

City of Desloge

NOTICE OF OPEN MEETING AND VOTE TO CLOSE PART OF THE MEETING DESLOGE BOARD OF ALDERMEN REGULAR MEETING

Monday, March 16, 2020

7:00 p.m.

Desloge City Hall, 300 North Lincoln

Posted: March 9, 2020 at 11:30 a.m. on the outdoor City Hall bulletin board.
Faxed: March 9, 2020 at 11:30 a.m. to radio and newspaper media.

The tentative agenda for this meeting includes:

- I. Call to Order and Pledge of Allegiance
- II. Consent Agenda
 - a. Approve or Amend Agenda
 - b. Approve February 10, 2020 Monthly Meeting Minutes
 - c. Bills for Payment
 - i. First State Mastercard Invoice
 - ii. Missouri Rural Services Work Comp Trust Invoice
 - iii. SFCEC Invoice
 - iv. St. Francois County Invoice for April Election
 - d. Destruction of City Hall Records

The items on the Consent Agenda are enacted with one motion. If separate discussion is desired, that item may be removed from the Consent Agenda and place on the regular Agenda by request of a member of the Board of Aldermen.

- III. Public Comment
- IV. Ordinances
 - a. An Ordinance of the City of Desloge, Missouri accepting and approving the lot consolidation of all of lots 4 & 5, a portion of Donna Drive, of LaPlante's Sixth Subdivision.
 - b. An Ordinance of the City of Desloge, Missouri vacating a portion of Donna Drive.
- V. Resolutions
 - a. Accounting Manual
- VI. Bids
 - a. Dump Truck
 - b. Police Department New Vehicle Equipment
- VII. Discussion Items
 - a. Travel Expense Reimbursement – Personnel Practices
 - b. Tinkers BBQ Liquor license
 - c. Mayor to Appoint Seth Pegram as Desloge Municipal Judge
 - d. Workman's Compensation Insurance
 - e. Lincoln Street Event Center Request
 - f. Sewer on Outer Road
- VIII. Mayor and Aldermen's Report
- IX. Vote to Close the meeting pursuant to RSMo 610.021 – (3) Personnel
- X. Adjourn

Individuals who require an accommodation should contact City Hall twenty-four (24) hours before the meeting.
Representatives of the news media may obtain copies of this notice by contacting
Stephanie Daffron, City Clerk.

seconded the motion. Christopher - aye; Shaw -- aye; Gremminger – absent; Hulsey – aye, Hodge – aye; Sutton – aye. Motion carried.

BILL NO. 1365

ORDINANCE NO. 2020.05

AN ORDINANCE OF THE CITY OF DESLOGE, MISSOURI VACATING A PORTION OF DONNA DRIVE.--SEVERABILITY—EFFECTIVE DATE.

Mayor Kater read the ordinance twice by title with copies available to the public. Alderman Sutton made a motion to approve the ordinance as read and Alderman Shaw seconded the motion. Shaw – aye; Gremminger – absent; Hulsey – aye, Hodge – aye; Sutton – aye; Christopher – aye. Motion carried.

Resolutions

Accounting Manual

Alderman Hulsey made the motion to approve the accounting manual and Alderman Shaw seconded the motion. Gremminger – absent; Hulsey – aye; Hodge – aye; Sutton – aye; Christopher – aye; Shaw – aye. Motion carried.

Bids

Dump Truck

Maynard Abney	\$650.00
Kenneth Simpson	\$6,525.00

Alderman Sutton made the motion to accept the bid from Kenneth Simpson in the amount of \$6,525.00 and Alderman Christopher seconded the motion. Christopher - aye; Shaw -- aye; Gremminger – absent; Hulsey – aye, Hodge – aye; Sutton – aye; Motion carried.

Police Department New Vehicle Equipment

Police Chief James Bullock discussed the different bids received for equipment.

	Whelen Rear Spoiler Lights	Front Visor Lights	Printer
Responder PSE	\$738.99	\$738.99	
PSU	\$809.00	\$875.00	\$799.00
Dana Safety	\$1,073.60	\$1,151.45	\$756.12
Ed Roehr Safety	\$679.00	\$697.00	
CDW			\$632.99

Alderman Christopher made the motion to accept the bid from CDW for the printers and Ed Roehr Safety for the spoiler lights and visor lights. Alderman Shaw seconded the motion. Shaw – aye; Gremminger – absent; Hulsey – aye, Hodge – aye; Sutton – aye; Christopher – aye. Motion carried

Travel and Expense Reimbursement

City Administrator Dan Bryan discussed amending the City’s Travel Policy. Mr. Bryan recommended to the board that we set a limit for food expense.

