Accounting Policies Manual
TABLE OF CONTENTS

Introduction 8

GENERAL POLICIES

Organization Structure 10
The Role of the City Council
Finance Department Responsibilities

Finance Department Overview 12
Organization
Responsibilities

Business Conduct 13
Practice of Ethical Behavior
Compliance with Laws, Regulations and Organizations Policies
Disciplinary Action

Fraud Policy 15
Purpose
Policy
Actions Constituting Fraud
Other Irregularities
Investigation Responsibilities
Confidentiality
Authority for Investigation of Suspected Fraud
Reporting Procedures
Reference to Personnel Rules and Regulations

Security 16
Accounting Department
Access to Electronically Stored Accounting Data
Storage of Back-Up Files

Technology and Electronic Communications 17
Purpose and Scope
Acceptable Use of Organization Property
Password Security
Confidentiality
Copyrighted Information
Other Prohibited Uses
Reporting of Suspected Violations
E-mail and Internet Policy

General Ledger and Chart of Accounts 20
Chart of accounts Overview
Control of Chart of Accounts
Accounts Definitions
Classification of Net Assets
Changes to the Charts of Accounts
City of El Centro Fiscal Year
Journal Entries

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

Revenue 25
Revenue Recognition Policy
Refunds

Billing/invoicing Procedures 26
Overview & Responsibilities for billing and collection
Accounts receivable entry policies
Classification of income and net assets

Cash Receipts 28
Overview
In-House Cash Receipts Processing
Endorsement of Checks
Timeliness of Bank Deposits
Reconciliation of Deposits

Accounts Receivable Management 30
Overview
Monitoring and Reconciliations
Collections
Credits and Other Adjustments to Accounts Receivables
Accounts Receivable Write-Off Authorization Procedures
Reserve for Uncollectible accounts
Delinquent options

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

Purchase Policies and Procedures 34
Overview
Procedures
Vendor Files and Required Documentation
Ethical Conduct in Purchasing
Conflicts of Interest Prohibited
Affirmative Considerations of minority, small business and women owned businesses
Non-discrimination policy

Credit Card Policies and Procedures 39
Purpose
Use of Credit Cards
Security of Credit Cards
Purchases
Procedures
Cardholder Agreement
Cal-Card Request Form

**Cellular Telephone Policy**
Summary
Purpose
General Provisions
Working Condition Benefit
Utilizing Cellular Phones
Acquisition
Review
Accountability
Personal Use of City Cellular Phone
Use of Personal Cellular Phone
Cellular phone authorization request form
Cellular phone employee acknowledgement

**Accounts Payable Management**
Overview/Procedures
Recording of Accounts Payable
New Vendor
Invoices
Preparation of A/P Package
Processing of Payments
Payment Discounts
Employee Expense Reports
Summary

**Travel Policy and Procedures**
Travel Policy Purpose
General Provisions
Planning
Mode of Travel
Lodging
Reservations
Compensation for Travel Time
Covered Costs
Alcoholic Beverages
Other Issues
Submitting Travel Authorization and Cash Advance Request
Traveling
Incurring Non-Travel Expenses
Accounting for Expenses
Violations of Travel Policy
Policy for elected and designated appointed officials

**Cash Disbursement (Check-Writing) Policies**
Check Preparation
Check Signing
Mailing Checks
Voided Checks and Stop Payments
Record-Keeping Associated with Independent Contractors

Payroll and Related Policies 45
Classification of workers as independent contractors or employees
Payroll administration
Changes in Payroll Data
Payroll Taxes
Preparation of Timesheets
Processing of Timesheets
Direct Deposits and Payroll Checks
Review and Approval of Payroll
Distribution of Payroll

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

Cash and Cash Management 51
Cash Accounts
Bank Reconciliations
Cash Flow Management
Stale Checks
Wire Transfers

Petty Cash 53
Purpose
General Definition
Security of Petty Cash
Establishing a Petty Cash Fund
Petty Cash Fund Purchases
Replenishment of Petty Cash Fund
Transferring Petty Cash Fund Custodianship
Increasing/Decreasing/Closing Petty Cash Funds
Revocation of Petty Cash Privileges

Investment Policies 54
Purpose
Investment Objectives
Investment Philosophy
Investment Constraints
Safekeeping of Securities
Maturities
Investments
Depository Services
Reporting
Appendix A – Glossary
Appendix B – Investment Criteria for Financial Institutions
Fixed Asset Management
Purpose/Policy/Objectives
Capitalization Policy
Control Policy
Depreciations
Purchasing & Disposal of Property

Accrued Liabilities
Identification of Liabilities
Accrued Leave

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

Financial Statements
Standard Financial Statements of the City of El Centro
Frequency of Preparation
Annual Financial Statements

Government Returns
Overview
Filing of Returns

FINANCIAL MANAGEMENT POLICIES

Financial Management
Purpose
General policies
Revenue Policies
Cost of growth policies
Reserve policies
Expenditure & budgeting
Debt policies
Capital improvement policies

Budgeting
Overview
Preparation and Adoption
Monitoring Performance
Budget Modifications

Annual Audit
Role of the Independent Auditor
How Often to Review the Selection of the Auditor
Selecting an Auditor
Preparation for the Annual Audit
Responsibilities
Record Retention
Policy

Insurance
Overview
Coverage guidelines

Unrestricted Fund Balance – GASB 54
Purpose
Procedures
Committed Fund Balance
Assigned Fund Balance
Unassigned Fund Balances
Fund Balance Classification
Summary
Exhibit A
INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures applicable to the City of El Centro. Its purpose is to ensure that assets are safeguarded, financial statements are in conformity with generally accepted accounting principles, and that finances are managed with responsible stewardship. This manual is intended as well to formalize accounting policies and selected procedures for the accounting staff and to document internal controls.

The contents of this manual were approved as official policy of the City of El Centro by the City Council and Finance Director. All Finance employees from the City of El Centro are bound by the policies herein, and any deviation from established policy is prohibited.
GENERAL POLICIES
ORGANIZATIONAL STRUCTURE

The Role of the City Council

City of El Centro is governed by its City Council. The City Council is responsible for the oversight of the organization by:

1. Planning for the future
2. Establishing broad policies
3. Identifying and proactively dealing with emerging issues
4. Interpreting the City’s mission to the public
5. Appointing the City Manager, City Attorney and City Clerk

The roles of the City Manager and staff

The City Council is responsible for hiring and periodically evaluating the City Manager. The City Manager reports directly to the City Council and is responsible for the day-to-day oversight and management of the City of El Centro.

The City Manager is responsible for hiring and evaluating Department Directors for each of the City's departments except the City Attorney and City Clerk. Each Department Director reports to the City Manager. Within each Department, Department Directors are responsible for hiring, with approval from the City Manager, employees to work in that department. All employees within a department shall report directly to that Department's Director, who shall be responsible for managing and evaluating all employees within the department.

The Finance Director shall be the chief accounting officer of the City and shall have charge of the administration of the financial affairs of the City of El Centro, under the direction of the City Manager. The Department of Finance shall be under the direction of the City Finance Director.

Finance Department Responsibilities

The Finance Director is responsible for direction and oversight regarding the overall financial management of the City of El Centro.

Functions of the Finance Department include:

1. Preparation and review of the City's annual budget
2. Monitoring actual vs. budgeted financial performance
3. Long-term financial planning
4. Invests City funds and monitors performance
5. Oversight of reserve funds
6. Responsible for recommending the hiring of and communicating with an independent CPA firm to fulfill the requirement for an annual audit.

7. Prepares the final audited financial statements (CAAFR)

8. Responsible for payroll duties and responsibilities

9. Responsible for accounts payable duties and responsibilities

10. Responsible for business license maintenance, administration and control

11. Responsible for utility billing/cashiering maintenance, administration and control

12. Responsible for maintenance and control of Fixed Assets
FINANCE DEPARTMENT OVERVIEW

Organization

The finance department consists of nine permanent full time and one part time temporary staff members that manage and process financial information for the City of El Centro. The positions comprising the Finance Department of the City of El Centro, and the titles of each position used throughout this manual, are as follows:

- Finance Director      Leticia Salcido
- Finance Manager      Richard Romero
- Accountant           Elizabeth Fuchen
- Accounting Specialist Karla Rodriguez
- Accounting Assistant
  - Payroll             Luisa Castro
  - Accounts Payable    Maria Frazier
- Customer Service Supervisor Maria Elena Herbert
- Customer Service Representatives
  - Aide Suarez
  - Michelle Garcia
  - Frances Ornelas (part time/temporary)

Responsibilities:

The primary responsibilities of the Finance Department consist of:

- General Ledger
- Budgeting
- Annual Audit
- Financial Statements Preparation
- Cash and Investment Management
- Grants Administration
- Purchasing
- Revenues
- Cash Receipts
- Business License
- Accounts Payable
- Cash Disbursements
- Payroll
- Bank Reconciliation
- Cash Reconciliation
- External Reporting of Financial Information
- Compliance with Government Reporting Requirements
BUSINESS CONDUCT

Practice of Ethical Behavior:

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of the City of El Centro depend to a very large extent on the following considerations.

Each employee must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. It is each employee's responsibility to apply common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with the City of El Centro policy?
4. Am I sure my action does not appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known with the Organization or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?

Each employee should be able to answer "yes" to all of these questions before taking action.

Each Director, manager and supervisor is responsible for the ethical business behavior of her/his subordinates. Directors, Managers and supervisors must weigh carefully all courses of action suggested in ethical as well as economic terms, and base their final decisions on the guidelines provided by this policy as well as their personal sense of right and wrong.

Compliance with Laws, Regulations and Organization Policies

The City of El Centro does not tolerate the willful violation or circumvention of any Federal, State or Local law by an employee during the course of that person's employment; nor does the City of El Centro tolerate the disregard or circumvention to their policies or engagement in unscrupulous dealings. Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden. Implementation of the provisions of this policy is one of the standards by which the performance of all levels of employees will be measured.
Disciplinary Action

Failure to comply with the standards contained in this policy will result in disciplinary action as outlined in the City’s personnel rules and regulations.

The following action shall constitute a violation of this policy:

1. Authorizing or participating directly in actions that are a violation of this policy.

2. Deliberately failing to report a violation or deliberately withholding relevant and material information concerning a violation of this policy.

3. Retaliation, directly or indirectly, or encouraging others to do so, against any employee who reports a violation of this policy. This shall apply to all directors, managers and supervisors.
FRAUD POLICY

See City of El Centro’s policy #308 “Fraud Policy & Procedures” under the general category. This policy was adopted October 18, 2011.

See Attachment - 1
SECURITY

Accounting Department
A lock will be maintained on the door leading into the Customer Service Area. This door shall be closed and locked during the working hours. The key/combination to this lock will be provided to all finance department personnel. The combination of the lock will be changed at the discretion of the Finance Director.

The cash received from customers as well as the signature stamps shall be stored in a fireproof cabinet that is located inside the vault at the finance department. This vault will be closed and locked in the evenings.

Blank check stock is kept in a locked cabinet inside the finance vault; the petty cash box is stored in a locked drawer in the finance vault.

The electronic signature keys, used for accounts payable and payroll checks, are kept in a locked fireproof safe box inside a file cabinet in the at the Finance Managers’ office.

Access to Electronically Stored Accounting Data
It is the policy of the City of El Centro to utilize passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret. Administration of passwords shall be performed by the Finance Director and IT department. Each password enables a user to gain access into the accounting software only to those menus necessary for each employee’s required duties.

Storage of Back-Up Files
It is the policy of the City of El Centro and responsibility of the IT Department to maintain back-up copies of electronic data files offsite in a secure, fire-protected environment, back-up is performed in a daily basis. Access to back-up files shall be limited to individuals authorized by management.
TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

Purpose and Scope
The purpose of this policy is to identify guidelines for the use of the City of El Centro technologies and communication systems. This policy establishes a minimum standard that must be upheld and enforced by users of the organization’s technology and communications systems.

The term "user" as used in these policies refers to employees (whether full-time, part-time or limited term), and any other user having authorized access to, and using any of, the City's computers or electronic communications resources.

Computer and electronic communications resources include, but are not limited to, host computers, file servers, stand-alone computers, laptops, printers, fax machines, phones, on-line services, E-mail systems and all software that is owned, licensed or operated by the City Of El Centro.

Acceptable Use of Organization Property
Use of the City's computers and electronic communications technologies is for programmatic and business activities of the City of El Centro. All use of such resources shall be in an honest, ethical, and legal manner that conforms to applicable license agreements, contracts, and policies regarding their intended use. Although incidental and occasional personal use of the City's communications systems is permitted, users automatically waive any rights to privacy.

In addition, the information, ideas, concepts and knowledge described, documented or contained in the City’s electronic systems are the intellectual property of the City of El Centro. The copying or use of the City's intellectual property for personal use or benefit during or after employment (or period of contract) with the City of El Centro is prohibited unless approved in advance by the City.

All hardware (laptops, computers, monitors, mice, keyboards, printers, telephones, fax machines, etc.) issued by the City of El Centro is the property of the organization and should be treated as such. Users may not physically alter or attempt repairs on any hardware at any time. Users must report any problems with hardware to the Information Technology Department.

Password Security
Users are responsible for safeguarding their login passwords. Passwords may not be shared, nor should they be printed or stored on-line. Users should not leave their computers unattended without logging off.

Confidentiality
All information about individuals or organizations served by the City of El Centro is confidential. No information may be shared with any person or organization without the prior approval of the City.

Copyrighted Information
Use of City of El Centro electronic communication systems to copy, modify, or transmit documents, software, information or other materials protected by copyright, trademark, patent or trade secrecy laws, without obtaining prior written permission from the owner of such rights in such materials, is prohibited.
Other Prohibited Uses

Other prohibited uses of the City's communication systems include, but are not limited to:

1. Engaging in any communication that is discriminatory, defamatory, pornographic, obscene, racist, and sexist or that evidences religious bias, or is otherwise of a derogatory nature toward any specific person, or toward any race, nationality, gender, marital status, sexual orientation, religion, disability, physical characteristic, or age group.

2. Browsing or downloading and/or forwarding and/or printing pornographic, profane, discriminatory, threatening or otherwise offensive material from any source including, but not limited to, the Internet.

3. Engaging in any communication that is in violation of federal, state or local laws.

4. Proselytizing or promoting any religious belief or tenet.

5. Campaigning for or against any candidate for political office-or any ballot proposal or issue.

6. Sending, forwarding, redistributing or replying to "chain letters."

7. Unauthorized use of passwords to gain access to another user's information or communications on City of El Centro systems or elsewhere.

8. Advertising, solicitation or other commercial, non-programmatic use.

9. Knowingly introducing a computer virus into the City's communication system or otherwise knowingly causing damage to the City's systems.

10. Using the City's systems in a manner that interferes with normal business functions in any way, including but not limited to, streaming audio from the Internet during business hours, stock tickers, installing unauthorized software, etc.

11. Excessive personal use of the City's technologies that preempts any business activity or interferes with organizational productivity.

12. Sending e-mail messages under an assumed name or obscuring the origin of an e-mail message sent or received.

13. Sending threatening or harassing e-mails or other messages.

Reporting of Suspected Violations

Suspected violations of these policies should be immediately and confidentially reported to your immediate supervisor. If you prefer not to discuss it with your supervisor, you may contact the Department Director or Human Resources Department.
E-mail and Internet Policy
The established procedures for the use of e-mail and the Internet are more fully explained in Policy Statement No. 102 “E-mail and Internet Policy”. This policy is under the General Category and was adopted on July 1999.

See Attachment - 2
GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of the City of El Centro, and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

Chart of Accounts Overview
The chart of accounts is the framework for the general ledger system, and therefore the basis for the City of El Centro accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, and expense account.

The City of El Centro chart of accounts is comprised of five types of accounts:

100000    Assets
200000    Liabilities
300000    Equity
400000    Revenues
500000 – 800000  Expenses

There are three types of accounts: balance sheet, revenues and expense accounts. Balance sheet accounts are asset, liability, and Equity accounts and they appear on the statement of financial position. The revenue and expense accounts, as well as gain and loss accounts, appear on the statement of activities. The revenue and expense accounts are annually closed or zeroed out, but balance sheet accounts are permanent.

Accounts are numbered using a three digit sequence for fund (*), a two digit sequence for function, a three digit sequence for department, a four digit sequence for division, one digit for category, and a 6 digit sequence for object.

(*) A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of El Centro, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of El Centro can be divided into three categories; governmental funds, proprietary funds and fiduciary funds.

Example
101 – 20 – 210 – 2102 – 0 – 610123
Fund   Fcn  Dept  Div  Cat  Object
Fund - General Fund
Control of Chart of Accounts
The City of El Centro chart of accounts is monitored and controlled by the Director of Finance. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Finance Director, who ensures that the chart of accounts is consistent with the organizational structure of the City of El Centro and meets the needs of each division and department.

Account Definition

<table>
<thead>
<tr>
<th>General Ledger</th>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account Range</td>
<td></td>
<td></td>
</tr>
<tr>
<td>101000-190000</td>
<td>Assets</td>
<td>Assets are probable future economic benefits obtained or controlled by the City as a result of past transactions or events. Assets are classified as current assets, fixed assets, contra-assets, and other assets. Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date. Fixed assets are tangible assets with a useful life of more than one year that are acquired for use in the operation of the organization and are not held for resale. Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable. Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments. Some examples are security deposits, property and long-term investments.</td>
</tr>
<tr>
<td>200101-290000</td>
<td>Liabilities</td>
<td>Liabilities are probable future sacrifices of economic benefits arising from present obligations of the City to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities are classified as a current or long-term.</td>
</tr>
</tbody>
</table>
Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a bond payable.

**Net Assets**

Net Assets is the difference between total assets and total liabilities. See the next section for City of El Centro policies on classifying net assets.

**Revenues**

Revenues – The City of El Centro governmental funds are principally supported by taxes and intergovernmental revenues. Business type activities funds recover all or significant portion of their cost through user fees and charges.

The governmental activities from City of El Centro include general government, public safety, community development, public works, and parks and recreation. The business type activities of the City of El Centro include water, sewer (wastewater), solid waste, transit and a community hospital.

**Expenses**

Expenses are outflows or other using up assets or incurrence’s of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute the City of El Centro ongoing major or central operations.

**Classification of Net Assets**

In the Government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City’s other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.
Changes to the Chart of Accounts
Additions to, deletions from or any other changes to the City of El Centro standard chart of accounts shall only be done with approval of the Finance Director.

City of El Centro Fiscal Year
The City of El Centro shall operate on a fiscal year that begins on July 1st and ends on June 30th. Any changes to the City’s fiscal year must be ratified by majority vote of the City’s Council of the City of El Centro.

Journal Entries
All general ledger entries that do not originate from a subsidiary ledger shall be supported by the corresponding documentation which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

1. Recording of non-cash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expense

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Accruals of recurring expenses
2. Interest Allocation
3. Reclassification of Payroll Cash Account
4. Due to Due from account adjustment

It is the policy of the City of El Centro that all journal entries not originating from a subsidiary ledger shall be authorized by the Finance Manager and Finance Director.
POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS
Revenue

Revenue Recognition Policy

The City of El Centro receives revenue from several types of transactions. Revenue is recognized depending on the type of fund the revenue pertains to.

Revenues in the government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Revenues in the governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Property taxes, transient occupancy taxes, and interest are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Refunds

Utility deposits will be refunded in accordance with Resolution Number 80-59 pursuant to section 28-10 of the Code of the City of El Centro.
BILLING/INVOICING PROCEDURES

Overview & Responsibilities for billing and collection

The following is a list of items billed and/or accrued and received by the City of El Centro and the frequency with which each is billed. The position for the employee responsible for each billing is also noted.

Annual Billing – Accounting Specialist
  1. Business License
  2. BID

Semiannual Billing - Accountant
  1. El Centro Regional Medical – El Centro City Attorney
  2. El Centro Regional Medical – El Centro City Clerk

Quarterly Billing - Accountant
  1. Central Union High School District - Resource Officers for CUHS School
  2. Central Union High School District - Resource Officers for Southwest School
  3. El Centro Elementary School District Resource Officers
  4. City of Calipatria – Fire Dispatch
  5. City of Imperial – Dispatch
  6. CALTRANS – Maintenance of Highway route 86

Quarterly Billing – various departments
  1. Grants

Monthly Billing - Utility billing supervisor
  1. Water
  2. Sewer (wastewater)
  3. Solid waste

The billing for utilities is normally on the 25th of the month. The billing for solid waste and wastewater is for services through the 24th. The billing for water is based on cycles. There are 15 billing cycles.

Continuous Billing – Accountant
  1. Miscellaneous
     a. Fire Department Inspections
     b. Police Department Inspections
     c. Building Permits
     d. Planning Permits
     e. City’s Miscellaneous

The Finance Department of the City of El Centro is responsible for the billing, customer service and collection of the receivables.

Accounts Receivable Entry Policies
Posting of customer invoices to the accounts receivable subsidiary ledger shall be performed by individuals independent of the cash receipts function of the City of El Centro.
Posting of credit memos and other adjustments to customer accounts receivable shall also be performed by an individual independent of the cash receipts function of the City of El Centro.

Classification of income and Net Assets

Certain assets of special revenue grant funds are classified as restricted assets because their use is restricted by grant agreements.

Certain resources of the debt service fund and the Water and Wastewater funds are set aside for the repayment of bonds and certificates of participation and are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Certain resources of the Group Health Insurance internal service fund and the Deferred Compensation agency fund are classified as restricted because their use is limited by the provisions of plan documents.

Other restricted resources consist of funds limited as to use by donors. Restricted gifts, bequests and grants are reported as restricted funds until expenditures are made for the donor's intended purpose.
CASH RECEIPTS

Overview

Cash (including checks payable to the City) is the most liquid asset an organization has. Therefore, it is the objective of the City of El Centro to establish and follow the strongest possible internal controls in this area.

In-House Cash Receipts Processing

For funds that are received directly at the City of El Centro, cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis. All cash is entered and posted by the customer service utility clerks in the utility billing department of finance.

The individuals who entered, posted and prepared the daily list of cash receipts shall not be involved in the accounts receivable process.

