enter into a safekeeping agreement with a safekeeping agent whereby all investments are held in the City's account in the City's name by the safekeeping agent.

By state statute, all Municipal Investment Pool accounts shall be exempt from providing safekeeping receipts or written confirmation. The City Clerk or designee may receive verbal confirmation by phone following Municipal Investment Pool guidelines.

J. Interest Earnings

The City Clerk will designate which funds are to receive interest earnings. Interest earnings will be credited to those funds based on the average of the balance on the first day of the month and the cash balance on the last day of the month. This distribution may be manually adjusted if, in the Clerk's judgment, there are obvious interfund inequities.

K. Authorized Depositories, Institutions, and Broker/Dealers

Kansas State Law provides that City funds may be deposited (in checking, money market accounts, certificates of deposit and other similar "deposits") in those institutions designated by resolution as an authorized depository. This is further limited by the requirement that funds may not be deposited in institutions that do not have a "main" office within the State of Kansas unless satisfactory arrangements cannot be negotiated with an institution with a main office within the State of Kansas.

This limitation does not apply to the purchase of investments such as treasury and agency securities. Investment services, consisting of the purchase of treasury securities, agency securities, or other investments as may be permitted shall be limited to the following:

1. Any State or Nationally Chartered Bank authorized as a depository, whether or not said institution has a "main" office within the State of Kansas, and;
2. The Federal Reserve Bank of Kansas City Missouri
3. Primary Government securities Dealers which report to the market report division of the Federal Reserve Bank of New York
4. Broker-Dealers who are registered in compliance with the requirements of section 15C of the Securities Exchange Act of 1934, and registered pursuant to K. S. A. 17-1254.

The City Clerk may establish additional information requirements as deemed necessary to assure the safety of the City's investments, and shall maintain a list of financial institutions and broker dealers who have been qualified to provide services to the City of Marion.

L. Bank Services

Periodically, as deemed necessary, The City of Marion may invite proposals from financial institutions located within the City, for the purpose of providing comprehensive bank services, including checking and money market accounts, safekeeping as well as other services as may

be deemed necessary. The participating institutions will be evaluated with procedures established by the City Clerk in conjunction with other City administrative staff.

M. Reporting and Evaluation

At the end of each calendar quarter, the City Clerk shall prepare and submit to the City Administrator a report outlining the quarter's investment activity. Such report shall contain sufficient information to evaluate the performance of the investment program and verify that investment officials have acted in accordance with the investment policy and written investment procedures.

Investment Procedures:

A. Responsibility for Investments:

The City Clerk shall be responsible for all investments. In the absence of the City Clerk, and Administration, the City Treasurer may assume the investment responsibilities for the City of Marion.

B. Determination of Investment Amount and Maturity:

Once annually, the City Clerk shall prepare a cash flow analysis with the same horizon as the maximum investment maturity.

Periodically, or just before the maturity date on each investment, the City Clerk shall prepare an update to the cash flow analysis, considering any known or anticipated changes in cash flow, to determine the amount of money that may be available for investment and the needed maturities for investments, consistent with the policies of the City of Marion. The cash flow analysis shall be retained as a record of the investment program.

C. Selection of Investment:

Periodically, prior to the issuance of payables or in conjunction with an investment maturity date, the City Clerk check the rates offered by the State of Kansas Municipal Investment Pool.

On the Monday before the investment transaction is to occur, prior to 10 AM, the City Clerk or (their designee) will fax to the approved financial institutions and broker/dealers a form noting the details of the funds available to invest (amounts and terms, as well as any restrictions as to security type or other conditions). The form will provide a place for the institution to offer one or more bids on the securities specified. A bid may be tendered on all or any of the securities/maturities in the offer. The form will designate a date and time firm for return of the bids.

The forms are due back to City offices via FAX or e-mail. The City will notify the selected institutions before 3:00 PM for closing on that day. The highest bidder will be awarded the investment.

D. Closing procedure:

The City will contact the winning bidder, and arrangements for sufficient collateralization will be verified. Payment instructions will be determined, and the seller will provide the City with a confirmation of the transaction.

E. Records required

The City Clerk will keep a record of the investments held by the City of Marion. Such record will include the date of purchase and maturity, the type of investment, and where the security is held.

Safekeeping receipts and other such records of investment purchases shall be kept in order by maturity date.

Quarterly reports prepared pursuant to the Investment Policy shall be retained in the investment file.

F. Authorized institutions:

Banks and Savings and Loans:

Central National Bank
Marion National Bank
Tampa State Bank

G. Broker/Dealers:

Broker/Dealers, other than the above-specified Banks, will be required to complete a request for information prior to doing business with the City of Marion. This information shall be updated annually. (Sample Attached). Any broker-dealers, other than primary government securities dealers shall provide evidence of maintaining a capital adequacy ratio in excess of 1.25 prior to approval.

None currently authorized.

H. List of agency securities authorized:

None. City of Marion does not presently have expanded powers under KSA 12-1677b.

I. Internal Control:

Each year as a part of the annual audit, the auditor shall review a sampling of investment transactions and other relevant information as they deem necessary to determine if adequate safeguards are in place to minimize the potential for loss of funds. A suggested checklist of items to monitor is attached.

Attachments to Investment Procedures

1. Internal Control checklist*
2. Security Agreement*
3. Comprehensive Bank Services Agreement*
4. Custodial Agreement*
5. Safekeeping Agreement*
6. Wire Transfer Agreement*
7. Bid Evaluation Sheet*
8. Sample Investment Reports*

*Not attached to draft. Still in process of acquiring these.

Internal Control Checklist, Investment Procedures

1. The government has a written investment policy, approved by the governing body, and reviewed and revised periodically.
2. The investment policy specifies permissible investments by type and provides guidelines describing diversification and credit quality requirements for each type of investment.
3. There is an approved list of financial institutions and broker/dealers.
4. The investment policy describes the process of selecting financial institutions, broker/dealers/custodians and requires written contracts and agreements with those entities.
5. The selection process is carried out in conformance with the policy.
6. Investment transactions and strategies are documented.
7. The process of initiating, reviewing, and approving investment purchases and sales are recorded in written documents and are retained for audit purposes.
8. Selected investments are reviewed for type, authorized trading partner, custodial arrangements, written authorizations, accounting and disposition of interest earnings
9. Duties are segregated so that no one person has responsibility for investment transactions from beginning to end; or, in the absence of sufficient staff, provisions are made for contemporaneous third party review of investment transactions.
10. Written wire transfer agreements are in place with the bank (s).
11. Written confirmations of telephone transactions and wire transfers are required, with the exception of transactions with the Municipal Investment Pool.
12. Selected finalists for investment positions are screened for past records of indiscretion or criminal activity
13. Care is taken so that such candidates are treated equally in the selection process
14. Investment procedures are clearly documented
15. Documentation includes description of employee responsibilities, the process for conducting and recording transactions, and a clear delineation of authority to approve transactions.
16. The Government has a training plan to insure that each employee understands the tasks they are required to perform.
17. Confirmations of investment transactions are obtained from the custodial bank.
18. The custodial bank provides monthly verifications of principal and market values of collateral.
19. Staff verifies bank verifications against joint custody receipts or Federal Reserve Bank reports.
20. Safekeeping institution provides periodic reports on securities in safekeeping.
21. Staff reconciles safekeeping reports with internal records.
22. Investment reports are produced on a periodic basis and provided to management
23. Investment reports include descriptions, amounts, transaction dates, maturities, yield, market values, and benchmarking data.
24. Periodic internal control audits are performed.

Operating Budget

A. In accordance with State Law, the City Administrator shall be responsible for the preparation of the annual City budget. A proposed budget for the following fiscal year (beginning January 1) shall be submitted for City Council review and discussion on or before July 10 each year, along with a calendar for timely consideration and approval of the budget by August 25, as required by State Law.

B. The budget must be balanced for all budgeted funds. Total anticipated revenues plus the portion of anticipated reserves in excess of the established fund balance target (or in accordance with a fund balance target plan), must equal total estimated expenditures.

C. Budgeted funds include the following:

- General Fund
- Library Fund
- Bond and Interest Fund

Special Revenue Funds:

- Special Parks and Recreation

Enterprise Funds:

- Water Distribution
- Water Plant
- Sewer
- Electric
- Refuse

- Special City Highway Fund
- Special Law Enforcement Trust Fund
- Equipment Reserve Fund
- Capital Improvement Fund

D. Funds may be added to or removed from the budget as requirements change. In general, any continuing operations of the City shall be accounted for through budgeted funds. Non-budgeted funds are used for construction projects authorized through the issuance of debt, for trust and agency activities, for activities funded by State and Federal Grants that are not of a continuing nature, and for special purpose reserve funds. Unless otherwise provided in authorizing legislation, expenditures from special purpose reserve funds shall not be made unless there are no other resources available to accomplish the desired task. Should resources from special purpose reserve funds be required, any such expenditure shall be processed through a budgeted fund.

