



**CITY COUNCIL MEETING
FEBRUARY 22, 2021- 7:00 PM
109 SOUTH KING STREET
DEPOT COMMUNITY ROOM**

MINUTES

PRESENT: James F. Palmer, Mayor
George R. Crowley, Mayor Pro Tem
Ray Mitchell Denmon, Councilman
Al Edwards, Councilman
Jacqueline Palazzolo, Councilwoman

ALSO: Paul Worley, City Administrator; Larry Vickery, Utilities Administrator; Sharon Nelson, City Clerk; George Govignon, City Attorney; Lenny Nesbitt, Fire Chief; Suzanne Roberts, Director of Downtown Development; and Tony Pyle, Police Chief.

1. **Council Meeting Called to Order**

Welcome

Mayor Palmer called the meeting to order and welcomed everyone in attendance.

Invocation

Mayor Pro Tem Crowley gave the invocation.

2. **Pledge of Allegiance**

Mayor Palmer led the group in the Pledge of Allegiance to the United States Flag.

3. **Amendment or Approval of Proposed Agenda**

Councilman Edwards made a motion to approve the February 22, 2021 agenda as presented. Councilwoman Palazzolo gave a second with all voting aye. Motion approved.

4. **Amendment or Approval of Minutes**

Mayor Pro Tem Crowley made a motion to approve the minutes of the City Council meeting of February 8, 2021. Councilman Denmon gave a second with all voting aye. Motion approved.

5. **Mayor's Comments**

- A. Mayor Palmer extended his sympathy to the family of late Eddie Peterson, former City Administrator. He noted that many of the City's accomplishments were because of him.
- B. Mayor Palmer stated that early voting for ESPLOST began today. The special election will be held on March 16th.

6. **Public Hearing and Comments**

None

7. **Old Business**

- A. Mayor Palmer gave the second reading of an annexation and zoning request from County Agricultural to PRD by Brent Stepp Construction Company, Inc. for approximately 37 acres at Dews Pond Road (Parcel 056A-061 and a portion of 056C051). The Zoning Advisory Board meeting will be held March 4th and the Public Hearing on March 8th.
- B. Mayor Palmer gave the second reading of an annexation and zoning request from County Agricultural to R1-A by Brent Stepp Construction Company, Inc. for 4.22 acres at Dews Pond Road (Parcel 056A-061). The Zoning Advisory Board meeting will be held March 4th and the Public Hearing on March 8th.
- C. Mayor Palmer gave the second reading of a zoning change request from R-2 to Ind-G by FB&F Holding Company, LLC for approximately 17 acres at 130 Executive Drive (Parcel C58-047). The Zoning Advisory Board meeting will be held March 4th and the Public Hearing on March 8th.
- D. Mayor Palmer gave the second reading of a zoning change request from Ind-G to TS (Tower Site) by Kiersten Lurer for Verizon Wireless for 10,000 square feet of 22.48 acres at a location of Hwy 53 (Parcel CG34A-065). The Zoning Advisory Board meeting will be held March 4th and the Public Hearing on March 8th.
- E. Mayor Palmer gave the second reading of a beer package license at a location of 312 North Wall Street by Henry Patel. Mr. Patel will also serve as the store manager. Eligible for a public hearing March 8th.
- F. Mayor Palmer gave the second reading of proposed changes in the City's Financial Policies and Procedures Manual concerning college, school, or special training reimbursement. City Administrator Worley noted that the policy change adds a mandatory repayment of tuition costs if the employee leaves the City within two years of completion of the program. Also, 100% repayment if the employee does not complete the program. Mayor Pro Tem Crowley made a motion to approve the policy change. Councilwoman Palazzolo gave a second with all voting aye. Motion approved.

8. **New Business**

- A. Mayor Palmer read a Special Event Permit and road closure request by Andy Baxter for the 10th Annual Baxter Dean Runway Show featuring country music singer Sara

Evans, to be held on Friday, April 30th from 2:00PM to 10:00PM. The applicant is requesting to close a portion of Court Street between Wall Street and Park Avenue. Mayor Palmer stated that the Downtown Development Authority supports this event and are helping to sponsor the event. Councilwoman Palazzolo made a motion to approve the request pending GDOT approval. Councilman Denmon gave a second with all voting aye. Motion approved.

- B. Mayor Palmer read a DDA request for street closings in connection with the Annual BBQ Boogie & Blues Special Event. The professional BBQ competitors will be in Downtown to set up for the competition on Thursday, September 23rd, 2021. This will require that the short block of King Street between Court Street and Oothcalooga Street be limited access only. This block will remain closed until Saturday, September 25th at 9:00pm. In addition to this short block closure, we request the section of Park Avenue from Harlen Street to Oothcalooga Street be closed/limited access only from Friday afternoon at 2:00pm until Saturday at 7:00pm. We request permission to completely close the section of Court Street from King Street to Wall Street on Friday, September 24th from 3:00pm until 7:00pm Saturday, September 25th. Councilman Denmon made a motion to approve the request pending GDOT approval. Mayor Pro Tem Crowley gave a second with all voting aye. Motion approved.
- C. City Administrator Worley submitted first and second quarter 2021 financial statements focusing on second quarter numbers as they were the most recent. In reviewing revenues he noted that Property Tax and Intangibles closed the second quarter at 97% of budget. Licenses and Permits are already above 100%. Local Option Sales Tax has been very strong. Total revenues are at 70% of budget. We did have some unplanned expenditures due to COVID 19, however Department Heads were able to hold the line and held off spending. We did receive CARES Act monies in July. The City is in excellent standing. Mayor Palmer thanked department heads for their terrific job in watching expenditures during the pandemic.

9. Other Written Items Not on the Agenda

10. Work Reports

- A. Paul Worley, City Administrator gave General Government cash report for January noting that general fund checking ended the month with a balance of \$3,913,213.92. Golf closed out the month with a balance of \$413,401.87. The 2018 SPLOST continues to build but we will see drawdowns with construction of the new Police Department. The 2011 SPLOST will continue to decrease as work continues on Peters Street Phase II.
- B. Larry Vickery, Utilities Administrator gave the Utilities cash report for January noting that total operating revenues were \$5,461,247.71 and total savings and reserves were \$2,140,677.85. The grand total was \$7,601,925.56.
- C. George Govignon, City Attorney had nothing to report.

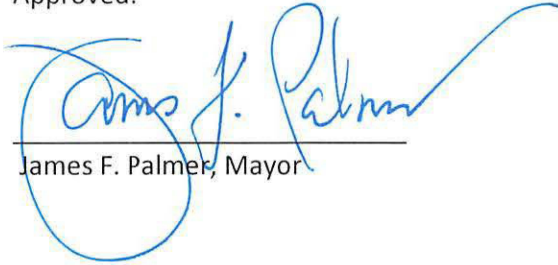
11. Motion to move to Executive Session, if needed

12. Motion to return to General Session

13. Motion to Adjourn

There being no further business to come before the Council, Mayor Pro Tem Crowley made a motion to adjourn. Councilwoman Palazzolo gave a second with all voting aye. The motion was approved and the meeting adjourned at 7:17 PM.

Approved:



James F. Palmer, Mayor

Submitted:

