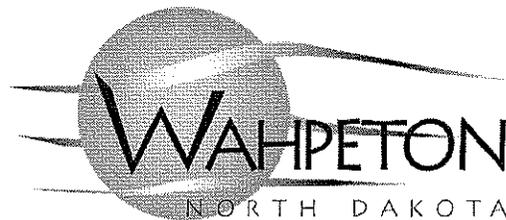


City of Wahpeton

FINANCIAL POLICIES

**Operations, Budget, Revenue and Expense
Including Capital Improvements Planning**



Adopted by Council June 2, 2008

**CITY OF WAHPETON
FINANCIAL POLICIES**

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**CITY OF WAHPETON
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Letter of Transmittal

June 2, 2008

To the Mayor, City Council, City Coordinator and Citizens of Wahpeton, North Dakota:

Attached is the Financial Polices of the City of Wahpeton. This document includes references to the existing city ordinances, the Home Rule Charter for the City of Wahpeton, and the North Dakota Century Code chapters 20, 21, 40, and 57.

The Financial Policies of the City of Wahpeton are intended to be a guideline to consistently and systematically provide resources for municipal activities and long term community objectives.

The City Council and staff strive for optimal financial management in all activities of government, utilizing management policies in the best interest of the financial well-being of the City and the citizens of Wahpeton. The policies will need to be reviewed annually and amended as necessary in accordance to the needs of our community.

A concerted effort has been made to create effective and sound policies that are fully compliant with generally accepted accounting principles and the Government Accounting Standards Board (GASB).

Implementation of the proposed Financial Policies will reiterate the commitment to excellence in financial reporting, full disclosure and responsible financial management.

Sincerely,



Darcie Huwe
Finance Director

CITY OF WAHPETON FINANCIAL POLICIES

INTRODUCTION:

The City of Wahpeton has created a collection of policies to specifically address the financial operations of our municipality. The purpose of this document is to provide a basis to frame major policy issues and guide a consistent approach to the financial planning and allocation of municipal assets. This policy document and municipal financial statements are prepared in an open format to encourage full disclosure and public accessibility.

FINANCIAL MANAGEMENT GOALS:

Financial management is an element of all activities in the scope of government. Financial policies provide a framework for a consistent and systematic allocation of resources to municipal services. The four basic goals supported by this document are:

1. Utilize municipal resources for the maximum benefit to the citizens of Wahpeton.
2. Provide consistent and accurate financial information for the decision making process.
3. Develop financial and strategic plans for the attainment of goals.
4. Ongoing evaluation of performance and integration of adjustments as necessary.

The policies outlined to support these goals are divided into four areas:

- A. Operations Policies
- B. Budget Policies
- C. Revenue Policies
- D. Expense Policies

A concerted effort has been made to draft policies that are fully compliant with the Government Accounting Standards Board (GASB), the North Dakota Century Code (N.D.C.C.), existing City Ordinances and Home Rule Charter, and Generally Accepted Accounting Principals.

City of Wahpeton
FINANCIAL POLICIES
 Operations

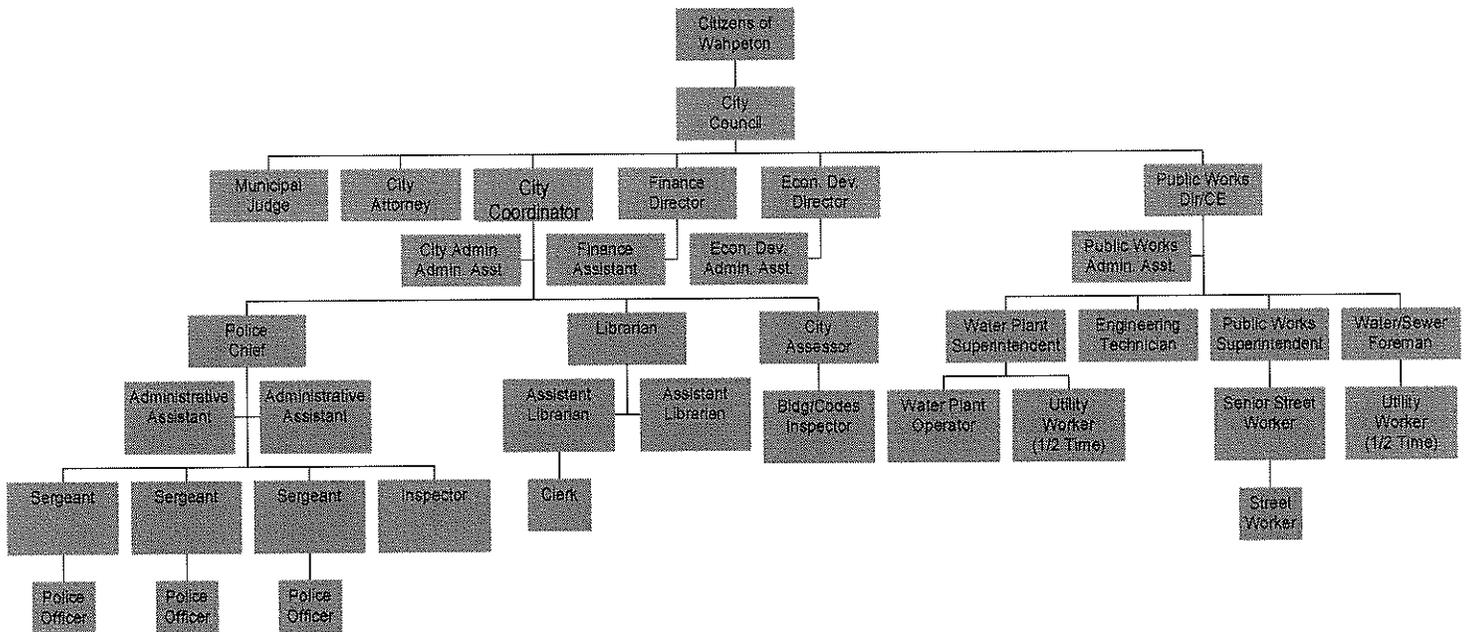
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ORGANIZATIONAL FLOW & FINANCIAL RESPONSIBILITIES

SCOPE/PURPOSE: To identify the organizational flow chart and assignment of resources and accountability among the City officials and staff.

Organizational chart



POLICY: All elected officials, appointed officials and staff play a part in financial management of City resources. All members of the organization are to perform their work duties to the best of their abilities' cognizant of the intended use of public monies to serve the people of Wahpeton.

All business on behalf of the City will be conducted professionally in compliance with laws, policies and Council directives. Open disclosure and accountability are primary objectives.

The authority and responsibility for financial transactions is assigned at the department head level. Each department head is responsible for the resources consumed in their department. Responsibility may be delegated, although accountability will remain at the department level. Strategic planning, budgeting, and ongoing evaluation require the input of all staff members, the information is to be compiled consistently, accurately and timely by the department head. Final review of resource allocations are subject to Council approval.

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INTERNAL CONTROLS

SCOPE/PURPOSE: Effective internal controls provide the City Council, the public, and financial auditors reasonable assurance that City operations are efficient and effective. Financial reporting will include transactions that are accurate, reliable and compliant with municipal, state and federal ordinances, laws, regulations, polices and procedures.

POLICY: The City of Wahpeton shall maintain a system of internal controls to reduce the risk of errors, address reporting irregularities and ensure integrity in municipal fiscal matters. This policy is based on the accounting principles of internal control and the objectives of effectiveness, efficiency, compliance, and reporting.

Establishment of Responsibility – Job descriptions shall include specific responsibilities and accountability for financial transactions.

Segregation of Duties – Financial reporting for public assets and physical custody of public assets shall be distinctly separated in staff duties. In example; one staff member prepares a bank deposit, a separate staff member physically takes the deposit to the bank, payments and receipts shall not be initiated or recorded by the same party.

Documentation Procedures - Transactions involving public monies shall be documented; pre-numbered forms will be utilized for all disbursements and receipts. Appropriations will be in accordance to Council action and documented in official minutes. Segregation of duties will be reflected in documentation procedures to ensure accountability.

Physical, Mechanical, and Electronic Controls – The integrity of financial records, cash, and electronic data will be preserved using physical barriers to control access, i.e.: locks, safes and password encryption.

Independent Internal Verification – The review, comparison, and reconciliation of financial information will be an ongoing process incorporated into the segregation of duties and as part of the financial reporting model. Accounts shall be reconciled monthly to statements, revenue and expense data will be monitored by staff with budgetary comparison monthly, and corrections/adjustments to posted financial information will be documented and segregated.

Other Controls – Bonding shall be secured with the North Dakota State Bonding Fund for all employees handling cash. Background checks will be performed on prospective employees and all City fiscal positions will have alternate staff trained to maintain full disclosure in financial activities.

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CASH FLOW MANAGEMENT

SCOPE/PURPOSE: To provide adequate resources for operations and consistently manage fund equity while maintaining compliance with all municipal, state and federal laws.

POLICY: The City of Wahpeton will monitor cash balances on a monthly basis and benchmark cash requirements with the year to date budget totals on an on-going basis. The budget document will be the primary source of cash requirement information; extra-ordinary items, major construction/improvement projects will be at the discretion of City Council and shall not be approved until a viable funding source is secured.

Any activity that may impact cash flows by ordinance, council motion or administrative action shall be evaluated and quantified in an effort to avoid the potential for transactions that will negatively affect City services or public confidence.

