

**BILL NO.:** 4927

**ORDINANCE NO.:** \_\_\_\_\_

**Introduced by: City Manager Nathan Mai-Lombardo**

**AN ORDINANCE ADOPTING A REVISED FINANCIAL PROCEDURES MANUAL FOR THE CITY OF BERKELEY, ST. LOUIS COUNTY, MISSOURI**

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BERKELEY, MISSOURI, AS FOLLOWS:**

**Section 1.** That the City of Berkeley, Missouri hereby adopts the attached revised and updated Financial Procedures Manual.

**Section 2.** The attached manual is hereby incorporated herein and made a part of this ordinance, as if fully set out herein.

**Section 3.** This Ordinance shall be in full force and effect from and after its passage.

1st Reading this \_\_\_\_\_ day of \_\_\_\_\_ 2023

2nd Reading this \_\_\_\_\_ day of \_\_\_\_\_ 2023

3rd Reading, PASSED and APPROVED, this \_\_\_\_\_ day of \_\_\_\_\_ 2023

\_\_\_\_\_  
Babatunde Deinbo, Mayor

ATTEST:

\_\_\_\_\_  
Deanna L. Jones, City Clerk

Final Roll Call:

Councilwoman Verges	Aye ___	Nay ___	Absent ___	Abstain ___
Councilwoman Williams	Aye ___	Nay ___	Absent ___	Abstain ___
Councilman Hoskins	Aye ___	Nay ___	Absent ___	Abstain ___
Councilwoman Anthony	Aye ___	Nay ___	Absent ___	Abstain ___
Councilman Hindeleh	Aye ___	Nay ___	Absent ___	Abstain ___
Councilwoman-at-Large Crawford-Graham	Aye ___	Nay ___	Absent ___	Abstain ___
Mayor Deinbo	Aye ___	Nay ___	Absent ___	Abstain ___

\_\_\_\_\_  
Approved as to Form:  
Donnell Smith, City Attorney



## MEMORANDUM

**TO:** Mayor Deinbo and Members of Council

**CC:** Deanna Jones, City Clerk, Torenzo Ford, Finance Director

**FROM:** Nathan Mai-Lombardo, City Manager

**DATE:** March 6, 2023

**RE:** Updated Financial Policies and Procedures

---

Mayor Deinbo and Councilmembers –

Periodically, it is responsible of staff to review and update our policies and procedures to ensure that we are always in compliance with State and Federal regulations, as well as have them optimized for our most efficient daily functioning.

Attached for you is an updated Financial Policies and Procedures Manual. This was developed at this time for the following reasons:

1. As has been discussed, the FY23/24 Budget will be significantly more comprehensive than it has been in the past. Including updated policies is an important part of this upcoming document, so staff wanted to ensure we had current text available.
2. Even the most recent copy staff was able to locate (2020) was incomplete and full of typos.
3. Changes needed to be made to ensure smooth daily operations related to purchasing and RFP's.
4. We added new text to ensure that the City always has sufficient General Fund reserves, a substantial improvement.

Please review the attached new draft and let me know any questions you might have. Torenzo or I will be happy to provide you with answers as expediently as we can. I am asking for your passage of this document during the next two Council meetings, so we have several weeks to provide any needed clarification or edits.

Thank you for your consideration on this matter.

Sincerely,

Nathan Mai-Lombardo  
City Manager

# CITY OF BERKELEY MISSOURI

## Financial Procedures Manual



Revised March 6, 2023





**Table of Contents**

**PREFACE**      **Introduction**..... 5

**CHAPTER I**      **Cash Receipts**..... 7

    Section 1      Procedures..... 7

    Section 2      Bad Check Processing..... 8

    Section 3      Escrow Processing..... 8

**CHAPTER II**      **Requests For Proposals**..... 9

    Section 1      Bid Package Development..... 9

    Section 2      Bid Opening..... 10

    Section 3      Low Bid/Vendor Approval..... 10

    Section 4      Authorization ..... 10

**CHAPTER III**      **Accounts Payable**..... 11

    Section 1      General Information..... 11

    Section 2      Purchase Orders..... 11

    Section 3      List of Bills..... 12

    Section 4      Check Processing..... 12

    Section 5      Vendor Inquiries..... 13

    Section 6      Blanket Purchase Orders..... 13

    Section 7      Open Purchase Order List..... 13

    Section 8      Petty Cash and Change Fund..... 13

    Section 9      Bank Reconciliation..... 14

    Section 10      Voiding Checks..... 15

    Section 11      Employee Expense Reimbursement Policy..... 15

    Section 12      Wire Transfer Policy..... 16

    Section 13      Utility Tax Rebate Program..... 16

**CHAPTER IV**      **Payroll**..... 17

    Section 1      General Information..... 17

    Section 2      Time and Attendance..... 17

    Section 3      New Hires..... 17

    Section 4      Employee Separation..... 17

    Section 5      Salary/Department/Status Changes..... 18

    Section 6      Payroll Data Entry into the Payroll System (Payroll Administrator) 18

    Section 7      Payroll Related Payments / Journal Entries. .... 18

    Section 8      Quarterly Payroll Reports / Reconciliation ..... 18

    Section 9      Resident Employees..... 18



---

<b>CHAPTER V</b>	<b>General Ledger.....</b>	<b>21</b>
Section 1	General Information.....	21
Section 2	Account Numbers.....	21
Section 3	Budgetary Transfers.....	22
Section 4	Journal Entries for Fund Activities.....	22
Section 5	End of Month Reports.....	23
Section 6	Account Reconciliation.....	23
<b>CHAPTER VI</b>	<b>Fixed Assets.....</b>	<b>25</b>
Section 1	General Information.....	25
Section 2	Inventory of Fixed Assets.....	25
Section 3	Document Storage.....	25
<b>CHAPTER VII</b>	<b>Licenses &amp; Fees.....</b>	<b>27</b>
Section 1	General Information.....	27
Section 2	Various Business Licenses and Permits.....	27
Section 3	Data Entry.....	33
Section 4	Deposit of Receipts.....	33
Section 5	Non-Renewal/Non-Compliance.....	33
Section 6	Issuance of Licenses.....	33
<b>CHAPTER VIII</b>	<b>Investment Policies.....</b>	<b>35</b>
Section 1	Scope.....	35
Section 2	General Objective.....	35
Section 3	Standard of Care.....	37
Section 4	Investment Transactions.....	38
Section 5	Suitable and Authorized Investments.....	39
Section 6	Investment Parameters.....	42
Section 7	Reporting.....	43
Section 8	Policy Considerations.....	44
<b>CHAPTER IX</b>	<b>Internal Controls and Anti-Fraud Procedures.....</b>	<b>47</b>
Section 1	Introduction.....	47
Section 2	Internal Control Procedures.....	47
Section 3	Detecting and Investigating Fraud.....	49
Section 4	Inventory Management.....	49
<b>CHAPTER X</b>	<b>Department Budget Presentation.....</b>	<b>51</b>
Section 1	Budget Process.....	51
Section 2	Executing the Budget.....	52



---

<b>CHAPTER XI</b>	<b>Fund Balance Policy.....</b>	<b>55</b>
Section 1	Fund Balance Policy (GASB 54) .....	55
	<b>Glossary of Terms.....</b>	<b>57</b>



**This page intentionally left blank.**





---

## Preface

### Introduction

This Financial Accounting Procedures Manual provides information relating to the financial administration, accounting rules and regulations applicable to the City of Berkeley. The policies and procedures described herein shall be used as a guide for any further development of the accounting policies and procedures for the City. *The City of Berkeley, however, reserves the right to change or revoke this manual, permanently or temporarily, if it is in the best interest of the City to do so.*

The City of Berkeley maintains accounting records on a basis consistent with General Accepted Accounting Principles (GAAP). The accounting procedures are designed to provide reasonable, but not absolute internal control for all financial transactions.

Detailed monthly reports provide information in relation to all elements in the financial structure, including departments, functions, and objectives of expenditure. The accounting reports differentiate among the different types of funds maintained.

An annual audit of governmental accounting records and procedures is performed by an independent auditing firm. All accounting standards are in compliance with federal, state, and local requirements.

The Financial Procedure Accounting Manual provides a broad overview of the Finance Department functions and how it accomplishes its tasks. The functions of this department will be covered in the manual. The details related to a function will not be covered in this manual if it is covered in the related Financial System manual. The particular function will be covered in detail if this is the only source.

This document is subject to revision at any time and should not be considered the only source for information on the Finance Department function.



**This page intentionally left blank.**



---

## Chapter I Cash Receipts

### Section 1. Procedures

Payment for services are received over the counter, through the mail, direct deposit, and from other city departments. The tender can be in the form of cash, checks, ACH, Online payments, or credit.

Receipts are issued by the following: Finance, City Clerk, Municipal Courts Division, Inspections Division, Public Works Department, Parks Department, Fire Department, and Police Department.

During the summer months, money is collected at the Municipal Pool and at Mathison Community Lake Park. These locations use a cash register to record the funds collected. These funds are verified, documented, and secured by the Parks Department employees and the Police Department. The Parks & Recreation Supervisor collects the secured funds and deliver the funds to the Finance Department.

A staff member from each Department turns in the cash/checks/credit card receipts along with a Cash Receipt Register tape report to the Finance Department.

