



## **Financial Management Policies and Procedures**

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## ***PART I: GENERAL POLICIES***

### **Budgeting**

As a political subdivision, the City must comply with the Nebraska Budget Act (Neb. Rev. Stat. §§ 13-501 to 13-513), any other applicable state law, and the Crete Municipal Code. State and local law authorize the City to adopt either an annual or biennial budget. The City currently elects to adopt an annual budget.

The City Administrator is responsible for guiding the budget process and providing a recommended budget to the Mayor and City Council for approval. To aid in this process, department directors are responsible for preparing proposed budgets for their departments. Directors should use recent prior years' budgets and the cost adjustments given by the City Administrator to develop their proposed budgets.

The budget process will begin in June for the following fiscal year. All department directors must submit their proposed budgets to the City Administrator by the end of July. The City Administrator will then work with department directors to rework and adjust the budgets as needed. A consolidated recommended budget will be presented to the City Council by the first Tuesday in September for review and feedback. A final recommended budget will be presented to the City Council at a special meeting, held separately from any regularly scheduled meeting, before September 20.

The Director of Finance is responsible for submitting the fully adopted budget and all supporting documents to the County Board and the Auditor of Public Accounts by September 20.

### **Capitalization**

The City will capitalize all capital assets that have a purchase price of \$5,000 or more and a normal useful life of more than one year. Any major repairs or improvement projects that extend the useful life of the capital asset beyond one year, increase efficiency, or add new capabilities will also be capitalized.

- Capital asset is defined as any tangible asset purchased for use in the day-to-day operation of the City. This includes real property, vehicles, and equipment such as office furniture, fixtures, and computers.
- Bulk purchases of similar items that have an aggregate value of \$10,000 or more will be treated as a single capital asset regardless of the individual price of the items. Likewise, other items that are routinely purchased as a set will also be treated as a single capital asset.

Depreciation will be provided over the estimated useful life of each capital asset using the straight-line method. An estimated useful life will be set when the capital asset is placed into service and should generally be within the following time periods:

- Buildings and Land Improvements 20-50 years
- Systems Equipment 20-50 years
- Vehicles, Tools, Other Equipment 05-10 years

The value of the capital asset will be determined by including the purchase price of the item, transportation costs, installation costs, and any other direct expenses incurred by the City in obtaining the asset. When the City constructs a capital asset on its own, all direct costs will be included in the total cost of the asset. This includes, but is not limited to, architectural, engineering, legal, consulting, and project management expenses from outside sources.

- Donated capital assets will be valued at the fair market value of the asset on the date the gift was given. To determine the fair market value, the City may use the actual appraised value, the fair market value of equivalent or substantially similar items, or information from the Nebraska Department of Administrative Services.
- Leased capital assets will be recorded as a capital asset and a corresponding liability. The value of the leased asset will be the fair market value without including any costs associated with the lease such as interest expenses.
- All costs of major repairs or improvements will be factored into the value of the capital asset, including all parts and labor.

Gain or loss on the sale or disposal of capital assets will be recorded by removing the cost and accumulated depreciation and applying the sales proceeds.

## **Investments**

The purpose of this policy is to serve as a guide to the City's financial investment decisions. The following policy statements are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

### **Objectives**

*Assure safety of principal.* All investment transactions will be done to keep capital losses at a minimum, whether from securities defaults or erosion of market value. Diversification is necessary to ensure that any potential losses on individual investment positions do not exceed the income generated from the remainder of the portfolio.

*Retain liquidity to meet projected cash needs.* The full investment portfolio will be sufficiently balanced so that liquid funds are available to meet operating expenses as they become due. The portfolio should be structured so that investment positions mature on a rolling basis to meet the anticipated cash needs. Because not all cash needs can be anticipated, an adequate percentage of the portfolio should be in

money market mutual funds, local government investment pools, or other securities with active secondary or resale markets.

*Make productive use of idle funds.* Money loses value over time due to inflation. Due to the nature of government financing and cash flows, the City has large amounts of money sitting idly in funds until the money is drawn out to cover budgeted expenses. These funds are continually losing value unless the money is invested and the return on investment is higher than the rate of inflation.

