



Financial Management Policy

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City of Canton, Georgia
Financial Management Policies

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*City of Canton, Georgia
Financial Management Policies*

I Purpose

The City of Canton (hereinafter referred to as City) has a responsibility to its citizens to carefully account for public resources, to manage municipal finances wisely, and to plan for the provision of services. This stewardship of public funds is one of the primary responsibilities given to elected officials of the City of Canton. Critical to managing these responsibilities are the establishment of financial policies that enable City officials to manage financial resources in a prudent manner that meets its current obligations while planning for future financial needs. This document summarizes existing financial policies in place and establishes guidelines for fiscal management decisions. It is recognized that this document cannot encompass or anticipate all financial decisions and it is intended that these policies be applied broadly and yet be flexible to meet specific circumstances as they arise.

This policy is designed to:

1. provide a framework for financial decision-making;
2. enhance consistency in financial decisions;
3. establish parameters for the administration to use in directing financial affairs of the City;
and
4. provide a framework for the future.

The scope of these policies includes budgeting, financial reporting, auditing, asset management, risk management, capital improvement program, debt management and credit.



II Budget

A. Introduction

The budget process for any government is the means by which key decisions are made to provide manpower, levels and types of services, maintenance and equipment, given the projected amount of resources. The cooperation and diligence of all City departments is required to develop a budget which most accurately predicts future revenues and expenditures. A poorly or improperly developed budget can create great financial hardship and improper use of tax payer dollars. Therefore, it is imperative that proper planning and research go into the development of the City's budget.

B. General Budget Policies

In addition to the following policies, the City of Canton's budget process is governed and its policies superseded by Georgia Code 36-81-3.

Strategic Plan – The City Council has established its strategic plans for the community's future. These high level policy statements establish the framework to guide spending priorities within the City

Budget Preparation - Department Heads are responsible for proposing budgets consistent with priority direction from the Mayor and City Council.

The Budget Officer in cooperation with the City Manager's Office is responsible for coordinating the overall preparation and administration of the City's budget in compliance with applicable State of Georgia statutes governing local government budgeting practices.

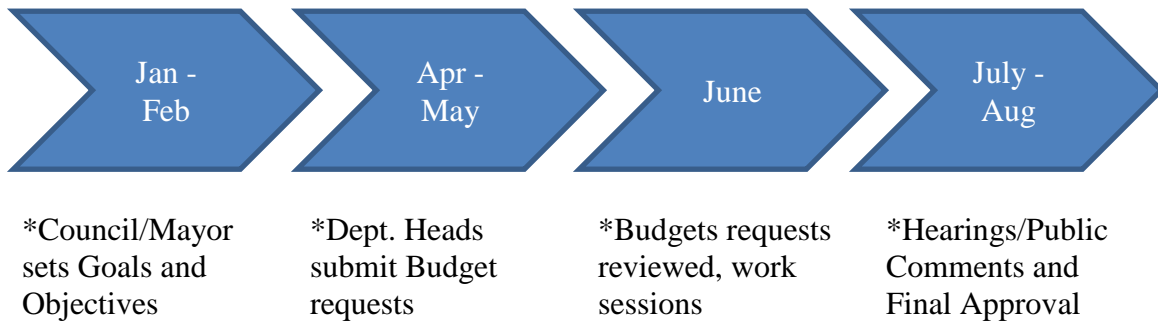
Once approved by City Council, Department Heads are responsible for the management and monitoring of their own specific departmental budget(s). The Budget Officer will assist Department Heads in identifying budget problems, formulating solutions and alternatives and implementing any necessary corrective actions.

Budget Process – The budget process shall include at a minimum the following steps:

1. The Council, in conjunction with the Mayor's office, provides strategic plans as guidance to staff for development of the preliminary budget. Departments shall prepare annual plans for making incremental progress on those statements and commitments, using when available, the agreed upon performance metrics data from the year prior.
2. A preliminary budget request for each department within the General Fund and for all enterprise funds is presented to the Budget Officer from each department in the manner and form described within the annually published budget preparations guidance. Unless otherwise indicated, all budget requests are due from the Department Heads by June 1st.
3. The Budget Officer shall compile the budget requests and deliver an analysis of those requests to the City Manager.

4. The City Manager works directly with Department Heads to create a preliminary budget.
5. The preliminary budget is presented to the Mayor and City Council with a minimum of 45 days allowed for Council deliberation and public comment.
6. A City-wide Operating and Capital Budget for the next fiscal year shall be approved by Council as the Adopted Budget by August 31st of each year.

The following timeline is recommended as a template for preparation of the budget document:



Examination of Existing Base Budget – During the annual budget development process, departments will thoroughly examine their existing base budget to remove one-time appropriations and to reduce or eliminate services that are no longer priorities.

Balanced Budget - In compliance with GA Code 36-81-3, the City adopts a statutorily balanced budget, which requires total estimated resources (beginning reserves plus revenues) equal the total appropriation (expenditures plus ending reserves). This requirement of a Balanced Budget applies to each individual fund and to the entire aggregate budget presented. The current year budget is formally adopted annually.

C. Revenue Guidelines

The City must balance present and anticipated future needs for services and the City's ability to raise fees, charges and taxes to support those services.

Mix of Revenues - The City shall strive to maintain a diversified mix of revenues in order to balance the sources of revenue amongst taxpayers and to provide ongoing stability and predictability. The City's overall revenue structure should be designed to accrue to the City some of the financial benefits resulting from the City's economic and community development investments without being regressive in its application.

Charges for Services - Charges for services benefiting specific users should be established at a rate that recovers full costs, including all direct and capital costs. Departments imposing fees or service charges should prepare and periodically update cost-of-service studies for such services. A subsidy of the costs for such services may be considered when Council determines it is in the public



interest. Any subsidy of service costs shall be specifically identified to Council prior to presentation for approval of fees or service charges.

One-time Revenues - The City will not use revenues received that are considered to be available for only a limited period of time, to fund on-going operational costs. When considering the use of new revenues for funding on-going employment costs, staff will assure that the source of revenue is available for at least three years.

Grant Agreements - Prior to application and again prior to acceptance, grant agreements will be reviewed by the appropriate City staff to ensure matching requirements are reasonable and attainable, and ensure compliance with regulatory requirements is possible.

D. Expenditure/Expense Guidelines

In addition to the following guidelines, this section should be read in conjunction with Section V “Purchasing”.

Approvals - All expenditures must be made only after appropriate approvals have been attained, state and city purchasing requirements have been met and appropriation through the budget process has been approved.

Public Stewardship - In all Operating Expenditures the City will strive to balance prudent decision making with fair market considerations in order to receive optimal value for the funds being expended.

Management of approved expenditures - Invoices for any departmental purchase are to be paid only after the appropriate signatures authorizing the expenditure have been made. Any expenditure made without authorized budget authority and appropriate approval cannot be paid. Any such expenditure may cause the claim for payment to be the personal obligation of the individual implicitly or explicitly providing the payment approval. In the event of an emergency, approval procedures may be temporarily waived or modified as provided for in Section V of this policy.

E. Composition of Proposed Budget

The proposed budget shall be comprised of the following categories:

- Revenues
- Personnel Costs
- Professional, Other Services, Maintenance, Supply and Small Equipment Costs
- Capital Costs

F. Capital Improvement Plan

Canton’s City government is accountable for a considerable investment in buildings, parks, roads, sewers, equipment, and other capital investments. The preservation, maintenance, and future improvement of these facilities are a primary responsibility of the City. Planning and implementing sound capital improvement policies and programs today will help the City avoid



emergencies and major costs in the future. A number of important policy considerations are the basis for the Capital Improvement Plan (CIP).

