

CITY OF GOLD BAR, WASHINGTON
RESOLUTION NO. 16-06 07

A RESOLUTION OF THE CITY OF GOLD BAR,
ADOPTING A FINANCIAL PLAN

WHEREAS, the Washington State Auditor requests the City of Gold Bar to have a Financial Plan in place; and

WHEREAS, a Financial Plan works as a guideline for all financial practices; and

WHEREAS, the City of Gold Bar agrees with the Auditor that a financial plan would be beneficial as a guideline for financial health;

NOW THEREFORE, BE IT RESOLVED by the governing body of the City of Gold Bar adopts a Financial Plan.

I. Financial Plan

The Financial Plan as attached is adopted Plan for the City of Gold Bar.

The Financial Plan may be amended as needed by Resolution.

RESOLVED this 17th day of May, 2016.

ATTEST/AUTHENTICATED:

APPROVED:



Lisa Stowe, City Clerk/Treasurer



Lee Hodo, Mayor

City of Gold Bar

EST. 1910



107 – 5th Street, Gold Bar, WA 98251

City of Gold Bar Financial Plan

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General Financial Management Guidelines

Purpose and Background

The stewardship of public funds is one of the primary responsibilities of the Mayor and Council of the City of Gold Bar (City). Vital to these responsibilities are the establishment of financial policies that enable City officials and staff to manage financial resources prudently, and in a manner that meets the City's obligations while planning for future financial needs. This financial plan endeavors to address those responsibilities. It is recognized that this Plan cannot anticipate all financial decisions

and it is intended that policies be applied broadly in order to meet specific circumstances.

The goal of this Financial Plan is to establish guidelines for developing financial objectives, making financial decisions, reporting the financial status of the City, and managing the City's financial health through internal controls, similar to a Comprehensive Plan which creates 'umbrella' guidelines over policies and regulations for a city.

Philosophy

A goal of the City shall be to achieve a strong financial condition that provides the necessary resources to meet the levels of service desired by the residents of the City; withstands local and regional economic impacts; ensures timely payments of fiscal obligations; provides resources for emergencies; meets local, state, and federal financial regulations; and operates within a transparent government.

Application of Plan

This Plan applies to the financial management of all funds, assets, and programs of the City, and is incorporated into its budgeting processes, planning documents, and management.

Guidelines

The City strives to balance services for a standard of life for residents with the reality of local, state, and federal economies that can impact the City's ability to maintain services. During periods of declining economies, the City's financial goal will be to meet obligations which are higher priorities. During periods of improving economies the City will strive to establish financial strength for future declining periods as well as enhancing levels of service.

General Budget Policies

Strategic Policies

It is the responsibility of the City Council to formulate financial policies that establish the framework to guide spending priorities within the City and to review those policies on a periodic basis.

Budget Preparation

Supervisors are responsible for proposing budgets consistent with priority direction from the Mayor and Council, and with guidance from the Treasurer. Supervisors shall draft proposed budgets and submit them to the Treasurer by September 1st of each year.

The Treasurer is responsible for the overall preparation and administration of the City's budget. This function is fulfilled in compliance with applicable state and federal statutes governing local government budgeting practices.

The Treasurer assists supervisors in identifying budget problems, formulating solutions, and implementing any necessary corrective actions.

The Treasurer shall be responsible for presenting an annual operating budget draft to the Mayor and Council for action.

The Mayor and Council shall review and act on the recommended fiscal year budget of revenues and expenditures.

Balanced Budget

In compliance with RCW 35.33.075, the City adopts a balanced budget, which requires total estimated revenues to equal the total estimated expenditures. This requirement of a balanced budget applies to each individual fund.

Budget Adoption

The current year budget is formally adopted annually prior to the last day of December.

Budget Forecasts

A forecast of revenues and expenditures shall be created for a minimum of six years and shall be included with the annual budget during the adoption process. This forecast acts as a guide to ensure that expenditures are limited to an amount that can be sustained with projected revenues while retaining prudent reserves.

Unreserved Funds

Unreserved funds are typically utilized for the day to day operations of the City.

Reserved Funds

Reserved funds are utilized for specific fund needs which are clearly identified. These types of uses are typically for capital improvement requirements.

Revenue Guidelines

The City must balance present and anticipated services as well as maintain the City's ability to create revenue to support such services.

Mix of Revenues

The City shall strive to maintain a diversified mix of revenues in order to balance revenue sources and to provide stability and predictability.

Charges for Services

Charges for services shall be established at a rate that recovers full costs, including direct costs, indirect costs, and capital costs. Fees or service charges shall be periodically updated.

One-Time Revenues

When considering new revenue sources to fund on-going operational costs, the City shall not include one-time revenue sources.

