

**City of Lakewood, Ohio**  
**Financial Policies & Guidelines**

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**Introduction**

These financial policies guide the City through everyday financial matters, and in short and long-term budgetary planning. They provide guidelines for evaluating both current activities and proposals for future programs. The policies provide the structure for all decision-making with the goal of achieving and maintaining financial stability in the near and long-term.

The objectives of the City's system for accounting and financial reporting are to maintain the confidence of City Council, taxpayers and investors by providing information which demonstrates that:

- Money and property are handled responsibly, the current financial position is fully disclosed, and activities are operating at a maximum level of efficiency.
- Financial performance conforms to all laws, ordinances, and procedures.

It is recommended these policies be reviewed on an annual basis and modified as needed to ensure that they are the best guidelines for achieving fiscal responsibility and cost effectiveness.

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**Fund Structure**

The City of Lakewood uses fund accounting for its financial structure. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

Funds are the control structures that ensure that public monies are spent only for authorized purposes and within the amounts authorized. Funds are established to account for the different types of activities and legal restrictions that are associated with a particular government function. The use of funds and the budgeting, accounting, and auditing that are associated with this fund structure are governed by the Ohio Revised Code (ORC) and the Governmental Accounting Standards Board (GASB).

For financial statement presentation purposes, the various funds of the City are grouped into the following fund types under three broad fund categories: governmental, proprietary, and fiduciary / agency.

***Governmental Funds***

Governmental funds are those through which most municipal functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The City's Governmental Funds are the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

The General Fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio, and the Charter of the City of Lakewood.

Special Revenue Funds are used to account for revenue from specific sources (other than major capital projects) which require separate accounting because of legal restrictions.

Debt Service Funds account for the accumulation of resources for and payment of general long-term obligations' principal and interest.

Capital Projects Funds account for financial resources to be used for acquisition of equipment and the construction of major capital facilities (other than those financed by proprietary funds), and to account for the financing of public

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improvements or services deemed to benefit specific properties on which assessments are levied.

***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds are used to account for operations that provide services which a fee is charged to external users for goods or services.

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

***Fiduciary /Agency Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund is comprised of only the agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

According to ORC § 5705.36(A), the City does not have to appropriate agency funds. Agency funds account for money a government holds in an agency capacity on behalf of another person or entity. Therefore a government has minimal discretion in spending this money. Accordingly, the legislative body need not authorize a purpose for spending the money.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, and proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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**Budget Procedures**

*Basis of Budgeting Description*

The City maintains budgetary control on a cash basis for all fund types. In 2004, the City implemented GASB 34 (Government Accounting Standards Board) and changed its method of reporting financial statements. Adjusting entries are prepared annually for the various funds to convert the cash basis records to the modified accrual for all fund statements and full accrual for entity-wide statements. Modified accrual basis accounting requires that revenues be recognized when both measurable and available. Expenditures are recorded as fund liabilities when incurred, except for interest on long-term debt, which is recorded when due.

The full accrual basis of accounting recognizes revenues when earned, and expenses when incurred. The presentation of budget-versus-actual revenues and expenditures is made within the Comprehensive Annual Financial Report (CAFR) for all major and non-major funds at the legal level of budgetary control. All funds are then converted to activities, either governmental or business-type, and adjusting entries are made to convert to the accrual basis of accounting for the entity-wide financial statements.

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance authorized by Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures at the time authorized. This is done on the non-GAAP (Generally Accepted Accounting Practices) budgetary basis, in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

On the GAAP budgetary basis, encumbrances outstanding at year end representing purchase commitments and pending vendor performance are reported as a reservation of fund balance for subsequent year expenditures for governmental fund types and disclosed in the notes to the financial statements of the CAFR for proprietary funds. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried over to the subsequent year's expenditures, and is not re-appropriated.