Breakfast	\$10.00
Lunch	\$15.00
Dinner	\$25.00

Alderman Christopher brought up the suggestion of having the employee provide the City with an

agenda of the training. If meals are provided the city will not pay for the provided meal. Board requested resolution to approve next month.

Tinkers BBQ Liquor License

Bill Tinker 812 East Chestnut Street, explained to the Board that he wants to make his own margaritas along with a special Tinker's tea. Mr. Tinker already has his state and county liquor license and is now

DESLOGE BOARD OF ALDERMEN REGULAR MONTHLY MEETING
MONDAY, MARCH 16, 2020
7:00 p.m.
DESLOGE CITY HALL, 300 North Lincoln

Members present were, Mayor David Kater, Alderman J.D. Hodge, Alderman Alvin Sutton, Alderman David Shaw, Alderman Deion Christopher and Alderman Jerry Hulsey. Alderman Christopher Gremminger absent. Staff present was City Administrator Dan Bryan, City Clerk Stephanie Daffron, Police Chief James Bullock, Chief Water Operator Paul Pilliard, Public Works Director Jason Harris, Park and Recreation Director Terry Cole, Court Administrator Linda Simino and Officer Loralee Bader

Visitors present were Bill Tinker and Nikki Overfelt with the Daily Journal

Call to order

Mayor David Kater called the meeting to order and led in the Pledge of Allegiance.

Consent Agenda

- A. Approve or Amend Agenda
- B. February 10, 2020 Monthly Meeting Minutes
- C. Bills for Payment
 - i. First State Mastercard Invoice \$33,478.66
 - ii. Missouri Rural Services Work Comp Trust Invoice \$137,796.00
 - iii. SFCEC Invoice \$7,682.25
 - iv. St. Francois County Invoice for April Election \$3,761.69
- D. Destruction of City Hall Records

Amend Consent Agenda

Alderman Christopher made the motion to amend the consent agenda to include discussion regarding COVID-19 Coronavirus and Alderman Shaw seconded the motion. Hodge – aye; Sutton – aye; Christopher – aye; Shaw – aye; Gremminger – absent; Hulsey – aye. Motion carried.

Approve Amended Consent Agenda

Alderman Sutton made the motion to approve the amended consent agenda and Alderman Christopher seconded the motion. Sutton – aye; Christopher – aye; Shaw – aye; Gremminger – absent; Hulsey – aye, Hodge – aye. Motion carried.

Public Comment

No public comment

Ordinances

BILL NO. 1364

ORDINANCE NO. 2020.04

AN ORDINANCE OF THE CITY OF DESLOGE, MISSOURI ACCEPTING AND

COVID-19 Coronavirus

City Administrator Dan Bryan talked about the different symptoms regarding Coronavirus, Flu and the common cold. Mr. Bryan stated that an order from the Missouri Supreme Court dated March 16, 2020 hereby suspending all in-person proceedings. This suspension will last until April 3, 2020 and may be extended. The next Desloge Municipal Court is scheduled for April 28, 2020. Mr. Bryan stated that some cities have established a Declaration of Emergency, which would require the board to at some point go into a special meeting, if the board would want to enact something like this. Missouri Municipal League will be holding a webinar tomorrow. City Clerk has posted a public notice on the front of City Hall regarding the health and welfare of our community along with suggestions regarding other options for the public, to limit activity in the city hall lobby. City Hall employees disinfected all surfaces every two hours. The board requested City Hall to close the Lobby until further notice. All business is to be conducted by phone, fax, email or drop box. All Room reservations scheduled for the rest of March and April shall be cancelled. Desloge Library is be closed as long as North County School is closed. Alderman Christopher requested to let the public know the library will still offer eBooks. Librarian and assistant librarian will be sanitizing the library and working in other departments of the city. Alderman Christopher requested the city to check into virtual meetings or teleconferencing if there are confirmed cases in St. Francois County. Police Chief James Bullock announced that St. Francois County Health Director Amber Elliot would be at the 911 Center on Wednesday March 18, 2020 at 2:00pm to provide a COVID-19 update for St. Francois County. All elected officials are welcomed to attend. The board requested all departments to limit face to face and abide by the six foot social distancing recommendation.

