



CITY OF NASHUA COMPREHENSIVE FINANCIAL POLICIES

Financial Services Division
March 2011

CITY OF NASHUA
COMPREHENSIVE FINANCIAL POLICIES

The City's Chief Financial Officer is responsible for ensuring that the accounting and financial reporting of the City are compliant with generally accepted accounting principles as defined by the Government Accounting Standards Board (GASB) as well as considering best practices suggested by the Government Finance Officers Association (GFOA). Procedures and practices should conform to policies established to ensure such compliance.

To that end, the Chief Financial Officer shall establish and maintain comprehensive policies for each of the areas of financial management listed below, review them annually to ensure compliance with any changes in federal or state laws or regulatory guidance, and ensure that they reflect the most current best practices and standards to the greatest extent possible:

1. Operating budget
2. Revenues
3. Grants and reimbursements
4. Expenditures
5. Reserves
6. Capital assets
7. Capital planning
8. Debt management
9. Cash management
10. Investments
11. Procurement
12. Undesignated fund balance retention
13. Fraud prevention

These policies shall be approved by the Mayor as administrative policy and made available and accessible to all Divisions and Departments of the City.

CITY OF NASHUA
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1. OPERATING BUDGET

1.1 Introduction

The City shall maintain a balanced budget. A balanced budget is defined as one for which the adopted operating expenditures (appropriations) do not exceed the estimated sources of operating revenue to fund them.

1.2 Operating Expenditures

Operating expenditures include salaries and benefits, supplies, services, equipment and maintenance, debt service, capital reserve transfers and all other functions and activities necessary for operations within the current budget year. Accounts not considered operating expenditures and therefore not included in the operating budgets are:

- a. Capital improvement costs as approved by the Capital Improvement Committee and included in the adopted budget. Only the annual capitalized cost of such capital projects with useful lives in excess of three years shall be considered operating expenditures for the purpose of determining such expenditures for a balanced budget;
- b. Any other capital or other expenditures, including transfers to other funds that are one-time expenditures and not part of the ongoing operations.

1.3 Operating Revenue

Operating revenues include taxes, grants and reimbursements, fees, charges, permits and licenses, interest earnings, and all other revenues that may support operations for the current budget year. Exceptions would be revenues intended to support the above exceptions to operating expenditures.

1.4 Exceptions

All operating budgets, including general fund, enterprise funds and special revenue funds, shall be balanced at the time the tax rate is set. Total operating expenditures (uses of funds) shall not exceed total operating revenues with the following exceptions:

- a. At the time that the tax rate is set, fund balance may be used to offset unanticipated expenditure increases or revenue shortfalls that become known subsequent to the adoption of the budget;

- b. Fund balance may be used in any fund to offset emergency expenditures subject to approval of a supplemental appropriation in accordance with Nashua Charter §53;
- c. In an economic downturn when it is necessary to reduce services in an orderly fashion. In this case, a balanced budget may be achieved over a reasonable time period that is more than one but no more than five fiscal years.

References: See Nashua Charter §50 to §56 “Finance General”; NRO §5-142 to §5-148 “Municipal Budget Control”; National Advisory Council on State and Local Budgeting (NACSLB) Recommended Practice Element 4.5 “Develop Policy on Balancing the Operating Budget”; Government Finance Officers Association (GFOA) Recommended Practice "Adopting Financial Policies" (2001).

2. REVENUES

2.1 Introduction

All revenues received by the City shall be recorded and reported in accordance with generally accepted accounting principles as defined by the Government Accounting Standards Board unless otherwise indicated by New Hampshire law.

2.2 Authority

Revenues received by the City are subject to the provisions of NRO §5-132 and the Cash Management Policy (Policy 9). In cases where there may be a conflict between the two, the more stringent guidelines shall be followed. NRO §5-132 “Money Received/Payment to Treasurer/Receipts” is as follows:

- a. The Treasurer shall give his receipt for all payments of money made to the City treasury to the person making the payment and, within one week, shall file a duplicate in the Chief Financial Officer's office;
- b. Except as otherwise provided, all officers and agents receiving money on behalf of the City shall pay the money to the Treasurer daily or weekly as required by the Treasurer, shall submit reports to the Treasurer setting out in detail the amounts they have received, and shall file a duplicate of such reports in the Chief Financial Officer's office.

2.3 Unanticipated Revenue

Unanticipated revenues intended for reimbursement of one-time expenditures for a specific purpose may be used to offset those expenditures subject to Municipal Budget Control provisions as outlined in NRO §5-142 to §5-148.

2.4 Fees and Charges

All fees and charges of the City shall be reviewed on an annual basis by the City administration in conjunction with the budget preparation process to ensure that such fees and charges are reasonable and will provide coverage of related costs, subject to other provisions in the Nashua City Code or New Hampshire State law, prior to being submitted to the Mayor and the Board of Aldermen for approval. Adjustments to the fees and charges must be reviewed by the Financial Services Division to ensure that they are reasonable and provide the intended coverage of related costs. The Chief Financial

Officer shall be responsible for determining the form and methodology used for the analysis of the fees and charges in recommending adjustments to the schedule.

References: See NRO §5-132 “Money Received/Payment to Treasurer/Receipts”; NRO §5-142 to §5-148 “Municipal Budget Control”; City of Nashua Resolution R-96-99 "Adopting the Recommendations of the Fee Study Committee"; National Advisory Council on State and Local Budgeting (NACSLB) Recommended Practice Element 4.4 Develop Policy on Use of One-Time Revenues”; Government Finance Officers Association (GFOA) Recommended Practice "Adopting Financial Policies" (2001).

3. GRANTS AND REIMBURSEMENTS

3.1 Introduction

The City of Nashua recognizes that grant and reimbursement funding provides significant resources to enhance its ability to provide services and activities not otherwise available. The City will seek intergovernmental funding for activities that are determined to further or enhance basic City functions or that provide for activities which are in the best interests of our citizens. The City will examine the benefits of all intergovernmental grants or reimbursements prior to application and decline any funding determined not to meet the above criteria.

The purpose of this policy is to establish uniform guidelines for the application and management of intergovernmental grants and reimbursements, and to ensure that City Divisions and Departments are accountable for proper documentation, administration, and reporting.

3.2 Applicability

This policy applies to all City of Nashua Divisions and Departments and to all city officials and their employees that research, apply for, and administer intergovernmental grants or reimbursements.

3.3 Definitions

- a. "Accruals" means pending revenue for work completed, services provided or sales made in one year, whether billed or not billed, that is not received until the next year.
- b. "Indirect Costs" are costs associated with the administrative and general functions of City government that support direct services of a grant or fund. Indirect costs include such things as cost of facilities, utilities, insurance, accounting and payroll, information technology, infrastructure, etc.
- c. "State and Federal Grants" are revenues received from the state or federal government (directly or indirectly).
- d. "City" refers to the City of Nashua.

- e. "Responsible City Official" as used in this policy means elected official and/or appointed Division Head responsible for managing and administering intergovernmental grants or reimbursements.

3.4 Authority

3.4.1 General

All grant contracts will be approved in accordance with the City's purchasing and financial policies and procedures. A pre-application grant review form must be completed and approved by the Mayor prior to submission of grant applications.

3.4.2 Approvals

Grant applications may be completed, signed, and submitted by Responsible City Officials (subject to approval of the Mayor and the appropriate Board or Commissioners if required) prior to an award being submitted for approval by the Board of Aldermen, if required.

3.4.3 Acceptance and Appropriation

Acceptance and appropriation of grant awards for \$25,000 and over requires the approval of the Board of Alderman in accordance with New Hampshire RSA 31:95(b). Grant awards in amounts under \$25,000 may be applied for, accepted and expended without Board of Aldermen approval in accordance with City NRO 5-132(c). Grant awards under \$25,000 must be reported on a regular basis to the Board of Aldermen.

3.5 Coordination of Grant Policy and Grant Operations

3.5.1 Financial Services

The City must be able to track and manage grants at all stages of the grants process from research through project completion. The Financial Services Division, working with the Legal Department, shall be responsible for:

- a. Developing, revising, and distributing official grants policies and procedures of the City;
- b. Assisting departments with the interpretation and application of city ordinances, state and federal statutes or guidelines, and other grant-related policies;
- c. Assisting with the resolution of disputes between the City and grant funding sources.

3.5.2 Departments

Responsible City Officials within the departments receiving grant funding shall be responsible for:

- a. Coordinating the tracking of grant applications, awards and major project management decisions associated with the awarded grants;
- b. Ensuring that all City staff participating in the administration of grants is provided with the appropriate training and technical assistance necessary to effectively meet the grants' requirements.

3.6 Pre-Application Grant Review Form

3.6.1 General

The pre-application grant review form is designed to provide information so the Board or Commissioners (if required) and the Mayor can consider whether to approve application for grants based on the criteria detailed in the City's financial policies as well as its needs and priorities. Funding that requires any kind of local match or future commitment will require a more rigorous evaluation that takes into account existing economic and budgetary forecasts.

3.6.2 Approvals

Prior to application for any new grant or renewal of any existing grant, the requesting department is required to complete the pre-application grant review form. Signature of the Responsible City Official is required. The form will be submitted through normal board or commission approval procedures if required, then submitted to the Mayor for approval.

3.6.3 Maintenance

The pre-application grant review form will be maintained by the Responsible City Official and attached to the grant contract when the award is accepted. This form shall be made accessible to the Financial Services Division.

3.7 Grant Application

3.7.1 General

Completion of grant applications is the responsibility of the appropriate city officials.

3.7.2 Approvals

After submission and approval of the pre-application grant review form, grant applications may be signed and submitted by the Responsible City Official unless the Mayor's signature is required.

3.8 Acceptance of Grants

3.8.1 Grants \$25,000 and Over

All approved grants for \$25,000 and over must be accepted in accordance with New Hampshire RSA 31:95(b) as outlined in the City's ordinances, through legislation that simultaneously accepts the award and appropriates the funding whenever possible. A Grant Notification form must be completed and submitted to the Accounting/Financial Reporting Department of the Financial Services Division in order for legislation to be introduced to the Board of Alderman.

3.8.2 Grants Under \$25,000

Grants under \$25,000 may be accepted and expended in accordance with City NRO 5-132(c). Notice of the acceptance of such awards must be included on the agenda of any regular board meeting, and the notice and discussion recorded in the minutes of that meeting. A Grant Notification form must be completed and submitted to the Accounting/Financial Reporting Department of the Financial Services Division for inclusion on the Board of Alderman Agenda.

3.8.3 Local or Other Match

When a local or other match is required, the legislation shall specify the source of funding and in those circumstances where matching appropriations are committed but not yet available; the grant shall be accepted by resolution and followed by appropriation legislation as soon as possible.

3.8.4 Emergency Grant Application

Grant acceptance may be accomplished by emergency legislation when a funding source demands acceptance within 30 days or less and a waiver is not possible or is unlikely.

