

CITY OF MARSHALLTOWN

CASH MANAGEMENT POLICY AND PROCEDURAL MANUAL

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TABLE OF CONTENTS

	Page
1. Objectives of this Policy.....	3
2. Introduction.....	6
2.1 Overview.....	6
2.2 Types of Municipal Funds.....	8
3. Cash Receipts and Receivables.....	13
3.1 Internal Control.....	13
3.2 Receipt Payment Processing.....	16
3.3 Bad Checks.....	19
3.4 Billed Accounts Procedures.....	19
Write-Offs.....	23
4. Internal Control for Investments and Banking Services.....	24
5. Disclaimer Concerning Ordinance Sections.....	27
Guidelines for Delinquent (Non-Parking).	
All Accounts.....	27
Rental Registration or Inspection Fees.....	28
Licenses & Permits.....	28
False Alarms.....	28
Nuisances.....	29
Rent Assistance Promissory Notes.....	29
Miscellaneous Undesignated.....	29
Glossary.....	30

1 - OBJECTIVES OF THIS POLICY

The Finance Department is responsible for the compliance and implementation of the following items:

Legal Requirements:

- Comply with federal, state and local laws, to include, but not limited to, 1099's and W-2's.
- Uses Generally Accepted Accounting Principals (GAAP) while preparing the Comprehensive Annual Financial Report (CAFR)
- Adheres to state statutes concerning appropriations and expenditures, and fund classifications i.e., Road Use Tax, Grants, Employee Benefits, Business type fund and other public trust funds
- Insures legal publication compliance for annual Financial Reports, Budget, Amendments, Bond Sales, Audits or any other publications as may be required from time-to-time.

Money Management:

- Facilitates preparation of annual operating and multi-year capital budgets
- Determines cash flow based on revenues, current and future budgeted needs, spending trends, and debt retirement
- Maximizes interest earnings through approved, competitively bid investments
- Pays all expenses of the City as approved by the Council
- Manages cash allocations to the Capital Plans and Cash Reserve funds as approved by Council
- Oversees Administrators of Deferred Compensation Plans (ICMA and Equitable)
- Reconciliation of checks written, ACHs, wires and deposits made
- Monitors all cash transactions for internal safety and accounting integrity
- Negotiates bank competition and service contracts. Contracts are competitively bid and have established the availability and fee structure for banking services which has proven beneficial to the City.
- Monitors all financially related transactions

Budget Administration:

- Prepares budget vehicle for department head preparation to facilitate ease and flexibility without sacrifice to data integrity
- Facilitates preparation of revenues
- Prepares expenditure budgets for: Finance, Data Processing, Economic Development, Debt Service Funds, General and Tort Liability Insurance, the City's liabilities for Social Security, Medicare, IPERS, Group Health, Life, Occupational Insurance, Police & Fire Retirements and Pension systems, also some Trust Funds, Central Stores, Printing General Government and

City Council activities. Prepares wage and benefit funding levels for all departments

- Processes all other department's expenditure requests
- Prepares documents for Council review and approval of budget
- Monitors all departmental budgets for compliance during the fiscal year, making recommendations to Council concerning shortfalls in revenues or over-spending
- Prepares and presents public information and education for general population, high school and university students, civic groups and the internet.

Accounts Receivable:

- Oversees accounts receivable, facilitating and monitoring billing, collection and receipting monies from: tax collections, rentals, licenses & permits, user fees, rents, fines, intergovernmental grants, interest income, donations, special assessments, sales taxes and parking tickets

Accounts Payable:

- Pays all bills for activities in all funds of the City
- Prepares distribution of approval reports for all departments
- Prepares 1099 forms as required by federal law
- Maintains good public relations with vendors
- Prepares list of bills for Department Heads, Council and publications
- Insure compliance with City Purchasing Policy and procedures

Payroll:

- Maintains employee payroll records to insure proper pay, deduction processing, union contract and personnel manual compliance
- Pays employees bi-weekly based upon time sheets approved and submitted from each department
- Processes federal and state taxes, voluntary deductions (i.e., savings bonds, credit union, deferred comp, wage assignments), supplemental compensation (i.e., clothing allowances, EMT bonus), and garnishments
- Prepares all federal and state reports (i.e., 941, W-2's, IPERS, Census Bureau)

Insurance:

- Maintains insurance coverage for general, liability and bonds city wide
- Maintains location, cost and coverage records for facilities, road equipment, park equipment, vehicles, etc.