E. All budgets will be adopted on a cash basis as modified to include as expenditures for the fiscal year: expenditures incurred but not paid; and purchase commitments. Revenues will be recognized at the time payment is received, whether or not it was billed or due in another period.

F. All appropriations lapse at year-end except for encumbered appropriations, which are carried forward into the next fiscal year as reservations of fund balance.

G. The budget shall be adopted at the fund level. Expenditures may not exceed the fund's budget without approval from the City Council. When appropriate, the budget for a fund may be republished to reflect changes deemed necessary and appropriate by the City Council.

H. Department budgets will also be specified during the annual budget. The City Administrator may authorize transfers of authorizations between departments within the same fund and transfers of authorizations between line items within a department.

I. The City will include an amount in the general fund budget (i.e., a line item for contingencies) for unforeseen operating expenditures. The amount of the contingency will be no more than 5% of the operating budget.

J. The budget will provide for adequate maintenance of capital equipment and facilities and for their orderly replacement, in conjunction with the adopted multi-year Capital Improvements Program.

K. The City will maintain a budgetary control system to monitor compliance with the budget.

L. Enterprise funds shall be self-supporting. Internal Service funds shall be self-supporting to the greatest extent practicable. However, the City Council may authorize transfers from other funds as they deem necessary for Internal Service operations.

M. It shall be a goal of the City of Marion to reduce reliance on ad-valorem property taxes in the funding of city services.

Revenue Policy

A. The City will follow an aggressive policy of collecting all revenues properly owed to the city government.

B. The City will review user fees/charges annually, and the City Administrator shall make recommendations for any adjustments on the basis of that review.

C. The City will try to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

D. The City will set fees and user charges for each Enterprise Fund, at a level which fully supports the total direct and indirect cost of the activity. The City Enterprise operations include: Water, Sewer, and Electric and Refuse

E. Recognizing that the public good may be better served by setting some fees at less than 100% of an activity's cost, fees and user charges for certain non-enterprise city services and programs may be set a level which only provide partial user fee funding of activity costs.

Chart of Accounts

Account Number Structure

The account number structure used by the City is as follows:

First two positions:	Fund number	XX-XX-XXXX
Next two positions:	Department number	XX-XX-XXXX
Next four positions:	Line Item	XX-XX-XXXX

Expenditures

Expenditures are classified by fund and by department for summary reporting purposes. Classification by fund shall be in the following categories:

01 General Fund: To include departments providing services to the public. It will also include costs paid by the General Fund that are not specifically allocated to departments. This classification includes: General Administration, City Hall, Sales Tax, Industrial Development, Police, Park, Airport, Pool, Museum, Cemetery, Housing Authority, Baseball Complex, Flood Control/Noxious Weed, Fire, Library, Court, and EMS.

02 Utility Fund: Includes departments engaged primarily in providing utility services to the community. Includes Water Distribution, Water Plant, Sewer, Electric and Refuse.

07 Sales Tax:

08 Special City Highway:

10 Special Law Enforcement Trust:

12 Bond and Interest:

17 Library:

21 Equipment Reserve:

26 Capital Improvement:

Classification by department fund is as follows:

GENERAL FUND: xx-xx-xxxx

- 00 Administration
- 05 City Hall
- 07 Sales Tax
- 10 Streets and Alleys
- 11 Industrial Development
- 14 Police
- 15 Park
- 16 Airport

- 20 Pool
- 25 Museum
- 30 Cemetery
- 35 Housing Authority
- 55 Recreation
- 56 Baseball Complex
- 60 Flood Control/Noxious Weed
- 65 Fire
- 75 Library
- 85 Court
- 90 EMS

UTILITY FUND: xx-xx-xxxx

- 01 Water Distribution
- 02 Water Plant
- 03 Sewer
- 04 Electric
- 06 Refuse

General Revenues:

- A. Taxes: Taxes are those revenues collected from the citizens generally but not tied to a particular service or program, and for which the City establishes the rate of taxation, whether collected directly by the City or by others. Taxes are to be reported by line item (Property, Sales, and Other) on all reports. Taxes include the following sub-classifications:
- B. Property Taxes: Generally levied on Real and personal property based on the value of that property. Property taxes include the following: Real Estate, Motor Vehicle, Recreational Vehicle, 12M Taxes, and Delinquent taxes.
- C. Sales Taxes: Based on sales transactions in the City, and a pro-rata share of the countywide sales tax. Includes Sales taxes received for County and City.
- D. Franchise Taxes: Fees charged to Utilities for their use of the Public Right of Way.
- E. Investment Income.

Grants:

- A. Operating grants: Intergovernmental: Any revenue received from other Governmental Units, including grants and loan proceeds used as an operating supplement.
- B. Operating Grants, Other: Operating Grants and Contributions from non-governmental Sources
- C. Capital Grants: Intergovernmental: Revenue received from other Governments for the acquisition of capital equipment or facilities
- D. Capital Grants, Other:

Charges for services:

- A. Fees and Charges: Includes any and all charges for services assessed to participants. Fees and charges may be further subdivided as necessary.
- B. Licenses and Permits: Includes licenses issued to electric and plumbing contractors, solicitor permits, firework licenses and building permits.
- C. Sale or Rental of Property: Rentals of City facilities, or sales of surplus property, including real estate.
- D. Reimbursements: Payments received that provide a reimbursement of expenditure.
- E. Other Charges:

Special Situations:

- A. Interfund Transactions: Classification and reporting of interfund transactions is to be guided by the following:
- B. Operating or Residual Equity Transfers shall be classed as interfund transactions, reported as an expense on the expense side, and netted of the expense on the revenue side of the transaction on aggregated summary reports.

Fund Authorization and Purpose

Fiduciary Funds

Trust Funds: Trust funds are used to account for assets held by the government in a trustee capacity. Trust funds may be expendable or non-expendable.

Expendable Trust: Both Principal and accumulated interest may be used.

Non-Expendable Trust: The Principal amount in the fund may not be used. Any accumulated interest may be used for the purposes established for the fund.

Agency Funds: Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Governmental Type Funds

General Fund: The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. Statutory Authorization: KSA 79-1952

Special Revenue Funds: Special Revenue Funds are used to account for specific revenues that are legally (by State or Federal Law or by local Ordinance) restricted to expenditures for particular purposes.

Utility: This fund is used to account for the water, sewer, electric and refuse costs of the City's operations.

Special Parks: This fund is used to account for the 1/3rd of the liquor tax revenues which must be used for park maintenance and improvements.

Special Alcohol: This fund is used to account for the 1/3rd of the liquor tax revenues which must be used to address prevention, education, or intervention in drug and alcohol abuse.

Special City Highway: This fund is used to account for revenues received from the State of Kansas for the State Revenue Sharing Program and for revenues for Street Special Assessments from Marion County. This fund is used to account for the costs of special street projects such as curb and gutter and streets. New curb and gutter and street projects are completed by petition and the cost is reimbursed by the surrounding property owners.

Law Enforcement: This fund is used to Account for revenues received from the sale of forfeited assets acquired during drug enforcement activities. Expenses are restricted to capital items to be used for further drug enforcement activities.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources and payment of General Obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies.

Capital Project Funds: Capital Projects funds are used to account for the Acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Proprietary Type Funds

Enterprise Funds: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Government is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government has decided that periodic determination of net income is appropriate for accountability purposes.

Water Distribution: This fund is used to account for the operation of the Water System.

Water Plant: This fund is used to account for the operations of the City's Water Plant.

Sewer: This fund is used to account for the operations of the City's Sewer System

Electric: This fund is used to account for the activities of the City's Electric System.

Refuse: This fund is used to account for the operation of the City's Refuse Service.

Cash Receipting

Methods of Payment

The City accepts payment by a variety of methods: cash, check, and credit card.

For guidelines addressing credit card transactions, see Accounts Receivable, Credit Cards, below.

Check Acceptance:

Make checks payable to: **The City of Marion**. For your protection, we may ask to see proof of your identity. All checks must have the following information on them:

1. Your Drivers License or Social Security number
2. Your date of birth
3. Your phone number

Identification of the person writing the check should be verified whenever possible.

This information is necessary in order to do complete follow up in those cases where a check is returned by the bank. In some cases (for example, payment by mail) it may not be feasible to obtain this information, however, the staff accepting the check should obtain it whenever possible.