*Realize the best possible return, while minimizing risk.* The investment portfolio should be designed to attain at least a market rate of return throughout budgetary and economic cycles, while taking into account the safety and liquidity needs mentioned above. The investment goal is not to maximize returns by engaging in market speculation, so the core investment portfolio should be in relatively low risk securities that will likely earn a fair return relative to the risk being assumed. Securities will generally be held until maturity unless:

- Liquidity needs require the security to be sold;
- The security should be sold early to minimize loss of principal; or,
- The security could be sold to improve the quality, yield, or target duration of the overall portfolio.

### Approved Investments

- Certificates of deposit and time deposits in banks, capital stock financial institutions, and qualifying mutual financial institutions.
- Any securities in which the state investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council.
  - The state investment officer is authorized to invest in investments of the nature which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another. (Neb. Rev. Stat. § 72-1246)

### Investment Restrictions

- Maximum Dollar limit per single issuer
  - \$10,000,000 or 35% per institution with pledges
  - \$250,000 per CUSIP investments with management firms
- Maximum investment term – 5 years
- A minimum of 60% of City funds will be kept in institutions located with the city

The maximum amount the City can have on deposit in any bank, capital stock financial institution, or qualifying mutual financial institution is the amount insured or guaranteed by the FDIC plus the paid-up capital stock and surplus of such institution. The City is further restricted within this maximum limit by the type of bond the institution provides.

- If the financial institution provides a surety bond, the deposit limit is the amount insured or guaranteed by the FDIC plus the maximum amount of the bond, up to the above-mentioned

maximum.

- If the financial institution provides a personal bond, the deposit limit is the amount insured or guaranteed by the FDIC plus one-half the amount of the bond, up to the above-mentioned maximum.

#### Investment Authority

The Director of Finance will be responsible for managing the City's investments, and all investment decisions must be approved by the Mayor, City Administrator, and City Attorney

## ***PART II: RESERVE FUNDS***

Reserve fund balances are an extremely important credit rating factor, so ensuring a strong reserve position is critical to maintaining high-grade credit ratings. During the annual budget preparation, the City Administrator will review the separate reserve funds and budget accordingly to bring the funds up to the target balance levels, if needed. The Director of Finance will establish accounts and maintain the various reserve funds as directed by the City Administrator with the approval of the Mayor. Special reserve funds may also be established with specific purposes, policies, procedures, and timelines.

All reserve funds will be recorded separately in the City's financial records. The reserve funds will be maintained and available in cash or cash equivalent funds and segregated from operating funds and accounts.

### **Operating Reserve Fund**

#### Purpose

The purpose of the Operating Reserve Fund is to maintain adequate reserve funds to mitigate current and future risks due to revenue shortfalls or unanticipated expenditures and to ensure stable tax rates. These reserve funds are intended to allow the City to sustain the level of general services it provides to the public regardless of fluctuations in revenue or expenditures or of large, unpredicted expenses.

#### Fund Balance Level

The target balance of the Operating Reserve Fund is twenty percent (20%) of the average annual expenditures for the past three fiscal years. Replenishment funds to maintain the target balance may come from annual appropriations, earnings on investments, surplus operating revenue, or any other source the City Council may deem appropriate. If the Operating Reserve Fund is less than seventy-five percent (75%) of the targeted reserve level, the City Council should appropriate sufficient amounts of its annual budget to rebuild the fund over the following three years to its targeted level.

#### Use of the Fund

The Operating Reserve Fund shall primarily operate as an internal line of credit to fund day-to-day operations of the City in the event of revenue shortfalls or unanticipated expenditures. The Fund may also be used to cover large, unpredicted expenses if approved by the City Council. Any funds above the target level shall be transferred to the general operating fund or to another reserve fund, if needed.