The City of Wahpeton will utilize internal control procedures to ensure accountability and full disclosure in all financial transactions.

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DEPOSITORIES

SCOPE/PURPOSE: To adequately safeguard public monies utilizing the financial institutions of Wahpeton, while maintaining compliance with all state and federal laws.

POLICY: The City of Wahpeton will evaluate all local financial institutions for eligibility as incorporated entities in the State of North Dakota willing to comply with mandatory pledging of public funds on an annual basis. The second Council meetings in January and July will include the State mandated approval of pledged securities and the designation of depositories. The designation of depositories and pledges of securities must be compliant with N.D.C.C. 21-04. (see appendix A)

The primary depository will be evaluated on an as needed or requested basis. Assignment of the primary depository will be determined using a bid or request for proposal process, with selection based on the most efficient and cost effective proposal.

Any depository account opened on behalf of the City of Wahpeton and funded with public monies will be listed in the City financial statements, subject to annual audit and reconciled monthly. All publicly funded accounts are subject to approval from the pertinent department head and finance director. Compliance with the North Dakota Century Code, City ordinances, lending covenants and Federal reporting standards are required.

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ELECTRONIC BANKING CONTROLS

SCOPE/PURPOSE: Electronic transactions are subject to the goals of primary internal controls; to safeguard City assets and enhance the accuracy and reliability of accounting records.

POLICY: The fiscal necessity to transfer funds will be identified through the City Coordinator, Finance Director, Finance Assistant, City Coordinator's Assistant and or the Utilities Administrative Assistant. All fund transfers must be compliant with existing City ordinances and applicable North Dakota Century Code.

Establishment of Responsibility: Electronic banking transactions are available through the City's main bank depository. The Finance Director is designated as the primary or super-user for electronic banking transactions, with additional limited access granted for to the Finance Assistant, City Coordinator's Assistant and or the Utilities Administrative Assistant.

Documentation Procedures: All transactions will include a printed bank provided "Authorization and Verification." This same document will be attached to and recorded in the general journal register providing the necessary user authentication and documentation for the journal voucher entry recording the transfer and fund accounting allocations. Transaction histories will be printed monthly and retained with month end reports and financial statements.

Physical, Mechanical and Electronic Controls: Authorization codes, session ID numbers and transaction details will be user specific and printed monthly as part of the month end process. All account specific data is considered proprietary and will be utilized to safeguard City assets, sharing access with non-designated users is strictly prohibited.

Independent Internal Verification & Segregation of Duties: The Internal Control Policy shall apply to all electronic transactions and subject to documentation/audit at all times by the financial institution, the ND State Auditor and or city officials.

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MUNICIPAL INDEBTEDNESS

SCOPE/PURPOSE: To strategically balance the use of debt financing to provide City services, meet community needs and attain objectives as designated by City Council.

POLICY: Debt financing will only be utilized for projects that are permanent in nature and have an estimated useful life that exceeds the terms of indebtedness. Projects will be evaluated for necessity by the City Council and staff. Viable revenue sources for debt service shall be included in the each project proposal. Municipal Indebtedness will be compliant with statutory debt levels as designated by N.D.C.C. 21-03-04. (see Appendix B)

Financing alternatives will be evaluated to ensure the City maintains the highest possible bond rating and minimizes the costs of borrowed money with targeted payback amortizations.

Evaluation of debt financing alternatives will designate the project financing as special assessment, enterprise/sales tax revenue, tax increment or general obligation debt:

Special Assessment Financing - is applicable for projects that are capital improvement in nature and have a direct benefit to the property owners being assessed. Special assessments are the designated revenue stream to service the project indebtedness. Reference N.D.C.C. 40-22, 40-23 & 40-24.

Enterprise Fund Revenue Financing - may be accessed for long term improvements directly associated with the operations of an enterprise (business like) activity. Utility rate analysis for anticipated debt amortizations shall be included with projects intending to use enterprise fund revenue commitments.

Sales Tax Revenue Financing - may be utilized at the discretion of City Council. Projects must conform to the sales tax revenue allocations determined by Council. Annual debt service requirements of a specific allocation (i.e. flood) may not exceed more than 80% of the activity's estimated annual sales tax revenue; resulting in a coverage ratio of not less than 1.2. Sales tax indebtedness may be approved by resolution and a majority vote of the governing body.

Tax Increment Financing - may be considered on projects that benefit the community as a whole and increase the long term taxable valuation of the City. Each tax increment financing district shall establish objectives in a Project Development Plan subject to a public hearing process and council approval. Property owners participating in tax increment financing will be required to enter into a project specific development agreement and will be subjected to a public hearing process per N.D.C.C. 40-58. Developers are required to be and remain in good standing on public obligations. City Council reserves the right to refuse any Tax Increment Proposal.

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General Obligation Financing - is applicable for projects that benefit the community as a whole. Proposals for general obligation debt must include revenue sources sufficient to service the term of the obligation which may include general tax levies, sales tax collections and or special user fees. General obligation debt may not exceed 5% of the total assessed valuation for the City of Wahpeton in the most recent valuation period. City wide property valuations for the entire term of indebtedness must be included as part of the project proposal. Utilization of certain revenue streams will be subject to voting requirements as designated in the N.D.C.C.

Municipal indebtedness will be evaluated throughout the year and reported to the City Council at the second Council meetings each February and July. Long term liabilities will be reflected in the City financial statements by activity and in balance with the acquired fixed assets and or receivables financed.

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MUNICIPAL INVESTMENTS

SCOPE/PURPOSE: To safeguard public assets for their intended use and to utilize additional income streams for the benefit of City operations.

POLICY: An evaluation of cash on hand and projected cash flows will be made monthly. If there is sufficient cash on hand to meet cash flow needs, the determined amount of excess cash shall be designated available for investment.

Deposits and or investments of public money shall only be made at designated depositories, all deposits including investments must be pledged at 110% in accordance with N.D.C.C. 21-04. Designated depositories will be solicited for investment bids with bid requests including investment amounts, maturity dates and mandatory pledging requirements. Bids submitted must include stated rates of return, itemization of fees and types of investments bid. Bids will be awarded based on optimal returns on investment.

Investment data will be maintained in the investment ledger, and reviewed monthly for evaluation of investment income.

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FUND BALANCE RESERVES

SCOPE/PURPOSE: To maintain equity and provide adequate reserves for operations, program liabilities, unforeseen events, and cyclical changes in fund revenues.

POLICY: General Fund – The City will systematically retain fund balance equity to achieve a reserve balance equal to approximately six months of the most current annual operating budget. General fund reserves may be used under Council action to prevent deficiencies in other special levy funds.

Enterprise Funds – The business type activity funds of the City including Water, Sewer, Waste Removal, Waste Reduction, Vector Control and Street Lighting; these funds shall systematically retain fund equity up to approximately one year’s operating budget. Enterprise funds are required to be self sufficient in activity and will establish rates sufficient to maintain and grow fund equity. In the event a Council directive allocates funding from equity, a plan and time frame not to exceed 36 months needs to be included in the budget process to restore the established one year’s operating fund equity requirement.

Special Levy Funds (Operating, Reserve and Pass-Thru) – Special levy funds account for the proceeds of specific revenues; Special levy funds will have unique criteria for reserves based on objective:

Operating special levy funds include the Community Center, Library, Advertising, Planning, and Flood Levy Maintenance. Fund balance reserves shall be maintained to adequately meet obligations as incurred, if the fund is subject to unforeseeable expense and or revenue reducing activities (such as major repairs for a building roof) a minimum of 3 months operating expense shall be retained in fund reserve.

Reserve special levy funds include Social Security, Retirement, Capital Improvements, Fire Dept. Equipment, Real Estate, Special Street Mtc., Snow/Flood Emergency, Vector Control District, Recreation Set-Aside, Club House Mtc., and Weed Mtc. Fund balance reserves shall be maintained to meet current and long term obligations as defined and recorded throughout the annual budget process and or by statutory/contractual limitations.

Pass-Thru special levy funds include Airport, Band, Ambulance, and Handicapped Parking Fines. Fund balance reserves will be disbursed as accumulated and or disbursed annually.

Debt Service Funds – The objective of designated debt service funds is to accumulate principal and interest payments maturing in future years. At a minimum, each debt service fund shall maintain reserves sufficient to meet bond covenants and current year obligations. A viable revenue source must be identified and maintained for all long term obligations. Debt service fund balances,

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Debt Service Funds continued -

revenue, and expense will be reviewed during the annual budget process; insufficient revenue and or reserves shall be addressed as part of the annual budget process.

Sales Tax and Economic Development Related Funds – The City shall systematically retain fund balance equity to achieve a reserve balance equal to the annual operations budget for all economic development related activities, funds sufficient to meet all current program liabilities, and a minimum annual budget contingency amount based on the preceding three year average annual increase. (detailed parameters are included and reviewed in the Economic Development Policy document)

Capital Project Funds – Capital project funds will accumulate costs, any off-setting revenue, and debt proceeds related to long term capital projects. Capital project funds will typically be resolved with permanent long term debt financing, which will be determined prior to incurring any expenditures. At the time of completion the capital project fund will be closed with proceeds from permanent financing, multiple projects will require separate and distinct capital project funds.

Expending Fund Balance Reserves – Fund balance reserves are maintained to prohibit and or minimize interruption in operations, unmet obligations and opportunity costs. Fund balance reserves will only be made available for extraordinary events such as:

1. Major projects that are long term in nature.
2. Temporary gap financing pending permanent financing and or grant monies.
3. Disaster recovery.
4. Potential municipal service disruptions.