The City of Marion does not accept two party checks or checks for more than the amount of purchase, nor will we cash checks. If those checks fail to clear because of insufficient funds, account closed, or whatever, collecting on the return is more difficult. We are not a bank.

Cashing checks for either employees or customers is also a bad practice and to be avoided. If an individual needs cash, most banks have cash cards or they need to make alternate arrangements.

Do not use the change drawer as a petty cash fund.

Returned Checks, Cash Receipting:

If your check is not honored by your bank, the City may refuse to accept checks from you in the future. If your check is returned for any reason, your account will be debited for the amount of the check plus a returned check fee of **\$30.00**.

Daily Balancing

The purpose of Change funds is to provide a pool of cash to enable you to make change to customers when they come in to pay for goods or services received.

A change fund is normally composed of a limited amount (\$100.00) of cash in small denominations. Your drawer should have a “standard” mix of change to start the day. This mix may vary, depending on experience. Maintenance of this will minimize the need for daily trips to the bank.

Count your change fund out of the drawer. A good idea is to do this twice. Put the drawer back in the register if you are still open for business, or in the locked cabinet for safekeeping if you are closed and no longer taking customers.

Total the receipts you have issued for the day. Depending on your circumstances, this might be from a manual receipt book (you will have to do an adding machine tape), a cash register tape, or a computer listing.

Count the cash, and record the total on your checkout form. Run the adding machine tapes for the checks in the deposit, as described above. If you accept credit cards, this amount needs to be included also. The total amount from these items should match the total for the receipts. If it does not, you need to find out why and correct the error.

A bank deposit needs to be prepared daily at the time the cash drawer is balanced. When you do your deposit, count everything twice. An adding machine tape should be run on the checks and provided to the bank along with the deposit. A person other than the one preparing the deposit should verify the adding machine tape and sign off on the daily deposit.

Bank Deposits

Bank deposits are to be made daily. Because a segregation of duties is not possible in a small office setting it is important for internal controls to be implemented. In this situation the best practice would be to allow the person that prepares the deposit to take the deposit to the bank. The person that reconciles the monthly bank statement should not be allowed to take the deposit to the bank in order to avoid this person having final contact with the deposit.

Receipting Locations

City Clerks Office: Is the central location for receiving and entering payments.

Municipal Court: Sends money to City Clerk’s office for Deposit. City Clerks office receipts cash and checks and adds to daily deposit.

Swimming Pool: Sends money to City Clerk’s office for Deposit. City Clerks office receipts cash and checks and adds to daily deposit.

Tree Dump: Sends money to City Clerk’s office for Deposit. City Clerks office receipts cash and checks and adds to daily deposit.

Police Department (VIN Inspections and Accident Reports): Sends money to City Clerk’s office for Deposit. City Clerks office receipts cash and checks and adds to daily deposit.

Basketball Court Lights: Sends money to City Clerk's office for Deposit. City Clerks office receipts cash and checks and adds to daily deposit.

Reimbursements

In general, money received shall be credited to a revenue account.

Donations:

Handling donations can be problematic, and variable, depending on the situation.

Occasionally the City of Marion receives donations from private individuals that may be specified for specific purposes, or more general purposes, or to non-specified purposes. Most donations have at least a general purpose. An example might be a memorial contribution to be used for the purpose of the Fire department.

If the donation or donations are significant and there is a possibility that they may continue for a number of months or years, then we need to set up a separate accounting in the capital improvement fund, rather than handling them through our regular revenue/expense or the reimbursement procedures. We do not need a separate bank account.

Regular Reimbursements:

We have some situations where a reimbursement might recur for a number of years. For example, we have issued temporary notes for construction of the library, and they are reimbursing us for the redemption of those notes. When a situation like this is known and the expense and revenue can be planned and budgeted for, it should be. It is then a part of our normal way of doing business, and should be included in the communication and disclosure that is a normal part of our budget process.

Receipts on behalf of other entities

Occasionally the City will receive checks that are made payable to the City, or to the City and another party. One example might be a check made payable to the City of Marion, but it is for a fine due in District Court.

In these cases, the City Clerk will endorse the check and turn it over to the proper authority.

Accounts Receivable

Credit Card Acceptance

The City of Marion will accept credit cards for any transaction, except those that are prohibited by our agreement with State Payments.com:

We will not give cash advances (to customers or employees) on credit cards. We are not a bank.

Cards need to be signed by the person named on the face of the card and a photo ID needs to be provided to verify identity. In the case of corporate/company cards, we can accept appropriate corporate identification—that is, a photo ID in the company name or similar identification in lieu of a signature.

We will take credit card payment on Collection and Turn off Day (Water Customer Accounting). We will take these payments over the telephone. While you are still on the telephone with the customer you must get pre-authorization for the total amount to be paid. The customer will be required to pay the past due amount and the reconnect charge.

Information about a customer's credit card will not be disclosed. Any documentation (except the sales ticket) which has the credit card number, authorization code or similar information on it will be destroyed by shredding as soon as it is no longer needed to complete the transaction.

We will not keep customer credit card information on any internal documents. (Service Orders, customer request forms, permits, licenses, etc.). Working documents with credit card numbers noted on them will be shredded.

All telephone credit card payments will be completed as quickly as possible. Leaving them lying around the office is equal to leaving payments laying around and not being rang up. With telephone payments, please have the customer give you their name. This should be printed on the cardholder signature line of the form, with a notation "By Telephone".

Credit card sales slips are to be treated like cash or checks. Please keep them in the cash drawer or other secure location until they can be submitted to State Payments.com.

To do a refund you **MUST** have the Credit card or the **same** credit card number that you issued the charge to. Access the State Payments.com website and select the void option to cancel a payment.

Accounts Receivable, General

General policies are described first, followed by policies that apply to specific service areas. General policies shall apply, except as specifically overridden or supplemented by a service area policy

The City of Marion encourages payment by cash, check, or credit card. However, in some cases, based on the specifics of the situation, a miscellaneous account may be established.

This will generally be limited to those who have repetitive and regular business with the City, or in those situations where the cost of services cannot be determined until after the services have been delivered.

Returned checks, Accounts Receivable:

The City of Marion's financial institution will present an un-collectable check two times for payment. If a check does not clear the second time, the financial institution will return it to the City of Marion.

When the check is returned, the City will send a notice to the customer telling them we have a returned check on their account. We will give the customer until the start of the next business day to make the payment, plus a \$30.00 returned check charge. This payment must be made by cash, cashiers check, credit card, or money order.

When a customer gives us more than two (2) un-collectible checks within a twelve(12) month period the account will be placed on a cash only status. The customer will receive notification telling him or her that we will no longer accept checks from him or her as payment on the account or accounts.

Those people placed on cash only status will be listed and the staff will be directed not to accept a check from anyone on this list. If a person on cash only status gives us a check in the night deposit, collection agencies or the mail, the check will be returned to the customer with a notice explaining they are on cash only status and that we are unable to accept their check for payment of the account. The account will be considered delinquent until we receive the proper payment.

Returned checks not redeemed within the time period allotted shall be referred to the County Attorney for collection or prosecution.

A returned check renders the payment null and void, and any penalties shall apply as if the payment had never been made. This may include suspension of services if applicable.

Charge Accounts:

Information required to establish an account:

Billing name and address

Responsible Party Name and address (if different)

EIN or SSN for responsible party

Telephone number

New charge accounts are not to be established for businesses or individuals whom, have delinquent amounts due on other accounts held with the City.

Departmental Billing

Centralized billing of Accounts Receivable through the Clerk's Office is encouraged. This can be accomplished by forwarding information regarding the Customer and the charges in an acceptable format. This may vary, depending on the nature of the charges.

However, where departmental billing is appropriate, a copy of the billing statement shall be provided to the Clerk's Office. The Department Head shall be responsible for collection of the required billing information. Upon notification, the City Treasurer will add the amounts due to the receivable system, and do the follow-up billing

Remittances, Accounts Receivable:

All payments, unless otherwise specified, shall be remitted to:

City of Marion
208 East Santa Fe
Marion, KS 6681

Timing of Billing, Due Dates:

Payment for services shall be due no sooner than within 20 days nor longer than within 40 days of the billing date. Timing of billing may vary, depending on the services billed.

Fees and Charges, Accounts Receivable:

Fees and Charges shall apply as established by resolution, ordinance, or administrative action. Most fees and charges are itemized in the Comprehensive Fee Schedule, available from the City Clerk's Office

Method of Payment, Accounts Receivable:

Acceptable methods of payment include cash, check, cash equivalents such as money orders, and credit card.