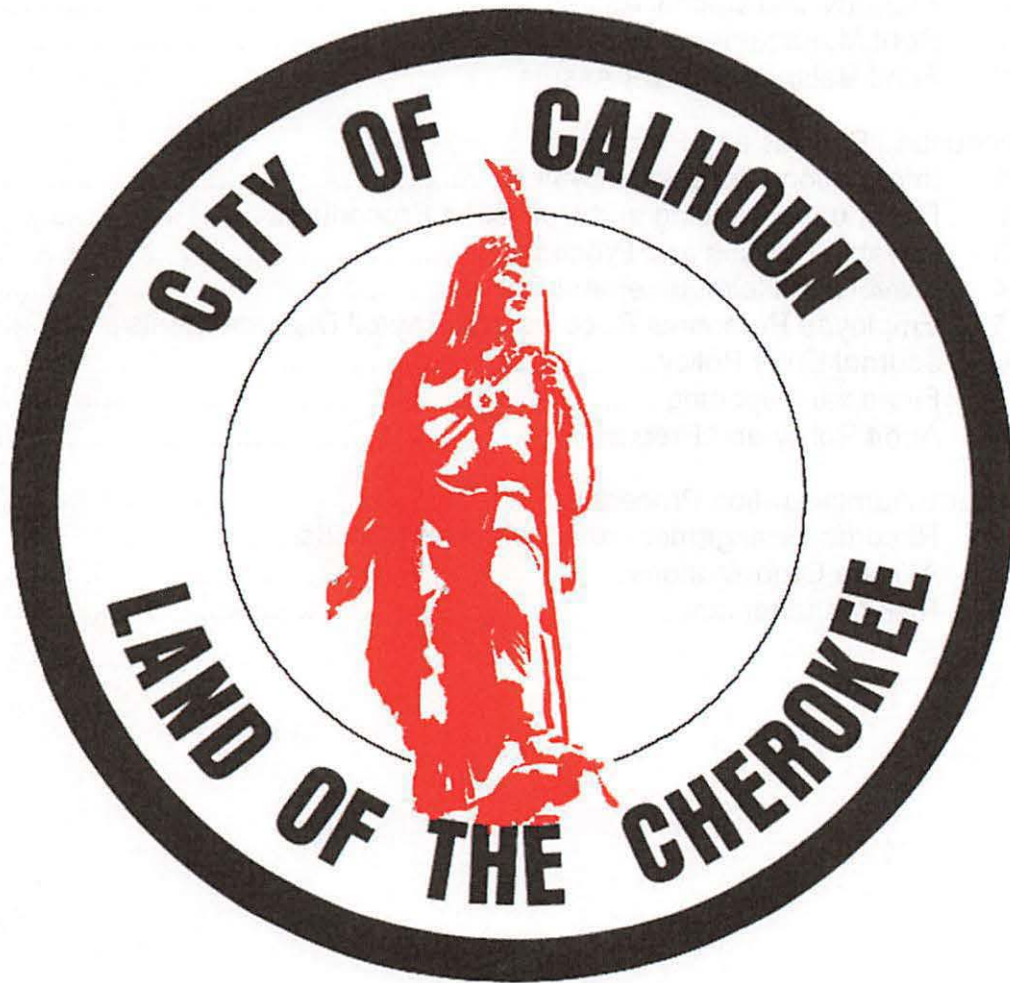


Sharon Nelson, City Clerk



City of Calhoun

Financial Policies & Procedures Manual



Adopted – May 23, 2011
Revised – May 12, 2014
Revised – February 22, 2021

TABLE OF CONTENTS

1. Introduction	4
2. Fund Management Policies and Procedures	
2.1 Internal Controls	4
2.2 Budgetary Process	8
2.3 Cash and Investments	10
2.4 Chart of Accounts and Fund Structure	12
2.5 Procurement Policies and Procedures	13
2.6 Property and Capital Assets	13
2.7 Debt Management Policy	14
2.8 Fund Balance and Net Assets	20
3. Accounting Policies and Procedures	
3.1 Information Processing System	21
3.2 Revenues, Invoicing and Collection Procedures	21
3.3 Payable Policies and Procedures	22
3.4 Travel and Reimbursement Policy	23
3.5 Employee Personnel Records and Payroll Disbursements	26
3.6 Journal Entry Policy	27
3.7 Financial Reporting	27
3.8 Audit Policy and Preparation	28
4. General Administration Procedures	
4.1 Records Management and Retention Periods	28
4.2 Affiliate Organizations	29
4.3 Risk Management	30

FOREWORD

This manual contains instructions regarding policies, procedures, and practices for the financial management of the City of Calhoun.

These instructions are for the guidance of all personnel who participate in the actions and decisions relating to City finances and for all other personnel in order to give them a more complete understanding of internal controls, policies and procedures related to the financial administration of the City.

Most of the procedures that follow are basically descriptive of practices and forms, which already exist, having evolved over the years as being most practical and in accordance with generally accepted accounting principles. In some cases, however, no explicit policy has been written. In these instances, the best interests of the City must always be followed.

Larry Vickery
General Manager, Calhoun Utilities

Paul Worley
City Administrator, City of Calhoun

1. Introduction –

The City of Calhoun, incorporated in January 1852, operates under a Mayor, Council, City Administrator and General Manager form of government. Policy making and legislative authority are vested in the Mayor and Council, consisting of five members. The Mayor and Council are responsible for, among other things, passing ordinances, zoning, adopting the budget, appointing committees, hiring the City Administrator, General Manager, and City Attorney, and appointing the heads of various departments of the City government. Since January 2008 the City has been divided into two unique entities, General Government and Calhoun Utilities, which operate independently, but ultimately combine to comprise the City of Calhoun. The City's Administrator and General Manager are responsible for carrying out these policies and procedures adopted by the Mayor and Council and overseeing the day-to-day operations of the government. The Mayor and Council are elected on a non-partisan basis; they serve four-year, staggered terms, with two Council members elected every two years and the Mayor elected every four years. The Mayor is elected at large. However, the Council members are elected for specific Council posts; therefore, candidates seeking office declare a post number when qualifying.

The objective of these policies and procedures is to provide relevant information for the employees, Mayor and Council, independent auditors, funding sources, state and federal oversight agencies, and other users about the operation of the City of Calhoun. Policies and procedures enable the City to demonstrate compliance with various finance related legal and contractual provisions used to assure acceptable organization performance and effective stewardship of governmental assets. It allows fair presentation and full disclosure of the financial position and results of operations of funds and account groups in accordance with generally accepted governmental accounting principles, while demonstrating compliance with all contractual provisions.

2.1 Internal Controls –

Policy:

An effective system of internal control allows management to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities, and restructuring for future growth. Internal control promotes efficiency, reduces risks of asset loss, and helps ensure the reliability of financial statements and compliance with laws and regulations.

We define *internal control* as follows:

Internal control is a process, affected by our Mayor, City Council, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Accounting controls comprise the state of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records, and, consequently are designed to provide reasonable assurance that:

1. Transactions are authorized in accordance with management's general or specific authorization.

2. Transactions are recorded as necessary (a) to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles and other criteria as applicable to such statements and (b) to maintain accountability for assets.
3. Access to assets is permitted only in accordance with management's authorization.

Procedure: The City of Calhoun has established procedures to protect assets, monitor the accuracy and reliability of accounting data for public funds, and provide guidelines that encourage and promote fiscal integrity of open and honest financial reporting necessary to carry out the day-to-day financial affairs of the City. These internal controls are considered cost effective to the City in order to achieve maximum benefits as a direct result of the procedures. The City of Calhoun utilizes the following universal controls:

1. Separation of Functional Responsibilities - All procedures are structured to separate responsibilities as needed. The following areas should be noted:
 - a) Preparation of cash deposits separate from posting of cash receipts.
 - b) Approval of checks from processing/posting of cash disbursements.
 - c) Receiving of goods from ordering goods.
 - d) Ordering goods from processing payments.
 - e) Processing paychecks from enrolling new employees or changing pay rates.
 - f) Within the constraints of the department of the City, all duties shall be segregated that could lead to the appearance of a conflict of interest.
 - g) An employee without prior access to records is used to:
 - Reconcile bank statements
 - Open mail
 - Intermittent testing of petty cash drawers and change drawers
2. An uncomplicated and adaptable organization plan which clearly places responsibilities for specific activities on specific individuals.
3. An annual budget prepared in detail and reviewed quarterly by the department heads in conjunction with the finance department and the mayor and council in an effort to promote an effective and efficient City administration, which addresses the need for financial constraint and stability.
4. Sufficient and competent personnel, who receive updated training and education necessary to insure maximum quality and effective financial reporting results.
5. Centralized purchasing utilizing purchase order systems for the City through one department working independently of a centralized accounts payable system. Control procedures for purchasing include numerical sequenced purchase orders and check requests with approval at three levels substantiated with three levels of required signatures. Also, purchasing utilizes procurement cards with added stipulation to policies and procedures in regard to them. See the separate policy on procurement and p-cards.
6. Cash procedures are strictly maintained and enforced in an effort to insure acceptable checks and balances are adhered to, including the following recommendations:
 - a) All money is to be deposited daily.
 - b) All posting should be from the original document or a copy of the check, if necessary, and cash receipt to allow for the depositing of money daily.
 - c) A calculator tape should be run showing the amount of cash and checks to be deposited. Staple the tape with the paper work pertaining to the deposit.

- d) A deposit ticket should be completed; making sure the total is the same on the bottom and down the side as the calculator tape total. If it is correct, place your initial at the bottom of the deposit ticket and place it in the locked bank bag. A second designated person is to count and verify that the money and the deposit ticket are correct and their initials should also be placed on the deposit ticket as close to the time the deposit is going to the bank as possible. The money and the deposit ticket should then be returned to the locked bank bag for deposit by a third person, if possible.
- e) Persons with bank bag keys should not allow anyone else to open or close the bag. The person with the key is responsible for the funds.
- f) A person verifying someone else's work is also responsible for the money. Therefore, it is vital that you are sure that you agree that the bank slip is correct and that all money pertaining to the deposit is in the locked bank bag.
- g) If for any reason money is placed in someone else's bag, a third initial will be necessary. If someone is on vacation or out sick another person familiar with procedures should be used.
- h) Money should be in a secure place at all times. At no time should money be out on desk unattended. All funds are placed in a safe or vault at night or when the deposit is completed.
- i) Each person should have an assigned cash drawer and no access should be allowed to other's drawers, even if staff is manning both the drive-through and teller windows. This can preclude identification of the individual responsible for any shortages.
- j) Refunds should never be given out of the cash drawer. All refunds will be processed through the Finance Department.
- k) No one in the Finance Department should handle cash other than the person that is verifying the deposit and a teller is always present.