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***Budget Process Description***

The budgetary process is prescribed by provision of the Ohio Revised Code and the City of Lakewood Charter, which entails the preparation of budgetary documents with an established timetable. The major documents include:

- **The tax budget**
- **The estimate of expense**
- **The appropriation ordinances (temporary, annual and revised)**
- **The certificate of estimated resources**

All of which are prepared on the budgetary basis of accounting. In addition, the Charter states that the fiscal year of the City shall begin the first day of January.

All funds, except agency funds, are legally required to be budgeted and appropriated. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate.

The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures at a level of control. According to Ohio Administrative Code § 117-2-02(C)(1) states in part, "The legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates." The legal level of budgetary control has been established by City Council at the fund level for all funds.

However, Ohio Revised Code § 5705.38(C) requires that "Appropriation measures shall be classified as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services."

Budgetary modifications may only be made by resolution of the City Council at the legal level of control. The Finance Director has been authorized to allocate appropriations to the department and objective level within each fund. Budgetary statements are presented beyond the legal level of control for information purposes only.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budget statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted.

The appropriations ordinance is subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. The

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amounts reported as the original budget amounts reflect the first appropriations ordinance that is an estimate for the entire year, whereas the amounts reported as the final budgeted amounts represent the final appropriations passed by Council during the course of the year.

Each year appropriation ordinances are presented to City Council for adoption. A brief explanation of the purpose for each ordinance is presented as follows.

***Estimated Revenues and Expenditures***

According to Article III, Section 14 of the City of Lakewood Second Amended Charter, on or before the fifteenth day of November in each year, the Mayor, Director of Public Works and Director of Finance shall prepare an estimate of the expense of conducting the affairs of the City for the following year. This estimate shall be compiled from detailed information obtained from various departments on uniform blanks prepared by the Director of Finance, and shall set forth:

- (a) An itemized estimate of the expense of conducting each department;
- (b) Comparisons of such estimates with the corresponding items of expenditures for the last two complete fiscal years and with the expenditures of the current fiscal year plus an estimate of expenditures necessary to complete the current fiscal year;
- (c) Reasons for the proposed increase or decrease in such items of expenditures compared with the current fiscal year;
- (d) A separate schedule for each department showing the things necessary for the department to do during the year and which of any desirable things it ought to do if possible;
- (e) Items of payroll increase as either additional pay to present employees. Or pay for more employees;
- (f) An itemization of all anticipated revenue from taxes and other sources;
- (g) The amounts required for interest on the City's debt and for bond retirement funds as required by law;
- (h) The total amount of the outstanding City debt with a schedule of maturities of bond issues and any other long-term financial obligations of the City;
- (i) Such other information, as may be required by Council. Upon receipt of the estimate, council shall thereafter pass, taking the estimate into consideration, temporary or permanent appropriation ordinances as provided by general law. No money, from whatever source derived, shall be appropriated for use by or at the direction of individual members of Council.

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***Temporary Appropriations***

According to Ohio Revised Code § 5705.38(A), “If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.” This ordinance is the legal instrument that permits municipal operations to continue from January 1<sup>st</sup> until the Annual Appropriation Ordinance is passed by the City Council.

It is a guideline of the City of Lakewood to avoid creating and passing a Temporary Appropriation. The Annual / Permanent Appropriation Ordinance should be passed by Council prior to December 31<sup>st</sup> of the preceding year.

***Annual Appropriations***

This ordinance is the legal instrument permitting expenditures by various departments. Appropriations may not exceed the amount certified by the County Budget Commission and presented in the Certificate of Estimated Resources. The passage of this ordinance must occur no later than April 1<sup>st</sup> of the current year.

***Revised Appropriations***

This ordinance is the legal instrument permitting changes to the Annual Appropriation ordinance. This ordinance is needed to adjust appropriations due to the unanticipated costs which were not budgeted, costs savings achieved throughout the year, or an unanticipated revenue increase or decrease. The ordinance is presented to Council for adoption. A revised appropriation may be presented any time after the annual appropriation has been passed, and it may be revised more than once per year if needed.