- The City will establish and implement a comprehensive multi-year CIP.
- For each project on the CIP, both the anticipated costs (one-time or multi-year) and the anticipated revenue sources shall be listed.
- The CIP will be prepared and updated annually.
- Assess Funding Sources. Financial analysis of funding sources will be conducted for all proposed capital improvement projects to determine the adequacy and potentiality of revenues. Appropriate use of property taxes, sales taxes, charges for service, or fines and forfeitures versus the use of grants or loans.
- The CIP will be consistent with the Capital Improvements Element and the 5 Year Short Term Work Plan for the Impact Fee Fund as well as other long range capital plans for the City. Virtually all of the projects included in the CIP are based upon formal long-range plans that have been adopted by the City Council. This ensures that the City's CIP, which is the embodiment of the recommendations of these individual planning studies, is responsive to the officially stated direction of the City Council. Examples of these long-range plans include: the City's Long Range Street Maintenance Plan; Water & Sewer Capital Projects Plan, and SPLOST Capital Project Plans.

CIP Coordinating Team -The CIP Coordinating Team is a cross-departmental team which participates in the review and recommendation of the CIP program to the City Council. The Team will review proposed capital projects in regards to accurate costing (design, capital, and operating) congruence with City objectives, and prioritize projects by a set of deterministic criteria.

Establishing CIP Priorities – The City uses the following basic CIP project prioritization and selection process:

- 1) CIP priorities are established by staff in conjunction with City Council priorities and input from citizens, and associated City boards and commissions (if applicable).
- 2) Designated personnel within City departments recommend project expenditure plans to the CIP Coordinating Team.
- 3) The Finance Department determines revenue projections.
- 4) The CIP Coordinating Team evaluates the various CIP projects and selects those with the highest priority.
- 5) A Preliminary CIP is developed and is recommended to the City Council.
- 6) The City Council reviews the Preliminary CIP, holds public hearing(s) if necessary, considers possible alterations, and then officially adopts the CIP.
- 7) Within available funding, the highest priority CIP projects are then selected and included in the annual budget.

Types of Projects Included in the CIP - The CIP will display, to the extent possible, all major capital improvement projects in which the City is involved. It is difficult to define precisely what characteristics a project would have before it is included or excluded in the CIP. However, certain



criteria will be used to guide the CIP Coordinating Team in determining projects for City Council review and approval. A CIP project is generally defined to be any project that possesses ALL of the following characteristics:

- The project or sum of components exceeds an estimated cost of \$50,000; and
- Involves totally new physical construction, reconstruction designed to gradually and systematically replace an existing system on a piecemeal basis, replacement of a major component of an existing facility, or acquisition of land or structures; and
- Involves City funding in whole or in part, or involves no City funds but is the City's responsibility for implementation, such as 100% grant-funded projects; and
- Involves the skills and construction needs beyond those needed for a general repair and/or maintenance project.

Timing of CIP Preparation - The CIP shall be monitored on an on-going basis and shall be revised annually in conjunction with the annual budget of the City. The annual process of CIP development shall begin as early as information becomes available but no later than the onset of the annual budget discussion. The annual CIP shall be included in the preliminary and final budget document of the City.

Predesign and Cost Estimations - For some projects, it is difficult to develop accurate cost estimates when no preliminary engineering or community contact has been performed. To address this problem, some CIP projects are initially proposed and funded for only preliminary engineering and planning work whose completion will refine the anticipated project construction costs.

Project Timing, Cost and Scope - Every effort will be made to accurately estimate all project start dates, completion dates, cost and scope. The predictability of project timing may be important to specific private developers, such as the provision for street improvements or the extension of water and/or sewer lines, without which development could not occur. As such, once a project has been included in the CIP, project scheduling is a priority.

Preserve Existing Capital Infrastructure Before Building New Facilities - It is the City's policy to ensure that adequate resources are allocated to preserve the City's existing infrastructure before targeting resources toward building new facilities that also have maintenance obligations. This policy addresses the need to protect the City's investment in capital facilities and to avoid embarking on a facility enhancement program which, together with the existing facilities, we cannot afford to adequately maintain.



G. Contingency Budget

The General Fund budget shall have a contingency for unexpected expenditures in the amount of at least 2% of projected General Fund revenues for the budgeted fiscal year, with exception of extraordinary circumstances.

H. Budget Reports

Budget to actual reports shall be submitted to the Mayor and Council as well as to all city Department Heads and the City Manager, from the City's Chief Financial Officer monthly.

I. Control and Accountability

Each Department Head is ultimately accountable for ensuring his or her departmental expenditures do not exceed budgeted funds. Should any department exceed their budgeted expenditures, the Budget Officer or Chief Financial Officer shall immediately alert the City Manager and initiate an investigation as to why budgeted expenditures exceeded budgeted funds.

J. Budget Adjustments & Amendments

The current period's Operating Budget may be adjusted during the year using one of two methods.

Budget Adjustments - The adjustment process is a reallocation of existing appropriations and does not change the total dollar amount appropriated for any fund or within the General Fund, any department budget. No City Council action is required as State law allows budget adjustments to be done administratively with approval from the City Manager and/or Chief Financial Officer. Budget adjustments are the City's preferred budget modification process.

Budget Amendments - This process adds or reduces existing appropriations, resulting in a net change to the balance of one or more individual funds, or within the General Fund, to a departmental budgeted "bottom line." A budget amendment requires an ordinance amending the original budget and identifies the funding sources for the incremental appropriations.

- Amendments to the City's budget should only be requested for material changes that impact a department and/or fund's existing appropriation.
- Budget Ordinances: The City Manager will review all agenda bills submitted to City Council which require a Budget Ordinance. The objective of these reviews is to ensure disclosure of all fiscal issues to the Council and to draft the Budget Ordinance.



III DEBT

A. Purpose

The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the City of Canton, Georgia. This policy reinforces the commitment of administration and City officials to manage the financial affairs of the City so as to minimize risk, avoid conflicts of interest, and ensure transparency while still meeting the capital needs of the City. A debt management policy signals to the public and the rating agencies that the City is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Georgia regarding the adoption of a debt management policy.

This Statement of Debt Policy provides a summary of significant financial and budgetary policies required by state law, the City Charter, City ordinances, accounting principles generally accepted in the United States, and administrative practices.

This policy is designed to:

- provide a framework for financial decision-making;
- enhance consistency in financial decisions;
- establish parameters for the administration to use in directing financial affairs of the City; and
- provide a framework for the future.

B. Definition of Debt

All obligations of the City to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of City resources. This includes but is not limited to notes, bond issues, capital leases, and loans of any type - whether from an outside source such as a bank or from another internal fund.

C. Transparency

- The City shall comply with legal requirements for notice and for public meetings related to debt issuance.
- All notices shall be posted in the customary and required posting locations, including as required within local newspapers, bulletin boards, and websites.
- All costs (including principal, interest, issuance, continuing, and one-time) shall be clearly presented and disclosed to the citizens, City Council and other stakeholders in a timely manner.
- The terms and life of each debt issue shall be clearly presented and disclosed to the citizens, City Council and other stakeholders in a timely manner.
- A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens, City Council and other stakeholders in a timely manner.

**D. Role and Use of Debt**

Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the capital improvements plan. Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, the City will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and close budget management. Furthermore, in accordance with Generally Accepted Accounting Principles and law, maturity of debt will not be more than the useful life of the assets purchased or built with the debt and all debt issued for operating expenses must be repaid within the same year of issuance.

Debt financing of capital improvements and equipment will be done only when all of the following conditions have been considered:

- Whether there are sufficient current resources to fund the improvement or asset (i.e. current revenues can or cannot cover the cost of the capital project).
- When non-continuous projects are desired, (those not requiring continuous annual appropriations).
- Whether it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries.
- When it is required to provide services to City residents and taxpayers.
- When total debt, including that issued by overlapping government entities, does not constitute an unreasonable burden to City residents and taxpayers.