Mayor and Alderman Reports

Alderman Christopher stated the presentation the Fire Department did at Unitec was great, thanked Park and Recreation Director Terry Cole and Public Works Director Jason Harris for all they did to install the wheelchair swing, it looks great. Alderman Christopher also stated that the City of Desloge has the nicest looking parks.

Alderman Sutton requested to talk to Police Chief James Bullock confidentially. Alderman Sutton also commented on the property located at 203 North Harry Jr. He stated the windows are now broken out of the house. He believes the owner of the property lives in Desoto.

Alderman Gremminger was absent

Alderman Hodge had nothing to report

Alderman Shaw stated he appreciated the Public Works Department.

Alderman Hulsey had nothing to report

Mayor Kater asked about the health of Officer Memhardt's husband as he is having medical issues. Mayor Kater also agreed that the wheelchair swing is amazing. Mayor Kater announced for everyone to stay safe during this time and thanked the board for all that they do.

Vote to Close the Meeting

Alderman Hodge made the motion to close the meeting pursuant to RSMo 610.021 (3) Personnel and Alderman Christopher seconded the motion. Gremminger – absent; Hulsey – aye; Hodge – aye; Sutton

– aye; Christopher – aye; Shaw – aye. Motion carried.

EXECUTIVE SESSION BEGAN
8:33p.m.

RETURN TO OPEN SESSION
8:41p.m.

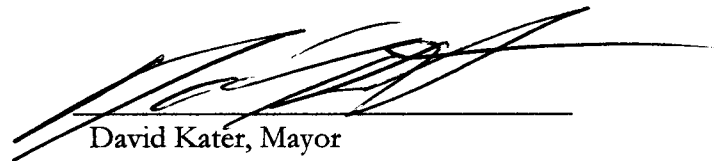
Alderman Sutton made a motion to return to open session and Alderman Shaw seconded the motion. Shaw – aye; Gremminger - absent; Hulsey – aye; Hodge – aye; Sutton – aye; Christopher – aye. Motion carried.

Adjourn

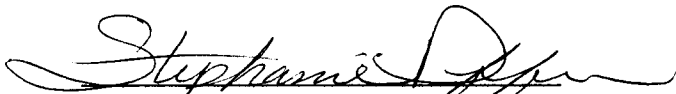
Alderman Sutton moved to adjourn all voted in favor and motion carried.



MEETING ADJOURNED
8:42 p.m.



David Kater, Mayor



Stephane M. Daffron, City Clerk

RESOLUTION

ACCOUNTING MANUAL

WHEREAS, the Board of Aldermen of the City of Desloge, Missouri in exercising its fiduciary responsibilities desires to safeguard the funds of the City by providing specific policies and procedures to be used during the course of accounting for, investing and utilizing those same funds, and;

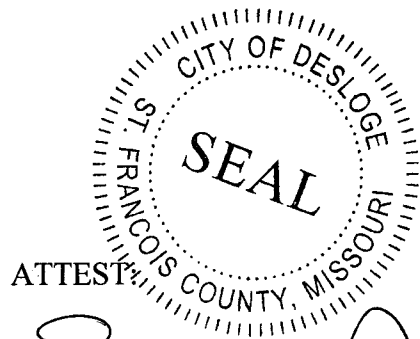
WHEREAS, the City of Desloge approved an Accounting Manual in June of 2011 and;

WHEREAS, the accounting procedures, investment policies and fund balance policies have been reviewed and the revised. Accounting Manual is attached as Exhibit A, and;

WHEREAS, that the Board of Aldermen of the City of Desloge has reviewed and considered the revised Accounting Manual,

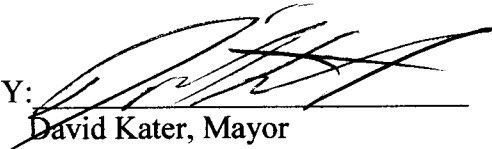
NOW, THEREFORE, BE IT RESOLVED that the City of Desloge, Missouri hereby approves the attached revised Accounting Manual for Procedures, Investment and Fund Balance Reporting and Governmental Fund Type definitions.

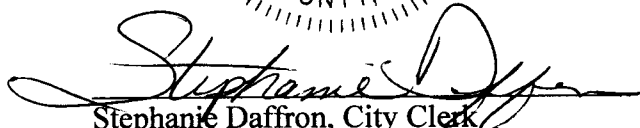
BE IT FURTHER RESOLVED that on March 16, 2020 the Board of Aldermen of the City of Desloge acting in its capacity as the governing body of the City of Desloge, Missouri, hereby approves and adopts the Accounting Manual.