## **Library Reserve Fund**

### **Purpose**

The purpose of this reserve fund is to ensure the stability of the mission, programs, and ongoing operations of the Crete Public Library and to provide a source of internal funds for organizational priorities related to building maintenance and repair. The Library Reserve Fund is intended to provide a ready source of funds for major repairs and maintenance to the building, land, leaseholds, fixtures, and equipment necessary for the effective operation of the library and the delivery of services.

- Major repairs means any repair, replacement, maintenance, or purchase related to the operation of the building, land, leaseholds, fixtures, or equipment that is \$5,000 or more.

### **Fund Balance Level**

The target balance of the Library Reserve Fund is \$250,000. Replenishment funds to maintain the target balance may come from annual appropriations, unrestricted legacies/bequests/memorials, earnings on investments, special grants, excess operating revenue, or any other source the City Council may deem appropriate. If the Library Reserve Fund is less than seventy-five percent (75%) of the targeted reserve level for three consecutive years, the City Council will appropriate sufficient amounts of its annual budget to rebuild the fund over the following three years to its targeted level.

### **Use of the Library Reserve Fund**

The Library Reserve Fund shall operate as an internal line of credit, which must be replenished to the target level, to fund any major repairs to the Crete Public Library. Funds above the target level shall be available for use for any major repairs to the facility without being replenished, unless otherwise directed by the City Council.

### **Authority to Use Reserves**

The City Administrator may access up to \$5,000 for the purposes outlined above if the Library Reserve balance is above the target balance or if sufficient accounts or grants receivable are available to repay such usage within twelve months.

Any funds used from the Library Reserve, the total of which is greater than \$5,000 or will bring the reserve below the target balance for longer than twelve months, will be paid back through a prescribed replenishment schedule. The City Administrator must request approval of any such usage and proposed repayment schedule from the City Council. If, at any time, the balance of the Library Reserve Fund is below the target balance, the status of the fund and payments made toward the proposed repayment schedule will be reviewed at regularly scheduled City Council meetings.

### **Policy Review**

This policy will be reviewed by the Finance Committee at least every three years and may be reviewed sooner if warranted by internal or external events or changes. Any recommended changes will be provided to the City Council for full approval.



### ***PART III: INTERNAL CONTROLS***

#### **Segregation of Duties**

The City Administrator, with Mayor approval, will implement a system of segregation of duties to ensure accountability and prevent the misuse of public funds. No employee of the City shall carry out a single transaction from start to finish. For example, employees who handle and receive money cannot balance their own cash drawers or be in charge of depositing money in the bank.

#### **Accounts Receivable**

Employees that are responsible for billing customers and recording payments on amounts billed do not have the authority to write off receivable balances as uncollectible.

#### **Accounts Payable**

All invoices must contain the signature or initials of the City Administrator, or other individual with the authority to approve them, to indicate authorization for payment. Invoices should be backed by sufficient documentation that clearly indicates the date the expense was incurred, name of the vendor, amount of the charge, fund used, and, if needed, whether the expense had been appropriated as part of the annual budget or evidence of appropriation by the City Council.

Documentation behind all individual credit card charges must be attached to the monthly credit card statements. The City Administrator or their designee shall review all of the credit card statements to ensure all charges appear to be for legitimate purposes.

#### **Payroll**

Payroll will be processed every two weeks. The Department of Human Resources will process timesheets in the computer payroll module by Wednesday of the pay week. The amounts due to each employee will be reviewed by the Department of Finance, which will then prepare the payments for direct deposit on Thursday of the pay week. Employees that provide labor to different activities or programs should have their wages or salary proportionately accounted for between the various accounts that fund the activities or programs. On non-pay weeks, payroll reports for the prior payroll period should be reviewed by an employee independent of the payroll preparation process. Any issues must be presented to the City Administrator.

On a quarterly basis, the City Administrator or their designee will perform a payroll audit. The audit will include:

- Spot checks on selected employees listed on the payroll reports to ensure that the wages and salaries that were paid match the formal pay rates noted in the employees' personnel files.
- Reconciliation of the payroll reports with the fund balances to ensure that the labor expenses have been properly divided between the various funds.
- Review and verification that all tax payments and filings are up to date.