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**Budget Policies and Guidelines**

***Balanced Budgets***

A budget is balanced with estimated revenues equal to or greater than the proposed expenditures of the fund. In the case of the General Fund, certain Special Revenue Funds (SCMR and the Lakewood Hospital Fund), and the Enterprise Funds, this means that current-year expenditures are funded from current-year anticipated revenues.

In instances where projected expenditures may be funded from fund balance (reserves), such funding is from anticipated current-year revenues, if any, and any fund balance remaining from the prior year. These are typically funds that rely on one-time grants for revenues, grants from entities with different fiscal years thus resulting in a timing difference, or funds established that have occasional, non-operating or one-time expenditures.

Revenues for all funds are conservatively estimated based on economic forecasts, trend analysis, third-party data, and grant awards or financing.

Expenditures are projected based on the following, but not limited to, the following factors:

- the terms of the City’s seven collecting bargaining unit contracts,
- projected health insurance and workers’ compensation costs based on third-party estimates and trend analyses,
- program and operating estimates from directors and division managers,
- debt service payments,
- estimated project costs,
- previously established vendor contractual terms, and
- prior year(s) actual expenditure trend analysis.

In the event that projected expenditures exceed estimated revenues, then efforts will be made to first reduce expenditures while preserving core services provided by the City, then methods to enhance or increase revenues will be explored.

***Fund Balances and Reserve Accounts***

A healthy fund balance is considered the City’s “emergency fund” and permits the City to weather difficult economic times, unpredictable natural or man-made disasters, unforeseen expenditures or unanticipated declines in revenues without cutting City services or operations, and without imposing new taxes and fees.

As recommended by the Government Finance Officer’s Association, “at a minimum, that general-purpose governments, regardless of size, maintain

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unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.”

In order to maintain a prudent level of financial resources to protect against unanticipated or emergency expenditures or temporary revenue shortfalls, operating funds such as the General Fund, the SCMR Fund, the Lakewood Hospital Fund, and the enterprise funds, should maintain an unencumbered fund balance of between 5% to 15% of projected annual expenditures, and ideally at least 60 days of average daily expenditures.

In addition to the unencumbered fund balance targets, for known and/or anticipated liabilities, the City should set aside the following reserve accounts and maintain the following recommended minimum annual balances in these accounts:

- \$750,000 for separation payments at time of termination
- \$750,000 for unpaid claims liability and reserve requirements within the Hospitalization Internal Service Fund
- \$400,000 for unpaid claims liability and reserve requirements within the Workers Compensation Internal Service Fund
- \$1,000,000 for economic development projects within the General Fund

***Financial Forecasting***

Per City of Lakewood Charter Article VIII, Section 3, the Finance “Director shall annually prepare and submit to the Mayor and Council a recommended five-year financial plan for the City's operating and capital needs. The Director’s recommended financial plan shall be prepared after consultation with the Mayor and the heads of other City departments affected thereby, and such recommended financial plan shall be advisory only and need not be followed in the adoption of the City's tax budget, annual, temporary or supplemental appropriation measures or ordinances, resolutions or other actions concerning capital programs or permanent improvements.”

Since personnel expenditures comprise the largest portion of the City’s operating costs, and the majority (over 80%) of employees are members of a collective bargaining unit, the terms of the contracts are the primary assumption for creating an operating financial forecast. However, contracts are typically three years in duration, and making salary and benefit expenditure assumptions beyond the contract terms could create a skewed fiscal picture that could have an impact on future contract negotiations.

Therefore, the Finance Department will create five-year revenue forecasts only for the following funds on an annual basis:

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- General (101) Fund
- Street, Construction, Maintenance and Repair (211) Fund
- Lakewood Hospital (260) Fund
- Debt Service (301) Fund
- Water (501) Fund
- Wastewater Collections (510) Fund
- Wastewater Treatment (511) Fund
- Wastewater Treatment Improvement (512) Fund
- Parking (520) Fund

The revenue projections will be used to determine the estimated level of appropriations needed over the next five years for each of the funds listed above.