A member of the Finance Department shall perform the following steps with all collected monies:

#### **Deposits and Cash Receipts processed by other Departments:**

1. Compare and verify the total of cash/checks/credit received with total of Cash Receipt Register summary and deposit slip.
2. Confirm deposit is for correct bank account, make copies of the deposit slip and supporting documents, verify checks are properly endorsed.
3. Place in secured bank deposit bag and deliver the deposit to the bank.
4. Match cash receipts to deposit receipts
5. Journalize the cash receipts.

#### **Deposits and Cash Receipts processed by Finance staff:**

1. Record receipts from window transactions, ACH transactions and cash from Parks and Recreation department.
2. Compare and verify the total of cash/checks/credit received with total of Cash Receipt Register summary from the other cashiers.
3. Complete deposit slip if it is not included with the cash and receipts provided.
4. Make copies of the deposit slip and supporting documents.
5. Place in secured bank deposit bag and deliver the deposit to the bank.
6. Match cash receipts to deposit receipts.



7. Journalize the cash receipts.

Deposit slips, and daily cash receipts are filed in date order by month and maintained for five years.

On a monthly basis an Accountant will reconcile cash receipts journals with the bank statement and the general ledger. Except in the case of the general fund pooled account which will update transactions on a weekly basis.

**Section 2. Bad Check Processing**

When a check is returned by the bank the Senior Accountant contacts the maker by form letter or phone call to inform them of the return. The maker will be given 30 days to bring cash, or money order, or cashier’s check to redeem the dishonored check. If the check is not redeemed it will be sent on for further collection. Returned checks can and will be forwarded for prosecution if not redeemed in a reasonable time.

**Section 3. Escrow Processing**

The city receives several types of escrow deposits on a regular basis. Some are short term and others could be held longer. Most of the deposits are expected to be refunded to the customer within six months to a year. Each type of refundable deposit is processed by one of the representatives listed below and is identified by the general ledger account where it is recorded. Court bonds have separate general ledger number and are deposited to the court bond revenue account.

**Types of Escrows are as follows:**

<b>Escrow</b>	<b>Representative</b>
Court Bond	Municipal Court Division
Cash Bonds	Municipal Court Division
Civic Center Rental	Finance Department
Park Rental	Finance Department
Property Damage Escrow	Inspections or Finance Department



---

## Chapter II Request for Proposals

### Section 1. Bid Package Development

All major purchases \$25,000.00 or more require a formal bid process. Major purchases are subject to formal bids to assure the most economically advantageous offers for goods and services are available for the city for purchase.

In order to receive bids from a prospective vendor, the city will issue a request for a Bid or Proposal. A Request for Proposal (RFP) is a solicitation to prospective vendors to provide formal quotes of price, quantity, mode of delivery and all other pertinent information concerning a good or service the city wishes to purchase. The request for Proposal or Bid may be advertised in local newspapers, or on the city's website, or social media. The RFP/Bid describes in detail the goods or services needed and the minimum qualifications for a bid to be accepted for consideration.

#### **The following describes the bid process:**

A formal bid is required for all purchases over \$24,999.00. For all purchases less than \$25,000.00, but greater than \$4,999.00 will require the informal bid process. The informal bid process requires the requestors to contact three (3) vendors and provide a documented price comparison of goods or services requested. The best value and responsive bid are chosen before the department moves forward with the purchase. This informal process shall be done by email and copies of quotes documented in the records of the purchase. If three (3) vendors are not available for a quote, then this information must be provided to Finance on the requesting documentation. Purchases under \$4,999.00 do not require any bidding process.

For purchases or services over \$25,000.00 the department head will develop technical specifications for the item or goods to be purchased. The technical specifications for the goods or services are forwarded to Finance. Finance will insert certain statements to the documentation as legally required by law. For formal bids, the requesting department must request a bid number. Bid numbers are in the file marked General Condition Bid which can be found in the Purchasing Agents Office. It also contains a Bid Number List. Inside that file is a blue tab; this is where the information will be entered and assign the next bid number. Be sure to fill in information about the item being bid on and the date of the opening. This opening date is usually decided on by the Purchasing Agent and the requesting department. An electronic copy of the Bid List shall be kept on the shared drive. Consideration must be given to the time to prepare the bid packet, advertisement, and mail out to vendors.

The requesting department will then bring to the Finance Department the specification for the bid along with a vendor list. Purchasing Agent must now prepare the Invitation for bid cover, and the Notice to bid, the Bidders Certificate, and the General Instructions to



Bidders. Included in each bid package is also the annual wage order, OSHA requirements, references sheet, affidavit for work authorization and the Affirmative Action Questionnaire. Once the packet is complete and verified it must be approved by both the department head and the city manager prior to being distributed to the various vendors and published in the news paper and on the city’s website.

Once the bid packet has been approved by all parties, the Purchasing Agent will advertise in the news paper, and place entire bid on the City of Berkeley’s Website. At this time the bid opening date has been decided. Copies of all documentation and other statistical data will be forwarded to the City Clerk’s office throughout the process.

As the bid packets come in from the vendors, Purchasing makes sure these are in sealed packets and are not to be opened until bid opening date. The receptionist or Purchasing date stamps the packets in order as they are received. This will be the order in which they will be opened, on the bid opening date.

**Section 2. Bid Opening**

All bidding vendors are invited to attend the bid opening. They are required to sign in. For the opening, there will be representatives from the requesting department, Finance department, purchasing, city clerk and the city manager. Upon opening each bid all information is recorded on the Bid Summary Sheets. After the opening the requesting department will review all bids (except non-conforming bids) prior to concluding.

**Section 3. Low Bid/Vendor Approval**

Once the vendor has been selected, at this time the requesting department head will issue a recommendation to the City Council. Then the letters to those not selected and to the winning bidder will be sent out

Now that the decision has been made it is time to issue the Purchase Order for the item.

**Section 4. Authorization**

All purchases up to \$4,999.99 shall be approved by the Department Director. These purchases shall be deemed non-capital. All purchases \$5,000.00 and above shall be approved by the City Manager and will be accounted for as capital purchases (when accompanied by useful lives of greater than 2 years).



---

## Chapter III Accounts Payable

### Section 1. General Information

A **purchase order** or **blanket purchase order** is issued for all purchases over \$4,999.00 that are not *contract services or utilities*. Purchase orders and all receiving documents are reviewed and approved by the appropriate Department Head before submission to the Finance Department. These matched documents are then checked for completeness, and accuracy, account numbers assigned and are then ready for entry into the Financial System Purchase Order module. The anticipated payment date is determined by the invoice date and vendor terms. No purchase requisition is needed for revolving accounts such as Sam's Club, Visa, and American Express. A Purchase Requisition is not required for vehicle maintenance, on-the-spot purchases (building maintenance and repairs often fall under this heading) or emergency purchases. The voucher and accompanying invoices will be honored in these cases.

### Section 2. Purchase Orders

Requisitions for items to be consumed by the initiating department are entered into the Financial System to produce a Purchase Order module as follows:

1. A purchase order comes from a department to the Purchasing Agent for a specific item or service. The request is signed by the department head requesting the purchase order.
2. The purchase requisition must include the vendor, item, quantity, price and shipping method. This information is normally provided on a quote from the vendor. The Purchasing Agent then signs the form, which is forwarded to the Finance director for approval, and if \$5,000.00 or more, must be approved by the City Manager.
3. The approved purchase requisition is used for input into the Financial System Purchase Order module. The purchase requisition proof is processed and if correct, the purchase order is posted and journalized. Both functions generate a printout.
4. Print computer generated purchase order and distribute as follow: Accounts Payable receives the original copy of the purchase order and the original of the purchase request, and a computer-generated purchase order copy. The requesting department receives the second copy of the purchase order, a copy of the purchase requisition, and a copy of the computer-generated purchase order. The purchasing department keeps the third copy of the purchase order a copy of the purchase requisition, and a copy of the computer-generated purchase order.



5. The purchase requisition copy, the purchase order copy and the computer copy of the purchase order, if applicable, are on file in the Finance Department for every item that is on order for the City. When an item is received by the ordering department, the items will be checked in by reviewing the packing slip for proper item, quantity, and price. The packing slip is then matched with the purchase order document packet, which then makes up the receiving packet. When the invoice arrives, it is matched with the appropriate receiving packet. The invoice is checked for correct product, quantity, price and extension, shipping method, terms and if correct this makes up the invoice packet. The invoice and/or packing slip is approved by the department head and sent on to the Finance Department for entry into the Financial System. The invoice batch is entered into the system. This will occur as often as is necessary.

### **Section 3. List of Bills**

As necessary a listing will be run showing all invoices in the system. From this list items are selected for payment. A listing is then available showing items selected for payment. Checks would then be run to pay these items. A copy of the check, check stub and invoice packet are put together, marked paid and filed.

### **Section 4. Check Processing**

This task is handled by the Senior Accountant. After a list of invoices is gathered through the system based on due date it is provided to the staff account so that the back up for that check run can be pulled from the alphabetical filing system.