E. Types and Limits of Debt

- The City is authorized to issue General Obligation bonds, Revenue bonds, TANs, BANs, loans, notes and other debt allowed by law.
- The City will seek to limit total net bonded debt (general obligation debt that is not self-supporting from revenues) to no more than ten (10) percent of total assessed valuation. The City shall comply with the laws of the State of Georgia concerning limitation on the issuance of general obligation bonds. Where feasible, special assessment, revenue and other self-supporting bonds will be utilized in lieu of general obligation bonds.
- The limitation on total outstanding debt must be reviewed prior to the issuance of any new debt.
- The City's total outstanding debt obligation will be monitored and reported to the City Council as a part of the annual budget process. The City Manager shall monitor the maturities, terms, and conditions of all obligations to ensure compliance. The City Manager shall also report to the Council any matter that adversely affects the credit or financial integrity of the City.
- The City will seek to structure debt with level or declining debt service payments over the life of each individual bond issue or loan.
- Every effort shall be made to limit the final maturity to no longer than the estimated useful life of the capital projects or improvements being financed.



- As a rule, the City will not backload, use “wrap-around” techniques, balloon payments or other exotic formats to pursue the financing of projects. When refunding opportunities, natural disasters, other non-general fund revenues, or other external factors occur, the City may utilize non-level debt methods. However, the use of such methods must be thoroughly discussed in a public meeting and the City Council must determine such use is justified and in the best interest of the City.
- The City may use capital leases to finance short-term projects.
- Bonds backed with a general obligations pledge often have lower interest rates than revenue bonds. The City may use its General Obligation pledge with revenue bond issues when the populations served by the revenue bond projects overlap or significantly are the same as the property tax base of the City. The Council and City Management are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the City’s General Fund.

F. Costs of Debt

All costs associated with the initial issuance or incurrence of debt, management, and repayment of debt (including interest, principal, and fees or charges) shall be disclosed prior to action by the City Council in accordance with the notice requirements stated above.

As a result of the volatility of variable rate debt and thus the unknown costs associated with it, the City shall avoid variable rate borrowing and will only initiate variable rate borrowing in cases where absolutely necessary.

G. Refinancing Outstanding Debt

Debt will be refunded when it is in the best financial interest of the City to do so. The City Manager shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The decision to refinance must be explicitly approved by the governing body, and all plans for current or advance refunding of debt must be in compliance with state laws and regulations.

The City Manager will consider the following issues when analyzing possible refunding opportunities:

- Onerous Restrictions – Debt may be refinanced to eliminate onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.
- Restructuring for Economic Purposes – The City will refund debt when it is in the best financial interest of the City to do so. Such refunding may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the City Manager if the refunding generates positive present value savings.
- Term of Refunding Issues – The City will refund bonds within the term of the originally issued debt. However, the City Manager may consider maturity extension, when necessary to achieve a desired outcome, provided such extension is legally permissible. The City Manager may also consider shortening the term of the originally issued debt to realize



greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

- Escrow Structuring – The City shall utilize the least costly securities available in structuring refunding escrows. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the City from its own account.
- Arbitrage – The City shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding.

H. Professional Services

The City shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the City and the lender or conduit issuer, if any. This includes “soft” costs or compensations in lieu of direct payments.

- Counsel: The City shall enter into an engagement letter agreement with each lawyer or law firm representing the City in a debt transaction. No engagement letter is required for any lawyer who is an employee of the City or lawyer or law firm which is under a general appointment or contract to serve as counsel to the City. The City does not need an engagement letter with counsel not representing the City, such as underwriters’ counsel.
- Financial Advisor: At the discretion of City Management, financial advisor(s) may be used to assist in the issuance of the City’s debt. The financial advisor could provide the City with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements of disclosure. If the City chooses to hire financial advisors, the City shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions.

Whether in a competitive sale or negotiated sale, the financial advisor shall not be permitted to bid on, privately place, or underwrite an issue for which they are or have been providing advisory services for the issuance or broker any other debt transactions for the City.

- Underwriter: If there is an underwriter, the City shall require the underwriter to clearly identify itself in writing (e.g., in a response to a request for proposals or in promotional materials provided to an issuer) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the City with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm’s-length commercial transaction and that it has financial and other interests that differ from those of the Entity. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the City in advance of the pricing of the debt.



I. Interfund Loans

Where cost effective, the City may issue loans between funds within its reporting entity. The City shall not issue loans to other City funds from any Sales Tax Fund. The interest rate applied to such loans will be 50% of the prime rate, as of the date of issuance. A document outlining the amount, rate, repayment terms, and other such pertinent information will be completed by the Finance Department after direction has been given to complete the transaction by the City Manager. Lending from one fund to another should not cause financial adversity to the lending fund; should financial difficulty be expected, the lending fund shall not issue an interfund loan.

J. Review of Policies

Review of debt policies will occur simultaneously, on an annual basis, with the revision of the Capital Improvements Plan for the City as a whole. Any amendments shall be considered and approved in the same process as the initial adoption of this policy, with opportunity for public input.



IV Accounting, Audits and Financial Reporting

The City of Canton recognizes the need for ensuring accountability for the collection, management, and expenditure of all public funds under its jurisdiction. To this end, a basic City accounting system and policy has evolved with a number of critical objectives:

- Accountability for money and property under control of the City
- Compliance with governing laws, ordinances, and procedures
- Providing timely and accurate information on the financial status of the City
- Maintaining financial systems to monitor expenditures, revenues, and financial performance of all programs
- Reporting and providing information to City Council, City Management, and taxpayers

A. Accounting Records and Reporting

*In accordance with applicable state and federal laws, the City will maintain accounting records in a manner to facilitate an efficient audit process.

*The City will maintain a Uniform Chart of Accounts that complies with the requirements of the State of Georgia Department of Community Affairs and Generally Accepted Accounting Principles.

*The City will attempt to minimize the number of funds.

*The City will report its financial condition and results of operations in accordance with state regulations and Generally Accepted Accounting Principles (GAAP) described in Governmental Accounting, Auditing, and Financial Reporting (GAAFR).

B. Auditing

Annually, an independent auditing firm will perform a comprehensive financial audit of the City. The auditor must be a certified public accountant who can give reference that his or her firm has the ability and resources to efficiently and timely conduct the City’s audit in accordance with generally accepted auditing standards and the Governmental Accounting Standards Board. Opinions of the auditor shall be included in the City’s Comprehensive Annual Financial Report (CAFR) and results of the audit shall be provided to the City’s Mayor and Council in a timely manner. A copy of the audit will also be provided to the state auditor who will respond with comments regarding compliance. All required changes to financial reporting as directed by the state auditor will be addressed in a manner consistent with the time line set forth by the state auditor.

C. Financial Reporting

The City's Chief Financial Officer with the aid of the City's independent auditor will annually prepare the required CAFR within the timeline set forth by state guidelines. The CAFR will be prepared in accordance with GAAP and made available to elected officials, creditors, employees of the City, and citizens alike.



V Purchasing

A. Responsibility & General Guidelines

The purpose of this policy is to provide guidance for the procurement of goods and services for the City while adhering to the City Charter and State guidelines. The goal of this policy is to establish, foster, and maintain the following principals:

- *To always consider the best interest of the City in all purchasing transactions.
- *To purchase without prejudice, seeking to obtain the maximum value for each dollar expended while maintaining quality standards.
- *To strive for the highest degree of ethical conduct concerning City purchasing policy.
- *To structure a purchasing policy in such a way as to foster efficiency and proper use by all City departments.
- *All correspondence from vendors MUST be directed to the Finance Department.

B. Purchasing Standard Procedures

City Department Heads or their designees have the privilege to make single purchases which are no greater in cost than \$2,000 and for which budget appropriations exist. Purchases by department heads or their designees may not exceed the approved budget for their department with the exception of “emergency” situations as defined in *Part V section L* of this policy. Aside from “emergency” situations, requisitions must have all required approvals prior to purchases being completed.

Every purchase, regardless of the method used (i.e. direct, on-line, telephone, etc.), will be required to have a properly executed requisition.

Each requisition shall outline the following:

- The product or service requested
- The account # for which budget appropriations exist
- The suggested vendor
- The quantity needed, full description of product/services and approximate cost
- Quotes if required (see following guidelines)
- Other items as needed (e.g. state contract numbers, ship to information, date needed, etc.)

