

**CITY OF PATASKALA  
PURCHASING AND FINANCIAL POLICIES**



***PREPARED BY THE FINANCE DEPARTMENT***

**CITY OF PATASKALA  
LICKING COUNTY, OHIO**

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# **CITY OF PATASKALA CHARTER - PURCHASING**

## **8.02 (A) CITY ADMINISTRATOR OR DESIGNEE AS CONTRACTING OFFICER**

The City Administrator shall be the contracting officer of the City and shall award and execute all contracts on behalf of the City.

## **8.02 (B) EXPENDITURES OR CONTRACTS OF TEN THOUSAND DOLLARS OR MORE**

When any expenditure or contract is more than ten thousand dollars (\$10,000) or the amount specified by the laws of Ohio, whichever is greater, for which work may be accomplished only after advertisement and bidding, such contract or expenditure shall first be authorized or directed by an ordinance or resolution passed by the Council and shall be advertised once a week for at least two weeks in a newspaper of general circulation in the City; provided the Council, by an ordinance or resolution adopted by a vote of at least two-thirds of its members, may authorize, without advertising and competitive bidding, contracts and expenditures for any purpose where the statutory or common law of Ohio does not require competitive bidding.

## **8.02 (C) ALTERATIONS OR MODIFICATIONS TO COMPETITIVELY BID CONTRACTS**

When it becomes necessary to make alterations or modifications in connection with any work or improvements covered by contract, they shall be made only upon the order of the City Administrator. No such order shall be effective until the price to be paid for the work or material, or both, under the altered or modified contract, shall have been agreed upon in writing and signed by the contractor and the City Administrator on behalf of the City. Modifications or alterations in contracts shall not require advertising and competitive bidding.

## **8.02(D) CERTIFICATION OF FUNDS**

No contract, agreement or other contractual obligation involving the expenditure of money shall be entered into or authorized by the City Administrator unless the Director of Finance or his or her duly authorized representative shall first certify:

- (1) That the money required for such contract, agreement, obligation or expenditure is in the City's treasury or in the process of collection thereto, and
- (2) That the money has been appropriated by Council for the purpose of the contract, which may be included in the general description of purpose, and it remains unencumbered.

The certification as the availability of funds and the appropriation of funds shall be filed and recorded in the accounting records of the City and a copy furnished the vendor or contractor. Without the certification, contractual obligations shall be unenforceable against the City unless subsequently authorized by the Council by a majority vote of its members.

## **8.02 (E) COMPETITIVE BIDS –SPLITTING**

The City Administrator shall not divide any order or contract to avoid the requirements of competitive bidding.

# **CITY OF PATASKALA GENERAL PURCHASING STANDARDS**

## **EXPENDITURES EXCEEDING TWENTY FIVE THOUSAND DOLLARS**

Purchases or contracts involving the expenditure of more than twenty-five thousand dollars (\$25,000) which require competitive bidding in accordance with the Ohio Revised Code shall be made only after advertisement and the receipt of sealed bids. The purchase shall be made only from the vendor submitting the lowest and best bid.

## **“LOWEST AND BEST” DEFINED**

For the purpose of this standard, “lowest and best” shall be deemed to be that quotation or bid which gives the best combination of quality, service, and price that assures the greatest economy to the City.

## **“QUALIFIED VENDOR” DEFINED**

For the purpose of this standard, “qualified vendor” means a person who has met the City’s criteria required pursuant to the needs of a purchase or contract.

## **EMERGENCY PURCHASES**

In cases of emergency, purchases of goods or contracted services may be made without obtaining quotations or bids as set forth in this standard and also City Charter. However, if the amount of the emergency purchase *or* contracted service exceeds ten-thousand dollars (\$10,000), the City Administrator shall report the facts relating to that purchase to Council.

## **PURCHASING MANUAL**

The Finance Director shall prepare and maintain a purchasing manual or manual of purchasing guidelines setting forth the administrative procedures for handling of purchases, which procedures shall not be in conflict with this chapter. Such manual shall have the same effect as the Charter of the City or such general purchasing standards adopted. The City Administrator shall adopt and enforce the purchasing guidelines established.

## **COST ESTIMATES**

1. The City has the authority to revise cost estimates for public improvement projects prior to the submission of the project to competitive bid.
2. The City Administrator shall have discretion to allow for a contingency, up to the spending amount authorized by City Charter (\$10,000), for any contracts entered into by the City.

# **CITY OF PATASKALA GENERAL PURCHASING STANDARDS**

## **(Continued)**

### **EXCEPTIONS TO COMPETITIVE BIDDING**

1. In any case where competitive bidding is not practical, or it is clearly to the City's advantage to contract without bidding, Council, upon the recommendation of the City Administrator, may authorize the execution of a purchase order without competitive bidding, by a majority vote. Instances where competitive bidding is not practical include, but are not limited to, the following examples:
  - a) Contracts for professional services (which includes engineering, legal, and accounting services).
  - b) Hiring of consultants.
  - c) Contracts for materials in unstable markets.

The City Law Director shall approve the contract as to form and content before it is submitted for the City Administrator's approval with Council authorization.

2. Contracts with qualified non-profit agencies and contracts with state departments, political subdivisions, or a regional planning commission may be authorized without bidding and advertising.
3. Participation in a joint purchasing contract is exempt from using competitive bidding in accordance with Ohio Revised Code Section 9.48(C)-(D).
4. The City need not follow the bidding process where the contract involves specialized services, requiring particular skills and aptitudes, such as engineering or legal services. Shall the City procure professional design services over \$25,000; a requirement to follow the competitive bidding process is not deemed necessary. However, contracts for professional design services must adhere to the provisions of Ohio Revised Code Sections 153.65-.71 which require all municipalities to publically announce and provide notice of the contract, rank firms on the basis of qualifications, and award the contract to the most qualified firm. "Professional design services" are defined as services within the scope of practice of an architect or landscape architect registered under Chapter 4703 of the Revised Code or a professional engineer or surveyor registered under Chapter 4733 of the Revised Code.