3.9 Divisional Responsibility for Grants

3.9.1 General

Division Directors and key technical staff, including department heads, are accountable for grants that are within their divisional or departmental jurisdiction. They are

responsible for identifying funding opportunities, program planning and proposal writing, and for managing the daily functions associated with each grant award.

3.9.2 Division Directors

Each Division Director shall:

- a. Appoint a grants liaison for the Division who will be responsible for coordination of information and reporting, and communications with the Mayor's office and the Financial Services Division.
- b. Designate a program manager for each grant awarded any departments within the Division and provide the Mayor's Office and the Financial Services Division with updated lists of those program managers.
- c. Implement awarded grant projects according to the terms and conditions of each grant award.
- d. Ensure that the designated grants liaison for the Division tracks grant awards and consults with the Mayor's Office and Financial Services Division on a regular basis.
- e. Ensure that the designated grants liaison and all project managers know how to designate project expense codes, complete vouchers and drawdown forms, and monitor project funding using prescribed procedures.
- f. Ensure that requests for grant funds are promptly submitted to minimize the use of City funds. All drawdowns of grant funding must conform to funding source and City policy pertaining to the receipt of grant funds. Requests for reimbursements on Federal Grants are to be completed on a timely basis. By failing to file timely requests, the City is put at risk for an audit finding and potential loss of funding. State and county grants, as well as state revolving loan reimbursement requests should also be filed timely, as general funds are "floating" the grant (or loan) expenditures, thereby forfeiting interest income for the general fund. At a minimum, requests for reimbursements must be filed on a quarterly basis. They should be filed monthly if the requested amount exceeds \$50,000, if allowable by the grantor. The Financial Services Division will handle drawdowns for federal grants they are currently responsible for.

- g. Ensure that project reporting requirements and deadlines for submission are observed. This includes providing the grantor agencies with copies of the annual single audit report as required.
- h. Ensure that, when required, a record is kept of inventory purchased with grant funds in accordance with the grant guidelines.

3.10 Financial Services Division Responsibilities for Grants

3.10.1 Treasurer

The Treasurer shall:

- a. Have exclusive authority to deposit all grant funding received by the City into appropriate accounts designated by Accounting department personnel.

3.10.2 Chief Financial Officer/Financial Services Division

The Chief Financial Officer/Financial Services Division shall:

- a. Counter-sign grant drawdown requests, whether on an advance or reimbursement basis.
- b. Ensure that appropriate account codes are established for charging costs to grants.
- c. Ensure that revenues and expenditures associated with the approved grants are properly recorded.
- d. Ensure the accounting system of the City is capable of tracking revenues and expenditures associated with every grant award regardless of how grant funding is appropriated.
- e. Ensure that drawdowns of federal grant funding currently handled by the Financial Services Division conform to funding source and City policy pertaining to the receipt of grant funds. At a minimum, requests for reimbursements must be filed on a quarterly basis. They should be filed monthly if the requested amount exceeds \$50,000.
- f. Ensure that regular reports on the status of grant-funded projects are issued to operating departments and special reports issued when needed to the Mayor's Office.
- g. Ensure that the annual single audit report is provided to the Federal Clearinghouse by the City's audit firm in accordance with the provisions of Circular A-133: Audits of Audits of States, Local Governments, and Non-Profit Organizations.

3.11 Administration of CDBG and HUD Grant Funding

Because of the more complex nature and confidentiality of certain records of this area of grant funding, overall coordination and administration of Community Development Block Grant (CDBG) and Housing and Urban Development (HUD) funding shall remain within the Division of Community Development. However, the Division of Community Development shall participate in the City grant tracking system established by this policy.

The Division of Financial Services shall review and certify that the system of grant administration maintained within the Division of Community Development is equal to that prescribed for other City programs and complies with applicable funding source rules concerning program management, grant administration and other provisions of law and policy that raise compliance issues.

3.12 Administration of Police Division Grant Funding

Because of the confidentiality of certain records of this area of grant funding, overall coordination and administration of Police grant funding shall remain within the Police Division. However, the Police Division shall participate in the City grant tracking system established by this policy.

The Division of Financial Services shall review and certify that the system of grant administration maintained within the Police Division is equal to that prescribed for other City programs and complies with applicable funding source rules concerning program management, grant administration and other provisions of law and policy that raise compliance issues.

3.13 Internal Audit of Approved Grants

NRO 5-51 charges the Chief Financial Officer with conducting reviews and investigations of the City's financial activities. All grants awarded to the city are subject to the possibility of such a review or investigation to ensure compliance with the provisions of grant awards. The Mayor may also request a special internal review of any grant or reimbursement awarded to the City. All records will be made available to the Chief Financial Officer by the assigned grants liaison of the department being reviewed in the event that such an internal audit is requested.

3.14 Documentation of Employee's Time and Effort

3.14.1 Authority

Office of Management and Budget (OMB) Circular A-87 provides guidance for determining costs relative to federal grants and reimbursements. The electronic version of this document is found at:

<http://www.whitehouse.gov/omb/circulars/>

3.14.2 Time and Effort Guidelines

Responsible City Officials shall ensure that these more detailed guidelines are followed when administering any federal or pass-through state grants and reimbursements. As a general rule, the following shall apply:

- a. **Employees Charged Full-Time to a Federal Grant:** An employee who works solely on a single federal program whose administrative funds have not been consolidated must furnish semi-annual certifications that he or she has been engaged solely in activities supported by the grant in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.3. The circular requires that the certification cover a specific period of time (6 months) and that it be signed by the employee or supervisory official having first-hand knowledge of the work performed.
- b. **Employees Charged Part-Time to a Federal Grant:** An employee who works in part on a single federal program whose administrative funds have not been consolidated and in part on activities funded by other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.4, 5, and 6. The time and effort records must document the portion of time dedicated to the program being charged as well as each program or other cost objective supported by federal administrative funds or other revenue sources.
- c. The circular requires activity reports/time sheets that must:
 1. Be done after the fact (not based on estimated or budgeted);
 2. Account for the total activities for which the employee is being paid;
 3. Be prepared at least monthly and coincide with one or more pay periods;
and
 4. Be signed by the employee.

- d. Budget estimates may be used for interim accounting purposes provided that:
 1. Estimates use reasonably approximate time spent;
 2. A comparison of estimated time to actual time (based on monthly activity reports/time logs or sheets; and
 3. Budget estimates are revised at least quarterly, if necessary, to reflect changed circumstances.

3.15 Responsibility for Maintenance of File and Public Disclosure

3.15.1 City Clerk

The original grant contract and any approved amendments must be submitted to and retained by the City Clerk.

3.15.2 Departments

The official grant file including a copy of the signed contract and all documents associated with the grant, including but not limited to the contract and amendments, applications, grant application request form, activity reports, requests for reimbursement, fiscal reports (including expense and payroll), and other correspondence will be maintained by the initiating department.

Copies of purchase orders, invoices and checks may be required for audits and, in some cases, should be maintained on site for ease of access and accountability. Any destruction of these records will be in accordance with the specific grant guidelines or the State of New Hampshire RSA 33-A:3(a) retention schedule. Public disclosure requests regarding grants will be referred to the initiating department for coordination of public records gathering and release.

References: Government Finance Officers Association (GFOA) Recommended Practice "Adopting Financial Policies" (2001).

4. EXPENDITURES, ACCOUNTS AND WARRANTS

4.1 Introduction

All expenditures by the City shall be recorded and reported in accordance with generally accepted accounting principles as defined by the Government Accounting Standards Board unless otherwise indicated by New Hampshire law. This policy shall contain all areas of finance pertaining to expenditures and financial obligations of the City.

4.2 NRO §5-128 "Certification of Accounts or Claims":

No accounts or claims against the City shall be received or acted upon by the Finance Committee unless such accounts or claims are accompanied by a certification that the same is correct. The Chief Financial Officer shall preaudit all accounts and claims against the City and prepare the certification which shall be signed by the Mayor and the Chief Financial Officer.

4.3 NRO §5-129 "Record of Accounts or Claims Allowed":

- a. The date and amount of every account or claim allowed by the Finance Committee.
- b. The name of the person to whom the account or claim is allowed.
- c. The fund or appropriation from which the account or claim is to be allowed.
- d. The certificate of the Finance Committee allowing the account or claim.

4.4 NRO §5-130 "Appropriation Accounts; Loans to City":

- a. Under the direction of the Finance Committee, the Chief Financial Officer shall keep suitable records for the purpose of accounting for the various appropriations made by the Board of Aldermen. The appropriations shall be entered under their proper heading and the different charges against them shall be promptly entered therein. For this purpose, an appropriation shall be the object of expenditure line item designating the general purpose of the expenditure within the departmental budget.
- b. Whenever any appropriation has been exhausted the Chief Financial Officer shall immediately give notice thereof to the Mayor, the Board of Aldermen and the Finance Committee.

- c. No account or claim shall be chargeable to any appropriation which has been expended, and unless authorized by special action of the Board of Aldermen, no funds from an appropriation or money raised by loan for a specific purpose shall be diverted to and used for another purpose except by an authorized transfer of funds. Except as otherwise provided, the Board of Aldermen may transfer any unencumbered appropriation balance or any portion thereof from one department, fund or agency to another. Except as otherwise provided, the Chief Financial Officer is authorized to transfer any unencumbered appropriation balance or any portion thereof from one object of expenditure appropriation account to another within the same department or fund.
- d. No funds shall be transferred from any appropriated nonpayroll account to any payroll account within the same department, fund or agency, or from one department, fund or agency to another, unless authorized by special action of the Board of Aldermen.
- e. The Chief Financial Officer shall open an account with the City Treasurer charging him with:
- f. All City employees' salaries shall be budgeted and funded within the department in which that position is located except as approved through the annual budget process or by action of the Board of Aldermen.
 - 1. The amount of all loans to the City;
 - 2. All sums of money paid to him on behalf of the City by the Collector or other officers or agents of the City, or by any person in any way indebted to the City;
 - 3. All bonds, notes, mortgages or other securities in the hands of the Treasurer and belonging to the City.
- g. Except as provided herein, for encumbrances and escrow, all appropriations shall terminate at the conclusion of each fiscal year and no account or claim shall thereafter be chargeable thereto.
 - 1. Funds may be encumbered, thereby reserving a portion of an appropriation, prior to the conclusion of a fiscal year to provide for the payment of obligations which shall come due in accordance with existing

purchase orders, contracts, or salary commitments chargeable to an appropriation. Consistent with the foregoing, the Financial Services Division may establish policies and procedures limiting the amounts and setting forth the manner in which municipal agencies may encumber funds.