Data Processing:

- Provides and maintains functional hardware and software programs to process all payables, receivables, payroll, general ledger, fixed assets, budgetary reporting, special reporting, data base, spreadsheet, word processing and associated operating system software.
- Facilitates access on network and accounting computer for all departments
- Trains users on current software for accounting and network applications
- Gives daily attention to validating input/output, back-up procedures, operations analysis and troubleshooting
- Seeks out and selects additional software/applications to efficiently achieve the goals of the department

General Accounting:

- Generates reports for Mayor, Council, citizens and all departments
- Prepares all audit schedules in anticipation of required annual examinations
- Maintains buildings, vehicles and equipment and furniture as fixed assets
- Manages disposal of asset records
- Prepares depreciation schedules for all capitalized assets
- Compiles necessary financial reports for various grants and 28E Agreements
- Generates reports for all financial aspects to other agencies, i.e.: investments, group health insurance, actuarial, etc.
- Adheres to the retention policy of financial documents through electronic means and/or the safe keeping of physical documents
- Insures that all employees handling cash or checkbook activities are absent from their duties for at least five consecutive days during each year.

2 - INTRODUCTION

2.1 Overview

OVERVIEW

Internal control represents an organization's plans, methods, and procedures used to meet its missions, goals, and objectives and serves as the first line of defense in safeguarding assets and preventing and detecting errors, fraud, waste, abuse and mismanagement. Internal control provides reasonable (not absolute) assurance that an organizations' objectives are achieved through 1) effective and efficient operations, 2) reliable financial reporting, and 3) compliance with laws and regulations.

This internal control/cash management policy is in compliance with the Investment Policy of the City of Marshalltown. It is, however, to compliment the Investment, Purchasing, Debt Management and any other policies relating to the fiscal management of the City, and it does not supersede them. It is very important that these policies are not substituted for the commitment, on the part of all staff handling any City assets, to prudent management, sound judgment, knowledge and experience. All officials dealing with cash shall be insured and/or bonded. Effective upon approval by the City Council, this policy shall be reviewed by the external auditors annually to insure its completeness and implementation of internal controls are exercised for the timely receipt of and the safekeeping of all funds for the City of Marshalltown.

The establishment and maintenance of a good internal control system helps to ensure the integrity of the financial reports and assist the officials responsible in maintaining custody over assets (both cash and capital assets). In addition, a good internal control system may increase the external independent auditor's reliance on the system; which can result in a decrease in the amount of substantial testing. Managing cash is neither as simple, nor as narrow as it may seem. The scope of cash management ranges from specific cash management tools for cash collections and cash disbursements to the identification and planning of needed funds, and the investment of idle funds all within the scope of bond covenants, federal regulations, state statutes, local policies and prudent judgment.

In most governmental organizations, it is the financial officer's responsibility for the financial activities of the governmental unit, including cash management and the maintenance of an adequate system of internal control. The financial officer must:

- Identify potential financial errors or irregularities which might occur.
- Systematically document and evaluate the existing systems of internal control throughout the governmental unit and identify significant instances of under or over-controlled, cumbersome practices.
- Identify and articulate the factors to consider in assessing the practicality of suggested system improvements, and initiate revisions in law or policy to improve the control system.

- Identify potential revenue sources and efficiencies to reduce or optimize expenditures.
- Monitor revenue collections and disbursements (see Purchasing Policy for disbursement guidelines).
- Manage bank accounts and cash management products and services. This includes bank selection, working relations and negotiating service fees.
- Insure liquidity forecasting and management.
- Account for and control bank accounts, investments, budgets and financial forecasts (long-range planning).
- Manage debt. This includes monitoring for prudent debt ratios, decisions to borrow from banks or to issue debt instruments, negotiation of debt terms and repayment sources.