1. Once the backup is gathered the senior account follows the steps in the accounting system to generate the needed checks.
2. There is a digital file created during the process of creating the checks. This file is uploaded to the bank for positive pay. (Positive Pay is part of the city's bank account that is used to reduce the chance of fraudulent checks being processed on the city's accounts. It lets the bank know what checks the city has written and the details of those checks).
3. The senior accountant then prints the history from bank positive pay and provides that list along with the listing from the accounting system and the check(s) with back up to the check signers.
4. The signers review the documentation and sign each of the checks. The checks are then returned to the Finance Department for distribution and filing.





### **Section 5. Vendor Inquiries**

Vendor inquiries can be initiated from two different sources. The vendor can inquire as to the status of an invoice. Do we have it, is it set up for payment, or has it been paid? The inquiry can also be internal, as to what we purchased from a vendor, price, volume etc. Also, an invoice once entered, it can be edited if necessary.

### **Section 6. Blanket Purchase Orders**

Blanket Purchase Orders for all Departments are handled as follows:

1. A blanket purchase order is entered into Financial System. Handled as other purchase orders.
2. It is initiated and signed by the Department head and the Finance Director, the vendor and dollar amount specified along with the account to be encumbered.

Cleaning and Office Supplies Are ordered online as necessary without a purchase order. Most orders are less than \$500.00. This task is completed by the purchasing agent only. They are handled as follows.

1. As shipping documents come in with the product at that time the inventory is entered into Financial System Inventory Management by the purchasing agent. The emergency purchase order is always 0010. The order is telephoned in, entered via the inter-net, or picked up.
2. Distribution of the invoices are the original copy along with a voucher goes to accounts payable, the second copy is retained in purchasing. They are filed by month. The supplies are charged out to departments as used.

### **Section 7. Open Purchase Order List**

At any time, an Open Purchase Order List can be requested from the Financial System, showing purchase order number, vendor, product, quantity any and all information entered in the system and still outstanding will be shown. This process will be scheduled to take place on a monthly bases and be the responsibility of the purchasing agent. The report will be reviewed and any items that need to be adjusted or liquidated are processed.

### **Section 8. Petty Cash and Change Fund**

Petty cash funds exist for the Finance Department (\$400.00) for customer change, Central Garage (\$200.00), City Clerk (\$125.00), the municipal division (\$300) for customer change, Inspections (\$60.00) for customer change, and the Police Department (\$200.00). These funds are used to avoid the time and expense of issuing checks for



small items. The receipt for the petty cash funds should include the amount, description of item, account number, a receipt for the item purchased and signatures of the person receiving the funds and also the person issuing the funds. The person responsible for the fund is required to request reimbursement. This request lists the total of all expenditures, along with the documentation that supports the expenditures. The amount that applies to each account is listed, and the amount of cash on hand and any disbursements paid but not being reimbursed, all of which must total the amount of the impress fund balance. This request is then given to the Finance Director for approval. It is then processed with the other accounts payable checks. Periodically, the Finance Director or authorized representative will make an unannounced audit of petty cash to assure that monies are there and are properly accounted for.

There shall be periodic audits of the change and petty cash in each department. This will be done on a random base where two (one department staff member and a member of finance) will confirm the cash on hand and any receipts.

Change fund for the parks department is established in the amount of (\$75.00) each for the pool and Ramona Lake. These funds are used for the cash drawer in the admission and concession area for the location. At the end of the active season these funds are returned to The Finance Department.

### **Section 9. Bank Reconciliation**

The following procedures are used by the accountant responsible for performing bank reconciliations:

1. Using information from Simmons Bank website, the bank statements to match the cleared checks, and physical transaction documentation, postings in the accounting system. Any checks left that are not cleared will show on the bank reconciliation produced at the end of the process.
2. In the accounting system clear the deposits that are reflected on the bank statement as processed. Any items left open in this area will be reflected as deposits in transit on the bank reconciliation.
3. Process any misc. transaction that were entered in the accounting system during the statement period. Research any open items so that they can be journalized.
4. Enter the ending balance per the bank statement in the accounting system and print the reconciliation.
5. Prepare Journal Entries and run General Ledger for the appropriate Cash Accounts.



## Section 10. Voiding Checks

There are times when an accounts payable (A/P) check is issued and for various reasons there is a need to void it. When this is done the physical check is marked void, and the check and stub are filed in the void check folder in the A/P file. In the A/P module of the Accounting System the check is voided, the cash entry is reversed as is the A/P entry in the accounting system.

## Section 11. Employee Expense Reimbursement Policy

1. Anticipated employee expenses on behalf of the City should be approved in advance by the respective department head, and City Manager.
2. The employee request can come via e-mail and should include the following information {nature of the event, cost involved to the City and employee, and dates.
3. Supporting documentation (flyers, forms) may be requested before final approval is granted.
4. Eligible expenses usually include lodging, food, local or regional transportation, mileage, etc.
5. In cases where particularly sizeable payments are required, the City has the option to pay the vendor in advance as to avoid having an employee to pay the expense out of their pocket, and then issuing a reimbursement.
6. It may be feasible for the City to issue cash to the respective employee for anticipated costs incurred on behalf of doing business for the City.
7. Such costs may include mileage, per diem/food allowances, and local transportation costs.
8. When the employee is the City Manager all reimbursement expenses and financial request are submitted to the City Council for approval. (Actual gas, oil, and other such expense, when a City vehicle is used, and actual gas when a personal vehicle is used, will be reimbursed if not using mileage).

### Rate Schedule:

Although every expense may not always be able to be forecasted, employees should exercise sound judgment when selecting hotel, travel, and meal accommodations.

Meal per diem limits will be advanced or reimbursed by the City for eligible employees at rates according to the Federal Government guidelines (General Services Administration).



These rates are applicable to the destination, and subject to change with each new calendar year.

Lodging costs will vary and should be approved in advance of the engagement by the employee's Department Director and the City Manager.

Mileage will be reimbursed at a rate consistent with the rates per the Federal Government (General Services Administration}.

Documentation should be presented verifying the length of the route to secure reimbursement.

### **Section 12. Wire Transfer Policy**

The Finance Department is authorized to execute ACH, wire transfer transactions to be determined at the discretion of management.

These types of transactions refer to payments of principal and interest for debt obligations of the City, and other expenditures as needed.

Such transactions should be recorded in the general ledger as required by Generally Accepted Accounting Principles.

ACH and wire transfers should be authorized by the City Manager or Finance Director.

Additional communication may be provided to the City Manager, City Council for particularly large transactions.

### **Section 13. Utility Tax Rebate Program**

By January 15<sup>th</sup> of each year the forms for the rebate program are updated with any changes that will affect current year's program. These forms are made available at Berkeley City Hall. Eligibility is determined based on prior year total income, the number of people in the household, age, and if all taxes are up to date at the time of the application.

The amount of rebate is calculated by adding the taxes paid to each of the service utilities limited to gas, electric, and water.

Application will be accepted and processed between February 1<sup>st</sup> and June 30<sup>th</sup> or until appropriations have been exhausted each year for the prior calendar year.

Required Documentation at the time of the application is proof of age, copies of utility bills (or statement from Utility Company), proof of residency and proof of all taxes paid. The documentation is processed at the finance window and then reviewed and signed by the Finance Director.



---

## Chapter IV Payroll

### Section 1. General Information

Payroll is processed and distributed bi-weekly. The current payroll software in use is Paylocity which include Human Resource, Benefit and Time and Labor management. The Senior Accountant performs all payroll related transactions and ensures that all proper documentation is received, verified, and entered in the payroll system. The Senior Accountant also maintains a personnel file on each employee and is responsible for the completeness of this file. The file is a scaled down version of the Human Resources (HR) permanent file contains, for example, W-4, insurance forms, personal action form, and other related payroll documentation.

### Section 2. Time and Attendance

Time and attendance are tracked and monitored using the Paylocity software Web Time. All employees are required to enter their time of arrival, lunch and time shift ends in Web Time in addition to any time off requests. The supervisor and department head review verify and approve the time biweekly. Once the time and attendance has been approved it is submitted electronically for the processing.

### Section 3. New Hires

One of the responsibilities of Human Resources (HR) is the hiring of new employees and all other transaction related to the hiring process. Payroll responsibility is to enter the new hire in the Paylocity. HR maintains the permanent personnel files on every employee which includes all documentation related to the employee's employment.

### Section 4. Employee Separation

A Personnel Action Form (PAF) is completed for each employee separating from employment with the City. This form is forwarded to the Finance Department by Monday preceding the employee's last paycheck. Any money due to the City from the employee will be withheld from their pay prior to their separation from employment. After all payment requirements have been met the employee is terminated in the payroll system.

### Section 5. Salary/Department/Status Changes

Human Resources (HR) completes a Personnel Action Form, approve it, and forward to the City Manager and Finance Director for approval, for any pay rate, department or status change. This form is then submitted to the Finance Department by Monday preceding the pay date in which the change is to take effect. Salary, department, and status changes are entered in Paylocity.



## **Section 6. Payroll Data Entry into the Payroll System (Payroll Administrator)**

All permanent and temporary changes are entered into the payroll system, the administrator of our software. Any change to an employee's status requires a Personnel Action form (PAF) as backup for the entry to the payroll system. The time and attendance for all employees is reviewed, verified, and approved in the Paylocity by the supervisor and/or department head assigned to the area by end of business the Monday preceding the Thursday pay date. Once all time has been properly approved it is checked for accuracy, a second review is completed, and the payroll is then submitted for processing. The payroll registers containing employees pay information is signed by both the reviewer and the submitter.

