

CITY OF LIBERTY LAKE,
SPOKANE COUNTY, WASHINGTON

RESOLUTION NO. 02-048

A RESOLUTION ADOPTING A FINANCIAL MANAGEMENT POLICY
FOR THE CITY OF LIBERTY LAKE, WASHINGTON

WHEREAS, the stewardship of public funds is one of the most important responsibilities vested upon public officials;

WHEREAS, the establishment and maintenance of prudent financial policies enables public officials to protect the public's interest and ensure the public's trust;

WHEREAS, the City Financial Department has developed financial policies that provide guidelines for elected officials and Liberty Lake employees when conducting the financial affairs of the City; and

WHEREAS, the Financial Management Policy has the following objectives for the City's fiscal performance: to set forth operating principals that minimize financial risk; to employ balanced and fair revenue policies that provide adequate funding for desired programs; to maintain appropriate financial capacity for present and future needs; to promote sound financial management by providing accurate and timely information on the City's financial condition; and to ensure the legal use of financial resources through an effective system of internal controls.

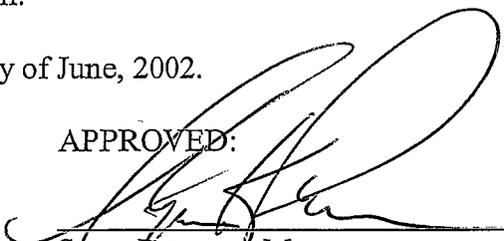
NOW, THEREFORE, be it resolved by the City Council of the City of Liberty Lake, Washington as follows:

Section 1. Financial Management Policy Adopted. The policy for financial management set forth in the document entitled "City of Liberty Lake Financial Management Policy which is attached hereto as Exhibit "A" and incorporated herein by this reference is hereby adopted as the official policy for financial practices for the City of Liberty Lake.

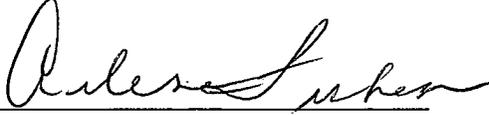
Section 2. Effective Date. This Resolution shall become effective immediately upon passage by the Liberty Lake City Council.

Adopted this 10th day of June, 2002.

APPROVED:


Steve Peterson, Mayor
City of Liberty Lake

ATTEST:



City Clerk, Arlene Fisher

APPROVED AS TO FORM:



City Attorney, Stanley M. Schwartz

**CITY OF LIBERTY LAKE
FINANCIAL MANAGEMENT
POLICY**

EXHIBIT "A"

City of Liberty Lake

Comprehensive Financial Management Policy

Introduction

PURPOSE

This manual establishes and provides written documentation of the policies used by City of Liberty Lake employees and elected officials in conducting the fiscal affairs of the city.

The City of Liberty Lake is accountable to its citizens for the use of public dollars. Municipal resources must be wisely used to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. These policies safeguard the fiscal stability required to achieve the City's goals and objectives.

The Policy Manual is the responsibility of the Department of Finance. It includes policies for the operation of the Department and for interaction with other departments in financial matters.

OBJECTIVES

In order to achieve its purpose, the Comprehensive Financial Management Policy has the following objectives for the City's fiscal performance.

- A. To guide City Council and management policy decisions that have significant fiscal impact.
- B. To set forth operating principles that minimize the cost of government and financial risk.
- C. To employ balanced and fair revenue policies that provide adequate funding for desired programs.
- D. To maintain appropriate financial capacity for present and future needs.
- E. To promote sound financial management by providing accurate and timely information on the City's financial condition.
- F. To protect the City's credit rating and provide for adequate resources to meet the provisions of the City's debt obligations on all municipal debt.
- G. To ensure the legal use of financial resources through an effective system of internal controls.
- H. To promote cooperation and coordination with other governments and the private sector in the financing and delivery of services.

ORGANIZATION

Individual policies are arranged in numeric order of their policy number. The policy categories are:

1000's	Budget
1100's	Revenue and Receivables
1200's	Expenditures and Payables
1400's	Interfund Transactions
1700's	Purchasing
2000's	Grants
2100's	Disbursements
5000's	Fixed Assets

SECTION 1000 - BUDGET

POLICY 1010 – Financial Planning

The City shall develop and maintain a 4-year Financial Forecast that estimates resources and expenditure behavior for the three years beyond the current budget period. This Forecast will provide the City's decision-makers with an indication of the long-term fiscal impact of current policies and decisions. This planning tool must recognize the effects of economic cycles on the demand for services and the City's resources. To this end, the Forecast should differentiate between revenue associated with one-time economic activities and revenues derived as a result of base economic growth. City financial planning should ensure the delivery of needed services by assuring adequate reliance on ongoing resources in order to support continued City services during economic downturns.

The financial planning and subsequent budgeting for all funds will be based on the following principles:

1. Resource and expenditure estimates should be prepared on a realistic basis with a target of a 2% variance from the estimate for resources and a 1% variance for expenditures.
2. Expenditure estimates should anticipate contingencies that are reasonably predictable.

POLICY 1015 – General Budget Policies

1. Budget Preparation: Department directors have the primary responsibility for formulating budget proposals in line with Mayor, City Council, and City Administrator priority direction, and for implementing them once they are approved.

The Finance Department is responsible for coordinating the overall preparation and administration of the City's annual budget and Capital Investment Program (CIP) Plan. This function is fulfilled in compliance with applicable State of Washington statutes governing local government budgeting practices.

The Finance Department assists department staff in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.

The schedule for adoption of the annual budget will be as specified in RCW 35A.33.

2. Public Hearings: The City Council will hold three public hearings on the budget. The first will be held sufficiently early in the process to allow citizens to influence budget decisions and to allow the Council to indicate special priorities before City staff develops a preliminary budget recommendation. The second public hearing will be held shortly after the preliminary budget's initial presentation to the Council and third (final) public hearing will be prior to budget approval.
3. Overhead and Full Cost Allocation: Department budgets should be prepared in a manner to reflect the full cost of providing services.
4. Examination of Existing Base Budget: During each annual budget development process, the existing base budget will be thoroughly examined to assure removal or reduction of any services that could be eliminated reduced in cost.
5. Services to Keep Pace with Needs of Community: The City will strive to ensure that City service priorities keep pace with the dynamic needs of the community by incorporating a service needs review as part of the budget process.
6. Maintenance of Quality Service Programs: Quality service programs will be offered by the City of Liberty Lake. If expenditure reductions are necessary, service elimination is preferable to poor or marginal quality programs.
7. Maintenance of Existing Services Versus Additional or Enhanced Service Needs: Significant annual resource allocations needed to maintain existing service quality will compete directly with investment proposals during the budget evaluation process. Inflation adjustments will be provided for all operating budgets.
8. Budget Monitoring: The Finance Department will maintain a system for monitoring the City's budget performance. This system will provide the City Council with monthly and quarterly information in a timely manner on fund level resource collections and department level expenditures.
9. Performance Budgeting: Performance measures will be utilized and reported in department budgets. The City will prepare trends, comparisons to other cities, and other financial management tools to monitor and improve service delivery in City programs.
10. Program Budget Presentation Format: The focus of the budget presentation is directed to displaying the City's services plan in a Council and constituent-friendly format. The Budget will be presented in a way that clearly communicates the budget to members of the public.

POLICY 1020 – Budget Adjustments and Transfers

This policy applies to adjustments and budget transfers for current budget years. This policy is approved by the Mayor and Council by motion.

1. Budget Adjustments Requiring City Council Approval by Ordinance Amending the Original Budget.
 - A. An increase in expenditures through the realization of additional revenues or use of fund balance (RCW 35.33.121).
 - B. To adjust budgets involving the increase/decrease of employee positions, salaries, or benefits.
 - C. An increase or decrease of capital budget expenditures.

2. Departmental Budget Adjustments.
 - A. Department heads may adjust line item expenditures within their departmental budgets in amounts not to exceed \$5,000 per year with the approval of the City Administrator.
 - B. The City Administrator may adjust line item expenditures between departments in amounts not to exceed \$10,000 per year with the approval of the Mayor.
 - C. Budget adjustments exceeding \$10,000 require the approval of the City Council by motion.
 - D. The Mayor shall report monthly to the Council a running total of all budget adjustments made throughout the year.