To insure that all of these objectives are met is ultimately the responsibility of the City Council. Through monthly financial and budget reports, not less than quarterly meetings of the Investment Advisory Committee and the annual audit, the Council can insure compliance and continued financial stability for the City.

WHAT ARE THE SOURCES AND USES FOR CITY FUNDS?

Normally, the current year's budget receives the limelight. However, not all cash belonging to the City is intended for immediate use. Some expenditures project into the future. Usually these are capital by nature, either in infrastructure projects or equipment. The City has undertaken policies initiating funding the aforementioned items and created reserves.

Cash is segregated into separate funds in compliance with state statute and various accounting standards such as operating funds and project or pension funds. In addition to different purposes, certain funds have different restrictions, such as bond covenants, pension and trust funds.

Even though the purposes and restrictions may apply to City funds, important distinctions should be made about the timing needed for funds to be available. Operating funds require the cash to be available within any current fiscal year. Reserve funds, or pension funds, on the other hand, may not be needed for many years to come. The income generated by these long term cash funds is much more important than in the operating funds.

2 - INTRODUCTION

2.2 Types of Municipal Funds

TYPES OF MUNICIPAL FUNDS

General Fund - This fund is used for the regular operating expenditures of the City, i.e., Police, Fire, Library, Administration, Park & Recreation and Public Works wages and benefits.

The timing of the income and expenses is the most difficult management of this fund. The most dependent income for this fund is from property taxes, which traditionally come in large quantities in October and April with minimal revenues during every other month. The City is continually studying ways to be less dependent upon property taxes, examining user fees and revenues from other state and federal sources. This practice should be continued. Political pressures from the state and federal levels have influences on the demand for these funds (unfunded mandates) and control on how they are collected and distributed (tax credits which are not reimbursed) to the City. Cash management focuses on bridging gaps between inflows and outflows. By monitoring budget income and expense, forecasting the timing of future cash inflows and outflows, accelerating collections, managing disbursements and maintaining the safety of principal, the City can reduce and control the gap between inflows and outflows. Controls must be consistently administered to insure that money is not tied up in an investment when needed for payroll or invoice payments. The General Fund should not become dependent upon investment interest. Income from idle monetary assets should be a secondary goal; preservation of principal and liquidity should be primary.

Cash Flow Reserve Funds - The City has created a fund which would be used specifically to accumulate funds sufficient to bridge the gaps between inflows and outflows of cash for all City funds. An ordinance has been adopted which identifies funds for deposit into this Cash Reserve Fund, the accumulation of interest earnings, uses and projections upon reaching the goal of 15% of the expenditures of the General Fund Operating Budget. The savings from refunding bonds and 5% of the Local Option Tax, from the first election has been designated for this cash flow reserve fund. Investments for this fund need to preserve principal with a great deal of monitoring for liquidity as needs arise. For purposes of the Comprehensive Annual Financial Report (CAFR), this fund shall be classified as part of the general fund, but is designed to assist in the cash flow of the general checking account.

Capital Improvement Fund - This fund was created to reflect capital expenses for equipment and facility maintenance items for activities of the General Fund.

2 - INTRODUCTION

2.2 Types of Municipal Funds

; The funding source is a transfer from the Capital Improvement Levy (received under Capital Project Funds) begun July 1, 2000 after a referendum; and 5) any other funds identified by the Council for this purpose. For the purposes of the Comprehensive Annual Financial Report (CAFR), this fund shall be classified as part of the General Fund.

Coliseum Fund - This fund was created to easily monitor the activities and costs associated with the Coliseum. The funding sources have been a portion of winter athletics fee earmarked for the Coliseum upkeep and a transfer from the General fund to cover expenses not covered by rentals. For purposes of the Comprehensive Annual Financial Report (CAFR), this fund shall be classified as part of the general fund.