7. The City keeps a complete set of accounting records, the minimum of such is:

- a) General ledger
- b) Paid invoice file
- c) Payroll ledger
- d) Bank reconciliations
- e) Accounting work papers

8. Cash reports are prepared and sent to the General Manager and City Administrator on a daily basis and are reconciled to bank statements and sent to the Mayor and Council for the second council meeting each month.

General ledgers are reviewed quarterly by the Director of Finance. Department heads are then notified so that they can run budget to actual comparisons to review their department's performance. Quarterly interim financial statements are prepared and presented to the Mayor and Council on a timely basis.

9. All transactions are properly documented as follows:

- a) Cash disbursements are documented by either a signed purchase order or approved check request or approved signed contract or bid document, along with an invoice and verification of receipt.
- b) Utility cash payments are documented by computer printouts detailing customer payments for the day that tie to the daily deposit for each cash drawer. Miscellaneous payments are posted by the Finance Department after being posted by the designated teller. Either a copy of the check or a receipt if paid by cash is attached to the printout of the day's transactions. Mailed receipts are opened by a teller and recorded in the same manner as "walk-in" payments.

- c) General Government cash payments, including City Hall, Police, Cemetery, Building Inspection, and Recreation, are documented by cash receipts in numerical order showing all payments for that day that tie to the daily deposit and cash balance in the drawer. Receipts can also be balanced to batches in the Munis system and, if applicable, reports from the separate system used for property tax payments. All mail at City Hall is opened by someone independent of processing payments and a list is made of all receipts, excluding property taxes, before the payments are given to a teller to process. The mail receipt listing is tested periodically to assure that receipts are processed all the way through the system.
 - d) Municipal Court and Golf cash payments are documented by computer printouts, detailing all receipts for the day by customer name, that tie to the daily deposit. The report also details the method of payment, such as web payment, credit card, cash, or check.
 - e) At the end of the day, all documentation is reconciled to the total of the cash, checks and other forms of payment received. Total customer utility daily receipts are electronically uploaded by way of an interface between the cash receipting and the accounting system. Any variances are investigated immediately and if missing collections in excess of \$100 or a suspicious irregular transaction is the result, the Director of Finance, Director of Customer Services and the General Manager/City Administrator are immediately notified.
 - f) The City collects money monthly for services rendered on a regular basis, such as utilities services. For these, we have an established system of accounts to track the amounts owed and paid by the recipients of the services. The accounts receivable records are computerized and are an integral part of the internal control system for the payments received. These records also play an important role in the preparation of the City's interim and annual financial statements, and ultimately in the assessment of the City's financial condition.
10. An independent firm of Certified Public Accountants performs an annual financial audit of the City of Calhoun that includes the General Government function and Calhoun Utilities. Calhoun City Schools is reported as a component unit in that audit. The City's fiscal year end is June 30th and the audit is due to the Georgia State Department of Audit and Accounts by December 31st each year.
11. Policy and procedure protocol:
- a) Policies and procedures should be reviewed by the Director of Finance as needed and any changes necessary submitted to the Mayor and Council for approval. If a policy and procedure is revised, a new revision date, month and year, is noted on the policy and procedure.
 - b) New policies and procedures are developed as needed.
 - c) All new and revised policies and procedures are given to the General Manager/City Administrator for review and then submitted to the Mayor and Council for adoption.
 - d) Employees will be given a copy of applicable policies and procedures at time of hire and appropriate training will be provided. Their signature denoting their understanding of said policies will be required after training. As policies are updated, staff will be notified by email or interoffice mail.
 - e) The original adopted policies and procedures of the City will be kept with the Clerk's records at City Hall. Electronic files will be maintained on the finance server.

Internal Control over Financial Reporting –

The system of internal control over the financial reporting includes policies and procedures designed and implemented to provide reasonable assurance that the City's financial statements are fairly presented in accordance with generally accepted accounting principles. The controls are the specific policies and procedures designed and implemented to prevent or detect and correct misstatements that, if not prevented or corrected, would cause the financial statements to not be fairly presented.

A well designed and properly maintained accounting system is necessary to be able to provide all data that is needed to allow for the timely preparation of financial statements in conformity with generally accepted accounting principles. The official source of generally accepted accounting principles for local governments is the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board is an independent, not-for-profit organization that establishes and improves standards of financial accounting for local governments.

In addition, Georgia state law requires local governments to follow a uniform chart of accounts accounting as established by the Georgia Department of Community Affairs. This requirement is in place to assure proper accounting and to provide consistency in preparing local government annual financial reports.

2.2 Budgetary Process –

Policy:

The budget is the process and means by which the Mayor and Council decide upon the level and type of service to be provided based upon the level of available resources. Annual balanced budgets are adopted on a modified accrual basis of accounting with the exception that debt principal payments and capital outlay are budgeted and depreciation is not. Revenues include those which are due for the current year. Expenditures appropriated by the annual budget include items for which disbursements are made or incurred during the fiscal year through the payables process. Open purchase orders lapse at year end, but can be re-appropriated within the budget constraints of the next fiscal year. The fiscal year of the City shall commence on July 1 of each year and end on June 30 of the following year.

The budget shall be balanced for every budgeted fund as required by OCGA 36-81-3(b) which necessitates an annual balanced budget for the general fund, each special revenue fund, and each debt service fund. It also requires a project-length balanced budget for each capital projects fund. Total anticipated revenues, plus that portion of fund balance in excess of authorized reserves that is designated as a budget funding source when authorized by the Mayor and Council, shall equal total estimated expenditures for each fund. The City also adopts budgets for other funds not required by Official Code of Georgia, such as proprietary funds, to facilitate financial planning and due care in managing the resources of the City. The City shall avoid budgetary procedures that balance current expenditures through the obligation of future resources. The City shall avoid short-term borrowing to meet operating budget requirements, except as authorized by the Mayor and Council.

The level at which expenditures cannot legally exceed the approved budget is at the department level as established by the Mayor and Council. Departments are based on the organizational chart, major functional activities, legal requirements and areas of responsibility. The budget document shall include a line item budget with a summary at department level as department is defined by the Mayor and Council.

The budget for capital expense shall be incorporated with the current year operating budgets for each fund, and shall be funded by current operating revenue to the extent possible. An itemized listing of capital expense, equipment and projects shall be included in the budget document. A five-year capital plan shall be included for each department.

A business approach is used in budgeting for proprietary fund types. Enterprise funds provide services primarily to customers outside the financial reporting entity and shall be self-supporting when possible, with minimized losses when break-even is not possible.

The City Administrator shall be the constituted budget officer for the City of Calhoun General Government. The General Manager shall be the constituted budget officer for the City of Calhoun Utilities. The budget officer can make reallocation of budgeted amounts within expenditures/expenses of a department or revenues of a department, as department is defined above. However, any changes between departments within a fund or any increase in the total departmental appropriation require a budget amendment and City Council approval.

Procedure:

The Director of Finance shall establish a budget calendar, outlining due dates for each fiscal year that is approved by the Mayor and Council. The Human Resource department will enter all payroll appropriations into the budget module of the Munis system at level one. This information is rolled forward to level two where all departments and agencies of the City are required to submit requests for appropriation by entering their proposed budget by the deadline established in the budget calendar. The City Administrator and General Manager, along with the Director of Finance, use these requests to develop a proposed budget that is established at level three in the budget module. The budget draft is reviewed and amended in work sessions with the Mayor and Council and a public hearing on the refined first draft is held. The first draft of the Mayor and Council budget is presented as level four in the budget module. Following the hearing, a second draft is prepared, if necessary, and is reviewed by the Mayor and Council in a second work session. Two public hearings shall be held prior to adoption in order to receive public input and the final budget is adopted at level five in the budget module. The budget is developed in stages, and the changes can be tracked at each level, to document the level of authority at which changes were made. The department heads also complete a five-year capital plan for inclusion in the final budget upon approval by the City Administrator/General Manager. The City budget is adopted annually by resolution of the Mayor and Council before the beginning of the new fiscal year each July 1.

A system of budgetary controls shall be maintained to assure adherence to the budget. Timely quarterly reports shall be prepared comparing actual revenues, expenses and outstanding purchase orders with budgeted amounts. Copies of these reports shall be prepared by the Finance Department and distributed to the Mayor, Council, and department heads. Budget amendments requiring Mayor and Council approval shall be presented quarterly, if necessary, for their review and approval. Budget reallocations are recorded in the general ledger by the Finance Department upon approval by the City Administrator. Budget amendments are recorded in the general ledger by the Finance Department after approval of the City Council is obtained.

2.3 Cash and Investments –

Policy:

The main objectives of effective cash management and investing public funds is to ensure the safety of principal, provide for sufficient liquidity to pay obligations when due, earn a reasonable rate of return on invested funds and ensure that funds are invested in compliance with Georgia Code Section 36-83-4. Typically, the rate of return earned will be inversely related to maintaining the safety of principal and providing for liquidity, thus a balance must be maintained based on how active or passive an investment strategy the City has determined best meets its needs.