3. Final Budget Adjustments at Year-end.

Estimates of expenditures through the current year end are generally, made during the budget process to determine the carry over for the next year; however, these estimates need to be kept updated to determine if an amendment to the budget will be necessary. This amendment may be done after the final vouchers have been processed and ending fund balances have been determined, but should be completed prior to closing of the books and not later than the end of January.

1100 REVENUES & RECEIVABLES

POLICY 1110 – Cash Receipting

This policy applies to all cash collected. "Cash" includes checks, money orders, currency, and coin.

1. Cash Receipting Duties Will Be Adequately Segregated.

Whenever possible, the person who collects cash, issues receipts, or performs the daily reconciliation of cash receipts should not be the same person who deposits cash, records

cash in the departmental accounting records, or reconciles the monthly depository bank statement.

2. All Cash Collected By Departments Will Be Appropriately Recorded.

All cash collected at city departments will be recorded by cash register or on preprinted, pre-numbered receipt forms. For direct deposits/EFT, a receipt must be written, then the amount entered into the check register.

3. Departments Will Account For All Pre-numbered Receipt Forms.

The departmental cashier or accounting clerk will account for all pre-numbered receipt forms that are printed for that department. Voided receipt forms will not be destroyed, but kept on file in department offices. All receipt books issued to outside collection points should be logged out and signed for by the outside cashier. The numerical sequence of receipt books and all pre-numbered receipts issued to outside collection points shall be accounted for.

4. Cash Collected Will Be Reconciled Daily To Pre-numbered Receipts Or Tapes.

The clerk will reconcile cash collections daily with the pre-numbered receipts or the cash register tapes. Overages and shortages will be recorded in a separate account from other cash receipts. BARS revenue source code 6981 will be used to record the overages and shortages on the Cash Receipt Form.

5. All Cash Receipts Will Be Deposited Intact Daily.

Within 24 hours of receipt, all cash received by departments will be deposited directly with the City Treasurer or to a bank depository account. (Exception: If total accumulated receipts amount to less than \$200, the deposit may be postponed for one week or until the total reaches \$200, whichever comes first) (See Safekeeping guidelines at step 6.)

All daily receipts should be deposited together in the order received. All cash collected must be deposited. Cash collected may not be used as petty cash for making minor purchases or issuing refunds.

6. Cash Collections Will Be Adequately Safeguarded.

All Cash Receipt Forms submitted with cash deposits and transmittals will be filled out to show proper distributions of cash received.

- A. All cash received by departments as revenue will be recorded using the appropriate BARS revenue source code number.
- B. All cashier overages and shortages will be recorded using the BARS revenue source code No. 6981.
- C. Cash received by departments because of refunds from vendors will also be recorded on the Treasurer's Cash Receipt Form as outlined in Step 7.e.
- D. Refunds received during the same accounting period (fiscal year) in which the original expenditure was made will be recorded on the Treasurer's Cash Receipt Form as a reduction of expenditure.

7. Cash Refunds from Vendors.

Cash refunds from vendors will be classified as payments received for returned goods; for services paid for, but not used; or for overpayments. Payments received by any department as reimbursements for the sale of goods or services are not refunds and should be recorded

as revenue, not as a reduction of expenditures. If the refund is received after the end of the accounting period in which the original expenditure was made, and the dollar amount of the refund is not material, BARS revenue source code 369.90 will be credited for the amount of the refund.

If the refund is received after the end of the accounting period in which the original expenditure was made, and the dollar amount of the refund is material, BARS revenue source code 388.80 will be credited for the amount of the refund.

A refund will be considered material if the improper classification of it might distort the results of the fund's financial operations or if it might improperly influence a decision of management; whether or not such a refund is material will be determined by the City Clerk/Treasurer or the City Clerk/Treasurer.

8. Receipt Of Cash For Refunds Will Be Properly Documented.

Adequate documentation will be attached to Treasurer's Cash Receipt Forms that record refunds. Documentation must be in sufficient detail for the City Clerk/Treasurer or the City Clerk/Treasurer to approve the Cash receipt distribution. (See Step 12) The documentation required for the approval of the Cash Receipt distribution will be determined by the City Clerk/Treasurer or the City Clerk/Treasurer.

9. Accounts Receivable/Refund Approval.

Any Treasurer's Cash Receipt Form that records a payment on Accounts Receivable or the refunds (as defined in step 7.d) must be approved by the City Clerk/Treasurer or the City Clerk/Treasurer.

10. Depository Accounts Will Be Established By The City Administrator.

New depository bank accounts will be established by City Administrator.

POLICY 1120 – Departmental Refunds of Cash Receipts

This policy applies to refunds made at the department level of receipts/ revenues which have previously been deposited with the Clerk/Treasurer.

1. Department Refunds Will Be Made Through The Voucher Process.

Refunds of department revenues will be made by warrant. A payment voucher will be prepared and submitted to the Clerk/Treasurer. The revenue account to which the original receipt was credited, will be charged to reduce revenues by the amount of the refund. Refunds of prior period revenues will be recorded in the current period unless material. If the refund is material, contact the City Clerk/Treasurer.

2. Refunds Will Be Properly Approved and Documented.

All refunds will be approved and certified by the department head or other person authorized to certify payment vouchers. A copy of the original receipt for which the refund is being made, along with an explanation of why the refund is necessary, will be attached to the payment voucher.

POLICY 1130 – Bank Returned (NSF) Checks

This policy applies to all checks made payable to the city treasurer or a city department that are returned by the bank. The checks may be returned because of insufficient funds, closed account, invalid signature, stop payment, or any other condition making the check invalid. They are often called NSF checks (not sufficient funds).

1. City Will Notify Check Writer Of Returned Check.

The treasurer or city department will send out official written notice to all persons who have a check returned by the bank. The letter will include notice of the processing fee and the action taken to stop service or revoke license or permit. It will state that appropriate collection methods or other legal action will be initiated if the check is not covered in a timely manner. The treasurer or a city department may attempt to redeposit the returned check prior to official notification.

2. City Will Not Accept Checks From Those Issuing Returned Checks.

The city will accept only the following as payment for a bank returned check: cash, money order, cashier's or other bank check. City departments will maintain lists of persons who have had checks returned by the bank. No checks will be accepted from these customers for a period of one year from the date of the returned check.

3. City Will Stop Service Or Revoke License/Permit For Returned Checks.

When a check issued in payment of goods or services is returned by the bank, it will be deemed that no payment has been received for the goods or services.

When appropriate the service will be stopped, the license or permit revoked, the action voided, or other suitable action taken. No new goods or services will be provided until payment is received for the prior goods or services. The department will adequately document the action taken in their files and records.

4. City Will Charge Fee For Handling Returned Checks.

In accordance with _____ authorized by _____, the city will charge a \$25.00 handling and processing fee on all checks that are returned from the bank because of insufficient funds. Payment of the fee, along with the amount of the returned check, will be required before the county will resume service or reissue license or permit. For returned checks that are in payment of accounts receivable, the \$25.00 NSF fee will be added to the customer's accounts receivable balance.

5. City Will Take Appropriate Legal Action On Returned Checks.

Uncollected bank returned checks will be treated as delinquent accounts of the city. Interest or penalties will be charged as appropriate. The accounts will be sent out for collection in accordance with the city's contract(s) with collection agencies for collection service. Other legal action will be taken as appropriate.

6. City Will Approve Write-offs Of Bad Debts Due To NSF Checks.

City Administrator will approve the write-off of bad debts due to bank returned (NSF) checks by motion, when all appropriate collection methods have been tried and the account is deemed uncollectible.

POLICY 1152 – Delinquent and Uncollectible Accounts Receivable

This policy applies to all private customer or intergovernmental accounts receivable which are delinquent or uncollectible, except as noted below.

1. City Will Age Accounts Receivable.

Departments will age the individual accounts in the accounts receivable subsidiary ledger monthly. The aged accounts will show accounts which are 30 days, 60 days, and 90 days overdue, at a minimum.

2. City Will Send Past Due Notices For Overdue Accounts.

Outstanding receivables will be reviewed on a regular basis for past due accounts. Past due notices will be sent out for all accounts that are 30 days in arrears.