2. The Board of Aldermen may by resolution escrow any and all of an unexpended appropriation for purposes set forth in said resolution.
 3. Municipal agencies, in accordance with policies and procedures which may be established by the Financial Services Division, may escrow unexpended appropriations only to provide for payment of charges which will come due following the end of the fiscal year for goods, equipment, or services contemplated by the original appropriation and which do not constitute general ongoing ordinary expenditures of the agency.
- h. Except for resolutions to escrow unexpended appropriations under Subsection G(2), when proposed legislation to transfer or reappropriate a particular appropriation or portion thereof has had its first reading, such funds shall not be expended or transferred while the legislation is pending.

4.5 NRO §5-131 "Warrants on City Treasury":

- a. Money shall be drawn out of the City treasury only upon written warrant of the Mayor, addressed to the Treasurer, countersigned by the Chief Financial Officer and numbered so as to correspond with the number on the account or claim it shall be drawn to pay.
- b. Except as provided in Subsection C of this section, the Mayor may draw warrants on the treasury only for payments of accounts and claims allowed and certified by the Finance Committee. He shall not draw any warrant in payment for any service rendered or any material furnished for any department beyond the sum appropriated therefore by the Board of Aldermen.
- c. The Mayor may draw warrants on the treasury without the approval of the Finance Committee:
 1. For payment of the stated annual salaries of the City officers and employees;

2. For payment of any sum of money which has been specifically appropriated for the payment of principal or interest due on any note or other security of the City;
 3. Whenever it shall in his opinion be necessary to pay money in advance on contracts made, or for work begun but not completed, in which case he may draw a sum not exceeding \$1,000 at any one time;
 4. For payment of taxes and other periodic payments required by law or contract to be paid by definite deadlines, including social security taxes, withholding taxes, pension plan contributions, health and life insurance premiums, workers' compensation indemnity and similar payments;
 5. For payment of court judgments.
- d. Whenever any money has been drawn from the treasury for a purpose specified in Subsection C of this section, the Chief Financial Officer shall report the same, and the amount thereof, to the Finance Committee at its next meeting, and shall charge the same under the appropriate head of expenditures.

5. RESERVES (STABILIZATION OR CONTINGENCY FUNDS)

5.1 Introduction

The City has recognized the need to establish reserves, also known as stabilization or contingency funds, in the form of expendable trust funds. Maintaining prudent levels of financial resources will protect the City from having to reduce service levels in the event of temporary revenue shortfalls or unpredicted one-time over-expenditures. They provide flexibility to respond to unexpected circumstances but should not be depleted without a plan to replenish them.

5.2 Types of Funds

There are two general types of reserve funds in the City: expendable trust funds for specific contingencies established in accordance with RSA 31:19-a and capital reserve funds established in accordance with RSA 35:1. Capital reserve funds are addressed in the Capital Assets policy.

5.3 General Guidelines and Authority

All reserves shall be established and maintained in accordance with the appropriate New Hampshire RSA as well as Nashua Code. Reserve funds must be established for a specific purpose and must identify an agent to authorize expenditures from the fund. In addition, the expendable trust funds established for the accounting of the activity of the Employee Benefits Fund and the Property and Casualty Fund shall be in compliance with public risk insurance standards as defined by the Government Accounting Standards Board (GASB) Statement 10 and the City shall adopt best practices where practical and applicable as established by the National Association of Insurance Commissioners (NAIC). Separate accounting and reporting guidelines shall be developed to meet this goal and incorporated into this policy.

References: See New Hampshire RSA 34:1 "Establishment of Reserves Authorized"; National Advisory Council on State and Local Budgeting (NACSLB) Recommended Practice Element 4.1 "Develop Policy on Stabilization Funds"; Government Finance Officers Association (GFOA) Recommended Practice "Adopting Financial Policies" (2001); Government Accounting Standards Board (GASB) Statement 10 "Accounting

and Financial Reporting for Risk Financing and Related Insurance Issues”; National Association of Insurance Commissioners (NAIC) Accounting and Reporting Standards.

6. CAPITAL ASSETS

6.1 Introduction

This Asset Capitalization Policy applies to the capitalization of capital assets in all funds of the City, specifically the General Fund and Enterprise Funds.

6.2 General Objectives

This Asset Capitalization policy establishes guidelines for determining:

- a. Which expenditures should be capitalized as a capital asset and which expenditures should be expensed;
- b. How to value capital assets that are reported; and
- c. The estimated useful lives of capital assets.

6.3 Capital Asset Types

Capital assets are divided between assets that are not subject to depreciation and assets that are subject to depreciation.

6.3.1 Non-Depreciated Assets

Assets that are not subject to depreciation include:

- a. Land. The amount that should be capitalized for land should include the cost of the land itself; professional fees used to acquire the land (legal, engineering, appraisal, survey fees); costs for excavation, fill, grading, or drainage; demolition of any existing buildings or other improvements; and any other costs that are incurred to acquire the land and make the land suitable for use by the City. Land is characterized as having an unlimited life and is therefore not depreciated.
- b. Construction in progress. The costs of assets that the City is constructing, where expenses are incurred over more than one fiscal year, are accumulated as construction in progress until the asset is placed in service. At that time, the total costs are then transferred to the appropriate asset type and depreciated.

6.3.2 Depreciated Assets

Assets that are subject to depreciation include:

- a. Land improvements. Land improvements are those improvements, other than ordinary and regular site preparation, which ready the land for its intended use.

Such improvements can include parking lots, athletic fields, fencing, paths and trails, and landscaping.

- b. Buildings and building improvements. Buildings are permanent structures that are intended for shelter of persons, materials or equipment. Building improvements are capital events that extend the useful life of a building or increase the value of a building, or both. Repairs that simply maintain the existing life or restore a building to its original condition do not constitute an improvement.
- c. Equipment. Equipment is an item of tangible, nonexpendable personal property with a useful life of more than one year, and includes machinery and vehicles.
- d. Infrastructure. Infrastructure assets are long-lived capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Such assets can include streets and roadways, bridges, sidewalks, water mains and distribution lines, sewer mains and collection lines, and treatment plants.

6.3.3 Collections

Collections (works of art or historical artifacts) meet the definition of capital assets and ordinarily would be reported in the financial statements. However, the requirement for capitalization of these assets is waived if the collection is held for reasons other than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the collection is subject to a policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

6.4 Expenditure Types

Repairs are the costs necessary for the upkeep of the property that neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition. These costs should not be capitalized.

6.5 Capital Asset Valuation

6.5.1 Valuation

Capital assets should be reported at their historical cost. In the absence of historical cost information, the assets estimated historical cost may be used. Assets donated by parties

outside the municipality should be reported at their fair value on the date the donation is made. If capital assets are moved from one fund or activity to another, the recipient fund or activity should continue to report those assets at their historical cost as of the date they were originally acquired.

6.5.2 Ancillary Charges

The historical cost of a capital asset should include ancillary charges necessary to place the asset in its intended location (freight charges, for example); ancillary charges necessary to place the asset in its intended condition for use (installation or site preparation charges, for example); and capitalized interest (only for those assets that are utilized in enterprise funds and internal service funds that are reported as a part of business-type activities).

6.5.3 Cost Estimation Methods

Estimating the historical cost of capital assets for which invoices or similar documentation of historical cost are not available can use either standard costing or normal costing. Standard costing involves using historical sources, such as old vendor catalogs, to establish the average cost of obtaining the same or a similar asset at the time of acquisition. Normal costing involves establishing the current cost of the same or similar asset and deflating that cost using an appropriate price index.

6.6 Capitalization Thresholds

6.6.1 General

By definition, any asset that benefits more than one fiscal period potentially could be classified as a capital asset. As a practical matter, however, governments capitalize only their higher cost assets to reduce their administrative costs. Capitalization thresholds are established to determine which assets are capitalized and which assets are expensed when purchased.

6.6.2 Lower Cost Assets

The City must maintain adequate control over all assets, including lower-cost capital assets. Capitalization is designed to focus on the City's financial reporting needs, and is not designed for or particularly suited for the purposes of ensuring control over lower-cost assets. Capitalizing numerous small cost items will actually overburden the overall

capital asset management system. Capitalization thresholds are established based on financial reporting needs, and other policies will determine how the City controls lower-cost assets.

6.6.3 Categorical Thresholds

The City establishes the following Capitalization Thresholds for the following groups of assets:

a. Land	\$ 15,000
b. Land improvements	\$ 25,000
c. Buildings	\$ 100,000
d. Buildings improvements	\$ 25,000
e. Construction in progress	All
f. Machinery and equipment	\$ 15,000
g. Vehicles	\$ 15,000
h. Infrastructure	\$ 50,000

6.6.4 Record Fields

Detailed records shall be maintained for all capital assets at or above the established thresholds and shall include:

- a. Asset number
- b. Description
- c. Serial number (if applicable)
- d. Date of acquisition
- e. Original cost
- f. Estimated useful life
- g. Funding source/purchase order number
- h. Department that uses the asset

6.7 Infrastructure Assets

At a minimum, the City records “major” infrastructure assets as defined in Statement 34 that were acquired, constructed or significantly reconstructed, or that received significant improvements after June 30, 1980. Other infrastructure assets may be capitalized as

deemed appropriate. The City does not use the “modified approach” to record infrastructure.

6.8 Other Assets

Detailed records are maintained in various divisions for all items below the capitalization thresholds that should be safeguarded from loss. These items are part of the annual physical inventory of the divisions and include division-specific equipment that falls below the established thresholds.

6.9 Depreciation and Useful Life

6.9.1 General Guidelines

Assets that are capitalized will be depreciated over their estimated useful lives.

Depreciation will be calculated on the straight-line basis, using estimated useful lives.

- a. Major building improvements are generally over \$300,000 and include:
 1. Major permanent structural alterations;
 2. Interior/exterior renovations;
 3. Major electrical and plumbing upgrades;
 4. Other comparable major improvements.
- b. Minor building improvements are generally under \$300,000 and include replacements or additions to significant building components such as:
 1. Heating, ventilation and air conditioning (HVAC);
 2. Elevators;
 3. Other comparable significant building components.

6.9.2 Estimated Useful Lives

Estimated useful lives for the various categories of capital assets are as follows:

- | | |
|--------------------------------|----------|
| a. Land | N/A |
| b. Land improvements | 20 years |
| c. Buildings | 40 years |
| d. Major building improvements | 40 years |
| e. Minor building improvements | 20 years |
| f. Construction in progress | N/A |

g. Machinery and equipment

1. Outdoor equipment	20 years
2. Police and fire equipment	10 years
3. Machinery and tools	15 years
4. Business machines	10 years
5. Communications equipment	10 years
6. Computer equipment/software	3 years
7. Audiovisual equipment	10 years
8. Musical instruments	10 years

h. Vehicles

1. Licensed vehicles	8 years
2. Police cruisers	3 years

i. Infrastructure

1. Roads (bituminous concrete)	20 years
2. Road improvements (grind and overlay)	7-17 years
3. Bridges	50 years
4. Traffic signals	10 years
5. Sidewalks and curbs	20 years
6. Dams, basins and levees	60 years
7. Street lighting	15 years
8. Storm drains	50 years
9. Sewer mains and interceptors	50 years

j. Personal computers and laptops will be capitalized on a group basis.