The Mayor and City Council shall establish the overall investment policies, the management and implementation of which is delegated to the General Manager, the City Administrator and the Finance Director who shall establish procedures for the operation of the investment program.

Acceptable investments set forth in Georgia Code section 36-83-4 are:

- a) Obligations of the State of Georgia or of other states
- b) Obligations issued by the United States government,
- c) Obligations fully insured or guaranteed by the United States government or a United States government agency;
- d) Obligations of any corporation of the United States government;
- e) Repurchase agreements
- f) Prime Bankers' Acceptances
- g) The local government investment pool established by Code Section 36-83-8,
- h) Obligations of other political subdivisions of the State of Georgia.

This Code section shall in no way impair the power of a unit of local government to hold funds in deposit accounts with eligible depository institutions. The City of Calhoun's Mayor and Council have chosen in the past, to almost exclusively approve investments in only savings, Money Markets and Certificates of Deposits (non-negotiable) in banks local to Gordon County. As we move forward, other investments may be considered on a case by case basis due to the decline in interest rates. The Electric fund has investments in the Municipal Competitive Trust which was formed to provide a means to mitigate the expected differential between "after deregulation" market rates for power and the associated costs of generating that power. The pension trust fund invested with Georgia Municipal Association is also invested outside of local banks. We have five different investment accounts with the Municipal Competitive Trust, ranging from short-term to long-term. There is a department at MEAG that handles these investments with a specific department head in charge available to the City of Calhoun. The short-term investments are for a term of a year or less and the intermediate investments run for a term of two to five years. Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. State statutes require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The acceptable collateral is composed of bonds of U.S. Government agencies and bonds of the State of Georgia and its public authorities, counties and municipalities. It is the City's policy that any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations, with the exception of the Municipal Competitive Trust, pension trust fund, and cemetery trust fund.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is currently the City's policy to not invest in instruments with a variable interest rate, with the exception of the Municipal Competitive Trust and pension trust fund. The Municipal Competitive Trust is monitored closely by a board and reports interest rate risk using a duration measure. The pension trust fund is monitored and managed by Georgia Municipal Association.

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to invest in non-negotiable certificates of deposit and money market accounts that are covered by FDIC insurance or pledged collateral. The Council has also authorized investments in the Municipal Competitive Trust and a pension trust fund.

Procedure:

At least three bids will be obtained for all certificates of deposit unless six have been requested and three cannot be obtained due to the banks declining to bid. Documentation of the bid process will be maintained as well as the decision process for awarding the certificate.

All bank accounts opened or closed must be approved by the Mayor and Council. The most efficient way that we ensure this is by providing a cash report monthly.

Municipal Competitive Trust accounts will be reconciled monthly to general ledger accounts and any unusual activity will be investigated promptly.

2.4 Chart of Accounts and Fund Structure –

Policy:

The City uses funds to maintain its financial records during the year and a chart of accounts that conforms to the Department of Community Affairs (DCA) Uniform Chart of Accounts. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The General Fund is a governmental fund that accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

Other types of governmental funds include special revenue, debt service, and capital project funds. Special revenue funds are used to account for specific revenue sources that are restricted to expenditures for a specific purpose. Debt service funds are used to account for the accumulation of resources and the payment of principal and interest on long term general obligation debt. Capital project funds are established for the construction or purchase of significant capital assets used by governmental funds only.

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The City's proprietary funds include, the Electric System Enterprise Fund that accounts for the operations of the City's electric distribution system, Water and Sewerage System Enterprise Fund that accounts for the operations of the county-wide water treatment distribution system and wastewater treatment, primarily within the City limits and the Telecommunications Enterprise Fund that accounts for the internal and external operations of the communications network. Other proprietary funds are the Solid Waste Fund, that accounts for the collection of refuse within the City limits, and Fields Ferry Golf Course Fund, that accounts for the operation of the City-owned golf course.

The City's Internal Service Fund provides support services primarily to the various City utilities, such as customer billing and service, administration, and engineering.

Fiduciary fund reporting focuses on net assets. The City's fiduciary funds include its single employer pension trust fund, cemetery trust fund, and an agency fund. The pension trust fund is the "City Charter Unfunded Retirement Plan." The cemetery trust fund is a perpetual care trust held for the future maintenance of the cemeteries. The agency fund accounts for the activity of traffic and municipal ordinance violations resulting in fines for offenses occurring with the City. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Use of the Uniform Chart of Accounts improves government accountability by making financial information reported by Georgia's governments more comparable, thereby enabling local taxpayers and policy makers to better understand and evaluate local government service delivery and operations. Local governments were required to adopt and begin using the Uniform Chart of Accounts within 18 months of final adoption by the DCA in 1998. The structure of accounts includes an account code, which involves 3 digits for the fund classification; 4 digits for the function and activity; 2 digits for the account class and 4 digits for the balance sheet accounts, revenue sources, or expenditures objects. Numbers for the major categories include: fund codes (100-999); balance sheet- assets (11), liabilities (12), and equities (13); revenues (31-39); expenditures (51-61); and functions (1000-9999).

Procedure:

Funds can be created or closed by the Director of Finance when the determination is made that a fund is necessary to maintain control over resources or demonstrate compliance with finance-related laws and regulations.

The Chart of Accounts is maintained by the Finance Department who can add or delete accounts as provided by the individual's permissions within the accounting system.

2.5 Procurement Policies and Procedures –

See the separate document issued by the City of Calhoun Purchasing Department.

2.6 Property and Capital Assets –

Policy:

A capital asset is an item of value of a relatively permanent nature such as land, building, vehicles, furniture, and/or equipment. This definition excludes items intended for resale or conversion to cash, consumable supplies, common and incidental items, dated materials such as publications, data, certain types of software, and materials subject to rent, lease, or license fees, including software which is workstation specific (not transferrable).

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 and \$20,000 for infrastructure expenditures. The City's infrastructure consists of roads, curbs and gutters, sidewalks, bridges, drainage, traffic signals, water and sewer lines and the electric distribution systems. The City owns and reports all Calhoun City Schools' land and buildings. Improvements to capital assets are capitalized if they increase the value in excess of the original cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Road maintenance that restores the road to its original condition, such as repaving, is considered normal maintenance and not capitalized. Expansion of the number of lanes or new paving of dirt or gravel roads is capital. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Asset Class	Estimated Lives		
	Governmental Activities	Business-type Activities	Component Unit
Buildings	20-50 Years	---	---
Improvements other than buildings	15-25 Years	15-25 Years	---
Buildings, plants, tanks	---	20-50 Years	---
Utility systems	---	20-50 Years	---
Machinery and equipment	5-25 Years	5-25 Years	5-10 Years
Vehicles	4-6 Years	4-6 Years	5-10 Years
Infrastructure	30-60 Years	---	---

Procedure:

Capital asset listings are maintained by the Finance Department and reviewed by the appropriate department head on an annual basis during a physical inventory. Capital asset listings include a description of the property, identification number, acquisition date and cost, and ultimately disposition data. This information is also compared to City's property insurance policy and any discrepancies between any of the lists are reconciled. This control system ensures adequate safeguards to prevent property damage, loss, or theft and verifies the existence, current utilization, and continued need for the property. Quarterly, a random selection shall be made by the Finance Department of fixed assets in the accounting records and these shall be traced to assets in the field.

Priorities shall be given in budget preparation and enactment for adequate maintenance of capital equipment and facilities, and for their orderly replacement.

Inventories are stated at lower of cost or market with cost determined on a first-in, first-out basis. Inventories are expensed under this method, by annual adjustment for financial statements.

When necessary or appropriate (obsolete, surplus, or broken) to dispose (sell, trade-in, contribute, or retire) of City of Calhoun property, consideration is given to the maximum value or the most cost effective action. Items shall be placed on a list of surplus material, presented to the Mayor and City Council for declaration of surplus and a determination made as to the method of disposition. The approved items shall then be disposed of through public auction or over the internet using www.govdeals.com. See also Purchasing Policies and Procedures for further discussion.

2.7 Debt Management Policy –

Purpose

The purpose of the City of Calhoun's debt management policy is to manage the issuance of the City's debt obligations and maintain the City's ability to incur debt and other long term obligations at favorable interest rates for capital improvements, facilities and equipment beneficial to the City and necessary for essential services. All debt issuance come under the purveyance of the Mayor and the Council.

Comprehensive Capital Planning and Financing System

The City plans long and short-term debt issuance to finance its capital improvement program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The Director of Finance, along with the General Manager/City Administrator, oversees and coordinates the timing and issuance process.

Authority to Issue Bonds

The City of Calhoun Charter Article V, Finance and Fiscal, Chapter 2, Borrowing and Indebtedness, authorizes the City to issue municipal bonds or to borrow funds for municipal purposes.