Late Fees, Delinquency, Accounts Receivable:

Late fees may be applied after the due date. Unless otherwise specified, late fees shall be as follows:

For regularly scheduled services that may be suspended: A 10% one time fee applied to the outstanding balance, plus suspension of service. This applies primarily to Water, Sewer, Electric and Refuse services.

The City reserves the right to establish additional conditions on customers with delinquent accounts, including accelerated payment schedules, "cash only" status, or additional security for the account.

Adjustments:

Billing Error: Adjustments to receivable accounts may be made in those cases where the City has erred in applying the charges. All adjustments shall be reviewed and signed off on by the City Clerk or the City Administrator.

Collection Fee Adjustments: When a third party collects an account on behalf of the City, they normally retain a percentage of the payment as their fee. These amounts are written off as uncollectible at the time the payment is received from the collection agency. All adjustments shall be reviewed and signed off on by the City Clerk or the City Administrator.

Bad Debt/Bankruptcy: When it becomes apparent that the likelihood of collecting an account due to age, bankruptcy, or other factors is minimal, the account will be written off the receivables accounts as a bad debt. All adjustments shall be reviewed and signed off on by the City Clerk or the City Administrator.

Collections:

Collections of past due accounts may be pursued by any legal means necessary, including, but not limited to one or more of the following:

1. Termination or suspension of services
2. Placing demand on a letter of credit
3. Submittal of account to a private collection agency
4. Submittal of accounts to the State of Kansas set-aside program
5. Filing a claim in Small claims or District Court
6. Process against a 3rd party guarantor of the account
7. Other action as may be appropriate to restore the account to current status, or to maintain the account in current status.

Utility Customer Accounting

Connect Fee Policy:

Commercial Accounts: All commercial applicants will pay a connect fee of \$125.00 unless they have established a satisfactory credit rating with the City of Marion Utility Department. This connect fee is non-refundable.

If a City of Marion commercial customer has an open account with good credit, they may open additional accounts with no additional deposits.

Instead of a connect fee a commercial customer may use the following:

1. A Letter of Reference from another utility within the United States.

The City Administrator may waive the connect fee requirement for other circumstances not described above. In each case, the City Clerk or Treasurer will document the reason for the waiver and include the documentation in the customer's account records.

If a customer pays the connect fee and then produces a letter of credit or guarantee within 30 days of establishing service, we will refund the connect fee.

A customer that is disconnected for non-payment will be required to pay all past due utility use amounts in addition to a re-connect fee of \$50.00 during regular business hours or \$75.00 outside of regular business hours.

Good credit criteria

The City of Marion uses the following criteria to establish a customer's **Good Credit**. Only one item listed below will be allowed when considering good credit.

<u>Description</u>		<u>Number Allowed</u>
Bad Check		1
	OR	
1st. Delinquent Notice		3
	OR	
Processed for Disconnect		1

The City of Marion will use these criteria when accepting a Letter of Credit from another utility. If a new customer's Letter of Credit indicates they exceed the maximum of the listed credit criteria, the customer will be required to pay a re-connect fee.

Residential Accounts: All residential applicants will pay a re-connect fee of \$125.00 unless they have established a satisfactory credit rating with the City of Marion Utility Department. This connect fee is non-refundable.

If a City of Marion residential customer has an open account with good credit, they may open additional residential accounts with no additional connect fees.

Instead of a connect fee a residential customer may use the following:

1. A Letter of Reference from another utility within the United States.

The City Administrator may waive the connect fee requirement for other circumstances not described above. In each case, the City Clerk or Treasurer will document the reason for the waiver and include the documentation in the customer's account records.

If a customer pays the connect fee and then produces a letter of credit or guarantee within 30 days of establishing service, we will refund the connect fee.

A customer that is disconnected for non-payment will be required to pay all past due utility use amounts in addition to a re-connect fee of \$50.00 during regular business hours or \$75.00 outside of regular business hours.

Good credit criteria

The City of Marion uses the following criteria to establish a customer's **Good Credit**. Only one item listed below will be allowed when considering good credit.

<u>Description</u>		<u>Number Allowed</u>
Bad Check		1
	OR	
1st. Delinquent Notice		3
	OR	
Processed for Disconnect		1

The City of Marion will use these criteria when accepting a Letter of Credit from another utility. If a new customer's Letter of Credit indicates they exceed the maximum of the listed credit criteria, the customer will be required to pay a deposit.

Fees and Charges, Utility Billing:

New Residential Customer Sewer Charges: The City of Marion computes the sewer charge for residential customers based upon their average water consumption during January, February, and March known as a “winter quarter average”. The customer who has not established a “winter quarter average” will have their sewer charge figured at three units for the year.

Water and Electric Bill Estimations:

The City of Marion Meter Service Workers attempt to read all City of Marion water and electric meters each month. The Utility Billing office will subtract this months reading from the previous months meter reading to obtain the consumption for the monthly water bill. If we are unable to get a monthly meter reading, the customer’s water consumption will be estimated by averaging. If the average is too high or too low, the Utility Billing office will adjust the difference the following month when they get an actual water meter reading. All adjustments shall be reviewed and signed off on by the City Clerk or the City Administrator.

The City of Marion will use the following methods to average those accounts on which they are unable to obtain monthly water meter readings.

NO. METHOD

- 1) Use consumption from same period last year
- 2) Average total water consumption
- 3) Use consumption from same period last year +/- a period
- 4) Use consumption from previous three periods

The City of Marion’s utility billing software will start with Method No.1, and if an average cannot be computed by this method, the software will use another method on each individual customer’s account.

Water and Electric Bill Adjustment Policy:

When a customer receives a high water or electric bill, he/she may contact the City office to have the account reviewed. First a reread will be done to verify the reading. If that does not satisfy the customer he /she might request a meter replacement.

Information required to establish an account:

- Name on Account
- Address for Service
- Mailing Address
- Telephone Number
- Social Security Number
- Date of Birth
- Spouses Name
- Spouses Date of Birth
- Spouses Social Security Number

Spouses Employment
Spouses Telephone
Emergency Contact Name and telephone
Name and Social Security Number of all occupants

Returned Checks, Utility Billing:

The City of Marion's financial institution will present an uncollectible check twice for payment. If a check does not clear the second time, the financial institution will return it to the City of Marion.

When the check is returned, the City of Marion will charge the check back to the customer's account with a reverse payment. We will send a notice to the customer telling him or her we have a returned check on their account. We will give the customer until the start of the next business day to make the payment, plus a \$30.00 returned check charge. This payment must be made by money order or cash. If payment is not made by the due date stated in the letter, we will turn off the service and a \$53.53 service charge will be added to the account.

When a customer gives us two (2) uncollectible checks on a specific account the account will be placed on "Cash Only Account". The customer will receive a notice telling him or her that we will no longer accept checks from him or her as payment on the account. The City of Marion may use the County Attorney for bad check prosecution/collection.

Those people placed on "Cash Only Account" will be listed and the staff will be directed not accept a check from anyone on this list. If a person on "Cash Only Account" gives us a check in the night deposit, collection agencies or the mail, the City of Marion will return the check to the customer with a notice explaining they are on a "Cash Only Account" and we are unable to accept their check for payment of the account. The account will be considered delinquent until the proper payment is received.

If, however, a "Cash Only Account" check should get through our system and is returned unpayable by our financial institution, we will send the customer a letter. This letter will inform them they have given us another uncollectible check after they were placed on a "Cash Only Account". The letter will give the customer until the start of the next business day to pick up the check and pay the \$30.00 returned check charge or we will turn the service off.

The City Treasurer will review the "Cash Only Account" list monthly and a customer's name will be removed from this list if the customer has maintained good credit in accordance with the good credit criteria for at least one (1) full year.

Remittances, Utility Billing:

Payments are collected at a night depository in front of the City Building and the night depository located across the street in the parking, as well as in the office, 208 East Santa Fe.

Payments can be mailed to 208 East Santa Fe, Marion Kansas 66861.

Bills may also be paid with Credit cards by telephone or in person.

Timing of Billing, Due Dates:

Utility Bills are produced and delivered to resident by the 1st of each month. The due date is the 15th of each month. On the 16th a 10% penalty is assessed and the customer is sent a notice that their service will be suspended in 7 days.

Extension policy:

A customer with a delinquent account may request an extension, on the designed agreement form, at least three working days prior to the scheduled disconnect date. Customers may obtain the form from the City Office or from the city website. However, if a customer has requested an extension and fails to make the arrangements as agreed upon no additional extensions will be granted during a 12 month period following the date of the failed agreement.

Method of Payment, Utility Billing:

Bills may be paid in person or by mail, and at drop boxes located in front of City Hall. Payment is accepted by cash, check, or credit card.