## **Expense Reimbursement**

Employee expense reimbursements shall be handled in the same manner as all other accounts payable.

## **Purchasing**

### **Definitions.**

For the purposes of this article, the following terms, phrases, words and their derivations shall have the meaning given herein. When not inconsistent with the context, words used in the present tense include the future, words in the plural number include the singular number, and words in the singular number include the plural number. The word "shall" is always mandatory and not merely directory.

Bid shall mean and include all bids and proposals.

City is the City of Crete, Nebraska

Contractual services shall mean and include all telephone, gas, water, electric light and power service, towel and cleaning service, insurance, lessee for all grounds, building, office or other space required by the using agencies; and the rental, repair or maintenance of equipment, machinery, and other City-owned property. The term shall not include professional and other contractual services which are in their nature unique and not subject to competition.

Supplies shall mean and include all supplies, materials, and equipment.

Using agency is any department in the City government using supplies or procuring contractual services as provided for in this article.

### **Formal contract procedure.**

1. When the estimated cost of supplies, equipment or contractual services exceeds \$30,000.00 no formal contract for purchase or sale shall be authorized without prior approval of the Mayor and City Council. All supplies, equipment, and contractual services in this category shall be purchased or sold by formal written contract, from the lowest responsible and responsive bidder, after due notice inviting bids.
2. The municipal electric utility may enter into a contract for the enlargement or improvement of its electric system or for the purchase of equipment used for such enlargement or improvement if the price of the same is under \$80,000.00.
3. Notice inviting bids shall be published once in at least one official newspaper with distribution in the City and at least seven days preceding the last day set for the receipt of bids. The notice shall include a general description of the articles to be purchased or sold, and shall state where bid blanks and specifications may be secured, and the date, time and place for opening bids.
4. When deemed necessary bid deposits shall be prescribed in the public notice inviting bids. Unsuccessful bidders shall be entitled to a return of surety required by the bid specifications. Successful bidder shall forfeit his or her bid deposit upon failure on his or her part to enter a contract within ten days after being notified of the award.

5. Bids shall be sealed and submitted to the City Clerk as directed in the request for bid and shall be identified as bids on the envelope. Bids shall be opened in public on the date and at the time and place stated in the public notices. A tabulation of all bids received shall be available for public inspection.
  - a. The City Council shall have the authority to reject all bids, parts of all bids, or all bids for any one or more supplies or contractual services included in the proposed contract, when the public interest will be served thereby.
  - b. The City shall not accept the bid of a contractor who is in default on the payment of taxes, licenses, or other monies due the City.
6. Contracts shall be awarded to the lowest responsible and responsive bidder. In determining "lowest responsible bidder," in addition to price, the following shall be considered:
  - a. The ability, and skill of the bidder to perform the contract required;
  - b. The character, integrity, reputation, judgment, experience and efficiency of the bidder;
  - c. Whether the bidder can perform the contract within the time specified;
  - d. The quality of performance of previous contracts;
  - e. The previous and existing compliance by the bidder with laws and ordinances relating to the contract;
  - f. The life-cost of the personal property in relation to the purchase price and specific use of the item;
  - g. The performance of the personal property, taking into consideration any commonly accepted tests and standards of product usability and user requirements;
  - h. Energy efficiency ratio as stated by the bidder for alternative choices of appliances or equipment;
  - i. The information furnished by each bidder when deemed applicable concerning life-cycle costs between alternatives for all classes of equipment, evidence of expected life, repair and maintenance costs, and energy consumption on a per-year basis;
  - j. Such other information as may be secured having a bearing on the decision to award the contract.

A "responsive bidder" shall be defined as a person or company who has submitted a bid which conforms in all material respects to the "invitation for bids."