Requisitions are required to have Department Head approval and then should be forwarded to Accounts Payable for further review, approvals, and processing as required.



If the purchase is within the sole authority of the Department Head (i.e. under \$2,000) and once the transaction is completed, the executed requisition along with receipts **MUST** be submitted to the Finance Department immediately. In the event that the product or service is not rendered at the time of sale, each Department Head will hold the receipt copy (i.e. pink copy) until that time the product is received or service completed. Forwarding the pink copy to the Finance Department indicates products/services rendered and authorizes payment.

Purchases outside and beyond the sole authority of the Department Head (i.e. \$2,000 or greater) should be forwarded to the Finance Department subsequent the Department Head approval. Once all approvals have been obtained (e.g. CFO, City Manager and/or Council), a Purchase Order [PO] number will be generated and returned to the originating department via the yellow copy. A copy of the approved PO should be forwarded to the vendor authorizing the purchase or service.

Once the goods have been received and/or services have been provided, the requesting department **MUST** sign the “Received by:” field on the pink copy of the requisition to certify that all items specified in the PO were necessary for the department and products were received or services performed were in satisfactory condition. The pink copy, along with shipping receipts, packing slips, bills of lading and any other documentation necessary to effectuate payment of the invoice, **MUST** be forwarded immediately to the Finance Department.

Exceptions to the Standard Procedure

The Finance Department generates the numbered Purchased Order after all necessary approvals are secured unless the purchase is within the sole authority of the Department Head and is purchased without further approval, as in the case of a “pick up” order or on-line order within approval limit. In this case, the Department Head may directly provide a PO number utilizing the methodology of a four-digit function number followed by a sequence number (e.g. 151001 indicating 1510 Finance Department and the first PO number issued #01).

Product Returns: Returns are processed in similar fashion to standard purchases. Requestor will complete a properly executed requisition clearly indicating that this is for a “Return of Product”, indication of the account that was originally used to purchase the product, as well as the purchase order number from the original transaction.

When shipments are received from vendors that reflect delivery of only a portion of the product originally ordered, or partial services rendered, the Department Head responsible for the original requisition should clearly indicate on a copy of the original purchase order (i.e. pink copy) how much of the product/service has been provided and how much of the original amount should be paid. It is critical that the Department Head keeps the original pink copy of the requisition as this should only be submitted when **ALL** products received or complete services have been rendered.

Routine and consistent payments: Payments that are routine and consistent on a month to month basis, such as utility payments, will only require one signature from the City Manager,



the Chief Financial Officer, or one of their designees. This abridged approval process will only suffice assuming that the payment is consistent with that of prior months (i.e. the amount has not substantially changed) and has been appropriately and sufficiently budgeted for.

It is the duty of the Department Head to make sure that all purchasing policies are followed. At no time should purchases be split into multiple requisitions in order to fall under the authorized purchasing limit. Should repetitive and documented abuse of the above policies and procedures by department heads and/or their designees occur, the City Manager may revoke the purchasing privilege of the offending department.

Purchasing Levels/Limits

***If** an individual purchase is greater than \$2,000 but less than \$5,000, the Department Head must fill out a purchase requisition as itemized above and submit it to Accounts Payable with the following additional requirements:

Description of Items Needed & Purpose (Specifications if Applicable)

1. Alternate quotes from multiple vendors, if possible
2. Signature of Person Requesting Items
3. Signature of Department Head
4. Signature of Accounting Manager or Chief Financial Officer

***If** an individual purchase is \$5,000 or more but less than \$20,000, the Department Head must fill out a purchase requisition as itemized above and submit it to Accounts Payable with the following additional requirements:

Description of Items Needed & Purpose (Specifications if Applicable)

1. Three alternate quotes from multiple vendors
2. Signature of Person Requesting Items
3. Signature of Department Head
4. Signature of Chief Financial Officer
5. Signature of City Manager

***If** an individual purchase is \$20,000 or more but less than \$50,000, item or project is identified within the budget and within budgetary dollar allotment, the Department Head must fill out a purchase requisition and submit it to Accounts Payable with the following information: *(If not in budget or over budget, the rules for purchases over \$50,000 must be followed)*

Description of Items Needed & Purpose (Specifications if Applicable)

1. Three formal bids or quotes for the item/project, unless deemed an emergency, time is of the essence and unable to obtain comparative bids/quotes, or prior approval from the City Manager has been obtained
2. Signature of Person Requesting Items
3. Signature of Department Head



4. Memo to City Manager explaining in detail the project to be completed and/or item(s) to be purchased, as well as the need for the expenditure/expense.
5. Signature of Chief Financial Officer
6. Signature of City Manager

***If** an individual purchase is \$50,000 or more, the Department Head must contact the City Manager who will present the requisition to the Mayor and Clerk to be added to an upcoming Council Agenda. The purchase will then be brought before full council where a resolution (or ordinance if amendment required) must be approved. Once all of these steps have been performed, the Department Head must submit the completed requisition to Accounts Payable or the Purchasing Agent with the following information:

Description of Items Needed & Purpose (Specifications if Applicable)

1. Expenditure Account Number
2. Quantity Needed
3. Signature of Person Requesting Items (with three formal bids, if possible)
4. Signature of Department Head
5. Copy of Council Approved Resolution or Appropriations Ordinance.
6. Signature of Chief Financial Officer
7. Signature of City Manager

*Required steps in the purchasing process must be performed in the order in which they have been presented. Purchasing will process requisitions **only** when all required steps have been performed. Accounts Payable will process invoices when the appropriate requisition has been matched to the given invoice. The Purchasing Agent will submit the white copy of each approved requisition to Accounts Payable pending receipt of an invoice. Department Heads or their designee should retain the carbon copy of the purchase requisition for their records.

Some purchases/payments that exceed the above limits may be authorized directly and solely by the Chief Financial Officer without further approval. These examples must be routine, consistent payments such as utility payments, monthly installment payments to contractors, or monthly administrative expenses like postage, retirement plan payments, insurance installment payments, etc.

C. Vendors

The City will use, unless an emergency or other extraordinary circumstance arises, qualified vendors for purchasing purposes. No qualified vendor shall be arbitrarily exempted from the purchasing process. Should an item to be purchased be unavailable on the City’s qualified vendor list, another vendor may be used after confirmation of their status as a qualified vendor.

A qualified vendor is one who can confirm and provide:

*At least three positive references from previous business transactions.



- *A valid certificate of insurance with adequate limits of liability as required by City policy
- *Valid proof of worker’s compensation insurance (if applicable)
- *A submitted and valid W-9.
- *A valid E-Verify number and/or signed affidavit (if applicable)
- *That no governmental taxes, fees or other arrears to federal, state or municipal governments exist on behalf of the vendor. (Via a written statement by the vendor submitted simultaneously with the vendor’s W9)

It shall be unethical for any City Employee or Official to transact any business or participate directly or indirectly in a procurement contract when the Employee or Official knows that the Employee or Official or any family member of such Employee or Official has a substantial interest or financial interest pertaining to the procurement contract, except that the purchase of the goods or services is awarded pursuant to O.C.G.A. § 45-10-22.

D. County, State and Federal Contracts

The City is authorized to use county, state or federal contracts in lieu of issuing bids to vendors when it is deemed in the economic interest of the City to do so, or is deemed appropriate concurrently by the City Manager and Chief Financial Officer.

E. Solicitation of Vendors and Submission of Bids

If the purchase of a single good or service is expected to exceed \$10,000 competition is required to the extent it exists. The purchasing department must attempt to obtain a minimum of three bids from different sources. If three sources for bids are not located, the purchasing department must notify the Chief Financial Officer in writing. All bidding documentation shall be kept in writing and filed in sequential order by the purchasing department.