The Customer Service Utility clerk processes payments received through the “Payment Entry Program”. At the end of the day the clerk will release the batches created which reflects the number of receipts and the batch dollar amount total. The clerk will now output and release the payment batch for proofing and posting to the general ledger by the customer service supervisor. The general ledger is not updated until the payment journal and post program has been successfully run in MUNIS. Once the Supervisor has verified the accuracy of the batch she proceeds to initiate the payment journal and post program.

A deposit slip is prepared from the cash/check received and compared to the daily receipts listing for discrepancies. Deposits are prepared and taken to the bank by an individual other than the employee who prepared the daily cash receipts listing (armored service).

Endorsement of Checks

It is the policy of the City of El Centro that all checks received that are payable to the City shall immediately be restrictively endorsed by the customer service representative that prepares the daily receipts listing. The restrictive endorsement shall be through the register, for all receipts at the window, and includes the following information:
1. Receipt No
2. Bank Account No
3. Bank Name
4. “City of El Centro”
5. “For Deposit Only”
6. Date
7. Amount

For mail and miscellaneous receipts the restrictive endorsement is through the endorser machine and contains the following information:

1. Bank Name
2. Routing #
3. “For Deposit Only”
4. “City of El Centro”
5. “General Account”
6. Account number
7. Date

Timeliness of Bank Deposits
The City of El Centro contracted with BRINKS INCORPORATED to collect the monies, at the different City locations, and to deposit them at the bank. The following is the pick-up schedule:

Customer Department          Daily
Police Department             Every other week
Community Center             Once a week and during the summer months (Jun - Aug) 3 times per week.
Public Library               Temporarily they take their monies to the customer service department to be picked up for Brinks. (Until Library resumes regular operations)

Reconciliation of Deposits
On a monthly basis, the accountant, who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listings of receipts to bank deposits reflected on the monthly bank statement. Any discrepancies shall be immediately investigated and reported to the Director of Finance or Finance Manager.
ACCOUNTS RECEIVABLE MANAGEMENT

Overview

On a monthly basis, a detailed accounts receivable report (showing aged, outstanding accounts by customer) is generated and reconciled to the general ledger by the utility billing supervisor. All differences are immediately investigated and resolved. The Director of Finance reviews the accounts receivable report on a monthly basis.

Collections

Collections for active utility accounts is as follows:

All charges for water service shall be billed monthly on the 25th of each month. Such charges shall be due on the 15th of the following month.

- Any water bill unpaid by the 15th shall be delinquent. Water service may be discontinued when any bill remains unpaid on the last day of the month in which delinquency began.

- Water Service shall not be restored until all charges have been paid.

Collections for closed utility account is as follows:

Collections are performed on a monthly basis according to a review of the outstanding items shown on the accounts receivable aging report. This report shows the current month’s activity for each customer and prior month balances outstanding for 30, 60 and 90 days.

- Accounts with unpaid balances are reviewed monthly by the utility billing supervisor and the Director of Finance. After a balance is unpaid for 30 days the designated personnel will contact the customer by sending letter #1 requesting payment.

- If 60 days have elapsed without payment, the utility billing supervisor will send letter #2 requesting that payment be made within 30 days and that if payment is not received the account will be sent to a collection agency.

- If 90 days have passed without payment, the account will be turned over to a collection agency subsequent to review and approval by the Director of Finance or designee.

- A record will be kept of all correspondence.

Credits and Other Adjustments to Accounts Receivable

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include adjustments for billing errors. All
credits shall be processed by an employee who is independent of the cash receipts function. In addition, all credits shall be authorized by the Director of Finance or Finance Manager.

**Accounts Receivable Write-Off Authorization Procedures**

It is the policy of the City of El Centro to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. Write-offs are initiated by the utility billing department with the approval of the Director of Finance or designee. If an account receivable is deemed uncollectible, the listing of accounts to be written off shall be signed by the Director of Finance indicating the approval of the write off of the account.

Once a write-off has been processed, the utility billing supervisor will maintain a master list of bad accounts. Customers listed on the write off list will be extended future credit only if the back debt is paid.

If write-off procedures have been initiated, the following accounting treatment applies:

1. Current fiscal year accounts receivables that are written off will be charged against the bad debt expense account. Debit to bad debt expense account and credit to accounts receivable.
2. Accounts written off that are dated prior to the current year will be treated as bad debt and will reduce the allowance for doubtful accounts, discussed in the next section. Debit to allowance for uncollectible account and credit to accounts receivable.

**Reserve for Uncollectible Accounts**

It is the policy of the City of El Centro to maintain a reserve for uncollectible accounts. At the end of each fiscal year, the allowance for doubtful accounts is adjusted based on the following factors:

1. An analysis of outstanding, aged accounts receivable
2. Historical collection and bad debt experience
3. Evaluations of specific accounts based on discussions with Utility Billing Supervisor.

Year-end adjustments to the allowance for uncollectible accounts shall be performed only with authorization from the Director of Finance.

This allowance for uncollectible accounts is used in the following year to write off those items that are deemed uncollectible from the prior year after further collection efforts have been abandoned, as described earlier.
Delinquent Options

Extension Payment Program
A payment extension may be requested to the Customer Service Representative at the utility billing counter. An extension request form should be completed and submitted to finance. Any extension granted will be valid through the last working day of the month in which delinquent notice was received.

A delinquent charge of $10.00 dollars is applicable. If Extension is granted, water service will no be disconnected. Account’s previous balance plus $10.00 dollars delinquency charge shall be paid in full on or before the date granted for extension to avoid interruption of service.
POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS
PURCHASING POLICIES AND PROCEDURES

See City of El Centro’s Ordinance Number 07-16 “Purchase Policy”. This policy was revised and adopted by City Council on October 3, 2007.

The policies and procedures for all purchases made by the City of El Centro are in accordance with City of El Centro Ordinance No. 07-16 per Division 5 of Article IV of Chapter 2 of the Code of the City of El Centro.

Additional policies applicable to public projects are in accordance with City of El Centro Ordinance No. 90-15, as amended, Division 5.1 of Article IV of Chapter 2 of the Code of the City of El Centro and the Uniform Public Construction Cost Accounting procedures.

See Attachment - 3

Overview

It is the policy of the City of El Centro to follow a practice of ethical, responsible and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The purchase policy describes the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

Procedures – responsibility for purchasing

As stated in Ordinance No. 07-16 the Director of Finance, or in the alternative such other person as may be designated in writing by the City Manager, shall be and is appointed to perform the functions of the Purchasing Officer for the City. All purchases and contracts shall be reviewed and approved by the Director of Finance.

All department directors shall have the authority to initiate purchases on behalf of their department within the guidelines described in the City's purchase policy. Department Heads may delegate purchasing authority to responsible individuals within their department. Directors' shall inform the finance department of all individuals that may initiate purchase requisitions in order to complete the configuration in MUNIS. The system administrator (Finance Director) will set up the individual's purchase and requisition authority within the MUNIS system.

All City purchases require a requisition. Requisitions must be entered into the accounting system "MUNIS". The requisitions will be electronically routed for approval to the respective manager, department head, Finance Manager and Finance Director. Because the Finance Director is an approver she/he shall not have the authority to initiate purchase requisitions and purchase orders. A purchase order will be issued by the Finance Department only after the requisition has been approved at all of these levels.

The requisition must include the following information:

1. Description of item (goods/services) being requested for purchase.
2. General ledger account number.
3. Amount of purchase
4. Quantity
   a. All purchases requested “Requisitions” must be approved by immediate supervisor/manager and department head.
   b. All “Requisitions” should be approved by the Finance Manager and Finance Director.
5. Once a requisition has been released by the originator (and fully approved), it is then eligible to be converted to a purchase order. Once requisitions are converted, they are ready to be reviewed, posted and printed. The Accounting Specialist distributes hard copies of all converted purchase orders to the respective department and finance accounts payable department. The conversion process is performed twice a day.

6. All Purchase Order may be received electronically in the MUNIS system. The receiving program acts as confirmation that goods/services have been received so that staff can process the related invoices.

7. The designated staff in each department has to prepare the account payable packages in order to proceed with the payment of the invoice. (Please refer to Accounts Payable policy and Procedures for more detail)

Vendor Files and Required Documentation
The Finance Department (Accounting assistant - accounts payable) shall create a vendor folder for each new vendor from whom the City of El Centro purchases goods or services.

Upon making the initial purchase from any vendor (regardless of whether a contract is involved), the Finance Department (Accounting assistant – accounts payable) shall receive from the vendor a complete and signed Form W-9. The completed and signed Forms W-9 shall be filed in each vendor's folder.

Ethical Conduct in Purchasing
Ethical conduct in managing the City’s purchasing activities is an absolute essential. Staff must always be mindful that they represent the City of El Centro and share a professional trust with other staff and the general membership.

Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.

Conflicts of Interest Prohibited
No employee or council member of the City of El Centro shall participate in the recommendation, selection approval or administration of a vendor if a real or apparent conflict of interest would be involved. Such a conflict would arise if a City Council member, employee, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected. In certain instances the City may not enter into contracts or do business with certain entities that are owned, operated, managed by, or that employ officers of the City.

Employees and council members of the City of El Centro shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub agreements.
Affirmative Considerations of Minority, Small Business and Women-Owned Businesses

Positive efforts shall be made by the City of El Centro to utilize small business minority owned firms, and women's business enterprises, whenever possible, and as required by Federal law. The following steps shall be taken in furtherance of this goal:

1. Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.
2. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms and women's business enterprise.
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms and women's business enterprises.
4. Encourage contracting with consortiums of small businesses, minority owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.
5. Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms and women's business enterprises.

Non-Discrimination Policy

All vendors/contractors who propose to perform any work or furnish any goods under agreements with the City of El Centro shall agree to these important principles.

1. Vendors/contractors will not discriminate against any employee or applicant for employment because of race, religion, color sexual orientation or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the vendors/contractors.
2. Vendors/contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause. Notices advertisement and solicitations placed in accordance with Federal law, rule or regulation shall be deemed sufficient for meeting the intent of this section.

Awards to Debarred and Suspended Parties

The City will not make any award or permit any award (sub grant or contract) to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549 and 12689 “Debarment and Suspension”.

Bid Protest Review Procedures

Introduction: The intent of this procedure is to provide bidders with a process to formally object to a contract award. Before deciding on protesting a solicitation award, bidder should first discuss any issues with the Purchasing Officer. For contracts or purchase orders that require approval by the City Council, bid documents and responses are considered confidential until after the bid opening and such documentation will not be released to the public for review until after the City Council takes action on the contract or purchase order award recommendation.
Definitions:
Purchase Officer — Director of Finance
Solicitation — A request for bid, proposal, or quote
Bidder - A vendor, contractor, firm, or company submitting a solicitation proposal.
Protest- Formal written document contesting award of a contract.

Bidders Protest Procedures - Any bidder in the course of a competitive solicitation who is determined non-responsive or who is not being recommended for award of a contract may Protest the solicitation award.

1. A bidder may submit a Protest if they believe that:
   a. The rating factors and/or evaluation criteria put them at an unjust disadvantage,
   b. Purchasing erred in its conclusion that the bidder's solicitation was non-responsive or failed to follow procedures set forth in the solicitation document and therefore was unfairly disqualified from the solicitation process,
   c. Bidder provided the overall best value response, and that Purchasing erred in not recommending them for award of the contract or purchase order, or
   d. Purchasing failed to follow written policy and/or procedures.

2. The bidder must submit a formal written Protest to the City Clerk prior to the time set for the City Council to take action or within ten (10) business days after the award by the purchasing officer.

3. The bidder's Protest should provide evidence that the City failed to follow procedures specified in the solicitation or made identifiable mathematical errors or other calculation errors while evaluating the solicitation.

Within a reasonable amount of time, the Protest review shall be completed and a determination shall be provided in writing to the bidder. Throughout the review process, the City has no obligation to delay or otherwise postpone an award of a contract based on a bidder's protest.

Bidder Solicitation Request Review Guidelines - Bidders have an obligation to adhere to review timeframes and to submit appropriate documentation to support their concerns.

Bidder's formal Protest must:
1. Cite the legal basis for the review request.
2. Reference relevant documentation that will support their case.
3. Reference the solicitation number and the appropriate sections and page numbers.

A review may be granted if the Protest is submitted prior to the time set for the City council to take action or within ten (10) business days of award notification by the purchasing officer and the following criterion is met:
1. The firm/person submitting Protest is a bidder.

2. The Protest review request alleges that:
   a. Bidder submitted a responsive solicitation that was erroneously disqualified; or
b. If Bidder is determined to be not responsible, that Bidder’s solicitation proposal should have been the lowest cost, responsive and responsible, best value bidder or ranked the highest rated bidder and was not selected for contract award.

3. The Protest itemizes in appropriate detail and with factual reasons, the grounds for review as set forth below:
   a. The Protest must assert that the City made an error in disqualifying the bidder.
   b. The Protest must assert that the City failed to follow policy and/or procedures.
   c. The Protest must assert that the City made identifiable mathematical or other errors in the evaluation process.
   d. The Protest must assert that the City demonstrated bias in the conduct of the evaluation.

**Protest Review and Analysis** - Unless State or Federal statutes or regulations otherwise provide, the review of any determination or action will be conducted by the Purchasing Officer and City Manager with the advice of the City Attorney and be limited to the following:

- Review of Solicitation Requirements
- Review of Disqualified Proposal
- Review of Proposed Vendor Selection Criteria

In all cases, the first level review of any protest shall be conducted by the Director of the Department handling the solicitation. However, should a bidder disagree with the conclusion of the Director the bidder may submit a formal written request for further review by the Purchasing Officer and City Manager.

The Council with the advice of the Purchasing Officer, City Manager and City Attorney will render a decision on the Protest. The City Council’s decision shall be final.

The City’s website will include information on how a bidder may Protest.
CREDIT CARD POLICY AND PROCEDURES

See City of El Centro’s policy # 307 “Cal-Card Policies & Procedures” under the financial management category. This policy was adopted on October 18, 2011.

See Attachment - 4
CELLULAR TELEPHONE POLICY

Cellular telephone policy
See City of El Centro’s Cellular Telephone Policy #103 under the General category. This policy was adopted on November 1999 and Revised on October 18, 2011.

See Attachment - 5
ACCOUNTS PAYABLE POLICY AND PROCEDURES

See City of El Centro’s policy # 309 titled “Accounting Procedures – Accounts Payable”. This policy is under the financial management category and was adopted on October 12, 2011.

See Attachment - 6
TRAVEL POLICY AND PROCEDURES

See City of El Centro’s policy # 105 “Travel” under the general category. This policy was adopted on April 2, 2003.

See City of El Centro’s policy # 105.1 “Expense & Reimbursement policy for elected and designated appointed officials. This policy was adopted on February 6, 2008.

See Attachment - 7
CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation
It is the policy of the City of El Centro to print vendor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

- Expenditures must be supported in conformity with the purchasing, accounts payable, and travel, expense and reimbursement policies described in this manual.
- Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.
- Generally, all vendors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
- Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
- All supporting documentation is attached to the corresponding check prior to forwarding the A/P package to an authorized check signer.
- Checks shall be printed in numerical order.
- Checks shall never be made payable to "bearer" or "cash".
- Checks shall never be signed prior to being prepared. (No signed blank checks).
- Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be stamped with “PAID” in order to prevent subsequent reuse.

Check Signing
No checks shall be signed prior to the check being completed in its entirety (no signing of blank checks).

It is the policy of the City of El Centro that each check shall be signed by two authorized check signers.

At least one of the check signers should examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

Mailing of Checks
After signature, checks are returned to the individual who prepared them, who then mails checks immediately. Checks shall not be mailed by individuals who authorize expenditures.
**Voided Checks and Stop Payments**
Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID". All voided checks are processed by the Accountant a journal entry is generated and shall be retained to aid in preparation of bank reconciliations. (See accounts payable policy for procedures performed in processing voided checks).

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by the Accountant through the Bank Commercial Electronic Office. A confirmation is printed and attached to the hard copy of the journal entry that is generated by MUNIS.

**Record-Keeping Associated with Vendors**
The City of El Centro shall obtain a completed Form W-9 from all vendors to whom payments are made. A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be accumulated over the course of a calendar year.
PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

It is the policy of the City of El Centro to consider all relevant facts and circumstances regarding the relationship between City of El Centro and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between the City of El Centro and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control

2. Financial control

3. The type of relationship of the parties

Facts associated with each of these categories that will be considered by the City of El Centro in making employee/contractor determinations shall include:

1. Behavioral control:

   a. Instructions given by the City of El Centro to the worker that indicate control over the worker (suggesting an employee relationship), such as:
      (1) When and where to work
      (2) What tools or equipment to use
      (3) What workers to hire or to assist with the work
      (4) Where to purchase supplies and services
      (5) What work must be performed by a specified individual
      (6) What order or sequence to follow

   b. Training provided by the City of El Centro to the worker (i.e. employees typically are trained by their employer, whereas contractors typically provide their own training)

2. Financial control:

   a. The extent to which the worker has unreimbursed business expenses (i.e. employees are more likely to be fully reimbursed for their expenses than is a contractor)

   b. The extent of the worker's investment in the facilities/assets used in performing services for City of El Centro (greater investment associated with contractors)

   c. The extent to which the worker makes services available to the relevant market
d. How the City of El Centro pays the worker (i.e. guaranteed regular wage for employees vs. flat fee paid to some contractors)

e. The extent to which the worker can realize a profit or loss.

3. Type of Relationship:
   a. Written contracts describing the relationship that City of El Centro and the individual intend to create
   b. Whether City of El Centro provides the worker with employee-type benefits, such as insurance, paid leave, etc.
   c. The permanency of the relationship
   d. The extent to which services performed by the worker are a key aspect of the regular business of City of El Centro

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is $600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from “compensation” are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the City of El Centro personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

Payroll Administration

City of El Centro operates on a bi-weekly payroll. For all City of El Centro employees, a personnel file is established and maintained, with current documentation, as described throughout this section and more fully described in City of El Centro Personnel Manual.

The following forms, documents and information shall be obtained and included in the personnel files for all new employees:

1. City of El Centro Employment Application (and resume, if applicable)
2. Applicant references
3. Interview questions and notes
4. Form W-4 Employee Federal Withholding Certificate
5. Form DE-4 State Withholding Certificate (if applicable)
6. Form 1-9 Employment Eligibility Verification
7. Copy of driver’s license
8. Copy of Social Security card issued by the Social Security Administration
9. Starting date and scheduled hours
10. Job title and starting salary
11. Authorization for direct deposit of paycheck along with a voided check or deposit slip

Changes in Payroll Data

It is the policy of City of El Centro that all of the following changes in payroll data are to be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing on a Payroll Change Authorization Form (PCA) by the following individuals:

   a. HR Analyst
   b. Director of Human Resources
   c. City Manager
   d. Accounting Assistant
   e. Director of Finance

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Documentation of all changes in payroll data shall be maintained in each employee’s personnel file.
Payroll Taxes

The Finance Department is responsible for ensuring that all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. Payroll taxes are paid on pay dates through Wells Tax payments online.

It is the policy of City of El Centro to obtain an updated Form W-4 from each employee in January of each year. Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Preparation of Timesheets

Each City of El Centro employee must submit a signed and approved timesheet no later than 12:00 noon on the Tuesday following the close of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period. Exempt employees shall reflect only the compensated absences (exceptions) on the timesheet.
2. Timesheets shall be prepared in ink.
3. Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e. employees shall not use "white out" or correction tape).
4. Compensated absences should be clearly identified as such.
5. Timesheets must be signed by the employee.

After preparation, timesheets shall be approved by department directors or his/her designee, prior to submission to the Finance Department. Corrections identified by an employee's supervisor/department director shall be authorized by the employee by placing the employee's initials next to the change. In the event that the employee or supervisor is unavailable the director may sign authorizing the correction.

A City employee who is on leave, on travel, or is ill on the day that timesheets are due may telephone or e-mail timesheet information to his or her supervisor (or designated alternate). Time so submitted must reflect the actual time worked. The employee must initial a timesheet submitted in this manner immediately upon his/her return to the office. Timesheets submitted in this manner shall bear the notation, "Time reported by telephone or e-mail by employee to supervisor or
designated alternate”. The timesheet shall be signed by the supervisor or the
designated alternate.

Processing of Timesheets

Processing of timesheets in the finance department is performed by the
Accounting Assistant-payroll. The Accounting Assistant checks all
timesheets for mathematical accuracy, then inputs all timesheets into the payroll
system.

The Accounting assistant may not change or correct timesheets. When errors are
noted, a corrected and approved timesheet will be requested from the
employee and respective supervisor.

Tampering with, altering, or falsifying time records, recording time on another
employee’s time record, or willfully violating any other timesheet policy or procedure
is not allowed.

Direct Deposit and payroll checks

The transfer of the direct deposit is conducted through Wells Fargo ACH. In order to
transfer the direct deposit the City should provide to the bank a security key code. The
Accounting Assistant should make sure a direct deposit confirmation is received after
every transfer. The printing of the payroll checks require security paper and a MICR ink.
The checks should be signed by the Director of Finance, therefore a signature key is
kept in a security box that only approved personnel has access to.

Review of Payroll

Upon production of all payroll reports and checks, the Director of Finance reviews
payroll reports, taxes to be paid and all other relevant information. This
procedures shall be performed prior to the distribution of the check to
employees.

Distribution of Payroll

Payroll payments (or check stubs for electronic deposits) shall be distributed by
individuals who do not approve time sheets, are not responsible for hiring and firing,
and do not control the preparation of payroll.
POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS
CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):
The primary operating account provides for routine business check disbursements. All cash and credit card deposits, whether received at the City of El Centro Customer Service Department or online, are made to this account.

Cash transfers are done on an as needed basis to cover disbursements. Excess funds in this account are transferred into short-term investments “Sweep Account” or higher interest-bearing cash equivalents.

Authorized signers on the general checking account include the following; City Treasurer, Council Members, Finance Director and Finance Manager.

Payroll Account:
The payroll account is separate from the operating account. The payroll account is a zero-balance account (ZBA). As such, only the amount needed to cover each payroll is transferred into this account from the operating account, based on the amount calculated.