6.9.3 Additions, Improvements, Preservation

Expenditures that result in the addition, improvement, or preservation (extends useful life) of streets/roads will be capitalized. The "unit measure" of roads will be lane miles. A "Grind and overlay" paving procedure is considered a preservation cost.

6.9.4 Assets Still in Service

Because depreciation is intended to allocate the cost of a capital asset over its entire useful life, it normally is not appropriate to report assets still in service as fully depreciated. Instead, the annual amounts of depreciation expense should be reduced

prospectively as soon as it becomes clear that an asset's useful life will be longer than originally estimated.

6.10 Safeguarding and Controlling Capital Assets

All machinery and equipment, vehicles and furniture are assigned asset numbers. As capital assets are purchased or disposed of, the department head in custody of that asset is responsible for notifying Financial Services to ensure proper recording in the accounting records. A physical inventory shall be taken annually on or about June 30 and compared to the capital assets schedule maintained by Financial Services.

6.11 Capital Reserve Funds

6.11.1 General

The City has recognized the need to establish reserves for capital assets in order to provide sufficient funding for regular replacement or upgrade of capital, protection from large one-time capital expenditures and to stabilize tax rates over time.

6.11.2 Authority and Guidelines

The City has established such funds in accordance with New Hampshire RSA 34:1.

Capital Reserve funds should identify an agent to authorize expenditures from the fund and establish a procedure for determining the appropriate level of funding that will provide for the anticipated expenditures from the fund (taking inflation into consideration).

6.11.3 Trustees of Trust Funds

NRO §5-123 establishes the trustees of trust funds and capital reserve funds. NRO §5-124 states that the trustees of trust funds and capital reserve funds shall perform the duties prescribed by RSA Chapter 34, Capital Reserve Funds for Cities. RSA 34:6 provides that the trustees of trust funds shall have custody of all capital reserves.

References: See NRO §5-123 to §5-124 "Trustees of trust funds and capital reserve funds"; New Hampshire RSA 34:1 "Establishment of Reserves Authorized"; New Hampshire RSA 34:6 "Trustees of funds"; National Advisory Council on State and Local Budgeting (NACSLB) Recommended Practice Element 5.2 "Prepare Policies and Plans for Capital Asset Acquisition, Maintenance, Replacement, and Retirement"; Government

Finance Officers Association (GFOA) Recommended Practice "Adopting Financial Policies" (2001), Recommended Practice "Establishing Appropriate Capitalization Thresholds for Tangible Capital Assets" (1997, 2001, updated 2006), Recommended Practice "Establishing the Estimated Useful Lives of Capital Assets" (2002 and 2007), Recommended Practice "Ensuring Control over Noncapitalized Items" (2005); Government Accounting Standards Board (GASB) Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", Statement 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and Statement 51 "Accounting and Financial Reporting for Intangible Assets."

7. CAPITAL IMPROVEMENT PROGRAM (CIP)

7.1 Introduction

The City, in accordance with NRO Charter §77-a, has established a Capital Improvement Committee to oversee capital improvements planning. Complementary to this charge is the role that the City's administration plays in ensuring that the projects brought before the Capital Improvement Committee meet the City's budgetary priorities and are properly reviewed and funded. Attention should be given to:

- a. Capital assets that require repair, maintenance, or replacement that, if not addressed, will result in higher costs in future years;
- b. Infrastructure improvements needed to support new development or redevelopment;
- c. Projects with revenue-generating potential;
- d. Improvements that support economic development; and
- e. Changes in policy or community need.

7.2 Capital Improvement Requests

To that end, all capital improvement projects shall be reviewed by the Mayor prior to submission to the Capital Improvements Committee and should include a comprehensive cost analysis and financing strategy that will be considered in conjunction with operating budget forecasts and the potential impact on future taxes. Total requests will be analyzed as part of the overall Capital Improvement Plan (CIP) and the total package presented to the Capital Improvement Committee, reflecting the priorities of the administration as a whole. Division Directors should work with the Financial Services Division to prepare both the cost analysis and financing strategy.

7.3 Cost Analysis

Each year's submission should include a complete analysis of the project, past and future, including expenditures and funding sources to date, projected costs and funding, and narrative explaining any risks or issues that could impact these projections. The cost analysis should include the following:

- a. The scope and timing of the planned project;

- b. A clear estimate of all major components required to implement the project including land acquisition, design, construction, contingency and post-construction costs as well as any other related expenses;
- c. For projects programmed beyond the first year of the plan, cost projections that are based on anticipated inflation; and
- d. Ongoing operating costs associated with the project and how they will be funded.

7.4 Financing Strategy

A viable financing approach is important when planning multi-year capital improvements and strategies should be aligned with expected project requirements while sustaining the financial health of the City. A financing plan shall be prepared and it should:

- a. Anticipate expected revenue and expenditure trends, including their relationship to multi-year financial plans;
- b. Include cash flow projections of the amount and timing of the capital financing;
- c. Continue compliance with all established financial policies;
- d. Recognize appropriate legal constraints;
- e. Consider and estimate funding amounts from all appropriate funding options;
- f. Ensure reliability and stability of funding sources; and
- g. Evaluate the affordability of the financing strategy, including the impact on debt ratios, taxpayers, ratepayers and others.

References: See Nashua Charter §77-a “Capital Improvement Committee”; New Hampshire RSA 34:1”Establishment of Reserves Authorized”; National Advisory Council on State and Local Budgeting (NACSLB) Recommended Practice Element 5.2 “Prepare Policies and Plans for Capital Asset Acquisition, Maintenance, Replacement, and Retirement”; Government Finance Officers Association (GFOA) Recommended Practice "Adopting Financial Policies" (2001), Recommended Practice "Multi-Year Capital Planning" (2006), Recommended Practice "Capital Project Budget" (2007), Recommended Practice "Capital Project Monitoring and Reporting" (2007); Recommended Practice "Capital Maintenance and Replacement" (2007); Recommended Practice "Building Resiliency into Capital Planning" (2008); Recommended Practice "Presentation of the Capital Budget in Operating Budget Document" (2008).

8. DEBT MANAGEMENT

8.1 Introduction

The purpose of this policy is to establish parameters and provide guidance in the issuance, management and reporting of debt for the City of Nashua. Debt decisions should be the result of deliberative consideration of all factors involved and should reflect both the needs of the community and the long-term goals of City.

8.2 Objectives

8.2.1 Credit Rating

The City shall seek to maintain an AA bond rating so that borrowing costs are minimized and access to credit is preserved. It is imperative that the City demonstrate to rating agencies, investment bankers, creditors, and taxpayers that City officials are following a prescribed financial plan. The City will follow a policy of full disclosure by communicating with bond rating agencies to inform them of the City's financial condition.

8.2.2 Bond Issue Proposal

Every future bond issue proposal will be accompanied by an analysis provided by the proposing department, demonstrating conformity to the debt policies adopted by the City and procedures outlined by the Chief Financial Officer in accordance with practices defined by the Government Finance Officers Association (GFOA). The Chief Financial Officer and City Treasurer will review and comment on each bond issue proposal regarding conformance with existing debt and financial policies, and specific aspects of the proposed financing package and its impact on the City's creditworthiness.

8.2.3 Capital Improvement Plan

General obligation bond borrowing should be planned and the details of the plan must be incorporated in the City of Nashua Capital Improvement Plan. General obligation bond issues should be included in at least one Capital Improvement Plan prior to the year of the bond sale. The first inclusion of the project in the plan should contain a general description of the project, its timing, and financial limits, and long-term budget projections; subsequent inclusions should become increasingly specific with actual expenditures to date and more accurate estimates for future years.

8.2.4 Advisors

The City may use the services of qualified internal staff and outside advisors to assist in the analysis, evaluation, and decision process, including bond counsel and financial advisors.

8.3 Ethics and Conflict of Interest

The City recognizes that it is of the utmost importance that elected and appointed City officials, and all others associated with the issuance of City debt, not only avoid the reality of a conflict of interest, but the appearance thereof as well. City officials must conduct themselves in a fashion consistent with the best interests of the City and taxpayers. Elected and appointed City officials should avoid even the appearance of linkages between politics and public finance that can erode the confidence of taxpayers, ratepayers, and voters. This includes avoiding gratuities, and political contributions of more than nominal value from service providers and the disclosure of all possible conflicts of interest shall be provided in writing and filed with the City Clerk.

8.4 Bond Sale

Bonds will be sold on a competitive basis unless it is in the best interest of the City to conduct a negotiated sale. Competitive sales will be the preferred method. Negotiated sales may occur when selling bonds for a defeasance of existing debt, for current or advanced refunding of debt, or for other appropriate reasons.

8.5 Acceptable Use of Bond Proceeds

8.5.1 General

Acceptable uses of bond proceeds include any items that may be capitalized and are considered an acceptable use under New Hampshire State law. Refunding bond issues designed to restructure currently outstanding debt are also an acceptable use of bonds proceeds.

8.5.2 Unacceptable Uses

The City will not use short-term borrowing to finance operating needs except in the case of an extreme financial emergency which is beyond its control or reasonable ability to forecast. Recognizing that bond issuance costs add to the total interest costs of financing, bond financing should not be used for projects under \$5,000,000 unless the aggregate

cost of multiple projects from different bond authorizations will exceed that amount at the time of a bond sale. In the event that there are no other projects to be financed by bonds, bond issuance will be considered only if the total interest and issuance costs will be less than the costs of any other available financing.

8.6 Decision Analysis

Whenever the City is contemplating a possible bond issue, information will be developed concerning the following categories commonly used by rating agencies to assess the City's creditworthiness. The subcategories are representative of the types of items that may be considered or needed. This information will be part of an analysis prepared and reviewed by the CFO and Treasurer with the assistance of the appropriate Divisions.

a. Debt Analysis:

1. Debt capacity analysis
2. Purpose for which debt is issued
3. Debt structure
4. Debt burden
5. Debt history and trends

b. Financial Analysis:

1. Stability, diversity, and growth rates of tax or other revenue sources
2. Trend in assessed valuation and collections
3. Current budget trends
4. Appraisal of past revenue and expenditure trends
5. History and long-term trends of revenues and expenditures
6. Evidences of financial planning
7. Adherence to generally accepted accounting principles
8. Audit results
9. Fund balance status and trends in operating and debt funds

c. Economic Analysis:

1. Geographic and location advantages
2. Population and demographic characteristics
3. Wealth indicators
4. Housing characteristics

5. Level of new construction
6. Types of employment, industry, and occupation
7. Evidences of industrial decline
8. Trend of the economy

8.7 Communication and Disclosure

8.7.1 General

Significant financial reports affecting or commenting on the City will be forwarded to the rating agencies. These communications and disclosures shall be prepared by the City Treasurer with input from the appropriate City Officials and any final documents shall be reviewed and approved by the Chief Financial Officer prior to submission to the rating agencies. Each bond prospectus will follow the disclosure guidelines of the Government Finance Officers Association (GFOA).