Reserves may only be committed upon approval of the City Council.

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FINANCIAL REPORTING & DISCLOSURE

SCOPE/PURPOSE: Financial reporting provides the information necessary to evaluate operations, identify opportunities and constraints, and demonstrates accountability for public resources.

POLICY: Financial reports will be created with the intention of being understandable, reliable, relevant, timely, consistent and comparable.

Monthly

1. General Fund Revenue & Expense
2. Schedule of Fund Activity (revenues, expenses, transfers and fund balances per NDCC 40-16-04)
3. Departmental Expenditure Guideline (budget, year to date expenses, and balance unexpended)
4. Departmental Cash Disbursements Detail
5. Fund Revenue Guideline (budget, year to date revenue, and balance unearned)
6. Revenue Transaction Journal Detail
7. Fund specific Balance Sheet
8. Municipal Indebtedness

Annually

1. Audited Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements
4. Management's discussion and analysis
5. Budgetary comparisons
6. Trend data on infrastructure condition
7. Required supplementary information

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RECORDS RETENTION

SCOPE/PURPOSE: To insure the preservation and maintenance of records having important historical or archival value; ensuring access to public records and legal compliance regarding information management.

POLICY: The State of North Dakota Information Technology Dept. Records Management Division has established a City Records Management General Schedule, this schedule shall be adopted as policy and applied in coordination with NDCC chapter 54-46 Records Management to provide a consistent reliable records management system for the City of Wahpeton.

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BALANCED BUDGET

SCOPE/PURPOSE: To create a financial budget that encompasses the objectives of short and long term planning, control of resources and evaluation of operations within the financial resources available.

POLICY: Annual appropriations planning shall be presented in a balanced equation in which budgetary operating expenses do not exceed budgetary operating revenues.

Detailed revenue and expense budgets shall be prepared annually for the general fund, special levy funds, capital improvements fund, debt service funds, enterprise funds, sales tax funds and economic development funds.

Budget appropriations for the acquisition or refurbishment of long term assets may include proceeds from debt financing and or reduction in fund reserves, any appropriation in excess of current operating revenues shall clearly state a viable source of revenue and may not reduce fund reserves below the stated acceptable levels.

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MILL LEVIES

SCOPE/PURPOSE: To utilize municipal revenue sources optimally; and accurately record revenue and expense appropriations based on activity and objective.

POLICY: The city council shall direct an annual certification of mills levied based on the revenue requirements of the proposed budget in its entirety without regard to the specific dedications of mill levies to specific purposes as stated in Article 3, Section 2 (b) of the Home Rule Charter of the City of Wahpeton. Total mills levied shall not exceed the total levies authorized by the state constitution and state statutes for cities under NDCC Chapter 57 -15.

The allocation of mill levy taxes collected will be based on the current year budget appropriations; Delinquent taxes, penalties and or interest collected in excess of the budgeted amount will be receipted into the general fund. This ordinance shall supersede NDCC 40-40-14.

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BUDGET PREPARATION & TIMELINE

SCOPE/PURPOSE: To provide a specific sequence of events and timeline for the annual municipal appropriation process and allocation of resources to strategic planning.

POLICY: The budget process will provide a consistent and comparable basis of information for the allocation of public resources in the provision of municipal services.

Fiscal Year - The fiscal year of the City of Wahpeton begins on the first day of January of each year and terminates on the thirty-first day of December. (NDCC 40-40-03)

Preliminary Budget Statement – A preliminary budget for the general fund, special levy funds, debt service funds, enterprise funds, sales tax funds and economic development funds shall be presented to the governing body and made available for review by September 10 of each year.

1. The preliminary statement shall include a detailed breakdown of the estimated revenue and expenditures for the past fiscal year, current fiscal year and ensuing fiscal year.
2. A preliminary budgeted salary schedule stating each employee's name, position, salary and fund allocation shall be created and made available for public inspection.
3. A schedule of fund activities reflecting revenue, expense, proceeds from financing and estimated fund balances will also be provided as part of the preliminary budget information (NDCC 40-40-04, -05)

A public notice will be given stating:

The preliminary budget for the City of Wahpeton is on file in the office of the City Auditor;
(A draft format of the certification of levy will be included)

The proposed appropriation ordinance may be examined by anyone upon request;

The City Council will accept public input on the proposed budget statement at the second council meeting in September.

Final Budget Hearing and Adoption of Levy – The preliminary budget and proposed adoption of ad valorem taxes to be levied will be amended as indicated by motion of the council and presented for approval by ordinance at the 1st council meeting in October. Certification of mills levied and the approved budget ordinance will be delivered to the Richland County Auditor no later than October 10th.

Collection of Taxes and Allocation to Funds – The county treasurer shall collect all city taxes, upon remittance from the county the proceeds shall be allocated to each fund as designated in the appropriation ordinance.

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CAPITAL IMPROVEMENTS

SCOPE/PURPOSE: To provide policy and procedures for the development, approval, and publication of the City of Wahpeton five (5) year plan for Capital Improvements, known as the Capital Improvement Plan (CIP). This policy applies to all projects undertaken by the City of Wahpeton that meet the definition of a capital improvement project detailed in the definitions section.

Definitions: The following words when used in connection with this policy shall have the meanings respectively ascribed to them herein.

Capital Improvement Plan: A multi-year planning document that is the product of a systematic evaluation of capital projects. This plan serves as a guide for the efficient and effective provisions of public facilities, outlining a timeline and financing schedule of capital projects for a rolling five (5) year period of time.

Capital Improvement Project: A capital project is an equipment acquisition, a computer/software systems acquisition, the purchase of services to develop plans (i.e. comprehensive plan), acquisition of land or rights to land, or improvements that involve construction of new buildings, infrastructure, additions to existing structures, and renovation of existing structures, and major repairs to infrastructure of a comprehensive and non-routine nature. A capital project is defined in financial terms as a project with a projected final cost of at least \$5,000 and an estimated useful life of more than one year.

Provisions:

A. CIP Review Committee: The CIP Review Committee will be a standing committee chaired by the Mayor and consisting of the Finance Committee Chair, Public Works and Public Safety Chair who will be voting members of the committee. Ex-officio or non-voting members will be Public Works Director, Finance Director, Economic Development Director, City Attorney and the City Coordinator. The CIP Review Committee will view the various departmental requests for capital improvement projects and establish priority assignments and provide those to the CIP Coordinator.

B. Finance Director/CIP Coordinator: The position of CIP Coordinator will be assigned to the Finance Director. The CIP Coordinator will be responsible for developing the five (5) year Capital Improvement Plan to be reviewed by the CIP Review Committee and submitted to the City Council for approval. The CIP Coordinator will ensure that the approved five (5) year Capital Improvement Plan is compiled and published each year in advance of development of the City's annual operating budget for the succeeding fiscal year.

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C. City Council Approval: The City Council is the final approval authority of the proposed Capital Improvement Plans. The City Council will meet at least once as a Committee of the Whole to review and discuss the proposed CIP as set forth in the Procedures.

Procedures:

A. Schedule: Annually, the CIP Coordinator/Finance Director will submit a proposed CIP development calendar to the City Coordinator for review. Based on this calendar, the CIP Coordinator will initiate a request to the Leadership Team for submission of updates, revisions and new projects for the five (5) year Capital Improvement Plan.

B. Format: The Leadership Team/Department Heads will utilize the previous year's approved CIP as a base for developing recommended additions, deletions, or changes for incorporation in the updated CIP for the ensuing year. The Leadership Team/Department Heads will utilize the CIP Application form provided to submit new projects or propose revisions to existing projects. All new projects will include a comprehensive estimate of the impact of the new project on the City's annual operating budget; i.e., salaries and benefits, supplies, utilities, fuel, maintenance requirements, etc.

C. Director Approval: All CI projects will be submitted to the assigned Director for review and sign off before being considered by the CIP Review Committee. Projects related to Streets, Drainage, Sanitary Sewer, Water, Geographic Information Systems (GIS), City Building Improvements, and Flood Protection shall be submitted to the Public Works Director. Police Department, Fire Department, Library, Assessor, Community Center and City Hall non-building requests shall be submitted to the City Coordinator. Economic Development projects shall be submitted to the Economic Development Director. Any projects not forwarded on to the CIP Review Committee by a Director shall not appear in the CIP.

D. City Attorney Review: A copy of the proposed CIP will be provided to the City Attorney for review and comment. This review will focus on the legality of proposed projects, process needed to advertise the purchase, funding sources, compliance with the City's Financial/Debt Policies and other legal requirements. The Attorney may submit any recommendations for revisions to the proposed CIP to ensure that it is in keeping with state statutes and City ordinances, policies, and procedures.

E. Finance Review: The Finance Director shall review the CIP and produce debt service schedules, mill levy calculations, revenue estimates, and estimated growth in assessed valuation as well as an overall financial analysis of the proposed plan. Additional assistance may be requested to help produce draft documents, etc.

F. Planning Commission Review: The Planning Commission will review the proposed CIP each year for consistency with the City's Comprehensive Plan and may recommend plan changes to the City Council for their consideration. Consistent with state law, the Planning Commission review should focus on the implications of the proposed CIP on land uses and other broad planning issues rather than specific merits or timing of individual projects.