7. When the award is not given to the lowest bidder, a full and complete statement of the reasons for placing the order elsewhere shall be prepared and filed with other papers relating to the transaction.
8. No contract in excess of \$30,000.00 for enlargement or general improvements, such as water extensions, sewers, public heating system, bridges, works on streets, or any other work or improvement when the cost of such enlargement or improvement is assessed to the property shall be awarded by the City Council until an estimate of the cost shall be made by the City Engineer and submitted to the Council.
9. The electric utility shall not enter into a contract for the enlargement or improvement of the electric system or for the purchase of equipment used for such enlargement or improvement without advertising for bids if the price is over \$80,000.00.
10. Except in the case of tie bids, there shall be neither formal, or tacit local vendor's preference policies. The City shall neither impose nor condone any bidding or procurement policies that result in exclusionary or anti-competitive bidding or violate state or federal antitrust laws. If all bids received are for the same total amount or unit price, quality and service being equal, the

contract shall be awarded to a local bidder. Where there is no local bidder or when two or more local bidders are equal, the award of the contract shall be by drawing lots in public to one of the tie bidders.

11. The City, whenever applicable, may purchase supplies, equipment, or services without the necessity of using the formal bid requirements as set forth in this section by either:
  - a. Purchasing under a State of Nebraska contract; or
  - b. Purchasing the same supplies, equipment, or services from another vendor at or below the purchase price of a State of Nebraska contract; or
  - c. Purchasing under a contract or agreement compliant with the Interlocal Cooperation Act where the acquisition cost of the item being purchased has been established through a public procurement process; or
  - d. Purchasing under a contract or agreement with a Joint Public Agency where the cost of the item being purchased has been established through a public procurement process; or
  - e. Purchasing where the entire cost of the supplies, or services is 100 percent funded by a donation to the City for said supplies, equipment, or services, and the following criteria are met:
    - 1) The project utilizing said supplies, equipment, or services has been approved by the City in advance of the donation to the City, and,
    - 2) The donor has requested that particular supplies, equipment, or services be acquired by the City with the donated funds, and,
    - 3) The City, before accepting the donation, has considered the criteria set forth in subsection (6) of this article and has declared that, having considered the criteria set forth in subsection (6), it is in the best interest of the City; or,
  - f. Purchasing used equipment with prior authorization of the Council; or
  - g. Purchasing items that are available only from a single source; or
  - h. Purchasing parts and labor needed for maintenance and repairs, or
  - i. Purchasing consumables and fuels.

#### Informal bidding.

1. When the estimated cost of supplies, equipment or contractual services is less than \$30,000.00, or less than \$80,000.00 in the event of a purchase by the municipal utility for its electric system, the purchase shall be made in the open market, without newspaper advertisement and without observing the procedure prescribed for the award of formal contracts and shall be referred to as open market purchases.
2. All open market purchases in an amount greater than \$10,000.00 but less than \$30,000.00 or in the event of a purchase by the municipal utility for its electric system is greater than \$10,000.00, but less than \$80,000.00, shall, whenever possible or practicable, be based on at least three competitive bids, and shall be awarded to the "lowest responsible and responsive bidder," in accordance with the same criteria established in this article for the formal contract procedure.
3. All open market purchases of \$10,000.00 or less may be made by utilizing open monthly purchase orders or by purchasing from available sources without the necessity of a bid.

4. Open market bids may be solicited by direct mail request to prospective vendors, by public notice on bulletin board, by telephone, by facsimile transmission, by electronic mail or other electronic means.
5. The respective department head or his/her designee shall keep a record of all open market orders, and the bids submitted in competition thereon, and such records shall also be open to public inspection.
6. The City, whenever applicable, may purchase supplies, equipment, or services without the necessity of using the informal bid requirements as set forth in this section by either:
  - a. Purchasing under a State of Nebraska contract; or
  - b. Purchasing the same supplies, equipment, or services from another vendor at or below the purchase price of a State of Nebraska contract; or
  - c. Purchasing under a contract or agreement compliant with the Interlocal Cooperation Act where the acquisition cost of the item being purchased has been established through a public procurement process; or
  - d. Purchasing under a contract or agreement with a Joint Public Agency where the cost of the item being purchased has been established through a public procurement process; or
  - e. Purchasing where the entire cost of the supplies, or services is 100 percent funded by a donation to the City for said supplies, equipment, or services, and the following criteria are met:
    - 1) The project utilizing said supplies, equipment, or services has been approved by the City in advance of the donation to the City; and
    - 2) The donor has requested that particular supplies, equipment, or services be acquired by the City with the donated funds; and