Past due notices for all customer accounts receivable will include a statement that the account will be referred to a collection agency if not paid in a timely manner.

3. City Will Collect Interest and Penalties As Appropriate.

Interest and penalties will be charged on all accounts as authorized by state statutes and county ordinances.

4. Departments Will Not Provide Services To Delinquent Accounts.

When applicable, a city department will no longer provide services to a private customer or other government when the individual or organization has a delinquent account balance, unless the service is required by some legal criteria.

5. City Will Send Past Due Accounts Out For Collection.

Departments will send delinquent private customer accounts to a collection agency in accordance with county contract(s) for collection services. The accounts will be sent no later than 120 days after they become delinquent. Any exceptions must be authorized by the Treasurer. The customer must have had 30 days notice prior to sending the account to the collection agency.

6. Council Will Approve Write-offs of Uncollectible Accounts.

All write-offs of uncollectible accounts will be authorized by council resolution. The fund manager will prepare a resolution annually, detailing the uncollectible accounts.

POLICY 1153 – Departmental Billings and Payments

This policy applies to intergovernmental or customer billings made by city departments for charges for services (excluding those of the public works department done by Accounting Services staff).

The City maintains a cash basis accounting system which does not provide for formal double entry accounting for accounts receivable. However it may become necessary that the City bill for various city services. The following outlines procedures for maintaining a subsidiary receivable tracking system.

1. Departments Will Prepare Invoices.

The departments will prepare invoices for billing private customers and other governments. City invoices must contain adequate billing and accounting information and be approved by the City Clerk or City Clerk/Treasurer.

All invoices issued will includes a remittance copy of the invoice for transmittal with payment.

2. Departments Will Send Billing Information To Finance Department.

A copy of the invoice or a summary of invoices sent will be transmitted to the Finance Department at least monthly. Minimum information to be transmitted will be invoice date, individual or organization billed, invoice number, amount and the seller's revenue account distribution. Formats used for the summary of invoices shall be approved by fund accountant.

When sending billing information to Finance, the departments will segregate billings to private customers, other governments, and other funds. Department records should be adequate to provide this segregation.

3. Departments Will Maintain Subsidiary Accounts Receivable Ledgers

The departments will maintain subsidiary ledgers recording all accounts receivable transactions. The ledgers will contain, at a minimum, customer name, address, and account number; date, amount, and invoice number for billings; date, amount, and cash receipt number for cash receipts; and outstanding account balance. Formats used for the subsidiary ledgers shall be approved by the fund accountant.

4. Accounts Receivable Control Accounts Will Be Maintained

An accounts receivable control account will be maintained for all accounts receivable. A control account summarizes the information contained in the subsidiary accounts. It contains a total outstanding receivables balance which is updated periodically with batch receipts (daily, weekly, etc.) and batch billings.

Departments maintaining an accounts receivable control account will reconcile to the subsidiary ledgers monthly. The City Clerk shall review departmental reconciliations quarterly.

5. Payments on Accounts Receivable Will Be Recorded on Cash Receipt Forms.

When payments are received on accounts receivable the department will process the payment by recording the revenue on the receipt and closing the account receivable in the secondary ledger. The receipt number will be noted in the receivable subsidiary ledger.

6. New Accounts Will Be Properly Authorized And Documented.

All new accounts will be properly authorized. New accounts will be supported with the appropriate source documents; contracts, agreements, notes, court orders, citations, credit applications, etc.

SECTION 1200 - EXPENDITURES AND PAYABLES

Policy 1210 – PROCEDURE FOR TRAVEL AUTHORIZATION AND REIMBURSEMENT (Ordinance 10)

1. This policy applies to establishing a procedure related to obtaining travel authorization, advance travel funds, and reimbursing employees for expenses incurred in conduct of business of the City.
2. Reimbursement of Travel Expenses Incurred in the Course of City Business.
It is the policy of the City of Liberty Lake to reimburse City elected and appointed officials, employees, and members of boards and commissions for their reasonable expenses actually incurred in the conduct of their business for the City. Reimbursement for such necessary and reasonable expenses will be made subject to the rules herein by application and compliance with this policy and with Chapter 42.24, Revised Code of Washington. Such expenditures will be commensurate with the employee's normal standard of living, but it is assumed and expected that expenses will be consistent with the best interests of the City and its desire to minimize travel costs.

Payment in advance for such travel expense may be made from an advanced travel fund subject to and in compliance with Provision 3.5 of this policy. An advance to the employee for approved anticipated travel expenses will not be paid when total estimated expenditures are less than \$50.00.

Any normal travel time in excess of one day each way, which is brought about by the employee's choice of transportation, will be charged to the employee as vacation time. Paid time for travel shall be clearly resolved in accordance with FLSA guidelines in advance of authorizing travel.

3. Authorization Procedure

- 3.1 Authorization to Travel. Travel by city employees, City Administrator, Mayor, City Council, and board and commission members shall be specifically provided for in an approved budget and as provided below:
 - 3.1.1 Specific trip authorization shall be approved on Travel Authorization from as provided in Section 3.6.
 - 3.1.2 Council Members – Travel and attendance is authorized for Council workshops and all annual committee workshops or task force meetings scheduled by the association of Washington Cities, National League of Cities, or special events that may require Council attendance.
 - 3.1.3 Board and commission members – Workshops, seminars, and conferences are normally included in budget requests.
 - 3.1.4 Unanticipated or special travel may be approved provided such approval is received as noted on the Travel Request and Authorization Form.

3.1.5 All Travel Request and Authorization forms, regardless of requiring advance travel funds, shall be submitted to the City Administrator to be made available for review upon request.

3.2 Eligible Expenditures

Generally, eligible expenditures include travel and living costs incurred by the employee while away from the City and expenses incurred within the City necessitated by City business. In the Spokane County area, necessary expenses will be reimbursed only for an employee representing the City in his/her official capacity and in the discharge of his/her duties. Such in-County expenses should be authorized as provided for in Section 3.6 below.

3.2.1 Registration – Actual cost of registration of any employee at a meeting, conference, or convention for which he/she has received approval. Registration should be prepaid. The City Clerk is to be contacted in sufficient time to process the registration with regular accounts payable procedures. If it is not possible to prepay registration fees, receipts must be submitted for reimbursement, or accompany the credit card billing statement.

3.2.2 Transportation – Actual costs for bus travel, train travel, taxi, tolls, car rentals, parking fees and air travel are eligible, provided all air travel shall be my coach class, unless, only higher cost accommodations are available. Payment for air travel shall be at actual cost from Spokane International Airport to destination and return.

Employees using a personally owned auto to travel out of town on City business will be reimbursed at the Internal Revenue Service rate and provided payment will not exceed coach class airfare to and from the same destination.

3.2.3 Lodging – Actual cost of hotel or motel accommodations is eligible. If a member or guest accompanies the employee, the employee shall pay for the amount over that of a single accommodation. The single accommodation rate must be noted on the hotel/motel bill submitted.

3.2.4 Meals – An individual shall be deemed on travel status where the travel includes reimbursable lodging. Individuals on travel status shall be reimbursed for meal expense while on travel status at the same per diem rate as established by the IRS Publication 1542. Only if compelling business-related circumstance exists, shall meals on travel status be reimbursed at the actual cost. Per diem rates include the costs of tax and gratuity. No receipts are required for meals not exceeding per diem rates. An individual may use a City credit card to pay for meals, following the above limits. Any meals charged to a city credit card require a receipt.

Expenses for meals, where City business is conducted and that could reasonably occur during non-meal periods, are not eligible for reimbursement.

Meals for City Council, boards, commissions, and staff conducting formal City business during meal times are specifically authorized.

Non-travel status travel expense need not be pre-approved prior to being incurred unless the individual who would normally approve such expenditures after the fact has set a policy that requires such pre-approval. Where pre-approval has not been required and the person proposing to incur the expense has any question about the legitimacy of the expense, pre-approval should be obtained. Individuals who incur non-travel status travel expense or authorization of the charge on a City credit card is not approved, the expense will be the individual's personal obligation. Travel expense incurred while on travel status requires the pre-approval as set forth in Section 3.6. The act of obtaining a City credit card does not indicate pre-approval of expenses.