Special Revenue Funds - The revenue source for this type of fund is principally from other governments and/or has very tight restrictions upon it. Examples of special revenue funds are: federal programs such as Rent Assistance, state programs, such as Road Use Tax, or grants such as CDBG or Police Grants. Certain tax levies, by state statute, are required to be deposited into a special revenue fund. To reimburse the budgeted activity area for these expenses, cash is transferred to the general fund. Generally, special revenue funds are considered operating and are appropriated by Council action on a project or need basis with no accumulation or long-range purpose. Current practice transfers these funds providing the appropriate operating fund the necessary cash flow to sustain operating expenditures and accumulate appropriate interest on idle funds. It is recommended that this practice be continued upon adoption of this policy. Investments of these funds shall adhere to the same restrictions/purpose as the principal. Generally, grants monitored in these funds require requisitions before funds are available. City staff must insure timely filing of financial reimbursement requests to secure needed funds. If the finance department is not responsible for this filing, a copy of the filing must be copied by the responsible department and forwarded to finance

Capital Project Funds - Capital expenditures in this area are for planned construction projects. Currently, the budget for these projects must exceed \$25,000 before an independent fund is established. Upon Council acceptance of the project, a fund (or project number) can be created for monitoring and compliance purposes. Revenue sources for these expenditures may be special assessments, bond issues, federal and/or state grants or funds set aside from other operating budgets. Funds must be available as needed to avoid costly borrowing for interim financing. Thus, the cash flow forecasts, liquidity and safety of principal must be primary considerations. Generally, grants used for capital projects require requisitions before funds are available. City staff must insure timely filing of financial reimbursement requests to secure needed funds. If the finance department is not responsible for this filing, a copy of the filing must be copied by the responsible department and forwarded to finance.

Another type of capital fund is for the planned replacement and purchase of municipal equipment and capital building maintenance. Funds may accumulate for 2 to 10 years before they are needed. For this fund type, liquidity is predictable based upon the Capital Improvement Plan prepared as part of the budgeting process.

2 - INTRODUCTION

2.2 Types of Municipal Funds

Investment income is often a very important funding source for the replacement of existing equipment. Through an election in November, 1999, the City can levy \$.67/\$1,000 of taxable valuation to fund these improvements. A subsequent resolution designated 15% of these funds to be accumulated for large capital acquisitions.

Debt Service Funds - These funds are used for the retirement of outstanding notes or bonds and their associated interest and debt expenses (i.e., registrar fees). Traditionally the revenue source for this fund is property taxes or designated user fees. These may be requirements under the terms of outstanding bond indenture agreements. The time when the funds will be needed is known fairly accurately. If investment interest earnings are accumulated, it is considered a portion of the funds that will be available to retire the debt. The safety of principal is crucial when dealing with debt service funds. Expenditures of debt service funds are directly related to the issuance and retirement of the debt. Constant market monitoring may reveal possible savings through refinancing or restructuring of outstanding debt. All bonds and coupons are registered with a registrar and paid through that agent. Many bond sales are now done through book entry only, and no physical bond is produced. It is paramount that accurate, reliable information is maintained by the registrar to insure the timely payments of bonds and their associated interest. Annual reporting requirements must also be met to all bond holders. Failure to do so would jeopardize the credit of the City.

Tax Increment Financing debt pledges property taxes from newly created taxable value for the retirement of principal and interest. When incurring and structuring debt of this type, care should be taken to insure sufficient revenue growth will occur to retire the debt and related expenses.

Debt used to finance enterprise projects should demonstrate sufficient user's fees are available to support the debt and related expenses. Often, bond covenants will require additional reporting and levels of reserves to be maintained and properly demonstrated annually.

Retirement and Pension Funds - These funds have two important differences from all other funds. First, the majority of the responsibility has been transferred to the state Police and Fire Retirement System (Iowa Code 411). The provisions for the pension funds (Iowa Code 410) will terminate through the attrition of all grandfathered-in participants. Property taxes and interest earnings are the only revenue sources for these funds. Again, taxes can only be assessed on an as-needed basis. Within Marshalltown, residual funds

2 - INTRODUCTION

2.2 Types of Municipal Funds

from the City-managed Police and Fire Retirement System prior to 1992 have been designated to pay the City's share of the assessments. As these funds are depleted, the Council has phased in the use of property taxes. (For more details see the debt service policy).