8.7.2 Communication with Other Jurisdictions

The City should attempt to develop coordinated communication processes with all other jurisdictions with which it shares a common property tax base concerning collective plans for future debt issues. Reciprocally, shared information on debt plans including amounts, purposes, timing, and types of debt would aid each jurisdiction in its debt planning decisions.

8.8 General Obligation Bonds

8.8.1 Analysis of Operating and Maintenance Costs

Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project when requested and applicable. This analysis will be reviewed by the Chief Financial Officer and the City Treasurer to ensure that all costs that may impact future budgets are properly captured and planned for. This analysis shall be part of the decision analysis outlined in section 8.6 of this policy.

8.8.2 Maturity of Bonds

Generally, bonds cannot be issued for a longer maturity schedule than a conservative estimate of the useful life of the asset to be financed. The City will attempt to keep the average maturity of general obligation bonds at or below 20 years. The limit of the City's

and School's general obligation debt is subject to parameters set by Nashua Charter §A-441 and New Hampshire RSA 33:4-a.

8.8.3 Revenue Bonds

If a general obligation bond supported by user fees cannot be used in a debt financing of an enterprise fund, the City will fund such finance capital projects by using self-supporting revenue bonds. Bonds supported by user charges assure the greatest degree of equity because those who benefit from a project and those who pay for a project are most closely matched.

8.8.4 Enterprise Fund Debt Coverage

It is City policy that each utility or enterprise should provide adequate debt coverage in the rate charges to ensure that sufficient revenues are generated to pay for the financing of capital projects crucial to the operations of the Enterprise Funds. Rates may be increased in phases to meet this standard, provided such increases are identified in rate studies and the capital improvement plan and clearly shown as part of an overall long-term strategy for the utility or enterprise.

8.9 Short Term Financing/Capital Lease Debt

8.9.1 General

Short-term financing or capital lease debt will be considered to finance certain equipment and rolling stock purchases when the aggregate cost of equipment to be purchased exceeds \$25,000. Adequate funds for the repayment of principal and interest must be included in the requesting department's approved budget.

8.9.2 Terms of Short-Term Financing

The term of short-term financing will be limited to the usual useful life period of the vehicle or equipment, but in no case will exceed ten years.

8.9.3 Capital Financing Appropriation

Departments requesting capital financing must have an approved budget appropriation. Departments shall submit documentation for approved purchases to the Purchasing Department each year after the annual budget is adopted. The Purchasing Department will consolidate all requests and may solicit competitive or negotiated proposals for capital financing to insure the lowest possible interest costs. All such purchases are

subject to the procurement guidelines provided in Chapter 5, Article XVII of the City Ordinances.

References: See Nashua Charter §54-a “Borrowing Money/Issuance of Bonds”, §A-441 to A-444 “Debt”; NRO §5-30 “City Bonds and TANS”; New Hampshire RSA Chapter 33 “Municipal Finance Act”; National Advisory Council on State and Local Budgeting (NACSLB) Recommended Practice Element 4.3 “Develop Policy on Debt Issuance and Management”; Government Finance Officers Association (GFOA) Recommended Practice "Issuing Taxable Debt by U.S. State and Local Governments" (1998), Recommended Practice "Debt Management Policy" (1995, 2003), Recommended Practice "Selecting and Managing the Method of Sale of State and Local Government Bonds" (1994 and 2007).

9. CASH MANAGEMENT

9.1 Introduction

The stewardship of financial assets for the City of Nashua is shared by authorized employees throughout the City. The central cashing function is performed by the City Treasurer/Tax Office although many departments receive cash and checks for charges or services and in some instances are responsible for their own bank deposit or otherwise control cash or revenue producing assets.

A series of cash controls and handling policies have been adopted by the City for uniform application in all City Divisions in recognition of the need to safeguard public funds. These policies recognize the decentralized nature of the receipting and depositing process while providing for standardized training and an annual review of the fees charged for services throughout the City. Any violation of the provisions contained herein shall constitute sufficient grounds for disciplinary action up to and including termination of employment.

All references to cash throughout this policy are understood to include cash, checks, and any other negotiable instruments.

9.2 General Cash Controls

The following guidelines apply to cash controls for all Divisions and Departments of the City:

- a. All employees with access to cash shall be bonded. The amount of the bond shall be prescribed by the Risk Manager.
- b. Each cash drawer shall have a custodian who is responsible for its contents. All department managers responsible for multiple shifts shall designate a custodian for each shift. Each custodian shall be provided with a separate locked drawer whenever possible.
- c. The number of employees with access to the cash drawer shall be limited to assure internal control.
- d. The physical separation of duties from the function of custodian of the cash drawer and the accounting and recordkeeping of the same shall be maintained.

- e. Physical protection of cash through the use of bank facilities, vaults, and locked cash boxes or drawers shall be practiced at all times. Armored car service will be made available to those departments with an appropriate need.
- f. Cash on the premises will be held to an absolute minimum to insure safety and maximize return on investments. This shall be accomplished by frequent bank deposits and the monitoring of the dollar amount considered necessary for cash drawers.
- g. Periodic examination, count, or other review of all cash drawers shall be conducted at least semi-annually. These examinations shall be announced and unannounced. They will be performed by authorized personnel not assigned the custodial responsibility.
- h. No checks shall be cashed from any City cash drawer with the exception of the Treasurer/Tax Office drawer established specifically for this purpose.
- i. The Treasurer/Tax Office in conjunction with the Chief Financial Officer (CFO) shall publish and update as necessary a cash-handling manual that will serve as procedural documentation and a training tool for departmental cash handlers.

9.3 Cash Reporting

The Treasurer/Tax Office performs the central cashiering function. Therefore all evidence of any deposit shall be forwarded to the Treasurer/Tax Office as soon as possible to assure timely and proper credit in the receipting process. Evidence of deposit includes deposit slips, notification of wire transfers or ACH credits, and department revenue summaries

- a. All employees charged with the receipting of revenues shall be provided a copy of the current fee and rate schedule as well as the appropriate general ledger account codes from their Division Director or Department Manager.
- b. All departments with cash operations shall have a permanent collection record that contains a record of all transactions including voids, refunds, and cancellations.
- c. A receipt shall be issued for all cash transactions. Receipts may be electronically generated or handwritten. All handwritten receipts shall be duplicate, pre-

numbered documents contained in a bound log. The original shall be issued to the customer and the duplicate will be retained by the receipting department.

- d. The Treasurer/Tax Office in conjunction with the Division Director and Department Manager shall determine what type of receipt is appropriate for each department.

9.4 Deposits

The following guidelines apply to cash deposits for all Divisions and Departments of the City:

- a. The general operating standard for deposit of cash receipts to the primary depository shall be twenty-four hours from the receipt of the cash. Departments shall weigh reasonableness and practicality versus security in determining the timing for the deposit of smaller amounts.
- b. All cash not deposited daily shall be held in a secured location such as a locked filing cabinet, safe, or vault.
- c. All cash received by the Treasurer/Tax Office after 3:00 PM that requires preparation for deposit (hereafter referred to as a turnover) shall be recorded the next business day.
- d. The total of funds in a deposit or turnover shall be reconciled to the receipts on the cash register report or bound log. Unresolved variances of greater than \$5.00 shall be reported to the Treasurer/Tax Office and greater than \$50 reported to the Chief Financial Officer (CFO).
- e. Cash in a deposit or turnover shall not be used to make change, replenish petty cash, or used as a funding source for "IOUs".
- f. All security and bid deposits, escrowed funds, and other funds requiring special handling received in negotiable form shall be held by the Treasurer/Tax Office or its appropriate designee until final disposition is made.

9.5 Petty Cash

The following guidelines apply to petty cash for all Divisions and Departments of the City:

- a. The Treasurer/Tax Office shall establish petty cash funds when deemed necessary to conduct City business in an efficient and responsible manner.

- b. Petty cash funds are imprest funds, that is, an advance from the general fund. Therefore, petty cash transactions shall be subject to the same authorized expenditure controls as any other invoice presented for payment through Accounts Payable.
- c. Requests for reimbursement of petty cash expenditures shall not exceed \$250.00.
- d. The custodian shall request reimbursement for expenditures of greater than \$50 (or \$75 for mileage) by submitting a payment authorization to Accounts Payable. Reimbursements for expenditures of \$50 (\$75 for mileage) or less shall be made from the Treasurer/Tax Office petty cash fund. Reimbursement shall be issued upon the presentation and surrender of satisfactory evidence of such disbursements.
- e. Petty cash reimbursement checks of up to \$250.00 shall be cashed in the Treasurer/Tax Office from the cash drawer established for this purpose.
- f. Reconciliations are required as set forth in the separate petty cash procedure established by Financial Reporting.
- g. Petty cash shall not be used to make change or used as a funding source for “IOUs”.

9.6 Change Drawers and Other Working Funds

The following guidelines apply to change drawers and other working funds for all Divisions and Departments of the City:

- a. Change drawers shall be established as deemed necessary by the Treasurer/Tax Office. These drawers shall be used exclusively for making change. The amount of the drawer remains constant; it is never expended.
- b. A drawer will be maintained in the Treasurer/Tax Office for the purpose of cashing petty cash reimbursement checks.
- c. Other working funds may be established as deemed necessary by the Treasurer/Tax Office.

9.7 Returned Checks

The Treasurer/Tax Office assumes responsibility for collection of checks returned by the bank for any reason with cooperation from the receipting department. The receipting department will assist in contacting the owner of the returned check for proper collection

of all monies due. The city complies with state law RSA 80:56; “Whenever any check issued to a city or town for the payment of taxes, permit fees, licenses, special assessments, water or sewer bills, for any combination of these or for any other municipal services is returned to the city or town official as uncollectible, the city or town shall charge a fee of \$25 plus all protest, bank, and legal fees in addition to the amount of said check to the person who issued such check to cover the cost of collecting the debt that the check was issued to pay. The \$25 fee together with any protest or legal fees collected shall be for the use of the city or town.”

9.8 Banking Services and Account Opening Policy

The Treasurer/Tax Office is responsible for the City’s banking relationships. A primary bank shall be selected on a periodic basis through a request-for-proposal process or a contract extension with formal approval given by the Finance Committee. A separate but coordinated process shall be conducted for armored car services unless it is part of the contract with the City’s primary bank.

- a. The establishing and closing of bank accounts shall be managed by the Treasurer/Tax Office.
- b. No bank account shall be opened with the City’s tax identification number (TIN) without approval from the Treasurer/Tax Office.
- c. The Treasurer shall be an authorized signer on all accounts opened with the City’s TIN.

Any violation of the provisions contained herein shall constitute sufficient grounds for disciplinary action up to and including termination of employment.