Three-year financial operating revenue and expenditure forecasts will be created upon the settlement of all collective bargaining agreements.

***Capital Budgeting***

Capital Projects are defined as a study, engineering/design, purchase of equipment and/or construction, or a combination of all three phases totaling \$10,000 or more having a useful life of at least five years.

The Capital Improvement Plan (CIP) is comprised of all short-term and anticipated long-term capital needs of the City. The ability to fund those projects will be based on the five-year revenue projections for the funds listed in the Financial Forecasting section, and the readiness of projects to occur during that current year.

Projects will be funded by a combination of note proceeds, bond proceeds, grants, municipal capital lease financing, government loans, gifts, and operating funds. If a capital project is debt funded (note, bond, lease or loan), the term of the debt should not exceed the useful life of the project.

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**Revenue Policies and Guidelines**

The City tries to maintain a diversified revenue system, and currently receives revenues through local taxes, fees, charges, interest earnings, and grants.

***Tax Policy***

Tax policy must try to avoid over-reliance on one type of taxes or fees, be aware of the adverse effects of excessively heavy taxes, and attuned to disproportionate burdens levied on any particular taxpayer group.

Taxes should be structured to provide a stable and predictable stream of revenue to fund City services, to make collection of revenues simple and reliable, and to retain/promote residents and businesses.

***User Fees and Charges***

The City will establish all user charges and fees at a level sufficient to cover the costs of services provided. It will also consider market rates and charges levied by other municipalities to establish comparable amounts. Fees and charges should be reviewed annually, and should be modified to allow growth at a rate that keeps pace with the costs of provided the service.

***Delinquent Payments and Collections***

The Division of Finance is responsible for coordinating, tracking, monitoring and collecting all delinquent payments due to the City of Lakewood for all departments with the exception of Municipal Court.

The delinquency threshold is \$50.00 and 30 days past due for all City of Lakewood receivables with the exception of Municipal Court. Delinquencies \$49 and under will be monitored by the Division of Finance, and will be written off as bad debt if not collected within 365 days upon first becoming delinquent.

Once a past due payment meets the delinquency threshold, it will be referred to the Division of Finance. A letter will go out, signed by the Director of Finance stating the following:

- Notification that an account is 30 days past due.
- Options for payment including payment plan and/or credit card.
- Notification that a 1.5% late fee will be charged.
- Notification that failure to respond and/or make payment within 30 days will result in the bill turned over to a collections service and a potential negative impact on one's credit rating.
- Delinquent water/sewer, sidewalk and high weed/grass bills will have the option to be put on property tax assessments.

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Delinquent accounts totaling between \$50 to \$2,999 that fail to respond or make payment within 30 days will be turned over to a collections agency, except for delinquent water/sewer, sidewalk and high weed/grass bills, which will be put on the property tax assessment. Water shut offs will only occur as a means of payment collection on a case-by-case basis.

Delinquent accounts between \$50 to \$2,999 that the collections agency was not successful in collecting within 120 days, will return to the City, and will be filed in small claims court.

Delinquent accounts totaling \$3,000 and over will go to an outside law firm to represent the City since it exceeds the small claims amount.

***Payments from Accounts with Non-Sufficient Funds***

If payment is submitted to the City from a bank account with non-sufficient funds, a certified letter is sent to the issuer for recovery of the amount plus an administrative fee of \$30.

This fee is to recover costs associated with the NSF payment such as bank fees and certified mail. The letter will allow the issuer to make good on the NSF check within 15 calendar days.

If the issuer does not respond within the time period the information will be turned over to the Law Department and/or Lakewood Police Department for further action.

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**Debt Policies and Guidelines**

The City will use current revenues to meet daily operations and working capital needs, and will not issue any debt to fund its operations. It will pursue all known outside funding sources such as local, state and federal grants or low-interest loan programs before issuing debt or making assessments.