Surplus, Emergency or Contingency Funds - At the time of this writing, the City is not in a financial position to accumulate reserves that are not earmarked for a specific use. The purpose of these funds could be to cover shortfalls caused by receipts that are a bit short of budget projections or emergency expenditures. Secondly, surplus funds accumulated when the economy is booming and revenues are strong, can help cover expenditures during recessions when revenues decline. Caution should be exercised to insure that the accumulation of such funds does not create an unwarranted burden on the taxpayers.

Enterprise Funds - These funds are for the sole support of self-funding activities such as transit or water pollution control. It is the goal of this fund group to be fully self-funded from user fees and direct grants. This fund type should contain operating, capital expenses and reserves for the exclusive use of the enterprise. (Start up funds were advanced for the creation of the Transit operation. (See separate resolution dated 5-96 concerning the repayment of contributed capital to the general fund from the Transit enterprise fund).

Internal Service Funds – This is an account for group insurance benefits, occupational insurance benefits, flexible benefits, and worker's compensation benefits provided to other departments on a cost reimbursement basis.

Pension Funds – This fund is used for pensions of disabled and retired police as provided under Chapter 410 of the Code of Iowa.

Agency Funds – These funds are used as a clearing account for cash resources collected by the City for distribution to the authorizing recipient. For example, sales tax due to the state, or funds held for Friends of the Library.

3 - CASH RECEIPTS AND RECEIVABLES

3.1 - Internal Control

INTERNAL CONTROL

Proper control of cash and receivables is very important to the City. This is especially difficult (particularly with a limited staff) because a true segregation of duties and establishment of internal controls requires a clear-cut separation of activities. This is very challenging when responsibilities are shared. Without proper controls and policies, cash can be easily misappropriated; therefore, in accordance with good internal control, the following procedures need to be monitored and control must be established.

RECEIPT NUMBERING - All receipts must be pre-numbered, out of the control of those receiving cash or cash equivalents.

CASH DEPOSITS - Not less than daily, the City Clerk or the Clerk's designee, shall deposit all receipts of the City in accounts designated for such purpose in legal depositories, authorized by the City Council.

SPECIAL DEPOSITS - All special deposits or amounts in excess of \$5,000 shall be deposited the same day as received, unless received after two o'clock (14:00 hours), in which case the deposit shall be placed in the night deposit box of the bank for safe keeping to be deposited in the morning.

DIRECT DEPOSITS - ACH REMITTANCES. THIS IS A FORM OF ELECTRONIC FUNDS TRANSFER (EFT) - Revenues due to the city such as property taxes, Road Use Tax Allocations, HUD payments or grant programs may be deposited directly into the accounts of the City with authorization of the City Treasurer/Finance Director and the respective agency. This method of fund transfer can be initiated by either the payer or the City. This transaction may incur some expense from the bank and bookkeeping departments. (Currently, the banking agreement does not assess any fees for this service)

CREDIT CARD REMITTANCES - Payments for services may be accommodated using credit card remittances for the payer's convenience when paying fines, purchases, etc. This method can reduce remittance, processing and bank float. The drawback to his method of payment is that the surcharge cannot be passed on to the payer if those paying by other methods are not assessed the added charge.

SEPARATION FROM DUTIES. Each employee who handles cash or has the ability to process payroll. accounts receivable or accounts payable must be removed from those duties for at least five consecutive days each year. This is usually done during vacations.

3 - CASH RECEIPTS AND RECEIVABLES

3.1- Internal Control

This mechanism can also be used for disbursements, i.e., automatic deposits for payroll or rent assistance payments. ACH was designed as a cost-effective replacement for checks.