Late Fees, Delinquency, Utility Billing:

Bills unpaid 22 days after date of issue shall be considered delinquent and subject to an additional charge of 10% of the total charges. If the bill and late charge are not paid by the 22nd day after issue, a disconnect notice shall be issued for all such bills.

Bad Debt:

The City of Marion contracts with the State of Kansas Set Off Program for collection of bad debts. Any account that has a balance of more than \$25 and has remained unpaid for 3 months will be submitted to the Set Off Program for collection. During the 3 month period prior to submission for collection a utility bill will be sent on the first of the month and a delinquent notice will be sent after the 16th of the month. During the 3rd month a letter will be sent given notification that their account will be forwarded to the Set Off Program. Once the account is forwarded to the Set Off Program the computer software will be updated and the account will be placed in the "Bad Debt" program.

Collections: Turn off day policy

- 1) Disconnect Notices will be prepared on the **SCHEDULED** Turn off Day after checking the night deposit box.
- 2) The Field Personnel can go directly to the location and turn the service off without further notification.
- 3) If the customer sees the Field Personnel come to turn off the electric and water and offers to pay, the Field Personnel may not accept payment. The customer may be allowed to go to City Hall immediately and make the payment. The utilities may be left turned on.

4) In the event of termination due to nonpayment of obligations the customer will be required to pay all past due utility use amounts in addition to a reconnect fee of \$50.00 during regular business hours or \$75.00 outside of regular business hours.

Grant Receivables

Grants constitute a special area of receivables.

Normally, Grantor agencies are “billed” through the submission of a grant report on either periodic or intermittent basis. Individual departments are responsible for filing such reports.

At the time the report is submitted, a copy should be filed with the Clerk’s Office for tracking and informational purposes.

Building Permits

Building Permit payments will be collected at the Clerk's Office and deposited into the general account.

The costs of the permits is as follows and payment is due at the time that the building permit is issued.

New residential structure	\$25.00
Remodel residential structure	\$15.00
New commercial structure	\$25.00
Remodel commercial structure	\$15.00
Plumbing permit	\$25.00
Electrical permit	\$25.00

Tap Fees: The cost of the tap fee will be determined by the building inspector and will be collected at the time that the work is completed by the City of Marion.

Street and Alley Openings: Whenever it is necessary for a utility or private company to open a trench in City streets or alleys to complete installation, repair, or maintenance of utility service lines the following fees shall be charged to the party responsible for the opening.

Alley:

Depth	Width	Length	Fee
24"	24" or less	50' or less	\$40.00
24"	24" or less	50' to 100'	\$50.00
24"	24" or less	100' to 300'	\$60.00
24" to 48"	24" or less	50' or less	\$50.00
24" to 48"	24" or less	50' to 100'	\$60.00
24" to 48"	24" or less	100' to 300'	\$75.00
over 48"	24" or less	50' or less	\$100.00

Whenever an alley opening is over 48" in depth and is over 50' in length a base fee of \$100.00 shall apply and each additional foot shall be charged at \$2.00 per foot.

Street:

Street openings shall be charged at a rate of \$200.00 regardless of length, width, or depth.

These fees will be calculated by the City and will be charged by invoice to the responsible party.

Revenue

Payment in Lieu of Taxes:

A. Upon final approval of the requested tax exemption by the City, the City Clerk will provide a copy of the Ordinance authorizing said exemption and a copy of the final Payment in Lieu of tax agreement to the County Appraiser.

B. Upon receipt of the final order from the Kansas Board of Tax Appeals exempting property from ad valorem property taxes pursuant to the issuance of Industrial Revenue Bonds, the County Appraiser shall annually determine, for each property exempted, by property type as identified in the Agreement For Payment In Lieu of Taxes, the appraised value, the assessment percentage, the assessed value, the exemption percentage, and the In Lieu of value. For existing buildings with additions or improvements, the County Appraiser shall also identify the ratio between the Pre-Improvement Value and the Improvement value for the first year of the exemption period. The In Lieu of value shall be the total of the assessed values of various classes of property identified in Section 2 of the Agreement For Payment In Lieu of Taxes multiplied by the payment in lieu of taxes percentage identified for that property. In each succeeding year, The County Appraiser shall, on or before July 1, certify to the City Clerk the appraised value, the assessment percentage, and the assessed value, itemized by property owner and bond issue, on a form to be provided by the City of Marion.

C. The City shall review information provided by the County appraiser for completeness, consistency, and accuracy to the extent they are able to determine. The City Clerk shall, at the time of certification of other ad valorem property taxes, certify said information to the County Clerk, in substantially the same format provided in Attachment 1, accompanied by the electronic version of the same information.

D. The County Clerk shall determine the final amount of in lieu of tax due, based on the in lieu of value and the final total mill levy rate for all taxing entities having jurisdiction over the subject property. The County Clerk shall certify to the County Treasurer, as a special in lieu of tax, at the same time as certifying other taxes, the amount due for each property. Along with said certification, the County Clerk shall transmit to the County Treasurer the previously identified spreadsheet, on which the distribution of in lieu of taxes has been calculated.

E. The County Treasurer shall bill the amount due out as in lieu of taxes. Upon receiving payment of the same, the County Treasurer shall apportion said payment among all of the taxing jurisdictions having authority over the subject property.

F. The County Treasurer shall, on or before January 31 of each year, provide a report to the City showing the amount of in lieu of taxes billed and paid during the previous twelve (12) months, by taxpayer, and note any delinquencies thereon.

Nothing in this agreement shall preclude mutually acceptable administrative adjustments to the procedure to provide for increased efficiency of the process, so long as the intent and purpose of this agreement is maintained.

This agreement shall continue in force until notice of termination is provided by either party of at least 30 days notice of its intention to do so prior to July 1st of any year.

Purchasing

General Purchasing; Documentation:

The City of Marion sets forth a policy to eliminate and prevent discrimination, segregation or separation because of race, sex, religion, physical handicap, color, national origin or ancestry, and to assure equal opportunities and encouragement of every person, regardless of race, sex, religion, physical handicap, color, national origin or ancestry, in securing and holding without discrimination, employment in any field of work or labor for which the person is properly qualified.

Purposes:

- A. Encourage procurement of goods and services for use by the City of Marion on the basis of the best necessary quality at 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.
Maintain a competitive private sector purchasing environment for the City of Marion.
- C. 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 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 purchases made are to be approved by the Department Head, and are subject to the further general oversight of the City Administrator. The Department Head's signature on the invoice shall be considered as an affirmative statement that they have reviewed all items listed on the invoice. As such, the invoice 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 warrants for payment. Packing slips which are received and sent to the Department Head are regarded as acknowledgment that the goods were received. The Department Heads signature on the invoice 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.

Local Preference:

In order to maintain the most competitive environment, a formal local preference option is not provided. Specifically, there is no percentage price preference in bids or other competitive processes. However, local service, city efficiency, and other similar judgment factors may be used in determining whether a purchase provides the best value.

CODE OF ETHICS:

Declaration of Policy:

The proper operation of our government requires that public officials and employees be independent, impartial, and responsible to the people, that the governmental decisions and policy be made in the proper channels and that the public have confidence in the integrity of its government. In recognition of those goals, the City Council hereby establishes a Code of Ethics for all officials and employees, whether elected or appointed, paid or unpaid. The purpose of this code is to establish ethical standards by setting forth those acts or actions that are in the best interests of the City.

Responsibilities of Public Office:

Public officials and employees are agents of public purpose and hold office for the benefit of the public. They are bound to uphold the Constitution of the United States and the Constitution of this State and to carry out impartially the laws of the nation, state, and city and thus to foster respect for all government. They are bound to observe in their official acts the highest standards of morality and to discharge faithfully the duties of their office regardless of personal considerations, recognizing that the long-term public interest must be their primary concern. Their conduct in both their official and private affairs should be above reproach.

Dedicated Service:

All officials and employees of the city should be responsive to the political objectives expressed by the electorate and the programs developed to attain those objectives. Appointive officials and employees should adhere to the rules and work and performance established as the standard for their positions by the appropriate authority.

Officials and employees should not exceed their authority or breach the law or ask others to do so, and they should work in full cooperation with other public officials and employees unless prohibited from doing so by law or by officially recognized confidentiality of their work.

Fair and Equal Treatment:

1. Interest in Appointments. Canvassing of members of the city council, directly or indirectly, in order to obtain preferential consideration in connection with any appointment to the municipal service shall disqualify the candidate for appointment except with reference to positions filled by appointment by the City Council.

2. Use of Public Property. No official or employee shall request or permit the use of city-owned vehicles, equipment, materials, or property for personal convenience or profit, except when such

services are available to the public generally or are provided as city policy for the use of such official or employee in the conduct of official business.