CITY OF DESLOGE, MISSOURI

BY:


David Kater, Mayor


Stephanie Daffron, City Clerk

CITY OF DESLOGE, MISSOURI

ACCOUNTING MANUAL

ACCOUNTING PROCEDURES

INVESTMENT POLICY

FUND BALANCE POLICY

JUNE 2011
REVISED APRIL 2015
REVISED: FEBRUARY 2020

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TABLE OF CONTENTS

I. SECTION I – ACCOUNTING PROCEDURES 5

A. ACCOUNTING SOFTWARE SYSTEM..... 5

B. BUDGETING 7

C. PAYROLL..... 7

D. PERSONNEL 8

E. UTILITY BILLING 8

F. FIXED ASSETS 8

G. TAX BILLING 8

H. BANK RECONCILIATION..... 8

I. COURT MANAGEMENT..... 9

J. BUSINESS LICENSES 9

K. DAY-TO-DAY HANDLING OF MONIES 9

L. REPORTING..... 9

II. SECTION II – INVESTMENT POLICY 11

A. GOVERNING AUTHORITY..... 11

B. SCOPE 11

C. GENERAL OBJECTIVES 11

D. STANDARD OF CARE 12

E. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS..... 13

F. SUITABLE AND AUTHORIZED INVESTMENTS 15

G. INVESTMENT PARAMETERS 16

H. REPORTING 18

I. POLICY CONSIDERATIONS 18

J. APPROVAL OF INVESTMENT POLICY 19

III. SECTION III – FUND BALANCE POLICY 20

A. PURPOSE 20

B. DEFINITIONS 20

C. POLICY STATEMENT 20

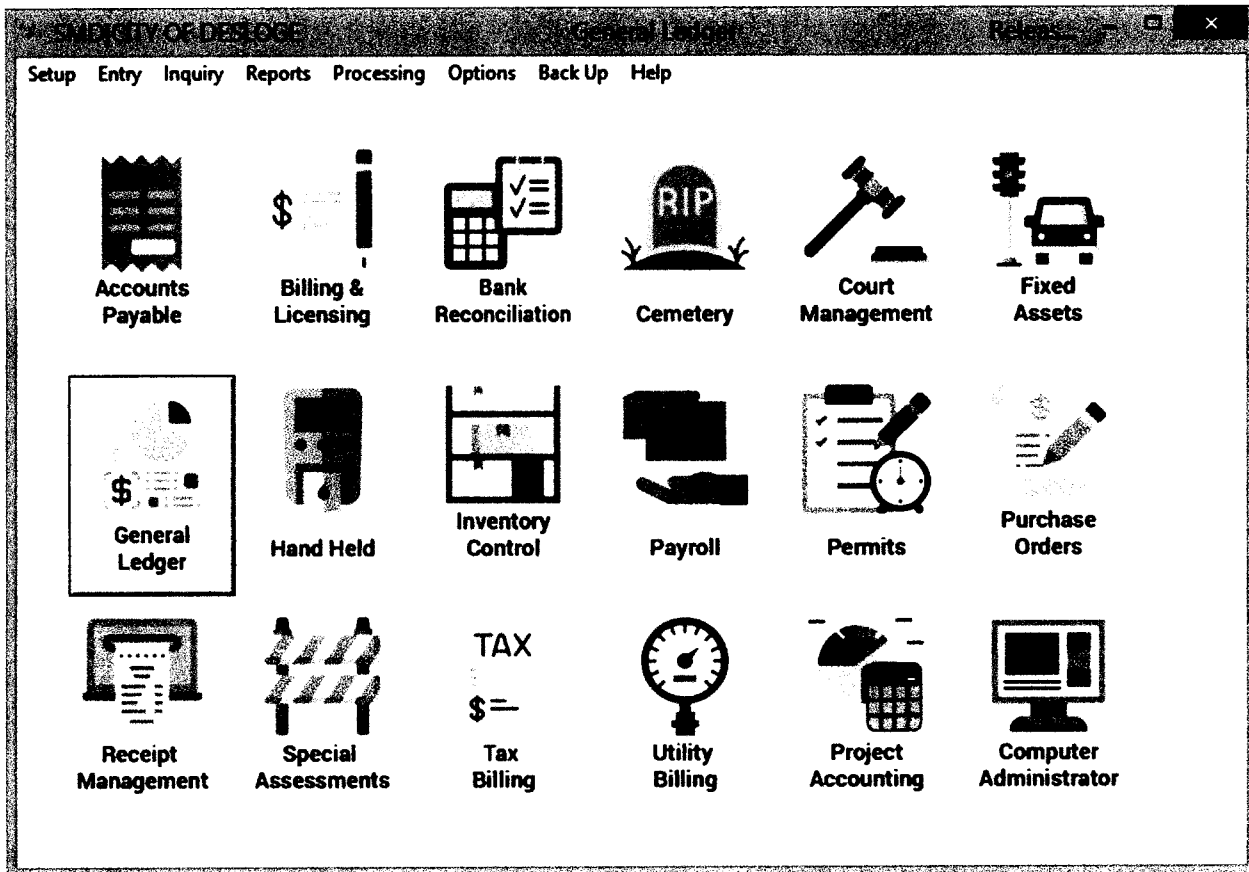
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I. SECTION I – ACCOUNTING PROCEDURES