WIRE TRANSFERS - With the wire transfer, only the payer can originate the remittance. The advantage to a wire transfer is its availability the same day. The disadvantage is the expense. Banks often charge a fee to initiate each wire and another fee from the receiving bank. Due to limits and regulation of the Federal Reserve, time limits are imposed making only morning transfers practical. ACH should be the method of choice with advance planning.

NIGHT DEPOSITS - Remote locations such as the swimming pools and compost facilities will be required to take daily receipts to the night deposit box of the banking institution designated for this purpose. The transit division is required to make, at a minimum, weekly deposits. This procedure will be followed to insure the safety of city receipts and to facilitate the bank deposit.

3 – CASH RECEIPTS AND RECEIVABLES

3.2 Receipt Payment Processing

CENTRALIZED COLLECTION POLICY

The more focused the City collection can be into one centralized collection point, the more efficient collection can become. All departments must use this centralized collection for funds due to the City unless specifically exempted such as the library and parks and recreation fees. Advantages of a centralized collection program include:

- Less confusion for the public;
- Dedicated staff whose primary function is to collect monies due to the City. This person is familiar with City policy and fee schedules;
- Consolidation of accounts that combines debts of one citizen or customer from several departments, centralizes information on the customer or citizen who may use various names, company names or other related parties;
- Facilitates information collection on citizens or groups with poor payment or City service abuse histories, possibly preventing another collection problem, i.e., staff can monitor credit or rental histories on individuals or groups requesting permits, rent on facilities or other City services;

3 – CASH RECEIPTS AND RECEIVABLES

Receipt Payment Processing

- Economies of scale (i.e., more than one delinquent bill with the City from different departments) can increase efficiency which makes the use of credit reporting services feasible and worthwhile; prevents other departments from setting up payment schedules or other payment arrangements which need to be monitored for compliance; and referring accounts to the collection staff or agency on a more timely basis;
- Decreases turn-around time from receiving department (point of collection) to point of deposit (into the bank);
- Gives the City the ability to compare funds owed to debtor for services provided to the City to pay for outstanding balances.
- Gives the City the ability to initiate the payment to itself. An example of this occurs when the City reaches out each month and electronically taps its customer's bank accounts on a prearranged, pre-approved basis. This is an automated clearing house (ACH) debt.
- Allows the City to accept credit card payments at pre-approved sites only (City Clerk and Park & Recreation).

One of the biggest drawbacks of the centralized collection point is the need for support from the City Administration and the cooperation from all departments to invoice debt due the City in a timely manner. In addition to the centralized billing and collection for services and materials, additional assistance, such as legal staff and collection agencies must be considered as part of a comprehensive collection policy.

PAYMENTS BY MAIL - A monitoring mechanism must be in place to safeguard the funds (cash and checks) which are received by any City department. Based upon recommendations of the external auditors, a person, independent of those receipting the money should be responsible for opening the mail and periodically create a log of cash and checks received to compare with the receipt of the day to insure complete and accurate receipt processing.

IN-PERSON CASH PAYMENTS - This procedure requires the immediate receipting of the payment into the cash register system, as the payer is standing at the counter. It is important that all information is available to quickly and accurately credit the customer in an efficient and friendly manner.

3 – CASH RECEIPTS AND RECEIVABLES

Receipt Payment Processing

To insure accuracy in receiving cash, staff alternates reconciling the cash drawer. In addition to alternating the procedure known as ‘closing the drawer’, care should be taken to enter the amount contained in the drawer (i.e., how many pennies, nickels, dimes, etc.) **before** the activity report is generated by the cash register. The activity report displays the amount of cash and checks taken in during the business day. If the person ‘closing the drawer’ enters the denomination of cash, checks and coins, the second person of the office should run the cash register summary report and verify that they match. All discrepancies over a tolerable limit should be reported to the Finance Director/City Treasurer. A tolerable limit as of the adoption of this Policy shall be 1% of the petty cash balance held by the City Clerk. Each office should be sure to monitor the level of petty cash activity to insure sufficient funds to make change. This amount is recorded within the Finance Department.