Authorized signers on the payroll account include the following; City Treasurer, City Manager, Finance Director and Finance Manager.

Health Insurance Account
The Health Insurance account is separate from the operating account. The Health Insurance account is a zero-balance account (ZBA). As such, only the amount needed to cover the payments for each week is transferred into this account from the operating account, based on the amount calculated and communicated by the outside service administrator office (EBMS current administrator).

Worker’s Compensation Account
The Worker’s Compensation account is separate from the operating account. The Worker’s Compensation account is a zero-balance account (ZBA). As such, only the amount needed to cover the payment for each week is transferred into this account from the operating account, based on the amount calculated and communicated by the outside service administrator office (CJPIA).

Bank Reconciliations

Bank account statements are received each month by mail and forwarded unopened to the Finance Director. The Finance Director opens the statement and reviews its contents for unusual or unexplained items. Unusual or unexplained items shall be reported immediately to the bank representative.
After this review is complete, the entire bank statement is forwarded to the Accountant. The Accountant prepares the reconciliation between the bank balance and general ledger balance; the accountant shall not be an authorized check signer. It is the policy of the City of El Centro to complete the bank reconciliation process within two weeks of receipt of each bank statement.

The bank reconciliation, including any adjusting journal entries resulting from preparing bank reconciliations are reviewed and approved by the Director of Finance on a monthly basis.

Cash Reconciliation and copies of resulting journal entries are filed in the current year's accounting files.

**Cash Flow Management**
The Director of Finance monitors cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

**Stale Checks**
It is the policy of the City of El Centro to write off checks that are more than 9 months old that have not cleared the bank. These checks are reported to the State Controller's Office following the California Unclaimed Property Law.

All state checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written, or the expenditure incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit shall be to the account used for stale dated checks.

**Wire Transfers**
The Finance Director and Finance Manager shall be the only City of El Centro employees authorized to transact wire transfers from the City of El Centro bank accounts.

To prevent anyone other than the Director of Finance and the Finance Manager from transacting wire transfers, a system shall be employed that requires the use of passcodes. All wire transfers require the completion of a form detailing the amount, reason date and type of wire transfer. This form shall be signed by the Director of Finance.

Confirmation of all wire transfers are delivered to the Finance Manager and the Accountant. A copy is forwarded to the Director of Finance

The Payroll Specialist shall be authorized to do wire transfers just in the following cases and with prior approval from the Director of Finance:
- Payroll employees Direct Deposits
- Payroll Taxes
PETTY CASH PROCEDURES

See City of El Centro’s Petty Cash policy #306 “Petty Cash Procedures” under the financial management category. This policy was adopted on July 14, 2011.

See Attachment - 8
INVESTMENT POLICIES

See City of El Centro’s investment policy #303 “Investment Policy” under the investments category. This policy was adopted on January 2001 and revised October 18, 2011.

See Attachment - 9
FIXED ASSET MANAGEMENT

Capitalization Policy
See City of El Centro’s Capitalization Policy #305 “Fixed Assets Capitalization and Control Policy” under the financial management category. This policy was adopted on July 2011.

See Attachment -10
ACCRUED LIABILITIES

Identification of Liabilities
The Finance Department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by the City of El Centro at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Vacation pay / Annual Leave (see policy below)
- Interest
- Payables

Vacation pay and Annual Leave are treated in the same manner.

Accrued Leave
Personnel policies of the City of El Centro permit employees to carry forward unused leave from year to year. Such unused leave is payable to an employee upon termination of employment.

Accordingly, it shall be the policy of the City of El Centro to record a liability for accrued leave to which employees are entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave multiplied by each employee’s current hourly pay rate.
POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING
FINANCIAL STATEMENTS

Standard Financial Statements of the City of El Centro

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the City of El Centro. The basic financial statements of the City of El Centro shall include:

1. Statement of Financial Position - reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term.

2. Statement of Activities - presents revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted).

Frequency of Preparation

The objective of the Finance Department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by licensed certified public accountants.

Annual Financial Statements

A formal presentation of the City of El Centro annual financial statements shall be provided by the Independent Auditor to the City Council of the City at a regular scheduled council meeting.
GOVERNMENT RETURNS

Overview

To legitimately conduct business, City of El Centro must be aware of its tax and information return filing obligations and comply with all such requirements of federal state and local jurisdictions. Filing requirements of City of El Centro include, sales tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns.

Filing of Returns

It is the policy of the City of El Centro to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The Finance Department shall be responsible for identifying all filing requirements and assuring that the City of El Centro is in compliance with all such requirements.

It is also the policy of the City of El Centro to file complete and accurate returns with all authorities. City of El Centro shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

Filings made by the City of El Centro include, but are not limited to, the following returns:

1. W-2’s and 1099’s - Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal government by February 28.

2. W-3 Transmittal of wage and tax statement to the Social Security Administration used for the transmittal of total wages paid.

3. Form 941 - Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.

4. DE 9 – Quarterly contribution return and report of wages to the State of California used to report unemployment wages to the State.

5. DE 9C – Quarterly State wages report to the State of California used for reporting state taxable wages, income tax withheld and number of employees to the State.


Federal and all applicable State payroll tax returns are prepared by the City of El Centro.
FINANCIAL MANAGEMENT POLICIES
FINANCIAL MANAGEMENT POLICIES

See City of El Centro’s policy #301 “Financial Policies” under the financial management category. This policy was adopted on October 7, 1998. It includes the following: General policies, revenue policies, Cost of Growth Policies, Reserve Policies, Debt Policies and Capital Improvement Policies.

See Attachment - 11
BUDGETING

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of the organization's programs and activities simultaneously in light of the available resources. The budget is a plan that establishes the spending authority for the City’s programs and projects during the twelve months budget period. The City’s Annual Budget serves as the foundation for the City of El Centro Financial Planning and Control.

Prior to June 30 of each year the City Manager submits to the City Council a proposed operating budget for the Fiscal Year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted and prior to June 30, the budget is adopted by motion of the City Council.

The appropriated budget is prepared by Fund, Function (e.g. Public Safety) and department (e.g. Police).

Operating budgets will be prepared to fund current year expenditures with current year revenue. However, surplus fund balances may be used to increase reserves, fund Capital Improvement Projects, or be carried forward to fund future year's operating budgets when necessary to stabilize services and fund capital outlay.

The City will deliver services in the most cost effective manner, including utilizing the services of volunteers in areas where it is economically viable.

Budgets will state the objectives of operating programs and identify the services and resources being provided to accomplish the specified objectives.

Budgets will fully account for and apportion all costs, fees and General Fund transfers associated with the Enterprise Funds.

Departmental expenditures are limited to City Council appropriated expenditures in the following major categories:
- Personal Services
- Supplies & Services
- Capital Outlay

The City will periodically update replacement and maintenance financing plans and incorporate them into the Budget.

Budgets are adopted annually and all annual appropriations lapse at fiscal year-end.
Procedures for the Preparation and Adoption of the budget

It is the policy of the City of El Centro to prepare an annual budget using the accounting basis that is in conformance with generally accepted accounting principles. To prepare the Organization budget, the Finance Director shall gather proposed budget information from all Department directors (and others with budgetary responsibilities).

Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years. All requests for additional personnel shall include a narrative explaining the need for an increase in staff potential duties for the new employee and expected salary. All requests for capital shall include a narrative explaining the reason for the need of the respective item.

After appropriate revisions and a compilation of all department budgets a draft of the organization-wide budget is prepared by the Finance Director. The appropriated budget is prepared by:

- Fund (e.g. general fund)
- Function (e.g. Public Safety)
- Department (e.g. Police)
- Division (e.g. communication)

The draft of the organization-wide budget, individual departments’ budgets as well as the narratives (new capital and additional personnel) are presented to the City Manager for discussion, revision, and initial approval. Each individual capital request is evaluated to determine whether the capital item is needed to clear a safety issue a legal requirement or to improve customer service. All request for additional staff are reviewed for viability based on the economic condition of the City.

At a public hearing the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The proposed budget is presented to City Council for discussion, revision and adoption.

Public hearings are conducted at City Hall to obtain citizen input. Prior to July 1, the budget is adopted by motion of the City Council.

It is the policy of the City of El Centro to adopt a final budget prior to July 1 of the new fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the Finance Department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.
Monitoring Performance

It is the policy of the City of El Centro to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be performed periodically by the Finance Director.

Budgetary review

- Budget-to-actual comparisons are made on a monthly basis by the Finance Department.
- Budget-to-actual comparisons are presented for City Council review at mid-year and on an as needed basis.
- Budget-to-actual comparisons are provided in the Comprehensive annual financial report for each individual governmental fund, for which an appropriated annual budget has been adopted.

The City maintains an encumbrance accounting system of purchase orders and contracts as a means of accomplishing budgetary control. Purchase orders are reviewed to ensure that funds are available and that requests are properly authorized prior to being released to vendors.

Budget modifications (transfers)

- Department Directors may request transfers of appropriations within their departmental budgets
- Transfers of appropriations between departments require the authorization of the City Manager
- Any revision that increases the total appropriations of any fund must be approved by the City Council
- Budget transfers required to hire additional permanent personnel require City Council approval
ANNUAL AUDIT

Role of the Independent Auditor
It is the policy of the City of El Centro to arrange for an annual audit of the City of El Centro’s financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the City Council will be required to communicate directly with the City Manager, City Council and Finance Director upon the completion of their audit.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the City Council for their review and approval, after the financial statements have been reviewed and approved by the Finance Director.

How Often to Review the Selection of the Auditor
The City of El Centro shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm
2. When a fresh perspective and new ideas are desired
3. Every year to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every year; simply to re-evaluate the selection)

Selecting an Auditor
The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. A written Request for Proposal (RFP) will be sent to prospective audit firms.

The Finance Director will review the prospective audit proposals and make a recommendation to the City Manager. The City Manager will make a recommendation to the City Council for approval.

Preparation for the Annual Audit
The City of El Centro shall be actively involved in planning for and assisting with the City’s independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Finance Department shall provide assistance to the independent auditors in the following areas:

Planning - The Finance Director is responsible for delegating the assignments and responsibilities to finance staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - City staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the City’s
year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. City staff will do as much as possible in order to provide requested schedules and documents and to otherwise assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of the City of El Centro to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

**City Manager, City Council and/or Finance Director/Audit Responsibilities**

The Audit responsibilities include, but shall not be limited to, the following:

1. Appointment of, and communication with, the City's independent auditors
2. Review and approval of the annual, audited financial statements
3. Discussion of internal control matters with the independent auditor
4. Responding to any reported instances of fraud involving City of El Centro or its employees
5. Conducting an annual analysis of the City's financial statements
6. Making policy and other recommendations to the City Council regarding matters arising out of the audit
RECORD RETENTION

Policy
It is the policy of the City of El Centro to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by City Council and consented to by the City Attorney.

The formal records retention policy of the City of El Centro is as prescribed by the Secretary of State Local Government Records Management Guidelines. However the retention of records in relation to grants (financial section) shall be for a longer term. The retention term shall be seven (7) years as opposed to Active + two (2) years as is specified by the State Local Government Records Management Guidelines.

See Attachment - 12
INSURANCE

Overview
It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of the City of El Centro.

It is the policy of the City of El Centro to maintain adequate insurance against general liability, as well as coverage for buildings and equipment.

Coverage Guidelines
As a guideline, City of El Centro will arrange for the following types and levels of insurance as a minimum:

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>Amount of Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability Insurance</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Property Insurance</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Directors &amp; Officers</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Worker’s Compensation</td>
<td>$10,000,000</td>
</tr>
</tbody>
</table>
POLICY ON REPORTING UNRESTRICTED FUND BALANCE IN THE GENERAL FUND FINANCIAL STATEMENTS; VARIOUS COMPONENTS OF FUND BALANCE AS DEFINED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54

See City of El Centro’s Policy #304 under the Financial Management category. This policy was adopted on June 2011.

See Attachment - 13
CITY OF EL CENTRO
POLICY STATEMENT

Policy Statement No: 308 Adopted: October 2011
Category: General Revised:
Subject: Fraud Policy and Procedures Distribution: All Departments

I. PURPOSE
The City of El Centro is committed to protecting its revenue, property, information and other assets from any attempt, either by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees, to gain by deceit, financial or other benefits. This policy prohibits fraud or misuse of City of El Centro assets and sets forth specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

This policy applies to any fraud or suspected fraud involving City employees, volunteers, directors, council, boards and commission members as well as vendors, consultants, contractors, and/or any other parties with a business relationship with the City of El Centro. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with the City of El Centro.

II. POLICY
Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Department Head and/or Human Resources Department, who coordinates all investigations.

A. Actions Constituting Fraud
The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

1. Any dishonest or fraudulent act.

2. Forgery or alteration of any document or account belonging to the City of El Centro.

3. Forgery or alteration of a check, bank draft, or any other financial document.

4. Misappropriation of funds, securities, supplies, equipment, or other assets of the City of El Centro.

5. Impropriety in the handling or reporting of money or financial transactions.

6. Disclosing confidential and proprietary information to outside parties.
7. Accepting or seeking for personal use or financial gain anything of material value from contractors, vendors, or persons providing goods or services to the City of El Centro.

8. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment.

9. Authorizing or receiving compensation for goods not received or services not performed.

10. Any similar or related irregularity.

B. Other Irregularities
Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the departmental directors. If there is a question as to whether an action constitutes fraud, contact the Human Resources Department for guidance.

C. Investigation Responsibilities
The Human Resources Department has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Human Resources Department may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Human Resources Director will issue reports to appropriate designated personnel, City Manager and City Council.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final dispositions of the case and as allowed by personnel rules and regulations.

D. Confidentiality
The Human Resources Department will treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Finance Director or the Human Resources Department immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see Reporting Procedures section below).

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect The City of El Centro from potential civil liability.

E. Authority for Investigation of Suspected Fraud
The person responsible for the investigation will have:

1. Free and unrestricted access to all City of El Centro records and premises, whether owned or rented; and

2. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities when it is within the scope of their investigations.

However, if the employee being investigated is a police officer or a firefighter, the person responsible for the investigation cannot search that employee's locker or other space for storage that may be assigned to him/her absent:
1. Consent;
2. A valid search warrant;
3. The employee’s presence at the search; or
4. Prior notice to the employee that a search will be conducted.

F. Reporting Procedures
Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will contact the Human Resources Director. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the City Attorney’s Department.

No information concerning the status of an investigation will be given out. The proper response to any inquiry is "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation", “the crime", "the fraud", “the forgery", "the misappropriation", or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the City of El Centro Attorney’s Department and the Director of Human Resources.

False allegations of suspected fraud with the intent to disrupt or cause harm to another may be subject to disciplinary action up to and including termination of employment.

G. Reference to Personnel Rules and Regulations

Employees should note that Chapter 10 Section 1002 (i)(p) provide cause for disciplinary action should any of the terms of this policy be violated.
CITY OF EL CENTRO
POLICY STATEMENT

Policy Statement No: 102     Adopted: July 1999
Category: General     Revised:
Subject: E-Mail and Internet Policy     Distribution: All Departments

I Purpose

The purpose of this policy statement is to establish procedures for the use of e-mail and the Internet. Electronic mail, Internet and telecommunication access are resources made available to City employees to communicate with each other, other governmental entities, companies and individuals for the benefit of the City.

II Policy

a. The City of El Centro’s Electronic Mail System (e-mail) is designed to facilitate City business communication among employees and other business associates for messages or memoranda. Since no computer system is completely secure, the e-mail system is not intended to transmit sensitive materials, such as personnel decisions and other similar information which may be more appropriately communicated by written memorandum or personal conversation.

b. The City-owned computers, hardware, software and e-mail system are City property and intended for City business. The system is not to be used for employee personal gain or to support or advocate for non-City related business or purposes. All data and other electronic messages within this system are the property of the City of El Centro. E-mail messages have been found to be public records and may be subject to the right-to-know laws, depending on their content.

c. In addition, the City, through its managers and supervisors, reserves the right to review the contents of employee’s e-mail communications when necessary for City business purposes and to ensure that e-mail is being used in compliance with the law and City policy. Employees may not intentionally intercept, eavesdrop, record, read, alter, or receive other persons’ e-mail messages, without proper authorization.

d. The City of El Centro, purchases, owns and administers the necessary software and licenses to provide access to e-mail and Internet services. Employees may not rent, copy or loan the software, or its documentation. Employees will respect the legal protection provided to programs and data by copyrights and licenses. The City has invested much time and money to secure its electronic systems from intrusion and harmful viruses. Therefore, employees
may not provide alternative software to access the system. Employees may be held
responsible for any damages caused by using unauthorized software or viruses they
introduce into the City system. Department heads are responsible for the implementation
and adherence of this policy within their departments.

e. Disclosure of information or messages from the e-mail system should only be made to
authorized persons.

II Procedures

a. While users may have a confidential password, this does not mean that the system is for
personal confidential communication, nor does it suggest that e-mail is the property right of
the employee. The use of the e-mail system is for City business. Passwords should be
periodically changed to ensure security of the e-mail system. Users should not share their
passwords with anyone else, other than as required by supervisors.

b. Each e-mail transmission intended for outside recipients must include a signature identifying
the name, title, and department of the sender.

III Guidelines

a. Employees should be aware that others may have access to all messages, even those marked
as confidential or private. Thus, in certain cases, e-mail may not be the proper means of
communications. Encryption technology exists for ensuring that e-mail is read only by
intended recipients.

b. Employees are expected to demonstrate courtesy and good judgment in the messages they
choose to transmit via e-mail. In general, e-mail is most appropriate for short informal
messages that include some detail intended for the receiver to keep, for example, to
communicate a schedule of events. The telephone or voice mail are recommended for
shorter, less detailed communication; letters or memoranda are recommended for longer,
formal communications.

c. Employees should be aware e-mail is not a good form of communications with legal counsel
when seeking legal advice or transmitting information concerning matters in litigation or
disputes which are likely to result in litigation. Inadvertent disclosure or dissemination of
the communication could waive the attorney-client privilege.

d. The open Meeting Law applies to communications among elected officials, especially when
three or more Council Members receive the same e-mail.

e. Elected officials, officers, and employees should be aware that when e-mail communications
are sent to the City Council in anticipation of a City Council meeting, such e-mail communications may be subject to public disclosure pursuant to the Public Records Act.

f. Employees who receive inappropriate messages from inside or outside the City have a responsibility to bring the messages to the attention of their supervisor.

IV Internet

a. The Internet can be a very effective resource in gathering information needed to conduct City business; for this reason, the City provides authorized employees with browsing access to it. However, Internet access shall be strictly limited to city-related business activities and employees should not become absorbed with following one link after another, forgetting the original business reason for accessing the Internet and visiting a Web site. Time on the Internet is to be limited to that necessary to conduct city-related business.

b. Employees who want to have personal Internet e-mail or access should contract for this from any number of non-profit or commercial providers and use it at home.

c. Like all e-mail messages, Internet messages are capable of being forwarded without the express permission of the original author. E-mail messages are also routinely passed through routers before they reach their final destination. A message is touched many times before it gets to its recipient, and the message author should be aware of this. Therefore, users must use caution in the transmission and dissemination of messages outside of the City, and must comply with all state and federal laws.

V Authorization

a. Council members, Council appointed officials, department heads, and Network Systems staff are authorized to use the City’s Internet connection and e-mail and shall receive and sign a copy of this policy. A signed copy of the policy shall be forwarded to the Personnel Division and included in the employee’s personnel file.

b. Department Head approval is required for e-mail and/or Internet use by all other employees. Department Heads are responsible for providing authorized users with a copy of this policy. A signed copy of the policy shall be forwarded to the Personnel Division for inclusion in employee’s personnel files.

c. The use of the City’s email system and Internet connection by unauthorized users is prohibited.

VI Prohibited Use
a. When sending e-mail messages, appropriateness and good judgment should be used. The following are examples of e-mail uses that are prohibited:

Communications that in any way may be construed by others as disruptive, offensive, abusive, or threatening;

Communications of a sexual nature;

Communications that contain ethnic slurs, racial epithets, or anything that may be construed as harassment or disparagement of others based on race, national origin, sex, age, disability or religious beliefs;

Solicitation for commercial ventures, religious or political causes, outside organizations, or other non-job-related solicitations; and

Any other use that may compromise the integrity of the City and its business in any way.

b. Good judgment and common sense should always prevail regarding the appropriate use of the City’s Internet connection. Under this standard, it is not possible to list all of the prohibited uses of the City’s Internet connection. However, use of the City’s Internet connection which:

Compromises the integrity of the City and its business operation in any way;

Commits any illegal act;

Violates the City’s Personnel Rules & Regulations, harassment, or workplace violence policies; and

Results in private gain or advantage for the employee (such as conducting business related to economic interest outside of City employment); is expressly prohibited.

VII Retention of E-Mail

a. Generally, e-mail messages are intended to be temporary communications that are non-vital and may be discarded routinely. However, depending on the content of the e-mail message, it may be considered a public record and subject to disclosure laws and records retention requirements. Any e-mail correspondence deemed to be a public record should be printed and retained in the same manner as other public records.

b. Employees should be aware that when they have deleted a message from their workstation mailbox it might not have been deleted from the central e-mail system. The message may be
residing in the recipient’s mailbox or forwarded to other recipients. Furthermore, the message may be stored on the computers back-up system for an indefinite period. Note that e-mail has been classified as a public document, i.e. available to the media, in at least one state.

c. Employees should delete e-mail messages as soon as possible after reading. An accumulation of files will degrade system performance and response times. The system will automatically delete all messages after 90 days, unless archived by the user. Contact the system administrator for help in archiving messages.

VIII Employee Termination, Leave of Absence, Vacation, and Other

a. Employees who leave employment with the City have no right to the contents of their e-mail messages and are not allowed access to the e-mail system. Supervisors or management may, for City business purposes, access an employee’s e-mail if employee is on unexpected leave, leave of absence, vacation, or are transferred from one department to another department.

b. Systems administrators are responsible for ensuring the integrity and security of e-mail and computer files. If it becomes necessary for a systems administrator, for the benefit of the City, to access a user’s files, including e-mail, the system administrator will advise the users department head within twenty-four hours.