The City, before accepting the donation, has considered the criteria set forth in sections of this article and has declared that, having considered the criteria set forth in the best interest of the City; or
  - f. Purchasing used equipment with prior authorization of the Council; or
  - g. Purchasing items that are available only from a single source; or
  - h. Purchasing parts and labor needed for maintenance and repairs; or
  - i. Purchasing consumables and fuels.

#### Emergency purchases.

1. In the event of an emergency which requires immediate purchase of supplies or contractual services, the City Administrator shall be empowered to authorize the purchase by open market procedure as herein set forth, at the lowest obtainable price, any supplies or contractual services.
2. An "emergency" shall be defined as any event which interrupts the normal administration of municipal services, thereby jeopardizing the life, health or convenience of citizens.
3. Should an emergency situation arise on a weekend or holiday, any purchase necessary shall be made by the department.
4. A report of the circumstances of an emergency purchase shall be filed by the department head with the City Administrator.

#### Inspection and testing.

1. The respective department head or his/her designee shall inspect, or supervise the inspection of, all deliveries of supplies or contractual services to determine their conformance with the specifications set forth in the order or contract.
2. The respective department head or his/her designee may require chemical and physical tests of samples submitted with bids and samples of deliveries which are necessary to determine their quality and conformance with the specifications. In the performance of such tests, the respective department head or his/her designee shall have the authority, to make use of laboratory facilities of any agency of the City government or any outside laboratory.

#### **Surplus stock, and real property.**

All agencies and departments shall submit to the City Administrator at such time and in such form as he or she shall prescribe, reports showing stocks of all supplies which are no longer used or which have become obsolete, worn out or scrapped.

The City Administrator shall have the authority to sell or dispose of all surplus supplies and equipment of less than \$20,000.00 in value which have become unsuitable or unnecessary for public use. The respective department heads shall sell or dispose of the property by any method which is most advantageous to the City, including offering it first to other City departments, or subsequently by auction, sealed bid, private or public sale, or trade-in for other property. All sales of any one piece of equipment or supplies of \$20,000.00 or more in value shall require the prior approval of the Mayor and City Council.

Any sale of surplus real estate shall be sold or disposed of as directed by the City Administrator with Mayor and Council approval.

#### **Prescribed authority structures.**

Insofar as the sale or purchasing procedures of this policy are concerned, the following authority structure shall apply:

1. Every City employee shall requisition for supplies, equipment or services only with the approval of the employee's department head or duly authorized representative;
2. After obtaining the approval of the department head, the employee shall follow the procedures of the sale or purchase as specified in this article;
3. No City employee shall circumvent that prescribed authority structure of this policy without permission of the City Administrator.

#### **Exceptions.**

This policy shall not apply to construction contracts for special improvement districts nor to state or federally funded programs that mandate a different contracting procedure, nor to contracts for legal services.

#### **Contract and agreement approval and signing.**

1. Contracts and agreements for supplies, equipment materials, and contractual services which exceed \$30,000.00, or in the event of a purchase by the municipal utility for electric supplies,

electrical equipment, electrical materials and electrical contractual services which exceeds \$80,000.00 shall be approved by the City Council and signed by the Mayor unless:

- a. The amount of the expenditure or contract is less than any amount budgeted for the subject supplies, equipment, materials or contractual subjects in which case the contract or agreement need not be approved by the City Council, but shall be signed by the Mayor.
2. Multiple year contracts and agreements for supplies, equipment, materials and contractual services exceeding \$30,000.00 over the life of the contract or agreement, or in the event of a purchase by the municipal utility for electric supplies, electrical equipment, electrical materials and electrical contractual services exceeding \$80,000.00 over the life of the contract or agreement shall be approved by the City Council and signed by the Mayor.
3. Contracts and agreements for supplies, equipment, materials and contractual services not exceeding \$30,000.00, or in the event of a purchase by the municipal utility of supplies, equipment, materials and contractual services not exceeding \$80,000.00 may be signed by the City Administrator with approval of the Mayor.
4. Other contracts, agreements, memorandums of understanding and other similar documents not described in this section shall be signed by the Mayor or by his or her designee.