3. Obligations to Citizens. No official or employee shall grant any special consideration, treatment, or advantage to any citizen beyond that which is available to every other citizen.

Conflict of Interest:

No elected or appointive city official or employee, whether paid or unpaid. Shall engage in any business or transaction or shall have a financial or other personal interest, direct or indirect, which is incompatible with the proper discharge of his or her duties in the public interest or would tend to impair his or her independence of judgment or action in the performance of his or her official duties. Personal as distinguished from final interest includes an interest arising from blood or marriage relationships or close business or political association.

Specific conflicts of interests are enumerated below for the guidance of officials and employees:

1. Incompatible Employment. No elected or appointive city official or employee shall engage in or accept private employment or render services for private interests when such employment or service is incompatible with the proper discharge of his or her official duties or would tend to impair his or her independence of judgment or action in the performance of his or her official duties.

2. Disclosure of Confidential Information. No elected or appointive city official or employee, shall without proper legal authorization, disclose confidential information concerning the property, government, or affairs of the city. Nor shall he or she use such information to advance the financial or other private interest of himself, herself, or others.

3. Gifts and Favors. No elected or appointive city official or employee shall accept any valuable gift, whether in the form of service, loan, thing, or promise, from any person, firm, or corporation which to his or her knowledge is interested directly or indirectly in any manner whatsoever in business dealings with the city; nor shall any such official or employee (a) accept any gift, favor, or thing of value that may tend to influence him or her in the discharge of his or her duties or (b) grant in the discharge of his or her duties any improper favor, service, or thing of value. The prohibition against gifts or favors shall not apply to (a) an occasional non-pecuniary gift of only nominal value or (b) an award publicly presented in recognition of public service or (c) any gift which would have been offered to given to him or her if not an official or employee.

4. Representing Private Interest Before City Agencies or Courts. No elected or appointive city official or employee whose salary is paid in whole or in part by the city shall appear in behalf of private interest before any agency of this city. He or she shall not represent private interest in any action or proceeding against the interest of the city in any litigation to which the city is a party.

5. No city official or employee shall be signatory upon, discuss in an official capacity, vote on any issue concerning or otherwise participate in his or her capacity as a public official or employee in the making of any contract with any person or business.

- a. In which the officer or employee owns a legal or equitable interest exceed \$5,000 or five percent (5%), whichever is less, individually or collectively with is or her spouse; or
- b. From which the officer or employee receives, the current or immediately preceding or succeeding calendar year, any salary, gratuity, other compensation, or a contract for or promise or expectation of any such salary, gratuity, or other compensation or remuneration having a dollar value of \$1,000 or more; or
- c. In which he or she shall hold the position of officer or director, irrespective of the amount of compensation received from or ownership in the business.

Competitive Bidding:

Written competitive bids or price quotations are encouraged for the purchase of any capital item; or minor construction or repair contract. Normally, a minimum of 3 bids should be solicited. A bid tabulation should be attached to the invoice prior to payment and filing.

Capital Items (Vehicles and Equipment, Buildings) that are specifically scheduled in the annual budget, and for which the cost exceeds \$10,000, shall be purchased in groups, with bids opened by the City Administrator or designee. The award of bids for these items shall be approved by the City Council.

Operating capital items of less than \$10,000 in value which have been included in the annual budget may be purchased on the authority of the City Administrator. Competitive price quotations, written or verbal, from at least three vendors are encouraged. If bids have been received, a copy of the bid tabulation should be attached to the invoice prior to payment and filing.

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 uses a qualifications based selection process for professional services.

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.
- c. In the case of an apparent emergency that requires an immediate purchase of supplies or contractual services, the City Council may authorize the purchase at the lowest obtainable price of any supplies or contractual services not in excess of \$5,000. A full explanation of the

circumstances of an emergency shall be documented in the minutes of the next regularly scheduled City Council Meeting and in the General Ledger for auditing purposes.

Operational Purchasing:

Generally, purchases of less than \$10,000 may be authorized by the City Administrator or designee. Departmental Managers remain responsible for compliance with the annual operating budget for his or her own department.

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 should be attached to the invoice.

Purchases of small items needed in the routine course of work may be made by employees subject to the discretion and review of supervisory staff. The department head has the discretion of assigning parameters for such purchasing authorization within individual departments.

Invoices for such material shall be reviewed and approved by the signature of the Department Head prior to payment being rendered. Other staff authorized by the Department Head may sign the invoices, however, the Department Head must sign the purchase order.

Purchases of items or material that exceed \$10,000 in value, or when purchases of groups of items exceed \$10,000 in value, which items are of a routine operational nature and are regularly purchased by the Department, may be made by the Department Head, without prior approval of the City Administrator. Items that are needed for the routine course of work may include but are not limited to chemicals used in operation of the sewer and water plant, office supplies, and automotive supplies used for basic preventive maintenance of city owned vehicles. This specifically excludes equipment purchases, or purchases that are not routine needs of the Department. The City Administrator shall receive regular reports on such operational purchases.

Non-routine, non-budgeted purchases shall require the prior approval of the City Administrator, and, at his discretion, may be submitted to the City Council for approval.

Purchase Orders:

Purchase orders will be prepared bi-weekly for each vendor in which goods have been received.

Bidding Procedures

Bid Opening Procedures:

The City Clerk's office is generally responsible for distributing notices and advertisements for bid openings, collecting, sorting and assembling submitted bids, and opening and reading the bids. As in the other activities, the Clerk's office role is one of service and support, and the staff in the office is expected to conduct themselves in an appropriate professional manner.

In the event that the Clerk's office does not provide the notice, it is the individual department's responsibility to notify the Clerk's office of the scheduling information, and to provide the appropriate timing information as suggested below.

Preparation for Bidding:

Work with the operating department staff to determine the appropriate opening date, time, and place allowing enough time for evaluation of the bid materials prior to City Council presentation. Calendar the time and date on the Department Calendar as well as your personal calendar. Make sure that someone is available to assist or back you up on the date of opening. Collect the specific bid specifications from the Department, and cover with the Standard contractual language.

The bid notice should provide for a brief period (5 to 15 minutes) between the deadline for submission and the opening time. This permits sorting and assembling groups of bids when necessary.

Arrange for and monitor publication, if appropriate or necessary.

Bid Receipt:

When the bids are received, they shall be date and time stamped.

Check to insure that they are marked appropriately on the outside of the envelope.

If bids are inadvertently opened, please note so on the outside of the envelope.

In the event a bid is inadvertently opened, re-seal the envelope as soon as you are aware it is a bid. In no event are you to disclose the contents to the operating department, other staff, or other individuals.

Sort and keep the bids in a readily accessible location

Bid Opening:

Review the bid return documents to insure that you understand what is to be read, and what information needs to be verified at the time of the opening. (Bid Bond, Deposits, etc.)

Make sure that the place of the bid opening is open and available for bidders to assemble well in advance of the published opening time. This should be at least 30 minutes in advance. This provides them a place to wait until the scheduled time of opening.

Make sure that the facility is arranged appropriately. There will need to be enough seating for the bidders, a table with space for at least two staff people from the Clerks office, and a table with space for the representatives of the operating department and or consultants, if appropriate. They often run bid tabs, and will need a comfortable space to do that in. In the case of large, multiple-item bid openings; it may not be possible to arrange tables for all of the staff interested.

If there are more than a few bids to open, arrange to have an assistant open the envelopes and hand you the bid to be read. This will reduce the time required for the opening.

The staff person opening the envelope should check for the required bid bonds, etc. In the event that someone has filed a cash bond (cashiers check, etc.), remove and retain that in your possession. Place in a locked cabinet, in an envelope clearly identifying the contents, upon return to the office.

Maintain a friendly, but professional demeanor throughout the process. Clean up the area after the process is complete.

Lowest Responsible Bidder:

The City reserves the right to reject any or all bids. Contracts shall be awarded to the lowest responsible bidder. Bids shall not be accepted from, nor contract awarded to, a contractor who is in default on the payment of taxes, licenses or other monies due the City. In determining "lowest responsible bidder", in addition to price, the following shall be considered:

- a. The ability, capacity and skill of the bidder to perform the contract or provide the service required;
- b. Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference;
- c. The character, integrity, reputation, judgment, experience and efficiency of the bidder;
- d. The quality of performance of previous contracts or services;
- e. The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service;
- f. The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service;
- g. The quality, availability and adaptability of the supplies or contractual services to the particular use required;
- h. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract; and
- i. The number and scope of conditions attached to the bid.

Justification of Award:

When the award is not given to the lowest bidder, the City Council shall enter a full and complete statement of the reasons for placing the order elsewhere in the journal.