IX Penalties

a. Use of the Internet is a privilege, not a right, and may be revoked at any time for unacceptable use. The misuse of the Internet or e-mail privileges may be considered sufficient cause for discipline up to and including dismissal in accordance with the Personnel Rules and Regulations, and/or Memorandum of Understanding. In addition, violations of this policy or misuse of the e-mail system may be referred for criminal prosecution.

X Acceptance

a. Authorized employees are required to sign an agreement before using the City’s e-mail system and Internet connection.

b. Other employees are required to sign that they have received a copy of this policy and agree to abide by it.

c. Copies of the signed agreement will become part of the employee’s personnel file.
Agreement to E-mail Policy

I have read and agree to the specifics as stated in the attached E-mail Policy, which includes the following specifics.

a. That my use of the e-mail system is for the furthering of the business of this municipality;
b. That I may not intentionally intercept, eavesdrop, record, read, alter, or receive other persons e-mail messages without proper authorization;
c. That I may not use the e-mail system for solicitation of funds, political messages, or harassing messages;
d. That my e-mail messages and data are the property of the City of El Centro and may be accessed for review by supervisors; and

e. That my e-mail will be retained according to the attached Retention of E-mail Policy.

Signature: ______________________________

Printed Name: __________________________

Date: __________
Ordinance No. 07-16

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF EL CENTRO REPEALING AND REENACTING DIVISION 5 OF ARTICLE IV OF CHAPTER 2 OF THE CITY CODE ESTABLISHING THE CITY'S PURCHASING SYSTEM; DEFINING AUTHORITY FOR THE PURCHASING FUNCTION; PROVIDING PROCEDURES FOR THE PURCHASE OF SUPPLIES, SERVICES AND EQUIPMENT

WHEREAS, California Government Code Section 54202 prescribes that: "Every local agency shall adopt policies and procedures, including bidding regulations, governing purchases of supplies and equipment by the local agency. Purchases of supplies and equipment by the local agency shall be in accordance with said duly adopted policies and in accordance with all provisions of law governing same. No policy, procedure, or regulation shall be adopted which is inconsistent or in conflict with statute"; and

WHEREAS, the City is required pursuant to California Government Code Section 54203 to adopt said policies by ordinance.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL CENTRO, CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. That Division 5 of Article IV of Chapter 2 of the Code of the City of El Centro, California, dealing with the City’s Purchasing System is hereby repealed and reenacted to read as follows:

“Division 5”

Chapter 2

Section 2-166 Short Title
Section 2-167 System Establishment; Purposes.
Section 2-168 Purchasing Officer.
Section 2-169 Purchasing Officer; Powers and Duties.
Section 2-169.1 Standards and Specifications.
Section 2-170 Exemptions.
Section 2-171 Purchase Orders; Encumbrance of funds.
Section 2-172 Bidders’ Bonds.
Section 2-173 Contracts for $50,000 or Less.
Section 2-174 Contracts for More Than $50,000
Section 2-175 Lowest Responsible Bidder.
Section 2-176 Exemption: Emergency Contracts.
Section 2-177 Exceptions to Requirement for Competitive Bidding: Contracts Not Adapted to Award by Competitive Bidding.
Section 2-178 Exceptions to Requirement for Competitive Bidding: Contracts With Carriers.
Section 2-179  Exceptions to Requirements for Competitive Bidding: Auction, Closeout and Bankruptcy Sales; Sale of Merchandise Left After Exhibition.
Section 2-180  Effect of Collusion Among Bidders or Advance Disclosures.
Section 2-181  Trade-in Allowances for Personal Property.
Section 2-182  Sale or Lease of Personal Property of the City; Public Auction; Division Inapplicable to Transactions Regarding Real Property.
Section 2-183  Joinder or Use of Contracts by Other Local Governments.
Section 2-183.1  Inspection and Testing.
Section 2-183.2  Assignment of Contract.

Section 2-166.  Short Title. This Ordinance shall be known and may be cited as the “El Centro Purchasing Ordinance”.

Section 2-167.  System Establishment; Purposes.

In order to establish efficient procedures for the purchase of supplies, services and equipment, to secure for the City supplies, services and equipment at the lowest possible cost commensurate with quality needed, to exercise positive financial control over purchases, to clearly define authority for the purchasing function and to assure the quality of purchases, a purchasing system is adopted. Excluded from this policy are purchases of supplies, services and equipment which are included as part of a “Public Works Contract” and consequently are subject to the regulations contained in the State of California Public Contract Code and is covered within Division 5.1 Public Projects of Article IV of Chapter 2 of the City Code.

Section 2-168.  Purchasing Officer.

The Director of Finance, or in the alternative such other person as may be designated in writing by the City Manager, shall be and is appointed to perform the functions of the Purchasing Officer for the City.

Section 2-169.  Purchasing Officer; Powers and Duties.

The Purchasing Officer shall:

a. Purchase or contract for supplies, services and equipment required by any using agency or department in accordance with purchasing procedures prescribed by this Division, such administrative rules and regulations as the Purchasing Officer shall adopt for the internal control and operation of the purchasing function and such other rules and regulations as shall be prescribed by the Council or City Manager;

b. Prepare and adopt administrative rules and regulations not in conflict with the provisions of this ordinance for the purpose of carrying out the requirements and intent of this purchasing system.
c. Negotiate and execute contracts for the purchase of supplies, services and equipment;

d. Procure for the City the needed quality in supplies, services and equipment at least expense to the City;

e. Encourage uniform bidding and endeavor to obtain as full and open competition as possible on all purchases;

f. Prepare and recommend to the Council rules governing the purchase of supplies, services and equipment for the City;

g. Prepare and recommend to the Council revisions and amendments to the purchasing rules;

h. Keep informed of current developments in the field of purchasing, prices, market conditions and new products;

i. Prescribe and maintain such forms as are reasonably necessary to the operation of this Chapter and other rules and regulations;

j. Insure that all supplies, services and equipment purchased conform with specifications;

k. Recommend to the City Manager or City Council, as appropriate, the transfer of surplus or unused supplies and equipment between agencies or departments as needed and the sale of all supplies and equipment which cannot be used by any agency or which become unsuitable for City use;

l. Maintain a bidder’s list.

m. Recommend to the Council the disqualification for a stated period of time vendors who default on their quotations.

n. Consider the possibilities of buying “in bulk” so as to take full advantage of discounts.

o. Have the right to waive any defect or informality with the approval of the using department or agency.

Section 2-169.1. Standards and specifications.

All standards and specifications shall permit competition.
Section 2-170. Exemptions; Other Departments.

The Purchasing Officer may authorize in writing any agency or department to purchase or contract for specified supplies, services and equipment independently of the Purchasing Officer, but shall require that such purchases comply with the procedures established by this Division and shall further require periodic reports from the agency or department on the purchases on contracts made under such written authorization.

Section 2-171. Purchase Orders; Encumbrance of Funds.

a. Purchases of materials, supplies, equipment or services may be made by means of purchase orders processed and issued pursuant to this Chapter and shall be valid only when signed by the Purchasing Officer or other persons as may be designated by the Purchasing Officer to act in his behalf. A purchase order is not required for the purchase of supplies, equipment and services of less than $2,500 and for the following type of expenditures:

1. Advertisements and Notices
2. Attorney Services
3. Consultant Services
4. Courier/Delivery/Messenger Services
5. Fuel
6. Insurance Claims and Premiums
7. Medical Payments (physicians, lab, etc.)
8. Membership Dues
9. Payments to Other Governmental Units
10. Petty Cash Replenishment
11. Subscriptions
12. Trade Circulars or Books
13. Travel Expense/Advances
14. Utility Payments
15. Real Property/Easement acquisition
16. Personal services
17. Debt service payments

b. All purchase orders shall be issued in advance of any commitment for which they are issued except in emergency situations where a delay would be detrimental to the interest of the City or would jeopardize the health, safety or welfare of its citizens (see section 2-176). Except in an emergency, no purchase order shall be issued and no contract shall be awarded unless there exists an unencumbered appropriation in the expense account against which such purchase or contract is to be charged. The appropriate account and funds shall be encumbered immediately after the issuance of the purchase order or award of contract.
c. Open Purchase Orders – An open purchase order is an agreement whereby the City contracts with a vendor to provide equipment or supplies on an as-needed and often over-the-counter basis. Open Purchase Orders provide a mechanism whereby items, which are uneconomical to stock, may be purchased in a manner that allows field operations timely access to necessary materials. Open Purchase Orders shall not be used to purchase services, capital assets or items maintained in stock.

The Finance Department shall request confirmation from the City Departments, as to which vendors they want to maintain in the open purchase order list. Confirmations will be performed annually before the beginning of the fiscal year. Requests for Open Purchase Orders may also be submitted to the Finance Department on an as-needed basis. The Finance Department may review the Open Purchase Order requests using the following criteria:

1. Frequency of need
2. Average dollar value and type of items to be purchased
3. Responsiveness and capabilities

All Open Purchase Orders shall include the following information:

1. A general description of the equipment of supplies which may be charged;
2. the period of time the order will remain open, not to exceed one fiscal year;
3. The maximum total amount which may be charged on the purchase order;
4. Items excluded from the purchase, if applicable;
5. Identification of the department(s) and employee(s) who may charge against the order.
6. Requirement that the employee show CITY identification.
7. Requirement that employees print and sign their names when picking up goods; and
8. Account number to be charged.

Once an open purchase order is issued to a vendor, any authorized City employee may contact the vendor directly to place orders per the terms and conditions in the Open Purchase Order.

d. Nothing herein shall preclude the use of authorized petty cash funds for purposes intended by their establishment.
Section 2-172. Bidder’s Bonds.

a. A bid bond, performance bond, payment bond or any combination thereof, with sufficient surety, in such amount as may be determined necessary by the Purchasing Officer may be required of each bidder or contractor on a particular contract.

b. Any such bonds may be to insure proper performance of the contract and save, indemnify and keep harmless the City against all loss, damages, claims, liabilities, judgments, cost and expenses which may accrue against the City in consequence of the awarding of the contract.

Section 2-173. Contracts for $50,000 or Less.

Except as otherwise provided by specific statute.:

a. The Purchasing Officer may enter into a contract of any nature without advertising when the estimated amount required to perform the contract is Twenty-Five Thousand Dollars ($25,000) or less.

b. Contracts of between Twenty-Five Thousand Dollars ($25,000) and Fifty thousand dollars ($50,000) will require both the City Manager’s and Purchasing Officer’s approval and shall be let by the administrative bid process set forth herein:

1. The Purchasing Officer may mail notices inviting formal bids. The notices shall be mailed to all qualified vendors on the bid list or who have requested their name to be added thereto unless the product or service is proprietary.

2. The notices to the fullest extent possible should be mailed no later than ten calendar days before the opening date of the bids. The notices shall describe the commodities or services in general terms, how to obtain more detailed information, and state the time and place for submission of bids. Failure of any person to receive such notice shall not invalidate any bid awarded.

3. A notice inviting bids shall be published at least ten calendar days before the date of opening of the bids. Notice shall be published in a newspaper of general circulation, printed and published in the City, or, if there is none, it shall be posted in at least three public places in the City.
4. Such Notice must state:

   I. The nature, character or object of the contract.

   II. If the plans and specifications are to constitute part of the contract, where the plans and specifications may be seen.

   III. The time and place where bids will be received and opened.

   IV. Such other matters as may properly pertain to giving notice to bid.

5. Sealed bids shall be submitted to the City Clerk and shall be identified as a bid on the envelope. The bid must include an original signature of an authorized person.

6. Bids shall be opened in public by the City Clerk or designee at the time and place stated in the public notices.

7. Contracts shall be awarded by the City Manager and Purchase Officer to the lowest responsible bidder except as otherwise provided in this Chapter. The decision of the City Manager shall be final.

8. In their discretion, the City Manager and Purchase Officer may reject any or all bids presented, abandon the purchase or re-advertise. A permanent record of all requests for bids and all bids received shall be maintained. If no responsible bid is received, the City Manager and Purchasing Officer may let the contract without further competitive bidding.

9. If two (2) or more bids received are the same and lowest, the City Manager and Purchase Officer may accept the one it chooses.

10. If no bids are received, the contract may be let in the open market, or by the informal procedures set forth in Section 2-173.

11. The City Manager and Purchase Officer shall have the right to waive any defect or informality in the bidding or in the procedures set forth in this Section. No defect or informality shall void any contract entered into.

12. In the event no responsible bids are received, the City Manager and Purchase Officer may let the contract without competitive bidding.
c. If the estimated amount required to perform the contract, is more than Five Thousand Dollars ($5,000) but not more than Twenty-Five Thousand Dollars ($25,000), requests for bids may be submitted in writing or verbally to two or more persons or businesses capable of performing the contract. If the bid was received verbally, the department head must submit a written memo documenting the request and bids received. The contract shall be issued to the lowest responsible bidder. The Purchasing Officer shall maintain a permanent record of all requests for bids and all bids received. If no responsible bid is received, the Purchasing Officer may let the contract without further competitive bidding.

d. Nothing in this Section prohibits the Purchasing Officer from advertising for or requesting bids regardless of the estimated amount to perform the contract.

e. The Council may, from time to time, modify the monetary limits in this Section by resolution.

Section 2-174. Contracts for More Than $50,000.

a. Purchases and contracts for supplies, services, equipment and the sale of surplus property of estimated value greater than Fifty Thousand Dollars ($50,000) shall be let by the formal procedures set forth herein.

1. The Purchasing Officer shall mail notices inviting formal bids. The notices shall be mailed to all qualified vendors on the bid list or who have requested their name to be added thereto unless the product or service is proprietary.

2. The notices to the fullest extent possible should be mailed no later than ten calendar days before the opening date of the bids. The notices shall describe the commodities or services in general terms, how to obtain more detailed information, and state the time and place for submission of bids. Failure of any person to receive such notice shall not invalidate any bid awarded.

3. A notice inviting bids shall be published at least ten calendar days before the date of opening of the bids. Notice shall be published in a newspaper of general circulation, printed and published in the City, or, if there is none, it shall be posted in at least three public places in the City.
4. Such Notice must state:
   
   I. The nature, character or object of the contract.
   
   II. If the plans and specifications are to constitute part of the contract, where the plans and specifications may be seen.
   
   III. The time and place where bids will be received and opened.
   
   IV. Such other matters as may properly pertain to giving notice to bid.

5. Sealed bids shall be submitted to the City Clerk and shall be identified as a bid on the envelope. The bid must include an original signature of an authorized person.

6. Bids shall be opened in public by the City Clerk or designee at the time and place stated in the public notices.

7. Contracts shall be awarded by the Council to the lowest responsible bidder except as otherwise provided in this Chapter. The decision of the Council shall be final.

8. In its discretion, the Council may reject any bids presented, abandon the purchase or readvertise. If all the bids submitted are rejected, the Council may either readvertise or adopt a resolution by a four-fifths majority declaring that the materials or supplies can be furnished at a lower price in the open market and away award the contract in the open market without further complying with this Section.

9. If two (2) or more bids received are the same and lowest, the Council may accept the one it chooses.

10. If no bids are received, the contract may be let in the open market, or by the informal procedures set forth in Section 2-173.

11. The Council shall have the right to waive any defect or informality in the bidding or in the procedures set forth in this Section. No defect or informality shall void any contract entered into.

12. In the event no responsible bids are received, the Council may let the contract without competitive bidding.

13. The Council may modify, from time to time, the monetary limits in this Section by resolution.
Section 2-175. Lowest Responsible Bidder.

Contracts shall be awarded to the lowest responsible bidder. In determining "lowest responsible bidder" in addition to price and conformance to specifications, the following, without limitation, may be considered:

a. The ability, capacity, and skill of the bidder to perform the contract or provide the service required;

b. That the products offered provide the quality, fitness, and capacity for the required usage;

c. Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference;

d. The character, integrity, reputation, judgment, experience, and efficiency of the bidder;

e. The quality of performance of previous contracts or services;

f. The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service;

g. The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service;

h. The quality, availability, and adaptability of the supplies or contractual services to the particular use required; and

i. The ability of the bidder to provide future maintenance and service.

j. The number and scope of conditions attached to the bid.

k. The amount of sales tax to be received by the City.

When the contract is not awarded to the lowest bidder under Section 2-173, a statement of the reasons for placing the award elsewhere shall be prepared by the Purchasing Officer and filed with the other papers relating to the transaction.
Section 2-176. Exemption: Emergency Contracts.

a. The bid procedures set forth in Section 2-173 and 2-174 need not be followed in situations determined by the City Manager to constitute an emergency. If such emergency action is taken, the City Manager shall report it to the Council at its next regularly scheduled meeting.

b. For the purposes of this Section, an “emergency” includes:
   1. Results from the occurrence of disaster such as, but not limited to, fire, flood, hurricane, riot, power outage or disease; or,
   2. May lead to impairment of the health, safety, or welfare of the public if not immediately attended to.

Section 2-177. Exceptions to Requirements for Competitive Bidding: Contracts Not adapted to Award by Competitive Bidding.

a. Contracts including, but not limited to:

1. Items which may only be contracted from a sole source;

2. Contracts for professional services;

3. Additions to and repairs and maintenance of equipment which may be more efficiently added to, repaired, or maintained by a certain person;

4. Equipment which, by reason of the training of the personnel or of any inventory of replacement parts maintained by the City is compatible with the existing equipment;

5. Computer equipment, and software.

6. Books, library materials, and subscriptions; and

7. Any insurance,

May not be subject to the competitive bidding requirements of this Division as determined by the Council or the Purchasing Officer.
b. Except in cases of emergency, at least sixty (60) days prior to the expiration date of any existing contract for insurance in which the City is the insured, the Purchasing Officer shall cause to be given, by advertising, or in another manner deemed adequate and desirable by the Council, notice of the expiration date of such contract for insurance.

c. Nothing in this Section prohibits Council or the Purchasing Officer from advertising for or requesting bids.

Section 2-178. Exceptions to Requirements for Competitive Bidding: Contracts With Carriers.

a. Nothing in this Division prohibits the Purchasing Officer from contracting for interstate or intrastate carriage of persons or property with a certificated common carrier at the rates set forth in the officially approved tariff of such carrier.

b. Nothing in this Section prohibits the Purchasing Officer from soliciting informal rate quotations.

Section 2-179. Exceptions to Requirements for Competitive Bidding: Auction, Closeout and Bankruptcy Sales; Sale of Merchandise Left After Exhibition.

a. Except as otherwise provided by law, if the Purchasing Officer, with the approval of the City Manager, determines that supplies, materials or equipment can be purchased at any public auction, closeout sale, bankruptcy sale, sale of merchandise left after an exhibition, or other similar sale at a reasonable savings over the cost of like merchandise and below the market cost in the community, a contract or contracts may be let or the purchase made without complying with the requirements of this Division for competitive bidding.

b. The documentation for the purchase or acquisition shall be summarized for the next regularly scheduled meeting of the Council, together with written justification showing the savings involved.

Section 2-180. Effect of Collusion Among bidders or Advance Disclosures.

a. Any agreement or collusion among bidders or prospective bidders in restraint of freedom of competition by agreement to bid a fixed price, or otherwise, shall render the bids of such bidders void.

b. Advance disclosures of any information to any particular bidder which would give that particular bidder any advantage over any other interested bidder in advance of the opening of bids, whether in response to advertising or an informal request for bids, whether in response to advertising or an informal request for bids, made or permitted by an officer or employee of the City, shall operate to void all proposals of that particular bid solicitation or request.
Section 2-181. Trade-in Allowances for Personal Property.

When purchasing personal property, the Purchasing Officer may solicit and accept advantageous trade-in allowances for personal property of the City which has been determined by the Council to be no longer required for public use, and may award any bid to the bidder submitting the lowest net bid after deduction of such trade-in allowance.

Section 2-182. Sale or Lease of Personal Property of the City; Public Auction; Division Inapplicable to Transactions Regarding Real Property.

a. All sales or leases of personal property of the City must be made, as nearly as possible, under the same conditions and limitations as required by this Division in the purchase of personal property; but, the Purchasing Officer, with approval of the Council, may sell any such personal property at public auction if it is deemed that such a sale is desirable and in the best interest of the City.

b. The provisions of this Division do no apply to the purchase, sale, lease or transfer of real property by the City.

Section 2-183. Joinder or Use of Contracts by Other Local Governments.

The City may join or use the contracts of the State of California or of other local governments within this State with the authorization of the contracting vendor.

Section 2-183.1. Inspection and Testing.

The Purchasing Officer may require chemical and physical tests of samples, submitted with bids and samples of deliveries which are necessary to determine their quality and conformance with specifications.

Section 2-183.2. Assignment of contract.

a. No contract awarded pursuant to Section 2-173 may be assigned without consent of the Purchasing Officer.

b. No contract awarded pursuant to Section 2-174 may be assigned without consent of the Council.

c. No contract awarded or any portion thereof may be assigned to any person who was declared by the Purchasing Officer, with respect to contracts awarded under Section 2-173, or by the Council with respect to contracts awarded under Section 2-174, not to be a responsible person to perform the particular contract.
Section 2. This ordinance shall be given appropriate enumeration in the files of the City Clerk regarding the City’s Purchasing System.

Section 3. This ordinance shall take effect thirty (30) days from and after its adoption. Within fifteen (15) days after adoption, it shall be published once in a newspaper, published and circulated within the City of El Centro, California.

INTRODUCED at a regular meeting of the City Council of the City of El Centro, California, held on the October 3, 2007.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of El Centro, California, held on the October 17, 2007.

CITY OF EL CENTRO

By Rosanna Bayon Moore, Mayor

ATTEST:

By Rita M. Noden, City Clerk

APPROVED AS TO FORM:

By James L. Darrow, City Attorney
I, Rita M. Noden, City Clerk of the City of El Centro, California, do hereby certify that the foregoing Ordinance No. 07-16 had its first reading on October 3, 2007, and had its second reading on October 17, 2007, and was passed by the following vote:

AYES: Sanders, Solomon, Moore, Edney, Viegas-Walker
NOES: None
ABSENT: None
ABSTAINED: None

AYES: Sanders, Solomon, Moore, Edney, Viegas-Walker
NOES: None
ABSENT: None
ABSTAINED: None

By [Signature]
Rita M. Noden, City Clerk
CITY OF EL CENTRO
POLICY STATEMENT

Subject: Cal-Card Policy and Procedures    Distribution: All Departments

Purpose
Cal-cards are used to provide an alternative purchasing method for designated City employees. This policy is developed to ensure that all Cal-cards issued under agreements with the City of El Centro serve a legitimate business purpose and are adequately monitored by management for compliance.