References: See Nashua Charter §52 “Deposit of City Funds”, §82 “Treasurer/Tax Collector Duties”; NRO §5-131 to §5-132 “Warrants on City Treasury” and “Money Received/Payments to Treasurer/Receipts”; Government Finance Officers Association (GFOA) Recommended Practice "Procurement of Banking Services" (1997, 2005), Recommended Practice "Revenue Control and Management Policy: Cash Receipts Controls" (2003, 2007).

10. INVESTMENTS

10.1 Scope and Authority

The investment program shall be operated in conformance with federal, state and other legal requirements, following best practices as defined by the Government Finance Officers Association (GFOA). City of Nashua NRO §5-53 assigns investment responsibility and authority to the City Treasurer who is appointed by the Mayor. *See also Nashua Charter §A-335 Suburban Cemeteries Investment of Funds and §A-835 Public Library Investment of Funds.*

This policy is intended to provide guidance in the investment of all City funds with the exception of:

- a. Cemetery Trust Funds;
- b. Library Trust Funds;
- c. Board of Public Works Pension Fund
- d. Any other monies controlled by a Board of Trustees.

Newly created funds, unless specifically directed by an individual Board of Trustees, will be subject to this policy.

Except for cash in certain restricted and special funds and where expressly prohibited by New Hampshire statutes, whenever possible, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and 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 (GAAP) as defined by the Government Accounting Standards Board (GASB).

10.2 Objectives

The primary objectives of this policy in order of priority are to:

- a. Preserve the safety of the principal by mitigating both credit and interest rate risk;
- b. Maintain liquidity appropriate for short term cash needs by structuring the portfolio to meet cash requirements; and
- c. Maximize yield on investments through portfolio diversification and performance benchmarking.

10.3 Standards of Care

10.3.1 Prudent Person Standard

The City has adopted the "prudent person" standard for the City Treasurer and employees involved in the investment process. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments, with the understanding that no investment is completely without risk.

10.3.2 Conflict of Interest

The City Treasurer 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.

10.4 Authorized Financial Institutions and Depositories

10.4.1 City Funds

The following is a listing of authorized financial institutions and depositories for investment of all City funds under this policy with the exception of capital reserve funds:

- a. Solvent New Hampshire banks;
- b. Banks outside of the State if such banks pledge and deliver to the State Treasurer as collateral security for such deposits, United States government obligations;
- c. New Hampshire Public Deposit Investment Pool established pursuant to RSA 383:22; and
- d. Treasury Direct.

10.4.2 Capital Reserve Funds

Capital Reserve funds shall be kept in an account separate from the other funds of the City. These funds shall be invested in financial institutions and depositories in accordance with New Hampshire RSA §34:5.

10.5 Safekeeping and Custody

10.5.1 Custody

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an allowable financial institution prior to the release of funds.

Securities will be held by an independent third-party custodian selected by the City 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 (SAS 70).

10.5.2 Internal Controls

The City Treasurer 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. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

The internal control structure shall address the following points:

- a. Control of collusion;
- b. Separation of transaction authority from accounting and bookkeeping;
- c. Custodial safekeeping;
- d. Avoidance of physical delivery securities;
- e. Clear delegation of authority to subordinate staff members;
- f. Written confirmation of transactions for investments and wire transfers;
- g. Dual authorization of wire transfers (ACH); and
- h. Development of a wire transfer (ACH) agreement with the lead bank and third-party custodian.

10.6 Authorized Investments

10.6.1 Allowable for City Funds

The following investments are allowable and considered in compliance with the City's investment objectives for all City funds under this policy with the exception of capital reserve funds:

- a. Certificates of Deposit (CD);
- b. Repurchase Agreements with underlying collateral is in federal obligations;
- c. U.S. Treasuries and Notes;
- d. Treasury Bills;
- e. Federal Agency Securities as issued by U.S. government-sponsored agencies;
- f. Shares in the New Hampshire Public Deposit Investment Pool established pursuant to RSA 383:22;
- g. Domestic stocks for long-term trusts only;
- h. Mutual funds for long-term trusts only.

10.6.2 Allowable for Capital Reserves

Capital Reserve funds shall be kept in an account separate from the other funds of the City and shall be invested in such a way to ensure adequate liquidity for annual capital reserve transfers to the City's General Fund. These funds shall be invested only in the following:

- a. Certificates of Deposit (CD);
- b. Repurchase Agreements with underlying collateral is in federal obligations;
- c. U.S. Treasuries and Notes;
- d. Treasury Bills;
- e. Federal Agency Securities issued by U.S. government-sponsored agencies;
- f. Domestic stocks;
- g. Mutual funds.

10.6.3 Collateral

The City requires collateral on all short- term investments and the following guidelines shall apply:

- a. The security agreements for all pledged collateral must:
 1. Be in writing;

2. Be approved by the board of directors of the depository or its loan committee; and
 3. Have been, continuously, from the time of its execution, an official record of the depository institution.
- b. Pledged collateral must be held at an independent third-party institution, and evidenced by a written agreement to satisfy the Uniform Commercial Code (UCC) requirement for control.
 - c. The margin level of the pledged collateral must be 102% of the face value of the security and more volatile collateral must be marked to market on at least a monthly basis.
 - d. Substitutions of collateral should meet the requirements of the collateral agreement, be approved in writing prior to release, and should not be released until the replacement collateral has been received.
 - e. When surety bonds are used in lieu of collateral, they should be limited to those insurers of the highest credit quality as rated by A.M. Best.

10.7 Investment Parameters

10.7.1 Diversification

The investments shall be diversified by:

- a. Limiting investments to 5% of the total portfolio to avoid over-concentration in securities from a specific issuer (excluding US Treasury securities);
- b. Limiting investment to securities that have higher credit risks with all fixed income investments rated by A or above by Standard & Poors (S&P);
- c. Investing in securities with varying maturities;
- d. Maintaining an appropriate portion of the portfolio in readily available cash, money market funds or overnight repurchase agreements to ensure liquidity to meet ongoing obligations; and
- e. Equity allocation for long-term portfolios shall be no greater than 50%.

10.7.2 Weighted Average Maturity

Maximum weighted average maturities for short-term obligations necessary for liquidity shall be 90 days. Reserve funds and other funds with longer-term investment horizons shall have weighted average maturities in the range of 3 to 5 years.

10.7.3 Investing in Local Institutions

The City encourages investment in local institutions, however, not at the sacrifice of safety or liquidity. While this may not fully maximize income, it may achieve local economic purposes/goals. Investment in the economic development of the City as a whole by the institutions has a value that may not be easily measured. This investment strategy will be utilized infrequently and will not result in a rate differential of greater than .8% or 8 basis points. The Treasurer and Chief Financial Officer (CFO) will decide collectively on such investments.

10.8 Reporting

The City Treasurer shall provide quarterly reports to the Chief Financial Officer for review, including the following:

- a. Listing of individual securities held at the end of the reporting period with maturity dates and percentage of total portfolio which each type of investment represents
- b. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of the securities over a one-year duration that are not intended to be held to maturity
- c. Average weighted yield to maturity of the portfolio on investments as compared to applicable benchmarks

References: See Nashua Charter §A-335 “Suburban Cemeteries Investment of Funds”, §A-835 “Public Library Investment of Funds”; NRO §5-53 “Treasurer/Tax Collector”; New Hampshire RSA 31:25-b “Prudent Investment Defined”, 383:22 “Public Deposit Investment Pool”, and 564-B:9-906 “Language Invoking Standard of Article (Uniform Prudent Investor Act)”; Government Finance Officers Association (GFOA)

Recommended Practice "Use of Mutual Funds for Non-Pension Fund Portfolios" (1987, 2003, 2006), Recommended Practice "Diversification of Investments in a Portfolio" (1997, 2002, 2007), Recommended Practice "Managing Market Risk in a Portfolio" (2007), Recommended Practice "Use of Commercial Paper" (2001, 2007), Recommended Practice "Collateralization of Public Deposits" (1984, 1987, 1993, 2000, and 2007), Recommended Practice "Repurchase Agreements and Reverse Repurchase Agreements"

(1986, 1995, 1998, 2000, 2003, 2006, 2008), Recommended Practice "Use of Local Government Investment Pools" (2007, 2008).

11. PROCUREMENT

The purchasing policy of the City is outlined in NRO § 5-69 through § 5-92. The language from the ordinance from NRO § 5-76 through § 5-92 is presented below.

11.1 NRO § 5-76 Small Purchases (Less than \$1,000)

Where the total price of a purchase is less than \$1,000 it shall be the responsibility of the Purchasing Manager, after adequate inquiry, to make the purchase on the basis of price and quality.

11.2 NRO § 5-77 Small Purchases (\$1,000 to \$10,000)

Where the total price is greater than \$1,000 but less than \$10,000 purchase shall be made on the basis of evaluation of written price or rate quotations from an adequate number of suppliers. Such price and rate quotations shall be forwarded on suppliers' letterhead. A copy of the written bid specification from the requesting department must accompany the requisition for purchase and the quotation package. The Purchasing Manager shall have the authority to award contracts based on information received or to reject the requisition and require a public bidding process.

11.3 NRO § 5-78 Major Purchases (Greater than \$10,000)

- a. All supplies and contractual services, except as otherwise provided herein, when the estimated cost thereof shall exceed \$10,000 shall be purchased by formal, written contract from the lowest responsible bidder, after due notice inviting bids. All sales of personal property which has become obsolete or unusable, when the estimated value shall exceed \$5,000, shall be sold by formal written contract to the highest responsible bidder, after due notice inviting bids. [Amended 5-8-2007 by Ord. No. O-07-85]
- b. Notice inviting bids shall be published once in at least one official newspaper in the City and at least five days preceding the last day set for the receipt of bids. The newspaper notice required herein shall include a general description of the articles to be purchased or sold, and shall state where bid blanks and specifications may be secured, and the time and place for opening bids. The Manager shall also solicit sealed bids from all responsible prospective suppliers who have requested their names to be added to a bidders list, which the Manager

shall maintain, by sending them a copy of such newspaper notice or such other notice as will acquaint them with the proposed purchase or sale. In any case, invitations sent to the vendors on the bidders list shall be limited to commodities that are similar in character and ordinarily handled by the trade group to which the invitations are sent. The Manager shall also advertise all pending purchases or sales by a notice posted on the public bulletin board in the City Hall.