The City has established a consolidated bank account or “central depository”. All cash and checks are deposited into that account. to limit fraud. Separate accounts have been created for transactions dealing with the use of credit card receipts and outside agencies debiting or crediting an account of the city.

The use of a central depository:Requires that sufficient accounting records be maintained to provide reporting of cash balances for each fund of the City;

Permits the concentration of cash to obtain large blocks of cash for deposit and investment purposes

A cash receipt journal and revenue/receivable subsidiary ledger shall be recorded as part of the general ledger.

3.3- Bad Checks

BAD CHECKS

The return of a bad check shall be sent to Cyber-Collect for collection. Fees associated with these returned items is collected directly by Cyber-Collect.

3 – CASH RECEIPTS AND RECEIVABLES

3.4-Billed Accounts (Receivables) Procedures

BILLED ACCOUNTS

The City invoices citizens and customers who have not paid when the transaction has not been paid when due. Payments shall be allowed by cash, check, credit card ACH or wire transfer.

Payment for items invoiced can be received by mail or delivery to the Clerk's office at City Hall during normal business hours. The Police Department (for police related items only), Park & Recreation Department (for P&R items only), the library, pools and compost facility can accept payment for cash sales or services at the respective site.

Payment in full is expected within thirty (30) days from the date the invoice was originally billed. Many debtors are willing to pay their accounts, however, they may not be able to pay their accounts in full. In such cases, the City will allow partial payments with a written payment plan approved by the Finance Director. Arrangements for partial payments allow debtors to pay what they can, when they can, until the balance is paid in full, or they may pay a set amount until the balance is paid in full.

Collection of Delinquent Revenues

Delinquent Accounts. Delinquent accounts refer to those accounts that are past due by a predetermined number of days. The due date varies by the type of account. Some accounts are due when the license or permit is issued, i.e., building permits. Other accounts become delinquent thirty days past the invoice date, i.e., parking tickets. All items invoiced through the City Clerk's office are delinquent after 30 days from the original billing date. When an account becomes delinquent, a systematic, aggressive collection procedure should be implemented according to established policy. Because delinquent accounts become more difficult and expensive to collect, it is necessary to encourage prompt payment of all debts due to the City.

For Non-Parking Accounts:

If an account is over 30 days old, the City will no longer consider this amount current and may begin to pursue a more aggressive approach other than the monthly statement. Delinquent accounts shall be aggressively pursued through the use of the following alternatives:

- Stamp the statement "past due" with a sheet included that says one of the following actions will be taken.

3 – CASH RECEIPTS AND RECEIVABLES
3.4-Billed Accounts (Receivables) Procedures

- Begin assessing interest based on the guidelines listed above. Any accounts not paid within 30 days will have interest assessed to their account at one and a half percent (1 ½%) per month. Interest to other cities will be deferred to sixty (60) days to allow council approval of expenditures (due to timing differences the other cities may not meet Marshalltown’s 30-day period). Exceptions to the interest assessment is allowed for the following reasons: accounts that have been billed for reimbursement under a federal or state grant program and billings for the E911 system.

- Revoke the offender’s license until bills are paid in full.

- Net the amount due the debtor by any amount that is owed to the City
- Certify the bill to taxes: If a bill is delinquent for services rendered and can be assessed to taxes with a reasonable expectation of collection (property is not likely to be sold at tax sale), the City Clerk shall be directed to submit to the City Council, a list of such bills to be certified to the taxes. As per the Iowa Code, the City Council must approve this list prior to certification. It is the intention of the City to try and recoup the administrative fees incurred. All accounts that are assessed to taxes will have an administrative charge added to the original charge.

- Take to small claims court if the amount exceeds \$50.00. The Court costs will be added to the original bill.

- File for a court order for a garnishment or wage attachment for the amount due plus expenses.

- Cite as a municipal infraction assessing a fine based upon the appropriate code section.