The City will address the requirements set forth within item #4 by annually seeking engineering services (proposals may include "Professional Design Services") which shall be publically announced in written or electronic media, diligently reviewing and ranking each engineering service proposal submitted and securing all engineering proposals within an internal database by the City. The City Administrator shall have the authority to select the appropriate engineering firm best suited to provide engineering services subject to Council authorization.

5. The City may purchase supplies or services from another political subdivision or by contract that the Ohio Department of Administrative Services has entered into on behalf of the City, if the City can prove that it can purchase those same supplies or services from the other party upon equivalent conditions and specifications but at a lower price. If so, the City need not competitively bid those supplies or services in accordance with Ohio Revised Code Section 125.04.

# **CITY OF PATASKALA PURCHASING MANUAL**

## **SALVAGE**

1. Personal property no longer needed for a Municipal purpose may be disposed of by the City Administrator in the following manner:
  - a) Transfer to another department (in need)
  - b) Trade-in on a new purchase of the same or similar items
  - c) Sale to the highest bidder
  - d) By public auction
  
2. When said items are to be sold by sealed bids, said bids will be first authorized by Council. Items valued at one thousand dollars (\$1,000) or more shall be advertised once a week for two consecutive weeks. Items values at less than one-thousand dollars (\$1,000) shall be advertised only once.

## **I. PURPOSE**

The purpose of this manual is to provide a guide for requisitioning purchases, acknowledging the receipt of goods and services procured, and also the payment process for goods and services. The guide includes statements of purchasing objectives and policies, as well as the procedures to be followed in performing the major purchasing functions.

The primary concern of Council and the City Administrator is to provide the City with a complete Centralized Purchasing Service. The Finance Department must work closely with all other departments in procuring materials and supplies, goods and services necessary for implementing the work of other departments.

Purchasing decisions must be coordinated with the aims, policies, and preferences of the departments served.

## **II. PURCHASING AUTHORITY AND COMPLIANCE**

No purchases or contracts involving an expenditure are to be processed unless the transaction is first certified by the Finance Director or duly authorized designee that the amount required for the expenditure has been lawfully appropriated and is either in the treasury, or in the process of collection and free from any previous encumbrances.

All precautions should be taken by departments to make sure that budget accounts are not overspent.

Exceptions to incurring expenditures prior to the certification of funds by the Finance Department:

- a) Emergency purchases as outlined in General Purchasing Standards;
- b) Items approved for check request payment as outlined in the Purchasing Manual.

# **CITY OF PATASKALA PURCHASING MANUAL (Continued)**

## **II. PURCHASING AUTHORITY AND COMPLIANCE (Continued)**

### Violations for not obtaining proper certification of funds and incurring expenditure:

If the purchase or contract is not preceded by the certification of funds (i.e. signed purchase order from the Finance Director or designee) as specified above, no payment may be authorized unless the Finance Director or his or her duly authorized representative can certify that both at the time of the expenditure was made and at the time they were completing this certification, sufficient funds were available, properly appropriated, and free from any previous encumbrances.

#### ***PURCHASING INSTRUMENTS:***

- a) Continuing contracts to be performed in whole or in part in an ensuing year:  
Only the amount required to meet those amounts in the current year, in which the contract is made, need be certified (encumbered). Remaining contract amounts must be provided for in the subsequent year's appropriations unless a determination is made to cancel all outstanding encumbrances at year-end and re-appropriate those commitments thus obligating those funds in the ensuing year.
- b) Per unit contracts – Need only certify (encumber) the estimated amount to become due in the current year based upon the agreed unit pricing and estimated quantities. The normal per unit contract length will be twelve months or less.
- c) Blanket purchase orders - Against any specific line item account, not extending beyond the current year, are to be certified (encumbered) against specific line-item appropriations. Super blanket purchase orders may be used and relate to professional services, fuel, oil, food items or any other specific recurring and reasonably predictable operating expense. Super blanket purchase orders may not extend beyond the next year. A list of expenditures paid under each blanket certificate must be maintained by the Finance Department. The use of blanket purchase orders is subject to the approval of the Finance Department.

## **III. PURCHASING FUNCTION OBJECTIVES**

The objectives listed below will indicate the scope of the purchasing function prior to the act of purchase. These objectives are based upon proven principles of sound purchasing business management and shall be followed by all City departments:

1. Assisting department in securing goods and services;
2. Cost estimated for budget submission and approval;
3. Processing requisitions and orders;
4. Secure goods and services in the quality, in the required time and at the lowest prices for efficient City operation;
5. Securing quotations and bids, both formal and informal;
6. Develop and maintain sources of supply for goods and services that are capable to meeting the needs of the City;

# **CITY OF PATASKALA PURCHASING MANUAL (Continued)**

## **III. PURCHASING FUNCTION OBJECTIVES (Continued)**

7. Foster and maintain business relations with vendors and the community in general;
8. Maintain proper inventories;
9. Expedite deliveries;
10. Standardize where possible;
11. Promote good working relations between Purchasing and user departments;
12. Study price and market trends;
13. Be alert for and recommend new products and services that aid users in the performance of their function: A Value Analysis Program;
14. Periodically review the City's purchases to assure that user needs are being optimally met by the goods and services being purchased;
15. Take the detail away from department heads to given them more time to successfully conduct departmental functions;
16. Develop a Request for Proposal (RFP) for use by the City;
17. Report purchases to City Council as required;
18. Maintain vendor bidder lists (with appropriate experience data).