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G. CIP Committee Review: The CIP Review Committee will meet as needed with the CIP Coordinator to review all submissions for the proposed CIP and to develop a project priority list using the Criteria for Goals worksheet, from among the submitted projects, according to their relative importance to established City goals.

H. Public Hearing: The proposed CIP will be considered at a public hearing convened by the City Council to accept comments and input from the public on the content of the Plan. Notice of said public hearing date, place, and time will be made in the City's official publication at least one week in advance of the scheduled hearing. Copies of the proposed CIP will be made available to the public prior to the scheduled hearing date and at the hearing.

I. City Council Approval: The final draft of the proposed CIP will be submitted as an agenda item for formal approval by the City Council at a regular or special meeting. Upon approval, Finance Director/CIP Coordinator will prepare the formal CIP document for public distribution.

J. Distribution: A copy of the approved CIP document will be published on the City's website.

K. Implementation: Upon adoption of the CIP, projects receiving appropriation shall be included within the applicable budget year may be implemented by the appropriate Leadership Team and/or Department Head in compliance with the City's Purchasing Policy or other applicable procedures.

Any project that was appropriated funds but not initiated in the budget year it was approved for will be considered for re-approval the following year upon request. Funds appropriated shall remain in the funding stream originally allocated from.

L. Amendments: The adopted CIP may be amended upon approval of the City Council. Examples of amendments include cost increases for approved projects, the acceleration of projects to the applicable budget year from a future year, and the addition of projects not previously included in the CIP. An amendment to the CIP will be submitted as an agenda item for formal approval by the City Council at a regular or special call meeting. Upon approval, a copy of the amended CIP document will be published on the City's website.

Responsibilities: The City Coordinator and Finance Director/CIP Coordinator will be responsible for ensuring that this policy is followed and/or updated as necessary.

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CAPITAL IMPROVEMENTS FUND APPROPRIATIONS

SCOPE/PURPOSE: To identify and allocate resources necessary for the timely acquisition of public assets as identified in the capital improvements plan.

POLICY: The capital improvements fund is intended for the acquisition of assets required in the delivery of municipal services to the community as a whole. *Capital project funds will be used for assets acquired for the benefit of a specifically defined area, for the acquisition of major enterprise fund assets, and for the accumulation of costs associated with acquisition of major public infrastructure.*

Capital Improvements Requests - (including a viable funding source) will be prepared and reviewed by the Capital Improvements Committee and submitted to Council for approval. See the Capital Improvements Policy.

Preliminary Budget - To preserve adequate reserves in the capital improvements fund, project funding will be presented in a balanced budget equation; expenditures exceeding fund revenue shall be clearly identified as pending additional financing.

Final Budget – Presentation of the final capital improvements budget will be presented to the council for approval. Appropriation will be for the ensuing fiscal period and is not to be carried over unless specifically identified as a multi-year appropriation.

Revenue – The capital improvements fund may receive revenue from taxes, licenses, permits, fees, interest income, grant proceeds, intergovernmental allocations and fund balance surpluses according to the Home Rule Charter of the City of Wahpeton Article 3, section 2 (b).

Disbursements – Capital improvement purchases are approved in the budget appropriations process, expenses of the capital improvements fund are subject to all laws and ordinances applicable to the acquisition of public property, expenses are not to exceed the appropriated amount without prior approval and documentation from city council. Unexpended appropriations will remain in the capital improvements fund balance reserve.

Grant Funding – Dollar for dollar grant reimbursements for equipment acquisition may pass through the capital improvements fund, both revenue and expense transactions must be recorded with no impact on final fund balance. Matching grant funds not otherwise appropriated are subject to approval by council.

Contingencies – Acquisitions that have not been previously approved by council motion may be presented for consideration prior to the next appropriation period; necessity, priority and availability of funding shall be determining factors in the acquisition review.

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Budget

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BUDGET REPORTING

SCOPE/PURPOSE: To provide measurable information for the planning, control, and evaluation of City financial operations. Budget reporting also substantiates compliance with the appropriations ordinances and the allocation of resources to current and long term objectives.

POLICY: Revenue and expense detail reports shall be prepared monthly, including year to date comparisons to the budget benchmarks (percentage expended in relation to total budget appropriation). Reports shall be provided to all department heads and supervisors.

Expense items shall be monitored on an individual department basis, items exceeding the year to date budget benchmarks shall be monitored by the department head. Expense items exceeding benchmarks that are significant (greater than 5% over the benchmark), cyclical in nature, and or single annual purchases shall be identified and noted.

Expenses are to be recorded accurately and as incurred within the appropriated budget to provide accurate data and adjustments as necessary for future appropriations.

Year to date benchmarking of revenue and expense activity will be evaluated monthly to ensure compliance with the appropriations ordinance, measure efficiency, and provide accountability for public resources. In the event the variance between revenue and expense trending becomes unbalanced, operations will be evaluated on a departmental basis and corrective action referred to the city council.

Revenue and expense items that vary more than 5% above or below the budgeted appropriation shall be explained in writing by each department and included in the annual budget amendments referred to council.

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Revenue

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TAXATION REVENUE STREAMS

SCOPE/PURPOSE: To allocate revenue resources from taxes effectively and equitably in the provision of municipal services.

POLICY: Revenue diversification and stability are essential to provide consistent service levels and to meet long term objectives. Revenue from taxes for the City of Wahpeton are categorized as intergovernmental, ad valorem (property taxes or mill levies), and sales and use taxes.

Intergovernmental taxes - Highway tax distributions, state aid distributions, and estate taxes are allocated to municipalities on a state provided formula. The level of revenue generated from these sources is influenced by economic conditions nationally and throughout the state; the City of Wahpeton shall actively participate in the legislative process to preserve and or maintain these essential non-local sources of revenue. Intergovernmental tax revenues are considered an inelastic revenue stream with little or no local control, they provide funding for a broad base of municipal activities.

Ad Valorem (Property Taxes) - Mill levy revenues are produced from the assessment of ad valorem taxes on real property, NDCC Chapter 57 further defines taxable properties, exemptions and maximum levels of taxation. The City of Wahpeton shall exercise its power under the Home Rule Charter of the City of Wahpeton Article 3, Section 2 (b) to levy taxes to provide municipal services within identified gross mill levy standards for a municipality. Property taxes are intended to be fair and equitable within the city, and also considered to be an elastic revenue stream with a significant amount of local control on the portion of property taxes levied by the city, they provide funding for a broad base of municipal activities.

Sales and Use Taxes – The taxability on the purchase of personal property produces revenue for the State and the City under NDCC Chapter 57 section 39.2 for the City under the Home Rule Charter Article 3, Section 2 (c). The local option sales tax as of June 5, 2006 is .015% and is enacted by ordinance no. 849 amending city ordinances Section 13-132 and 13-224 extending the city sales tax until June 30, 2026 (or until all encumbrances are paid) and broadening the uses of sales tax proceeds to include;

“economic development, flood mitigation, recreation center and any other community development projects for the operations and costs thereof including the payment of bonds and/or other instruments of debt or contract obligations for the construction, maintenance and operation of community facilities.”.

The proceeds from sales and use taxes are dedicated by council motion and included in the annual budget process. Sales tax revenues are considered an inelastic revenue stream with little or no local control, influenced predominately by economic conditions, they provide funding for a defined base of municipal activities.

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Revenue

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LICENSES, FEES & FINES REVENUE STREAMS

SCOPE/PURPOSE: To maintain a diversified and strong revenue base relative to costs incurred in the provision of municipal services.

POLICY: Revenue from licenses, fees and fines shall be matched and relative to expenses incurred in providing public services.

Licenses – Chapter 22 of the Wahpeton City Ordinances addresses general rules governing the granting of city licenses and provides detailed regulations to encourage accountability, compliance and safeguards to the citizens of Wahpeton. License fees shall be evaluated annually in the preliminary budget process and established relative to the nature of the license.

Fees - Fee for service relationships will be applied when a tangible service or product is provided to a specific individual or group. Building permits, franchise fees, report copies, plan checking, and impact fees are all examples of exchange service situations. Fees will be evaluated on an on-going basis and established by resolution of the council. Cost to provide the service, objective of the service, and relativity to the product or service received will all be considerations in the establishment of fees.

Fines – Fines are typically assessed to deter certain actions. Parking tickets, late fees, and criminal penalties are examples of municipal fines. Fines will be evaluated on an on-going basis and established by resolution of the council. The action being deterred, the objective of the fine, and relativity to the severity of the action will all be considerations in the establishment of fines.

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ENTERPRISE FUND REVENUE STREAMS

SCOPE/PURPOSE: To maintain sufficient revenue in the enterprise funds to provide efficient and effective delivery of municipal business activities.

POLICY: Enterprise fund rate structures shall be implemented to meet current operating expenses, long term debt obligations and maintain targeted fund reserve levels.

Enterprise fund rates shall be evaluated throughout the year to ensure adequate revenue is being generated to meet service delivery objectives, rates will be formulated in the annual budget process on final approval by resolution of the City council.

The fixed base charge and the per unit or variable commodity charge will be evaluated in comparison to the fixed and variable expenses of each enterprise fund, rates shall be established to maintain adequate fund reserves and to meet all operations expenses both current and long term.

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INTERFUND TRANSACTIONS (TRANSFERS)

SCOPE/PURPOSE: To match revenue and expense activity at the origin, to provide appropriation documentation and accountability for resources in each fund.

POLICY: Resources for operations and objectives of each fund will be budgeted directly, interfund transfers will be used as only as necessary or when contractually or legally required.