Use of credit cards
The use of Cal-Cards is to allow City employees access to an efficient and alternative means of payment for approved expenses. It is for the purpose of making authorized small-dollar purchases (under $500), securing reservations, paying travel expenses, placing phone orders, and doing City business in the most efficient manner. The program is through the use of the State of California, Department of General Services, Procurement Division, CAL-Card Program using U. S. Bank’s International Merchants Purchase Authorization Card (I.M.P.A.C.)

Security of credit cards
The Finance Director (Agency Program Coordinator) is responsible for the City of El Centro credit card issuance, accounting, monitoring, retrieval, and for general oversight of compliance with this Cal-Card Policy.

Cal-cards may be requested by the Department Director (approving official) for the prospective cardholders. Authorized credit cardholders are determined by the Agency Program Coordinator (i.e. Director of Finance).

Cardholders will be required to sign the Cardholder agreement, indicating that they accept the terms of this policy. Only those who are authorized and who have signed the Credit Card user agreement may use Cal-Cards.

Individuals who do not adhere to these policies and procedures risk revocation of their credit card privileges.

Cardholder’s credit card will have both a 30 day limit and a single purchase limit.

Purchases
Credit cards shall only be used to purchase goods or services for the official business of the City of El Centro.
The following Purchases are not allowed:
- Alcoholic beverages/tobacco products
- Capital equipment and upgrades over $500
- Construction, renovation/installation
- Controlled substances
- Items or services on term contracts
- Maintenance agreements
- Personal items or loans
- Purchases involving trade-in of City’s property
- Rentals (other than short-term autos)
- Telephones, related equipment, or services
- Any other items deemed inconsistent with the values of the City of El Centro
- Consultants, instructors, and speakers contracted by the City
- Cash advances on credit cards
- Service/labor

Procedures
1. Credit cards may be requested by approving official (department director) for the prospective cardholders. The request must be in writing on the Credit Card Request Form.
2. Authorized credit cardholders are determined by the Agency Program Coordinator (i.e. Director of Finance).
3. Upon receiving a request to issue a new Cal-Card the finance division will return a memo to the new cardholder confirming their supervisor’s request. Attached to the memo will be the Cal-Card procedures.
4. If approved and prior to receiving the Cal-Card the new cardholders will be required to sign the Cardholder agreement indicating they have become familiar with the Cal-Card procedures and will comply and accept the terms of this policy.
5. Credit cards are issued in the name of the City and the authorized cardholder. Any annual fee is charged to the cardholder’s cost center. The cardholder will acknowledge the receipt of the bank card.
6. Credit card statements shall be reconciled with the vendor receipts/invoices and submitted to accounts payable on a timely basis so that the City does not incur penalty and interest charges. If statements are submitted for payment without sufficient time to make a timely payment, interest and penalty, if any, will be charged to the cardholder’s cost center.
7. Approving Officials (department director) shall review purchases and invoices to ensure compliance with these procedures.
8. All requisitions submitted for credit card payments shall be approved by appropriate management level and department director through the MUNIS automated approval process.
9. The claim for payment should include all receipts/invoices.
   a. If an original receipt has been misplaced, the cardholder must attach a signed memo containing the date, vendor, amount, and nature of purchase
10. In the case of meals and meeting related expenses, each receipt must include:
   a. The names of all persons involved in the purchase
   b. A description of the business purpose of the purchase, in accordance with Internal Revenue Service regulations.

11. All credit cards statements shall be signed by both the cardholder and the department director to attest to the accuracy and appropriateness of the transactions.

Authorized employees issued a credit card are responsible for its protection and custody and shall immediately notify the Finance Director or Finance Manager if the Credit Card is lost or stolen.

**Termination of Cardholder Accounts**
Upon termination of employment with the City, Cardholder accounts will be immediately closed. Cal-Cards will be collected during the Exit interview process with Human Resources. Human resources will forward the Cal-Card to the Agency Program Coordinator (Director of Finance) and will notify Finance of the termination date for credit card payment purposes. Cardholder shall report any pending charges as of the surrendering of the card and shall assert that they have reported all charges.

**Disputed Charges and Assistance.**
In the event of disputed charges or other questions, cardholders should:
   1. Contact merchant to seek resolution.
   2. If resolution is not reached, complete cardholder Statement of Questioned Item (CSQI) (Exhibit A) and forward to U. S. Bank.
   3. Forward a copy of CSQI to the agency program coordinator.

**Returns**
In the event of returned merchandise or other credits, cardholders must check subsequent statements for credit and attach the credit slip to the statement when submitting the statement for payment. If a credit slip was not obtained, other documentation explaining the return should be attached. If credit does not appear by the second subsequent statement, the cardholder should contact the APC.

**Lost or Stolen Cards**
Report lost or stolen cards immediately by calling U. S. Bank IMPAC Government Services at 1-800-227-6736. Notify the approving official (department director) and the Finance Division. If not reported immediately, the City may be liable for fraudulent charges which will be charged to the cardholder’s cost center.

**Responsibilities of Cardholders**
Productivity. The City promotes progressive productive work methods and supports a “plan ahead” philosophy to achieve the best possible results. A purchase should not be made with a Procurement Card unless it is the most productive purchasing method. Procurement Cards should not be used to replace planning.
**Inappropriate Purchases.**
Neither U. S. Bank, nor merchants, assume any responsibility for inappropriate purchases. If an inappropriate purchase is made by a cardholder, the merchant will be paid and the department cost center will be charged unless the merchant agrees to take the merchandise back and issue a credit. Inappropriate purchases will result in the cancellation of a cardholder’s Procurement Card.

**Procurement Card Cancellation.**
An Approving Official may request the cancellation of any Procurement Card for which he or she is responsible.

**Internal Accounting Controls**
A current list of all credit cards, authorized users, and credit limits shall be kept on file.

Requirements for use of credit card:
1. The credit card is to be used only to make purchases for the legitimate business of the City of El Centro.
2. The credit card must be used in accordance with the provisions of the credit card policy and purchasing procedures established by the City of El Centro

**Responsibilities of the Agency Program Coordinator (APC)**
Issuance and Cancellation of Cards. The APC is responsible for securing and canceling procurement cards.

Review of Card Purchases. The APC will review Procurement Card purchases. The APC will notify cardholders and Approving Officials whenever established procedures are not being followed. However the respective department director is responsible for the review of purchases and invoices to ensure compliance with these procedures. The APC may cancel the card of any cardholder at any time for any reason.

**Reference to Personnel Rules and Regulations**
Employees should note that Chapter 10 Section 1002 (i)(p) provide cause for disciplinary action should any of terms be violated.
Lost or Stolen Cards

A cardholder must report a lost or stolen card immediately after discovering that his or her card is missing.

1. Call U. S. Bank IMPAC Government Services directly, 24 hours a day, at 800-227-6736.

   Identify yourself as a cardholder under the City’s name and state your name and credit limit.

2. Call Accounts Payable at 337-4510.

   Give your name, department, the circumstances under which the card was lost, and provide the date and time that U. S. Bank IMPAC Government Services was notified.

General Assistance

For general assistance with any problems concerning your procurement cards, contact the APC (Director of Finance).
1. How can I tell I.M.P.A.C. from my personal credit card?
   City of El Centro appears on the top of the card.

2. May I use it for personal purchases and then reimburse the City?
   No.

3. What are my limits?
   The APC will assign 30 day and single purchase limits.

4. What if the nature of my job requires a higher limit?
   Make a written request through your Supervisor to the APC stating the limit you require and why it is necessary.

5. What if I try to use my card and it is denied?
   This could happen because:
   1. You are above your limit for either the single purchase or for the billing period.
   2. Your charges from the previous billing period have not been paid.
   3. Your merchant type code does not allow the particular item you are attempting to purchase.

6. How will I receive my statement?
   U. S. Bank will mail it to your work address.

7. When does it need to be submitted to accounts payable?
   By the 10th of each month.

8. What if I am on vacation?
   Leave your receipts with your supervisor for processing in your absence.

9. What if I am asked why I have a City credit card?
   We want you to take the time to explain the program to anyone who inquires. Use the information in this document. If anyone asks a question that you cannot answer, ask for his or her name and telephone number and let them know they will receive the information. Contact the APC at 337-4550 for a response.
CITY OF EL CENTRO CARDHOLDER AGREEMENT

I, ____________________________, hereby acknowledge receipt of the following credit card: _________________________ / _____ - _____ - _____ - _____

(type of credit card) (credit card number)

I understand that improper use of this card may result in disciplinary action, as outlined in the City of El Centro handbook, as well as personal liability for any improper purchases. As a cardholder, I agree to comply with the terms and conditions of this agreement, including the attached Credit Card Policies and Procedures agreement.

I acknowledge receipt of said Agreement and Policies/Procedures and confirm that I have read and understand the terms and conditions. I understand that by using this card, I will be making financial commitments on behalf of the City of El Centro and that the City of El Centro will be liable to U. S. Bank for all charges made on this card.

I will strive to obtain the best value for the City of El Centro when purchasing merchandise and/or services with this card.

As a holder of this City of El Centro card, I agree to accept the responsibility and accountability for the protection and proper use of the card, as enumerated above. I will return the card to the Finance Director, upon demand, during the period of my employment. I further agree to return the card upon termination of employment. I understand that the card is not to be used for personal purchases. If the card is used for personal purchases or for purchases for any other entity, the City of El Centro will be entitled to reimbursement from me of such purchases. The City of El Centro shall be entitled to pursue legal action, if required, to recover the cost of such purchases, together with costs of collection and reasonable attorney fees.

Signature ____________________________ Date __________________

(Cardholder)

Signature ____________________________ Date __________________

(Business Administrator)

Finance Department use only:

Date __________________ Amount approved $______________

Signature ____________________________

(Director of Finance)
CITY OF EL CENTRO
CAL-CARD REQUEST

DATE: __________________________

TO: Director of Finance

FROM: ___________________________ DEPARTMENT ___________________________

Requested: __________________________

FOR:
User: __________________________
Division: __________________________

Describe the purpose, justification, and importance of the requested credit card-
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

___________________________________   _______________________
Department Director Signature     Date

Finance Use Only

Approved:  Yes ________________           No ________________

Director of Finance: ___________________________ Date: __________________
SUMMARY
To establish policies regarding the provision and usage of City owned cellular telephones.

PURPOSE
It is the intent of the City of El Centro (City) to provide each department with effective communication devices, within the constraints of available resources. The City of El Centro recognizes the need for City-owned cellular telephones and by this policy establishes procedures for their authorization, deployment, and use in order to contain costs, ensure departmental accountability and personal responsibility, and prevent improper use. It is important that each user assumes personal responsibility for the prudent use of taxpayers’ dollars.

This policy is established to:
- Delineate the provisions and usage of City owned cellular telephones
- Contain cost
- Ensure departmental and personal accountability and responsibility
- Prevent the improper use of cellular telephones
- Maintain a safe environment when utilizing a cellular phone

GENERAL PROVISIONS
Technology can significantly enhance local service delivery. Cellular telephones are often practical and economical, especially for safety services and emergency communications, and can enhance productivity. The issuance of cellular telephones to employees is a privilege, not a right or an entitlement. Failure to abide by the procedures set forth in this policy may result in the loss of use of the equipment and/or disciplinary action.

The City issued cellular telephone is not being provided for personal use. Personal use of City provided cellular telephones is allowed only on a very minor, incidental basis and reimbursement should be made to the City. Excessive personal use or abuse of this privilege can result in loss of the use of the cellular telephone and/or disciplinary action. The City reserves the right to terminate cellular telephone
privileges for any reason.

In no instance will it be deemed acceptable for an employee to use a City issued cell phone to make harassing, threatening or intimidating calls, personal or otherwise.

The City cannot and does not imply, extend, or guarantee any “right to privacy” for voice calls and/or electronic communications placed over City provided cell phones, including but not limited to call detail records, logs, voice mail messages, data storage, text messages, emails, and address books.

The Director of Finance or designee will administer the City’s cellular telephone policy to ensure that the City is receiving the best cellular telephone rates possible. At least once a year the Director of Finance or designee will review the different rate plans available, the assignment of equipment and the rate plans to individuals.

IV. WORKING CONDITION BENEFIT / DE MINIMUS PERSONAL USE

Cell phones are intended to be used for business purposes only. It is understood that there may be a de minimus use of cell phones for personal calls. IRS Tax Laws provide that a Working Condition Benefit may arise in the case of an employer providing cell phones to employees. Personal use of city-provided cell phones is subject to personal income taxes and withholdings. An alternative for excluding cell phones from income is through the use of the de minimis fringe benefit rule. That is that a minimum percentage of personal use is allowed without triggering taxation.

- However continuous use of the cellular phone for personal reasons undermines the argument that any personal use is excludible for an employee’s gross income as de minimus.

Consistent with IRS Tax law regarding Working Condition Benefits for employees, the City hereby establishes that such de minimus use shall be determined to be less than 15% of the total phone calls made on an annual basis. If an employee uses the City’s cell phone in excess of the 15% threshold on an annual basis, the entire value of the cell phone for that year shall be deemed taxable and shall be reflected as a taxable working condition benefit on the employee’s W-2 Tax Statement.

Consistent with IRS tax laws, the City shall establish a sampling method whereby employees shall be required to indicate on randomly selected cell phone bills whether each phone call was for business or non-business use. Employees shall be required to sign an acknowledgement indicating that the employee has reviewed the cell phone bill and has accurately reflected business and non-business phone calls. Failure of an employee to comply with these substantiation requirements will render the entire value of the cell phone on an annual basis to be a taxable working condition benefits, and shall be reflect as such on the employee’s W-2 Tax Statement.

V. UTILIZING CELLULAR PHONES

When an employee is required to operate any motor vehicle for City business, the use of the cellular phone is prohibited by the driver unless the driver is using a hands-free device. If the driver does not have a hands-free device, they shall pull safely off the road and stop driving before making or receiving a phone
call. Texting and/or e-mailing while operating a motor vehicle is prohibited.

Drivers of emergency response vehicles are currently exempt from the State regulations that require the hands-free device; however, they shall make every attempt to refrain from using cellular phones without the hands-free device in order to reduce the driver’s distraction while operating a City vehicle.

VI. ACQUISITION

1. Department Directors will determine which of their employees should be issued a City owned cellular telephone. Their recommendation shall be based on a valid business purpose and shall follow the specific criteria described in this policy. However, because of financial or other management considerations, meeting the criteria does not guarantee issuance of equipment. If a radio or pager provides reasonable access to the employee for work-related matters, a cellular telephone will not be issued. The following criteria are among those that should be considered:

   a) Management – The employee is in a managerial role and a critical component of his/her job responsibilities, regardless of location, is contact with staff, citizens, and other agencies.

   b) Work location – The requirements of the job regularly take the employee away from his/her primary work location, either to serve the public or to complete work assignments, and the department head believes a cellular telephone is a critical tool for performing the job. Employees who are regularly assigned to a desk with a land-line telephone and who do not meet the other criteria will ordinarily not be assigned a cellular telephone or pager.

   c) On call – The employee is either regularly on call or regularly expected to respond to City matters during non-business hours.

   d) Other considerations:
      i. Whether a radio would meet the needs of the organization and the employee as efficiently as and at a lesser expense than a cellular telephone.
      ii. Whether assignment of a cellular telephone will enhance emergency response, employee safety or work efficiency.
      iii. Adequacy of the present system of communication, and whether a cellular telephone is the most appropriate and economical choice.
      iv. Whether the cellular telephone is a convenience or a necessity for job performance.
      v. Whether the employee can share a cellular telephone with other employees.

2. The request for a cell phone shall be submitted to the finance department by the Department Director or designee on a Cellular Telephone Authorization Request Form (see attached). The justification for receiving a cellular telephone must be provided on the Cellular Telephone Authorization Request form as cellular telephones will only be distributed to employees with a demonstrated need.
3. Department Directors and their designees, including supervisors, have the responsibility for ensuring that cellular telephones are being used appropriately.

4. Department Directors have the budgetary responsibility for the purchase and monthly expenses associated with cellular telephones.

Employees will be issued a cellular telephone if authorized by the department head and approved by the Director of Finance or designee. If approved the finance department will order the requested equipment from the City’s cellular service provider and arrange delivery.

Employees are responsible for maintaining adequate physical protection of both the equipment issued to them by the City and access to the cell phone service associated with the equipment. Employees shall immediately notify their department head or designee, who in turn shall notify the Director of Finance or designee, if any City-owned cellular telephones are damaged, lost or stolen.

Any equipment purchased by the City is owned by the City and should be returned to the City when the employee separates from service or when the need for such equipment no longer exists.

VII. REVIEW

Department Directors, supervisors, and cellular telephone users are responsible for cellular telephone bills within their department. Users are responsible for reviewing the accuracy of their individual bills, and for documenting the reasons for any instances in which the plan service level is exceeded. The finance department will provide to department heads copies of the bills on a monthly basis. Department heads and their designees, including supervisors, are responsible for reviewing and approving bills, along with any supporting documentation, that has been submitted to them by users. Periodically, the Director of Finance or designee may audit City cellular telephone bills.

Plan service levels should be sufficient to meet business call needs, and not set at a higher level to also accommodate personal calls. Any concern about the plan service level for a particular cellular telephone should be brought to the attention of the Director of Finance or designee by the department head or designee in a timely manner.

Employees will be financially responsible for any and all calls made to or from a cellular telephone while in his/her possession that are not in conformance with this policy.

Department Directors should review the list of users annually to ensure that designated employees continue to demonstrate a need for a cellular telephone. Each January, the Finance Department will provide Department Directors with a Cellular Phone Inventory for review.

VIII. ACCOUNTABILITY

Department Directors and users are responsible for cellular phone bills within his/her department. Appropriate disciplinary action may be taken if an employee is found in violation of this policy.

IX. PERSONAL USE OF CITY CELLULAR PHONE
City cellular telephones are issued for the primary purpose of conducting City business and are not intended to be a substitute for an employee’s personal cellular telephone. Employee use of cellular telephones for personal matters shall be kept to a minimum. To help define the term “minimum,” department heads and their designees, including supervisors, shall utilize the standard described in the next paragraph.

1. **Calls**
   Personal calls shall not exceed 10% of the total number of base plan monthly minutes allowed under the City-provided cellular telephone plan or 60 minutes, whichever is less, provided such usage does not interfere with the conduct of City business.

   If in any month, an employee’s personal calls exceed the lesser of 10% of the total number of base plan monthly minutes or 60 minutes, the department head or supervisor must discuss the matter with the employee to determine the reason for the excessive personal usage and counsel appropriate to the situation. Employees shall be notified that continued frequent and/or repeated use of the cellular telephone for personal use in violation of this policy may result in revocation of the cellular telephone and termination of the employee’s City provided cellular telephone plan and may, depending on the circumstances, result in disciplinary action, up to and including termination.

   The employee will be required to reimburse the City for some portion or all of the minutes that result from personal use. The number of minutes subject to reimbursement will be computed as follows:

   a) Add up the number of minutes of all personal use for both calls received and calls made.
   b) Compare that number to the “threshold” amount (the lesser of 10% of base plan monthly minutes or 60 minutes).
   c) If personal use does not exceed the “threshold” amount, no reimbursement is due to the City.
   d) If personal use exceeds the “threshold” amount, the amount of the excess will have to be paid back to the City.
   e) The rate of reimbursement shall be 45 cents per minute. This rate may be modified from time to time by the Director of Finance.

2. **Texting**
   The use of City provided cellular telephones for personal texting is not allowed. The cost of incidental use of any personal texting should be reimbursed to the City at the actual cost incurred by the City. The reimbursement will have to be paid back to the City within 30 days after the date of the cellular telephone or pager bill. Excessive personal use or abuse of this privilege can result in loss of the use of the cellular telephone and/or disciplinary action. The City reserves the right to terminate cellular telephone privileges for any reason.

3. **Reimbursements**
   All amounts must be paid within 30 days after the date of the cellular telephone or pager bill. Checks should be made payable to the “City of El Centro”, not the cellular telephone service provider. A copy of the monthly cellular telephone with all personal calls highlighted, along with a copy of the reimbursement calculation, must be included with the reimbursement. The Director of Finance or designee may develop more specific reimbursement procedures.
All amounts due from an employee are immediately payable at the time the employee separates from the City. Any unpaid amount due the City is considered a debt and may result in legal action against the employee after separation from the City.

The Director of Finance or designee will review bills showing regular personal usage.

**Excessive personal use or abuse of this privilege can result in loss of the use of the telephone and/or disciplinary action.** The City reserves the right to terminate cellular telephone or pager privileges for any reason.

**X. USE OF PERSONAL CELLULAR PHONE**

*Employees should use the most economical form for placing a call.* Occasionally, employees who do not have a City-issued cellular phone may need to use their personal cellular phone for critical City business. These calls may be eligible for reimbursement by the City upon review and approval, of the request, by the department head or designee.

Requests for reimbursement should be submitted on a Claim for Payment. A copy of the monthly cellular phone bill with business calls highlighted should be attached.

Employees who purchase cellular phones for personal use should not include the City as co-owner or co-lessee.