A. ACCOUNTING SOFTWARE SYSTEM

The City of Desloge, Missouri (the City) uses the accounting software Simple City by gWorks. All modules have their own reporting function and are interfaced with the General Ledger. The modules used are:

- Accounts Payable
- Billing & Licensing
- Bank Reconciliation
- Court Management
- Fixed Assets
- General Ledger
- Payroll
- Receipt Management
- Tax billing
- Utility Billing



BUDGET AND FUND ACCOUNTING

The budget for the City consists of a General Fund, Capital Fund, Transportation Fund, Tax Increment Fund, Stormwater Fund, Water Works Fund and Public Safety Fund.

General Fund¹ revenues and expenditures account for the operations of City hall, Court, building department, police department, fire department, animal control, parks and recreation, swimming pool, Brightwell park, public works, solid waste and the library. The general fund is supported by a 1% local general sales tax.

The **Capital Fund**² accounts for the revenues and expenditures for capital purchases that may generally be described as “fixed assets,” such as buildings, but also includes the purchase of some equipment and infrastructure items. The capital fund is supported by a ½% local capital tax. There are two distinguishing characteristics of a capital purchase:

- 1) Large dollar purchase in excess of \$3,000, and
- 2) Purchase is a long-term asset with a useful life of three or more years.

The **Transportation Fund**³ accounts for activities related for maintenance and repair of streets, including curbing, sidewalks, etc. or capital expenditures for reconstruction repair and purchases applicable for equipment or supplies. The transportation fund is supported by a ½% local transportation sales tax.

The **Storm Water Fund** accounts for stormwater operating expenditures for the City's storm water management plan. The comprehensive plan allows for projects that may be completed incrementally in a logical progression of improvements. The storm water fund is supported by a ½% local storm water sales tax.

The **Tax Increment Fund (TIF)** was established with the formation of the Highway 67 Tax Increment Finance Authority District for the purpose of accounting for revenues and expenditures of the TIF. The TIF receives 100% of the incremental increase from real estate assessed valuation base at the start of the TIF (PILOTS) and 50% of the incremental increase from the base sales tax at the start of the TIF (EATS). County and ambulance districts tax increments are sent to the City. There is a pass-through agreement for the City to return 25% to the taxing districts (county, school, sheriff's department, ambulance district, and others).

The **Water Works Fund** is a proprietary fund solely for the operation of the City's waterworks department. The voters approved \$12,850,000 for the waterworks fund. The water system was purchased from Park Hills in February 2009 for \$1,500,000 with a bond of \$6M. The fund is financed from revenues received. General fund and capital fund monies may supplement the water works fund until the system is fully meeting its financial requirements from revenues received.

¹ City of Desloge, MO/Government Code; Section 160.010 – February 2020

² City of Desloge, MO/Government Code; Section 160-020 – February 2020

³ City of Desloge, MO/Government Code; Section 160-030 – February 2020

The **Public Safety Fund**⁴ accounts for the public safety operating expenditures for the City's Police Department, Fire Department and Animal Control. The Public Safety Fund is supported by a ½ of 1% local sales tax.

B. BUDGETING

The fiscal year of the City begins July 1 and ends June 30 of each year. A budget is prepared for all funds. After the budget is adopted the Board can amend it by ordinance.