Grant Agreements

Prior to application and acceptance, grant agreements will be reviewed by appropriate staff to ensure matching requirements are reasonable and attainable, and to ensure compliance with any regulatory requirements.

Recording Receipts

The following procedures for revenue received shall be in place:

- All checks shall be stamped 'for deposit only'
- All cash and checks received through the mail or through the City's drop box shall be forwarded to the Office Manager or her designee upon receipt
- The Office Manager or her designee shall record all revenue and prepare deposits
- Deposits shall be reviewed by someone other than the Office Manager prior to actual depositing
- Deposits to the bank shall be made by someone other than the person who prepared the deposit
- Deposit paperwork, including deposit slips, shall be placed in a packet for the Clerk/Treasurer to review and sign off on
- All deposits and associated paperwork shall be filed by month and available for auditing
- All deposits and associated paperwork shall be retained following the State's Record Retention Guidelines.

Expenditure Guidelines

Approvals

All expenditures must be approved by supervisors. All expenditures must also be approved by the City's Clerk/Treasurer and Council through the voucher process. These approvals must include adhering to purchasing requirements and assuring that appropriation through the budget process is approved.

Thresholds for expenditures that require prior Council approval shall be set by ordinance.

Procedures

The Clerk/Treasurer shall maintain standard accounting records containing all aspects of the City's financial operations, as required by the State Auditor's Office and the state's Record Retention Guidelines.

The Finance Committee, Mayor, Clerk/Treasurer, and Council shall sign the Warrant Register provided by the Clerk/Treasurer, documenting approvals.

The check stub shall be stapled and filed with the documentation for each warrant. These shall be filed by the month and made available for audits and reviews. Monthly packets shall be retained following the Record Retention Guidelines.

Signatures

All checks shall be signed by two supervisors. Checks may not be signed by the person (typically the Clerk/Treasurer) who creates the invoice and check. In the advent of an emergency situation, the checks may be signed by only one supervisor, with the Mayor notified of the emergency.

Payroll

Payroll is executed monthly by the Clerk/Treasurer. Timesheets shall be created by the employee and signed by both the employee and the employee's supervisor. Timesheets and check stubs shall be reviewed following the procedures for all warrants.

Compensation

Compensation such as vacations, sick leave, bereavement leave, etc. shall be defined in the City's Personnel Manual.

Public Stewardship

The City will strive to balance prudent decision making with fair market considerations in order to receive optimal value for the funds being expended.

Banking

Accounts

The Clerk/Treasurer shall maintain and oversee bank and investment accounts and ensure the City's day-to-day financial operations.

Reconciliations

The Clerk/Treasurer shall reconcile all bank and investment accounts on a monthly basis when statements arrive. Reconciliations shall be presented to the Mayor, Finance Committee, and Council for review and signatures.

All reconciliations shall be retained following the state's Record Retention Guidelines and made available for review and audit.

Insurance

Reasonable and adequate coverage will be maintained by the City to protect the City's interests, assets, and employees. The City maintains insurance coverage through the Association of Washington Cities. That coverage may be changed by Mayor, Council, and Clerk/Treasurer review, if the need arises.

Financial Planning and Forecasting Guidelines

The City shall maintain a financial forecast of revenue resources and expenditures for six years beyond the current budget period. The purpose of the forecast is to give the City's policy-makers an indication of the long-term fiscal impact of current policies and budget decisions.

Budget Adjustments and Amendments

The current operating budget may be adjusted during the year using of two methods.

1. Budget Adjustments

The adjustment process is a reallocation of existing appropriations and does not change the total dollar amount appropriated for any Fund. This type of adjustment takes place at the line item level within a fund. These types of adjustments are the preferred budget modification process and do not require approval of the City Council.

2. Budget Amendment

This process adds, or reduces, existing appropriations resulting in a net change to the balance of one or more individual funds, and affects the total dollar amount appropriated for any Fund. This type of amendment requires an ordinance and approval by the City Council.

Budget Updates

The Clerk/Treasurer will present a financial report to the Council at least quarterly, as part of their Council packet.

Reserve Policies

The City will maintain adequate reserves. Reserves 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

1. Definition of Reserves

The City defines budgetary reserves as the difference between:

- those short-term assets that can reasonably be expected to be available for use within the year or shortly thereafter; and
- those liabilities that can reasonably be expected to be extinguished during the year

2. Management of Separate Fund Reserves

Fund Reserves shall be used to help financially manage the various services provided by the Fund. Unless allowed by state law, accepted accounting practices and authorized by Council, the transfer of funds from one Reserve fund to another is prohibited. Borrowing from reserve balances within a fund when that fund exceeds the established budgeted threshold is allowed.

3. Use of Reserves in Excess of Adequate Standards

Use of reserves in excess of the minimum standard, to balance a Fund's budget shall be allowed. However, such use of Reserves shall be specifically identified to the Council as part of their budget deliberations. When reserves are to be budgeted for use, the Council shall receive details as to the future plan for balancing the budget without the use of reserves and for the replenishment of reserves to their target, or previous, levels.