On Wednesday, the third-party checks are delivered to the City via UPS.

On Thursday, the direct deposits and payment of taxes and other deductions are made by the payroll administrator.

## **Section 7. Payroll Related Payments/Journal Entries**

### **Each Payroll Cycle:**

The payroll administrator initiates the wire transfer (ACH) for the net payroll, direct deposit, all payroll tax liability, and all other deductions payable to third parties. The journal entries are created and posted on Thursday after reviewing and verifying the ACH.

### **Payments required each month:**

A voucher request for payment is prepared and processed for various ~~forms~~ payments relating to insurance coverage, with or without city participation, and pension and union dues. The requests must be prepared in a timely manner dependent upon the due date.

### **Quarterly:**

The payroll administrator files the quarterly 941, state and federal unemployment returns and the St. Louis Earnings Tax Return.

## **Section 8. Quarterly Payroll Reports/Reconciliation**

The payroll administrator files all federal, state, and locally required payroll reports. The reconciliation of these reports with our payroll records is performed in the finance department.

## **Section 9. Resident Employees**

City of Berkeley employees that are also residents are entitled to an incentive for living in the community. Employee residents who are renting are entitled to a \$1,500.00 annual



incentive. Employee residents who live on property they own are entitled to a \$3,000.00 annual incentive. The incentives are based on the timeframe of the Fiscal year and will be prorated by the number months you have lived in the city. The payment is sent out in the month of June.



**This page intentionally left blank.**





---

## Chapter V General Ledger

### Section 1. General Information

The City of Berkeley's fiscal year begins on the 1<sup>st</sup> of July and ends on the 30<sup>th</sup> of June the following year.

The City maintains accounting records on a modified accrual basis. Under modified accrual basis, revenues are recognized when both measurable and available. The term "available" is defined as collectable within the current period or soon thereafter and used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the related liability is incurred. Interest on long-term debt is recorded when due.

The accounting system used is the Financial System.

### Section 2. Account Numbers

Each account number will include a total of eight digits.

1. The first two digits designate the fund.

- 01-General Fund
- 02-Parks and Recreation
- 03-Police Station Debt Service
- 09-Fiduciary Fund
- 12-Public Building Bond
- 13-Tax Increment Financing
- 14-Community Development
- 15-Police Training Fund
- 17-Sewer Lateral Fund
- 20-Fixed Assets
- 21-Long Term Debt
- 22-Trust and Agency
- 23-Industrial Development Authority
- 25-Capital Sales Tax Fund
- 27-Local Law Enforcement Block Grant
- 32-Solid Waste
- 33-Southeast Redevelopment
- 35-Roads & Bridges
- 37-Public Safety
- 40-Contingency
- 60-ISTEA Fund
- 80-Cash Bonds



81-Pool Campaign Fund  
99-Pooled Cash

2. The next two digits are the department.

04-Revenue  
10-City Council  
11-Administration  
12-City Clerk  
14-Municipal Court  
21-Police Department  
22-Fire Department  
23-Fire Grant  
25-Police (SRO)  
26-Police (COPS)  
30-Public Works  
31-Engineering  
32-Inspection Department  
33-Street Maintenance  
34-Central Garage  
35-Facility Maintenance  
50-Expense  
85-Expense Pension Fund  
87-Expense Public Buildings  
93-Expense ISTEAFund

3. The final four digits make up the account type.

0001 thru 9999

### **Section 3. Budgetary Transfers**

Budgetary transfers are in fact amendments to the budget and as such must receive City Council approval. Once approved, the transfer can be made.

### **Section 4. Journal Entries for Fund Activities**

The Finance Director and Senior Accountant have the authority to prepared journal entries (JEs). The Journal Entry (JE) is created in the General Ledger Accounting Module. The JE will have in the heading the date, accounting period, purpose and journal entry number. In the detail will be the account number, account name and amounts. All documentation supporting the reason why the JE was created and why should be attached to the printed copy of the JE. The JE will be reviewed and approved by either the Finance director or his/her delegate. The person creating and posting the JE cannot be the same



person approving the entry. Once approved the JE will be posted, scanned and attached to the JE stored in the General Ledger Accounting module.

### **Section 5. End of Month Reports**

Once it is determined all the regular journal entries for the month have been prepared and entered in the G/L system month end reports can be prepared. The following month end reports are generated:

1. Trial Balance
2. Revenue and Expense Report
3. Balance Sheet
4. Variance Report

The Variance Report compares actual revenue and expenses to the budgeted amounts. Any discrepancies budgeted amounts must be investigated, corrected, and documented with the reasons for the discrepancy.

Once these reports are generated and circulated, they are retained in books in the finance department.

### **Section 6. Account Reconciliation**

At each month end a reconciliation of all Balance Sheet, Revenue and Expense accounts should be performed. The purpose is to ascertain if all the recorded entries are posted to the proper accounts. To achieve this, all line items are examined and analyzed by the Finance Director or department heads. The accounts that show up on the exception report from section 5 will also be checked in this manner.



**This page intentionally left blank.**



## **Chapter VI Fixed Assets**

### **Section 1. General Information**

The purpose of this program is to ensure that items purchased by the City of Berkeley are within the City's possession and control and being utilized by the proper department. To assist with this objective, the Fixed Asset module is utilized.

Fixed or capital assets are accounted for as follow: If the item being purchased has a value greater than \$4,999.00 and a life expectancy beyond three years, it will be treated as a capital asset, handled through the capital asset fund, and be depreciated. If it is less than \$5,000.00 as specified in the fixed asset policy, it will be expensed to the department making the request. Some long lived assets with book value of less than \$5,000.00 may be capitalized on a case-by-case basis.

If capitalized, an asset tag will be affixed to the item. A master list will be maintained for each type of tag, listing tag number, description, location, serial number(s), cost, life, method of depreciation and any other pertinent information.

The steps involved in the input of the fixed/capital asset into the Financial System are covered in Financial Operations Manual. As in all financial transactions the steps involved are input, edit report, post, and then a report showing the posting.

### **Section 2. Inventory of Fixed Assets**

A physical inventory will be taken of the capital assets on an annual basis or a cycle basis as determined to be appropriate. The purpose of this inventory is to determine the condition, and location of the assets. With this information, the necessary adjustments, if any, to the fixed asset records can be determined.

### **Section 3. Document Storage**

All paid documents are retained in the accounts payable paid invoices file. Within this file will be all documents pertaining to Fixed Assets acquisitions. These documents are kept in the finance department for a three-year period; current year and the two prior years.



**This page intentionally left blank.**



## Chapter VII Licenses and Fees

### Section 1. General Information

The purpose of various licenses and fees is to empower the City of Berkeley to regulate and control the business activities conducted within the City. These regulations and controls enable the City to collect revenue that will offset the expense of services provided to these businesses. The following is a general overview of the licenses and fees required by the City of Berkeley. A more detailed list of policies and procedures related to these licenses is in the City of Berkeley Business License User Guide.

### Section 2. Various Business Licenses and Permits

#### 1. Business License

##### Merchant's License - Article I Section 605.010

A Merchant's License is required by any business that shall make any sales, wholesale or retail, of any goods, wares, or merchandise, or render any service from any store, stand, or place occupied for that purpose. A complete packet for a Merchant's License consists of the Application, Attention Sheet, Informational Sheet, Check-Off Sheet, Owner/Manager Sheet, alarm system card and the Sign Application Sheet if required. The owner of the company is required to complete the application and supply all supporting documents for the gross sales that are reported on the license application.

<b>Example:</b> Calculating Merchant's License Fee	
<b>Merchant's Gross Sales:</b>	\$200,000
<b>Less:</b>	\$100,000
<b>Balance:</b>	\$100,000
<b>0.75 per \$1,000 of Balance</b>	100 X 0.75
<b>Fee on first \$100,000</b>	100.
<b>Total License Fee</b>	\$175

##### Manufacturers and Ad Valorem - Article I Section 605.010

A Manufacturers License is required by any business conducting refining, processing, fabrication, alteration, improvement, modification, assembling, combining, or otherwise changing tangible personal property through any process or procedure. A complete packet for a Manufacturer's License includes: the Application, Attention Sheet, Informational Sheet, Check-Off Sheet, Owner/Manager Sheet, and the Sign Application Sheet if applicable. The owner, or authorized



representative, of the company is required to complete application, and supply all the necessary documents to support the figures reported on the application. Also included in this type of license is the Ad Valorem Tax. The Ad Valorem Tax is calculated by multiplying \$0.75 by the value of the manufacturer's machinery and equipment. The cost of the Manufacturer's License is \$100 up to the first \$100,000 of gross sales. If gross sales are in excess of \$100,000, the license fee is calculated as illustrated by the following example (with gross sales of \$200,000):

<b>Example: Calculating Manufacturer's License Fee</b>	
<b>Manufacturer's Gross Sales:</b>	\$200,000
<b>Less:</b>	\$100,000
<b>Balance:</b>	\$100,000
<b>\$0.75 per \$1,000 of Balance</b>	100,000/1,000*.75
<b>Calculated fee</b>	75
<b>Fee on first \$100,000</b>	100.
<b>Total License Fee</b>	\$175

**Miscellaneous - Section 605.090**

A Miscellaneous License is required by any business who shall engage within the City in any of the following miscellaneous service occupations, businesses, trades, or avocations, or operates any of the vehicles named in the pursuit of business for profit and excluding businesses operated wholly for charitable purposes.