The use of debt will be forecasted based on the five-year projected revenues and the capital improvement plan. Current and projected debt service payments must be predictable, affordable and a manageable part of the Debt Service Fund (301) and the Enterprise Funds.

Ensuring the availability of funds for current debt service payments is the primary and most important basis when forecasting these funds. No additional debt can be issued if the projected revenues do not exceed the current obligations. The City will not issue debt for any infrastructure project, equipment or system for a term that exceeds the useful life of that improvement.

An objective of issuing debt is to raise capital at the lowest interest and debt issuance costs, consistent with the need to borrow based on the capital needs of the City. This will be accomplished by keeping a high credit rating, which is currently a Moody's Investor Service assigned rating of Aa2. It will also be accomplished by maintaining a good reputation in the credit markets by adjusting the capital program for regular entry to the bond market and by managing the annual appropriations responsibly.

The following are guidelines for financing capital projects:

- Infrastructure improvements, equipment purchases, studies/ engineering/ architectural reviews related to capital projects, and the City's portion of project match totaling less than \$100,000 may be allocated from the current year appropriations of the respective fund and division, and will be considered "pay-go" or pay-as-you-go funding.
- Equipment with an estimated value of over \$100,000 with a useful life of 10 years or less may be financed via a Request for Proposal process for a municipal capital lease. Debt service payments will be appropriated within the Debt Service Fund (301) or the appropriate Enterprise Fund.
- Infrastructure improvements, studies, studies/engineering/architectural reviews related to capital projects, and the City's portion of project match totaling more than \$100,000 may be financed first through short-term bond anticipation notes or other appropriate debt instruments. Notes may be renewed and remain outstanding until the project(s) are complete and the final costs are known or can be reasonably estimated. At that time, bonds will be issued to retire the notes unless market conditions warrant that the debt remain in notes.

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Revenue debt must take into account covenants including debt service coverage ratios and the user charges and rates necessary to support not only operations, but current and future debt service.

All professional service providers used in connection with the City's debt issuance will be selected annually according to the City's procurement policies.

Disclosure statements will be used to keep taxpayers and investors informed of the City's financial position, which includes, but is not limited to, copies of Comprehensive Annual Financial Reports, Official Statements, and Annual Disclosure Statements.

The City will dutifully comply with all statutory debt limitations imposed by the Ohio Revised Code and the City of Lakewood Charter and Ordinances, as well as comply with all arbitrage rebate requirements of the Internal Revenue Service.

The City will monitor its debt portfolio for refunding opportunities on a regular basis to determine if an advance refunding is cost-effective, that the threshold for savings in relation to the refunding bond is at least three to five percent, and is consistent with the City's financial goals and objectives.

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**Investment Policies and Guidelines**

These policies apply to the investment of all City funds, and the investment program is intended to provide safe, maximum returns and adequate liquidity to meet cash flow requirements.

The City of Lakewood will be permitted to purchase any investment specifically authorized and governed by the Ohio Revised Code, and no investment will be purchased that has a term of more than five years. The investment officer for the City is the Director of Finance, or his/her designee.

Except for cash in certain restricted and special funds as permitted by the Charter of the City of Lakewood, 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 General Fund (101), with the exception of investment earnings of the Bond Retirement Fund (301), the TIF Capital Improvement Fund (406), the Water Fund (501), the Wastewater Collection Fund (510), and the Wastewater Treatment Fund (511).

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 interest rate risk and credit risk.

***Interest Rate Risk***

As a means of limiting exposure to fair value losses caused by rising interest rates, operating funds will be invested according to Ohio law in that investments will not exceed five years in duration.

The City's investment portfolio will be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, and will avoid the need to sell securities or terminate investments such as certificates of deposit prior to maturity.

***Credit Risk***

The City of Lakewood 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 as permitted by Ohio law
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City of Lakewood will do business

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- 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.