4. Reserves Below Adequate Standards

When a fund reserve falls below its adequate standard the Mayor shall be required to present to the Council, within sixty (60) days, a financial plan that restores the fund reserve balance to the standard required to meet adequate needs within the shortest period feasible or no longer than three (3) Budget years.

5. Undesignated Reserves

Fund reserves in excess of the target adequate goals are considered 'undesignated'. As allowed by accounting standards and state law, undesignated reserves can be utilized as revenues within the budget without further additional disclosure or deliberations.

Investment Policies

Asset Preservation

Preservation and safety of assets is a higher priority than return on investments. Therefore the City will seek a reasonable return on its investments while also utilizing a secure form of investment such as the Local Government Investment Pool (LGIP).

Interfund Loans

With Council approval, the City may use interfund loans when possible to provide for cash flow coverage in cases where Funds experience higher than anticipated expenditures or in other situations as deemed necessary. Interfund loans shall be allowed on a case-by-case basis with prior Council review and approval. The Clerk/Treasurer will establish a time period for repayment and an interest rate based on current rates of interest at the time of the loan.

Debt Issuance

Before a debt is issued, consideration will be given to whether a sufficient revenue stream is available to repay the debt. Consideration must also be given to alternate methods of financing and whether it would not be cost effective to delay issuing the debt.

For projects requiring the issuance of debt in excess of fifty thousand dollars (\$50,000) a separate financial funding analysis shall be prepared for additional Council review.

Capital Investment Policy

Relationship to Long-Range Plans

Capital projects will typically be based on Council-approved formal long-range plans such as the Capital Improvements Plan, City Comprehensive Plan, and Water Comprehensive Plan and/or other supporting plans or studies. Each project will be evaluated based on its relative contribution to meeting the stated goals and objectives of these Plans and/or studies.

Project Management

Each capital project which is included in the Capital Improvement Plan, City Comprehensive Plan, the Water Comprehensive Plan, and/or other supporting plans or studies shall have the Public Works Director assigned as the project lead.

Project Tracking

Each capital project is required to be tracked by the Clerk/Treasurer with specific line item (BARS) codes utilized to identify the project separate from other revenues and expenditures.

Budget

Capital projects are budgeted at full estimated cost of completing the project, or in phases for larger projects, in the year the project is expected to start. Once adopted, unspent capital project budgets will be re-appropriated at the end of each fiscal period until the project is completed or abandoned.

Calculation of Operating Impact

Future operating and maintenance cost impacts of new capital projects will be estimated and considered prior to the authorization of the project.

Accounting, Audit, and Financial Reporting Policies

Budget

The Clerk/Treasurer will maintain a system for monitoring the City's budget performance. This system will provide the Council with regular reports in the form of a financial report that includes fund level revenues and expenditures for each Fund. The Clerk/Treasurer will have primary responsibility for ensuring that Funds stay within their annual adopted budget. Supervisors will also have responsibility for ensuring that their expenditures stay within the adopted budget.

Financial

The Clerk/Treasurer will maintain financial records in a manner required by the State Auditor and standard accounting principles for cash-based accounting entities. The City's financial statements shall be prepared in accordance with the Generally Accepted Accounting Principles (GAAP) for cash-based local governments.

Audit

The City will have an audit of its financial statements annually, or as required by the Washington State Auditor's Office. The Clerk/Treasurer and Mayor shall have direct responsibility in overseeing the implementation of the audit and in working with the auditors to guarantee all information required is provided.

The final audit report shall be presented to the Council with representatives from the Auditor's Office during an exit conference.

Debt Policies

The City is committed to having strong financial policies, accounting controls, detailed budgets, and on-going forecasts. Together these tools provide for prudent management of the City's finances and provide for its financial health.

The primary objective of Debt Policies is to establish criteria that will protect the City's financial integrity while providing a funding mechanism to meet the City's financial needs. The underlying approach of the City is to borrow only for capital improvements that cannot be funded on a pay-as-you-go basis. The City will not issue long-term debt to finance current operations except in emergency situations.

All debt issued will be in compliance with RCW Titles 35 and 39 as well as applicable City, State, and Federal laws, rules, and regulations.

Responsibility

Authority to issue debt is solely authorized through a legislative action of the City Council. The Council provides for administrative management and payment of all debt obligations through the Clerk/Treasurer and authorizes the Clerk/Treasurer, in the capacity of the Clerk/Treasurer duties, to administer these duties.

The Clerk/Treasurer is responsible for assuring that all reporting requirements have been met and that debt management procedures are in place.