A complete packet for a Miscellaneous License consists of the Application, Attention Sheet, Informational Sheet, Check-Off Sheet, Owner/Manager Sheet, and the Sign Application Sheet if required. The owner or representative of the company completes the application and supplies all the necessary documents to support the application. The following is a list of all Miscellaneous Licenses and Fees regulated by the City of Berkeley.

<i>License Type</i>	<i>License Fee</i>
Abstract Company	\$150.00
Advertising Company	\$150.00
Agents (not otherwise listed herein)	\$150.00
Amusement Parks	\$500.00
Artists	\$150.00
Auctioneers with offices in the City of Berkeley	\$250.00





Banks and Trusts, Savings and Loan Companies	\$400.00
Barbershops	\$150.00
Beauty Parlors	\$150.00
Beauty Colleges	\$250.00
Bill Poster	\$150.00
Book Binder	\$150.00
Bowling Alleys	\$500.00
Boxing	\$300.00
Brokers (Financial) with offices in the City	\$300.00
Business, Professional, or Correspondence School	\$300.00
Child Care Center	\$150.00
Clinics — Medical, Health Clubs, Hospitals	\$300.00
Collection Agency	\$150.00
Contractors (General, Concrete, Painting, etc.)	\$150.00
Dancing School	\$200.00
Detective and Security Agencies	\$175.00
Employment Agency	\$175.00
Express Company	\$150.00
Exterminators	\$150.00
Fortunetellers, Palmists	\$150.00
Parking Garage, Parking	\$100.00
Hotels, Motels (per sleeping room)	\$7.00
Additional license fee (per occupied room per day)	\$.85
House Movers	\$150.00
Insurance Companies (Claim, Home, Branch Office)	\$300.00
Insurance Agency	\$150.00
Insurance Agents	\$150.00
Loan Company and Loan Agency	\$400.00
Medical Marijuana Facilities	See the table at the end of this Section dedicated to these fees as well as Section <b>605.095</b> which sets out the annual permit fee for these facilities



Miniature Golf	\$150.00
Newspapers	\$150.00
Nursing Homes	\$200.00
Office Buildings (per square foot of office area utilized)	\$.10
Pawnbrokers	\$500.00
Peddlers, Solicitors and Transient Merchants	\$200.00
Photographic Studios	\$150.00
Pool Halls, Tables, Game Tables	\$300.00
Public Halls	\$150.00
Printers	\$175.00
Real Estate Agents with offices in the City	\$150.00
Real Estate Agency with offices in the City	\$175.00
Rental Agency, Tools, Trucks, Trailers	\$200.00
Sign Painters	\$150.00
Shoe Repair	\$150.00
Skating Rink	\$150.00
Slides	\$150.00
Surveying Companies with offices in the City	\$150.00
Tailors	\$150.00
Telegraph Company (Maybe Mobile Devices)	\$150.00
Theaters — Walk-In	\$150.00
Drive-In	\$200.00
Trash and Garbage Collectors (if located in City)	\$250.00
Travel Agency	\$150.00
Undertaker	\$300.00
Upholsterer	\$150.00
Warehouses, all types (per square foot of storage area)	\$.10
All businesses and occupations not listed above or covered by the Merchants or Manufacturers Tax	\$150.00
All businesses operated from home	\$150.00



**2. Renter's (Landlord) License - Ordinance No. 3563**

A Renter's License is required for property owners for renting, leasing, or allowing a non-owner to exclusively occupy residential property within the City of Berkeley. The owner or agent is required to complete the application for a Renter's license. All applications must be sent to the public works to ensure there are no outstanding issues related to the property owner. Any newly purchased property has to be checked in the inspections department. The cost of a Renter's License is \$50.00 annually. Please refer to the chart below as other License fees may apply:

Amended Copy of Occupancy Permit	\$40.00	Rental units must have a new landlord authorization for before amending. New occupancy inspection required
Landlord License - Multi Unit dwelling	\$25.00	For each unit owned
Landlord License - Single family Homes	\$50.00	For each unit owned
Zoning Letter	\$75.00	Shall be paid at the time of request

**3. Liquor License, Alcoholic Beverages - Article VI Section 600.010**

A Liquor License is required by any business that sells any type of intoxicating liquor and/or beer. A complete packet consists of the Application and the Owner/Manager Information Sheet. The owner and/or representative are required to complete the application and supply any supporting documents. Prior to issuance of the license, the Chief of Police and the City Council must approve the application.

The following is a list of all Liquor Licenses regulated by the City of Berkeley:

Liquor License Type	Fee
For the sale of all kinds of intoxicating liquor by the drink, which license shall include the right to sell intoxicating liquor in the original package.	\$350
For the sale of liquor by the drink for consumption on the premises of any amusement place or restaurant and open on Sunday.	\$350
For the sale of liquor by the drink for consumption on the premises of any hotel/motel with restaurant and bar facilities and open on Sunday.	\$750
Package liquor and open on Sunday.	\$350

**4. Sign License – Article XI Section 400.620**

Any business that has a sign over 25 square feet is required to have a Sign License. The owner of the business is required to complete the application. Information necessary to complete the application includes the sign location, size of the sign, if



it is single sided or double sided, and the total square footage. The Sign License fee is calculated by multiplying \$0.75 by the total square footage of the sign.

**5. Vending/Coin Operated License - Article VI Section 605.510**

A Vending License is required for all coin-operated devices from which any foodstuff, goods, service, or amusement is obtained. The owner or representative of the vending company is required to complete the application. The cost per machine is \$10.00, which includes the sticker that must be affixed to each machine.

**6. Tow Truck License - Article V Section 605.360**

A Tow Truck License is required for any owner of a tow truck with the intention to operate on a public highway for the purpose of soliciting business. The owner of the tow truck company is required to complete the license application that includes a full description of each vehicle and each driver. It is also required that the City receive proof of valid auto insurance for the City's records. Prior to approval, the application must be sent to the Chief of Police for investigation. The license fee for this license is \$100.00, plus \$35.00 for each tow truck sticker.

**7. Permits**

**Solid Waste Permits - Article I Section 235.010**

A Solid Waste permit is required for any owner in the business of removal and transportation of solid waste from its place of storage to its place of processing or disposal. The owner or representative of the waste hauling company is required to complete the application and supply a copy of the owner's valid auto insurance. The cost of the permit is \$35.00 per truck.

**Parking Permits - Chapter 415-Section 415.170**

A parking permit shall be obtained for any boat & trailer, auxiliary trailer, or any other type of trailer or truck, parking on any residential lot within the City of Berkeley (not being used as a dwelling). In addition, trailers shall be parked within the building lines of the lot, and not occupied as a residence. No permit is required for a boat or trailer kept under a permanent roof the owner or representative must complete the application. Prior to issuance of the permit, the application must be approved by the City Council and signed by the City Manager. The applications for the various parking permits contain the following information:

1. Written consent of the owner, legal agent of the owner, or the lessee of the location on which the trailer is to be parked.
2. Description of the property on which the trailer is to be parked.
3. Affidavit to the effect that plumbing facilities will not be used while this



- trailer or boat is so parked, and such trailer or boat will not be occupied as a residence.
4. Purpose of parking the trailer or boat.
  5. For truck permits, the intention of use, make, model, weight, length, and height of truck is required

Below is a list of permit fees for boat, truck and trailer parking:

Boat and Trailer Parking Permit	\$1.00
Camper Trailer Parking Permit	\$35.00
Heavy Duty Trailer Parking Permit	\$35.00
Medium Duty Utility Trailer Parking Permit	\$35.00
Small Utility Trailer Parking Permit	\$1.00
Truck Parking Permit (under 12,000 pounds)	\$35.00

Data entry varies and is strictly based on the type of license or permit in question. The procedures for data input of the various licenses and permits are illustrated within each individual section of the Business License User Guide.

**Section 3. Data Entry**

Data entry varies and is strictly based on the type of license or permit in question. The procedures for data input of the various licenses and permits are illustrated within each individual section of the Business License User Guide.

**Section 4. Deposit of Receipts**

After the license and /or Permit is receipted in the accounting system the processing cashier follows the daily cash handling procedure. Once the reports or produces then the funds are forwarded to the accountant responsible for making the daily deposit.

**Section 5. Non-Renewal/Non-Compliance**

When a business owner fails to renew a license, a notice is sent as a reminder and to give them an opportunity to provide an explanation or update the necessary license(s). If the business is still in operation, up to three (3) notices may be sent at ten-day intervals. If there is still no resolution after the third notice the Police and Inspections Departments are notified to take further action.

**Section 6. Issuance of Licenses and Permits**

The specific details related to the issuance of the various license and permits are illustrated in detail within each individual section of the Business License User Guide.



**This page intentionally left blank.**



---

## Chapter VIII Investment Policies

### Section 1. Scope

This Policy applies to the investment of all operating funds of the City of Berkeley. Longer-term funds, including investments of employees' retirement funds and proceeds from certain bond issues, are covered by a separate policy.