Tie Bids:

If all bids received or the lowest bids received are for the same total amount or unit price, quality and service being equal, the contract will be awarded to the local bidder.

Where there is no local bidder, the award shall be made on the basis of a drawing of lots to be held in public.

Solicitation of Firms:

The City will endeavor to notify all minority and women's business enterprises in the solicitation of any proposal. Documentation will be retained at City Hall on all firms contracted.

An on-going file for these firms, including individuals, shall be maintained for the distribution of future proposals.

The City is an Equal Employment Employer and will not discriminate in the receiving of proposals for work; however, they do reserve the right to reject any and all bids.

The award of the contract shall be based upon the proposal that is most advantageous to the City, taking into consideration technical competence as well as price. All firms will be notified in writing if unsuccessful and copies retained in the City's files.

Credit Card Policy

Each authorized card holder must adhere to a spending limit of \$1,000. Purchases are restricted to fuel, meals, lodging or emergency repairs of city owned vehicles. Any other expenditure must be authorized by the City Administrator or City Clerk. Expenditures made by the City Clerk must be reviewed and verified by the Administrator and those made by the Administrator must be reviewed and verified by the City Clerk.

Authorized Credit Card Holders:

- Administrator
- Clerk
- Director of Public Works
- Street Superintendent
- Chief of Police
- Economic Development Director

Payroll

Timekeeping:

Employees each maintain a timecard and enter their time daily. A supervisor and payroll clerk review all timecards. A time sheet is prepared and approved by the supervisor. All city employees are paid bi-weekly.

Payroll Data Entry:

The payroll clerk uses the information on the employee time sheets to enter the hours into the Summit software payroll module. After all data is entered the payroll clerk reviews the automatic pay journal that is produced by the software program. When all information is confirmed to be correct a back up of the system is done, checks are generated by the software program and printed on laser checks. After the checks have been printed an update is performed that posts to the general ledger and to the employee history. Reports are generated that verify all of the posting information. The final step is to run an employee check register and a vendor check register. The reports are reviewed and filled by pay period with the employee timesheets. The City Administrator reviews the payroll checks and selects random employees to review for accuracy. All checks must have at least two signatures. Approved signers include the Mayor, Administrator, City Clerk, City Treasurer, and Public Works Director.

Payroll Distribution:

Payroll checks are handed out at the city offices. Supervisors may pick up the checks and distribute to the employees on site also. Payroll checks that are not picked up by 5:00pm on Thursday are mailed on Friday.

Earned Leave:

On the employee's anniversary date, employees are credited with vacation based upon their years of service (see schedule below). Vacation must be taken during the anniversary date year earned or it is lost. However, hours may be carried over with supervisor authorization.

Years of Service	Per Year	Maximum Accumulation
1 Year	40 Working Hours	None
2 to 9 Years	80 Working Hours	None
10 to 19 Years	120 Working Hours	None
20+ Years	160 Working Hours	None

Supervisors must approve all types of leave. A form stating the type and length of leave is completed and signed by the employee and supervisor. These forms are retained as a record of the employees' leave for the year.

Full-time employees are entitled to sick leave with pay for absences resulting from personnel illness; injuries, accidents or other physical incapacity, occurring either on or off the job and other circumstances as described in the Personnel Policy Manual. Full-time employees earn 8 hours of sick leave for each full month of service. Sick leave may accumulate to 120 days.

Absences must be charged in increments of not less than fifteen minutes. Employees are paid a maximum of 240 hours of unused sick leave only upon retirement. Upon termination of employment an employee shall not be paid for accumulated sick leave.

The City's overtime policy is documented in the Personnel Policies and Guidelines manual. Overtime is paid at 1 ½ times the employee's regular rate of pay. At the discretion of the department head and with the agreement of the employee, an employee may be given compensatory time off in lieu of cash payments. Overtime must be pre-approved by the department heads.

The City's shared sick leave policy is documented in the Personnel Policies and Guidelines manual. Each request is submitted to the City Administrator and considered on a case by case basis.

Direct Deposit:

The City of Marion has the ability to direct deposit employee payroll checks through the City of Marion's account at Central National Bank. Any employee that is interested in direct deposit may contact the payroll clerk for an authorization form. The employee must complete and sign the form directing the payroll clerk of how the funds are to be deposited. Employees that chose to use direct deposit must have all funds deposited and may not request a check for a portion of their wages.

General Accounting

Journal Entries:

Periodic entries; with Council Approval: Entries are done to record the following transactions:

- A. Budgeted transfers

Periodic entries; Monthly: Monthly entries are done to record the following and verified by the City Administrator:

- A. Interest Income from Banking Accounts.
- B. Funds directly deposited into City's money market account by the State of Kansas.
- C. Grant proceeds that are directly deposited into City's money market account by Grantor.

Voiding Payroll Checks: Payroll checks are to be voided by the City Clerk as necessary. The procedure varies, depending on whether the check being voided was issued in the current calendar year or in a prior year.

A. Payroll checks that are to be voided within the same year as the year of issue may be voided using the standard void procedure. A replacement check is then re-issued using the standard payroll procedure. This maintains the integrity of tax and benefits reporting and information, as well as generating the proper financial accounting entries.

B. In some cases, a payroll check from a prior year does not clear the bank and must be cleared by some method, rather than remaining on the outstanding list for an extensive period of time, or an employee loses a check, and the check becomes older than the permitted two year period, carrying to a different fiscal year.

C. **A payroll check from a prior year must not be voided!** Instead, the following procedure must be used to replace the payroll check. This will keep the payroll system records consistent with the benefits and taxes reported for that period, and eliminate the necessity of re-filing or amending those reports.

1. Upon presentation of an un-cashed expired check from a prior year (or in the case of the annual procedure, the list of uncleared items from the previous year), the City Administrator will authorize the initiation of this procedure.
2. The City Clerk may issue a stop payment order on the original check(s) involved. In no event are the original checks to be voided in the finance/payroll systems.

3. The City Clerk will manually prepare (type) a replacement accounts payable check for the net amount of the payroll check, noting on the front thereof the check number and date issued of the payroll check to be replaced. The replacement check **is not** to be entered into the accounting system, however, a log of such checks will be maintained. Replacement checks shall be issued for the original check on a one to one basis--that is, one replacement for one original. Original checks are not to be combined into one replacement check.
4. The City Clerk will manually sign the replacement check, and forward the same to the City Administrator.
5. The Human Resources Department will:
 - A. Prepare an employee indemnification agreement for the employee's signature
 - B. Contact the employee, and advise them they need to come pick up the check. In no event is the check to be released without the employee signature on the indemnification agreement. The signed agreement is to be placed in the employee file.
6. At bank reconciliation, the outstanding payroll check will again appear as outstanding on the listing generated by the system. The staff responsible for reconciliation will again verify the circumstances, and will **manually mark the original payroll check as cleared** on the bank reconciliation system.

Voiding Accounts Payable Checks: Accounts Payable checks are to be voided by the City Clerk in the following instances:

- A. Accounts Payable checks are to be voided when returned by a vendor for any reason.
- B. Accounts Payable checks are determined to have been incorrect before being issued to the vendor.
- C. In some cases, a payroll check from a prior year does not clear the bank and must be cleared by some method, rather than remaining on the outstanding list for an extensive period of time, and the check becomes older than the permitted two year period, carrying to a different fiscal year.

Bank Reconciliation

General: Monthly Reconciliation Required:

Bank balances shall be reconciled to book records monthly,

The reconciliation procedure shall be performed by an individual not involved in the acceptance or recording of receipts.

The reconciliation shall be completed in a timely way. Generally, "timely" shall mean within 30 days of the close of the fiscal month to which the reconciliation applies.

At completion, a reconciliation report shall be prepared and submitted to the City Administrator. The report shall disclose, in tabular format the following information:

- A. The balance of the City's cash accounts at the end of the month as reported by the monthly statement from the financial institution.
- B. Adjustments for timing differences between bank and book:
 1. Disbursements and deposits that are, as of the closing date of the bank statement, "in transit", e.g., that have been recorded on City book but which are not yet reflected on the financial institution statement.
 2. Disbursements and deposits that are, as of the closing date of the bank statement, "outstanding", e.g., that are reflected on the bank statement but that are not yet reflected on City book.
- C. Adjusting items are treated as follows:
 1. "In Transit" disbursements or other debits are subtracted from the bank balance.
 2. "In Transit" deposits and other credits are added to the bank balance.
 3. "Outstanding" disbursements are added to the bank balance.
 4. "Outstanding" deposits are subtracted from the bank balance.
 5. Reconciled Balance, which reflects the bank balance as adjusted.
 6. The cash balances reflected on City "book". This is obtained by running a Treasurer's Report on the cash accounts (excluding petty cash).
 7. Any adjustment necessary to make the "book" balance equal the reconciled bank balance. This adjustment should be non-material in amount.