Appropriations of a balanced budget will include revenue levels sufficient to meet expenses, in the event a fund or activity cannot produce sufficient revenue an interfund transfer shall be appropriated.

Reimbursements for interfund activities i.e. payroll taxes, insurance shall be recorded as expenses (transfers out) and revenues (transfers in). All transfers must be in balance reflecting the funds expensed and the funds receipted and included on the Schedule of Fund Activity provided to Council in the monthly reporting process.

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PURCHASING & EXPENDITURE APPROVAL

SCOPE/PURPOSE: To provide accountability for expenditures of public monies using a consistent process that is legal, appropriate, funded, authorized and sufficiently documented.

POLICY: The commitment of public monies for the acquisition of goods and services for the provision of municipal services will be conducted in a consistent process of review and approval to assure compliance with City of Wahpeton City Ordinance Chapter 12, Chapter 20, and the purchasing requirements of the N.D.C.C.

Authority - The authority to encumber the city is granted in the appropriations process, the disbursement of public monies in exchange for goods and services shall be conducted in an accurate, timely manner and reflected in public record.

Payment Requests - Each request for payment shall be adequately documented with vendor information, purchase description, quantities and department approval of an appropriated expenditure account. Control numbers will be used on all disbursements; pre numbered checks, chronologically assigned claim forms and electronic fund transfer numbers.

Bill Pay Report - The second council meeting of each month shall include a record of all disbursements acknowledged and acted upon by council motion.

Recurrent Payments - Utilities, contracts, premiums, payroll, payroll related expenses, local vendor incidentals and reimbursements within appropriation limits shall be disbursed in a timely manner. Recurrent payments shall be disbursed on the authority of the appropriations ordinance with approval by the applicable city officer and prior to authorization of the city council.

Contracts, Progressive Payments and Capital Expenditures - Expenditures that are significant in nature, specifically appropriated and greater than 5% of a departmental annual appropriation shall be presented to council for authorization prior to purchase, subsequent payments may be made as requested substantiated by council action.

Unappropriated or Emergency Expenditures - Cash disbursements to meet an immediate/urgent public need affecting life, health, property or the public peace for services or materials essential to public well-being shall be approved by department heads with prompt notification made to the Finance Director and Council. Emergency expenditures beyond appropriations may affect departmental budgets and operations.

Supersedes: NDCC 40-01-13.

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Expense

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CREDIT CARD POLICY

SCOPE/PURPOSE: To apply adequate cash controls in the acquisition and use of City credit instruments. Provide complete and accurate records for the disbursement of public monies.

Use of a credit card does not exempt staff or officials from the purchasing and appropriation requirements of the City of Wahpeton.

Card Issuance - Credit cards may be requested through supervisory channels, the City Coordinator and Finance Director will determine issuance and appropriate credit limits.

Conditions of Use - The policy and procedures in this section must be followed by all persons using a City of Wahpeton credit card. Failure to use the credit card in accordance with applicable policies and procedures may result in revocation of the card and may involve appropriate disciplinary action, up to and including termination and prosecution.

Policy and procedure violations include, but are not limited to:

1. Purchasing items with the card for personal use.
2. Failure to return the card when reassigned, terminated, or upon request.
3. Failure to submit proper transaction documentation to the appropriate person in a timely manner.
4. Transferring assignment of the card to another individual.
5. Repeatedly allowing sales tax to be charged when the purchases are tax exempt.

To maximize the benefits of using the card, all credit card transactions will be paid within the accounts payable process prior to the application of any finance or administrative charges. Charge receipts should be expense coded, supervisor approved and submitted to the Finance Assistant prior to the due date.

Credit cards should not be used for tax (1099) reportable services to prevent difficulties in reporting to the IRS. It is acceptable to use the card for training, conference registrations, and other non-reportable services.

Responsibilities - The following sections are the minimum requirements:

Cardholder

Each cardholder is responsible for the following activities:

1. Safeguard the credit card.
2. Keep receipts from each purchase.
3. Attest that all purchases are for City business only and comply with all applicable policies and ordinances.

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4. Forward the signed and reconciled cardholder statement with original receipts to accounts payable for timely payment.
5. Notify supervisor immediately in the event of a lost or stolen card.
6. Remand credit card to supervisor if employment is terminated.
7. Resolve disputes as described below and in the cardholder user manual.

Returns, Credits, and Disputed Items - The cardholder has the responsibility to follow up with the merchant or bank on any erroneous charges, disputed items, or returns as soon as possible. Disputed billings can result from failure to receive the goods charged, defective merchandise, incorrect amounts, duplicate charges, credit not processed, as well as fraud and misuse. If the cardholder has a problem with a purchased item or a billing resulting from the use of a credit card, they should attempt to reach a resolution with the supplier. In most cases, disputes may be resolved directly between the cardholder and the supplier.

Credits

Referring to the cardholder receipt, request from the merchant to record a credit on the card account. If the item was shipped, refer to the shipping form.

Returns

The supplier should issue credit for any item approved for return. The credit should appear on a subsequent statement. Returned items that were purchased with the credit card must be credited back to the card. Do not accept a refund in cash or check. Keep documentation of credits, returns, and exchanges.

Disputed Items

If a resolution on a disputed charge cannot be reached with the supplier, please refer the matter with complete documentation to the Finance Director prior to the end of the statement billing cycle.

Supervisor - The cardholder's supervisor or another designated employee (other than cardholder) should:

1. Review information submitted by cardholder. The amount of review will depend on a number of factors but the reviewer should compare receipts to the cardholder statement submitted by the cardholder.
2. Verify purchases are for use in City business. Sign cardholder statement to certify that purchases are for City business purposes and comply with appropriate policies and ordinances to the best of the reviewer's knowledge.
3. Cardholder statements with original receipts must be maintained on file in accounts payable.
4. The card must not be used for personal transactions. If personal transactions occur, the employee must repay the City. If it is determined that personal or other unauthorized charges are occurring on the credit card, appropriate steps, up to and including dismissal, will be taken to resolve the misuse/abuse of the purchasing card.

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FIXED ASSET POLICY

SCOPE/PURPOSE: Assets that have a useful life of more than one fiscal year are considered fixed assets. The term fixed assets (also referred to as capital and or plant assets) will be identified through the capital improvements planning process. The objectives of fixed asset planning are to enhance the accuracy and reliability of City financial statements, amortize the cost of long term assets over their useful lives and strategically plan systematic replacement of capital investments. Fixed asset accounting is required under compliance with Government Accounting Standards Board (GASB) Statement No. 34. Application of this fixed asset policy must adhere to GASB, North Dakota Century Code (NDCC), and the ordinances of the Wahpeton City Council.

Fixed Asset Process - The capital improvements planning process will provide the necessary information to identify long term fixed assets.

Designation as a Fixed Asset - The acquisition of an independent asset with an estimated useful life of not less than one fiscal year ***and*** an estimated capitalized value of \$5,000 or greater will be designated through the capital improvements process and capitalized as a fixed asset. Capitalized value will include interest, administrative, professional and or engineering costs, transportation charges, and site preparation. Donated items will be valued at their estimated fair market value at the time of acquisition

Asset Classifications and Estimated Useful Lives:

<u>CLASSIFICATION</u>	<u>ESTIMATED USEFUL LIFE</u>
Buildings	50 years
Equipment	15 years
Land & Land Improvements	INDEFINITE
Infrastructure	<i>10 to 50 years</i>
Vehicles	5 years
Office Equipment	3 years

Land and land improvements will be recorded at actual or estimated historical cost in the case of purchased land and recorded at fair market value on the date of donation for any land donated to the City. Land and Land Improvements will not be subject to annual depreciation expense. Annual review of additions and disposals may warrant changes in estimated useful lives for subsequent additions. Typically, lives will be relative within a single asset classification, it is important to assign lives not less than the time intended to maintain the asset.

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Asset Acquisition - The acquisition of fixed assets will be determined in the capital improvement planning process. Assets and depreciation expenses will be assigned to specific funds, i.e. Fire trucks to the Fire Dept. Levy Fund, police cars to the General Fund – Police Dept., library books to the Library Levy Fund. Collective purchases totaling \$5,000 or greater will be evaluated and may be transferred from an expense account to fixed assets if their collective estimated useful life is greater than 1 year. *Collective purchase assets will be recorded in fixed assets with a single acquisition value in a single asset number, identified as a collective purchase by noting the number of units.* An annual contingency fund for unanticipated acquisitions will be established upon Council approval. Asset acquisitions will be capitalized at cost and effective on the date that they are put into use. Documentation of asset additions is a required element of GASB Statement 34 Management Discussion and Analysis (MDA).

Asset Disposition - The disposition of fixed assets will be determined by the department head responsible for assigned assets. Asset dispositions must be reported to the Finance Officer with the explanation for disposition: obsolescence, trade, sale, destruction, or theft. In the event an asset is disposed of prior to fulfilling the term of its' estimated useful life, a loss on disposal will be calculated and reflected by department. Gain or loss on disposal is calculated as follows:

	Acquisition Cost
- (LESS)	Accumulated Depreciation
= EQUALS	Net Book Value
- (LESS)	Reimbursement Received
= EQUALS	Loss or GAIN on Disposal

Dispositions resulting from insured perils will reflect subsequent reimbursements in the disposal transaction. Asset disposals are effective on the date the asset is removed from service. Assets may be transferred from one department to another without disposition as long as both departments agree. Documentation of asset disposals is a required element of GASB Statement 34 Management Discussion and Analysis (MDA).