#### 1. Pooling of Funds

Except for cash in certain restricted and special funds, the City of Berkeley will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with Generally Accepted Accounting Principles (GAAP).

#### 2. External Management of Funds

Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

### Section 2. General Objectives

The Primary objectives, in priority order, of investment activities shall be safety, liquidity and yield:

#### 1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

##### a. Credit Risk

The City of Berkeley will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, or:

- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City of Berkeley will do business.
- Diversifying the portfolio so that potential losses on individual securities will be minimized.



**b. Interest Rate Risk**

The City of Berkeley will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rate, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities.

**c. Concentration of Credit Risk**

The City of Berkeley will minimize the risk by disclosing, by amount and issuer, investments in any single issuer that represent more than 5 percent of the total investments in the category they are reported in.

**2. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

**3. Yield**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.





### **Section 3. Standard of Care**

#### **1. Prudence**

The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the governing body and the liquidity and the sale of the securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which person of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

#### **2. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City of Berkeley.

#### **3. Delegation of Authority**

Authority to manage the investment program is granted to designated [designated official or external professional, hereinafter referred to as investment officer] and derived from the following [insert code citation, ordinances, charters, statutes or constitution]. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the



investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## **Section 4. Investment Transactions**

### **1. Authorized Financial Dealers and Institutions**

A list will be maintained of financial institutions authorized to provide investment transactions. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness as determined by the investment officer and approved by the governing body. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements.
- Proof of National Association of Securities Dealers (NASD) certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read and understood and agreeing to comply with the City of Berkeley investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.

From time to time, the investment officer may choose to invest in instruments offered by emerging or minority firms and community financial institutions. In such situations, a waiver to the criteria under Paragraph I may be granted by the governing body. All terms and relationships will be fully disclosed prior to purchase and will be reported to the governing body of the City of Berkeley on a consistent basis. The governing body of the City of Berkeley should approve these types of investment purchases in advance.

### **2. Internal Controls**

The investment officer is responsible for establishing and maintaining an internal control structure that will be reviewed annually with City of Berkeley independent auditor. The internal control structure shall be designed to ensure that the assets of the City of Berkeley are protected from loss, theft, or misuse and to provide reasonable assurance that these objectives are met. Reasonable assurance recognizes that the cost benefit relationship must be evaluated requires and judgments by management.



The internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Confirmation of transactions for investments and wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian.

### 3. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities shall be perfected in the name or for the account of the City of Berkeley and shall be held by a third-party custodian as evidenced by safekeeping receipts.

## Section 5. Suitable and Authorized Investments

### 1. Investment Types

In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that City of Berkeley will consider, and which shall be authorized for the investments of funds by the City of Berkeley.

- a. United States Treasury Securities. The City of Berkeley may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- b. United States Agency Securities. The City of Berkeley obligations issued or guaranteed by any agency of the United States Government as described in V.(2).
- c. Repurchase Agreements. The City of Berkeley may invest in contractual agreements between the City of Berkeley and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.



- d. Collateralized Public Deposits (Certificates of Deposit). Instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by State statute.
- e. Banker's Acceptances. Time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. The City of Berkeley may invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard & Poor's Corporation.
- f. Commercial Paper. The City of Berkeley may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard & Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000).

## 2. Security Selection:

The following list represents the entire range of United States Agency Securities that the City of Berkeley will consider, and which shall be authorized for the investment of funds by the City of Berkeley. Additionally, the following definitions and guidelines should be used in the purchasing the instruments:

- a. U.S. Govt. Agency Coupon and Zero-Coupon Securities. Bullet coupon bonds with no embedded options.
- b. U.S. Govt. Agency Discount Notes. Purchased at a discount with maximum maturities of one (1) year.
- c. U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only with final maturities of one year or less.
- d. U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed term.
- e. U.S. Govt. Agency Floating Rate Securities. The coupon rate floats off one index. Restricted to coupons with no interim caps that reset at least quarterly.
- f. U.S. Govt. Mortgage-Backed Securities. Restricted to securities with final maturities of one year or less.



### 3. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of the City of Berkeley funds, the investment portfolio will be subjected to the following restrictions:

- a. Borrowing for investment purposes ("Leverage") is prohibited.
- b. Instruments known as Structured Notes (e.g. inverse floaters, leveraged floaters, and equity-linked securities) are not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars) is prohibited.
- c. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.
- d. No more than 5% of the total market value of the portfolio may be invested in banker's acceptances issued by any one commercial bank, and no more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.

### 4. Collateralization

Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 100%.

For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposits plus demand deposits with depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Unions Share Insurance Fund.

All securities which serve as collateral against the deposits of a depository institution, must be safe kept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date.

The City of Berkeley shall have a *depository Contract and pledge agreement* with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that the City of Berkeley security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.



5. Repurchase Agreements

The securities for which repurchase agreements will be transacted will be limited to U.S. Treasury and government agency securities that are eligible to be delivered via the Federal Reserve's Fedwire book entry system. Securities will be delivered to the City of Berkeley designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

Section 6. Investment Parameters

The investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

- a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. Government.....100%
- b. Collateralized time and demand deposits.....100%
- c. U.S. Govt. agencies, and government sponsored enterprise.....no more than 60%
- d. Collateralized repurchase agreements.....50%
- e. U.S. Government agency callable securities.....no more than 30%
- f. Commercial Paper.....no more than 30%
- g. Banker's Acceptances.....no more than 30%

1. Maximum Maturities

To the extent possible, the City of Berkeley shall attempt to match its investments with anticipated cash flow requirements. Investments in banker's acceptances and commercial paper shall mature and become payable not more than one hundred eighty (180) days from the date of purchase. All other investments shall mature and become payable not more than one year from the date of purchase. The City of Berkeley shall adopt weighted averaged maturity limitations that should not exceed one year and is consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.



## Section 7. Reporting

### 1. Methods

The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the City Manager or Finance Director to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the governing body of the City of Berkeley. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration [in accordance with Governmental Accounting Standards Board (GASB) 31 requirements]. (Note, this only required annually).
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Percentage of the total portfolio that each type of investment represents.

### 2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks may be established against which portfolio performance shall be compared on a regular basis.

Commercial paper and banker's acceptance must be reviewed monthly to determine if the rating level has changed. The commercial paper and banker's acceptances should be reviewed for possible sale if the securities are downgraded below minimum acceptance rating levels.

### 3. Market to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least annually to the governing body of the City of Berkeley. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.



## Section 8. Policy Considerations

### 1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvestment only as provided by this policy.

### 2. Adoption

This policy shall be adopted by resolution of the [entity's] governing body. The policy shall be reviewed annually by the investment officer and recommended changes will be presented to the governing body for consideration.

## Section 9. Securities Accepted as Collateral to Secure City of Berkeley Deposits

The securities described below are hereby designated as acceptable collateral for City of Berkeley funds on deposit, as required by Section 30.270 RSMo (as amended). City of Berkeley reserves the right to refuse to accept as collateral any security or securities on this list, or to request the submission of an alternate acceptable security or securities, if the City of Berkeley determines that such action will provide greater security for the deposit of City of Berkeley funds.

The securities described below are designated as acceptable collateral for the deposit of City of Berkeley funds. The listing is not intended to serve as and should not be considered as a listing of legally authorized investment instruments.

1. Marketable Treasury securities of the United States.
2. The following debt securities of the State of Missouri and its state authorities:
  - a. General obligation debt securities issued by the State of Missouri.
  - b. Revenue bonds issued by the Missouri Board of Public Buildings or Department of Natural Resources.
  - c. Revenue bonds of the Missouri Housing Development Commission, Missouri Health and Education Facilities Authority, Missouri Higher Education Loan Authority, Missouri Environmental Improvement and Energy Resources Authority, Missouri Agricultural and Small Business Development Authority, Missouri Industrial Development Board, or state-owned educational institutions, so long as any of the above are rated "A" or better by Moody's or Standard & Poors (MI on notes), or are secured by a federal agency guarantee (directly or through guaranteed loans).





3. General obligation bonds or any city in this state having a population of not less than two thousand.
4. General obligation bonds of any county of this state.
5. General obligation bonds, approved and registered, of any school district situated in this state.
6. General obligation bonds, approved and registered, of any special road district in this state.
7. General obligation state bonds of any of the 50 states.
8. Debt securities of the Federal Farm Credit System.
9. Debt securities of the Federal Home Loan Banks (FHLB) - excluding Zeros.
10. Other debt securities guaranteed by the United States of its agencies or instrumentality's, as follows:
  - a. Debt securities of the Federal National Mortgage Association (FNMA).
  - b. Debt securities of the Student Loan Marketing Association (SLMA).
  - c. Debt securities of the Government National Mortgage Association (GNMA).
  - d. Debt securities of the Federal Home Loan Mortgage Corporation (FHLMC) - excluding FHLMC Mortgage Cash Flow Obligations.
  - e. Guaranteed Loan Pool Certificates of the Small Business Administration (SBA).
  - f. Federal Home Administration insured notes (CBOs).
  - g. Public housing notes and bonds ("project notes and bonds") issued by public housing agencies, guaranteed as to the payment of principal and interest by the government of the United States or any agency or instrumentality thereof.
  - h. Debt securities of the Resolution Funding Corporation (REFCORP).