Eligible meal expense when not on travel status requires submission of the restaurant receipt (not the receipt which can be filled out by the individual) and shall be reimbursed or charged on city credit card approved at actual cost, not to exceed the applicable per diem rate.

Individuals may be reimbursed for single non-travel status meal expense from the petty cash fund, provided proper documentation and approval is submitted.

Except for lodging where individuals share the same room and transportation conveyance (cab, rental car, etc.) each individual seeking reimbursement must incur his/her own expense and seek individual reimbursement. The only exceptions are group meals arranged for working sessions or banquets arranged by a department.

3.2.5 Laundry and Valet Services – Actual cost of laundry and/or valet service are allowable expenses when employees are required to be away from the City for more than six days at one time or the conditions under which they are required to work while away from the City create a more than normal need for such services.

3.2.6 Telephone – Charges for telephone are eligible for reimbursement if City business requires such communication. When possible, calls should be made using the SCAN system. Employees staying outside of Spokane County on business are allowed one personal call per day at City expense. Such calls shall not exceed 10 minutes in duration. Any personal calls in excess of one per day are to be paid by the employee.

3.3 Ineligible Expenses – None of the following expenses shall be paid by the City: travel paid for by any other organization, alcoholic beverages, valet services (except as noted above), meals or lodging accommodations for family or guests, tour bus fees for sightseeing tours, mileage if traveling as a passenger in a privately owned care, trip insurance, hosting, or any other personal expenditures for entertainment or other purposes.

- 3.4 Documentation of Expenses – All actual expenses shall be submitted to the City Clerk for reimbursement on the Travel Authorization form. In the case of lodging expense, a detailed statement of charges must be submitted. Each employee is expected to submit his/her own travel expense voucher reflecting reimbursable expenses actually incurred.

If lodging accommodations are shared between two or more employees, the lodging portion of the billing for all such employees may be submitted by the employee paying the bill.

Claim of any charge which could reasonably raise a question should be accompanied with an explanation of such charge.

- 3.5 Advance Travel – Travel advances are intended for out-of-pocket expenses to be paid by the employee during authorized travel.

Travel advances are not intended for travel tickets, pre-registration fees, prepaid lodging and other such items which can normally be billed to the City or paid through the regular accounts payable system, or City credit card. Employees are expected to plan ahead for such items, as these items may not be included in the advance.

The Advance Travel fund will not be used to make reimbursements to employees.

Settlement for travel advance must be made on or before the fifth calendar day following the end of the authorized travel and will be accompanied by the unexpended portion of the travel advance.

Travel advances are considered liens against any amount owed by the City to the employee. Any amounts in default may be withheld by the City from funds owed to the employee. No advance will be made to an employee who has an advance in default. Any employee with a demonstrated history of advance travel defaults may be barred from receiving advance funds by the Mayor, City Administrator, or Department Director, as appropriate.

- 3.6 Approvals – Travel and expense reimbursement or credit card payment authorization under this policy must be signed, approved and filed in the City Clerk's office on a City purchase order or a petty cash slip if under \$20.00. Normally, claims for reimbursement and credit card charge receipts are to be submitted no later than 5 days after the return from travel. In the case of travel advances, receipts for expenditures and supplemental claims must be submitted within 5 days of travel. Ongoing approval responsibility for specific travel, reimbursement for expenditures and credit card charges shall be made, pursuant to normal purchase order duly verified by the claimant, and submitted for final approval as noted below:

- A. If Council or other commissions or boards – approval will be made by the Mayor.
- B. If the Mayor – approval will be made by the Mayor Pro Tem.

- C. If the City Administrator – by the Mayor, or if the Mayor is not available, the Mayor Pro-Tem.
 - D. If the City Attorney – by the Mayor or City Administrator.
 - E. If Department Director – approval by the City Administrator.
 - F. If other employees – by the direct supervisor and/or department director.
- 4.0 References: RCW Chapter 42.24, TMC Chapter 3.36 and Substitute Senate Bill 5370.

SECTION 1400 – INTERFUND TRANSACTIONS

POLICY-1410 INTERFUND LOAN TRANSACTIONS

This policy applies to all loans made between two city funds. Interfund loans are temporary borrowings of cash or other assets.

1. The City Council Will Authorize Interfund Loans.
The Council will approve all interfund loan transactions by ordinance. The ordinance will provide for the term of the loan as well as setting a reasonable rate of interest to be paid to the lending fund.
2. Interest Will Be Paid On Interfund Loans.
The lending fund will charge the borrowing fund a reasonable rate of interest, based on the external rate available to the city. Interest is not required in the following circumstances, though may be charged:
 - A. The borrowing fund has no independent source of revenue other than the lending fund.
 - B. The borrowing fund is normally funded by the lending fund.
 - C. The lending fund is the General Fund, which, being unrestricted, can loan interest free, except to a proprietary fund.
3. Loans May Be Made Only To Solvent Funds.
The borrowing fund must anticipate sufficient revenues to be in a position over the period of the loan to make the specified principal and interest payments as required in the authorizing ordinance.
4. Loans Must Be Of A Temporary Nature.
The term of the loan will be for a period not in excess of three years. No permanent diversion of the lending fund shall result from the failure of the borrowing fund to repay the loan.
5. Interfund Loans Will Be Properly Accounted For.

All inter-fund loans and repayments will be promptly recorded in the city's accounting system. Interfund loans receivable and interfund loans payable will be disclosed in the financial notes. Interfund loans will be recorded as Non-revenues (380) and Non-expenditures (580).

The following account numbers will be used to record the interfund loan.

- 381.10 – Loans Received
- 381.20 – Loan Repayment Received

- 581.10 – Loans Issued to Other Funds
- 581.79 – Loan Repayment Issued

- 366.10 – Interfund Interest Revenue
- 592.82 – Interfund Interest Paid

POLICY 1420 – TRANSFERS OF PROPERTY BETWEEN FUNDS

RCW 43.09.210 requires that, when property is transferred between funds of the same municipality, it should be paid for at its full value by the fund which receives it. The following rules are intended to clarify the application of this statute.

1. Transfer of Assets Between Governmental Funds.

The transfer of capital assets between two governmental funds of the same entity should be accounted for merely as a change of location and/or custodian because the assets are not owned by the particular funds. Such transfers are not subject to budgetary control, but the assets should be declared surplus (see Policy 5010) to the needs of the relinquishing fund and the transfer approved by the City Administrator.

2. Transfer of Capital Assets to an Enterprise Fund.

The transfer of capital assets to an enterprise fund should be budgeted and accounted for as a sale and purchase of property. Proceeds of such sale should be deposited to the fund which originally paid for the item or to the general fund at the discretion of legislative body.

The transfer of capital assets to an internal service fund must be approved by the entity's legislative body.

SECTION 1700 – PURCHASING

POLICY 1710 – PURCHASING (Resolution 01-021, Authorized 7/2/01)

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I. PURCHASES OF SUPPLIES, MATERIALS, AND EQUIPMENT

A. APPROVAL AUTHORITY

AMOUNT	APPROVAL AUTHORITY	PROCEDURE
0 - \$100	Budget Authority	Invoice
\$100 - \$499	City Administrator	P.O. and Invoice
\$500 - \$5,000	Mayor	P.O. and Invoice
\$5,001 - \$14,999	City Council	Tele/written quotes from Roster of Vendors or Competitive Bid P.O. and Invoice
\$15,000 and Over	City Council	Competitive Bid P.O. and Invoice

PROCESS

Purchase Orders must be used for purchases over \$100. Direct bill accounts may be established and payment authorized by invoice only for purchases of \$100 or less.

The purchase order is a legal contract between the City and a vendor specifying the scope and cost of the equipment, materials, and supplies.

1. The original copy is provided to the vendor, either prior to purchase or as a remittance copy.
2. The second copy is provided to the City Clerk/Treasurer at the time the purchase is made to encumber funds.
3. The third copy is retained by the department making the purchase until the items purchased have been received. After the items are received and determined to be satisfactory, the copy is attached to the invoice. Signed by the authorizing official attesting to the satisfactory receipt of items as ordered, and provided to the City Clerk/Treasurer for preparation of vendor payment.
4. The City Clerk/Treasurer retains all copies of documentation for at least a seven-year period for audit by the State Auditor and for reference, should other questions arise.