These objectives may be attained with adequate planning and cooperation by all departments working with the City Administrator and Finance Department within the framework of a Centralized Purchasing System.

## **IV. STANDARDS AND ETHICS**

The City Administrator is the primary contact between the departments and the vendors. Therefore, the City Administrator must adhere to high levels of personal conduct and transact business in a strictly ethical manner.

The following principles are the basics for establishing purchasing practices:

1. Consider, first, the interests of the City in all transactions, and carry out its established policies.
2. Recognize values as being a combination of quality, service, and price that assures the greatest economy to the user, and buy on this value basis.
3. But without prejudice, seeking to obtain the ultimate maximum for each dollar spent.
4. Respect the City obligations and neither expresses nor imply a promise of performance that we cannot expect to fulfill.
5. Refrain from divulging information acquired in confidence with the intent to giving or receiving an unfair advantage in a competitive business transaction.
6. City employees are prohibited from accepting gifts, entertainment, or other gratuity from any individual or business.
7. Adhere to the National Institute of Governmental Purchasing principles for ethical purchasing.
8. Follow City and State ordinances when applicable.
9. City employees may purchase items from the City when they are sold by sealed bids or at public auction.

# **CITY OF PATASKALA PURCHASING MANUAL (Continued)**

## **IV. STANDARDS AND ETHICS (Continued)**

All employees of the City participating in the purchasing process must refrain from any private business or professional activity that would create a conflict between personal interests and the interests of the City. No employee shall conduct business with the City either directly or indirectly of which they have an active or passive financial interest. Failure by any employee to communicate business relationships with the City may result in disciplinary actions.

## **V. REQUISITIONS**

**PURPOSE:** The purpose of a requisition is to inform the Finance Department of the needs of the department so that procedures can be set in motion toward the purchase of the needed materials and equipment, goods and services. It also enables the Finance Director or designee to check availability of funds. In addition, it can save the City from placing duplicate orders, thus saving time.

**WHEN TO REQUISITION:** It is the responsibility of the department head to anticipate the needs of the department as much in advance as possible, so as not to create a situation whereby items need to be purchased on an emergency basis. Thus, the requisition should be submitted far enough in advance to allow the City to take advantage of competitive quotations and bidding. Delivery time is also a factor to be considered. Orders should be submitted to ensure that the commodity is delivered when it is needed.

### ***HOW TO REQUISITION:***

- Requisition Number (only of used by department)
- Department (actual department name) and Division
- Account Number
- Date Required (as close an approximation to date needed)
- Ship to information
- Item Number and Quantity
- Description (be certain to include physical description and model numbers – if a particular manufacturer’s model or catalog number, mention whose it is and give enough information to fully describe what it is)
- Date and Signature of Department Head (or authorized Division Head or designated supervisor empowered to sign)
- Submit Requisition to Finance Department as authorized
- Once concluded, Finance Department will verify the availability of the department’s proper funds and place the purchase order. If proper funds are not available, the requisition will be returned accordingly.
- A completed Requisition Copy, along with Purchase Order copy will be returned to the ordering department.

**SINGLE SOURCE PURCHASES:** If the item or service is such that it can be supplied by only one source, a written memo explaining fully the conditions which make the supplier an only source must be attached to the requisition, and if deemed correct, then attached to the Order as justification.

# **CITY OF PATASKALA PURCHASING MANUAL (Continued)**

## **VI. AUTHORIZING PURCHASES**

The City utilizes a purchase order system to address department needs regarding securing equipment or goods and services, determining monies are available within the department's budgeted line item, further acknowledging the purchase order serves as the contract between the City and the vendor, with the conditions specified and incorporated into the contract.

**PURPOSE:** The purpose of the purchase order is to inform the Finance Department of the needs of the City department so that procedures can be set in motion toward the purchase of the needed materials and equipment, goods or services. It also enables the Finance Director or designee to check availability of funds. In addition, it can save the City from placing duplicate orders, thus saving time.

**WHEN TO ISSUE A PURCHASE ORDER:** It is the responsibility of the department employee to anticipate the needs of the department as much in advance as possible, so as not to create a situation whereby items need to be purchased on an emergency basis. Thus, the purchase order should be submitted far enough in advance to allow the City to take advantage of competitive quotations and bidding.

Delivery time is also a factor to be considered. Orders should be submitted to ensure that the commodity or item is delivered when it is needed.

**HOW PURCHASE ORDERS ARE HANDLED:** The purchase order is made up of two (2) copies: the Finance Department copy and the requisitioning department's copy.

Procedurally, the department receives one copy for its files and the receiving copy. The invoices are submitted by the vendor to the Finance Department. Once the goods are received, the department acknowledges (via signature or verbal confirmation) that a complete shipment has been received, and communicates to Finance Department the invoice should be authorized for payment. All department employees must approve actual invoices (via signature or verbal confirmation) before payment is processed by the Finance Department.

**FAILURE TO OBTAIN PURCHASE ORDER:** The department manager or designee shall be responsible for any purchase made without prior certification and approval from the Finance Department that sufficient funds are available. If written certification is not obtained on the requested purchase order, verbal confirmation with the Finance Department or designee is deemed sufficient in such circumstances.

# **CITY OF PATASKALA PURCHASING MANUAL (Continued)**

## **VII. OVER EXPENDITURES AND SUPPLEMENTAL APPROPRIATIONS**

If the requisitioned budget account lacks a sufficient balance, the Finance Department will return the purchase order to the requisitioning department.

The department head or designee may:

1. Drop the request;
2. May request transfer of appropriations;
3. Request a supplemental appropriation from contingency or surplus to cover the cost of the material or service requested;
4. Requests for a supplemental appropriation should be directed to the Finance Department explaining such a request. Normally, only things that could not have been foreseen, or reasonably provided for by careful planning, and are of an emergency nature, will be considered for presentation to Council. Therefore, careful preparation of annual department budget requests is a necessity.