*Employees are prohibited from using a personal cellular phone for City or personal business while operating a vehicle unless the driver is using a hands-free device. If the driver does not have a hands-free device, they shall pull safely off the road and stop driving before making or receiving a phone call.*
CITY OF EL CENTRO
CELLULAR TELEPHONE AUTHORIZATION REQUEST

DATE: ___________________________

TO: Director of Finance

FROM: _____________________________ DEPARTMENT_________________________

Equipment Requested: ________________________________________________________
                                                                                   
User: _______________________________________________________________________

Division: ____________________________________________________________________

Was this equipment included in the budget?     Yes_____  No ______

If this equipment was not budgeted, are sufficient funds remaining in the budget?  Yes_____ NO_____ 

Describe the purpose, justification, and importance of the requested equipment.  
                                                                                   
                                                                                   
                                                                                   
                                                                                   
                                                                                   
Department Director _____________________________ Date: __________________

Finance Use Only

Approved:   Yes ________________           No ____________________

Service:
Number of voice minutes in plan_______________  Number of text allowed in plan___________

Director of Finance: ________________________________ Date: __________________
Employee Acknowledgement

I, the undersigned employee, hereby acknowledge receipt of the City of El Centro’s Cellular Telephone Policy. I have read this policy and clarified with my Department Director any questions regarding its provisions. I agree to comply with all the requirements contained therein and understand that appropriate disciplinary action may be taken if I am found in violation of this policy.

I hereby acknowledge the following:

The City has issued a cell phone to me in accordance with this policy. I understand that I may be subject to personal income taxes and withholdings if the use of this cell phone exceeds the *de minimus* use standards established herein. I also understand that I may be obligated to reimburse the City for all of my personal use of the City cell phone, that I will be required to pay the City any amount due for such usage at the time my employment ends with the City, and that failure to pay the City may result in legal action against me.

_____________________________________________  _____________
Employee Name        Date

_____________________________________________
Employee Signature

_____________________________________________  _____________
Department Director       Date
I. POLICY:

The City of El Centro (City) strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of the City that the recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services.

The Accounts Payable Division of the Finance Department of the City supports all City department needs by providing a timely and efficient manner to process payments in compliance with policies and procedures.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized.
2. All the required documentation is included.
3. Invoices are processed in a timely manner.
4. Vendor credit terms and operating cash are managed for maximum benefits.

II. PROCEDURES:

1. Accounts payable are processed on a daily basis. Information is entered into the MUNIS system from approved invoices and the respective attached supporting documentation.

2. New Vendor - It is necessary to set up a new vendor before entering a requisition into the Purchasing MUNIS Module System, each City department must request the vendor to complete and mail in Internal Revenue Service (IRS) Form W-9. When the Department receives this form, the Accounting Assistant in the Accounts Payable Division will enter the new vendor information into the accounting software. The Department will be able to create a requisition for a purchase order (PO) only after the vendor is set up in the system. The same process described above applies for individuals, companies and corporations.

The IRS requires the City to obtain an individual's correct taxpayer's identification number or social security number (individuals) and certification that the payee is not subject to backup withholding. To protect the City and to meet requirements for the IRS, individuals must complete the IRS W-9 to verify
their information. This also would apply to individuals who receive payments for such items as: consulting fees, sale of goods and other personal services. This list is not inclusive.

3. Invoices - It is the policy of City that only original invoices will be processed for payment unless duplicate copies have been verified as unpaid by researching the vendor records. Vendor statements should normally not be processed for payment.
   a. If an original invoice is not provided then a written explanation signed by supervisor shall be required prior to payment.
   b. If the invoice received does not have a PO, the Account Payable Specialist will send the original invoice to the respective department for them to process the requisition. However all purchases should first obtain a purchase order and should be processed through the MUNIS requisition system.
   c. Each department is responsible for verification of invoices for payment including the following items:
      i. Comparison of quantities billed on the invoice with quantities listed on the purchase order or shown on the receiving documents.
      ii. Comparison of prices, discounts, and terms with those specified on the purchase order.
      iii. Proof of clerical accuracy of the invoice with respect to extensions, mathematical accuracy and deductions for discounts.

4. Preparation of an Accounts Payable Package (A/P package)
The vendor invoices should be reviewed and approved by a department director prior to being processed for payment.

All requests for payment to be submitted to finance shall include an A/P package. Each A/P package shall contain the following documents:
   a. Original invoice
      a. If original invoice is not available (this should be the exception) a written explanation signed by supervisor is required.
      b. Packing slip (where appropriate).
   c. Purchase order
      a. All purchases require prior requisition through MUNIS purchase order system.
   d. For travel reimbursement request – travel authorization form shall be signed by both the employee and the department director. See Policy #105.
   e. For credit card payments – signature of cardholder and director should be on the statement.
   f. Request for payment of cancellation fee
      a. A written explanation for cancellation is required.
   g. Any other supporting documentation deemed appropriate.

All A/P packages must be approved by the department director. The approval indicates their acknowledgement of satisfactory receipt of those goods or services agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full.

5. Recording and processing of accounts payable.
Information is entered into the system from approved and complete A/P packages. All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.
All payment requests that are received, approved and supported with proper documentation by Tuesday at noon shall be recorded as accounts payable for the week and will be paid on Friday of the same week.

a. City departments should obtain their purchase order in a timely manner in order to reduce the number of last minute “emergency” requests.

The following procedures shall be applied to each A/P package by the Accounts Payable Specialist:

a. Invoices and related general ledger account distribution codes are reviewed prior to posting to the accounting software.

b. Check the mathematical accuracy of the vendor invoice.

c. Compare the nature, quantity and prices of items ordered per the vendor invoice to the packing slip and receiving report if one is provided.

d. Review the general ledger distribution (charged accounts).

e. The Finance copy of the PO will be pulled out.

f. Post all PO’s requested for payment into the accounting software.

g. All A/P packages selected for payment shall be reviewed and approved by the Finance Manager and Finance Director.

h. The accounts payable report is matched to the check run.

i. Print accounts payable checks on Thursday before noon (after the approval from both the Finance Manager and Finance Director).

j. After the accounts payable checks are processed the accounts payable run is posted to the accounts payable module in the City’s financial system. The charges automatically post and are reflected in the general ledger.

k. Checks will be mailed Thursday afternoon with the exception of those that the department request to hold.

l. Checks copies will be attached to the A/P packages and all invoices included in the A/P package will be stamped “PAID”. These completed A/P packages will then be filed.

6. The check register report or “Warrant Register” generated each week must be signed by the Finance Manager and Finance Director. All signed “Warrant Registers” from prior month will be presented to the City Council for their review and approval at the second meeting of the month.

7. Payment Discounts.
To the extent practical, it is the policy of the City of El Centro to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

8. Employee Expense Reports.
Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see policy No. 105 "Travel"). All receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. This form must be signed by both the director and the employee.

In extremely rare situations a manual check may be written. To obtain a manual check requires the approval of the Director of Finance.
10. Void checks.
There are times when a check would need to be "voided" out of the system. In order for this process to occur a Void Check Authorization Form must be filled out and approved by the Director of Finance. The following information must be obtained:
   a. Check number
   b. Amount
   c. Date
   d. Payee
   e. Reason for void
   f. Stop payment required
   g. Check being reissued

Once approval from the Director of Finance is obtained, the void check process is posted in the financial system. A copy of the void check authorization form is given to the Finance Manager indicating the posting date on the void check authorization form. Another copy is placed in that month's bank reconciliation binder.

At the end of the void check process, the following reports are reviewed and filed in the void check file within the bank reconciliation binder by the Accountant (copy of void check authorization form, copy of accounts payable check, void check proof list).

11. Summary
This policy is in place to provide guidelines for the proper processing of accounts payable in a manner that will safeguard the assets of the City.

Approved by City Manager

[Signature]

Ruben Duran, City Manager

[Date]
CITY OF EL CENTRO
POLICY STATEMENT

Policy Statement No: 105 Adopted: 10/17/01
Category: General Revised: 04/02/03
Subject: Travel Distribution: All Departments

I. Purpose

The City of El Centro acknowledges the value of professional seminars, conferences, training, and meetings and recognizes the need for City employees to travel outside the City to conduct City business. It is the intent of the City to provide travel and expense funds for all reasonable expenses incurred in the course of such travel.

This policy addresses the need for uniform guidelines governing travel on official business of the City of El Centro, by establishing methods of requesting, authorizing and controlling such travel and attendance by all appointed or elected officials and employees at approved events. Everyone who travels on City business - or supervises someone who travels - is responsible for knowing and following this policy.

II. General Provisions

The governing factor in authorizing travel on official City business is the benefit to accrue to the City as the result of such travel.

The City Council authorizes all travel and appropriates all funds for travel in the City’s budget.

The City Manager administers the travel program in accordance with the authorization and appropriation made by the City Council in the adopted annual budget.

This policy is not intended to address every issue, exception, or contingency that may arise in the course of City travel. Accordingly, the basic standard that should always prevail is to exercise good judgment in the use and stewardship of the City’s resources.

III. Planning

Normally, you should leave as late as possible and return as early as possible from your trip after business is completed, with the goal of minimizing the time away from work. If you take time away from official business for personal matters, or if you delay your return after completing your business, you will not be reimbursed for expenses incurred during that time. When combining business and personal travel in this manner, department head approval is required. If this extended period occurs during your regular scheduled work hours, the time should be recorded as a usage of accrued leave.
Mode of travel

- General

  When planning the transportation portion of your trip, consider all aspects of cost to the City - daily expenses, overtime, lost work time - as well as actual transportation costs.

- Air travel

  Air travel on City business should be at the lowest possible fare class, unless approved in advance by the City Manager. Planning for air travel that originates or ends in Imperial County shall always include a check of fares and flight times of commercial carriers based at Imperial County Airport. You are encouraged to fly from and to the local airport whenever fares are comparable or lower than at other airports, and flight times accommodate your travel needs. In comparing airfare between carriers based inside and outside of the Imperial County the following factors should also be taken into consideration: employee travel time, mileage cost, and long term airport parking cost. If a decision is made to use a commercial carrier not based at the Imperial County Airport, mark the checkbox(es) on the Travel Authorization (TA) form to indicate the factor(s) supporting your decision. You should try to book air travel as early as possible to take advantage of discounts.

- Driving

  If you will be driving, you should use a City vehicle if one is available. You will be reimbursed for gasoline when you return. If a City vehicle is not available, you have two options: use a rental vehicle or your personal vehicle.

  Use of a rental vehicle requires department head or City Manager approval. Rentals for two or fewer employees should be made at the compact car rate. When renting a car, insurance and other extras should not be requested.

  If you use your personal car, you will be reimbursed at the current federal Privately Owned Vehicle Mileage Reimbursement rate for use of a privately owned vehicle (POV).


  To drive a privately owned vehicle on City business you must:

  T Possess a valid California driver’s license.

  T Carry adequate liability insurance coverage.

  T Realize that any damage to the car, needed service, or repair occurring on the trip will be your responsibility, as these costs are included in the City’s per mile cost reimbursement.
• Transportation at your destination

If you need local transportation at your destination, use of public transit, shuttle services, or taxis is appropriate. You may be reimbursed for these expenses if they cause your per diem allowance to be exceeded. Rental vehicles may be used when necessary, following the guidelines listed above.

Lodging

Generally, the City will pay for a single room (including taxes and parking) for as many nights as necessary. The accommodations you use should be economical but practical. For example, it is preferable to stay at the hotel where a conference is held, even if that hotel may be slightly more expensive than others in the area. Location is also important: a hotel close to where you will be conducting business may be slightly more expensive than outlying hotels, but it may be easier to achieve the City’s travel goals by staying at the closer location. In general, you should stay at the most reasonably priced accommodations available consistent with the purpose and goals of your travel.

Reservations

Whenever possible, you should make reservations well in advance of travel dates. They are often required for large conferences. Reservations can be held with the use of a credit or purchase card. Be sure to cancel any reservations you will not use. If the City is charged for an unused reservation, you will pay that charge unless circumstances requiring cancellation were reasonably beyond your control.

When making lodging reservations, be sure to ask about exemptions from the local transient occupancy tax (TOT): some cities exempt travelers on City business, others don’t. If there is an exemption, you can save up to 12% on lodging costs depending on the local TOT rate. Almost all lodging operators will require an official, written claim for exemption, and a sample for the purpose is provided in Exhibit C.

Compensation for travel time

If you are eligible for overtime, compensation for time traveling to and from your travel destination on official City business shall be in accordance with applicable State and Federal laws and City policy.

Covered costs

The City will pay all legitimate expenses of your trip up to the maximum per diem rate. These include transportation, lodging, registration fees, meals, telephone and any other related expenses if they are for official business and follow this policy. Legitimate expenses in excess of the maximum per diem rate will be considered on a case-by-case basis and should be reported on Page 2 of the Travel Authorization (TA) (Exhibits A, B).
Alcoholic beverages

City funds should not be used to purchase alcohol or reimburse employees for alcohol related costs during travel. The Council may approve exceptions to this policy on a case-by-case basis.

Spouses and guests

While spouses and guests may accompany you on City travel, any additional costs associated with the participation of your spouse or other guests are your responsibility and should not be included on the TA.

Other issues

- Travel less than one day
  
  When your official travel does not require you to be absent overnight from the City of El Centro, you will be reimbursed for actual expenses incurred.

- Bonus or mileage points

  Mileage points accruing on City airline travel are the property of the employee. However, accumulating bonus points should never influence total travel costs to the City, and should not be part of a decision to travel by air.

SUBMITTING TRAVEL AUTHORIZATIONS AND CASH ADVANCE REQUESTS

Travel Authorizations are required for all overnight travel. For travel that does not require an overnight stay, the normal check request or purchase order procedures may be used to request vendor payments or employee expense reimbursements. City Manager or Department head approval of TA’s is required. Page 1 of the completed TA and accompanying check requests should be submitted to your department head as far in advance as possible. Page 2 of the TA will be used when you return to account for your expenses.

Department heads approving TA’s are responsible for determining that the cost is reasonable and justified by the trip’s purpose. They should be certain that:

- The purpose cannot be accomplished via mail, telephone, teleconference or the Internet.
- The seminar, meeting, or conference is mandatory, reimbursable, or otherwise necessary to accomplish key City goals and objectives and is unavailable locally if overnight accommodations are required.
- The minimum number of City staff members is going.
- The itinerary ensures accomplishment of the purpose at the lowest reasonable cost.
- The traveler understands and follows these guidelines.
- There is enough money in the appropriate travel budget to cover the costs.
Direct vendor payments are made by the City to organizations to pay for specific costs related to a trip - usually registration fees, lodging and airfare. These payments can be initiated by purchase order, check request, and credit or purchase card. Cash advances are lump sum payments made to you before you leave to cover expenses as they arise on the trip.

If you request a cash advance, your department head must review the amount to be sure it is reasonable. When you return, you must account for all expenses incurred if you are requesting reimbursement of actual, authorized expenses in excess of the amount advanced.

To obtain either direct vendor payments or a cash advance, you must complete the appropriate sections of the TA and attach check requests or purchase order requests for all payments (including cash advances). If you are using a purchase card, you must keep all documentation for reconciliation. When you travel, take along a copy of the TA to be used for expense reconciliation upon your return.

IV. Travel Requests and Cash Advances

Travel Authorization (TA’s) are required for all overnight travel. For travel that does not require an overnight stay, the normal check request or purchase order procedures may be used to request vendor payments or employee expense reimbursements. City Manager or Department head approval of TA’s is required. The Page 1 of the completed TA and accompanying check requests should be submitted to your department head as far in advance as possible. Page 2 of the TA will be used when you return to account for your expenses.

TRAVELING

Meals and incidental expenses (M&IE) allowances are paid at the current Federal per diem rate for Los Angeles.

The term “incidental allowance” includes, but is not limited to, expenses for laundry, cleaning and pressing of clothes, and fees and tips for services such as for waiters and baggage handlers.

In calculating meal allowances for partial days, the following guidelines should be used:

- **Departure**
  - T  If you depart after 8:00 a.m., deduct the breakfast allowance for that day.
  - T  If you depart after 2:00 p.m., deduct the breakfast and lunch allowances for that day.
  - T  If you depart after 8:00 p.m., deduct all meal allowances.

- **Return**
  - T  If you return after 6:00 p.m., you may claim the full per diem meal allowance for that day.
  - T  If you return between 2:00 p.m. and 6:00 p.m., you may claim the breakfast and lunch allowances.
  - T  If you return between 8:00 a.m. and 2:00 p.m., you may claim the breakfast
allowance.

If meals are provided without charge at a meeting or while in transit (meals served on a plane, for example), appropriate deductions must be made from the per diem meal allowance.

The meal allowance is considered to be 85% of the M&IE. Allowance for meals are a pro-rata amount of the calculated meal allowance as follows:

- Breakfast 25%
- Lunch 25%
- Dinner 50%

INCURRING NON-TRAVEL EXPENSES

The City will pay expenses incurred for such meetings and hospitality as may, from time to time, be determined by the Council to be appropriate. Costs for such special occasions will be determined by Council action, through the annual budget process.

The City will pay expenses you incur attending meetings or conferences held locally which do not include travel expenditures. The City will also reimburse you for training materials associated with the program available for sale at such an event.

ACCOUNTING FOR EXPENSES

When you return from your trip or official function and are requesting reimbursement a final accounting of all expenses must be approved by your department head and submitted to Finance within ten working days.

The final accounting is made by completing the “Expense Report” portion of the TA (Page 2). After completing the expense report, sign the report attesting to its accuracy, and submit it to your department head for review and approval.

Department heads approving expense reports are responsible for ensuring that:

- All expenses are reasonable, necessary, and consistent with these guidelines.
- Any amounts due to the City are reimbursed.
- Final accounting of all expenses is submitted to Finance.
- Phone costs charged to calling cards not available when the expense report is turned in may be submitted later via an expense reimbursement form, with the Department Head’s approval.

Upon approval by your department head or the City Manager, the expense report should be forwarded to Finance for processing.
VIOLATIONS OF TRAVEL POLICY

Violations of this travel policy may subject employees to disciplinary action, up to and including termination.
V. Overview of Travel Procedures

<table>
<thead>
<tr>
<th>Who</th>
<th>What</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traveler</strong></td>
<td>• Consult with Department Head on the need for travel.</td>
</tr>
<tr>
<td></td>
<td>• Plan itinerary, transportation &amp; lodging.</td>
</tr>
<tr>
<td></td>
<td>• Complete Travel Authorization (TA); attach vouchers for employee cash advance (if needed) and each direct vendor payment requested.</td>
</tr>
<tr>
<td><strong>Department Head</strong></td>
<td>• Review TA for conformance with City travel guidelines and department priorities.</td>
</tr>
<tr>
<td></td>
<td>• Verify that adequate funding exists in the appropriate travel budget to cover all costs.</td>
</tr>
<tr>
<td></td>
<td>• Approve TA, provide a copy to the employee and submit to Finance for payment processing.</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td>• Make cash advance and vendor payments.</td>
</tr>
<tr>
<td></td>
<td>• File TA in employee's vendor file.</td>
</tr>
</tbody>
</table>

**STEP 1**

**Travel Authorization**

<table>
<thead>
<tr>
<th>Who</th>
<th>What</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traveler</strong></td>
<td>• Complete and submit expense report section of the TA accounting for all expenses to the Department Head within 10 working days after completion of travel if reimbursement is requested.</td>
</tr>
<tr>
<td></td>
<td>• Attach any required receipts.</td>
</tr>
<tr>
<td></td>
<td>• Sign report attesting to its accuracy.</td>
</tr>
<tr>
<td><strong>Department Head</strong></td>
<td>• Review expense report for conformance with City travel guidelines.</td>
</tr>
<tr>
<td></td>
<td>• Verify accuracy of balances and disposition.</td>
</tr>
<tr>
<td></td>
<td>• Approve expense report, make a copy for departmental records and submit to Finance; attach voucher request if reimbursement is requested.</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td>• File expense report in employee's vendor file and process any payment to the employee if requested.</td>
</tr>
</tbody>
</table>
VI. Completing the Travel Authorization

OVERVIEW

The Travel Authorization (TA) form should be prepared whenever the total estimated cost of travel is more than $200 or overnight lodging is required. The TA is a two page form: Page 1 provides for approval of the travel, summarizes the cost, and provides documentation for any cash advance to the employee and direct payments to vendors; Page 2 is for reporting actual expenses within 10 days after travel is completed and reconciling.

Completing the form itself is largely self-explanatory, and a completed sample is provided for your information. The following highlights key areas of the TA form:

TRAVEL AUTHORIZATION: Page 1

The front side of the TA is organized into five major sections:

- **General Information.** Identifies who is going, where the meeting or conference will be held, how long the employee will be gone, how much it will cost, and the account number that should be charged.

- **Purpose.** Describes the reason for the trip.

- **Cost and Payment Summary.** Outlines the estimated cost of the trip by expense type (registration, transportation, lodging, meals; spaces are provided to add categories not pre-listed), vendors to whom payment will be made (including cash advances to the employee), method of payment (voucher, purchase order, credit card), and amount. A summary is then provided of the payments to be made to the employee, vendors, or by credit card. Appropriate vouchers, purchase orders or credit card requests should be attached to the TA when it is submitted to Finance for processing.

- **Itinerary.** Summarizes when and where the employee will be traveling.

- **Approvals.** Provides a signature box for the employee and approval by the Department Head or City Manager.

TRAVEL EXPENSE REPORT: Page 2

Page 2 of the TA is organized into four major sections and is used for reporting actual expenses upon completion of travel when reimbursement of additional expenses is requested.

- **Actual Expense Detail.** Itemizes actual expenses by type for each day of your trip (spaces are provided for dates and expense categories not pre-listed).

- **Mileage Detail—Personal Vehicle.** Summarizes miles and cost if you were authorized to use a personal vehicle for the trip.

- **Travel Expense Summary.** Totals expenses for the trip and reconciles them with any cash advance received.

- **Approvals.** Provides a signature box for the employee and approval by the Department Head.
CITY OF EL CENTRO
POLICY STATEMENT

Policy Statement No: 306
Category: Financial Management
Subject: Petty Cash Procedures
Adopted: July 14, 2011
Revised:
Distribution: All Departments

Purpose
This section prescribes the policies and procedures relating to the establishment, administration, and discontinuance of petty cash funds.

General Definitions
"Petty Cash Custodian" is the employee in a department who has been authorized to make payments from a petty cash fund and who is directly responsible for the administration of the fund.

Security of Petty Cash
The Finance Director is responsible for the proper safeguarding of petty cash monies entrusted to the departments. Cash and receipts for unreimbursed expenditures must be kept in a locked container such as a fire-proof file cabinet, safe, or other suitable device to which unauthorized access is difficult.