Purchases between \$500 and \$5,000:

Three telephone quotes are required for purchases of \$500 or more. Best practice purchasing will be used to assure that the City obtains quality goods or services at reasonable prices. Spreading purchases out over several months or making separate single purchases, when the total of the purchases is greater than \$500, circumvents the policies set forth below and is not authorized.

Purchases between \$5,001 and \$14,999:

Telephone or written quotations will be obtained from vendors who have requested to be listed on the City's Roster of Vendors for Materials, Supplies, and Equipment, in accordance with the requirements of Exhibit "A." A purchase order or contract is required for payment to the lowest responsible bidder.

In the event sufficient qualified vendors are not on the City's Roster of Vendors, formal competitive sealed bids are required.

At least every two months, the City using vendor lists to award contracts valued at more than \$5,000, but not more than \$15,000, must post a list of contracts awarded. The list must contain the name of the vendor, the amount of the contract, a brief description of items purchased, and the date of the award.

Purchases of \$15,000 and above:

Formal, competitive sealed bids are required pursuant to RCW 35.23.352.

Advertisement of Request for Bid

The department initiating a purchase shall prepare an Advertisement for Bid containing:

- a. Item(s) or services to be purchased.
- b. Delivery time requirements, including Point of Delivery.
- c. Bid bond requirements, if applicable.
- d. Terms of payment, if appropriate.
- e. Date and time of bid opening.
- f. The location where detailed specifications are available for public inspection and the cost to obtain a set of plans and specifications.
- g. Name and telephone number of City contact person.
- h. Notice that the City reserves the right to reject any and all bids.
- i. Notice that bids received after the scheduled bid opening will not be considered.
- j. Notice that all bid documents are a public record and subject to disclosure.

The Advertisement for Bid must be posted in City Hall and published in the City's official newspaper by the City Clerk once a week for two consecutive weeks with the last publication being at least 13 days prior to the last date upon which bids will be received.

The Advertisement for Bid may be mailed to a listing of vendors from the City's Roster of Vendors by the initiating department.

If changes or clarifications to the specifications are issued during the bid period, the initiating department must send a notice to all prospective bidders and a copy filed with the City Clerk.

Request for Bid Log

The initiating department must prepare a log and record containing the following information: (the log is a formal public record to be filed with the City Clerk after award of the contract or purchase order.)

- a. The name, address, and phone number of every vendor who received a copy of the Advertisement for Bid and Detailed Specifications.
- b. If communications with prospective bidders occur during the bid period, record the substance of the communication on the bid log.
- c. The date and time any changes or clarifications to the specifications are sent to bidders.

Bid Opening

The City Clerk, or his/her designee, shall be present at all bid openings to verify the date and time of bid opening; open each bid proposal; announce the bids of each submitter; record the unit prices, sales tax, delivery charge if applicable, and total cost of each bid proposal. A tabulation of bid results will be prepared by the City Clerk and made available to the public following the formal bid opening.

Bid Award

The requesting department will evaluate the bids, determine, and document the lowest responsible bidder, prepare a purchase order or contract, and submit the documentation to the City Administrator for submission to the City Council. If a contract is required, secure the City Attorney's approval as to form. Contract or purchase order documents are signed by the Mayor after Council approval.

After the purchase order or contract is issued, a copy of the log should be submitted to the City Clerk/Treasurer with the encumbering copy of the purchase order/contract and the unsuccessful vendors should be notified.

Public Record

Immediately after opening of the bids, the original copy of every bid proposal and a copy of the bid log should be filed with the City Clerk for retention; the bids are a public record. A copy of the proposal of the successful bidder should remain with the initiating department until completion of the purchase and/or service.

II. PUBLIC WORKS CONTRACTS

A. Approval Authority

AMOUNT	APPROVAL AUTHORITY	PROCEDURE
0 - \$499	Budget Authority	Contract/P.O.
\$500 - \$5,000	City Mayor	Contract/P.O.
\$5,001 - \$20,000	City Council	Contract/P.O.
\$20,001 - \$30,000	City Council	Contract/P.O.
\$30,001 - \$200,000	City Council	Small Works Roster or Competitive Bid
Over \$200,000	City Council	Competitive Bid

Request for Payment if satisfactory, attach the invoice, and submit the documentation to the City Clerk/Treasurer for payment.

B. Procedure

- 1. Projects that will not exceed \$20,000 and a single craft or trade is involved or it is a street signalization project and projects that will not exceed \$30,000, and more than one craft or trade is involved.**

Competitive bids or telephone quotes are not legally required for these public works contracts, however, best practice purchasing will be used to assure the City obtains quality services at reasonable prices.

Contracts issued are to be reviewed for form by the City Attorney; payments to contractor will be by purchase order and completion of the Request for Pay form.

- 2. Projects from \$30,000 up to \$200,000:**

Telephones or written quotations will be obtained from vendors who have requested to be listed on the City's Small Works Roster, in accordance with the requirements of City of Liberty Lake.

A contract will be awarded to the lowest responsible bidder.

In the event sufficient qualified vendors are not on the City's Small Works Roster, then formal, competitive sealed bids are required (as outlined in the following section).

- 3. Projects over \$200,000:**

Formal, competitive sealed bids are required pursuant to RCW 35.23.352.

Advertisement for Bid of Public Works Project:

The Director of Public Works shall prepare an Advertisement for Bid of Public Works Project containing the following information:

- a. Brief description of the Public Works Project being bid.
- b. Notice of the requirement of a bid proposal deposit in the amount of 5% of the amount bid in the form of a cashier's check, postal money order, or surety bond in favor of the City of Liberty Lake.
- c. Terms of payment, if appropriate.
- d. Date and time of bid opening.
- e. The location where detailed plans, specifications, and contract documents are available for public inspection and the cost to obtain a set of plans and specifications.
- f. The name and telephone number of the City contact person.
- g. Notice that the City reserves the right to reject any and all bids.
- h. Notice that the bids received after the scheduled bid opening will not be considered.
- i. Notice that all bid documents are public record and subject to disclosure.

The Advertisement for Bid must be posted in City Hall and published in the City's official newspaper by the City Clerk once a week for two consecutive weeks with the last publication being at least 13 days prior to the last date upon which bids will be received.

Detailed Plans and Specifications:

Detailed plans and specifications of public works project will be prepared at the direction of the Director of Public Works, along with an estimate of the cost of such work. The specifications will be approved by the Director and a certified copy filed with the City Clerk. Copies will be provided to prospective bidders upon payment of a sum equal to the cost of having said documents prepared.

Any changes or clarifications to the contract documents, specifications, or design drawings made after advertising and before the bid submittal and bid opening, should be issued to all document holders as numbered and dated addenda. A copy of the change order clarification must be filed with the City Clerk.

Request for Bid Log:

The initiating department must prepare a log and record containing the following information (the log is a formal public record to be filed with the City Clerk after award of the contract):

- a. The name, address, and phone number of every contractor who received a copy of the Detailed Plans and Specifications for the project and the date and time specifications were provided.
- b. If communications with prospective bidders occur during the bid period, record the substance of the communication on the bid log.

Bid Opening:

The City Clerk, or his/her designee, shall be present at all bid openings to verify the date and time of bid opening; open each bid proposal; announce the bids of each submitter; record the unit prices, sales tax, delivery charge if applicable, and total cost of each bid proposal. A tabulation of bid results will be prepared by the City Clerk and is available to the public immediately following the formal bid opening.

Bid Award:

The requesting department will evaluate the bids, determine, and document the lowest responsible bidder, prepare a contract including review as to form by the City Attorney, and submit the documentation to the Mayor for approval and submission to the City Council.

After the purchase order or contract is issued, a copy of the log should be submitted to the City Clerk/Treasurer with the encumbering copy of the purchase order/contract and the unsuccessful vendors should be notified.

All bid proposal deposits must be returned to the unsuccessful bidders; the 5% bid bond of the successful bidder will be retained until a contract is entered into and a bond to perform the work is furnished, with surety satisfactory to the City Council. If the bidder fails to enter into the contract in accordance with his or her bid and furnishes a bond within ten days from the date of being notified of the successful bid, the 5% bid bond will be forfeited to the City of Liberty Lake.