## **VIII. EMERGENCY PURCHASES**

***TRUE EMERGENCIES:*** An emergency situation is defined as a situation in which the operation of a department would be seriously hampered because of a shortage of goods or services to maintain critical City operations.

***EMERGENCY PROCEDURE:*** During normal working hours, the department will notify the City Administrator of the need for an emergency purchase. The City Administrator will assist the department in securing the needs and issue a purchase order number for the items to be purchased. Purchasing will make necessary arrangements for delivery, working in conjunction with the user's department.

***PURCHASE ORDER:*** A purchase order must be submitted to the Finance Department as soon as possible after approval is obtained from the City Administrator, so that the emergency purchase can be secured.

***OTHER EMERGENCIES:*** If an emergency occurs at other than normal working hours (i.e. nights, weekends, holidays), the department must submit, on the next working day, a purchase order accompanied by the sales slip, invoice, and/or explanation for the necessity of the purchase. Purchasing shall follow through with the accompanying paperwork and any appropriate reporting procedures.

Negligence on the part of the department head to plan properly is not a justification for an emergency purchase. Emergency purchases made on a non-competitive basis are costly and may not be beneficial to the City.

# CITY OF PATASKALA PURCHASING MANUAL (Continued)

## IX. COMPLIANCE WITH THE OHIO REVISED CODE AND MISCELLANEOUS ITEMS

**CHANGE FUNDS:** Departments may maintain change funds which shall be used only for providing change to citizens or employees during the normal course of department operations. Employees may use change funds for minor purchases or to circumvent the City's normal purchasing procedures. Employees who use change funds for improper purposes may be subject to disciplinary procedures.

**MATERIALS OR SERVICES \$25,000 OR MORE:** All purchases more than twenty-five thousand dollars (\$25,000) will be based on sealed bids. These purchases will follow the procedure outlined below:

1. Legislation authoring bids.
2. The invitation to bid will be advertised in the local newspaper as required by law.
3. Bids shall be opened on the day and time set in the bid announcement, and publicly read.
4. Where required, bids shall be accompanied by a sufficient and acceptable bid bond, in the form of a certified or cashier's check drawn on a solvent bank or a bid bond executed by a surety authorized to do business in the State of Ohio, and made payable to the City, to assure the City, that if a bid is accepted, a contract will be entered into. When required, a Performance Bond (100%) or a 100% bank "Letter of Credit" shall be secured by the City Law Director.
5. Where required, bidders shall execute and submit a non-collusion affidavit and a disclosure of personal property taxes on the forms furnished by the City. No contract is deemed fully executed until this is done. Upon completion of the project, a signed contractor's indebtedness affidavit must be filed with the City to execute final payment of said contract.
6. Prevailing wages shall be paid as required by Ohio law on all projects for new construction, remodeling, and repair projects. Bids shall be submitted accordingly as noted in the bid requirements.
7. At the election of the City, a waiver may be included as part of the submitted bid eliminating the establishment of retainage accounts for specific contracts.
8. Addendums to bids shall be made available to all known bidders and shall be issued, in a reasonable time, prior to the bid opening. Bids may be postponed as deemed in the City's best interest. The City reserves the right to reject any and all bids, waive informalities, and make an award deemed in its best interest.
9. Bidders are to keep informed of all laws and regulations, Federal and State, City Ordinances, codes, rules, safety requirements (Industrial Commission) which affect those employed to engage in the work or materials to be used in a project.
10. Project completion (delivery) warranties, references, terms and F.O.B. shall be required by bidders in the Bid Invitation. Non-responsiveness can be determined as a condition for bid disqualification.
11. Bids will be awarded on the basis of best and lowest bids conforming to the specifications.
12. After final authorization, the City Administrator shall follow through with the proper purchase order. The bid award shall be made within forty-five (45) days of a bid opening, except when the bid involves use of Federal funds or sale of notes and/or bonds, in which case the award shall be made pending the availability of funds. Bids may not be withdrawn or modified unless the award is delayed beyond that time.
13. The City Administrator will send a final tabulation to all bidders, specifying which bid or quotation was awarded the purchase.

**CITY OF PATASKALA  
PURCHASING MANUAL  
(Continued)**

**IX. COMPLIANCE WITH THE OHIO REVISED CODE AND MISCELLANEOUS ITEMS**  
(Continued)

14. The City Administrator, department head, or Finance Department shall determine that the awarded contractor has no outstanding finding for recoveries prior to the contract being awarded. This shall be determined by securing from the Auditor of State of Ohio's website such certification that the contractor has no such outstanding findings in accordance with Ohio Revised Code Sections 9.24(A), (B), (D), (E), and (G); and Attorney General Opinion 2004-014.

***CREDIT CARDS:*** Certain expenditures may be made with the City's authorized credit cards for memberships, subscriptions, education registration, and travel-related expenditures. The use of the credit card does not eliminate the requirements to have a purchase order in place and funds encumbered prior to the expenditure being executed. The purchase order must be made payable to the financial institution that issued the credit card. Furthermore, all employees or elected officials utilizing the credit card must adhere to the City's Credit Card Policy regarding the requirement to submit itemized credit card receipts and also certifying that an employee's use of City credit cards was for a proper public purpose in the event an itemized receipt is lost.

**X. SPECIFICATIONS**

Standard specifications should be set up so that maximum competition can be secured. The description of the item and its characteristics should be defined and precise as to eliminate the possibility of misunderstanding on the part of the purchaser, vendor, or user. Wherever necessary, tests will be made to determine compliance with the specifications. Specifications that are considered "closed" (eliminating competition) shall not be submitted by any department.