Criteria

The City will issue debt only for the purposes of acquiring or constructing capital improvements, and for making major renovations to existing capital improvements, for the good of the public. Exceptions to this rule will be considered on a case-by-case basis to determine if the contemplated debt is in the best interests of the City. Before issuing any new debt the City will consider the following factors:

- Global, national and local financial environment
- Current interest rates
- Expected interest rate changes
- Robustness of local and broad economy
- Cash position

- Current debt position
- Availability of funds to repay
- Flexibility to cover future needs
- Urgency of current capital needs

Limitations on Indebtedness

The City will maintain a conservative debt position based on the criteria listed above. Pay-as-you-go and replacement programs will be utilized whenever feasible to avoid financing costs. Debt will be issued only if the benefits outweigh the costs of the debt.

The City will ensure that an adequate system of internal control exists so as to provide reasonable assurance as to compliance with applicable laws, rules, regulations, and covenants associated with outstanding debt.

Compliance with existing debt coverage ratios will be satisfied at all times and analyzed before additional debt is issued.

Types of Debt

Long Term Debt:

Depending on the specific circumstances, the City may use the following types of long-term (having a term of more than one year) financing instruments:

- A. **General Obligation Bonds:** The City may issue bonds payable from ad valorem taxes when approved by vote of the electors. The City may also issue non-ad valorem bonds and covenant to budget and appropriate legally available funds to pay debt service for those bonds without voter approval.
- B. **Revenue Bonds:** The City may issue bonds secured by a specific revenue stream other than ad valorem taxes.
- C. **Master Lease Agreements:** The City may enter into a lease agreement with a provider or bank to lease equipment. The terms of the lease should coincide with the life of the equipment to be leased and a tax-exempt rate shall be sought. The City will strive to obtain the lowest rate possible using competitive bidding or current market analysis.
- D. **Pooled and Loan Financing:** If it is financially or strategically beneficial, the City may participate in debt pools with other entities and low-interest loans from state agencies or other organizations on either a long-term or short-term basis.

Short-Term and Interim Debt:

Short-term obligations (those due in less than one year) may be issued in anticipation of particular revenues such as taxes or grants, and such revenue may be pledged for repayment of the debt issuance. Short-term debt may also be issued to finance projects or portions of projects for which the City ultimately intends to issue long-term debt. Short-term and/or interim financing shall not exceed ten percent (10%) of outstanding long-term debt, unless there is a situation that needs immediate attention in order to address an emergency or to allow for significant cost savings. The City will not use short-term borrowing to finance operating needs except in the case of an extreme financial emergency, which is unforeseen and beyond its

control. Under certain other circumstances, short-term obligations may be warranted upon the recommendation of the Director of Finance.

Interim financing may be appropriate when long-term interest rates are expected to decline in the future. In addition, some forms of short-term obligations can be obtained quicker than long-term obligations and thus can be used in urgent situations until long-term financing can be obtained. Short-term obligations include:

- A. **Line of Credit:** The City may establish a tax-exempt line of credit with a financial institution or other provider. Draws shall be made on the line of credit when the need for financing is so urgent that time does not permit the issuance of long-term debt or the need for financing is so small that the total cost of issuance of long-term debt would be prohibitive.
- B. **Pooled and Loan Financing:** If it is financially or strategically beneficial, the City may participate in debt pools with other entities and low-interest loans from state agencies or organizations on either a long-term or short-term basis.
- C. **Interfund Borrowing:** Interfund borrowing is cash lending from one fund to another fund. The use of this type of interim financing is considered if it is in the City's best interests to do so as determined by the Director of Finance and the City Administrator/General Manager.
- D. **Internal Interim Financing:** Should the City desire to issue bonds for large capital projects, the City can, upon passage of an intent-to-issue resolution, use non-restricted reserve funds as interim financing to pay a portion of project costs that will then be paid back with bond proceeds. This type of financing will be reviewed by Bond Counsel to ensure the City is in compliance with applicable federal tax rules.
- E. **Other types:** The City may consider the use of Tax Anticipation Notes, Bond Anticipation Notes, Revenue Anticipation Notes, derivatives or other such structured borrowings if it is in the best financial interests of the City to do so.

Conduit Debt:

The City may sponsor conduit financings for those activities that have general public purpose, are in the best interest of the City, and adhere to Georgia Statutes. All conduit financings must insulate the City completely from any credit risk or exposure and must be approved by the City Council.

Structural Features of Debt

Taxable and Tax-exempt Debt: The cost of taxable debt is higher than the cost of tax-exempt debt. However, the issuance of taxable debt is mandated in some circumstances, and may allow flexibility in subsequent contracts with users or managers of the improvement constructed with the bond proceeds. Therefore, the City will usually issue obligations tax-exempt, but may occasionally issue taxable obligations when there is an expected benefit from doing so.

Maturity: The term of City debt issues shall not exceed the useful life of the project or equipment financed. The repayment of principal on tax supported debt should generally not extend beyond 20 years unless there are compelling factors which make it necessary to extend the term beyond this point.

Bond Insurance: Bond insurance is an insurance policy which can be purchased by the City, which guarantees the payment of principal and interest. This security provides a higher credit rating and thus a lower borrowing cost for an issuer. A calculation shall be made in each issuance to determine if bond insurance is in the best interest of the City.

Surety and Debt Service Reserve Funds: Surety and debt service reserve funds are used to provide a ready reserve to meet current debt service payments should monies not be available from current revenues for the protection of the bondholders. The City shall utilize the methodology that best serves its needs on a case-by-case basis or as the bond requires.

Coverage Requirements: Coverage is the ratio of pledged revenues to related debt service for a given year. For each bond issue, the Finance Department, in conjunction with the financing team, shall determine the appropriate coverage requirements, if any.

Use of Variable-Rate Securities: When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities.

Investment of Bond Proceeds

Investment of bond proceeds will be consistent with those authorized by existing state law and by the City's investment policy and applicable bond covenants. When financially in the best interests of the City, bond proceeds shall be invested and tracked separately from other investments.

Refinancing of Outstanding Debt

Advance Refunding: The City may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible, prudent and a net present value savings of at least three percent (3%) is provided.

Exceptions to the requirement shall be made only upon the recommendation of the Director of Finance.

Current Refunding: The City may issue current refunding bonds (as defined for federal tax law purpose) when advantageous, legally permissible, prudent and net present value savings equal or exceed three percent (3%).

Restructuring of Debt: The City may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refunding undertaken to restructure debt may be waived by the Director of Finance upon a finding that such a restructuring is in the City's overall best financial interests.

Credit Objectives

The City's goal is to maintain or improve its bond ratings. To that end, prudent financial management policies will be established and adhered to in all areas. Full disclosure of operations will be made to the bond rating agencies. The City will strive to achieve and maintain at least an underlying rating in the double "A" range from one or more of the major rating agencies.

Ongoing Disclosure

The City will also provide its annual financial statements and other relevant information to rating agencies, paying agent banking institutions, Municipal Electric Authority of Georgia and as required by Continuing Disclosure Requirements within all debt documents.

Method of Sale

There are three ways the City may sell bonds: competitive (public) sale, negotiated sale and private placement.

The City, as a matter of policy, shall seek to issue its debt obligations in a private placement unless it is determined by the Director of Finance that such a sale method would not produce the best results for the City.

Negotiated Sale: Bonds may be sold through an exclusive arrangement between the City and an underwriter or underwriting syndicate. At the end of successful negotiations, the issue is awarded to the underwriters. This method offers flexibility for the City. In a negotiated sale, the underwriter shall be selected by the City Administrator/General Manager, with the assistance of the Director of Finance.

Competitive Sale: When determined appropriate by the Director of Finance, the City may sell its debt obligations in which any interested underwriter is invited to submit a proposal to purchase an issue of bonds. The bonds are awarded to the underwriter presenting the best bid according to stipulated criteria set forth in the notice of sale. The criteria used to select an underwriter in a competitive sale shall be the true interest cost.

Private Placement: When determined appropriate by the Director of Finance, the City may elect to sell its debt obligations through a private placement or limited public offering. Selection of a placement agent may be selected through the Request for Proposal (RFP) process.

Assembling a Financing Team

A Financing Team will be assembled to provide professional services that are required to develop and implement the City's debt program with the goal of continuity, quality service and competitive prices.

Bond Counsel: The City Attorney, with input from the Director of Finance, shall select Bond Counsel. The Bond Counsel's role is to prepare or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings and litigation.

Disclosure Counsel: The City Attorney, with input from the Director of Finance, shall select Disclosure Counsel. The Disclosure Counsel's role is to render an opinion as to the validity of facts contained in the bond documents as well as assisting the City in meeting its secondary market disclosure obligations.

Underwriters: The criteria used to select an underwriter in a negotiated sale should include, but not be limited to the following: overall experience, marketing philosophy, capability, previous experience, underwriter's discount, and expenses.