The report shall be sufficiently detailed as to distinguish among types of institutional accounts (e.g., checking vs. investment). The report shall also provide detail regarding in-transit and outstanding transactions as of the closing date of the period.

If necessary, a narrative explanation may accompany the tabular report.

Detailed Procedures:

Objective: The primary objective of the reconciliation procedure is to develop an intermediary document (Summit) that will assist in linking the entries in the general ledger record by account to the entries in the bank statement, which are made by transaction. Reconciliation items should be entered throughout the month contemporaneous with the time that they are recorded on the financial system and at the bank.

The Accounts Payable staff is responsible for entry.

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.

In the case of City initiated transactions, the City Clerk is responsible for initiating the transaction.

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.

ACH Receipts: ACH receipts are currently authorized for:

Transaction Description

Various Revenues from State/Fed (Sales Tax distributions, etc.)

The City will authorize ACH receipts from specific parties only upon written authorization from those parties.

ACH Payments: ACH payments are authorized for the following purposes:

Transaction Description

State Withholdings

Federal Withholdings

Sales Tax Payments

Employee Retirement (KPERs, KPF)

All transactions are initiated by the City Clerk. 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 Clerks Office.

Electronic transactions of this nature include:

- A. State provided revenue receipts (Sales Tax, Transient Guest Tax, Gas Tax, Alcohol Tax, etc.). Notice for these are typically provided to the Finance Director, whom 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.

Daily scrutiny of bank transactions:

The City Clerk is responsible for daily scrutiny of the bank transactions to identify any unusual or unexplained activity. "Scrutiny" as used here refers to accessing the financial institute's website and logging into the City's account and checking for any unusual activity.

End of month procedure:

- A. Our goal is to have the reconciliation complete by the 20th of each month. In order to accomplish that, the following will need to happen:
- B. When the bank statement is first available, personnel will verify the credit card receipts against the statement.
- C. Interest income on the bank statement will be processed as a journal entry through the General Ledger. These interest amounts will be recorded on the bank reconciliation form that is approved by the City Administrator.
- D. The City Clerk will review the bank statements, and make any supplemental entries that are necessary or that have been missed during the month.
- E. Assemble the statements from the Bank and the Investments report.
- F. The City Clerk will run a Treasurer's report from the Summit software. The total of this report must equal the total of the bank reconciliation report.

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. Banking and Cash Account Procedures.

Bank/Cash Accounts

The City of Marion utilizes four classifications of Bank/Cash Accounts. These are:

- A. General Checking
- B. Money Market Investment Account
- C. Petty Cash
- D. Change Fund

General Checking:

The General Checking account is managed by the City Clerk. Entries may be made through Accounts Payable, or by journal entry. Disbursements may be made by system generated checks, or by wire transfers duly authorized. Absent a specific cause to the contrary, all transactions made by the City of Marion will be processed through the general checking account. Currently authorized General Checking accounts are as follows:

Account Number	Institution
101004	Marion National Bank
701980	Tampa State Bank

General Checking accounts are reconciled and balanced monthly by the City Clerk.

Petty Cash and Change Funds:

Petty Cash: Petty Cash is a relatively small supply of cash held to pay small incidental expenses instead of taking those through the normal purchasing channels.

- A. Petty cash accounts are reimbursed periodically from the City general checking accounts.
- B. To be kept in a secure location. One staff member should be assigned responsibility for the petty cash, and serve as “gatekeeper”.
- C. Balanced and reimbursed from the City accounts as needed.
- D. Advances from Petty cash should be accomplished with a petty cash voucher.
- E. After the expense is incurred, receipts for the items should be returned to the Petty cash fund, as well as left over cash. Left over cash plus receipts shall equal the amount of the original petty cash voucher.

F. Reconciliation should be performed as needed by a person other than the “gatekeeper”, However, all petty cash accounts should be reconciled and reimbursed to book value on 12/31 annually.

G. Submit receipts for reimbursement.

H. Any Petty Cash long should be returned to City.

I. Petty cash short should be reported and reimbursed.

J. Petty cash funds are subject to periodic audit. The total of vouchers, receipts, and cash in the petty cash box must always equal the amount of petty cash authorized.

Change Funds: The Purpose of Change funds is to provide a pool of cash to enable you to make change to customers when they come in to pay for goods or services received. A change fund is normally composed of a limited amount (\$20.00 to \$200.00) of cash in small denominations. Each drawer should have a “standard” mix of change to start the day. This mix may vary, depending on experience. Maintenance of this will minimize the need for daily trips to the bank.

A. Required to be Balanced Daily, deposits prepared for the bank.

B. Receipts shall be entered daily and contemporaneously with the transaction.

C. Daily balance sheets retained for audit purposes.

D. Subject to periodic audit by City Administrator or Clerk.

E. The amount carried from day to day should always be the amount authorized. When receipts do not equal cash, checks, and charges received, the difference needs to be reported as cash long (and deposited to the bank), or as cash short. However, efforts are to be made to determine and correct cash long or cash short.

F. Accepting 2-party checks is discouraged. If those checks fail to clear because of insufficient funds, account closed, or whatever, collecting on the return is more difficult. We are not a bank.

The following represent the currently authorized Petty Cash and Change funds:

Department	Amount	Purpose	Responsible Party
Clerks Office	\$100.00	Petty Cash	City Treasurer
Clerks Office	\$100.00	Change Fund	City Treasurer
Tree Dump	\$ 50.00	Change Fund	Tree Dump Operator

Computer Policy

Computer Applications:

The City uses Summit/Data Technology software for accounting, utility billing, collections, payroll, cemetery, and court. The City Administrator and City Clerk are responsible for recommending new systems, programs or modifications of existing systems and programs. The Council must approve the purchase of new systems or programs. Standard input forms are used to assure the completeness and accuracy of input data at initial recording.

Computer Control:

The City Clerk is assigned responsibility for information technology security. The computer system is maintained at the City office, which is kept locked when City personnel are gone. Terminal access control software is used to limit access to specified persons. Terminal access control software is used so that individuals have access only to those programs or files that are necessary to perform their duties. Passwords are used to control terminal access. Employees are responsible for keeping their passwords confidential and may change them at any time. The City Clerk is responsible for promptly canceling passwords for terminated employees. The public may not access the City's system through dial up. The software vendor may access the system with city personnel authorization. Staff is able to monitor the vendor's activities while logged into the system.

Data Backup and Storage:

A zip drive back up is performed daily with each day having its own tape. A separate zip drive backup is performed on the weekends and keeps the data for the month. Backups are kept in a locked file cabinet. Copies of backup files are reviewed periodically to ensure data is usable.

Sales Tax Exemption Certificate Policy

This is a method for getting a tax break on repairs, installations, modifications and maintenance of facilities. None of this applies to jobs/projects pertaining to the Electric or Water Department because they are revenue generating; or to projects involving Internal Revenue Bonds.

Furthermore, the State has clarified that the project/work must be totally financed by “funds of a political subdivision” to qualify. These funds being defined as:

- A. General tax funds
- B. Proceeds of any bonds
- C. Gifts or grants-in-aid. Gifts are included as long as they are not used on facilities that are then leased to the donor.

A Project Exemption is not needed for Original Construction of a building or facility as labor and materials are exempt from sales tax. However, an exemption is required to REPLACE a structure.

Any time a contractor purchases anything (from the smallest item to larger construction materials) to repair, install, modify or maintain any facility or property belonging to the City, we, the City, are liable for the required State Sales Tax **unless we have previously acquired/issued** a Sales Tax Exemption Certificate from the State of Kansas Division of Taxation (or Agent Issued) for the specific work being done; OR we purchase the parts/items needed and provide them to the contractor or repairperson.

There is no way we will be able to avoid paying sales tax on all materials included in all work/projects. However, we should not pay any state sales tax for:

- A. Substantial projects approved by the City Council; an exemption is automatically applied for from the City Clerk's Office when the project bid award is approved by the City Council.
- B. Planned minor changes, repairs or improvements with an estimated materials cost over \$200.00; the City Clerk's Office must be advised of department plans and the scheduled work to be done BEFORE any materials are purchased by the contractor for the job.

A form has been created which contains all the questions the State will want to know in order to issue the required Sales Tax Exemption Certificate.

The City of Marion has been granted **AGENT STATUS** by the Kansas Department of Revenue.

Amended Policy

The City may amend any section of this policy without voiding the other sections. The purpose of amending the policy would be to update the procedures to best serve the City.