Trade or brand name items may be submitted to the Finance Department on the purchase order, but may not necessarily become part of the final specifications. Use of brand names shall establish a generally acceptable standard, and other brand names of the same general qualities will be requested to submit bids.

***EXCEPTIONS:*** Where current equipment or materials for parts or replacement are required, alternatives may not be feasible.

**XI. ITEMS COVERED BY WARRANTY OR GUARANTEE**

The City may purchase items that have a warranty or guarantee for a certain length of time. Prior to the repair or replacement of any items, the City Administrator or designee should be consulted to see if the item is covered by such warranty or guarantee. Generally, each department should maintain an active, up-to-date file on such warranty or guarantee with complete information.

**CITY OF PATASKALA  
PURCHASING MANUAL  
(Continued)**

**XII. PAYMENT OF TRANSPORTATION**

***FREIGHT CHARGES:*** Freight charges will be handled in one of the following ways:

1. F.O.B.: City of Pataskala. When the purchase order is marked in this manner, no transportation charges are to be paid by the City.
2. F.O.B.: Shipping Point. In cases where the City does pay freight charges, the charges are to be prepaid by the shipper, and the prepaid bill shall be added to the invoice.

***C.O.D. CHARGES:*** The City will not accept Cash on Delivery shipments. If shipping charges are to be paid, they will be paid in the above described manner.

**XIII. BID AND PERFORMANCE BONDS**

Where required, bids shall be accompanied by a sufficient and acceptable bid bond, in the form of a certified or cashier's check drawn on a solvent bank or a Bid Bond executed by a surety authorized to do business in the State of Ohio and made payable to the City, to assure the City, that if a bid is accepted, a contract shall be entered into. Performance bonds or bank "Letters of Credit", where required, shall be deposited in the amount of the contract (100%) prior to execution of contract, and approved by the City Law Director.

Requiring certified checks or bonds may not always be in the best interest of competition. Therefore, careful study should be given to this matter before a bond is required. In any event, the City Administrator shall decide when the deposit of a bond or "Letter of Credit" is necessary for a vendor to be awarded a purchase order or contract.

**XIV. RETURNS**

The following procedure should be used for materials, goods, or equipment received requiring return to vendor:

1. Department contacts the City Administrator or designee with problem notification.
2. The City Administrator or designee contacts vendor for disposition, return authorization.
3. The City Administrator or designee notifies department with return instructions and Return Materials Transfer Order (RMTO) form which is sent with return, along with copies for the department and Finance Department.
4. Finance Department receives appropriate credit.
5. Department receives appropriate replacement, if required.

# **CITY OF PATASKALA**

## **STATEMENT OF FINANCIAL POLICIES**

### **I. PURPOSE AND SCOPE**

The City of Pataskala has a responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the provision of services desired by the public. Sound financial policies are necessary to carry out that responsibility.

This Statement of Financial Policy provides a summary of significant financial and budgetary policies required by state law, the City Charter, City Ordinances, accounting principles generally accepted in the United States, and administrative practices.

This policy is designed to: 1) provide conceptual standards for financial decision-making, 2) enhance consistency in financial decisions, and 3) establish parameters for administration to use in directing the day-to-day financial affairs of the City.

The scope of these policies includes budgeting, financial reporting, auditing, internal controls, asset management, risk management, capital improvement program, debt management, and financial performance targets.

### **II. REVIEW OF POLICIES**

These policies shall be reviewed periodically and will be presented to Council annually during the budget review.

### **III. BUDGETING AND FINANCIAL PLANNING**

#### **A. Financial Planning Elements**

The major elements of the budgeting/financial planning process for the City of Pataskala are:

1. City of Pataskala Capital Improvement Plan – this document establishes a policy framework to guide the expansion of the City and future development and necessary infrastructure and capital equipment needs.
2. Five-Year Forecast – updated annually, this plan projects the General Fund financial performance, estimates funding needs, identifies funding sources, and may expand upon the Capital Improvement Plan by estimating the costs and funding for projects and programs that accomplish the long term goals for the City.
3. Annual Operating and Capital Budgets – annual financial plan of the City and is prepared by the City Administrator with assistance from the Finance Department and approved by Council.

#### **B. Long-Term Focus**

The City recognizes the importance of long-term strategic planning, as evidenced by its Capital Improvement Plan. Similarly, it recognizes that prudent financial planning considers multi-year implications of financial decisions.

The City shall maintain a long-term focus in its financial planning that is mindful of the long-term objectives of the City.

**CITY OF PATASKALA**  
**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**III. BUDGETING AND FINANCIAL PLANNING (Continued)**

**C. Conservatism**

Revenues will be projected conservatively, but realistically, considering:

- a. Past experience;
- b. The volatility of the revenue source;
- c. Inflation and other economic conditions;
- d. The costs of providing the service.

*One time or special purpose revenues* will be used to finance capital projects or for expenditures required by the revenue, and not to subsidize recurring personnel costs or other operating cost.

Expenditures will be projected conservatively considering:

- a. A conservative, but likely, scenario of events (versus “worst case scenario”);
- b. Specific identified needs of the program or service;
- c. Historical consumption and trends;
- d. Inflation and other economic trends.

**D. Five-Year Forecast**

A five-year forecast shall be updated on an annual basis related to the General Fund, or the City’s main operating fund and authorized by Council within the minutes. The purpose of this forecast is to:

1. Identify major policy issues for City Council consideration prior to the preparation of the annual budget;
2. Establish capital project priorities and make advance preparation for the funding of projects within the five-year horizon;
3. Make conservative financial projections for the General Fund to provide assurance that adequate funding exists for proposed projects and services;
4. Identify financial trends in advance or in the early stages so that timely corrective action can be taken, if needed;
5. Communicate the City’s plans to the public and provide an opportunity for the public to offer input.

**E. Annual Operating and Capital Budget**

Scope: The operating and capital budget is the City’s annual financial operating plan. All funds will be subject to appropriation by Council.