### **Purchase Authorization**

All contracts and purchases of goods and services costing of or more than the amounts listed below, except those made in the normal course of business for power consumption or utility usage and those approved through formal bidding process by the City under Neb. Rev. Stat. § 81-924 upon which claims are submitted to the City Council, shall be reviewed and approved by the supervising department director or his or her designee prior to the contract or purchase being presented to the City Administrator for authorization:

- Electric Department \$10,000
- Water, Sewer, Street Departments \$ 5,000
- Cemetery/Parks Department \$ 2,500
- Recreation/Pool Programs \$ 2,500
- Police Department \$ 2,500
- City Clerk/City Treasurer Office \$ 2,500
- Fire & Rescue Department \$ 2,500

When a contract or purchase has been authorized by the City Administrator that exceeds 400% of any of the amounts above, the City Administrator shall advise the Mayor and Finance Committee, in writing within three business days, that the contract or purchase of goods or services has been authorized, the purpose of the contract or purchase, and the account the amount of the contract or purchase will be taken from.

When contracts or purchases are made of items manufactured or sold by more than one distributor or supplier, competitive solicitations shall be made by the department making the purchase by soliciting

the price from at least three separate distributors or suppliers, where possible, prior to the contract or purchase being authorized. No contracts or purchases for more than the lowest quoted price will be authorized by a department director unless approved in advance by the City Administrator and after the City Administrator has been advised of the reasons for contracting or purchasing from the particular distributor or supplier.

No contract or purchase shall be authorized by any employee or department unless there are unappropriated funds available in the budget for the contract or purchase. All requirements of federal, state, and local law shall be followed by departments prior to the authorization of any contract or purchase.

### **Bank Reconciliation**

All bank statements are to be reconciled on a monthly basis no more than two weeks after receipt of the statement. Regardless of when the statements are received, all reconciliations must be completed before the 15th of each month. As part of the reconciliation, an employee independent of the check preparation process should review the bank statements and check images, noting any unusual transactions, payees, amounts, and unauthorized signers.

Issues with the statements or images must be reported to the City Administrator, and any discrepancies between the general ledger and the bank statements or check images must be thoroughly investigated. If the general ledger needs to be changed or adjusted, written documentation that explains the changes to be made and the reasons why must be prepared and filed with the bank statement.

### **General Ledger Reconciliation**

All accounts and journal entries must be reconciled on a monthly basis within two weeks after the bank reconciliations are complete. This includes, but is not limited to, reconciling accounts receivable, accounts payable, billings, debt balances, depreciation and other amortizations, and accrued interest. The Director of Finance will provide a report to the City Administrator on the results of the reconciliation.

## ***PART IV: AUDITS***

### **Internal Audits**

The City Administrator or their designee will perform periodic internal audits of the financial processes, procedures, reports, and records to detect any errors, omissions, or other issues that may exist and to ensure that the City's financial policies and standards are being followed. The auditor designated by the City Administrator must have adequate technical training and proficiency to perform the audit.

The internal audits will be performed randomly when the designated auditor has time or upon request of the City Administrator. The audits will not be announced in advance, and employees are required to work cooperatively with the designated auditor. Failing to cooperate with the auditor or to provide them with access to requested information will be cause for disciplinary action.



The designated auditor will review accounting records, financial statements, and transaction processing procedures in order to prepare an audit report for the City Administrator, Mayor, and Finance Committee.

- Accounting records generally include, but are not limited to, the records of initial entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries, and other adjustments to the financial statements that are not reflected in formal journal entries; and records such as worksheets and spreadsheets supporting cost allocations, computations, reconciliations, and disclosures.
- Financial statements generally include, but are not limited to, statement of net assets, statement of activities, and fund financial statements.
- Transaction processing procedures generally include, but are not limited to, all parts of a financial transaction from start to finish and all processes that involve customers, clients, or other parties.