All pledges of pass-through mortgage-backed securities will be valued at 90% of market value. SBA pool certificates and collateralized mortgage obligations will be valued at 75% of market value. The only Collateralized Mortgage Obligation (CMO) the City of Berkeley will accept is Planned Amortization Class (PAC)



Collateralized Mortgage Obligations that have a weighted average life not to exceed three years and pass the FFIEC High Risk Stress Test. No Strips or Zeros are acceptable.

11. Bonds of any political subdivision established under the provisions of Section 30, Article Vi, of the Constitution of Missouri.
12. Tax anticipation notes issued by any county of class one in Missouri.
13. Surety bonds issued by un-insurance company licensed under the laws of the State of Missouri whose claims-paying ability is rated in the highest category by Duff & Phelps, A.M. Best, Standard & Poors, or Moody's. The face amount of such surety bond shall be at least equal to the portion of the deposit to be secured by the surety bond.
14. An irrevocable standby letter or credit issued by a Federal Home Bank possessing the highest rating issued by at least one nationally recognized statistical rating agency.



## Chapter IX

### Internal Controls and Anti-Fraud Procedures

#### Section 1. Introduction

The following internal controls encompass all steps and actions developed by The City of Berkeley to ensure efficient and effective organizational operations. The traditional system of internal controls consists of all the methods used to safeguard assets, to promote accuracy and reliability of the organization's accounting data and records, to encourage compliance with all policies and procedures prescribed by management, and to promote the operational efficiency of the organization. The best deterrence to fraud is to have the policy of zero tolerance communicated to all levels of City employees. Any discrepancies are to be brought to the attention of management for further corrective action.

In addition to internal control procedures, an effective internal control system will employ competent, reliable and ethical personnel. All jobs and functions within the City of Berkeley will be assigned to individuals in strict adherence to the segregation of duties.

Segregation of duties divide the responsibility for a transaction or activity among different parties so that if one party makes an error, another will discover it. This method of internal control limits the risk that one person would perpetuate and/or conceal errors in the normal course of his or her duties.

#### Section 2. Internal Control Procedures

Internal control procedures vary from one entity to another. The City of Berkeley's internal control system is defined by the City's complexity and management objectives. The City utilizes the following list of widely acceptable internal controls:

- **Authorization:** ensuring that all transactions are approved by management.
- **Validation:** ensuring that recorded transactions represent real transactions.
- **Capture:** ensuring that all transactions are recorded.
- **Valuation:** ensuring that all amounts recorded for transactions accurate.
- **Classification:** ensuring that all transactions recorded are assigned to the proper categories (i.e., assets, liabilities, revenues, expenses) and subcategories (e.g., travel expenses).
- **Cut-off:** ensuring that transactions are recorded in the appropriate accounting period.
- **Access:** ensuring that only authorized individuals have access to assets.

In addition to the previous elements listed, the following administrative controls are relevant aspects of the City's internal control system:



1. Preparation of an Accounting Procedures Manual - The City of Berkeley has developed an accounting procedures manual that meets all the accounting control objectives and procedures set forth by management.
2. Hold Formal Training Sessions - Each staff member should be formerly trained to ensure that all internal controls and job functions are properly performed, to include a thorough understanding of the Accounting Procedures Manual and Financial System.
3. Monitor Continuously - Management must provide ongoing monitoring controls to ensure that there is no deterioration or deviation from the generally accepted accounting principles or internal controls set forth.
4. Ghost Vendors - A ghost vendor is a fictitious company established to receive payments diverted for personal gain. Payments to ghost vendors can be prevented by two controls: First, the list of approved vendors should be controlled by the Purchasing Agent, not the accounts payable department. Second, a member of management should sign all checks and/or approve vouchers only after examining receipt of goods or services in question.
5. Duplicate Payments- Controls to prevent duplicate payments include matching the invoice with the correct purchase orders, packing slips and/or receipts. Another deterrent is to ensure that vendor names are not duplicated. Prior to disbursing payments, the Accounts Payable Manager must verify vendor numbers and name variations to avoid duplicates within the Financial System. In addition, prompt payment reduces the number of follow-up invoices being sent which could also result in a duplicate payment.
6. Payment for Goods and Services Not Received - Vendors occasionally send invoices for goods and services that have not been delivered. To avoid paying such invoices, the City's Purchasing Agent or designee must immediately inspect all incoming goods against receipts and packing slips.
7. Payroll - Ghost Employees - Ghost employees are fictitious employees existing only on payroll for the purpose of fraud. Two controls effective in circumventing ghost employee's fraud include 1) require the use of time cards or attendance sheets and 2) the proper use of the Human Resources department to control records pertaining to hiring, termination, status change and salary.
8. Recording Cash Receipts Properly - Without the proper control procedures, cash may be applied to incorrect funds or not at all. Obviously, those receipts not recorded are subject to theft. Consequently, the City of Berkeley employs the following internal controls to deter theft and ensure accurate reporting of cash:
  - a. Prompt receipting and accounting for cash as it is received



- b. Separating individual cash handling duties
  - c. Safeguarding the handling and storage of cash
  - d. Depositing cash promptly
  - e. Reconciling cash activity in a timely manner
  - f. Monitoring of the process by administrators not directly involved
  - g. Placing a restrictive endorsement on incoming checks as soon as received
9. Independent Auditors - Independent auditors generally have a limited role, which is to provide an opinion on the published financial statements of the organization. To render such an opinion, independent auditors have to perform at least a preliminary review of the organization's internal controls. The independent auditors are required to report to management those weaknesses in internal control that come to the auditors' attention and are material to the financial statements in question. As a courtesy to their clients, most auditors also report non-material weaknesses and opportunities for improvements, in a report called "The Management Letter".

### **Section 3. Detecting and Investigating Fraud**

In accordance with the City's rules and regulations, employees must report any suspected cases of fraud and corruption to the appropriate manager, or, if necessary, directly to the City Manager. Reporting cases in this way is essential to the City's anti-fraud strategy.

The City of Berkeley will decide on the type and course of the investigation. This will include referring cases to the police where necessary. The City will prosecute offenders and will carry out disciplinary procedures in accordance with section 7.02 of the City's Personnel Rules and Regulations handbook. We will ensure that any internal proceedings do not prejudice innocent employees or citizens.

The City of Berkeley is committed to tackling fraud and corruption whenever it happens. Our response will be effective and organized and will rely on the principles included in this document. Further, the City of Berkeley will continue to review our rules, regulations and internal controls to ensure effectiveness.

### **Section 4. Inventory Management**

#### **1. Administration**

The Purchasing Specialist is the moderator for all office supplies inventory for the City of Berkeley.

A manual & automated record is maintained to incrementally track all supply orders by department (and employee).



These records are used to record an expense to each department for office supplies used for a particular month. An inventory report is produced and reviewed on a monthly basis. There is also an annual physical inventory of the supplies on hand.

2. Public Works Fleet Inventory Management

The Garage Supervisor should place within the budget the plan to purchase vehicles and equipment. If there is a need to purchase a vehicle/equipment outside of the planned budget the Garage Supervisor will make a request and it will be reviewed by the City Manager for approval. Once any vehicle/equipment is purchased the Garage Supervisor shall notify the Finance Department so that they may capitalize the asset.

If a vehicle is damaged and can no longer be used or if a vehicle is sold the Garage Supervisor must also notify the Finance department so that they may dispose of the vehicle properly in the accounting system. At the end of the Fiscal Year the Finance Department will contact the Garage Supervisor and account for all vehicles and equipment acquired and disposed of once this has been completed the Finance department will then depreciate all assets in accordance with GAAP.



---

## Chapter X

### Department Budget Preparation

#### Section 1. Budget Process

The City's fiscal year runs from July 1 through June 30. The City publishes an account of its financial condition in the newspapers no later than January 15 and July 15 of each year, hence, the City's financial statements are published at mid-year and at year-end.

In late February, seven (7) month financial reports are issued to each Department Director. At that time, revenue estimates for the coming year are derived, taking into account the present year's seven (7) month financial figures.

During this time, budget request forms are submitted to Department Directors, along with both written and verbal instructions. Department Directors have two weeks to complete their budget requests for the upcoming year.

In early to late March, once all requests have been returned, they are reviewed by the Director of Finance, and presented, along with the upcoming year's revenue projections, to the City Manager for review.

In late March, the City Manager and Finance Director meet with each individual Department Director to review their department's budget. Budget adjustments are generally made during those meetings, but further adjustments may take place in the ensuing weeks if expenditures still exceed projected revenues.

Once the City staff has finalized the budget, a draft of the budget document is forwarded to each City Council Member for their review. The City Charter requires that the budget be delivered to the City Council no later than thirty-five (35) days prior to the beginning of the next fiscal year, which constitutes a May 24 deadline date each year for the City of Berkeley.

In early April, budget work sessions take place among the City Manager, Department Directors, and Council Members. Budget work sessions allow the City Manager, the Director of Finance, and the Department heads the opportunity to present and explain their budget to the City Council. This process allows the Council Members the opportunity to provide additional input, ask questions, and present further policy goals and objectives as they relate to the budget.