Financial Advisor: The City may solicit proposals for financial advisory services for debt issued in a negotiated, competitive or private placement sale. The solicitation process used for these services shall comply fully with City purchasing code requirements.

City Staff: The General Manager/City Administrator shall appoint the Director of Finance and any other City staff members deemed appropriate to coordinate the efforts of the hired consultants and the City. The City Attorney shall supervise all counsel as necessary, as well as provide any other legal services required for issuance of debt.

Arbitrage Liability Management

It is the City's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the applicable laws.

Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, arbitrage calculations may be performed by qualified arbitrage professionals or by the Director of Finance, if qualified, in strict adherence to applicable laws and regulations. These calculations will be done in accordance with required Internal Revenue Service reporting dates, which are five (5) years after the delivery date of each issue, and each fifth year thereafter until the bonds have been matured, redeemed early or retired.

The Director of Finance will be responsible for identifying the amount of unspent debt proceeds including interest which is on hand and to the extent feasible, ensure the oldest proceeds on hand are spent first.

Arbitrage rebate costs shall be charged as negative interest revenue to the funds in which the related obligation proceeds were originally deposited.

2.8 Fund Balance and Net Assets –

Policy:

Fund balance represents the difference between the current assets and current liabilities, or an approximate measure of liquidity, for all governmental funds. Some of the assets may be inherently non-spendable from the vantage point of the current period and are labeled non-spendable fund balance:

- Assets that will never convert to cash (e.g. prepaid items and inventories);
- Assets that will not convert to cash soon enough to effect the current period (e.g. the long-term portion of loans receivable and nonfinancial assets held for resale); and
- Resources that must be maintained intact pursuant to legal or contractual requirements (e.g. the capital of a revolving loan fund).

Restricted fund balance describes the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions, such as creditors, grantors, contributors, or other governments or are subject to limitations imposed by law through constitutional provisions or enabling legislation. Portions of fund balance can have limitations set in place prior to the end of the period by the highest level of decision making and are called committed fund balance. Formal action at the same level is required to remove fund balance commitments. Fund balances can be assigned to reflect a government's intended use of resources. Such intent would have to be established at either the highest level of decision making, or by a body, or an official designated for that purpose. Amounts not included in one of the previous categories would be classified as assigned fund balance for all governmental funds other than the general fund. Any portion of fund balance in the general fund that is not included in one of the four categories already mentioned would be presented as unassigned fund balance.

Unrestricted fund balance for the general fund can be defined as all committed, assigned, and unassigned amounts. In order to assure that City operations do not grow disproportionately to available revenues, unrestricted fund balances should not be used for operating costs, except after careful consideration and approval from elected officials.

Net position represents the difference between assets and liabilities for all enterprise funds. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, plus any outstanding balances of borrowings not yet expended but restricted for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on it's use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

In order to protect against recession and other emergencies, the City's policy is to achieve and maintain cash reserves equal to at least three times the average monthly operating expenditures for the associated fund for the general fund and major enterprise funds.

Procedure:

The Mayor and Council may authorize loans from these reserves through the budget process or formal approval in a Council meeting for budgetary shortfalls or capital expenditures. A repayment schedule is established including principle and interest at rates comparable to outside state lender rates, or internal rate of return, at the time of the loan for loans between funds. Money spent from reserves should be replenished as soon as circumstances allow. Reserves should be analyzed each year when the budget is passed and every effort should be made to meet the established goal.

3.1 Information Processing System –

Policy:

The City of Calhoun uses Tyler Technologies Munis financial software for our accounting and payroll needs. Harris Computer Systems is used for the Calhoun Utilities' billing software. These two systems are able to interface daily in order to post all payment and billing transactions. Balancing is done on a daily basis and any variances are investigated immediately.

The City's IT department, headed by Telecom, sets up passwords and permissions for all employees based on the department head's instructions. These permissions are structured for maximum segregation of duties. As needed, an employee's password can be disabled, thereby eliminating any threat to the City's servers. Employees are instructed to keep passwords secure and private, thereby ensuring that activity done on their computer, under their name, was in fact performed by them.

Procedure:

Monthly, the IT department downloads the issued update files for Munis. The Munis Administrator runs the general ledger validation to ensure that there are no errors and closes the month on a timely basis each month. At fiscal year end, OSDBA (the back-up provider for

Tyler Systems) does a back-up of the City's files and the Munis Administrator, assisted by the Finance Department, closes the books for the year.

Annually, vendor files on Munis are reviewed and vendors that have had no business with the City for a period of twelve months or more are denoted as "inactive". In order for a requisition to be entered for this vendor in the future, this vendor would have to be reactivated. At this time, all vendor history is purged for vendors having no activity with the City for more than seven years.

3.2 Revenues, Invoicing, and Collection Procedures –

Policy:

The City collects revenue over-the-counter and through the mail from the general public in the form of cash, personal checks and money orders. The City also offers online payment options and direct debit of customers' bank accounts for repetitive payments such as monthly utility bill payments and for the payment of property taxes.

Collections take place at multiple locations throughout the City's operations and for a number of purposes including:

- Tax payments
- Utility payments
- Various fees and charges
- Court collections
- Permits and licenses
- Other service charges

It is the policy of the City of Calhoun to exercise appropriate internal control over all cash received, to ensure that they are collected, documented, recorded and deposited to the correct bank accounts of the City and to detect and deter error and fraud. Suitable controls have been established at each location where payments are received as well as at the centralized collections point. All funds are placed in a safe or vault at night or when the deposit is completed.

Collections:

- Revenue received from customers or other City departments in the office should always be given a receipt.
- All invoicing is done by an individual independent of collection procedures.
- All checks received should have valid contact information, such as address, telephone, and driver's license number, so returned checks can be collected. Identification should be reviewed for authenticity and if appearance is questionable, the identification should be copied and this should be sent to the City Police Department in adherence with the Red Flag laws.

Procedure:

A teller receives all revenues and issues a receipt. The teller prepares batches for posting to the Harris billing system or Munis and a bank deposit. Revenue batches are posted to the general ledger by staff in the Finance Department and reconciled to copied deposit tickets and receipt journals. The back-up for each batch is attached to the journal entry posting to the general ledger and filed. For additional information, please see Internal Controls.

3.3 Payable Policies and Procedures –

Policy:

The terms of the City are 30 days for payments due to vendors.

Procedure:

Invoices are received by the Finance Department and date stamped. As described in the purchasing policy, original purchase orders are received by the finance clerk. Purchase orders are processed by department and signed off by the appropriate supervisor. Packing slips, when applicable, are attached to the purchase orders. Once the invoice is received, it is matched with the correct purchase order if one is required. Invoices for less than \$1,000, monthly recurring invoices (i.e. utility bills from vendors), or invoices covered by contracts do not require a purchase order. This packet of information is processed by the finance clerk by verifying quantity, cost, terms and conditions for payment. The invoice is marked for payment by indicating the vendor number, denoting invoice number and date. Invoice packets are submitted to a senior accountant for final review and then given to the accounts payable clerk for processing using the required procedures of the Munis financial accounting system. Explicit instructions can be found on the Munis website and are documented in a procedure manual specific for the accounts payable clerk.

Once invoices have been entered into the system, batches are reviewed and approved by the check signers. Checks can then be processed by the accounts payable clerk using blank check stock and the required signature key. The signature key is maintained in a vault and can only be accessed by an authorized individual. For the general government division, these individuals are the check signers; the City Administrator and the Assistant City Administrator. For Calhoun Utilities, the authorized individual is the Director of Finance, an appointee of the Director of Finance or the General Manager.

The check register is compared with the batch approval from the check signers and signed by the senior accountant or a check signer. The Positive Pay program, offered by BB&T, is utilized to provide protection against unauthorized checks being cashed from the City's account and the senior accountant transfers the required files via the internet to BB&T. After checks are printed, the batches of invoices and checks are given to the administrative assistant or accounting assistant for packaging and mailing or delivery. All manual checks issued out of small restricted accounts, require two signatures as well.

3.4 Travel and Reimbursement–

It is the policy of the City of Calhoun, Georgia to reimburse any employee, agent, or elected official for any expenses incurred in the performance of their official city duties or scope of services, which have not otherwise been paid, through an "accountable plan." **Authorization is expected to be obtained prior to engaging in any activity requiring reimbursement.** An accountable plan is defined by the Internal Revenue Service as follows:

1. Employees must have paid or incurred deductible expenses while performing services as an employee; and
2. Employees must adequately account to the employer for these expenses; and
3. Employees must return any excess reimbursement or allowance.

The following describes methods by which the City will reimburse employees for substantiated business expenses.

Conferences, Seminars, Training Sessions

A check request form must be submitted and approved in advance (prior to departure) for any travel, including out of state, common carrier (air/rail/bus), and overnight or other employee travel, that will not be charged on a purchase card. The items of information and proposed expenses should be estimated as accurately as possible. The check request form is then provided to the financial department for processing.