The Municipal Code of the City of Desloge dictates budget requirements in Chapter 110: Finances and Records. In summary, a draft budget is prepared based on: 1) estimates of revenues and expenditures with two year comparisons of past history, 2) funds required to pay interest, amortization, or redemption owed during the year and 3) a general summary of the total proposed budget. Before any expenditures are made, the budget must be balanced and adopted prior to the new fiscal year.

Each department head prepares a written budget request for review with the City Administrator.

The City Administrator develops a draft budget based on department requests and considers any known requests for consideration by the Mayor and Board of Aldermen. These requests shall be prioritized and considered with expected funding resources prior to submission to the Mayor.

The Mayor and City Administrator review the draft budget together with the requests of department heads. Following discussion between the Mayor and the City Administrator, a draft budget is amended to reflect the Mayor's budget.

The Mayor's budget is forwarded to each member of the Board of Aldermen with appropriate supporting documentation and explanations for their review. In one or more budget work-study sessions the Mayor's budget is examined and the Board of Alderman makes comments, recommendations and suggestions that may, or may not, require amendment of the draft budget.

Following the conclusion of the last budget work-study, the (revised) budget is presented in ordinance from to the Board of Aldermen for their approval.

C. PAYROLL

Employees are paid weekly. For most City employees the workweek begins and ends at midnight (12:00 AM) Thursday morning. The Desloge Police workweek begins and ends at 10:00 PM Wednesdays⁵. For all employees pay is available to employees the following Friday. Elected officials are paid monthly at the beginning of the month. Each employee's

⁴ Established 2019 with Proposition P – February 2020

⁵ Defines more clearly the start and stop of workweek - February 2020

time sheet is reviewed and approved by the respective department head prior to submission to the Payroll Clerk for processing for either direct deposit or payroll check issuance. When payroll checks are issued such checks will be issued with two authorized signatures and safeguarded until disbursed.

D. PERSONNEL

Employee information is kept in individual personnel folders in a secure file cabinet. Each employee has separate employment and health folders. Additional separate folders are kept for "I-9s" and drug testing results.

Employees receive a copy of the personnel manual at the start of employment which explains the City's fraud policy holidays, sick time, vacation time, raises, etc.

E. UTILITY BILLING

Billing for water and sewer usage is produced monthly. Reading meters takes approximately two or three days by computer radio read. The clerk prints bills and collects payments. Utility receipts are balanced daily and included in the deposit for the day.

F. FIXED ASSETS

Fixed Assets are recorded in the Fixed Assets module. Capital purchases described as "fixed assets" (such as buildings) also include equipment and infrastructure assets valued in excess of \$3,000 with a long-term useful life of three or more years.

Capital assets are purchased only with proper authorization and are recorded to include to the account, amount and period. Physical loss of capital assets should be promptly detected and reported. Retirements, trade-ins, idle capital assets and related losses should be identified and recorded correctly.

G. TAX BILLING⁶

The City has a real estate tax but no personal property tax. In 2013, St. Francois County started including the City taxes with the county tax bills. The City is responsible for ensuring the county Clerk is aware of delinquent taxes and/or property liens so property owners can be directed to the City for settlement before the taxes are paid.

H. BANK RECONCILIATION

The Chief Deputy Clerk reconciles all City bank accounts monthly.

⁶ Clarified language regarding delinquent taxes and property liens – February 2020

I. COURT MANAGEMENT

The Court Administrator and Clerk keep record of all Court functions in the Court management module. Receipts are taken at only one window. At the end of each day the Court balances their cash drawer and turns their receipts over to the City for inclusion in the daily deposit. Bonds are accepted through the Court and the Court Clerks control the bond, judicial education and show-me-court fund in separate bank accounts. Activity is recorded in the general ledger.

J. BUSINESS LICENSES

The Payroll Clerk is also responsible for business licenses that are due July 1 every year. The billing and license module keeps track of all businesses, liquor and sign licenses for the City.

K. DAY-TO-DAY HANDLING OF MONIES

Receipts for the City are collected at City hall and accounted for in the Receipts Management module by entry into the appropriate account and fund. Receipts are posted daily in the general ledger. Deposits include payments received from drop-box payments, mailed checks, credit card payments and automatic clearing house (ACH) electronic transfers⁷.