F. Request For Proposal

Competitive sealed proposals are solicited through the use of a Request For Proposal (RFP), with the goal of obtaining competitive responses. Where appropriate, an RFP should be used for procuring products and services with initial purchase costs over \$20,000. The RFP should specify the product or service, evaluation criteria, and terms and conditions required by the City. RFPs should avoid the designation of particular brands of products or services if at all possible. Proposals shall be opened publicly in the presence of one or more witnesses at the time and place designated within the RFP.

G. Award of Bids

Bids are awarded to the lowest responsive and most responsible bidder, with the exception for local bidder preference. A responsive bid is one that conforms substantially to the needs of the City and meets applicable legal requirements. A responsible bidder is one who has the capability



to perform the requirements of the bid, considering the quality and the time specified in the scope of the project.

H. Local Bidder Preference

If all other relevant factors have been satisfied, the purchasing department may select a local vendor if the local vendor is within 5% of the lowest offer. Local bidder preference may only be given when the total amount of the lowest bid does not exceed \$20,000.

*A local vendor is one whose base of business operations is located within the corporate limits of the City of Canton.

I. Contract Oversight

Upon the award of any contract in an amount over \$20,000, the City Manager shall appoint at his or her discretion a City employee or employees whose knowledge and experience is best suited to provide oversight of the contract's execution. The employee or employees appointed will provide periodic written updates on the execution of the contract to the City Manager to guard the City against improprieties.

J. Equal Opportunity

The City of Canton shall provide an equal opportunity for all businesses to participate in City contracts regardless of sex, race, color, religion, national origin, political affiliation, age or handicap.

K. Purchasing Back-Up Policy

In the event no one in the purchasing department is available and a purchase cannot or should not be postponed, the City Manager, Chief Financial Officer, or Budget Officer may act on behalf of the purchasing department for procurement of products or services.

L. Emergency Purchases

In the event of an emergency, a contract may be awarded without competitive bidding, but the procurement shall be made with as much competition as the given circumstances allow. An emergency is defined as a threat to life or property, or an unforeseen situation that curtails or greatly reduces an essential service as determined by the City Manager. In the event of an emergency and the City Manager cannot be contacted, the Mayor or the Chief Financial Officer may be contacted to determine an emergency situation. In the event of an emergency concerning matters of public works or utilities, the City Engineer may be contacted for determination if the City Manager cannot be contacted. In the event of an emergency concerning police protection and the City Manager cannot be contacted, the Police Chief may make determination of an emergency.

M. Legal and Ethical Concerns

Public employment is a public trust. Public employees must discharge their duties impartially so as to assure fair competitive access to governmental procurement by responsible contractors. Moreover, they should conduct themselves in such a manner as to foster public confidence in the integrity of the City's procurement process. To achieve the purpose of this policy, it is essential



that those doing business with the City of Canton also observe the ethical standards prescribed herein.

Whether verified or not, all concerns about the legal and/or ethical conduct of vendors and/or service suppliers should be brought to management's attention. It is worth noting that poor legal and ethical practices often manifest themselves initially as minor and unverifiable incidents - a pattern of behavior may, if such incidents are noted, become apparent well before any provable wrong doing.

Outright corruption is fortunately rare, but it does occur. Nepotism, for example, the favoring of relatives or family members, could possibly lead to what we would regard as corruption. Any improper approaches, whether in the form of inducements or threats, must be reported, even if they are ambiguous or would be considered inconsequential. The following points should be particularly noted:

Gifts, hospitality and other gratuities

Generally, it shall be a breach of ethics to offer, give or agree to give any employee or former employee of the City, or for any employee or former employee to solicit, demand, accept or agree to accept from another, a gratuity or an offer of employment in connection with any approval, recommendation, or acceptance of a purchase request or procurement process.

Only gifts of small intrinsic value - pens, desk diaries and the like - may be accepted from actual or potential suppliers. Gifts of real worth should be reported, and returned to the supplier with a polite explanation of why the offer is unacceptable. Suppliers who persist in making such offers should be made aware that the City may cease to deal with them.

On occasion, it is necessary both to give and receive hospitality. However, any hospitality offered or accepted must be modest and proportional to the occasion and of the type and scale that you would offer if the situations were reversed.

Invitations to visit user sites, attend specialist conferences, association annual dinners and the like as the guest of a supplier should be treated with caution and approved in advance by the Department Head or City Manager. Invitations extended to a spouse or other guest will be declined except in exceptional circumstances which should be approved by the City Manager. All invitations to sporting occasions and other functions with little or no business content should be reported and declined. This applies at all times, not just in working hours. Invitations should be declined politely but firmly.

Conflicts of interest

When dealing with suppliers, potential conflicts of interest can sometimes arise. Spouses or other relatives may be employed by the vendor or possess shareholdings or other stakes; personal friendships may grow over time. Such potential conflicts should be reported to your Department Head or the City Manager as soon as they are identified. It shall be a breach of ethics for any employee of the City of Canton to participate directly or indirectly in procurement when the



employee knows that he or she, or any member of the employee's immediate family has a financial interest pertaining to the procurement.

Sometimes, former employees may be potential suppliers - indeed their knowledge of our operations may make them particularly suitable. It is important that they do not receive or expect to receive special consideration. If their 'inside knowledge', for instance of our cost structures and purchasing procedures, appears to give them an unfair competitive advantage, it may be desirable to take steps to ensure fair competition among all suppliers.

Employees should avoid as far as possible dealing with our suppliers in their private affairs, particularly if this is likely to put them under some obligation to the supplier. Where such arrangements are unavoidable, it is essential that they ensure that they are not offered any sort of deal which is not commonly available, and which could be construed as a reward for actions taken in the course of their employment.

N. Use of City Issued Credit Cards for Purchasing

The purpose of this policy is to supplement the Purchasing Policy and establish criteria for the use of credit and/or purchase cards issued on behalf of the City in the course of performing City business as well as set procedures necessary for employees to follow in the use of these cards. Additionally, this procedure will provide users of City of Canton credit cards with a flexible and efficient way to make small purchases and promote responsible, ethical, and legal utilization of the City's credit cards. This policy is not intended to replace current State of Georgia statutes but is intended to comply with such state laws and establish more efficient guidelines for officials and employees using such cards. At no time should a City issued credit card be used for personal purchases regardless of the circumstances. Utilizing the credit card for personal use for any item or service not directly related to official duty may result in disciplinary action. All purchases utilizing a government credit card must be in accordance with these guidelines and with state law.

Definitions

As used in this policy, the term "credit card" means a card or device issued under an arrangement pursuant to which the issuer (credit card company) gives to the City the privilege of obtaining credit from the issuer. Credit cards include cards imprinted with a specific named individual user, cards imprinted with a specific named city department, cards issued for use by the City with a specific vendor, or the mere use of just the card number without the physical card in hand (e.g. purchase on the internet via account). As used below, the term "individual" or "cardholder" means the management official or employee that checks out a City issued credit card from the Finance Director/Designee or otherwise makes use of the account numbers to purchase products or services via the internet or phone.

Public Inspection

In accordance with O.C.G.A. § 36-80-24(b) any documents related to purchases using government purchasing cards or government credit cards shall be available for public inspection.



Transaction Limits

Transaction limits are hereby established to insure compliance with state purchasing laws, maintain proper budgetary controls, and to minimize excessive use of any individual credit line. Individual monthly card limits cannot exceed those established by the municipal governing authority. The established single transaction limit for each card must be less than \$2,000 or must have proper authorization as listed in Section V, Part B above.