The City will pay directly to the training office, conference headquarters, etc. for the registration for employees or elected officials and spouses of elected officials and the General Manager/City Administrator spouses (where spouses registration is available) for those conferences, seminars, or training sessions approved by the proper authority. A 1099 will be issued for all reimbursements made for non-business related activities per IRS regulations. The City will always pay for required training and travel to the nearest destination. The City will also pay/reimburse for personal expenses associated with the training or conferences such as mileage, meals, airfare, parking, and lodging, etc. All travel costs, except personal mileage, meals and gasoline for a personal vehicle may be paid via a City purchasing card, when one is available for use by the employee, department head/supervisor or parties with whom they will be traveling.

On items for which a purchasing card cannot be used or is not available, the employee or elected official will submit a check request for reimbursement. All requests should be submitted no later than the deadline for submission of payables each week and the date of anticipated travel. The request should include miscellaneous per diem amounts (described below) or receipts, "city standard" (www.mapquest.com) miles or odometer readings, and an agenda of the meeting or conference. Mileage will be paid at the IRS standard mileage rate. The IRS usually adjusts this amount annually, and the City will follow IRS standards. Personal vehicles should only be used if a City vehicle is not available or in condition for the trip or upon approval of General Manager/City Administrator. Employees may be reimbursed for the mileage incurred from the point of departure for the travel destination. During the normal work week, the point of departure will be either the employee's residence or work place, whichever is nearer to the destination point. During weekends and holiday, employees should use the actual point of departure to calculate travel mileage.

Meals, Lodging and Incidental Expenses

Reimbursement for meals, lodging and incidental expenses are reimbursable only when "away from home" travel is required. Incidental expenses include costs for parking and tips for services. Employees or elected officials of the City would be deemed to be traveling "away from home" if:

1. Duties require employee to be away from the general area of home substantially longer than an ordinary day's work; or
2. Travel time for an early morning meeting schedule requires employee departure before 6:00 a.m. or the employee needs to get sleep or rest to meet demands of work while away from home, or
3. Congested travel routes make it necessary to travel the prior night in order to meet an early schedule.

Reimbursement for lodging is limited to actual costs. It is required that minimum rate (conference, commercial, or governmental rate) accommodations available will be utilized except in rare circumstances approved by management. Appropriate tax-exempt forms (Hotel/Motel Tax Exempt and Georgia Sales Tax Exemption) should be submitted upon registration/check-in for lodging. These forms may be mailed prior to the trip to guarantee that the exempt status will be granted. However, it is the responsibility of the employee to see that

the forms are submitted correctly and that the City receives all eligible exemptions for travel expenditures. Generally, hotels/motels located within the state of Georgia will recognize and grant the exemption. If the lodging establishment is hesitant at check-in, effort should be made to clear the matter before checkout, so the rates will not include taxes.

Reimbursement for meal expenses when "away from home" travel is required will be made on a per diem basis in accordance with rates published as the IRS Federal Travel Regulations. Current rates applicable for Georgia cities can be found at www.gsa.gov website.

Partial days of travel away from home are generally divided into four segments for purposes of the Internal Revenue Service:

1. Midnight to 6:00 A.M.
2. 6:00 A.M. to Noon.
3. Noon to 6:00 P.M.; and
4. 6:00 P.M. to Midnight

These segments are interpreted by the City as follows when certain meals are provided in conference registration or when eligible meals include only one or two meals in a day:

1. Breakfast may be reimbursed up to $\frac{1}{4}$ of the allowable per diem rates (breakfast may still be reimbursed even if continental breakfast is served); and/or
2. Lunch may be reimbursed up to $\frac{1}{4}$ of the allowable per diem rates; and/or
3. Dinner may be reimbursed up to $\frac{1}{2}$ of the allowable per diem rates.

Proof of Travel-Time, Place and Purpose

In order to appropriately account to the City in accordance with rules for accountable plans, employees must submit proof of travel as to time, place, and purpose, when requesting the per diem reimbursement, lodging, or mileage reimbursement. **All information requested should be filled out on the check request form. This form should be turned in with any requests for registrations, meals in advance, etc., and a final form can be submitted if additional expenses occur while traveling. The Finance Department should be immediately notified if for any reason the employee is unable to attend the event, so that registration may be refunded if possible and per diem's repaid if applicable. The following items must always be completed on the form:**

1. Time-The dates you left and returned home for each trip and the number of days spent on business while traveling away from home.
2. Place-The destination or the area of employee travel, described by the name of the city, town or similar designation.
3. Purpose-The business reason for travel or the business benefit gained from the travel.

Employees, elected officials or spouses of elected officials on official business may elect to submit receipts for meals. However, the rates per day should not exceed the rates per city in Georgia as listed at www.gsa.gov. Official conferences that are out of state should not exceed the limits allowed in the Federal Travel Regulations for that particular state/ locality. The web address on which such information is listed is as follows: www.gsa.gov, by state/locality. Conferences, seminars, or training, which do not include lodging for an overnight stay, will not include meal reimbursement unless the meal is a required part of the meeting or the requirements are met re: the length of time "away from home". (i.e. leave prior to 6:00 a.m. to receive breakfast and return after 6:00 p.m. to receive supper.)

College, School, or Special Training Reimbursement

The City of Calhoun will pay the tuition and book expense for college, school, or special courses associated with an employee's job, provided the employee first apply any grant funds to the expense, provided the employee maintains a "B" average, and provided the course is approved (prior to enrollment) by the department head or the City's Utilities Administrator/City Administrator. Employees enrolled in a degree program must be able to demonstrate how the degree will apply to their position and provide benefit to the City of Calhoun. Likewise, the employee's department head is responsible to ensure the degree program provides direct benefit to his or her department. A copy of the transcript or reporting form indicating the grade should be returned to the City of Calhoun for filing. The City will pay tuition directly to the school or college with the understanding the employee will reimburse the cost should the "B" average not be maintained. The City will also reimburse the employee for tuition when the proper receipt has been attached to the reimbursement request. An investigation should be made by the employee and department head to determine the most economical and cost effective program prior to enrollment. An employee who leaves the City or is terminated by the City with cause, will be required to refund the City of Calhoun for educational assistance which was paid to the employee during the twenty-four (24) month period preceding the date of separation. The employee must pay back 100 percent of assistance received during the first twelve (12) month period and fifty (50) percent of assistance received during the last thirteen (13) to twenty-four (24) month period. The City is authorized to collect any refund due the City either directly from the employee or by payroll deduction. Failure by the employee to complete the degree program originally approved will require a 100 percent refund to the City of Calhoun.

Uniform Expense

The City will pay directly to the uniform vendor for departmental uniform orders which have been budgeted and fall within the guidelines of the budget, or the City will reimburse specific employees of departments such as police or fire which order from a variety of vendors. The reimbursement request must include receipts and be signed by the employee and the department head prior to reimbursement. These requests must not exceed the budgeted expense or budget time frame for payment within the fiscal year in which the expenditure was incurred.

Reimbursement for Postage, Small Office Supplies, Tools, and Etc

The City will reimburse employees for expenses paid for postage, small office supplies, tools etc. associated with the performance of their job, provided such items were authorized by the department head. The receipt for these items should be signed, with the name of the department indicated. The receipts should be presented to any petty cash officer during office hours for reimbursement. Reimbursement will not be made for sales tax. In order to reduce the number of petty cash transactions, the employee is encouraged to utilize a purchasing card for these type expenditures, if one is available to them.

The Reimbursement Policy of the City of Calhoun is intended to fully reimburse employees and elected officials for legitimate expenses associated with the performance of their job or duties of office. The reimbursement extends only to employees, agents or elected officials as authorized by this policy, and does not include other family members unless specifically authorized by the proper authorities.

All reimbursements require supervisor approval prior to the expense being incurred. All reimbursement requests shall be filed on forms prescribed by the City of Calhoun Finance Department.

3.5 Employee Personnel Records and Payroll Disbursements—

Policy:

Individual personnel information is kept in the personnel files of the Human Resources Department. The following lists the types of information which should be kept in each employee's file:

- Employment Eligibility Verification (Form I9)
- Federal Employee's Withholding Allowance Certificate (W4)
- Georgia Employee's Withholding Allowance Certificate (G4)
- FLSA Exempt/Non-Exempt Employee Classification Audit
- Notice of worker's compensation procedures
- Employee reprimands/disciplinary actions/appeals
- Medical/ family leave of absence/leave without pay documentation
- Payroll deductions authorization
- Group health and/or supplemental insurance enrollment forms
- Pay Rate Change Form
- Work Habits Evaluation Form
- Signed E-Save affidavit when employee benefits change

The Fair Labor Standards Act (FLSA) specifies procedures to be followed and records which must be kept by employers for certain employees. Fair Labor Standards Act Compliance Procedures are summarized in the City of Calhoun Personnel Policies and Procedures Manual.