The petty cash custodian is personally responsible for the cash which was specifically issued to him/her. Therefore, access to the fund must be limited to the custodian.

Establishing a Petty Cash Fund
A petty cash fund may be established to improve the efficiency of departmental operations. These funds are available to purchase minor items when it would be otherwise impractical to purchase items through the usual purchase order methods.

These funds are subject to periodic audits. Recurring audit findings may result in the petty cash fund being revoked.

The custodian is responsible for ensuring the cash on hand and receipts equal the authorized amount of the fund at all times. Petty cash funds must be kept separate from change funds, cash drawers, personal funds, and any other collected revenue.

1. The City of El Centro established a Petty Cash fund as follows:
   - Finance - $1,100
   - Police – $500
   - City Attorney – $50
   - Recreation – $100
   - Pool - $50
2. The Petty Cash Custodian must be designated by Finance Director and is the only authorized employee to have access to the locked petty cash box.

3. The Petty Cash Custodian is responsible for the petty cash reimbursement request and requisition. The requested check should be written to the order of the “City of El Centro - Petty Cash” and must be cashed at the Customer Service Registers.

**Petty Cash Fund Purchases**

Disbursements from petty cash funds must be properly documented and should be for a valid City of El Centro business purpose.

1. Petty cash funds may not be used for the following:
   - Items/receipts in excess of $50.00.
   - Cashing of personal checks or providing personal loans.
   - Purchases which are required to be reported in a specific manner such as, but not limited to, personnel services, travel expenses and business meals.

2. Purchase of items **prohibited** under petty cash procedures:
   - Travel expenses
   - Conference registration
   - Hotel registration
   - Per diem
   - Lunch meeting reimbursement
   - Personnel services
   - Personal items
   - Professional services
   - Advertising
   - Alcoholic beverages and tobacco
   - Automotive repairs
   - Cashing of expense advances checks
   - Chemicals
   - Clothing
   - Controlled substances
   - Donations
   - Hazardous materials
   - Leases and rentals
   - Maintenance agreements
   - Stationary such letterhead, business cards, and envelopes
   - Renovations or remodeling (on City’s Buildings)
   - Seminars and memberships
   - Telephones and cell phones
   - Weapons and ammunition
Finance Director has the authority to make exceptions to the above list when special or unusual circumstances apply. Approval for exceptions must be received prior to purchasing items listed above.

3. An employee purchasing items using petty cash funds should do the following:

   a) Obtain prior approval from the Department Director or immediate supervisor.

   b) Obtain, when necessary, a petty cash advance from the Petty Cash Custodian. The advance is provided to the employee only to purchase legitimate petty cash items. Each time an advance is given, the Petty Cash Custodian must maintain the following information:
       o the amount of the advance
       o the date
       o the purpose
       o the recipient
       o the recipient’s signature

   The Petty Cash Custodian is responsible for ensuring the employee returns any unused cash.

   c) Makes the purchase, paying for the item with personal monies or with the petty cash advance and obtains an itemized receipt or cash register sales slip.

   d) Presents to the Petty Cash Custodian, the original sales receipt or cash register sales slip attached to the petty cash request form signed by authorized approver.

The receipt(s) must include:

   o Date of purchase
   o Description of the item(s)
   o Place of purchase
   o Itemized amounts

The request form must include:

   o Date of purchase
   o Description of the item(s)
   o Purpose
   o Charge Account
   o Amount
   o Name, Signature and date of employee doing the request
   o Name, Signature and date of immediate or authorized supervisor
e) Receives reimbursement for the purchase from the Petty Cash Custodian when personal monies are used or returns any unused portion of the petty cash advance to the Petty Cash Custodian immediately after the purchase is made.

f) Petty Cash requests deadline is Wednesday at noon for reimbursements paid out on Thursday after noon of the same week.

**Replenishment of Petty Cash Fund**

Petty cash funds must be reimbursed at least once every 90 days during the fiscal year, regardless of the dollar amount to be reimbursed. In addition, funds should be replenished at the fiscal year end so there are no outstanding receipts as of June 30.

1. The *petty cash reimbursement request* for the amount to be requested must be completed through the City of El Centro purchasing process.

2. The reimbursement request should be entered as a requisition into the accounting software for approval.

3. The Petty Cash Custodian must prepare a list of all expenses paid along with original receipts and submitted to finance for review as a support of the requisition.  
   Each receipt should be listed individually with the following information:
   - Expense date (receipt date)
   - Expense description
   - Account code to be charged
   - Amount
   - The fund custodian's signature.

4. A reconciliation of the petty cash fund must be done on a regular basis. Complete the *Petty Cash Fund Reconciliation Form* to insure the receipts plus cash on hand is equal to the amount of the authorized petty cash fund.

5. If receipts plus cash on hand are less than the authorized amount, this is an overage and must be deposited thru customer service registers crediting the other revenue account with description “petty cash over/short”.

6. If the receipts plus cash on hand are less than the authorized amount, this is a shortage. If the amount is significant, it should be reported to the Finance Director immediately for investigation. If the amount is less than $5, report this on your petty cash reimbursement request, charging the other revenue account with description “petty cash over/short”.
**Transferring Petty Cash Fund Custodianship**  
The Finance Director is responsible for changes in petty cash custodians

1. When a new custodian is to take charge of a petty cash fund, the former custodian replenishes the fund so that the fund has the established amount of cash on hand.

2. The new custodian may send a notice to all city staff which indicates:
   - Removal of the former custodian from the fund
   - The new fund custodian's name
   - Effective date

3. Accounts Payable will not reimburse a petty cash custodian unless the name is on file as the current custodian.

**Increasing/Decreasing/Closing Petty Cash Funds**

1. Increasing a petty cash fund: In case that an increase to a petty cash fund is needed, a written request supporting the increase will have to be submitted to the Finance Director for review and approval.

2. Decreasing a petty cash fund: A petty cash fund should be reduced if the amount of the fund exceeds the actual needs of the City. The amount which is no longer needed should be returned to finance for review and deposited through the customer service registers, crediting the original account, along with a memo indicating the fund is being decreased.

3. Closing a petty cash fund: When a petty cash fund is no longer needed, the fund custodian should replenish the fund to the authorized amount. This amount must then be returned to the finance department and deposited through the customer service registers, crediting the original account, indicating the fund is being closed.

Petty cash funds must NEVER be deposited into a revenue account code.

**Revocation of petty cash privileges**
The use of petty cash fund in a manner not in compliance with this policy will result in the immediate revocation of the petty cash fund.

Approved  

[Signature]
Ruben Duran  
City Manager

[Date]
August 12, 2011
I. Purpose

The City Council of the City of El Centro recognizes that the City's invested assets are essential to the City’s financial strength, its ability to pay claims, and its ability to improve service or reduce costs and, therefore, wishes to adopt a fiscally responsible Statement of Investment Policy (the Policy) in order to promote the wise investment of City funds.

This Policy shall govern the investment of City funds. It takes into consideration the City's particular investment needs including preservation of capital, appropriate levels of liquidity and yield on invested assets. This Statement of Investment Policy is based upon principles of prudent money management and State law. When the Policy is more restrictive than State law, the Policy shall govern investment practices.

II. Investment Objectives

The City's primary objectives, in priority order, shall be to:

- ensure the safety of principal,
- maintain a sufficiently liquid investment portfolio to ensure that the City has adequate cash to meet reasonably anticipated operating requirements, and
- earn a reasonable yield consistent with the objectives of safety and liquidity.

III. Investment Philosophy

The City's investment philosophy is to invest conservatively in order to minimize risk. Investments shall be made in the context of the Prudent Investor Rule for trustees of local government money pursuant to government Code Section 53600.3 as follows:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like
character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy investments may be acquired as authorized by law.

This standard of prudence is to be used by all investment staff and will be applied in the context of managing an overall portfolio.

The fundamental principles of the City's investment philosophy are:

- diversification of the portfolio by investment type,
- quality standards for securities issuers,
- limits on the maximum maturity of investments,
- passive investment strategy of purchasing investments with the intent to hold them until maturity.

The City's passive investment strategy does not prohibit the City from selling a security prior to its maturity and recording a gain or loss in order to improve the quality, liquidity, or yield of the portfolio in response to market conditions or City needs. However, the City's philosophy prohibits speculation, i.e., the purchase of securities with the intent to profit from favorable changes in market prices or market conditions. Leveraging or borrowing money for the purpose of investing is specifically prohibited.

IV. Investment Constraints

1. For repurchase agreements of longer than three (3) days, the underlying collateral must be at least 102% of the repurchase agreement amount and must be delivered to the City's safekeeping account. The only acceptable collateral for repurchase agreements are U.S. Treasury issues and Federal Agency issues. Collateral is not required for repurchase agreements of three days or less.

2. The City shall not use reverse repurchase agreements for the investment of funds.

3. Bankers Acceptances may not exceed 180 days maturity nor more than 40% of the City's investments.

4. Negotiable certificates of deposit may not exceed 30% of the City's investments.

5. Medium-term notes may not exceed 30% of the City's investments.

Instruments issued by a federal agency or U.S. government enterprise may only be purchased as indicated in Appendix A. The City may invest only as shown in Table 1 and shall not invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.

The City shall not invest in any security that could result in zero interest accrual if held to maturity.
STATEMENT OF INVESTMENT POLICY (cont.)

Commercial paper eligible for investment shall have the highest ranking of Moody’s Investors Service, Inc. (Moody’s), Standard and Poor’s (S&P), or Fitch Financial Services, Inc (Fitch). The corporation that issues the commercial paper shall be organized and operating within the United States, shall have total assets in excess of five hundred million dollars ($500,000,000), and shall issue debt, other than commercial paper, if any, that is rated “A” or higher by Moody’s, S&P, or Fitch. Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 25 percent of total investments may be invested in eligible commercial paper. No more that 10 percent of the outstanding commercial paper of any single corporate issue may be purchased.

Any investment owned by the City at the time of the adoption of this policy shall be exempt from these provisions. Upon the maturity or liquidation of such investments, any monies reinvested shall be in accordance with the provisions of this policy.

V. SAFEKEEPING OF SECURITIES

The City shall utilize an independent third party financial institution for the safekeeping of securities. The City shall not purchase securities from, nor sell securities to, the financial institution responsible for the safekeeping of the City's securities.

VI. MATURITIES

From time to time, the condition of the fixed income markets presents opportunities for high interest rates on high grade securities with a low risk exposure. It is in the best interest of the City to maintain diversified investments that will ensure safety, liquidity and the increase of acceptable yield from these situations.

No more than 65% of the City's funds may be invested in securities with maturities longer than two years from the date of purchase. Securities with maturities longer than five years must be U.S. Treasury notes or bonds, Federal National Mortgage Association bonds or Federal Home Loan Bank bonds.

The percentage of long-term maturities shall not exceed the following:

- A maximum of thirty percent of the City's invested funds may be invested in securities over five years;
- A maximum of fifteen percent of the City's invested funds may be invested in securities over seven years;
- No security may have a maturity greater than ten years from the date of purchase.

Any moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of the City, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of
STATEMENT OF INVESTMENT POLICY (cont.)

those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the City providing for the issuance.

VII. INVESTMENTS
Eligible investments under state law and their acceptability to the City are shown in the table below.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Eligible for Local Gov't Investment</th>
<th>Acceptable for city</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds issued by the City</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>United States Treasury issues</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Registered California State Warrants or notes or bonds</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Debt issued by a California local government</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Instruments issued by a federal agency or United States government-sponsored enterprise</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Bankers Acceptances (with maturities of 180 days or less)</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Prime Commercial Paper (as defined in Gov't Code section 53601)</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Repurchase Agreements with Primary dealers of the Federal Reserve Bank of New York</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements with Primary dealers of the Federal Reserve Bank of New York</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Medium-term notes (5 yr. maturity or less) of domestic corporations or depository institutions</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>shares in diversified management companies investing in permitted securities</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Obligations backed by a first priority security interest in acceptable collateral for local agency deposits</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>State of California Local Agency Investment Fund</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

Shares of beneficial interest issued by the CAL-TRUST Joint Powers Authority, authorized pursuant to Gov't Code Sections 6509.7 and 53601 (p) x x
VIII. DEPOSITORY SERVICES

Legal Constraints
Money must be deposited in state or national banks, state or federal savings associations, or state or federal credit unions in the State of California. It may be in inactive deposits, active deposits or interest-bearing active deposits. Deposits shall not exceed the shareholders' equity of any depository bank or the net worth of any depository savings and loan association.

The bank or savings and loan must secure the active and inactive deposits with eligible securities having a market value of 110% of the total amount of the deposits. If funds are to be collateralized, the collateral must be United States government securities.

Security may be waived for that portion of a deposit which is insured pursuant to federal law. Currently, the first $250,000.00 of a deposit is federally insured. The collateral requirement for the first $250,000.00 may be waived if the City will receive a higher interest rate.

Depository services
Active deposits are demand or checking accounts which receive revenues and pay disbursements. Interest bearing active deposits are Money Market accounts at a financial institution (i.e. bank, savings and loan, credit union). These accounts are demand accounts (i.e. checking accounts) with restricted transaction activity.

Inactive deposits are Certificates of Deposit issued in any amount for periods of time as short as 14 days and as long as several years.

IX. REPORTING

The Director of Finance shall render a monthly report to the City Council and City Manager within thirty (30) days following the month covered by the report. The report shall include:

- The type or kind of each investment,
- The issuer of each investment,
- The purchase date of each investment,
- The maturity date of each investment,
- The par and dollar amount of each investment,
- Current market values and sources of the valuations,
- The amount of cash held by the City,
- A description of any of funds, investments, or programs that are under the management of contracted parties,
- A statement regarding compliance with this Statement of Investment Policy,
- A statement denoting the ability of the City to meet its expenditure requirement for the next six months.
STATEMENT OF INVESTMENT POLICY (cont.)

X. Appendix A – GLOSSARY

XI. Appendix B - INVESTMENT CRITERIA FOR FINANCIAL INSTITUTIONS

XII. Review

The investment policy shall be reviewed and approved by the city council on an annual basis.
APPENDIX A
GLOSSARY

BANKERS ACCEPTANCES - are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high grade negotiable instrument. Acceptances are purchased in various denominations for 30 to 180 days but no longer than 270 days. The interest is calculated on a 360 day discount basis similar to Treasury Bills. Local agencies cannot invest more than forty per cent of their surplus money in Bankers Acceptances; the City limits investment in Bankers Acceptances to 40% of its portfolio.

CERTIFICATES OF DEPOSIT - are investments for inactive funds issued by banks, savings and loans and credit unions.

Negotiable Certificates of Deposit are large-denomination CDs issued in $1 million increments. These securities have average trades in the secondary market of $5 million to $10 million. They are issued at face value and typically pay interest at maturity, if maturing is less than 12 months. CDs which mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs) and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

Non-negotiable Certificates of Deposit are time deposits with financial institutions which earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for those instruments, therefore, they are not liquid. They are classified as public deposits and financial institutions are required to collateralize them. Generally, financial institutions use mortgages to collateralize these deposits. The City only accepts U.S. government-issued or U.S. government-backed securities as collateral.

Non-negotiable CDs of $100,000 are insured respectively by the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Share Insurance Fund (NCUSIF). For deposits exceeding $100,000 we require the financial institution to collateralize.

COLLATERAL - consists of securities, evidence of deposits, or other property which a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits of public monies. In California, repurchase agreements, reverse repurchase agreements, negotiable CDs purchased at a California institution, and public deposits must be collateralized. Collateral acceptable to the City must be U.S. Treasury or Federal Agency issues. This type of collateral must equal 110% of the deposit being secured.
COMMERCIAL PAPER - is a short term, unsecured, promissory note issued by a corporation to raise working capital. These negotiable instruments may be purchased at a discount to par value or interest bearing. Eligible commercial paper is issued by corporations organized and operating within the United States and having total assets in excess of $500 million. This would include firms such as General Motors Acceptance Corporation, American Express, Bank of America, Wells Fargo Bank, et cetera.

Local agencies are permitted to invest in commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investor's Service, Inc., Standard and Poor's Corporation, or Fitch Financial Services, Inc. Purchases of eligible commercial paper may not exceed 270 days maturity nor exceed 25% of the local agency's surplus funds.

DELIVERY - of securities may be accomplished two ways: delivery vs. payment and delivery vs. receipt (also called free). Delivery vs. payment is delivery of securities with an exchange of money for the securities; this is the method of delivery used by the City. Delivery vs. receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITS - Inactive deposits are certificates of deposit issued in any amount for periods of time as short as fourteen days and as long as several years. Interest must be calculated on a 360-day basis, actual number of days. The criteria for investments in Certificates of Deposits is described in Appendix B.

Interest-bearing active deposits are money market accounts at a financial institution (i.e., bank, savings and loan, credit union). These accounts are demand accounts (i.e., checking accounts) with restricted transaction activity.

A Passbook saving account is similar to an inactive deposit but without a fixed term. The interest rate is much lower than CDs, but the savings account allows flexibility. Funds can be deposited and withdrawn according to daily cash needs.

FEDERAL AGENCY INSTRUMENTS - are issued by U.S. Government agencies or quasi-government agencies. These issues are guaranteed directly or indirectly by the United States Government. Examples of these securities are Federal Home Loan Bank (FHLB) notes, Federal National Mortgage Association (FNMA) notes, Federal Farm Credit Bank (FFCB) notes, Government National Mortgage Association (GNMA) notes and Student Loan Association (SLMAE) notes. The City may not invest in federal agency instruments issued by the Small Business Administration or the Government National Mortgage Association. Collateralized mortgage obligations issued by a federal agency may not be purchased by the City.

ISSUER means any corporation, governmental unit or financial institution which borrows money through the sale of securities.
LIQUIDITY - refers to the ease and speed with which an asset can be converted into cash without
loss of value. In the money market, a security is said to be liquid if the spread between the bid and
asked price is narrow and reasonably sized trades can be done at those quotes. U.S. Treasury bills
are very liquid.

LOCAL AGENCY INVESTMENT FUND (LAIF) - is a special fund in the State Treasury which
local agencies may use to deposit funds for investment. There is no minimum investment period and
the minimum transaction is $5,000, in multiples of $1,000 above that, with a maximum of $40
million for any agency. It offers high liquidity because deposits can be converted to cash in twenty-
four hours and no interest is lost. All interest is distributed to those agencies participating on a
proportionate share determined by the amounts deposited and the length of time they are deposited.
Interest is paid quarterly via direct deposit to the LAIF account. The State charges an amount for the
cost of making the investments, not to exceed one-quarter of one per cent of the earnings.

MATURITY - is the date upon which the principal or stated value of an investment becomes due
and payable.

MEDIUM TERM CORPORATION NOTES - are unsecured promissory notes issued by a
corporation organized and operating in the United States. These are negotiable instruments and are
traded in the secondary market. Medium Term Corporate Notes (MTN) can be defined as extended
maturity commercial paper. Corporations use MTNs to raise capital. Examples of MTN issuers are
General Electric, GMAC, Citibank, Wells Fargo Bank, et cetera.

Local agencies are restricted by the Government Code to investments in notes rated "A" or higher by
a nationally-recognized rating service. Further restrictions are a maximum term of five years to
maturity and total investments in Medium Term Corporate Notes may not exceed thirty per cent of
the local agency's surplus money.

MUTUAL FUNDS - are referred to in the Government Code, Section 53601(k), as "shares of
beneficial interest issued by diversified management companies". The Mutual Fund must be
restricted by its by-laws to the same investments as the local agency by the Government Code.
These investments are Treasury issue, Federal Agency issues, State of California and City (within
California) debt obligations, Bankers Acceptances, Commercial Paper, Certificates of Deposit,
Negotiable Certificates of Deposit, Repurchase Agreements, Reverse Repurchase Agreements, and
Medium Term Corporate Notes. The quality rating and percentage restrictions in each investment
category applicable to the local agency also apply to the Mutual Fund. Other restrictions apply.

A further restriction is that the purchase price of shares of the mutual funds shall not include any
sales commission. Investments in mutual funds shall not exceed fifteen per cent of the local agency's
surplus money.

NEGOTIABLE - is the term used to designate a security, the title to which is transferable by
delivery.
PORTFOLIO - is the collection or group of securities owned by an investor.

PRINCIPAL - describes the original cost of a security. It represents the amount of capital or money which the investor pays for the investment.

REPURCHASE AGREEMENTS - are short term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the REPO. Repurchase Agreements must be collateralized.

SHARES OF BENEFICIAL INTEREST ISSUED BY A JOINT POWERS AUTHORITY – Organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in gov’t code section 53601, subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority.

U.S. TREASURY ISSUES - are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security.

TREASURY BILLS - are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

TREASURY NOTES - have original maturities of over one year up to ten years.

TREASURY BONDS - have original maturities of up to 30 years.
APPENDIX B
INVESTMENT CRITERIA FOR FINANCIAL INSTITUTIONS

Any financial institution proposed for the purchase, sale, or safekeeping of City securities must submit current financial statements for evaluation by the City Treasurer or Deputy City Treasurer prior to the investment of funds. The institution:

- must have been in business at least three years, and
- must have assets of at least $50 million and a net worth to liability ratio of 4.0% or greater.

Investments in Credit Unions require an Equity to Asset Value of 5.0% or greater. The loan balance to share draft ratio is compared to industry standards, but should not exceed 90%. The City may invest funds for a period up to 120 days in institutions with a Regular Reserve to Loan Balance ratio of 3.25% or greater. For longer periods of time, the ratio must be at least 4.0%.

Examination is made of the Reserve Loan Losses category to evaluate the financial trend of the institution's asset base. When available, data is evaluated regarding the level of non-performing assets (i.e., loans no longer paying interest and/or principal in the amount called for in the original contract agreement.) Comparison is made of institution ratio values to the industry averages.

Under deposits, if data is available, we track the ratio of $100,000 certificates of deposit (brokered money) to the total deposit base. A percent greater than 50% is an area of concern.

Whenever possible, the use of several years' financial data is evaluated to present a trend of activity in the institution.