Implementation of Fixed Assets Program - Implementation of the fixed assets program in compliance with the North Dakota State Auditor's recommendation and GASB Statement No. 34 is tentatively scheduled for June 15th, 2003 and fully reflected in financial statements for the fiscal year ended 12/31/03. Asset inventory records will be created by department heads and supervisors. Actual acquisition costs will be used when available, assessed or consistently applied values will be used as necessary. Accumulated depreciation will be factored life-to-date of the asset as of 12/31/03.

Specific Topics of Fixed Assets Program –

Collective Purchases: Purchases of similar items that are less than the \$5,000 minimum capitalization amount are intended to be pooled and capitalized as a consolidated asset, i.e. individual fireman's gear, computers, books, radios. The transactions would transfer costs incurred from expenses to assets. *Example:* The Fire Dept. purchases bunker gear, each purchase

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individually is \$2,000. Purchases are made in February, July and October for a total of \$6,000. At year end \$6,000 would be transferred from FD Equipment Expense to FD Fixed Assets – Equipment, subject to depreciation expense.

Demolition Costs: Demolition costs of an existing asset are NOT incorporated into the capitalized cost of the new asset; i.e. demolition of “old city hall” or the armory.

Donated Assets: Donations of tangible assets (i.e. literature, art, land, etc.) will be valued at their estimated fair market value at the time of acquisition plus any eligible costs incurred. In-kind donations cannot be capitalized/depreciated.

Improvements and Replacements: Improvement is the substitution of a better asset, having superior performance capabilities i.e. installing a concrete floor in place of a wooden floor. Replacement is substitution of a similar asset. The capitalization of a cost incurred is determined when the improvement or replacement increases the future service level as opposed to merely maintaining the existing level of service (estimated useful life). I.E. Roof repairs are expensed to maintenance, complete replacement of a roof is capitalized as an additional asset.

Infrastructure: Infrastructure assets will be recorded with the most readily available cost estimates. Assets greater than 20 years old will be reported using the modified approach as described by GASB Statement No. 34 which does not record an annual depreciation expense but must meet the following two requirements:

1. Infrastructure asset management system with the following characteristics:
 - A. Up to date inventory of infrastructure assets
 - B. Condition assessments of infrastructure assets using a consistent and measurable scale
 - C. Demonstrating consistent annual maintenance and preservation
 - D. Estimating annual costs to maintain and preserve

2. Documentation of asset preservation and maintenance, including a complete condition assessment every three years.

Library Books: An initial estimated value of the literary collection for fixed assets will be booked as a long term asset. Annual collective purchases of books will be capitalized in fixed assets; disposal of obsolete volumes will be accounted for on a moving weighted average per volume. Calculation example:

Beginning estimated historical cost of literary collection:	\$100,000
Number of volumes in collection:	10,000
= Average Cost per Volume	\$10.00 (beginning)

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Volumes Added (fiscal year)	1,000 (at actual cost of \$15,000)
Volumes Removed (fiscal year)	500

So, the average per volume is now \$10.95 (calculated as $\$115,000 / 10,000 + 1,000 - 500 = 10,500$ volumes). Thus, the additions would be the actual \$15,000 and the deletions are calculated using the moving weighted average cost of \$10.95 times the number removed - $\$10.95 * 500 = \$5,475$.

Police Cars: Police cars on a scheduled replacement program will be listed with an estimated useful life consistent with the term of the scheduled replacement program.

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PETTY CASH POLICY

SCOPE/PURPOSE: Petty cash fund disbursements are used to make miscellaneous small or emergency purchases. Petty cash fund disbursements will provide adequate documentation and ensure timely reimbursement of City expenses. State law, purchasing ordinances, payroll regulations and tax reporting obligations must be followed in all disbursements of public monies.

Establishing a Fund: Any department or activity seeking to establish a petty cash fund may make a request through the appropriate department head to the City Coordinator or Finance Director. Each petty cash account will be maintained on the fund financial statements and subject to the same audit and reconciliation procedures as all other asset accounts.

Petty Cash Fund Responsibilities: Upon authorization of a petty cash fund, the department or activity is responsible for safeguarding the fund, and for following City policy and procedures in petty cash expenditures, reconciliation, and reimbursements.

Custodian: The head of each department or activity must designate one specific individual to act as custodian of the petty cash fund. The custodian shall be responsible for acquiring a thorough knowledge of this policy and for maintaining the petty cash fund. Access to the petty cash fund should be restricted to the custodian and designees only. Petty cash funds are non-transferable.

If there is to be a change of custodians, the Finance Department must be notified in writing and the petty cash funds reconciled back to the authorized fund level prior to the change in custodians.

Restrictions: Petty cash funds shall be kept separate and apart from all other funds. They are not to be commingled with personal funds, miscellaneous cash receipts, or revenue of any type which may have been collected.

Safeguarding a Fund: The department head and the custodian of the petty cash fund are jointly responsible for ensuring that the funds are properly safeguarded. When not in use, the funds shall always be stored in a locked container. If a loss of these funds occurs, such loss (depending upon the circumstances) may have to be paid from the department's own funds, subject to criminal review and or disciplinary action.

Expenditures: All expenditures are for official City business only. Reimbursements are to employees or vendors for small, miscellaneous and or emergency purchases directly related to delivery of municipal services.

Each petty cash expenditure shall be supported by:

- A. Original signed and expense coded vendor's receipt
- B. Petty cash reimbursement slip, initialed by the recipient and the cash custodian

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Pre-paid travel expenses for employees are acceptable petty cash disbursements at the supervisor's discretion. The employee and supervisor will sign a petty cash reimbursement slip, the employee will provide original vendor receipts and any unexpended funds to the cash custodian within 48 hours of their return from travel. Pre-paid expense disbursements are intended to be used for incidentals that cannot be direct billed to the City or are typically reimbursed to an employee in the travel reimbursement process (i.e. fuel in a city owned vehicle).

Not Acceptable Expenditures:

1. Reimbursement intended as compensation for services. Compensation is always subject to Federal reporting rules and only to be disbursed through accounts payable (vendors) or payroll (employees).
2. Reimbursement for personal items. If the City is responsible for damage, loss or expense of a citizen's or an employee's personal items (i.e. mailbox, uniform, eyewear, auto damage...) it needs to be recorded in the vendor transaction history of accounts payable.
3. Reimbursement for expenses that would not be compliant with ordinances, laws or appear to be for other than municipal expenses.
4. Reimbursement for meals of employees that do not include overnight travel.

Reconciling the Petty Cash Fund: The custodian is responsible for reconciling the petty cash fund on a periodic basis. Reconciliations are required prior to requesting reimbursement to the fund. At all times, the total of cash on hand plus unreimbursed Petty Cash Reimbursement Request forms, with vendor receipts attached, should equal the total amount of the authorized petty cash fund. A Petty Cash Fund Reconciliation form shall be used for fund reconciliation.

Reimbursements: Before all petty cash has been expended, the custodian should reconcile the petty cash fund and submit the Petty Cash Reimbursement Request form, the Petty Cash Fund Reconciliation form, and cash balance to the Finance Department for reimbursement.

Cash Overage: The amount of cash over shall be noted on the Petty Cash Fund Reconciliation form submitted to the Finance Department. Excess funds will be receipted as miscellaneous revenue and deposited in the City's primary depository. The petty cash reconciliation will return the petty cash fund amount to the authorized fund level.

Cash Short: The amount of cash short shall be noted on the Petty Cash Fund Reconciliation form submitted to the Finance Department. The shortfall will be reported to the department head and Finance Director for follow-up. The petty cash reconciliation will return the petty cash fund amount up to the authorized fund level. All cash shortages of \$10.00+ must be approved by the department head's signature prior to reimbursement.

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Audits: Petty cash funds are subject to periodic audit by internal audit and the State Auditor. Such audits will require reconciliation of the petty cash fund and will also include a review of internal controls.

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PAYROLL EXPENSES

SCOPE/PURPOSE: To provide accountability for expenditures of public monies using a consistent process that is legal, appropriate, funded, authorized and sufficiently documented.

Pay Frequency - The City of Wahpeton has a bi-monthly payroll cycle with pay dates on the 15th and the last day of each month. In the event the 15th or final day of the month is occurs on a non-business day, payroll checks will be disbursed on the preceding business day.

Paycheck Delivery - Employees are required to participate in direct deposit effective for all pay dates after July 1, 2008. The proceeds may be allocated into up to 4 accounts of the employee's choosing. Check stubs are available on pay day at City Hall.

Segregation of Duties - Individuals who perform monthly time entry should be independent of the personnel function of hiring employees and determining employee salary or hourly rate.

Payroll Documents - Departments are responsible for the accurate, timely preparation and submission of pay documents to the City Coordinator's Assistant by 9:00A.M. not less than 3 working days prior to the scheduled pay date.

Time Sheets for Non-Exempt Employees - The Fair Labor Standards Act requires employers to keep certain time and pay records for non-exempt employees. These employees are eligible for the overtime provisions of the Fair Labor Standards Act and must complete monthly time sheets to track all hours worked. The city requires that both the supervisor and employee sign and date time sheets. The signatures certify that the contents of the document are accurate and true. The timesheet may serve as evidence in the event of a future dispute over wages and work injury claim. When noting changes to a previously signed time sheet, the employee and the supervisor should again re-certify all corrections using initials.