Procedure:

Payroll is prepared every two weeks or as determined by Mayor and Council. Salary decisions are the responsibility of the City Administrator/General Manager. Payroll disbursements are recorded in the general ledger by the Human Resources Department and are supported, if required, by time sheets that include the following: name of employee, position, location, hours worked, compensated absences taken, and the signature of the employee and his supervisor certifying that the information given is correct. After time cards are reviewed and signed by the supervisor, they are delivered to the Human Resource Department following the close of the pay period. The appropriate employee enters the hours worked into the accounting system and a report is verified by the Human Resource Director before payroll checks are processed. A check register report is generated by the accounting software and approved by the Human Resource Director and checks are printed and electronically signed using blank check stock. Reports of gross pay and withholding are created by the Human Resource Department and delivered to the Finance Department. Federal and State payroll tax deposits are electronically transmitted within three working days after the payment of wages by the Finance Department. Transfers are made to the payroll account electronically by the Director of Finance. Information for paychecks is uploaded to the bank for electronic deposit for most employees and paystubs or payroll checks, for individuals not participating in electronic deposit, are mailed to all employees on Wednesdays. Quarterly tax reports are prepared by the Finance department from reports supplied by the Human Resource Department.

The Human Resource Department is notified of changes in pay rate status by means of a Rate Increase Form which is signed by the employee's supervisor and the City Administrator/General Manager. A new employee is added to the payroll system by human resource personnel. Changes in withholding exemptions must be supported by new W-4 forms and Georgia G-4 forms which are to be signed and dated by the employee. Changes in types or amounts to be withheld from the employee's pay check for savings deposits, insurance payments, United Way contributions, etc. are supported by written authorization from the employee. All authorizations are kept in the appropriate personnel files.

3.6 Journal Entry–

Policy:

Adjusting entries can be made by the Finance Department and should be approved by the Assistant Director of Finance or Director of Finance.

Procedure:

All entries are filed by month with supporting documentation with a sign-off by the Assistant Director of Finance and Director of Finance at the front of each month's book. Journal entries are also, in essence, reviewed by the Director of Finance during the review of the general ledger.

3.7 Financial Reporting–

Policy:

Periodic summaries of transactions recorded on the general ledger are reviewed by the Director of Finance on a quarterly basis. Department heads are responsible for timely review on all accounts under their care.

Procedure:

Year-to-date budget comparison reports are reviewed by the Director of Finance for each division and used in preparing quarterly reports that are presented to the Mayor and Council. Department heads are responsible for reviewing budget comparison reports monthly and notifying the Finance Department if any questions or corrections arise. Multiple other reports are prepared by the Finance Department to comply with laws, regulations and the requirements of various agencies.

3.8 Audit Policy and Preparation–

Policy:

The City of Calhoun, Georgia in compliance with OCGA 50-20-1 et seq. and the OMB Circular A-133, other Federal regulations, and grantor contracts, requires that an audit of all books and records be conducted by an independent Certified Public Accountant (CPA) annually. The Comprehensive Annual Financial Report is prepared by the City's Finance Department and is intended to fulfill the requirements for audit prescribed by state laws for general-purpose local governments and to fulfill Single Audit requirements of Federal and State governments. Management assumes full responsibility for the completeness and reliability of the information contained in the report, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Procedure:

The Comprehensive Annual Financial Report and all audit workpapers are prepared by the City's Finance Department for review by an independent CPA firm. The senior accountants, Assistant Director of Finance and Director of Finance work closely with the auditors to ensure that all fieldwork is completed in a timely manner to ensure that financial statement preparation is complete and submission is made of the audit report no later than December 31st of each year. At the conclusion of fieldwork, the auditors meet with the Director of Finance to discuss the results of the audit, any internal control issues that have arisen and to request any additional information they need to complete the audit reports. When the final audit reports are received, the Director of Finance presents the audit reports to the Mayor and Council of the City of Calhoun and submits a Comprehensive Annual Financial Report to the State.

4.1 Records Management and Retention–

Policy:

The City of Calhoun meets the State guidelines regarding records retention in accordance with the Georgia Records Act (O.C.G.A. 50-18-90 et seq.). The City Administrator/General Manager or their designee is the appointed Records Retention Officer for the appropriate division.

Procedure:

The City Finance Department maintain two years of records for all financial transactions in the office and all other history is stored in the Records Retention Building on the premises of the Calhoun Utilities Administration building. Records are boxed and stored in an orderly manner with a log maintaining the contents of each box. The crew responsible for maintenance purges the records annually to recycle any information that is no longer required to be maintained according to the State guidelines.

4.2 Affiliate Organizations–

Policy:

A blended component unit, although a legally separate entity, is, in substance, part of the City's operations. The fund types of such component units are blended with the fund types of the City. A brief description of the blended component unit follows:

Calhoun Recreation Authority is governed by a seven-member board consisting of six members appointed by the City Council and one member from the elected City Council. Although it is legally separate from the City, the Recreation Authority is reported as if it were part of the City because its purpose is to finance golf course construction or other recreation activities. Bonds or other debt issued by the Recreation Authority are secured by a lease agreement with the City and will be retired through lease payments from the City.

The City's discretely presented component units are legally separate from the City and a brief description follows:

City of Calhoun, Georgia, Board of Education (School District) is authorized within the City of Calhoun, Georgia's charter to regulate the operations of the system of public schools for the City of Calhoun. The School District consists of five members elected by the citizens of the City. However, the School District is fiscally dependent upon the City

of Calhoun because the City Council must approve the annual budget, levy the necessary property taxes and approve any debt issuances.

The Downtown Development Authority (Development Authority) is a public body created upon the adoption and approval of the Development Authorities Law of the State of Georgia. The Mayor and City Council appoint all members of the Development Authority. To date, the only activities associated with the Development Authority relate to property deeded by the City to the Development Authority, which was sold in fiscal 2004.

The City of Calhoun, Georgia, Housing Authority is a related organization. The Housing Authority has been established under federal laws to carry on activities within the City. The City does appoint board members at the recommendation of the existing board but provides no financing or participation in management or operating decisions of the Authority. The Authority issues separate, audited financial statements with a March 31 fiscal year.

The following organizations are considered joint ventures with the City of Calhoun:

Under Georgia law, the City in conjunction with other cities and counties in the Northwest Georgia area, is a member of the Northwest Georgia Regional Commission (NWGRC). Membership in NWGRC is required by the Official Code of Georgia Annotated (OCGA) section 50-8-34 which provides for the organizational structure of the NWGRC. Membership in the NWGRC includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a NWGRC.

The Calhoun-Gordon County Library is a part of the Dalton, Georgia Regional Library System. This system consists of boards from four member counties. Of the five board members comprising the Gordon County Library Board, one is an appointee of the City. Other board members represent appointees from the City and County school boards and the Gordon County Board of Commissioners. The library board retains asset/equity ownership. The City, local school boards and the Gordon County Board of Commissioners make regular contributions to the Calhoun-Gordon County Library Board. Though the City does provide various support services for the library, the City's ability to significantly influence operations is moderate or comparable in relation to influences of other governments involved. The library issues an annual list of cash receipts and disbursements on a June 30 fiscal year basis.

The Calhoun-Gordon County Airport Authority is a legally separate entity with full corporate powers, including power to establish rates necessary to finance any debt the Authority might incur. The City and Gordon County, Georgia appoint members of the Airport Authority. The City shares appointment powers with the County equally. The City does not significantly influence operations with contributions in excess of the County. The City and County participate in providing local funding when the Authority is recipient of grants that require matching funding. Both the City and County have entered into agreements to participate as joint lessees in order to guarantee certain debt of the Authority. The airport is leased to and operated by a for-profit entity.

4.3 Risk Management—

Policy:

The City will maintain insurance coverage sufficient to cover losses and liabilities for property and unemployment claims.

Procedure:

The City maintains liability insurance coverage with traditional carriers for group insurance coverage, public official liability, comprehensive law enforcement liability, commercial auto and uninsured motorists, property, public employee dishonesty, commercial general liability, and public official bond coverage.

Coverage for workers' compensation is provided through the Georgia Municipal Association (GMA) Workers' Compensation Self-Insurance Fund which is a group self-insured program authorized by state statute and administered by GMA. The fund was created in 1982 to provide workers' compensation statutory coverage to local government entities in Georgia. The fund is the largest source of workers' compensation coverage for municipal governments in Georgia. Municipalities, municipal authorities and commissions, housing authorities, regional development centers, and municipal school districts are eligible to participate in the fund. The premiums paid by the City to the fund are expensed. Other than normal audits associated with workers' compensation coverage, the risk pool has made no additional assessments to its participants since its formation. However, the legislation permitting the formation of the fund does provide for assessment of the fund's membership if contributions and surplus are not sufficient to meet operating expenses or claim loss expenses.

REVISED, this 22th day of February, 2021.

City of Calhoun, Georgia Attest:



James F. Palmer
Mayor



Larry Vickery
Utilities Administrator
Calhoun Utilities



Paul Worley
City Administrator
General Government