Revenues – Revenues are collected at three windows: City Clerk, Utility, and Court. These revenues are recorded in the appropriate receipt management module which is integrated with the general ledger. At the end of the day, a clerk will balance the cash drawer and provide the funds to a clerk for the daily deposit. Each week a different clerk shall be assigned to handle the daily bank deposit.

Disbursements – The Accounts Payable Clerk handles disbursements according to the receipts and statements received. The Clerk processes payment checks and forwards them for review and signatures. After checks are signed, they are given to another clerk for mailing. Department heads approve up to \$750, the Mayor and City Administrator up to \$3,000. Voided checks are retained.

L. REPORTING

Quarterly Reconciliation: At the end of each fiscal quarter, all Balance Sheet accounts, and significant revenue and expense accounts, are reconciled to the appropriate supporting documentation by the City Clerk. In addition, the City Clerk prepares any necessary adjusting journal entries for reconciliation. Reconciliation and adjusting journal entries are then submitted to the City Administrator for review and approval. Once approved by the City Administrator, journal transactions are entered into the accounting system.

⁷ Updated to include ACH transactions - February 2020

End of Year Reconciliation: At year-end, the same process is completed as part of the fiscal year closing process to ensure all accounts are accurate and prepared for arrival of the auditors. Once the year-end adjusting entries have been approved and posted to the accounting system, year-end financial statements are prepared by the independent accounting firm providing audit services for that period. These financial statements, with footnote disclosures, are reviewed and approved by the City Administrator and the Board of Aldermen to ensure they are prepared in accordance with generally accepted accounting principles. Related supporting documentation is kept on file for future auditing purposes.

II. SECTION II – INVESTMENT POLICY

A. GOVERNING AUTHORITY

Legality - The investment program of the City of Desloge, Missouri (the City) shall be operated in conformance with federal, state, and other legal requirements.

Designations of Authority and Responsibility - For the purposes of this Policy, the Board of Aldermen of the City of Desloge shall comprise the “Investment Committee”. Further, for the purposes of this Policy, the City Administrator shall be the “Investment Officer”.⁸

B. SCOPE

Applicability - This policy applies to the investment of all funds.

Pooling of Funds - Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

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

C. GENERAL OBJECTIVES

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

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.

Credit Risk - The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Sections F and G⁹ of this Investment Policy

⁸ Identification of Investment Committee and Investment Officer Added - February 2020

⁹ Corrected Section references - February 2020

- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section E¹⁰.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest Rate Risk - The City will minimize interest rate risk, which is the risk market value of securities in the portfolio will fall due to changes in market interest rates, 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, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see Section F¹¹).

Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements which may be reasonably anticipated. This is accomplished by structuring the portfolio so 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). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

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 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 is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until 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.

Local Considerations - Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State. The City may accept a proposal from an eligible institution providing a reduced rate of interest provided that such institution documents the use of deposited funds for community development projects.

D. STANDARD OF CARE

Prudence - The standard of prudence 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

¹⁰ Corrected Section Reference - February 2020

¹¹ Corrected Section Reference - February 2020

and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons 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."

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 whom business is conducted on behalf of the City.

Delegation of Authority - Authority to manage the investment program as the "Investment Officer"¹² is derived from the following Municipal Code of the City of Desloge, Section 105.820 and 105.830. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with 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.

E. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

Authorized Financial Institutions, Depositories, and Broker/Dealers - A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

¹² Links the term "Investment Officer" to City Administrator position - February 2020

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

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines,
- Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties),
- Proof of state registration,
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the City's investment policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Investment Officer.

Minority and Community Financial Institutions - From time to time, the Investment Officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state and/or local law. These types of investment purchases should be approved by the appropriate legislative or governing body in advance.

SAFEKEEPING AND CUSTODY

Delivery vs. Payment (DVP) - All trades of marketable securities will be executed by delivery vs. payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Delivery versus payment is a securities industry settlement method which guarantees transfer of securities happens only after payment has been made. DVP stipulates the buyer's cash payment for securities must be made prior to or at the same time as the delivery of the security¹³.

Safekeeping - Securities will be held by an independent third-party custodian selected by the entity as evidenced by safekeeping receipts in the City's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls.

Internal Controls - The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated periodically¹⁴. The internal

¹³ DVP definition expanded for clarity – February 2020

¹⁴ Revised "annually" to "periodically" - February 2020

control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party Custodian. Accordingly, the Investment Officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures or alternatively, compliance should be assured through the City's annual independent audit.