Following City Council input, the budget is adjusted once more to reflect Council policy directives. At that point, all appendices, narratives, charts, etc. are added in preparation for the City's upcoming public hearing on the budget. In early June, the City conducts its public hearing, and any changes to the budget as a result of the public hearing are made prior to the next regular City Council meeting. At that next meeting in mid-June, the budget is considered by the City Council for adoption. The budget must be adopted by



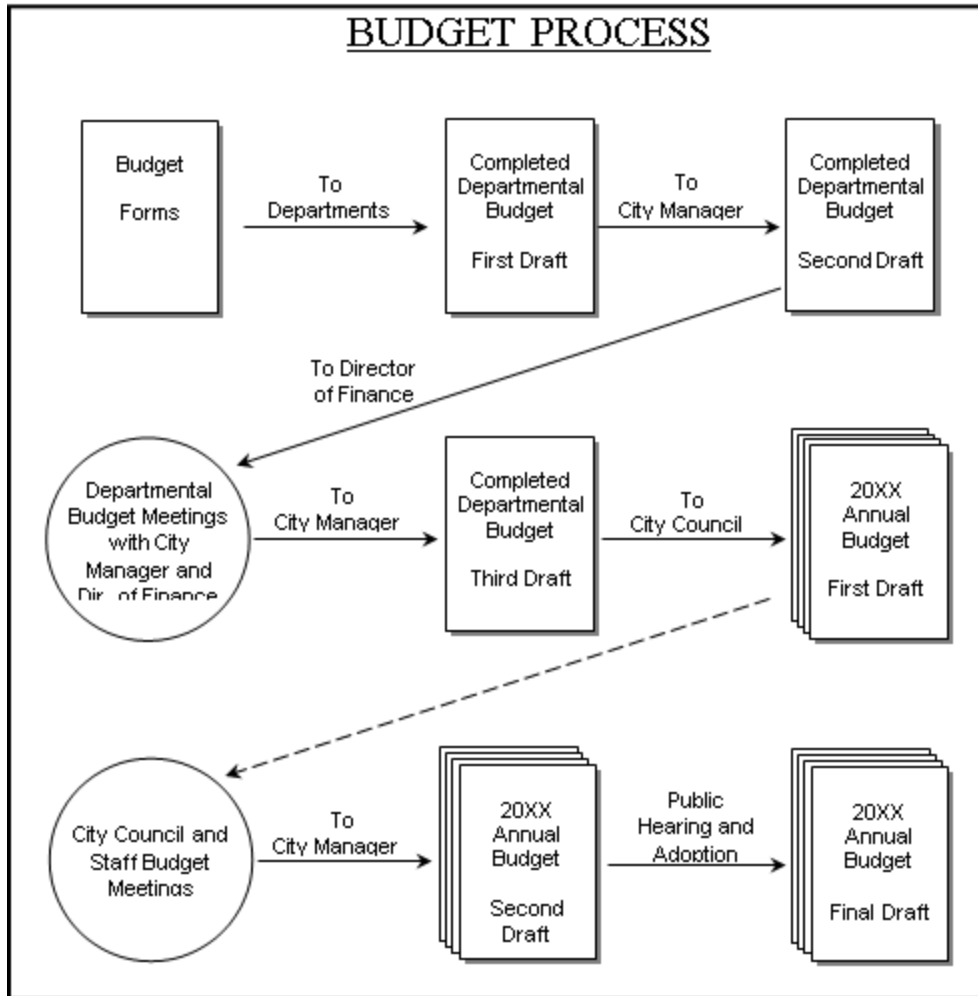
ordinance. If the Council does not adopt the budget by the fourth day prior to the beginning of the fiscal year, the submitted budget is deemed to have been adopted.

## **Section 2. Executing the Budget**

The appropriation process serves to pre-authorize the expending of funds for purposes as documented in the budget. Thus, through the normal accounts receivable and accounts payable processes, budgeted funds are received and expended throughout the year. The City Manager retains the authority to approve line-item transfers of funds from one account *within a department* to another account *within that same department*. Only the City Council, however, possesses the authority to approve budget amendments for the following purposes:

1. Monetary transfers that must be made from one department to another department must be approved by the City Council by ordinance - thus amending the budget.
2. Necessary budget changes throughout the fiscal year to reflect unanticipated revenue or expenditure variances that could or will have an impact on City operations, programs, or objectives, must be approved by the City Council by ordinance - thus amending the budget.
3. Any proposed expenditure of undesignated fund balances must first be appropriated by the City Council by ordinance - thus amending the budget.







**This page intentionally left blank.**



---

## Chapter XI Fund Balance Policy

### Section 1. Fund Balance Policy (GASB 54)

The Fund Balance of the City's General Fund establishes minimum levels to ensure stable service delivery, meet future needs and to protect against financial instability. The target is to maintain at least 16.7% of revenues or the average of 2 months of revenues within the General Fund throughout the fiscal year. Should the General Fund balance fall to less than these amounts the City will identify a plan to restore the fund balance to its rightful amount.

A minimum Contingency of \$200,000 should be incorporated in every Council-approved budget. All committed, restricted, and assigned appropriations (funds) must be identified as such for all approved budgets.



**This page intentionally left blank.**



---

## Glossary of Terms

### A

**Accounts Payable** – A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received.

**Accounts Receivable** – An asset account reflecting amounts due from private persons or organizations for goods and services received.

**Annual Review** – For the purpose of reviewing authorized financial dealers and institutions, annual review requires an investment officer to ensure that the financial dealer or institution is in compliance with the governing body's established procedures.

**Audit** – A systematic collection of sufficient, competent, evidential matter needed to attest the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through internal inspection, observation, inquiries, and by confirmation with third parties.

### B

**Banker's Acceptance (BA)** – A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Bond Proceeds** – The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

**Broker** – A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same individuals and firms that act as brokers in some transactions may act as dealers in other transactions.

### C

**Callable Bond** – A bond that the issuer has the right to redeem prior to maturity. Some callable bonds may be redeemed on one call date while others have multiple call dates. Some callable bonds may be redeemed at par while others can only be redeemed at a premium.

**Certificate of Deposit (CD)** – A deposit of funds, in a bank or savings and loan association, for a specified term that earns interest at a specified rate or rate formula. They may be for terms as short as one (1) week as or longer than ten (10) years.



**Collateral** – Securities, evidence of deposits, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

## D

**Dealer** – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for the specified account.

**Delivery vs. Payment (DVP)** – The simultaneous exchange of securities and cash. The safest method of setting either the purchase or sale of a security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

## E

**Expenditure/Expense** – The outflow of funds paid or to be paid for acquisition of goods or services.

## F

**Federal Deposit Insurance Corporation (FDIC)** – A federal agency that insures bank deposits, currently up to \$100,000.

**Federal Home Loan Banks (FHLB)** – The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role comparable to that of the Federal Reserve Bank, which is the lender to member commercial banks.

**Fiscal Year** – A period of 12 months in which the City operates its financial affairs. The City of Berkeley's fiscal year begins July 1 and ends June 30.

**Fixed Assets** – Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Fixed assets include buildings, equipment, and improvements other than buildings and land.

## G

**General Fund** – A fund used to account for all financial resources, except those accounted for in another fund. The operating fund of the City.

**Generally accepted accounting principles (GAAP)** – Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).



**Governmental Accounting Standards Board (GASB)** – An accounting industry organization which is part of the Financial Accounting Foundation. GASB issues statements of accounting standards that define and govern GAAP for state and local government entities in the United States.

## I

**Investments** – Most commonly, securities held for the production of revenues in the form of interest. The term does not include fixed assets used in government operations.

## L

**Liquidity** – A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

## M

**Market Value** – The price at which a security is trading and could presumably be purchased or sold.

**Maturity** – The date on which the principal or stated value of an investment becomes due and payable.

**Money Market Mutual Fund** – Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, banker's acceptances, repos and federal funds).

**Mutual Fund** – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the Securities and Exchange Commission (SEC) disclosure guidelines.

## N

**National Association of Securities Dealers (NASD)** – A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

## O

**Offer** – An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

## P

**Par** – Face value or principal value of a bond, typically \$1,000 per bond.



**Premium** – The amount by which the price paid for a security exceeds the security's par value.

**Prime Rate** – A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**Principal** – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**Prospectus** – A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management and certain certified financial statements.

**Prudent Person Rule** – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

## R

**Repurchase Agreement (Repo or RP)** – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

**Reverse Repurchase Agreement (Reverse Repo)** – An agreement of one party to purchase securities at a specified price from a second party, and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand at a specified date.

**RSMo** – The revised Statutes of Missouri, consisting of the Missouri Constitution and all state laws.

## S

**Safekeeping** – Holding of assets (e.g., securities) by a financial institution.

**Securities and Exchange Commission (SEC)** – Regulatory agency created by Congress to protect investors in securities transactions by administering securities legislation.

**Serial Bond** – A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

## T

**Treasury Bills** – Short-term U.S. government non-interest-bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are





monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

**Treasury Notes** – Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1,000,000 or more.

## **V**

**Volatility** – A degree of fluctuation in the price and valuation of securities.

## **Y**

**Yield-to-maturity** – The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

## **Z**

**Zero-Coupon Securities** – Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.