In the absence of an employee's supervisor, another supervisor who has knowledge of the employee's daily attendance should validate the employee's hours. Subordinates should never be asked to sign a supervisor's time sheet.

Payroll Deductions – Limited to deductions related to the City's cafeteria benefit plan, City sponsored retirement programs, deductions specifically approved by City Council, and or mandated by the state and federal governments will be allowed. The City reserves the right to assess an administrative fee for the processing of court mandated payroll garnishments.

Overpayments - The City will seek reimbursement for all overpayments made to current and former employees. Every effort will be made to arrange a fair and equitable repayment schedule.

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Wage Garnishments, Federal Tax levies, & Bankruptcy - The City is subject to receipt of wage garnishments and federal tax levies. A wage garnishment is a court order to withhold wages from an employee who has a debt that remains unpaid. Federal tax levies are issued by the Internal Revenue Service. The City is also obligated to honor notices of bankruptcy filings and must compute and report any wages earned up to the date of the bankruptcy filing.

Social Security Coverage and Medicare Tax - As required by the Federal Insurance Contributions Act (FICA), the city withholds social security and Medicare tax for all U.S. citizens, residents, and foreign nationals on H-1 visas.

Undeliverable Payroll Checks - When employees leave employment with the City, any undeliverable payroll checks will be mailed to the last known address. After attempts to locate the employees fail, checks are retained in the Payroll Office. After two years, all unclaimed disbursements of \$50 or more will be subject to the unclaimed property process as stipulated in N.D.C.C. 47-30.1-17 and forwarded to the ND State Land Dept. Unclaimed Property Division.

Social Security Cards – The City requires a copy of the Social Security Card to ensure that all mandatory withholdings (Federal, State, Social Security, and Medicare) are transferred to the correct state and federal accounts.

Payroll Advances – The City will not routinely grant payroll advances. At the discretion of City Council and or the City Coordinator, supplemental payroll disbursements may be considered in the instances of termination, death and or severe hardship.

Name Change - The City requires a photocopy of an employee's social security card bearing the new name in order to change the employment record. It is important that the name matches both the Social Security Administration and the Internal Revenue Service records. Fines and penalties may be imposed on employers who incorrectly report name and S.S. number on IRS Form W-2.

Disbursement Error or Lost Checks – In the event an employee detects an error in their compensation, they may contact the City Coordinator's Assistant. Major payroll discrepancies should be directed to the employee's immediate supervisor and or the City Coordinator for follow-up.

The City requires that an employee complete an indemnity form when a payroll check or disbursement is lost or accidentally destroyed. Payroll proceeds are the responsibility of the employee, the City relinquishes responsibility after confirmation of direct deposit or disbursement of the pay checks.

New Hire Payroll Document Deadline - Departments should make every effort to complete and submit hire documents as soon as possible after an individual accepts a position. Payroll documents must be received by the City Coordinator's Assistant prior to payroll disbursements: Payroll documents include the I-9, W-4, copy of Social Security Card and driver's license, Direct Deposit

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Form; if the position is benefits eligible a cafeteria benefits elections and the NDPERS registration form are also required. Departments should be aware that Section I the I-9 form must be completed by the employee on the first day of work, and remaining sections by the third day.

APPENDICES

(A)

CHAPTER 21-04

DEPOSITORIES OF PUBLIC FUNDS

21-04-01. Definitions. In this chapter, unless the context or subject matter otherwise requires:

1. "Board" means the governing board of any public corporation, including the board of county commissioners, the city council, the board of city commissioners, the school board, the board of township supervisors, and the park board.
2. "Clerk" means the person who performs for any public corporation the duties ordinarily performed by a clerk, including the county auditor, the city auditor, the township clerk, and the business manager of the school district.
3. "Financial institutions" includes state and national banks insured by the federal deposit insurance corporation, state-chartered or federally chartered savings and loans insured by the federal savings and loan insurance corporation, and state-chartered or federally chartered credit unions insured by the national credit union administration.
4. "Public corporation" includes a county, city, township, school district, and any body corporate except a private corporation.
5. "Public funds" includes all funds derived from taxation, fees, penalties, sale of bonds, or from any other source, which belong to and are the property of a public corporation or of the state, and all sinking funds of such public corporation or of the state, and all funds from whatever source derived and for whatever purpose to be expended of which a public corporation or the state have legal custody. The term includes funds of which any board, bureau, commission, or individual, created or authorized by law, is authorized to have control as the legal custodian for any purpose whatsoever whether such funds were derived from general or special taxation or the assessment of persons or corporations for a specific purpose. The term does not include funds of students or student organizations deposited in a student financial institution approved by and under the control of the school board.
6. "State" includes the state of North Dakota and any institution, industry, enterprise, or agency of the state.

21-04-02. State funds to be deposited in Bank of North Dakota. Public funds belonging to or in the custody of the state must be deposited in the Bank of North Dakota.

21-04-03. Funds of public corporations to be deposited in designated depository. Public funds belonging to or in the custody of any public corporation must be deposited in the Bank of North Dakota or in financial institutions which have been duly designated as depositories in the manner prescribed in this chapter.

21-04-04. Money deposited promptly - Withdrawal - Penalty. The treasurer of a public corporation and every other person legally charged with the custody of public funds, which, according to the provisions of this chapter, must be deposited in the Bank of North Dakota or in a depository duly designated as provided in this chapter, promptly upon receipt of such funds, shall deposit the same in such depository. All such public funds must be deposited in the name of the state, state institution, or public corporation to which the same belong. Checks or drafts on funds deposited as herein provided must be drawn by the legal custodian thereof in the legal custodian's official capacity only, and no checks or drafts on such deposits may be paid or honored by such depository unless so drawn.

21-04-05. Financial institution - Designation as depository. Any financial institution duly incorporated in this state under and pursuant to the laws governing the incorporation of financial institutions, and any financial institution situated and doing business within this state, and the Bank of North Dakota, may be designated a depository of public funds by the proper board as herein defined. The board may select two or more financial institutions in the same county as depositories, but if more than one financial institution is designated, the board shall deal with the financial institutions selected and designated impartially, both as to the deposit of funds and the withdrawal of funds and the requirement as to bonds. The board shall take into consideration, in selecting and designating the depository or depositories, the condition of each financial institution and the capital, surplus, and general credit thereof.

21-04-06. Designating public depositories where there is only one financial institution or no financial institution. In a county where only one financial institution is located or functioning, the board may designate such financial institution as a depository, or it may designate another financial institution or financial institutions, within the state, or the Bank of North Dakota, as depository in the manner and upon the conditions provided in this chapter. In a county where no financial institution is in existence or functioning, the board may designate the Bank of North Dakota, or any financial institution, outside of such county and within the state, as depository in the manner and upon the conditions provided in this chapter for the selection of depositories of public funds. In case there is no financial institution within any city, township, or school district, the governing board thereof, if it deems it more advantageous and for the best public interest and convenience, may select as a depository a conveniently located financial institution in an adjoining county, which thereupon shall qualify as a depository by giving such bond as is required from a financial institution within said county. Said bond must be approved by such governing board as to sufficiency and by the state's attorney of the county in which such city, township, or school district is located as to form and must be deposited in the office of the county auditor of such county.

21-04-07. Limitation on county deposit in financial institution. In no case may the amount of county funds deposited by the board of county commissioners in any one financial institution exceed the combined capital and surplus of such financial institution. In a county where the deposits to be made by the board of county commissioners of county funds exceed the combined capital and surplus of all the financial institutions in the county, qualified as depositories, the board of county commissioners nevertheless may deposit such county funds within the county upon the condition that such financial institutions furnish sufficient bonds as required in this chapter.

21-04-08. Bond of depository - Approval or disapproval - Term. Except as is otherwise provided in sections 21-04-16 and 21-04-17, and before any deposit is made in any depository other than the Bank of North Dakota, by or in behalf of any public corporation, such depository shall furnish a bond payable to the public corporation making such deposit in an amount that at least equals the largest deposit that at any time may be in such depository. Such bond must be approved as to form by the state's attorney and as to amount and sufficiency by the board. If the board fails or refuses to approve any such bond, the same may be presented to the judge of the district court, upon three days' notice to the clerk of the public corporation to which such bond was submitted, and the judge shall proceed forthwith to hear and determine the sufficiency of such bond and may approve or disapprove the same as the facts warrant. If the judge approves such bond, the said financial institution must be declared a depository of the funds of such public corporation. The sureties on all bonds required by public corporations according to the provisions of this chapter shall justify as required by chapter 32-02. In lieu of such personal bond, the governing board of the public corporation involved may require the financial institution designated as a depository to file a surety bond for a sum equal to the amount

of funds such financial institution may receive according to the provisions of this chapter. Such bond, when approved, must be deposited with the county auditor. Such bond must be a continuing bond and must be binding until the proper board of the public corporation shall require a new or different bond, but in no case involving the deposit of funds of public corporations may such bond be continued without a renewal thereof for a longer period than four years.

21-04-09. Pledge of security in place of depository bond. The board of any public corporation may accept from any financial institution, as security for repayment of deposits, a pledge of securities in lieu of a personal or surety bond. When securities are so pledged to the board of any public corporation, the board shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits. Securities that are eligible for the pledge are bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, irrevocable standby letters of credit issued by federal home loan banks of a rating of AA or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, letters of credit issued by the Bank of North Dakota, and all other forms of securities issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body, and bonds issued by any other state of the United States or such other securities approved by the banking board. The securities and securities sold under agreements to repurchase as described in section 21-06-07 must be delivered to and held for safekeeping by any financial institution, other than the depository, which the depository and the public corporation may agree upon. Whenever any securities are so deposited for safekeeping with any custodian, the custodian shall issue a receipt therefor jointly to the depository and the public corporation.