- c. When deemed necessary by the Manager, bid deposits shall be prescribed in the public notices inviting bids. Unsuccessful bidders shall be entitled to return of surety where the agent has required such. A successful bidder shall forfeit any surety required by the Manager upon failure on the bidder's part to enter a contract within 10 calendar days after the award.
- d. Bids shall be submitted sealed to the Manager and shall be identified as bids on the envelope. Bids shall be opened in public at the time and place stated in the public notices. A tabulation of all bids received shall be available for public inspection.
- e. The Manager shall have the authority to reject all bids, parts of all bids, or all bids for any one or more supplies or contractual services included in the proposed contract, when the public interest will be served thereby.
- f. The Manager shall not solicit a bid from a contractor who is in default on the payment of taxes, licenses or other monies due the City.
- g. The Manager shall have the authority to award contracts within the purview of this article. Contracts shall be awarded to the lowest responsible bidder. In determining lowest responsible bidder, in addition to price, the Manager shall consider:
 - 1. The ability, capacity and skill of the bidder to perform the contract or provide the service required;
 - 2. Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference;
 - 3. The character, integrity, reputation, judgment, experience and efficiency of the bidder;
 - 4. The quality of performance of previous contracts or services;

5. The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service;
 6. The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the services;
 7. The quality, availability and adaptability of the supplies, or contractual services to the particular use required;
 8. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract;
 9. The number and scope of conditions attached to the bid; and
 10. The amount of total direct and indirect costs which would accrue to the City on account of the bid.
- h. When the award is not given to the lowest bidder, a full and complete statement of the reasons for placing the order elsewhere shall be prepared by the Manager and filed with the other papers relating to the transactions.
 - i. If all bids received are for the same total amount or unit price, quality and service being equal, the contract shall be awarded to a local bidder. In the event identical bids are submitted by local vendors, the Manager shall award the contract to one of the bidders by drawing lots in public. Local preference for bidders or products may be given only when there is no sacrifice or loss in quality, performance, or price.
 - j. The Manager shall have the authority to require a performance bond, before entering a contract, in such amount as he shall find reasonably necessary to protect the best interest of the City.
 - k. No contract or purchase shall be subdivided to avoid the requirements of this section.
 - l. Contracts for rental, leases, and lease/purchase shall be subject to the regular requirements for competition.
 - m. The requesting department and the Purchasing Manager shall have the authority to competitively purchase brand name product(s) and product(s) produced by a single manufacturer, by sealed bid. The Purchasing Manager shall submit a statement of justification for purchasing a brand name product or a product

produced by a single manufacturer together with the recommendation for award of the purchase. Where a particular brand name product or a product produced by a single manufacturer is required but cannot be competitively bid, the special purchase procedures of § 5-84 shall apply.

11.4 NRO § 5-79 Construction Projects; Prequalification of Bidders

- a. In the case of contracts for the construction, reconstruction, alteration, repair or refurbishing of real property a determination of the responsibility of interested contractors may precede the issuance of invitations to bid. Invitations to bid shall be issued only to firms which have, in the City's sole determination, been prequalified. The department or agency involved shall establish rules and regulations which govern prequalification of bidders. Such rules and regulations shall take into consideration the following:
 1. The ability, capacity and skill of the bidder to perform the contract or provide the service required;
 2. Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference;
 3. The character, integrity, reputation, judgment, experience and efficiency of the bidder;
 4. The quality of performance of previous contracts or services;
 5. The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service;
 6. The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service;
 7. The quality, availability and adaptability of the supplies or contractual services to the particular use required;
 8. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract;
 9. The number and scope of conditions attached to the bid; and
 10. The amount of total direct and indirect costs which would accrue to the City on account of the bid.

- b. These rules and regulations may also include other special considerations as may be authorized by law.

11.5 NRO § 5-80 Negotiations after Competitive Sealed Bidding

The purchasing agency shall reserve the right to reject any and all bids together with the right to negotiate with the lowest responsible bidder for a lower bid price.

11.6 NRO § 5-81 Competitive Proposals

In cases where competitive sealed bidding is not practical, the Purchasing Manager may authorize that a purchase be made on the basis of the evaluation of competitive proposals and resultant competitive negotiations. The determination by the Purchasing Manager that the use of sealed bidding is not practical shall be in writing and consider factors such as the following:

- a. Whether the cost to develop formal technical bid specifications sufficient to ensure open competitive bids would make the total cost of the procurement excessive;
- b. Whether the proposed purchase is to be accompanied by land development, or other related economic transactions, so that the bid price may not accurately reflect the total economic effect of the purchase;
- c. Whether the product or service is specialized or custom-produced, and the development of terms, conditions, specifications, and other provisions specifically defining and governing the procurement requires interaction with prospective suppliers; or
- d. Whether any responsible bidder has submitted a bid in response to an invitation to bid.

11.7 NRO § 5-82 Procedures on Competitive Proposals

- a. On determination by the Purchasing Manager that competitive sealed bidding is not practical and that the purchase should be made on the basis of the evaluation of competitive proposals and competitive negotiations the Purchasing Manager and using agency shall:
 - 1. Develop general terms and conditions and specifications for the product or service required.

2. Indicate in the request for proposals the relative importance of price and other significant evaluation factors which shall be considered.
 3. Provide adequate public notice as in the case of competitive sealed bids.
 4. Require submittal of cost or pricing data and conduct evaluation of such data necessary for negotiation of a final price.
- b. After evaluation of competitive proposals, written or verbal negotiations may be conducted with one or more parties who have submitted proposals. Such negotiations are designed to achieve terms and conditions most favorable to the City. Such negotiations need not be conducted where time constraints preclude additional negotiations or where acceptance of an initial offer without discussion would result in fair and equitable prices and further negotiations would not result in terms and conditions substantially more favorable to the City. Purchase requirements with a final negotiated price exceeding \$10,000 shall be presented to the Finance Committee for approval prior to contract award pursuant to § 5-90B and C.

11.8 NRO § 5-83 Professional Services

- a. In the purchase of accounting, architectural, auditing, engineering, legal, medical and ambulance services and purchases of independent professional consultant services for personnel, data processing, actuarial, planning, management and other comparable purchases competitive bidding shall not be required. Competitive bidding is required in the procurement of insurance agents and consultants. The Finance Committee, upon recommendation of the Purchasing Manager and using agency, shall award the contract after considering the following:
1. Price;
 2. Specific experience with similar projects; or earlier phases of the same project;
 3. Evidence of accreditation and good standing in a professional standards association overseeing the discipline necessary to perform the work;

4. Background and experience of staff members who would be assigned to the job;
 5. Availability;
 6. Locality of firm;
 7. Ability to communicate ideas;
 8. Ability to supply all of the major disciplines necessary to perform the work;
 9. Qualifications of subcontractors;
 10. Conceptual design;
 11. Accuracy of the firm in estimating time and cost requirements.
- b. Private sector architects, engineers, designers, and drafters preparing specifications for public contracts shall adhere to the requirements for open and nonrestrictive specifications to allow full competition during the construction or production phase.
 - c. Professional services shall be solicited with a written statement that includes at a minimum, the services required and the schedule of performance. Responses to solicitations shall contain, at a minimum, the services to be provided, the schedule of performance, the hourly rate(s), and/or a not-to-exceed (NTE) contract price as appropriate, and any exceptions to the solicitation. The Purchasing Manager shall submit both documents to the Finance Committee together with the recommendation for award of the contract.
 - d. When design services and construction services are to be by separate contracts, private sector consultants and contractors who prepare designs and specifications for architectural, engineering, information technology and construction products and services shall be prohibited from bidding on and providing those products and services. Such consultants and contractors may participate in the construction, production or implementation phases including inspection, integration, field

testing, acceptance testing, documentation, training and maintenance and in the management oversight over those services.

11.9 NRO § 5-84 Special Purchase Procedures

- a. The competitive bidding process shall not apply to the following special purchases:
 1. Purchases required in the event of any emergency as defined in § 5-90 which necessitates the immediate purchase of goods or services.
 2. Purchases where the cost of the service is fixed by law.
 3. Purchases which can be procured through cooperative intergovernmental purchase agreements with other government jurisdictions.
 4. Sole-source procurements, where the proposed purchase is manufactured by only one company.
 5. Purchases from a sole manufacturer, where it is determined to be more efficient and economical to reduce costs of maintenance of additional repair parts, supplies or services.
 6. Purchases which have been preceded by competitive sealed bidding, where no responsible bidder has responded.
 7. Purchases under extensions of contracts when no price increase exceeds 10% per year.
 8. Purchases under intergovernmental agreements or contracts which require use of procurement procedures inconsistent with the provisions of this section.
 9. Purchases of undercover vehicles, excluding marked and unmarked police cruisers, and similar equipment items whose identity and source if disclosed could endanger Police Department personnel, shall be considered only in nonpublic session pursuant to NH RSA 91-A. The purchase request and Finance Committee agenda shall identify the purchase as "Special Police Department Purchase," identify only the price, and shall be authorized in writing by the Chief of Police whose

authorization shall be submitted to the Finance Committee together with the Purchasing Manager's request for approval.

- b. The purchasing file shall be documented to provide justification for use of the above exceptions. Additionally, within 10 working days of any such purchase exceeding \$10,000, the Purchasing Manager or using agency shall give written notice to the Finance Committee.

11.10 NRO § 5-85 Insurance

- a. Where the purchase is of insurance, a prequalification process shall be undertaken inviting agents and brokers to submit a questionnaire regarding their experience and qualifications. Only firms which are, in the City's sole determination, qualified, shall be selected for the bid process. Once an agent or broker is prequalified, they shall remain prequalified for five years, unless that prequalification is revoked by the City. When the City seeks to purchase insurance, it shall select at least three agents or brokers from the qualified bidders list. Each firm selected to bid shall submit common specifications to their assigned insurance carriers. The City reserves the right to assign carriers to qualified bidders for this purpose. Once submitted, bids shall, wherever practicable, be a coverage period of three years. All renewals of insurance policies and new insurance policies shall be subject to this competitive bid process. The City may purchase insurance through a qualified bidder without receiving competitive bids if it is in the best interests of the City or if the coverage sought is available only from limited markets or lines of coverage.
- b. Where the purchase is of self-insured claims administration services the City may retain the successful bidder for as long as services and fees remain favorable to the City before any renewal of the bidding process is required. In determining the lowest responsible bidder within the bidding procedure, the City may take into consideration any costs of conversion involved.

11.11 NRO § 5-86 Price Agreement Contract Procedure

The head of any using agency shall have the authority to submit requisitions to the Manager for supplies available under the terms of a price agreement contract made by the Purchasing Manager.

11.12 NRO § 5-87 Inspection and Testing

- a. The Purchasing Manager shall inspect or supervise the inspection of all deliveries of supplies or contractual services to determine their conformance with the specifications set forth in the order or contract.
- b. The Manager shall have the authority to authorize using agencies having the staff and facilities for adequate inspection to inspect all deliveries made to such using agencies under rules and regulations which the Manager shall prescribe.
- c. The Manager shall have the authority to require chemical and physical tests of samples submitted with bids and samples of deliveries which are necessary to determine their quality and conformance with the specifications. In the performance of such tests, the Manager shall have the authority to make use of laboratory facilities of any agency of the City government or of any outside laboratory.