Public Record:

Immediately after opening of the bids, the original copy of every bid proposal and a copy of the bid log should be filed with the City Clerk for retention; the bids are a public record. A copy of the proposal of the successful bidder should remain with the initiating department until completion of the project.

III. ARCHITECTURAL & ENGINEERING SERVICES

A. Approval Authority

AMOUNT	APPROVAL AUTHORITY	PROCEDURE
\$0 - \$5,000	Mayor	Contract/Invoices
Over \$5,000	City Council	Contract/Invoices

B. Process

The initiating department shall prepare a Request for Qualifications and publish in advance of the department's requirements for professional services. The RFQ and its publication is intended to reach those potentially interested consultants that can provide the services required within the established time frame.

Whether the RFQ is for a specific project or for a "category or type" of service, it should contain the following information:

- a. Project title and description.
- b. Scope of services desired.
- c. Submission deadline.
- d. Format of response.
- e. Criteria for selection.
- f. Number of copies desired.
- g. Name and telephone number of City contact person.
- h. Instructions for submittal of qualifications and deadline for response.
- i. Specific contract provisions, if applicable.
- j. Notice that all documents submitted are a public record and subject to disclosure.

The responses received will be evaluated at the direction of the initiating department against established and consistently applied evaluation criteria. In some cases, top finalists may be selected for an interview procedure for further evaluation and rating. Upon conclusion of the evaluation procedure, a recommendation will be presented to the appropriate budget authority for approval, or to the Mayor for submission to the City Council for approval.

Contract negotiations proceed after selection of the most qualified firm at which time statute provides for negotiation on a "fair and reasonable price."

The contract is a legal contract between the City and a vendor and will specify the scope and costs of the services to be provided, as well as the terms of payment. All contracts must be reviewed and approved as to form by the City Attorney.

The contract should be composed of two originals and two copies and is distributed as follows after execution:

1. One original provided to the vendor prior to commencing work.
2. One original provided to the City Clerk.
3. One copy to the City Clerk/Treasurer.
4. One copy to the department responsible for monitoring contract performance and authorizing progress and final payments.

IV. PROFESSIONAL SERVICES CONTRACTS

A. Approval Authority

AMOUNT	APPROVAL AUTHORITY	PROCEDURE
\$0 - \$5,000	Mayor	P.O. and Invoices (Discretionary Contract)
Over \$5,000	City Council	Contract/Invoices

B. Process

Contracts for professional services such as attorney services, computer programmers, financial consultants, planners, bond counsel, accountants, etc., may be procured by direct negotiation with a selected firm or individual.

Although formal competitive bids or Requests for Qualifications are not legally required, it is recommended the process described under Architectural & Engineering Services be followed.

V. SOLE SOURCE PURCHASES

Compliance to the provisions of these purchasing policies and procedures may be waived upon approval of the City Mayor and by resolution of the City declaring that the purchase is clearly and legitimately limited to a single source or supply within the near vicinity, or the materials, supplies, equipment, or services are subject to special market conditions, and recites why this situation exists.

VI. EMERGENCY PURCHASES

Compliance to the provisions of these purchasing policies and procedures may be waived for certain public works projects or purchases in the event of an emergency in order to provide the ability to respond and so as not to compromise the health, safety, or welfare of the people.

Within 48 hours of the initiating of the emergency contract or purchase, and declaration of the emergency by the Mayor or designee or budget authority, a purchase order will be prepared indicating the emergency for which issued.

Additional justification, documentation, or other materials may be required by the Mayor or City Council.

Within seven days after the commencement of an emergency public works project, the City must record and publish the description and cost estimate of the project. Within two weeks of the finding that such an emergency existed, the City must adopt a resolution certifying the existence of the emergency situation.

VII. DEFINITIONS

Architectural and Engineering Services – Those services within the scope of practice of architecture, engineering, or land surveying.

Best Practice Purchasing – Whenever formal written quotes/bids or telephone quotes are not required, competitive relationships with vendors/suppliers/contractors will be shopped or negotiated to assure competitiveness and reasonableness in achieving low cost, good quality, and service.

Budget Authority – Person(s) authorized to spend funds up to amounts as budgeted on behalf of the City.

Competitive Sealed Bid – Notice to bidders is advertised and sealed bids are required. Usually, the bid document is very detailed and specific.

Direct Bill Account – The City may negotiate direct bill accounts with local suppliers and authorized employees may purchase items on the City's account with shipping bills matched to invoices for payment.

Emergency – A situation which results from the occurrence of a disaster, such as, but not limited to, flood, hurricane, riot, power outage, disease, or a situation which may lead to the impairment of the health, safety, or welfare of the public, if not immediately attended to.

Lowest Responsible Bidder – In addition to price, elements which may be considered when selecting the best bid/proposal, include, but not limited to:

1. Tax revenue the City would receive by purchasing locally.
2. The ability of the bidder to perform the work.

3. The experience, efficiency, reputation, judgment, integrity, and character of the bidder.
4. Ability to perform promptly and within time specified without delay or interference.
5. Performance quality of previous contracts or services.
6. Previous and/or existing compliance by the bidder with laws relating to contracts or services.
7. Financial responsibility of the bidder to perform the contract or provide the service.
8. Limitations of any license the bidder may be required to possess.
9. The quality, availability, and/or adaptability of the product or service.
10. Ability of the bidder to provide future maintenance and/or service.
11. Life cycle maintenance and performance of the equipment or product.
12. Compatibility and uniformity with existing equipment, services, and/or procedures.
13. Other information as may be pertinent and having a bearing on the decision to award the contract.

Proposal – The consultant's proposal describing key personnel, technical approach, experience, and familiarity with the area, time schedules, work plan, and other information relating to the specific service being sought.

Professional Services – An occupation wherein the labor and skill involved is predominately mental or intellectual rather than physical or manual. Professionals included in this category are: Accountants, artists, attorneys, bond brokers, computer programmers/consultants, insurance brokers, economists, financial analysts, planners, real estate appraisers, and codification of municipal ordinances.

Purchasing Agent – Person(s) responsible for purchasing in each department/unit.

Request for Proposal (RFP) – A solicitation sent to known vendors, usually prepared by a department head or designee, which includes in a general manner the work or type of service which the City desires to contract. RFP's generally solicit original ideas from experienced and knowledgeable workers.

Roster – Small Works – A listing of pre-qualified bidders for public works projects of between \$30,000 and \$200,000.

Roster – of Vendors for Supplies, Materials, and Equipment – A listing of vendors from which bids/telephone quotations will be sought for purchases of supplies, materials, and equipment estimated to cost between \$5,001 and \$14,999.

Statement of Qualifications – A form of proposal wherein the prospective consultant/contractor provides information relating to the proposer's qualifications to perform

the type(s) of work being sought, and may include brochures, resumes of key personnel, descriptions of work completed in other places, references, etc.

Telephone Quote – Soliciting prices and other terms from vendors by phone wherein records of each contract are maintained.

Written Quotation – A written record of prices and other terms provided by prospective vendors in response to written solicitation sent to the prospective vendors by the City.