Interim monies are those monies which are not needed for immediate use, but will be needed before the end of the current period of designation for depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies held by the City may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or;
6. The State Treasurer's investment pool (STAROhio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
8. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for the investment at any one time.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

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2. Bonds or Bond Anticipation Notes of any municipal corporation, village, county, township, or other political subdivision of this State, to which there is no default of principal, interest, or coupons;
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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
- Certification of having read and understood and agreeing to comply with the City of Lakewood's investment policy.
- Evidence of adequate insurance coverage.

The City of Lakewood follows Ohio law that requires deposits be either insured or protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

However, as a guideline, the City will work to ensure that its deposits are fully collateralized on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit, and the City will monitor the collateral positions of the City's investments.

It is the policy of the City to diversify its investments. 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 City funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment officer.

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

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portfolio and the individual transactions executed over the last quarter. The report will include the following:

- Listing of investments by maturity date.
- Average weighted yield to maturity of portfolio.
- Percentage of the total portfolio which each type of investment represents.

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**Fixed/Capital Asset Policies and Guidelines**

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets, including infrastructure assets that are to be recorded in the City's annual financial statements in order to comply with the requirements of Government Accounting Standards Board (GASB) Statement No. 34. This policy also addresses other considerations for recording and depreciating fixed assets in order to comply with the provisions of GASB Statement No. 34.

Capital assets are defined as tangible and intangible assets that have initial useful lives that extend beyond a single reporting period (1year). All capital assets will be recorded at historical cost as of the date acquired/constructed or fair value if donated. If historical cost information is not available, assets will be recorded at estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index.

The City capitalizes only their higher-cost assets. The minimum capitalization threshold is \$5,000, and all land is capitalized. The City maintains adequate controls over all assets, including lower-cost capital assets (\$100-\$4,999). Detailed records shall be maintained for all items below the capitalization threshold that should be safeguarded from loss. These items will be part of an annual physical inventory. These items include furniture and equipment that fall below the established thresholds.

Depreciation will be recorded based on the straight-line method using actual month convention and depreciated down to the assets salvage value. Salvage value for depreciable assets are based on 5% of the original cost, with exception of infrastructure. Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected to meet current service demands. Adjustments should be properly documented.

Only those assets above the \$5,000 threshold will be depreciated. The Generally Accepted Accounting Principles (GAAP) adjustment for depreciation expense and accumulated depreciation will be made off the system. This will allow data within the H.T.E. system to remain on a cash basis of accounting. Fund balance and expenditures will not be distorted by depreciation, which is a non-cash expenditure.

All machinery and equipment, vehicles and furniture above \$5,000 will be assigned an asset number and identified with a capital RED fixed asset tag, all others (\$100-\$4,999) will be identified with a BLUE "property of" fixed asset tag. As fixed assets are purchased, transferred or disposed of, the personnel in custody of that asset will be responsible for preparing a Fixed Asset Addition / Deletion /Transfer Form, which will then be forwarded to the Finance Department to ensure proper recording.

A physical inventory will be taken annually by each department and compared to the physical inventory records. The results will be forwarded to the Finance Department, where appropriate adjustments will be made to the fixed asset records where applicable.

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The Finance Department will also conduct periodic unscheduled inspections to compare the asset list with inventory on hand.

Information on purchase of assets over the \$100 threshold will be compiled from data gathered from the biweekly Accounts Payable check runs. This data will be reviewed to verify assets to be capitalized and those for tracking purposes only. After verification of data, the fixed asset module will be populated with new additions.

Upon receipt of a Fixed Asset Addition /Deletions /Transfer Form and confirmation that the asset was disposed via council action or annual auction, the fixed asset will be marked with a status of “disposal”. A disposal code will be used to indicate that the fixed asset was sold, scrapped, donated or lost. The GAAP adjustment to record gain/loss, remove asset and associated accumulated depreciation will be made during conversion.

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**Purchasing Policies and Guidelines**

***Items Less than the Bid / Request for Proposal Thresholds***

When making purchases that exceed \$500 but are less than \$7,500 (\$5,000 for professional services), Division Managers must confirm (3) quotes have been obtained for the purchase of goods/materials. Quotes can be identified in HTE at the time requisitions are entered. Maintain back-up paperwork with your orders. If item cannot be purchased locally, state so in the “comments” section as requisition is entered.