The audit report will include the following:

- An evaluation of whether the financial statements are presented in accordance with generally accepted accounting principles for state and local governments.
- A detailed description of any errors, omissions, discrepancies, or other issues in any of the accounting records.
- An evaluation and analysis of current transaction processing procedures, including suggestions for improvements.

## **Independent Audits**

Annual comprehensive financial audits will be performed by an independent public accounting firm, reviewed by the City Council, and provided to the Nebraska Auditor of Public Accounts. The Department of Finance will work cooperatively with the independent auditor, ensure that adequate work space is provided, and supply any information needed to create the annual audit report. The audit report must be filed with the Auditor of Public Accounts within six months after the end of the City's fiscal year on September 30.

After the close of the fiscal year, the Finance Committee will select an independent auditor that has a current permit to engage in the practice of public accountancy issued by the Nebraska State Board of Public Accountancy. The City Administrator will provide recommendations on qualified auditors, the qualifications of which may be determined by any reasonable selection process, including bidding, Request for Proposals, or Request for Qualifications.

The audit and audit report shall be completed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. The report shall be typed on letter sized pages and must include all of the information required by the Auditor of Public Accounts. Any separate letters to the City regarding internal controls, compliance, or other accounting practices or procedures must be included with the audit report filing.

At the end of the audit, the Director of Finance and the City Administrator will meet with the auditor to discuss any issues raised, review the audit journal entries, evaluate the audit process, and plan improvements for the following fiscal year. After the audit report has been prepared, the auditor will present its findings to the Finance Committee and, if requested, the City Council.

## ***PART V: REPORTS AND RECORDS***

### **Financial Reports**

Financial reports are the means of communicating financial information to the City's decision makers, the general public, legislative and oversight bodies, and investors and creditors. The reports are used to compare actual financial results with the legally adopted budget, to assess financial condition and results of operations, to assist in determining compliance with finance-related laws, rules, and regulations, and to assist in evaluating efficiency and effectiveness. Certain financial information is better communicated by standard financial statements, while other information is better provided or can only be provided by different types of financial reports.

To be effective, all financial reports, regardless of type, must be understandable, reliable, and timely.

- Information in the reports should be expressed as simply as possible and should include explanations and interpretations that help users understand the information provided; however, information should not be excluded merely because it is difficult to understand or because some users may choose not to use it.
- In order to be reliable, the reports must be comprehensive, verifiable, and free from bias. No material information should be omitted, nor should any statements or interpretations be included that would cause the information to be misleading.
- Timeliness is achieved by ensuring financial reports are available and presented in time to inform current and future decision making. The need for timeliness must be weighed with the need for reliability. Minor gains in precision or reliability should not come at the cost of long or infinite delays; a timely estimate may be more useful than precise information that takes a long time to produce.

Ideally, financial reports would include all available information and precise data that the City's decision makers will use to make well-informed decisions; however, each of the three aspects mentioned above need to be balanced when preparing financial reports so that the decision makers can make economic, social, and political decisions effectively and efficiently.

The Department of Finance will prepare monthly, quarterly, and annual reports of all government-type and business-type activities, including cash flows, fund balances, reconciliations and adjustments, actual vs. budgeted comparisons, and any other financial information required by the City Administrator or City Council. These reports may be prepared as part of an internal or external audit.

All reports must be prepared in compliance with accounting principles generally accepted in the United States for use by state and local governments, generally accepted governmental auditing standards (GAGAS), and the standards and guidance promulgated by the Governmental Accounting Standards Board (GASB).

### **Records Retention**

The City is required by state law to maintain financial records for definite periods of time regardless of the media on which they exist. These retention periods can be found in the records management schedules issued by the Nebraska Records Management Division, including Schedule 24 Local Agencies General Records and Schedule 28 City/Village Treasurers.