F. SUITABLE AND AUTHORIZED INVESTMENTS

Investment Types - Consistent with the Government Finance Officers Association (GFOA)¹⁵ Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Canadian government obligations (payable in local currency);
- Certificates of deposit and other evidences of deposit at financial institutions,
- Bankers' acceptances;
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- Investment-grade obligations of state, provincial and local governments and public authorities;

¹⁵ Defines the term "GFOA" - February 2020

- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation. Investment in derivatives of the above instruments shall require authorization by the appropriate governing authority.

Collateralization - Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

Repurchase Agreements - Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements.

G. INVESTMENT PARAMETERS

Diversification - It is the policy of the City to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all the City's funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the Investment Committee/Investment Officer for all funds managed by the City of Desloge¹⁶.

In establishing specific diversification strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

For cash management funds:

- Liquidity shall be assured through practices ensuring the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.
- Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.
- Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not

¹⁶ Removed exclusion reference to "Retirement Funds" since retirement fund management is an individual employee's responsibility – February 2020

be greater than coupon interest and investment income received from the balance of the portfolio.

- The Investment Committee/Investment Officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The committee shall conduct a quarterly review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

The following diversification limitations shall be imposed on the portfolio:

- **Maturity:** No more than 30 percent of the portfolio may be invested beyond 18 months and the weighted average maturity of the portfolio shall never exceed one year.
- **Default risk:** No more than 20 percent of the overall portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury. No more than 20 percent of the portfolio may be invested in each of the following categories of securities:
 - a) Commercial paper,
 - b) Negotiable certificates of deposit,
 - c) Bankers' acceptances,
 - d) Any other obligation that does not bear the full faith and credit of the United States government or which is not fully collateralized or insured.

Maximum Maturities - To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The City shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

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 local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Competitive Bids - The Investment Officer shall obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market.

H. REPORTING

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 the individual transactions executed over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the entity's chief administrative officer, the legislative body, the Investment Committee and any pool participants. 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 that are not intended to be held until maturity.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.

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 shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmarks shall have a similar weighted average maturity as the portfolio.

Marking 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 quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."

I. POLICY CONSIDERATIONS

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

Amendments - This policy shall be reviewed on an annual basis. Any changes must be approved by the Investment Officer and any other appropriate authority, as well as the individuals charged with maintaining internal controls.

J. APPROVAL OF INVESTMENT POLICY

The investment policy shall be formally approved and adopted by the governing body of the City and reviewed annually.

III. SECTION III – FUND BALANCE POLICY

A. PURPOSE

The City of Desloge, Missouri (the City) has enacted the following policy in an effort to ensure financial security through the maintenance of a healthy reserve fund that guides the creation, maintenance, and use of resources for financial stabilization. The City's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The City also seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of a healthy fund balance.

B. DEFINITIONS

Fund balance -- The excess of assets over liabilities in a governmental fund.

Non-spendable fund balance -- Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

Restricted fund balance -- Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed fund balance -- Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority- To be reported as committed, amounts cannot be used for any other purpose unless the government takes an equal highest-level action to remove or change the constraint.

Assigned fund balance -- Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance -- Amounts that are available for any purpose. These amounts are reported only in the General Fund.

C. POLICY STATEMENT

The fund balance of the City's General Fund has been accumulated to provide stability and flexibility so it may respond to unexpected adversity and/or opportunities.

The target is to maintain an unrestricted fund balance of not less than 17% of annual operating expenditures for the fiscal year.

The City's basic goal is to maintain annual income increases at a positive growth rate, and limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance of not less than 17% of operating expenditures stems from the following:

- This amount provides adequate funding to cover approximately two (2) months of operating expenses.
- This amount provides the liquidity necessary to accommodate the City's uneven cash flow inherent in a periodic tax collection schedule.
- This amount provides liquidity to respond to contingent liabilities.
- The Government Finance Officers Association recommends the minimum General Fund unrestricted fund balance to be maintained should be no less than either two (2) months of regular operating revenues or expenditures.

If Funds have been earmarked or assigned for a specific purpose are no longer needed for that earmarked or assigned purpose they may be returned to the General Fund.¹⁷

This policy may be amended from time to time per the Board of Aldermen.

The City will spend the most restricted dollars before less restricted in the following order:

- a. Non-Spendable (if funds become spendable)
- b. Restricted
- c. Committed
- d. Assigned
- e. Unassigned

¹⁷ Language clarified - February 2020