The City also requires that interest be paid to the City on a monthly basis (current state law only requires quarterly payment). The City will not place more than $100,000 in a savings and loan, small banks or credit union.
I. **PURPOSE**  
The purpose of this policy is to ensure adequate control and appropriate use of City fixed assets. The procedures are intended to define fixed assets and to establish guidelines for budgeting, financial reporting, logging, inventorying, transferring, depreciating, and disposing of fixed assets.

II. **POLICY**  
It is the policy of the City of El Centro that fixed assets be used for appropriate City purposes and be properly accounted for. It is the responsibility of the Finance Department to ensure fixed assets will be inventoried on a periodic basis, and accounted for by fund and asset category. It is the responsibility of the Department Heads to ensure that proper budgeting and purchasing guidelines are followed and that fixed assets are adequately secured.

III. **OBJECTIVES**  
The City of El Centro’s fixed asset policy has two (2) objectives:

1. **Accounting and Financial Reporting** - To accurately account for and report fixed assets to the City Council, external reporting agencies, granting agencies, and the public.

2. **Safeguarding** – To protect its fixed assets from loss or theft.

The Finance Department is responsible for, and has established, systems and procedures through which both objectives are met. The system and procedures are used to identify, process, control, track, and report City fixed assets.

IV. **PROCEDURES**

**Capitalization Policy (Accounting and Financial Reporting)**  
In general, all fixed assets, including land, buildings, machinery and equipment, with an acquisition cost of **$5,000** or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition. Specific capitalization requirements are described below.
• The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order each costing $1,000 will not qualify for capitalization even though the total cost of $10,000 exceeds the threshold of $5,000.

• The capitalization threshold will generally not be applied to components of fixed assets. For example, a tractor purchased with several attachments will not be evaluated individually against the capitalization threshold. The entire equipment with components will be treated as a single fixed asset.

• Repair is an expense that keeps the property in good working condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department fund.

• Software programs will be regarded as fixed assets subject to capitalization and the cost will be amortized over a useful life of 5 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.

• Improvements to existing fixed assets will be presumed to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the $5,000 threshold.

• Capital projects will be capitalized as “construction in progress” until completed. Costs to be capitalized include direct costs, such as labor, materials, and transportation, indirect costs such as engineering and construction management, and ancillary costs such as construction period interest.

• Additions and deletions to the fixed asset inventory records shall be made on a periodic basis. When fixed assets are sold or disposed of, the inventory of Fixed Assets should be relieved of the cost of the asset and the associated accumulated depreciation.

• Department Heads will need to approve a Property Disposition report prior to transfer, auction or disposal of any fixed asset.

**Control Policy - (Safeguarding)**
The Finance Department is responsible for establishing and maintaining systems and procedures to properly safeguard assets. However, Department Heads are responsible for protecting assets under their control from theft or loss. These assets are described as follows:

a. The acquisition cost of the fixed asset is equal to or greater than $5,000.

b. An asset required to be controlled and separately reported pursuant to grant conditions and other operational or externally imposed. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant funded asset.
**DEPRECIATION**

Depreciation is computed from the date the fixed asset is placed in service until the end of its useful life.

Depreciation method – straight line

<table>
<thead>
<tr>
<th>Fixed Asset Category</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>50 years</td>
</tr>
<tr>
<td>Arch/Engineering</td>
<td>10 - 50 years</td>
</tr>
<tr>
<td>Construction Engineering</td>
<td>10 - 50 years</td>
</tr>
<tr>
<td>Other Real Property</td>
<td>10 - 50 years</td>
</tr>
<tr>
<td>Improvements Other-Contributed Capital</td>
<td>10 - 50 years</td>
</tr>
<tr>
<td>Fixed Shop Equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Portable Shop Equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Field Equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Parks &amp; Recreation Equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Safety Equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Heavy Mobile Equipment</td>
<td>15 years</td>
</tr>
<tr>
<td>Communication Equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture &amp; Fixtures</td>
<td>5 years</td>
</tr>
<tr>
<td>Office Machines</td>
<td>5 years</td>
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<tr>
<td>Visual Aid</td>
<td>5 years</td>
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<td>Computers</td>
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<td>Other Assets</td>
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<td>Computer Software</td>
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</tr>
<tr>
<td>Books</td>
<td>10 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>Trucks</td>
<td>5 years</td>
</tr>
<tr>
<td>Fire Fighting &amp; Rescue Vehicles</td>
<td>15 years</td>
</tr>
</tbody>
</table>

**PURCHASING AND DISPOSAL OF PROPERTY**

Purchasing will follow the El Centro Purchasing Ordinance found at Chapter 2, Article IV, Division 5, commencing with Section 2-166, of the El Centro City Code and the disposal of fixed assets will follow Policy Statement No. 302
I Purpose

The purpose of this Policy Statement is to establish Financial Policies to ensure that the City’s finances are managed in a manner which will, (i) continue to provide for the delivery of quality services, (ii) maintain and enhance service delivery as the community grows in accordance with the general plan, (iii) guarantee a balanced budget annually assuring that the City is always living within its means, and (iv) establish reserves necessary to meet known and unknown future obligations. To achieve these goals the Financial Policies include General Policies, Revenue Policies, Cost of Growth Policies, Reserve Policies, Expenditure and Budgeting Policies, Debt Policies, and Capital Improvement Policies.

II General Policies

1. The City will manage its financial assets in a sound and prudent manner.

2. The City will maintain sound financial practices in accordance with State law and direct its financial resources toward meeting the City’s long term goals.

3. The City will develop and maintain programs to ensure its long-term ability to pay all the costs necessary to provide the level and quality of service required by its citizens.

4. The City will maintain accounting systems in conformance with generally accepted accounting principles.

5. The City will establish and maintain investment policies in accordance with State laws that stress safety and liquidity over yield.

III Revenue Policies

2. The City will strive to maintain a diversified and stable revenue base that is not overly dependent on any land use, major taxpayer, revenue type, restricted revenue, inelastic revenue, or external revenue.

3. The City will aggressively pursue revenue collection and auditing to ensure that
money due the City is received in a timely manner.

4. The City will seek Federal and State grants and reimbursements for mandated costs whenever possible.

5. The City will investigate potential new revenue sources, particularly those which will not add to the tax burden of residents or local businesses.

6. The City will work proactively with the League of California Cities and local communities to monitor legislation that may impact the City financially.

7. The City will avoid targeting revenues for specific purposes whenever possible.

8. The City will establish user fees when appropriate and monitor all user fees and other charges so that the fees and charges are reflective of the cost of providing the services.

9. The City will periodically analyze actual revenue received.

10. The City will maintain and develop methods to track major revenue sources and evaluate financial trends.

11. The City will seek methods to continually improve the accuracy of revenue forecasts.

IV Cost of Growth Policies

3. The City will recover the costs of new facilities and infrastructure necessitated by development, consistent with State law.

4. The City will require large developments to prepare a fiscal analysis which measures direct and indirect costs and benefits to the City.

V Reserve Policies

4. The City will establish, dedicate, and maintain reserves annually to meet known and estimated future obligations.

5. The City will seek to establish specific reserve accounts which include, but are not limited to, designated reserves for the following:

   A General Fund reserve for economic uncertainties of not less than 10% of expenditures
   Totally funded workers= compensation
   Liability insurance
   Value of accrued vacation and sick leave
   Estimated cost of retirees medical payments
   Depreciation and replacement of vehicles and major equipment
Major maintenance and renovations of building, parks, and landscaping

6. The City will establish reserves for replacement of facilities and infrastructure.

7. The City will establish reserves for cash flow purposes.

VI Expenditure and Budgeting Policies

8. Operating budgets will be prepared to fund current year expenditures with current year revenue. However, surplus fund balances may be used to increase reserves, fund Capital Improvement Projects, or be carried forward to fund future years' operating budgets when necessary to stabilize services and fund capital outlay.

9. The City will deliver services in the most cost effective manner, including utilizing the services of volunteers in areas where it is economically viable.

10. Budgets will state the objectives of operating programs and identify the services and resources being provided to accomplish the specified objectives.

11. Budgets will fully account for and apportion all costs, fees, and General Fund transfers associated with the Enterprise Funds.

12. Departmental expenditures are limited to City Council appropriated expenditures in the following major categories:

   Personal Services
   Supplies & Services
   Capital Outlay

   a. Budget transfers required to hire additional permanent personnel require City Council approval.

13. The City will periodically update replacement and maintenance financing plans and incorporate them into the Budget.

VII Debt Policies

6. The City will limit the use of debt so as not to place a burden on the fiscal resources of the City and its taxpayers.

7. The City will limit long-term borrowing for capital improvements or projects that cannot be financed from current revenues.

8. When capital projects are debt financed, the debt will be amortized for a period not to exceed the expected useful life of the project.

9. Whenever possible, the City will investigate the use of special assessment, revenue or other self-supporting bonds to limit the General Fund obligation for debt service
payments.

10. The City will not use long-term debt for current operations.

11. The City will not use short-term borrowing to support routine operations, provided however, that it may be used to meet temporary cash flow needs.

12. The City will maintain strong communications with bond rating agencies about the City’s financial condition and follow a policy of continuing financial disclosure.

13. The City will strive to improve the City’s credit rating.

14. The City will utilize inter-fund loans when possible to reduce the cost of financing capital improvements.

VIII Capital Improvement Policies

7. The City will construct all capital improvements in accordance with an adopted capital improvement program.

8. The City will develop a five year plan for capital improvements to be updated at least biennially. Future capital expenditures will be projected annually for a five year period based on changes in the community population, real estate development or replacement of the infrastructure.

a. The City will coordinate preparation of the Capital Improvement Budget with preparation of the Operating Budget. Future operating costs associated with new capital improvements will be projected and included in Operating Budget forecasts.

9. The City will identify the estimated costs and potential funding sources for each proposed capital project before it is submitted to Council for approval.

10. The City will attempt to determine the least costly financing method for all new projects.

11. The estimated cost of Capital replacement for enterprise funds such as water and sewer will be updated at least every two years to ensure that rates and charges are covering the full cost of operating these programs.
CITY OF EL CENTRO
POLICY STATEMENT

Policy Statement No: 304  Adopted: June 2011
Category: Financial Management Revised: __________
Subject: Reporting Unrestricted Fund Balance in the General Fund Financial Statements

I. Purpose:

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Finance Officer to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

II. Procedures:

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent.

- Non-spendable fund balance (inherently non-spendable)
- Restricted fund balance (externally enforceable limitations on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of non-spendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.
**Committed Fund Balance**

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

**Assigned Fund Balance**

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, amounts should be reported as assigned fund balance. *This policy hereby delegates the authority to assign amounts to be used for specific purposes to the City Manager* for the purpose of reporting these amounts in the annual financial statements. A few examples of assigned fund balance follow.

- **Continuing Appropriations**
  Fund balance levels must be sufficient to meet funding requirements for projects approved in prior years and which must be carried forward into the new fiscal year.

- **Debt Service**
  An amount established to provide for future debt service obligations.

- **Budget Balancing Measures**
  Funds set aside for the purpose of stabilizing the delivery of City services during periods of operational budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

- **Meet Financial Reserve Policy #301**
  In fiscal year 1998-99 the City of El Centro established Reserve Policies (as part of financial policy #301) which establish, dedicate, and maintain reserves annually to meet the following estimated future obligations.
  1. Totally funded workers compensation
  2. Liability insurance
  3. Value of accrued vacation and sick leave
  4. Estimated cost of retirees medical payments
5. Depreciation and replacement of vehicles and major equipment
6. Major maintenance and renovations of building, parks, and landscaping

Unassigned Fund Balance

These are residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories.

Financial Reserve Policy

In fiscal year 1998-99 the City of El Centro established Reserve Policies (as part of financial policy #301) which establish, dedicate, and maintain reserves annually to meet known and estimated future obligations. The policy seeks to establish specific reserve accounts which include, but are not limited to the following:

1. A General Fund reserve for economic uncertainties of not less than 10% of expenditures

The City Council recognizes that the unobligated General Fund reserves are needed for cash flow requirements, downturns in the economy, vulnerability to actions by State and Federal governments, interruptions in revenue stream and exposure to damages to infrastructure caused by natural disasters, and other contingency factors.

Fund Balance Classification

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

III. Summary:

This policy is in place to provide a measure of protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.
EXHIBIT “A”

VARIOUS COMPONENTS OF FUND BALANCE AS DEFINED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54.

Non-spendable Fund Balance:

Petty Cash: The portion of fund balance that represents the asset amount of petty cash, held by a given fund.

Inventories: The portion of fund balance that represents the asset amount of supply inventories, held by a given fund.

Prepaid Expenditures: The portion of fund balance that represents the asset amount of prepaid expenditures, held by a given fund.

Notes Receivable: The portion of fund balance that represents the asset amount of notes receivable, held by a given fund.

Advances to Other Funds: The portion of fund balance that represents the asset amount of cash advanced to other funds, held by a given fund.

Loans Receivable: The portion of fund balance that represents the asset amount of loans receivable, held by a given fund.

Land Held For Resale: The portion of fund balance that represents the asset amount of land inventory that is being held for resale, held by a given fund.

Redevelopment Loans: The portion of fund balance that represents the asset amount of loans receivable made to the Community Redevelopment Agency, held by a given fund.

Restricted Fund Balance:

Gas Tax (201) - The portion of fund balance derived from the State of California gas tax revenue to be used for street improvements and maintenance.

Transportation Article 8 (202) - The portion of fund balance derived from State of California Transportation Development Act funds to be used for street maintenance.

Transportation Article 3 (203) - The portion of fund balance derived from State of California Transportation Development Act Funds to be used for bicycle and pedestrian
projects.

Bus Shelter (204) - The portion of fund balance derived from State of California Transportation Development Act Funds to be used for the maintenance of Bus Shelters within the City.

Local Transportation Authority (205) - The portion of fund balance derived from a one-half cent voter approved sales tax to be used for street improvements.

Traffic Congestion Relief (206) - The portion of fund balance derived from transportation funding sales and use tax revenues to be used for street maintenance, rehabilitation and reconstruction.

FHWA Grants (207) - The portion of fund balance derived from FHWA received through the California Department of Transportation and to be used for street improvements.

7th & State Bus Terminal (211) - The portion of fund balance derived from Federal Transit Administration to be used for the development of the new Bus Terminal at 7th & State Avenue.

LTA Revenue Bonds (212) - The portion of fund balance derived from LTA secured bond issuance to be used for street related expenditures.

2010 Earthquake (213) - The portion of fund balance derived from reimbursements from FEMA and the State of California to be used for to repair facilities damaged by the earthquake.

Traffic Safety (220) - The portion of fund balance derived from traffic fines and forfeitures received from the County of Imperial and to be used for traffic safety purposes.

Asset Forfeiture (221) - The portion of fund balance derived from the Department of Justice from drug related seizures and to be used for police related expenditures.

OTS Grant (222) - The portion of fund balance derived from the State of California Department of Traffic Safety to be used for police related expenditures.

State COPS SLESF (223) - The portion of fund balance derived from the Supplemental Law Enforcement Services Fund (SLESF) pursuant to Section 30061 of the California Government Code (AB 3229) and to be used for street related activities.

Development Impact Fees (230-238) - The portion of fund balance derived from collection of development impact fees to be used for public infrastructure improvements necessary because of growth.
Home Grants (240) – The portion of fund balance derived from the State Department of Housing and Community Development Home program and to be used for affordable housing related activities.

Home Program (241) - The portion of fund balance derived from the collection of HOME program loan payments and to be used for affordable housing related activities.

Rental Rehab HUD (242) - The portion of fund balance derived from California Department of Housing and Urban Development rental rehabilitation program to be used for rental rehabilitation programs.

HUD Entitlement Program (243) – The portion of fund balance derived from the California State Department of Housing and Community Development entitlement program and to be used for entitlement qualified expenditures.

CDBG Program Income RFF (244) - The portion of fund balance derived from the collection of Community Development Block Grant loans made from program income and to be used for loans and other activities.

Housing Enabled by Local Partnership (245) - The portion of fund balance derived from California Housing Finance Agency to be used to make mortgage loans to first time home buyers.

CALHOME Program (246) – The portion of fund balance derived from Department of Housing and Community Development (CALHOME) to be used to provide mortgage assistance loans to first time home buyers.

EDA Revolving Fund (248) - The portion of fund balance derived from EDA Loan payments (sequestered per EDA) until it is to be utilized for additional loans.

Business Enterprise Grant (249) – The portion of fund balance derived from USDA Rural Development and to be used to provide business training to the tenants at the El Centro Business Incubator.

Home PI Administration (250) – The portion of fund balance derived from HOME program administration fees and to be used for administration of the HOME program.

Recreation Projects (261) - The portion of fund balance derived from grants and contributions to be used for recreational projects.

Library Assistance (262) - The portion of fund balance derived from donations and from the State of California Public Library Fund and to be used for library related
expenditures.

Special Events (266) - The portion of fund balance derived from contributions from the Redevelopment Agency, general fund and public to be used to finance special events sponsored by the City.

Buena Vista L&LD (272) – The portion of fund balance derived from the landscape and lighting district homeowner’s assessment to be used for the lighting and maintenance of the Buena Vista subdivision.

Legacy Ranch CFD (273) – The portion of fund balance derived from the community facilities district homeowner assessments to be used for payment of the bonds related to the Legacy Ranch Community Facilities District.

Legacy Ranch L&LD (274) – The portion of fund balance derived from the landscape and lighting district homeowner’s assessment to be used for the lighting and maintenance of the Legacy Ranch subdivision.

I.V. Commons CFD (275) – The portion of fund balance derived from the community facilities district assessment to be used for payment of the bonds related to the I.V. Commons CFD.

Tire Clean-up Grant (280) – The portion of fund balance derived from the State of California Environmental Protection Agency and to be used for the clean-up of tires that have been illegally dumped in our communities.

Household Hazardous Waste (281) – The portion of fund balance derived from the State of California Environmental Protection Agency and to be used to establish a permanent household hazardous waste collection facility and provide mobile collection events to service remote and underserved residents.

Used Oil Grant (285) – The portion of fund balance derived from the State of California Environmental Protection Agency and to be used for the establishment and maintenance of local used oil collection programs.

Integrated Waste Management (286) – the portion of fund balance derived from membership fees paid by the member cities and to be used to operate solid waste management and source reduction recycling.

Soft Drink Franchise (287) - The portion of fund balance derived from collection of fees by Coca Cola and to be used to supplement Parks and Recreation activities.

SIMPLOT (288) - The portion of fund balance derived from settlement of environmental litigation and to be used for parks and recreation activities.
Department of Conservation (289) – The portion of fund balance derived from California State Department of Conservation to be used to administer recycling activities through collection and public education.

FHWA Street Overlays (401) – The portion of fund balance derived from the FHWA received through the California Department of Transportation used on various street projects.

Colonia-El Dorado Street (407) – The portion of fund balance derived from the State Community Development grant program for street improvements in the El Dorado Colonia.

La Brucherie Green Belt (409) - The portion of fund balance derived from the County's clean air fund to be used for the construction of a non-motorized pathway along La Brucherie Road.

Prop. 1 B (410) – The portion of fund balance derived grant funds from the State of California to be used on various street projects

Fire Mitigation Fees (270) – The portion of fund balance derived from mitigation fees paid by new developments and to be used for Fire related activities.

Police Mitigation Fees (271) – The portion of fund balance derived from mitigation fees paid by new developments and to be used for police related activities.

Fund Balance – Restricted: The portion of fund balance that is in any non-general fund governmental fund that is restricted under the “Restricted Fund Balance: definition as prescribed by Governmental Accounting Standards Board Statement No. 54 and not otherwise defined in this category above.

**Committed Fund Balance:**

Capital Projects - The portion of fund balance that has been appropriated for specified capital projects and remains unspent.

I-8 Imperial Ave. Overpass (208) – The portion of fund balance derived from fees charged on new developments for overpass project to be used for I8 Imperial Avenue overpass.

Wake Ave Extension (209) - The portion of fund balance derived from mitigation fees to be used for the construction of Wake Ave.
Capital Construction (210) - The portion of fund balance derived from annexation fees to be used for public improvements.

Special Events (266) - The portion of fund balance derived from contributions from the Redevelopment Agency, general fund and public to be used to finance special events sponsored by the City.

Orange Ave Regional Lift Station (402) - The portion of fund balance derived from fees charged on new development and to be used for development of the lift station.

Drainage Facilities (403) - The portion of fund balance derived from fees charged on new development for drainage facilities.

Lotus Parallel (404) - The portion of fund balance derived from development fees and to be used for the future water and sewer trunk from water and wastewater plants to I-8.

IID Facility Crossing (405) - The portion of fund balance derived from developers for the installation of siphon pipes to allow for the Orange and Hamilton Avenue crossings

8th Street Overpass Bridge (406) - The portion of fund balance derived from developers for the lighting of the bridge

Bridge/Road Improvement (408) - The portion of fund balance derived from developers for the Improvements to Dogwood Bridge and various related roads.

Park Development (460) - The portion of fund balance derived from new development for the development and maintenance of parks.

RDA special revenues (267) - The portion of fund balance derived from property tax revenues and to be used for various projects

Project fund 2011 c bonds (268) - The portion of fund balance derived from bond proceeds to be used for various projects

Project fund 2011 a & b bonds (269) - The portion of fund balance derived bond proceed payments to be used for various projects.

Fund Balance – Committed: The portion of fund balance that is in any non-general fund governmental fund that is committed under the “Committed Fund Balance: definition as prescribed by Governmental Accounting Standards Board Statement No. 54 and not otherwise defined in this category above.
**Assigned Fund Balance:**

Donations: used to account for the portion of fund balance that is derived from unrestricted donations made to the City.

Fund Balance – Assigned: The portion of fund balance that is in any non-general fund governmental fund that is assigned under the “assigned Fund Balance: definition as prescribed by Governmental Accounting standards Board Statement No. 54 and not otherwise defined in this category above.

**Unassigned Fund Balances (General Fund Only):**

Prior Year Available Fund Balance: The portion of fund balance that is brought forward from the prior fiscal year and is available for appropriation to fund current fiscal year activities.

Contingency Reserve: The portion of fund balance that has been set aside as the City’s reserve for contingencies per the financial reserve policy.

Fund balance: Any portion of General Fund fund balance that does not fall under any of the fund balance definitions presented above.