Balanced Budget. The budget will be “balanced” for each fund. The proposed cash resources of each fund (beginning of year unencumbered fund balances plus estimated receipts) will exceed or equal appropriations. When necessary, the following budget-balancing strategies will be used, in order of priority:

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**(Continued)**

**III. BUDGETING AND FINANCIAL PLANNING (Continued)**

**E. Annual Operating and Capital Budget (Continued)**

1. Reduce expenditures through improved productivity;
2. Shift expense to other parties;
3. Create new service fees or increase existing fees;
4. Seek tax rate increases;
5. Reduce or eliminate services.
6. Allocate expenditures to the fund or department which directly benefits from the services as allowed by the City's Charter or the Ohio Revised Code.

**F. Modifications to the Budget**

Supplemental Appropriations: Amendments to authorized appropriation at the legal level of control may be made from time to time as changing circumstances dictate. These will be recommended to City Council by the City Administrator or Finance Director along with the rationale supporting the request(s). Such budget amendments must be approved by Ordinance of Council.

**IV. CAPITAL IMPROVEMENT PROGRAM/CAPITAL BUDGET**

The City shall provide for adequate maintenance of the capital plant and equipment and provide for orderly replacement.

**A. Five-Year Capital Plan**

The City shall prepare a five-year capital plan and update it annually which shall be approved by Council in the minutes. The plan will prioritize all anticipated capital projects and determine availability of funding.

**B. Capital Budget**

An annual capital budget will be prepared and provided to Council as part of the annual budget.

Scope: The Capital Budget encompasses any funds of the City which may provide resources for capital improvements as established from time to time for specific projects.

Eligible Projects. The purchase or construction of a capital asset with an acquisition cost of at least \$5,000 and has a useful life of at least 5 years is eligible for funding as a capital project.

Funding Sources. A recommended funding source and resource availability shall be presented to Council for each project. The Administration will investigate all potential alternative funding sources, such as federal or state grants.

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**(Continued)**

**V. BUDGETARY COMPLIANCE AND EXPENDITURE CONTROL**

**A. Budgetary Compliance and Monitoring**

The City will maintain a budgetary control system to ensure that appropriations or fund balances will not be overdrawn.

A purchasing control system will be maintained which will generally require advance authorization of purchases as required by the Ohio Revised Code (O.R.C. 5705.41) and the City of Pataskala purchasing policy. Encumbrance accounting will be utilized as an extension of formal budgetary control. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as an appropriation encumbrance prior to placing the order or entering into the contract in order to reserve that portion of the applicable appropriation.

The integrity of the various funds will be maintained by proper crediting of revenues and proper charging of costs.

**B. Budget Reporting**

Monthly expenditure reports will compare actual results with approved budget amounts. Such reports will be provided to the appropriate department head for review. Appropriation deficiencies will be addressed immediately via an authorized transfer of appropriations or request for supplemental appropriations.

**C. Prompt Payment**

All invoices approved for payment shall be paid within thirty days of receipt unless contractual terms provide otherwise. Procedures shall be established to enable the City to take advantage of all purchase order discounts deemed to be in the best interest of the City.

**VI. INTERFUND TRANSFERS**

Cash transfers may be made from one fund of the City to another fund if authorized, by City Ordinance or resolution, by an affirmative vote of at least four members of Council. All transfers will be reviewed and determined to be in compliance by the Finance Director in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 prior to Council approval.

**VII. FUND BALANCE RESERVES AND CONTINGENCY FUNDS**

The City will budget target cash fund balances for various operating funds to provide reserves for unforeseen emergencies or revenue shortfalls and to eliminate the need for short-term borrowing for cash flow needs.

The City will annually review the status of all fund balances and strive for a certain percentage of annual expenditures for all funds.

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**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**VII. FUND BALANCE RESERVES AND CONTINGENCY FUNDS (Continued)**

The City shall create within the General Fund a Contingency appropriation line item in which prior to any expenditure being incurred Council must authorize by motion. The City will strive to target a range of 10%-25% balance within this appropriated line item.

**VIII. INTERNAL CONTROL POLICIES**

The City will maintain a system of internal control to safeguard its assets against loss, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

**A. Objectives of Internal Control**

A system of internal controls should be able to provide reasonable assurance that these objectives have been met:

- a. **Authorization.** All transactions are properly authorized by management;
- b. **Recording transactions.** Transactions are recorded as necessary (1) to permit preparation of financial statements in conformance to statutory requirements and accounting principles generally accepted in the United States of America, and (2) to maintain accountability for assets;
- c. **Access to assets.** Access to assets and records should be permitted only with management's authorization;
- d. **Periodic independent verification.** The records should be checked against the assets by someone other than the persons responsible for the records of these assets. Examples of independent verification are monthly bank reconciliations and periodic counts of inventory;
- e. **Segregation of duties.** The organizational plan should separate functional responsibilities. In general, when the work of one employee is checked by another, and when the responsibility for custody of assets is separate from the responsibility for maintaining the records relating to those assets, then there is appropriate segregation of duties. The City will attempt to implement segregation of duties to the extent available based upon the respective size of the City's departments, availability of staff, and cost-benefit relationship of implementing recommendations pertaining to segregation of duties.

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**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**VIII. INTERNAL CONTROL POLICIES (Continued)**

**B. Written Procedures**

Written procedures will be maintained by the Finance Director for all functions involving the handling of cash and securities. These procedures shall embrace sound internal control principles.

**C. Finance Department Responsibilities**

The Finance Department shall issue internal control procedures based upon deficiencies that have been identified by City staff or the independent auditors. The Finance Department shall ensure that a good faith effort is made to implement all independent auditor recommendations pertaining to internal control. The Finance Department will administer an “in-house audit” program to regularly and systematically review and monitor internal control procedures and compliance with federal and state regulatory requirements pertaining to internal controls or financial reporting.