Purchase Restrictions

Management officials and authorized employees may **not** use a government credit card for the following:

- Any purchases of items for personal use
- Cash refunds or advances
- Any transaction amount greater than the transaction limits set for by this policy; unless prior and proper authorization as listed in Section V, Part B of the Financial Management Policy has been obtained
- Items specifically restricted by this policy, unless a special exemption is granted by the municipal governing authority
- Purchases or transactions made with the intent to circumvent the city purchasing policy, transactional limits, or state law

Authorized staff may use government credit cards to purchase goods and/or services not prohibited by this policy or state law. Such purchases include, but are not limited to:

- Purchases of items for official city use which fall within the transactional restrictions of this policy
- Purchase of lodging, fuel, food, or education and training materials while on city business
- Emergency purchases necessary to protect city property
- Purchase of items on the internet or from other approved sources from which a city check is not accepted or practical

Administrator

The city designates the Finance Department as the program administrator of government credit cards. The Finance Director/Designee is authorized to obtain City credit cards for use under the following system, which provides for the distribution, authorization, and control of City credit cards used by City officials and employees. Such administrator shall:

- 1) Serve as a liaison between the city's cardholders and the issuers of such cards.
- 2) Maintain the cardholder agreement for all cardholders.
- 3) Provide instruction, training, and assistance to cardholders
- 4) Maintain account information and secure all cardholder information.
- 5) Keep cardholders up-to-date on new or changing information



- 6) Upon receipt of information indicating fraudulent use or lost/stolen cards, immediately report it to appropriate parties, including the issuer.
- 7) Ensure all card accounts are being utilized properly as set forth by state law and this policy.
- 8) Define the city's policy and procedures for proper documentation and storage of receipts, logs, and approvals required under this policy.
- 9) Identify any changes to named persons authorized to use a government issued credit card.

Accounting and Auditing

Employees assigned a city credit card are responsible for ensuring the safeguarding of the card, the proper use of the card, and the submission of any receipts and appropriate backup for purchases. Department heads are responsible for ensuring their departmental employees understand the proper use of city credit cards as outlined in this policy. The cardholder has the responsibility to safeguard the credit card to the same degree that the cardholder safeguards his/her personal information. The cardholder will not allow anyone to use the City card while under his/her possession. A violation of this trust may result in the cardholder having future privileges revoked as well as the possibility of disciplinary action taken. If the card is lost or stolen, the cardholder must immediately notify the Finance Director/Designee, so the card can be deactivated for further use.

It is imperative that receipts be obtained and kept for all purchases using the City credit card. If receipts are not obtained and provided to the Finance Department, the individual may be liable for unsubstantiated purchases/uses. Receipts should be submitted to the Finance Department as soon as possible and be accompanied by appropriate documentation as required by the purchasing policy. Users are responsible for notifying vendors or merchants that the transaction is exempt from Georgia sales and use tax if goods are purchased in Georgia.

Any disputes regarding incorrect billing charges or returns are to be handled at the department level and the Finance Department is to be informed of the situation. All credits for charges originally charged to a city credit card should be issued through the credit card account.

The Finance Department is responsible for reconciling the city credit card statements. The Department Heads will be informed of any discrepancies. If receipts and proper documentation are not submitted timely, late charges and/or interest charges will be allocated to the department(s) which have not submitted documentation timely. The Finance Department will reconcile the statements on a monthly basis and will notify the card users of any violations or issues that need further documentation or clarification from the previous month. Depending on the severity of the violation, the administrator may suspend or revoke the use of the credit card for future purchases.



O. Non-Profit Contributions & Financial Interactions

The City of Canton recognizes the importance of non-profit organizations (NPOs) and the many positive things these organizations can bring to a community. Additionally, the City of Canton recognizes its responsibilities to be a good steward of public funds. In reviewing the possible financial relationships between the City and NPOs, the City uses a two pronged test for consideration of any financial support.

- 1) The first prong is related to the Constitutional restriction of “gratuities.” The State of Georgia views contributions of public funds to the private sector as a gratuity or gift if it is given freely or without recompense.
- 2) The second prong is related to the City of Canton’s local lodgings excise tax. The State of Georgia provides that certain funds may be used by non-profits at the discretion of the local government as long as the funds are used to “promote tourism, conventions, and tradeshow.” This is defined as, “*Promoting tourism, conventions, and trade shows’ means planning, conducting, or participating in programs of information and publicity designed to attract or advertise tourism, conventions, or trade shows.*”

Any request by NPOs for public funds should be made in writing to the Chief Financial Officer. The request should include a copy of the NPO’s letter of status from the IRS, a copy of the most recently completed audited financial statements, and the purpose of the request. The Chief Financial Officer will review the request as it relates to the two-pronged test. If the request is not a gratuity and/or fits within the guidelines of expenses from the hotel tax, the Chief Financial Officer will provide a summary of the information to the Mayor and Council for consideration.

This process will not apply to professional organizations that provide training for City staff or elected officials.



VI Investments

A. Policy

It is the policy of the City of Canton that the administration of its funds and the investment of those funds shall be handled as the highest public trust. Investments shall be made in a manner that will provide the maximum security of principal invested, employing limitations on maturities and diversification of the portfolio while meeting the daily cash flow needs of the government and conforming to all applicable federal, state, and local government statutes governing the investment of public funds. Funds of the City will be invested in compliance with the provisions of O.C.G.A. § 36-83-4 and in accordance with the terms of this policy. The receipt of a market rate of return will be secondary to safety and liquidity requirements. It is the intent of the City to be in complete compliance with all laws. The earnings from investment will be used in a manner that best serves the public trust and interests of the City.

B. Scope

The investment policy applies to all financial assets and funds held by the City of Canton. Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in bond documents. Interest revenue will be recorded to the proper fund consistent with fund ownership in the cash and/or investment.

C. Definitions

Certificate of Deposit: A receipt from a bank for funds deposited at a bank for some specified period of time at some specified rate of return.

Commercial Paper: An unsecured promissory note with a fixed maturity of usually no more than 270 days. This carries some small risk of default due to dealing with a private company.

Repurchase Agreements: A typical mechanism for refinancing treasury securities. A “repo” is a collateralized loan wherein the treasury securities owned by the dealer are used as collateral to the lender on the loan to the dealer. Repurchase Agreements are typically of a very short maturity.

Treasury Bill: Negotiable securities with a maturity of one year or less, usually 4, 13, 26 or 52 weeks, which are issued by the U.S. Treasury and are a direct obligation of the U.S. Treasury. Interest is paid at maturity.

Treasury Bonds: Coupon securities that have maturities of greater than 10 years.

Treasury Notes: Coupon securities that may be issued with a maturity of not more than 10 years but not less than one year, interest is paid semi-annually.



D. Policy/Procedures

Scope

This investment policy applies to all of the financial assets held by or for the benefit of the City of Canton excluding pension fund assets when held by a third party custodian and/or money manager (trustee). These funds are accounted for in the City's Comprehensive Annual Financial Report and include the General Fund, Special Revenue Funds, Capital Project Funds and Enterprise Funds.

Prudence

Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investment Objectives

The following investment objectives will be applied in the management of the City of Canton's funds:

- Safety: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The City's investment portfolio shall be designed with the objective of attaining market rate of return throughout budgetary and economic cycles, taking into account the risk constraints and the cash flow of the portfolio.

Investment Maturity and Liquidity

To the extent possible, the City of Canton will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Canton will not directly invest in securities maturing more than two years from the date of purchase. However, the City of Canton may collateralize its repurchase agreements using longer dated investments not to exceed two years to maturity. Reserve funds may be invested in securities exceeding two years to maturity if such investments are made to coincide as nearly as practicable with the expected use of the funds.

Delegation of Authority

Authority to manage the City's investments program is derived from federal and state law as well as local ordinances. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer, who shall establish written procedures for the operation of the investment program consistent with investment policy. Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, collateral/ depository agreements



and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Chief Financial Officer. The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate employees.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business with the City of Canton and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchase and sales.

Authorized Financial Dealers and Institutions

Certificates of Deposit shall be purchased only from financial institutions which qualify under Georgia Law. Other securities shall be purchased only through financial institutions (which qualify as public depositories) located within the State of Georgia which provide the services of a securities dealer, or through the "primary securities dealers" as designated by the Federal Reserve Bank. These institutions, dealers and issuers must meet capital adequacy guidelines as determined by their respective regulatory agencies and certify that no material adverse events have occurred since the issuance of their most recent financial statements. They must also agree to notify the City of Canton in the event of material adverse events affecting their capital adequacy. Repurchase agreements shall be negotiated only with the "primary securities dealers" (as designated by the Federal Reserve Bank) with whom the City of Canton has negotiated a Master Repurchase Agreement, financial institutions with whom the City of Canton has negotiated a Master Repurchase Agreement, or the City of Canton's primary bank. All securities purchased shall be only those securities of authorized issuers. A record of the various institutions, dealers and insurers of the various security types will be maintained by the Chief Financial Officer.