Any financial institution pledging securities, at any time it deems it advisable or desirable, and without the consent of the board of the public corporation, may substitute other eligible securities for all or any part of the securities pledged. The securities substituted must, at the time of the substitution, have a market value at least equal to the market value of the securities released and delivered to the depository.

In the event of the substitution the holder or custodian of the pledged securities shall, on the same day, forward by registered mail to the public corporation and the depository financial institution a receipt specifically describing and identifying both the securities substituted and those released and returned to the depository financial institution.

A depository financial institution may fulfill the pledge of securities requirements of this section by maintaining a security pledge schedule that establishes the following:

1. The names of all public bodies maintaining deposits with the financial institution.
2. The amount of each deposit maintained by each public body.
3. The amount of federal deposit insurance corporation insurance applied to each account.
4. The net deposits exceeding federal deposit insurance corporation coverage for each account.
5. The amount of net deposit exceeding federal deposit insurance corporation deposit insurance multiplied by one hundred ten percent for each account.
6. The amount of securities needed to be pledged to fulfill the requirements of this section.
7. The total number of qualified securities pledged by the financial institution under the requirements of this section.

A financial institution is in compliance with this section as long as the security pledge schedule discloses the total qualified securities pledged in excess of the total pledges needed for a total amount of deposits maintained by all the public bodies with the financial institution as verified by the custodian of the securities every three months and copies thereof are provided to the custodian of the securities and to each of the public corporations maintaining deposits with the financial institution.

No pledge of security or bond may be required for any funds deposited with a financial institution to the extent that the deposits are insured by the federal deposit insurance corporation or the national credit union administration or an insurance company that is qualified to offer excess deposit insurance in this state and which has a rating of A- or better by A.M. Best Company Inc., or the equivalent rating by another recognized rating organization as determined by the insurance commissioner.

21-04-09.1. Letters of credit for public deposits - Security interest - Priority -

Written agreement. Letters of credit issued by the Bank of North Dakota in connection with section 21-04-09 must be secured by collateral. A security interest is created and attaches when the Bank issues a letter of credit in connection with section 21-04-09. Filing is not required for perfection of the security interest created and it is entitled to priority as to all creditors. The board of directors of a financial institution seeking a letter of credit from the Bank shall execute a written agreement with the Bank, reflect approval of the agreement in the board of director's minutes and, as of the date of execution of the agreement, keep a copy of the agreement as an official record.

21-04-10. Interest payable to financial institution - Sale of pledged securities on

default. All interest which becomes due and is paid on securities pledged to secure public deposits must be paid over to the depository financial institution until such time as it defaults in the repayment of the funds of the public corporation deposited as provided herein. After thirty days from such default, upon demand in writing made by the public corporation involved, the custodian shall deliver the securities to the public corporation with which pledged, and such securities may be sold as in the case of other pledges, and the proceeds thereof, or so much thereof as may be necessary, must be applied to the repayment of the public deposit.

21-04-11. Record of securities - Reapproval semiannually. The board of the public corporation, upon the acceptance of any securities as a pledge for repayment of deposits, shall make a complete and detailed record of such acceptance and approval and shall preserve the same with its other records. Such securities must be reapproved by the board at least semiannually.

21-04-12. Termination of depository relationship. Whenever any depository financial institution desires to terminate the liability for any deposits of any public corporation for which such depository has given a bond or pledged assets for the repayment, it shall notify the board of the public corporation affected of such desire. Thereupon such public corporation immediately shall withdraw such funds from such depository and upon withdrawal, immediately shall release and surrender to such depository financial institution, the bonds or securities which are pledged for the repayment of such deposit.

21-04-13. Board meetings - Designating depositories. The governing board of any public corporation, except the board of supervisors of any township and the school board of any common school district, at its regular meeting in January of each even-numbered year, shall assemble and examine all outstanding bonds and require new bonds whenever necessary in order to comply with the provisions of this chapter. If no regular meeting of the board in January is required by any other law, the board shall assemble for said purpose not later than the third Tuesday in January. At such meeting, the board shall designate depositories of public funds in accordance with the provisions of this chapter.

21-04-14. Proposals for deposit. A proposal for deposit must be sealed and delivered

to the clerk and must have attached to it a statement showing the financial condition of the financial institution at that time and as disclosed in the several statements of financial condition made during the last preceding twelve months. The clerk shall lay the proposals before the board at the January meeting. Such proposals must be opened by the clerk in the presence of the board and the board, thereupon, shall proceed to designate a depository of public funds under its control.

21-04-15. Townships and public school districts - Selection of depositories at any time. The board of supervisors of any township and the school board of any public school district may designate depositories at any meeting of such board and no notice to financial institutions need be given and no formal proposals need be received.

21-04-16. When no bonds are required. Whenever it appears that a bank designated by a public corporation as depository of its funds has complied with the provisions of the act of Congress relating to the guaranty of deposits in state and national banks, no bond may be required of said bank to secure the deposits of any part of said public funds up to the amount the deposit is secured in said bank under said federal act.

21-04-17. When bonds are required. If at any time it appears that the benefit of the federal act guarantying deposits in financial institutions has been withdrawn or is about to be withdrawn from the financial institution in which any public funds are deposited, the board having control of or supervision over such public funds immediately shall withdraw the full amount thereof from said financial institution, or forthwith shall require the usual bond required to secure the deposits of such public funds, and it is unlawful to continue any financial institution as a depository of public funds unless and until said bonds have been furnished.

21-04-18. Interest or dividend rates. Depositories of public funds in this state shall pay substantially the same rate of interest or dividend thereon as such financial institutions pay upon individual deposits.

21-04-19. Itemized statements. Each depository shall:

1. Furnish on the first day of each month to the public corporation, the state, or state institution, to the credit of which the deposit is held, an itemized statement of the amount in such deposit subject to check. Such statement must be verified whenever required by the state treasurer as to funds of the state institutions or by the treasurer of any public corporation as to funds of such corporation. All sums of interest accruing on funds so deposited must be credited to said deposit on the first day of each month for the preceding month.
2. On July first of each year, furnish to the business manager of each school district, and to the county superintendent of schools of the county in which the school district is located, a statement showing the amount of deposits to the credit of each school district at the close of business on June thirtieth.

21-04-20. Report of the treasurer. Repealed by S.L. 1967, ch. 193, § 1.

21-04-21. Public corporations with less than five hundred dollars. This chapter does not apply to a public corporation unless the amount in the treasury of such corporation equals or exceeds the sum of five hundred dollars. The board of a public corporation having on hand less than five hundred dollars, and therefore not within the provisions of this chapter, shall deposit all the funds of such public corporation nevertheless in some financial institution selected by the board thereof under such conditions and restrictions as seem adequate to such board to protect the public interest.

21-04-22. Funds deposited - Custodian exonerated. To the extent that public funds are deposited as provided in this chapter, the legal custodian thereof, and the sureties on the legal custodian's bond, are exempt from all liability by reason of loss of any such funds from failure or other act of any such depository.

21-04-23. Penalty. Any person violating any of the provisions of this chapter is guilty of a class A misdemeanor.

21-04-24. All public funds are governed by provisions of chapter. Any board, commission, bureau, or individual having the legal custody of any public funds that do not expressly or by name come within the provisions of the preceding sections of this chapter, nevertheless must be governed by the provisions of this chapter. They shall deposit such funds only in legal depositories and shall comply with the other provisions hereof as nearly as may be. They are subject to the penalties herein provided.

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APPENDIX

(B)

21-03-04. Grant of power to borrow - General limitations of indebtedness. Every municipality may borrow money and issue municipal obligations thereof for the purpose specified and by the procedure provided in this chapter, and for no other purpose and in no other manner, except as otherwise provided in section 21-03-02. No municipality may incur indebtedness in any manner or for any purpose in an amount which, with all other outstanding indebtedness of the municipality, exceeds five percent of the assessed value of the taxable property therein, except:

1. Any incorporated city, by a two-thirds vote of the qualified voters thereof voting upon said question at a general or special election, may increase such limit of indebtedness three percent on such assessed value beyond said five percent limit, and a school district, by a majority vote of the qualified voters thereof voting upon said question at a general or special election, may increase such limitation of indebtedness five percent on such assessed value beyond the said five percent limit.
2. Any county or city, when authorized by a majority vote of the qualified voters thereof voting upon said question at a general or special election, may issue bonds upon any revenue-producing utility owned by such county or city, for the purchase or acquisition of such utility, or the building or establishment thereof, in amounts not exceeding the physical value of such utility, industry, or enterprise.
3. Any incorporated city, if authorized by a majority vote of the qualified voters thereof voting upon said question at a general or special election, may become indebted in any amount not exceeding four percent of such assessed value, without regard to the existing indebtedness of said city, for the purpose of constructing or purchasing waterworks for furnishing a supply of water to the inhabitants of such city or for the purpose of constructing sewers, and for no other purposes whatever, but the aggregate of such additional indebtedness for waterworks and sewers never may exceed such four percent over and above the limitations of indebtedness in this section heretofore prescribed.

All bonds or obligations in excess of the amount of indebtedness permitted by this chapter, given by any municipality as herein defined, are void.

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