Financial Communication and Reporting

The Mayor shall be designated as the primary contact within the City for purposes of speaking on behalf of the City regarding debt issuance. The City is committed to providing accurate and timely information as requested, as part of its debt obligation.

Budgeting and Capital Planning Within Financial Management

The City shall develop and maintain a capital planning process such as the Capital Improvement Plan for consideration and adoption by the Council.

Types of Long-Term Debt

The following is a description of types of long-term debt the City may issue.

1. General Obligation Debt. This debt is backed by credit of the City. General Obligation Debt has a pledge of the City's taxing authority, and debt issued in this category can be used for any purpose allowed by law. The State RCWs limit this debt to 2.5% of the assessed valuation of the City for each of three purposes:

a. Non-Voted (also called Councilmanic). The Council may authorize the issuance of general obligation debt up to 1.5% of the City's assessed value without a vote of the public as long as there is an available source of funding to pay the debt service.

b. Voted. The Council may place any general obligation debt issued before the electorate. According to State law, if a debt issue is placed before the City's electorate, it must receive a 60% or greater 'yes' vote and have a turnout of at least 40% of those voting at the previous general election. Voted issues are limited to capital purposes only. Voted General Obligation debt is limited to 1% of the City's assessed valuation.

2. Open Space and Parks. Debt issued in this category must be used for parks and open spaces and/or recreation facilities. All debt in this category must be approved by the voters and is subject to a statutory limit of 2.5% of City assessed valuation.

3. Utilities. Debt issued in this category must be used for utility infrastructure.

Revenue Debt

Revenue bonds are generally payable from a designated source of revenue generated by the project that was financed. No taxing power or general fund pledge is provided as security. Unlike General Obligation debt, revenue debt is not subject to the City's statutory debt limitation, nor is voter approval required.

Local Improvement District (LID) Debt

LID bonds are payable solely from assessments of property owners within the local improvement district. Similar to revenue debt, no taxing power or general fund pledge is provided as security and LID bonds are not subject to statutory debt limitations.

This debt is backed by the value of the property within the district and a LID Guaranty Fund. The LID Guaranty Fund is required by State Law.

Short Term Debt and Interim Financing

The City may utilize short-term borrowing in anticipation of long-term bond issuance or to fund cash flow needs in anticipation of tax or other revenue sources. Under no circumstances is the City to utilize short-term derivative contracts to provide 'hedging' of interest costs for longer term debt.

With Council approval the Clerk/Treasurer may make loans from one City fund to another City fund to provide for cash flow coverage. Longer term uses will be allowed on a case-by-case basis. The Clerk/Treasurer or designee is required to assure that the loaning fund will have adequate cash balances to continue to meet current expenditures after the loan is made and until repayment from the receiving fund. Any interim financing utilizing an interfund loan shall be assessed interest at an interest rate that is equal to average monthly interest earning rates.

Debt Repayment

The City shall contract with the Washington State Treasurer's Office for management of the payment of debt service on all outstanding bond issues.

The City shall pay all interest and repay all debt in accordance with the terms of any bond. The maturity of bonds issued should be the same or less than the expected life of the project for which the bonds were issued.

The City shall strive to issue debt in a manner that does not jeopardize the financing of current period operating costs, and that maintains the City's reserve balances. No debt should be issued without an analysis of the source of repayment for such debt.

The Clerk/Treasurer shall strive to create a debt service repayment schedule that provides for level or declining debt repayment schedules.

Professional Services

The City's Clerk/Treasurer shall be responsible for the solicitation and selection of professional services that might be required to administer any debt program. Any professional services supplied shall be through the use of a Professional Services contract. All service contracts shall be authorized only after a formal Request for Services has been issued, a formal selection process completed, and the Council has granted approval.

Refunding Debt

A debt refunding is a refinance of a debt typically done to take advantage of lower interest rates. Unless otherwise justified, a debt refunding will require a net present value savings of three percent of the principal amount of the refunding debt being issued.

Confidentiality and Records Security

Financial records shall be maintained following requirements of the Record Retention Guidelines and the Public Records Act.

All personnel files shall be kept confidential by the Clerk/Treasurer. Access to personnel files shall be limited to the Mayor, Clerk/Treasurer, and/or the Office Manager. Employees may access their personnel files by making a request to the Clerk/Treasurer. Any personnel files that may be legally released under the Public Records Act, will be released.

Physical Security

It is important in all organizations that assets be adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls such as locked file cabinets. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records that could be used to misappropriate assets.

Conclusion

The Financial Plan for the City of Gold Bar is intended as a guideline and by its nature must be flexible as city needs change.

The Financial Plan should be reviewed regularly, on a schedule determined by the City's Clerk/Treasurer, when requested by the Mayor or City Council, or on an as-needed basis. Amendments to the Plan shall be done through the process of Council action by motion, amending the adopting Resolution.