Authorized Instruments

Acceptable instruments under this policy shall be limited to the instruments listed below and as in compliance with the provisions of O.C.G.A. § 36-83-4. The investments are to be chosen in a manner that promotes diversity of market sector and maturity. The choice of high-grade government investment and money market instruments is designed to ensure the marketability of those investments should liquidity needs arise.



- Obligations of the United States Government, its agencies, the state of Georgia or any other state, and government-sponsored enterprises or political subdivision of this state, not to exceed two years to stated maturity. This specifically excludes collateralized mortgage obligations (CMOs).
- Certificates of Deposit: Fully insured or collateralized certificates of deposit under the terms of a written depository agreement with the bank, not to exceed one year to the stated maturity.
- Georgia Fund 1. The City of Canton may use the Georgia Fund 1 offered by the State of Georgia based on the adopted resolution for the initial use of the Fund.
- Prime Commercial Paper - For the purpose of this section, “prime” commercial paper shall be defined as that commercial paper which has received a Standard & Poor’s rating of A-1 and/ or Moody’s rating of Prime-1; or repurchase agreements as authorized herein.

E. Investment Selection

The following are the authorities for investments and limits on security issues, issuers, and maturities. The Chief Financial Officer shall have the option to further restrict investment in selected instruments, to conform with short-range strategies.

Money Market Funds

The Chief Financial Officer may invest in money market funds whose portfolios are structured and managed in a manner consistent with the City’s investment policy such that any maturity or asset allocation restrictions specified in this policy are followed by the fund advisor. The portfolio may be comprised of 100% money market funds.

U.S. Government Securities

The Chief Financial Officer may invest in negotiable direct obligations of the U.S. Government. Such securities will be limited to the following:

- Treasury Bills
- Treasury Notes
- Treasury Bonds

This portfolio may be comprised of 100% direct government securities.

Non-Negotiable Interest Bearing Time Certificates of Deposit

The Chief Financial Officer may invest in non-negotiable interest bearing time certificates of deposit or savings accounts in banks and savings and loans organized under the laws of the United States and doing business and situated in this state, provided that any such deposits are secured by collateral as may be prescribed by law. A maximum of 100% of the portfolio may be invested in non-negotiable CDs. Individual user limitations include all users must be approved as “Certified Public Depositories” by the State of Georgia and a maximum of 100% of the portfolio may be deposited with any one issuer.



Federal Agencies

The Chief Financial Officer may invest in instruments which are issued through Federal agencies. Such securities will include but be limited to:

- Federal National Mortgage Association (FNMA)
- Federal Farm Credit Banks (FFCB)
- Federal Home Loan Bank or its District Banks (FHLB)
- Federal Home Loan Mortgage (Freddie Macs)
- Government National Mortgage Association (GNMA)
- Small Business Administration (SBA)
- Federal Housing Administration (FHA)
- Farmers Home Administration (FMHA)
- General Services Administration (GSA)

The issuers of these instruments may have lines of credit but are not unconditionally guaranteed by the full faith of the Federal government. A maximum of 50% of the portfolio may be invested in Federal agencies. Individual limitations state a maximum of 25% of the portfolio may be invested in any one security type.

Commercial Paper

The Chief Financial Officer may invest in commercial notes of any United States Company provided they are rated “Prime” by either Standard & Poor’s and/ or Moody’s. A maximum of 50% of the portfolio may be invested in “Prime” Commercial Paper. Individual limitations are a maximum of 10% of the portfolio may be invested with any one issuer and the issuer must be on the current list of approved issuers as developed and maintained by the Chief Financial Officer or other appropriate designee.

Repurchase Agreements

All firms with whom the City of Canton enters into repurchase agreements will have in place an executed City’s Master Repurchase (“Repo”) Agreement.

Such an agreement will address at a minimum the following issues:

- Source of policies allowing repurchase agreements such as state law, local ordinances, written policies, and/ or unwritten management practices.
- The securities underlying the repurchase agreements must be periodically valued (marked to market), as specified herein (or in formalized procedures).
- Independent third parties acting as custodians shall hold securities underlying repurchase agreements separate from its assets and from seller’s assets.
- Each party’s rights in repurchase agreements and the significant conditions of those rights.

Significant conditions could include:

- Specifications for the delivery of the underlying securities
- The rights of the purchaser (the City) to liquidate the underlying securities in the event of default by the seller
- The required margin of market value of the securities over the cost of the agreements



- Specifications for review (repricing) of market value of the underlying securities, as necessary, depending on the term of the repurchase agreement
- Rights and/or specifications regarding substantiation of securities
- The purchaser's rights to additional securities or a return of cash if the market value of the underlying securities falls below the required amount
- Remedial action should violation of agreement provisions occur

Securities authorized for purchase: negotiable direct obligations of the U.S. Government, and Federal Agencies to include only the following securities:

US Treasury Bills, Notes and Bonds
Federal Instruments (FFCB, FHLB, FNMA, Federal-Mac's)
Federal Agencies (GNMA, SBA, Sallie Mae's etc.)

A maximum of 50% of the portfolio may be invested in Repurchase Agreements (with the exception of agreements of 180 days or less which are directly related to the restructuring of the City of Canton's debt portfolio. The limitations on individual sellers include: to provide flexibility for short-term cash management needs, the Chief Financial Officer shall determine the maximum percentage of the portfolio which may be invested with the City's primary bank, a maximum of 100% of the portfolio may be invested with one institution/dealer under a repurchase agreement, and the institution/dealer must be on the current approved list. The maximum length to maturity of any direct investment in government security investment is three (3) years, except for repurchase agreements.

Risk and Diversification

It is the policy of the City of Canton to diversify its investment portfolio. Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific instrument and/ or class of instruments, and dealers through whom these instruments are bought and sold. Diversification strategies (within the established guide lines) shall be reviewed and revised periodically as necessary by the Chief Financial Officer.

Third-Party Custodial Agreements

All securities purchased by the City of Canton under this section shall be properly designated as an asset of the City of Canton and held in safekeeping by a third party, custodial bank or other third party custodial institution, chartered by the United States Government or the State of Georgia and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Chief Financial Officer or by his respective designee.

The City of Canton will execute third party custodial agreement(s) with its Bank (s) and depository institution(s). Such agreements will include letters of authority from the City of Canton, details as to responsibilities of each party, notification of security purchases, sales, delivery repurchase agreements and wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps including liability of each party.



VII Grants

A. Scope

The purpose of this policy is to provide guidance in the application, acceptance, and administration of funds awarded to the City through grants. Grants will follow all regulations included in the grant contract. City departments and staff that occupy positions of responsibility with respect to grant activity have specific roles and responsibilities that they shall perform and uphold both ethically and in the best interest of the City. The City Council has sole responsibility for approving grant awards, through Resolution or Ordinance.

B. Application and Acceptance of Grants

City departments are responsible for all aspects of the grant process including planning for grant acquisition, preparation and submitting grant proposals, preparing resolution requests to accept funds, developing grant implementation plans, managing grant programs, preparing and submitting reports to grantors, and properly closing out grant projects. Department staff and Finance staff will maintain a close working relationship with respect to any grant activity to ensure a clear understanding of the project status.

If the grant being applied for is in excess of \$50,000 and/or if the project expenditures for which the grant is funding have not been budgeted for, the Mayor and Council must first be notified of and give written consent prior to applying for the grant.

All awarded grants must first be approved by the Mayor and Council prior to being accepted by the City.

The City will assess the merits of a particular grant as if it were funded with local tax dollars only. No grant will be accepted that will incur management and reporting costs greater than the grant amount.