***Bid / Request for Proposal Process***

By Lakewood City Ordinance, purchase of any products or services that exceed \$7,500 must be publicly bid or solicited by a Request for Proposal (RFP), as should any professional service that exceeds \$5,000. Exceptions to the requirement to bid occur if items can be purchased through or at an amount equal to the State of Ohio’s Cooperative Purchasing Program, or if the item is supplied by sole source.

The City publishes notification of its intent to issue a bid/RFP and instructions regarding the availability of specifications in local newspapers and on the City of Lakewood website. The deadline for submittal of a bid/RFP is two weeks from the date of publication.

In addition to the project proposal, a submitted bid must also contain the following: (a) signed and notarized Non-Collusion Affidavit; (b) signed and notarized Ethics Affidavit; and (c) a bid guarantee in the form of a bid bond or certified check for \$500. The Non-Collusion Affidavit includes a list of the officers of the submitting company. This list is reviewed during the contract award process for identification of any conflicts of interest between elected officials or city staff, and company ownership. Incomplete bid packages are immediately disqualified from consideration. The Bidder Qualifications Statement / References should be included with the bid submission; however, a bid will not be disqualified for lack thereof.

Additional items included in the bid document that do NOT have to be submitted with the bid are (a) MacBride Principles; (b) Insurance Requirements Checklist; and (c) Personal Property Tax Affidavit.

Completed bid packages/RFPs are forwarded to the appropriate City department for review and recommendation of vendor, contractor or consultant. The Purchasing Manager verifies contracting authority has been approved by City Council and adequate funds are available and budgeted for the project.

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Approval to purchase Products or Services that exceed \$7,500 or Professional Services that exceed \$5,000 must have final approval of the city's Board of Control.

Prior to Board of Control approval, the Division of Finance confirms that all City taxes are up-to-date and no liens have been filed against the property within City limits. Also, that no findings of recovery have been reported to the Ohio Auditor of State's Office.

The Bid/RFP and departmental recommendation are forwarded to the City's Board of Control for review and final approval. Board of Control is comprised of the Mayor, Finance Director, Law Director and Director of Public Works, and meets twice each month. Final selection of a Bid/RFP requires the approval signature of three of the four members of the Board of Control. In their review of bids, the City Department and the Board of Control make their selection based on the *lowest and best submission*. In their review of RFPs, they make their selection based on the *best responsive and responsible; not necessarily the lowest cost*. For RFPs only, staff may meet with contractors or consultants during the review process to refine a proposal.

NO employee has the authority to sign a contract on behalf of the City without authorization from the Law Department. If a contract has not been stamped for approval by the Law Department, the City will not recognize it as a valid contract.

***Retainage Policies and Guidelines***

The City will withhold 10% of the invoices (estimates) submitted for construction projects, up to the first 50% of the total contract value, which is equivalent to 5% of the total contract. No retainage will be withheld after project is 50% complete. Retainage is released once project is complete and a division manager authorizes approval. The City will not withhold retainage on any professional services including architectural, design, engineering, and consulting, as per Codified Ordinance 111.04.

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**Disaster Preparedness Policies and Guidelines**

The City of Lakewood disaster preparedness policy is designed to lessen the impact of a disaster upon the financial, investment, income tax, utility, and payroll operations. This policy is not intended to prevent disasters from taking place, but is solely focused on managing financial operations after a disaster.

This policy addresses the financial, investment, income tax, utility and payroll operations for the City of Lakewood. The scope of this policy is to be able to relocate the financial operations to a new site. To be able to secure computer equipment, have adequate supplies of material and instructions on hand. To have properly trained personnel available to continue with the normal operations of the office.

The specifics of the disaster preparedness policies and guidelines are to be presented within a separate policy document that finance department staff is to be provided and trained on at least an annual basis.