Attachment 'A'

POLICY PROCEDURE: PURCHASING CONTRACTING

Quick Reference Sheet

TYPE	AMOUNT	APPROVAL AUTHORITY	PROCEDURE
Petty Cash	0 - \$50	Budget Authority	Signed Receipt
Purchase of Supplies, Materials, or Equipment			
Direct Bill Account	0 - \$100	Budget Authority	Invoice
Single	\$100 - \$499	City Administrator	P.O. and Invoice
	\$500 - \$5,000	Mayor	Three telephone quotes
	\$5,001 - \$15,000	City Council	Telephone/written quotes from Roster of Vendors or Competitive Bid
	Over \$15,000	City Council	Competitive Bid
Public Works Contracts	0 - \$499	City Administrator	Contract/P.O.
	\$500 - \$5,000	Mayor	Contract/P.O.
	\$5,001 - \$20,000 (one trade)	City Council	Contract/P.O.
	\$20,001 - \$30,000	City Council	Contract/P.O.
	\$30,000 - \$200,000	City Council	Small Works Roster or Competitive Bid
	Over \$200,000	City Council	Competitive Bid
Emergency Purchase	NA	Budget Authority	P.O./Contract within 48 hours
Professional Services	\$0 - \$5,000	Mayor	P.O. and Invoices
	Over \$5,000	City Council	Contract/Invoices
Architects & Engineers	\$0 - \$5,000	Mayor	Contract/Invoices
	over \$5,000	City Council	Contract/Invoices

EXHIBIT "A"

City of Liberty Lake

Telephone Quotations – The City shall use the following process to obtain telephone quotations from vendors for the purchase of materials, supplies, or equipment:

- a) A written description shall be drafted of the specific materials, supplies, or equipment to be purchased, including the number, quantity, quality, and type desired, the proposed delivery date, and any other significant terms of purchase;
- b) A City representative shall make a good faith effort to contact at least three of the vendors on the roster established according to subsection 2 above and, reading from the written description, obtain telephone quotations from the vendors on the required materials, supplies, or equipment;
- c) At the time such telephone quotations are solicited, the City representative shall not inform a vendor of any other vendor's bid on the materials, supplies, or equipment;
- d) A written record shall be made by the City representative of each vendor's bid on the materials, supplies, or equipment, and of any conditions imposed on the bid by such vendor;
- e) All of the telephone bids or quotations shall be collected and presented at the same time to the City Council for consideration, determination of the lowest responsible bidder, and award of the contract.

SECTION 2000 – GRANTS

POLICY 2010 – INTERGOVERNMENTAL REVENUES

Many service costs of the City are influenced by other governments, either because of service overlap or service mandates imposed by the county, state, or federal government. The City should take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues, and grants while aggressively opposing mandates that distort local service priorities.

1. Grants Should Not Fund Ongoing Services.
The City will refrain from using grants to meet ongoing service delivery needs. In the City's financial planning, grants will be treated in the same manner as all other temporary and uncertain resources and will not be used to fund ongoing, basic service needs.
2. Grant Agreements Reviewed for Compliance with Regulations.
All grant agreements will be reviewed by the appropriate City staff, including Finance, City Attorney's Office, and sponsoring department, to ensure compliance with state, federal, and City regulations.
3. Budgeting for Grant Expenditures.
The City will budget expenditures for grant-funded programs only after grant award or letter of commitment, and only for the amount of grant award. City overhead or indirect costs for grant-funded programs will be included in all grant proposals, where permitted.
4. Protecting the City's Interests.
The City will aggressively oppose state or federal actions that mandate expenditures that the City Council considers unnecessary. The City will pursue intergovernmental funding to support the incremental cost of those mandates.

POLICY 2020 – ACCOUNTING FOR GRANTS

Grants will be accounted for according to standards listed in the manual for Budgeting, Accounting, and Reporting System (BARS) for Category 2 Cities, Part 3, Chapter 5 as issued by the Washington State Auditor's Office.

Grants will be reported according to standards for Schedule 16 – Expenditures of Federal Awards and State/Local Financial Assistance as detail in the manual for Budgeting, Accounting, and Reporting System (BARS) for Category 2 Cities, Part 4, Chapter 4, Page 41 as issued by the Washington State Auditor's Office.

SECTION 2100 – DISBURSMENTS

Policy 2110 – CLAIMS VOUCHERS

This policy applies to all vouchers prepared for processing through the claims fund. The following are authorized claims vouchers:

1. Payment Vouchers
2. Travel Expense Vouchers
3. Petty Cash Vouchers

1. City Claims Vouchers Will Be Adequately Documented

Adequate documentation will be attached to city payment vouchers to assure that it supports a valid, legally authorized purchase. Payments will be made only on original invoices. Properly prepared and approved requisitions, purchase orders and receiving reports will be attached when applicable.

If the original invoice has been lost, the preparer should write "Original lost" on the copy. Voucher files should be examined to assure that the original has not been paid. Claims for travel or other business expenses will be documented as detailed in Policy-1210.

2. Claim Vouchers Will Be Properly Approved, Certified and Audited.

The City Clerk or designated city official will sign all claims vouchers, certifying that the "... materials have been furnished, the services rendered or the labor performed...and that the claim is a just, due and unpaid obligation against the city...". Claims for travel expenses will be certified by the individual incurring the travel expense, as well as the designated department official. Expense claims for department heads will be approved by the City Administrator or Mayor.

All claims vouchers will be audited by the City Clerk (see City Ordinance #5) prior to payment and entry into the city's financial system.

All claims against the city will be certified by the Executive Officer or delegate. The certification will be made on a blanket voucher authorization indicating all voucher expenditures by fund, and supported by listings of the individual vouchers certified. The City executive will provide final approval of all city check issues.

3. Vouchers Will Be Processed Bi-Monthly.

The City Clerk or designee will process vouchers the Thursday before the bi-monthly council meeting. Vouchers must be submitted to City Clerk by noon on Tuesday to be included in the current processing. Claims checks will be issued after approval by Council.

4. Payment Vouchers May Not Be Used To Record Personnel Expenditures.

Payment vouchers will not be used to record expenditures for salaries or wages, overtime or extra help. All personnel expenditures must be processed through the payroll system.

Payment vouchers will be used to record professional services expenditures for individuals who are not employees of the City of Liberty Lake.

POLICY 2120 – PETTY CASH AND REVOLVING FUNDS (Ordinance 04)

This policy applies to all petty cash funds. Petty cash funds include change funds, revolving funds, and stamp funds, or any sum of money or other resources set aside for the specific purpose of minor disbursements, making change, or other similar uses.

1. The Mayor will Authorize Petty Cash Funds.

Petty Cash funds will be authorized in writing by the Mayor or his representative. In addition, all increases or decreases in petty cash amounts, or closeout of petty cash funds, will be authorized in writing by the Mayor or his representative. The City Clerk/Treasurer will maintain a master file of all petty cash funds authorized in the City.

2. The Mayor will Appoint a Custodian for the Petty Cash Fund.

The Mayor will appoint a custodian for the fund. The custodian will prepare a petty cash fund authorization card to acknowledge receipt of the funds entrusted to him. The original authorization card will be filed with City Clerk with a copy being sent to the City Clerk/Treasurer.

If a new custodian is appointed, the revolving fund will be reconciled, replenished, and turned over to the new custodian intact. A new authorization card will be prepared by the new custodian and transmitted to the City Clerk.

3. Petty Cash funds will be Established by Voucher and Check.

New petty cash funds and increases in petty cash funds will be established by voucher and check. The payment voucher will be approved in writing from the mayor or his representative.

4. Closed-Out Funds will be Deposited with the Treasurer.

Monies from petty cash funds which are closed out, for which the authorized amount is reduced, will be deposited with the City Treasurer.

5. Petty Cash will be kept in a locked box during the day.

The custodian and department head or designee should be the only persons with access to the fund. Petty cash should be stored in a safe at night, if available.

6. Petty Cash will be Reconciled and Replenished Regularly.

Petty cash and revolving funds will be reconciled to the authorized amounts at least every 2 months or as needed. Reimbursement requests will be prepared and submitted to the City Clerk with a payment voucher monthly or on an as-needed basis.

Reimbursement requests will be submitted for all petty cash funds at fiscal year end to assure that expenditures are recorded in the proper period.

7. Petty Cash Funds May Not Be Used for Personal Advances.

Petty cash funds may not be used for personal cash advances, even if secured by check or other IOU's.

8. Petty Cash Funds will be Properly Reported.
The authorized amounts for all petty cash funds will be recorded in the City's general ledger and reported in the City's financial statements.
9. All Disbursements will have Adequate Documentation.
All disbursements from petty cash funds will be supported by a voucher or petty cash receipt showing the date, recipient, purpose and amount and signed by the recipient of the funds when applicable. The vendor's original invoice or receipt will be attached to the voucher or petty cash receipt.
10. Petty Cash Funds will be Audited on a Surprise Basis.
Fund accountants in charge of funds that include petty cash funds will audit the petty cash fund on a surprise basis.

Approved by the Mayor on June 8, 2001.