**D. Department Head Responsibilities**

Each department head is responsible to ensure that internal control procedures, including those issued by the Finance Department, are followed throughout the department.

**IX. FINANCIAL REPORTING**

The City will prepare its financial reports in conformance with applicable statutes and, where applicable, accounting principles generally accepted in the United States. A Comprehensive Annual Financial Report (CAFR) will be evaluated on a yearly basis to determine the cost benefit of providing this report to the City of Pataskala’s Council, management, and its citizens.

**X. AUDIT**

The City shall have an annual financial audit conducted by the Auditor of State of Ohio or an independent public accounting firm. This audit shall be conducted according to standards established by the Auditor of State,

**XI. DEBT MANAGEMENT**

Debt will be used to fund only capital projects or the purchase of capital assets that will continue to provide a benefit to the community during the term of the debt. Debt will not be used to finance operating expenditures.

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**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**XI. DEBT MANAGEMENT (Continued)**

**A. Creditworthiness Objectives**

1. *Credit Ratings:* The City seeks to maintain the highest possible credit rating consistent with the City's financing objectives. The City of Pataskala will attempt to secure and maintain a long-term credit rating with one or more of the following agencies: Moody's Investors Service, Standard & Poors, or Fitch. Obtaining, maintaining or improving the City's bond rating is an important objective of the City. Accordingly, the City will strive for continual improvement in its financial policies, practices, and performance.
2. *Financial Disclosure:* The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City's outstanding securities and will abide by the provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.
3. *Capital Planning:* To enhance creditworthiness and prudent financial management, the City of Pataskala is committed to systematic capital planning and long-term financial planning.
  - a. Evidence of this commitment to systematic capital planning will be demonstrated through adoption and periodic adjustment of a Capital Improvement Plan and the annual adoption of a Five-Year Forecast.
  - b. The budgetary impact of debt service expenditures for proposed debt must be illustrated in the Annual and Capital Budgets as adopted, or modified, by Council.
4. *Renewal and replacement funds:* The City will set aside annual cash allocations (when available as determined by the City Administrator and the Finance Director) for the renewal and replacement of capital assets.
5. *Statutory Debt Limits:* The City will keep outstanding debt within the limits prescribed by State law, including the "indirect 10-mill limitation". The City will consider using revenue debt in lieu of general obligation debt, when revenue debt is feasible.

**CITY OF PATASKALA**  
**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**XI. DEBT MANAGEMENT (Continued)**

**B. Purposes and Uses of Debt**

1. The City will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) only if they have a useful life of at least five years.
2. The City shall issue debt only as specifically approved by City Council. Expenditure of such monies shall be in strict accordance with the designated purpose.
3. The improvement will be financed over a period not exceeding the estimated useful life or average useful lives of the improvement or improvements being financed. (ORC 133.20)
4. Factors to consider when determining whether to issue debt include:
  - a. Whether there are sufficient current resources to fund the improvement;
  - b. Whether it is in the best financial interest of the City, considering the costs of issuance relative to investment opportunities;
  - c. Whether it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries; and
5. The cost of the improvement.
6. The City will refrain from inter-borrowing for the purpose of avoiding operating fund deficits, except for short-term (six months or less) borrowing from the General Fund. Interfund borrowing will be considered on a case-by-case basis, to the extent permitted by law, to finance high priority capital needs, but only when planned expenditures in the fund making the loan would not be adversely affected. The borrowing fund will pay interest at a market-based rate.
7. The City shall seek to finance the capital needs of its revenue-producing enterprise activities through the issuance of revenue-secured debt obligations (including revenue-secured general obligation bonds only upon the determination that such debt is cost beneficial to the City and provides the most attractive financing option to the City). The City will determine that projected revenues are sufficient to re-pay the debt. These revenues shall be conservatively projected.
8. Debt service expenditures shall take priority over all other expenditures in the annual budget.
9. Revenue anticipatory notes shall not exceed six months in duration and shall be issued only in anticipation of revenues to be received during the same calendar year.

**C. Debt Standards and Structure**

1. *Term*: Debt will be structured to achieve the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users.
2. *Repayment Schedule*:
  - a. The City shall seek to repay its outstanding debt in a timely manner and also in advance contingent excess are funds are available to dedicate toward debt service.
  - b. The City will seek to structure debt with relatively level debt service (principal and interests) costs over the life of the debt.
3. *Credit enhancement* (e.g., letters of credit, bond insurance) may be used, but only when its use reduces net debt service by more than the cost of the enhancement.

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**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**XI. DEBT MANAGEMENT (Continued)**

4. *Call provisions:* Call features shall be made as short as possible in context of seeking the optimal true interest cost. Calls should generally be at par.
5. *Issuance costs:* Such as bond counsel fees, financial advisor fees, registrar/paying agent fees, rating agency fees, printing costs, and underwriter's discount, will be charged to the bond issue to the extent allowable by law.
6. *BANs:* Use of short-term borrowing, such as bond anticipation notes (BANs) will be undertaken only if the transaction costs plus interest of the debt are less than the cost of internal borrowing, or available cash is insufficient to meet capital requirements.
7. *Refundings:*
  - a. Periodic reviews of all outstanding debt will be undertaken to evaluate refunding opportunities.
  - b. Refunding will be considered if and when there is a net economic benefit of the refunding. In general, advance refundings will be undertaken when a net present value savings of at least two percent of the refunded debt can be achieved. Refundings that produce a net present value benefit of less than two percent will be considered on a case-by-case basis.