C. Grant Administration and Reporting

All grant expenses must comply with the terms set forth in the grant application, grant award letter, City procurement policies and the guidelines in the Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribe Governments as well as OMB Circular A-133.

Documentation for all expenditures must be retained by the department for audit purposes and should include all of the following as applicable:

- i. Timesheets signed by the employee and approved by their supervisor for all payroll expenses associated with grant expenditures.
- ii. Purchasing documents for expenditures (if necessary based on dollar amount of purchase)
- iii. Copies of formal bids for all purchases as required by the City's purchasing policy
- iv. Detailed receipts and/or invoices



The City's Finance Department, with the assistance of the grantee City department(s), shall:

- Identify, through a project and account structure, all federal awards received and expended and the federal programs under which they were received. All awards should be identifiable by the Catalog of Federal Domestic Assistance (CFDA) title and number, award number, award year, name of federal agency, and the name of the pass-through agency (if applicable).
- Maintain internal control over federal programs that provide reasonable assurance that the grantee is managing the award in compliance with the laws, regulations, and the provisions of the contract or grant agreement.
- Comply with laws, regulations and the provisions of contract or grant agreements related to each grant award.
- Prepare required financial statements, including financial statements that reflect the entity's financial position, results of operations or changes in net assets, and where appropriate, cash flows for the fiscal year audited. In addition, a schedule of federal assistance will be prepared for the external auditors which will include all federal grants.

D. Audit

Per OMB Circular A-133 all non-federal entities that expend \$750,000 or more in a year on Federal awards, either as the grantee or the sub-grantee, shall have a single or program- specific audit conducted for that year in accordance with the provisions of the circular guidance. The single audit encompasses both the entity's financial statements and the Federal awards received by the entity; whereas a program-specific audit will audit one Federal program and can only be used when the grantee receives grant awards only from one Federal program. The City contracts with an external firm to conduct a single audit on an annual basis. The awarding agency may also specify additional audit requirements in the grant award letter or grant guidance. The Finance Department, with the assistance of the specific grantee City departments, shall follow up and take corrective action on all audit findings.



VIII Asset Management

Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment, infrastructure and all other assets that are used in operations and that have initial useful lives extending beyond one year. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, sidewalks, and similar items. Assets are identified pursuant to GASB 34.

A. Capitalization Threshold and Valuation

A capitalization threshold is the cost established by the City that must be met or exceeded if an asset is to be recorded and depreciated as a capital asset. The City has established the threshold of an initial, individual cost of more than \$5,000. All capital assets are valued at historical cost, or estimated historical cost, if actual cost is not available. Donated capital assets are valued at their estimated fair market value at the time received. Interest on constructed capital assets for enterprise funds is capitalized.

B. Fixed Asset Responsibility

Each Department Head is responsible for the fixed assets under his or her control. The City's capital assets will be reasonably safeguarded and will be used only for an appropriate public purpose. Responsibility for the safeguarding of the City's capital assets lays with the Department Head to whose department the capital asset is assigned.

C. Recording of Assets

All capital assets shall be tagged with an identifying number. Each department shall conduct a periodic inventory of capital assets using guidelines established by the Finance Department. A listing of all fixed assets and their City property identification numbers shall be kept and maintained by the Chief Financial Officer or his/her designee.

D. Disposition of City Assets

All assets must be disposed of in accordance with applicable state and local statutes. Assets with a value in excess of \$1,000 may only be disposed of after the following protocol has been followed:

*City Council has been notified in writing of the disposition and approved of the disposition.

*Assets are abandoned or retired due to their being no longer any use for the asset or the asset is beyond repair due to economic viability.

*The Department Head responsible for the asset has provided written documentation to the City Manager for its abandonment or retirement.



*The Department Head after approval by the City Manager, has notified the Chief Financial Officer or his / her designee of the intended disposition of the asset prior to the disposition of that asset.

IX Risk Management

The City shall make diligent effort to prevent loss or degradation of City assets and to reduce the City’s exposure to liability through private insurers, insurance pools, and/or self-insurance as deemed appropriate under existing market conditions. The City shall transfer risk to other parties, where cost-effective, by purchasing insurance.

The City shall shift the legal and financial responsibility to third parties who perform work or provide services to the City for losses or potential losses caused by the actions of those third parties. This transfer of risk may occur through a variety of means in leases, purchase and service agreements, and other contracts. The transfer of risk shall be made formally and in writing and may include indemnification agreements, insurance requirements and the required provision of certificates of insurance (with the City of Canton named as an “additional insured”).

X Fund Balance and Reserves

The City will maintain adequate Fund Balance or Reserves. These funds shall be sufficient to meet the following needs:

- Provide adequate liquidity
- Provide for unanticipated economic downturns
- Maintain credit ratings
- Provide for services and costs during a declared emergency
- Provide for long-term capital needs
- Meet mandated reserve requirements

A. General Fund Cash Reserve

The Governmental Accounting Standards Board (GASB) issued Statement Number 54, “Fund Balance Reporting and Governmental Fund Type Definitions” effective for periods after June 15, 2010. The objective of this Statement was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes limitations on the purposes for which Fund Balance can be used.

Fund Balance Type/Definitions:

- Non-spendable Fund Balance - Some assets reported in governmental funds may be inherently non-spendable from the vantage point of the current period. Examples may include assets that will never convert to cash (e.g. prepaid items, inventories), assets that may not be converted soon enough to cash as to affect the current period (e.g. non-financial



assets held for resale) or resources that must be maintained intact pursuant to legal or contractual requirements.

- **Restricted Fund Balance** - This represents the portion of fund balance that is subject to externally enforceable legal restrictions. Such restrictions are typically imposed by parties altogether outside the City such as creditors, grantors, contributors or other governments. Restrictions can also arise when the authorization to raise revenues is conditioned upon the revenue being used for a particular purpose.
- **Committed Fund Balance** - This represents the portion of fund balance whose use is constrained by limitations that the City imposes on itself by City Council (highest decision making level) and remains binding unless removed in the same manner. The City does not use committed funds in its normal course of business. ‘Committing Resources’ requires action by City Council as does removing or modifying such constraints.
- **Assigned Fund Balance** - This describes the portion of fund balance that reflects the City’s intended use of resources (i.e. assigned for use in subsequent budgets).
- **Unassigned Fund Balance** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund.

The General Fund of the City of Canton *should* have a cash reserve equal to or greater than 20% of the current fiscal year’s operating budget or \$1 million, whichever is greater. Should cash reserves fall below the amount set forth above, Council shall be notified at the next available council meeting. For purposes of the reserve policy, a General Fund unassigned fund balance that meets or exceeds this threshold will be deemed sufficient to meet the General Fund reserve requirement. The City’s Fund Balance is the accumulated difference between assets and liabilities within the General Fund. A sufficient fund balance allows the City to meet its contractual obligations, provide funds for new and existing programs established by City Council, mitigate negative revenue implications of federal or state budget actions, mitigate economic downturns, fund disaster or emergency costs, provide funds for cash flow timing discrepancies and fund non-recurring expenses identified as necessary by City Council. Although, available fund balances shall not be used for ongoing operating expenditures.

B. Water, Sewer and Storm Water Fund Cash Reserve

The Water, Sewer and Storm Water Fund of the City of Canton *should* have a cash reserve set aside in a separate cash account in the amount of two months’ worth of the previous fiscal year’s operating budget for the fund. Should cash reserves fall below the amount set forth above Council shall be notified at the next available council meeting.

C. All Other Funds

The City of Canton does not designate a reserve policy for any other funds within its reporting entity.

D. Debt Reserves

Debt reserves are established to protect debt and bond holders from payment defaults. Adequate debt reserves are essential in maintaining good bond ratings and the marketability of bonds. The amount of debt reserves are established by bond ordinances or debt covenants for each fund in association with each bond or debt issuance. It is the City's policy to adhere to all bond and debt covenants as provided by the holder(s).