POLICY-2125 – Vendor Refunds and Credit Memos

This policy applies to cash refunds and credit memorandums received by city departments from vendors for returned goods; for services paid for, but not used; or for overpayments.

1. Credit Memos Will Be Recorded On Payment Vouchers.
Departments will use payment vouchers to record credit memos given to the city because of returned goods; services paid for, but not used; or overpayments. The department receiving a credit memo will record it as a payment voucher when the memo is received. If the department has a current invoice due to the vendor, the credit should be recorded on the same payment voucher that is used to pay the invoice.

If no invoice is currently due to the vendor, the credit memo will remain in Budget System until a future invoice is paid to that vendor. The system will automatically reduce the next voucher payment to the vendor by the amount of the credit memo, and the credit memo will be cleared from the records.

2. Receipt of Credit Memos Will Be Properly Documented.
Adequate documentation will be attached to payment vouchers that record credit memos. Documentation must be in sufficient detail for the City Clerk to approve the distribution of the credit. (See Step 3.) The City Clerk will determine what constitutes adequate documentation.
3. Credit Balances In Vendor Accounts Will Be Reviewed Quarterly.
At the end of each quarter Cash Operations and Payables will run an open voucher ledger and will review it for credit balances in vendor accounts. Cash Operations and Payables will notify the appropriate department if it finds a credit balance over six months old in a vendor account. Departments should investigate and request a cash refund if no further invoices are expected to be received from the vendor.

4. Cash Refunds Will Be Recorded On Cash Receipt Form.

Cash refunds should be requested when a department does not expect to do further business with a vendor. Cash refunds received from a vendor because of returned goods; services paid for, but not used; or for overpayments will be recorded on a Treasurer's Cash Receipt Form. (See Policy 1110.8)

If the refund is received during the same accounting period (fiscal year) as the original expenditure was made, the refund will be recorded on the Treasurer's Cash Receipt Form as a reduction of expenditures, rather than a revenue. The expenditure account to which the original payment was charged will be credited for the amount of the refund.

If the refund is received after the end of the accounting period in which the original expenditure was made, and the dollar amount of the refund is not material, BARS revenue source code 369.90 will be credited for the amount of the refund.

If the refund is received after the end of the accounting period in which the original expenditure was made, and the dollar amount of the refund is material, BARS revenue source code 388.80 will be credited for the amount of the refund.

5. City Clerk Will Determine Materiality of Refunds.

A refund received will be considered material if the improper classification of the might distort the results of the fund's financial operations or might improperly influence a decision of management. Whether or not such a refund is material will be determined by the Department Head or City Clerk.

6. Department Will Notify Cash Operations and Payables When Cash Refunds Are Received For Amounts Previously Entered as Credit.

When a department receives a cash refund for an amount which has previously been entered as a credit memo on a payment voucher, the refund should be recorded as noted in the preceding paragraphs. In addition, the department must contact the City Clerk to reverse the credit memo. The City Clerk will prepare a modified payment voucher reversing the original credit memo entry.

POLICY 2126 – Claims Checks Issue, Cancellation, and Reconciliation

This policy applies to all check issued through the city's ASP Budget system.

1. Check Stock Will Be Controlled and Accounted For.

All check stock will be pre-numbered. A check log will be maintained to account for all document numbers of checks issued and checks not used due to spoilage or other reasons. The automated disbursement system will assign a check number to all warrants issued by the system. This number will be the official check number.

2. Warrant Cancellations Will Be Adequately Documented.

All check cancellation requests must be accompanied by the original check which is to be cancelled, or by an Affidavit of Lost/Destroyed Warrant.

3. Check Cancellations Will Be Properly Approved.

All warrant cancellations will be approved by the City Administrator.

4. Checks Reconciled Monthly.

A monthly reconciliation by fund will be made of all check issued, cancelled checks and checks outstanding. Outstanding check balances will be reconciled to the ending cash balance.

Policy 2127 – Manual Checks

This policy applies to all claims checks which are not produced through the automated accounts payable system.

1. Use of Manual Checks Will Be Restricted.

Manual Checks will be authorized only under the following circumstances:

- A. Events beyond the control of the requestor create an immediate need for the check, which if delayed would result in a fine, penalty or other costly impact on the City.
- B. If the immediate need for the check is caused by processing delays or errors originating in the finance department itself.
- C. If the immediate need for the check results from a court order or other legal constraint.
- D. If the check is being issued from a segregated cash account.

3. Manual Check Requests Will Be Properly Approved.

Manual check requests will be approved by the department head or authorized delegate prior to submitting to Cash Operations and Payables.

The City Clerk will approve the preparation of the manual check after an audit of the voucher and supporting documents has been completed and will approve as to fiscal period and accounting distribution.

4. Manual Checks Will Be Adequately Controlled and Safeguarded.

Manual checks will be pre-numbered from the normal check stock. Checks issued will be sequentially recorded in a check log.

SECTION 5000 – FIXED ASSETS

POLICY 5010 – ACCOUNTABILITY OF FIXED ASSETS

General Fixed Assets are long-lived assets of the City as a whole and are recorded as expenditures when purchased. Although no general fixed asset account group is established, it shall be the policy of the City to list and inventory fixed assets to ensure accountability and stewardship of the city's assets.

1. Capitalization Level.

Assets costing more than \$1,000 and having a useful life of more than one year will be accounted for by listing the item, date of purchase, cost, and responsible person. When an asset is disposed of a notation of the method of disposal will be made in the listing.

2. Attractive and Sensitive Items.

Attractive items such cameras, televisions, VCRs, or similar items will be capitalized regardless of cost. Sensitive items such as weapons, radar guns, or radios will also be capitalized regardless of cost.

3. Inventory of Items

All items will be inventoried at least once every two years. Inventory documents will be retained and reviewed by department heads and the City Administrator.

POLICY 5020 – DISPOSAL OF SURPLUS CITY ASSETS

This policy applies to the disposal of surplus city property.

1. Council Determines Surplus:

Assets of the City that are no longer useable, are no longer of value to the City, or are surplus to the City's needs may not be removed from City ownership, sold, or in any other way disposed without a declaration by the City Council.

2. Reassignment of Assets.

When a City department makes a determination that an asset is surplus to its needs, notification shall be made to the City Administrator. Prior to bringing the item to the City Council for a declaration of surplus, the first option will be reassign the asset within the City where it can be of use or value.

3. Minimum Requirements.

If it is not possible to be reassigned, the City Administrator shall prepare the asset for a determination by the City Council. Each asset requiring a declaration of surplus must have a value assigned and a recommended method of disposal.

4. Methods of Disposal.

Primary methods of disposal to the general public are recognized as direct sale, sealed bid, trade-in or auction. Other methods of disposal to the general public must be clearly detailed in writing and must have the consent of the City Council.

The City Council may transfer a surplus asset to another public agency upon written request and a determination that it is in the public interest to do so. Such request shall specify the asset and the inability of the agency to otherwise afford to buy it. The City Council may elect to trade assets, authorize the Mayor or designee to negotiate payment or transfer it without compensation.

5. Additional Requirements. Assets Over \$50,000; Utility Assets.

If the asset proposed as surplus is evidence released by the Court, seized assets or unclaimed property, the City Administrator shall review the appropriate statutes prior to asking the City Council to declare it surplus. If the value of the asset is estimated to be more than \$50,000, and if the sale or conveyance is to another governmental entity, the provisions of Section 39.33.020 RCW shall apply. This includes several requirements, including a public hearing and certain notice provisions. If the asset was originally purchased for utility purposes, the provisions of Section 35.94.040 shall apply. This includes several requirements, including a resolution and public hearing.

6. Final Determination of Value.

When disposal is made to the general public through direct sale, sealed bid or auction, final determination of value shall be the highest responsible bid or offer.

7. Prohibited Benefit; Delegation of Authority.

It is recognized that City Council members are prohibited by state law from benefiting from the disposal of public assets of the City. The City Council may elect to delegate the task of declaring items surplus to the Mayor or City Administrator by amending or adding to this policy and identifying the conditions thereof within this policy. If such a delegation is made, the prohibition of benefiting from the disposal of public assets is extended to the Mayor, if the Mayor is delegated, or the Mayor and City Administrator if the City Administrator is delegated.