11.13 NRO § 5-88 Surplus Stock

- a. All using agencies shall submit to the Purchasing Manager, at such times and in such form as he shall prescribe, reports showing stocks of all supplies which are not longer used or which have become obsolete, worn out or scrapped.
- b. The Manager shall have the authority to transfer surplus stock to other using agencies. The Manager shall have the authority to sell all supplies which have become unsuitable for public use, or to exchange the same for, or trade in the same on, new supplies.
- c. Sales under this section shall be made to the highest responsible bidder and in conformance with § 5-78.

- d. With approval of the Finance Committee, the Purchasing Manager may donate, barter, gift or otherwise dispose of surplus material, stock or equipment which has failed to be sold, exchanged or traded pursuant to Subsection B.

11.14 NRO § 5-89 Cooperative Purchasing

The Purchasing Manager shall have the authority to join with other units of government in cooperative purchasing plans when the best interest of the City would be served thereby. He shall also have the authority to establish the conditions and terms under which supplies, materials and services are acquired from federal, state, school and prison sources, and from workshops of the blind and other handicapped, and to negotiate the prices of such purchases.

11.15 NRO § 5-90 Authority of Finance Committee

- a. The requirements of this article are intended to benefit the City and not to vest in any individual or enterprise any right to do business with the City or create any cause of action based thereon. The Finance Committee, for contracts that do not exceed \$1,000,000, and the Board of Aldermen, for contracts that exceed \$1,000,000, may waive compliance with any of the provisions of this article when the best interests of the City would be served thereby. The approval of any contract or payment by the Finance Committee or the Board of Aldermen shall constitute a waiver as herein provided.
- b. The recommendation for award of a bid or proposal submitted by the Purchasing Manager shall include the number of firms solicited, a summary of the prices offered, the recommended firm to receive the award with appropriate rationale and the fund account to be used.
- c. Finance Committee approval shall be obtained prior to the award of contracts exceeding \$10,000. This does not preclude the Purchasing Manager from seeking Finance Committee approval or providing advisement to the committee for purchase awards less than \$10,000 when considered appropriate. Approval of a bid or contract award by the Finance Committee or Board of Aldermen generally shall be complete and final.

- d. Finance Committee approval authority shall not be evaded for items that have been disapproved by the Finance Committee by subsequent segmentation, partitioning, phasing or reduction into increments below the value stated in Subsection C. The Finance Committee shall retain approval authority for any purchase of goods or services that have been previously disapproved by the Finance Committee.
- e. Approval by the Finance Committee of a contract award in excess of \$1,000,000 shall be submitted to the full Board of Aldermen at its next regularly scheduled meeting for final approval prior to award of the contract.
- f. Unless specifically directed by the Finance Committee to withhold issuance until passage by the full Board of Aldermen, the purchase order or other such contractual agreement in an amount not exceeding \$1,000,000 may be issued immediately following the approval of award by the Finance Committee. The purchase order or other such contractual agreement in an amount exceeding \$1,000,000 may be issued following the period for reconsideration under the Board of Aldermen's rules.
- g. The Mayor may determine that an immediate contract award is necessary to protect the public health or safety or to avoid substantial financial loss to the City and that the circumstances do not permit the convening of a special meeting of the Finance Committee or the Board of Aldermen in time to deal with the emergency. The written finding, specifying in detail the reason for the contract, the need for immediate action, and the contract terms and amounts, shall be addressed to the Board of Aldermen and filed with the City Clerk, in which event award of the contract may be made immediately by the Mayor without aldermanic approval, and shall be presented to the Finance Committee at its next meeting for review.
- h. For the sealed bids of a major purchase submitted in accordance with § 5-78, the requesting department shall provide the Purchasing Manager with the tabulated comparison between the solicited specifications and the specifications offered by the recommended bidder(s), noting differences, if any, and submit with the purchase request to the Finance Committee for approval.

11.16 NRO § 5-91 Amendment to Contracts

No contract having been approved by the Finance Committee may be amended as to its scope of work or so as to increase sums payable to the contractor, without Finance Committee approval, except that the Mayor, as chair of the Finance Committee, may approve changes in the scope of work and/or sums payable to a contractor if **all** of the following conditions are met:

- a. The contract is for the demolition, construction, reconstruction, alteration, or repair of real property or purchase, installation, or repair of other tangible property;
- b. The increased sums authorized are available from existing appropriations and do not exceed \$25,000, or 10% of the original amount of the contract, whichever is less; and
- c. The Mayor makes a written finding that an immediate contract amendment is required to protect the public health or safety or to avoid substantial financial loss to the City and that the circumstances do not permit the convening of a special meeting of the Finance Committee in time to deal with the crisis. The written finding, specifying in detail the reason for the change, the need for immediate action, and the changed contract terms and amounts, shall be immediately filed with the City Clerk, and shall be presented to the Finance Committee at its next meeting.

11.17 NRO § 5-92 Information Technology Division Assessment and Recommendation

For major purchases and contracts solicited in accordance with § 5-78 which include computers or communications equipment or related software, including but not limited to workstations, servers, surveillance equipment and wired and wireless transmission equipment, the Information Technology Division shall participate in the purchasing process, providing advice, input, and recommendations, which will be so noted on the purchasing memorandum.

11.18 Purchasing Manual

NRO §5-70, C provides that purchasing procedures, rules and regulations shall be collected in a purchasing manual which shall be reviewed annually and updated as necessary, and then provided to the finance committee.

References: See Nashua Charter §51 “Centralized Purchasing and Contract System”;
NRO §5-69 to §5-92 “Purchasing Manager.”

12. FUND BALANCE

12.1 Introduction

The objectives of the Fund Balance policy are to preserve the credit worthiness of the City for borrowing monies at favorable interest rates; provide working capital for the City to meet cash flow needs during the year and stabilize fluctuations from year to year in property taxes paid by the city's taxpayers.

12.2 Authority

General guidelines have been established by the financial community, including the Government Finance Officers Association (GFOA), regarding the amount of modified accrual budgetary unreserved fund balance to retain.

12.3 General Guidelines

Consistent with the objectives of the policy and in accordance with NRO §5-135:

- a. The City will maintain an undesignated general fund balance as of each June 30 equal to a minimum of 10% of the municipality's fiscal year appropriations, plus the statewide enhanced education amount, the local school net tax commitment, and the county appropriation.
- b. Prior to September 1 of each year, the Mayor shall provide, in writing, to the Board of Aldermen, the estimated amount of anticipated undesignated general fund balance which the Mayor proposes to use to reduce the anticipated tax rate. In order to use funds for that purpose, the Board of Aldermen must approve that action by a resolution adopted by 10 members of the Board of Aldermen on or before the Board's second meeting in September. If that approval is not given, undesignated general fund balance shall not be used to reduce the anticipated tax rate.
- c. If the Board of Aldermen votes to use an amount of undesignated general fund balance to reduce the anticipated tax rate which reduces the undesignated general fund balance below the minimum amount required by Subsection A, then it is the policy of the Board of Aldermen to restore the minimum undesignated general fund balance within a three-year period.

References: See NRO §5-135 Maintaining Adequate Undesignated General Fund Balance; National Advisory Council on State and Local Budgeting (NACSLB) Recommended Practice Element 4.1 Develop Policy on Stabilization Funds; Government Finance Officers Association (GFOA) Recommended Practice "Appropriate Level of Unreserved Fund Balance in the General Fund" (2002).

13. FRAUD PREVENTION

13.1 Introduction

The Fraud Policy Statement is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the City of Nashua. It is the intent of the City to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigation.

13.2 Scope

This policy applies to any fraud, or suspected fraud, involving employees as well as consultants, vendors, contractors, outside agencies, and/or any other parties with a business relationship with the City. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position, or relationship to the City.

13.3 General Guidelines

Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of material fact for the purpose of inducing another to act upon it to his or her injury. Division Directors and Department Managers will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Human Resources Manager and the Chief Financial Officer who will coordinate the investigation of the matter with the affected areas, both internal and external. Outside resources may be needed to fulfill the investigation.

13.4 Actions Constituting Fraud

The terms defalcation, misappropriation, and other fiscal wrongdoings refer to, but are not limited to:

- a. Any dishonest or fraudulent act;
- b. Forgery or alteration of any document or account belonging to the City;
- c. Forgery or alteration of a check, bank draft, or any other financial document;
- d. Misappropriation of funds, securities, supplies, or other assets;

- e. Impropriety in the handling or reporting of money or financial transactions;
- f. Profiteering as a result of insider knowledge of City activities;
- g. Disclosing confidential and proprietary information to outside parties;
- h. Disclosing to other persons securities activities engaged in or contemplated by the City;
- i. Accepting or seeking for personal gain anything of material value (over \$50) from contractors, vendors or persons providing services/materials to the City;
- j. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and/or
- k. Any similar or related inappropriate conduct.

13.5 Other Inappropriate Conduct

Suspected improprieties concerning an employee's moral, ethical, or behavioral conduct in the workplace that are not defined as fraud should be resolved by Division/Department Management and the Human Resources Manager. If there is any question as to whether an action constitutes fraud, contact the Human Resources Manager for guidance.

13.6 Investigation Responsibilities

The Manager of the Human Resources Department has the primary responsibility for coordinating the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Human Resources Manager will issue reports to appropriate designated personnel, including the Mayor, and, if appropriate, to the Board of Aldermen.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for the independent investigation will be made in conjunction with senior management, as will final decisions on disposition of the case.

13.7 Confidentiality

All parties involved in the process will treat all information received confidentially to the degree practicable. Any employee who suspects dishonest or fraudulent activity will notify their supervisor or Division Director immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see Reporting Procedures section below).

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

13.8 Authorization for Investigating Suspected Fraud

The individuals assigned by the Human Resources Manager to investigate the suspected fraud will have:

- a. Free and unrestricted access to all records and premises whether owned or rented; and
- b. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation.

13.9 Reporting Procedures

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

- a. Any employee who suspects dishonest or fraudulent activity will notify their supervisor or Division Director immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act. The Human Resources Manager should then be notified by the supervisor or Division Director of the suspected fraud. The employee or other complainant may remain anonymous to the degree practicable.
- b. All inquiries concerning the activities under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the investigating party or the Human Resources Manager. No information concerning the status of the investigation will be given out. The proper response to any inquiry is: "I am not at liberty to discuss the matter." Under no circumstances should any reference be made to "the allegation," "the

crime,” “the fraud,” “the forgery,” “the misappropriation,” or any other specific reference.

- c. The reporting individual should be informed of the following:
 1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
 2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Legal Department.

13.10 Termination

If an investigation results in a recommendation to terminate an individual, such termination will be conducted in accordance with appropriate City policies and state and federal law.

13.11 Alternative Reportees

In the event an employee who would normally be notified of a potential fraud case were the person suspected of committing fraud or other inappropriate conduct as defined above, the Legal Department should be contacted.

References: Joseph T. Wells, CFE, CPA, *Introduction to Fraud Examination and Criminal Behavior*, Chapter 4: "Fraud Prevention."