**Debt Administration and Process**

1. *Competitive versus Negotiated Value*
  - a. In general, it is the policy of the City to issue debt through a competitive process. Bids will be awarded on a true interest cost basis (TIC), providing other bidding requirements are satisfied.
  - b. Negotiated sales of debt will be considered when the complexity of the issue requires specialized expertise, when the size of the issue may limit the number of potential bidders, when a negotiated sale would result in substantial savings in time or money, when the City has determined that all competitive bids received are unsatisfactory, or when market conditions or City credit are unusually volatile or uncertain.
2. *Investment of bond proceeds:* All bond proceeds shall be invested consistent with the City's investment policy. Investment of proceeds and records thereof will be structured to comply with the arbitrage rebate compliance requirements of federal tax code.

**XII. INVESTMENTS AND DEPOSIT OF FUNDS**

**A. Investment Policy**

All idle funds shall be invested in accordance with the City's Investment Policy, approved by City Council. This policy emphasizes safety, preservation of principal, liquidity, and yield.

**CITY OF PATASKALA**  
**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**XII. INVESTMENTS AND DEPOSIT OF FUNDS (Continued)**

**B. Interest Distribution**

Interest shall be distributed to the following funds in proportion to their cash balance as a percentage of total cash balances to all funds:

- Street Fund
- State Highway Fund
- Water Fund
- Sewer Fund
- Mobile Park Trust Fund

All other interest will be distributed to the General Fund except as otherwise required by statute or as required by state or federal grants.

**C. Deposit of Funds**

All cash and securities received by the Finance Department shall be deposited within 3 business days in accordance with Ohio Revised Code Section 9.38. All departments which do not deposit with a local financial institution shall deposit monies with the Finance Department the next business day. All funds shall be secured in lock boxes or other secured means in the event such funds cannot be deposited timely.

**D. Depository Bank**

The City shall designate public depositories eligible to receive deposits of the City's funds at least once every five years. Depositories so designated shall appear on a list of eligible depositories authorized by the State of Ohio. (O.R.C. 135.12)

**XIII. ASSET MANAGEMENT**

**A. Capital Assets**

Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment, infrastructure, and all other assets that are used in operations and that have initial useful lives extending beyond one year. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, sidewalks, and similar items.

A capitalization threshold is the cost established by the City that must be met or exceeded if an asset is to be recorded and depreciated as a capital asset. The City has established the threshold of an initial, individual cost of more than \$5,000. The City shall properly insure all capital assets based on established policies which may differ from the amount captured for financial reporting purposes.

All capital assets are valued at historical cost, or estimated historical cost, if actual cost is not available. Donated capital assets are valued at their estimated fair market value at the time received. Interest on constructed capital assets for enterprise funds is capitalized.

**CITY OF PATASKALA**  
**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**XIII. ASSET MANAGEMENT (Continued)**

**B. Safeguarding of Assets**

The City's capital assets will be reasonably safeguarded and will be used only for an appropriate public purpose. Responsibility for the safeguarding of the City's capital assets lie with the department head to whose department the capital asset is assigned.

**C. Annual Inventory**

All capital assets shall be tagged with an identifying number. Each department shall conduct a periodic inventory of capital assets using the guidelines established by the Finance Department.

**XIV. RISK MANAGEMENT INSURANCE**

The City shall make diligent effort to prevent loss or degradation of City assets and to reduce the City's exposure to liability.

The City shall transfer risk to other parties, where cost-effective, by purchasing insurance.

The City shall shift the legal and financial responsibility to third parties who perform work or provide services to the City for losses or potential losses caused by the actions of those third parties. This transfer of risk may occur through a variety of means in leases, purchase and service agreements, and other contracts. The transfer of risk shall be made formally and in writing and may include indemnification agreements, insurance requirements, and the required provision of certificates of insurance (with the City of Pataskala named as an "additional Insured").

**XV. ENTERPRISE FUND**

**A. Enterprise Funds' Purpose**

Enterprise funds are commonly used to account for activities that are fully financed through user charges. Also, they are used when it has been determined that it is beneficial to determine the full cost of operations, including the determination of depreciation and other such private sector accounting conventions. Accordingly, enterprise funds are subject to accounting principles generally accepted in the United States of America applicable to similar businesses in the private sector.

**B. City of Pataskala Enterprise Activities**

The following activities and associated funds are classified as enterprise funds:

- a) Water treatment and distribution system
- b) Sanitary sewer collection and treatment system

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**STATEMENT OF FINANCIAL POLICIES**  
**(Continued)**

**XV. ENTERPRISE FUND (Continued)**

**C. Enterprise Funds Financial Performance Policies**

Water and Sewer Funds:

Revenues generated by each of these funds shall be sufficient to support 100% of:

1. Operating costs, determined on the budgetary basis of accounting;
2. Administrative overhead charges (see Section E. below);
3. Debt service;
4. Adequate maintenance and replacement of capital plant and equipment;
5. Special replacement reserves and other reserves required by grants or bond indentures;
6. Cash fund balance reserves as specified elsewhere in this policy.

**D. Enterprise Funds' Revenue and Fee Policy**

Rates shall be reviewed annually and adjusted to allow charges to grow at a rate that keeps pace with the cost of providing the service. Projected cash needs for at least five years into the future will be considered when establishing rates. This policy will result in incremental increases in rates rather than large increases that may result in a financial burden to customers. The City may elect to conduct rate studies by third parties to determine the operating, capital, and debt service needs in order to maintain positive cash flow within the City's Enterprise Funds.

**XVI. ALLOCATION AND ASSIGNMENT OF EXPENDITURES**

General Fund activities provide administrative overhead services to other funds. The cost of this overhead must be considered to establish the full cost of operations of all City funds in which General Fund dedicated employees provide services to other City funds and departments. The Administration will recommend, in the Annual Operating and Capital Budget, an equitable allocation of costs and administrative charges based upon a cost accounting analysis.