4 – CASH RECEIPTS AND RECEIVABLES
3.4-Billed Accounts (Receivables) Procedures

- Turn the bill over to a third-party collection agency: City staff is too generalized to aggressively pursue the collection of delinquent accounts. Therefore, the use of outside collection agencies is warranted. The use of a collection agency can benefit from the economics of scale and a dedicated focus on collections. This method, though proven somewhat effective, does reduce the anticipated revenue because of the collection fees. All staff should insure that every avenue has been exhausted for the full amount before using the collection agency.

- Put the offender on a “hot sheet”. If an individual or business is more than 60 days delinquent in payment (this would give them a total of 90 days from the original invoice date) of the amount due to the City, their name is added to a list that will prohibit any future issuance of any license or permit by the City (in accordance with Section 1-12 of the City of Marshalltown Code of Ordinances) until all accounts are paid. In addition, all future transactions will be on a cash, certified check or credit card only basis.
- File the overdue account (must exceed \$50) with the state for offset from any income due from the state.

For Parking Accounts:

Thirty days after a ticket is issued, the Finance Department shall see that an invoice is prepared and mailed to each ticket holder. (See the Parking Ticket Procedure manual for more detail). At the end of sixty days after a ticket has been issued, the ticket shall be considered delinquent. Further collection procedures shall be pursued including but not limited to one of the following options:

The Habitual Violator Law. All vehicles with five or more delinquent tickets will follow the rules pertaining to this ordinance. Under this law, the City will tow the offender’s vehicle. The offender has to pay all outstanding fines, an administrative charge and the towing fee before the individual will get the vehicle out of impound

2) *DMV-Plate Tagging.* All license plates with five or more delinquent tickets will be tagged (flagged) at the Department of Motor Vehicles to insure that renewal of said license plate will be denied until all parking tickets owed to the City have been satisfied. At the time of this writing, the funds collected at the DMV are deposited into a special account designated for this purpose.

1) *For parking tickets in excess of \$50.* All licenses having \$50 or more over due can be sent to the state for offset from any income due from the state.

District Court. When one individual holds five delinquent tickets, or has accumulated more than \$50 in delinquent fines, the City may file a claim with the Clerk of District Court. Upon conviction, this will create a flag within the County licensing system, preventing the renewal of automobile licenses until full payment for the parking tickets is received. Under this method, the City will receive 90% of the ticket owed. *Third Party Collection Agency.* If the individual holds tickets less than \$50 or five tickets, and has not made any attempt to pay the unpaid fines. The City shall certify the delinquent amount to the collection agency for further action. This method presumes that the City will receive only 50% of the outstanding amount.

3 – CASH RECEIPTS AND RECEIVABLES

3.5 Write Offs

Write-Off Policies

In some instances, governments may be compelled to write off delinquent accounts. Such action usually takes place after all collection efforts have been exhausted and the account is either considered to be uncollectible or the amount owed is too small to warrant further collection efforts. The following circumstances will be used by the City of Marshalltown:

1. Discharged bankruptcy. The account has been discharged through bankruptcy court and the file has been noted with the date filed, number, court district, and date of discharge.
2. Wrong Responsible Party. The account was referred in the name of a company or individual that cannot be held liable for the debt.
3. Deceased. Debtor is deceased with no estate.
4. Invalid Referral. The account was assigned in error. A billing should not have been generated.
5. Court Refuses Judgment. The debt could not be substantiated in court.
6. Outlawed. The statute of limitations has run out without payment or promise of payment since the last transaction.
7. Amount Doesn't Warrant Further Effort. No response to demand for payment. Further pursuit would not be cost effective.

Each write off must be approved by the Finance Director.

4 - INTERNAL CONTROL FOR INVESTMENTS AND BANKING SERVICES

INTERNAL CONTROL FOR INVESTMENTS

The City Treasurer/Finance Director and City Administrator shall, in accordance with the Code of Iowa and the City's Investment Policy, invest all idle funds of the City. For purposes of internal control, the purchase of an investment shall be executed as follows:

The City Treasurer/Finance Director shall:

- 1) Identify idle funds and determine possible length of investment (type of fund, operating vs. reserve) and date of need

IF OPERATING:

- 2) If less than 30 days, deposit in savings account or interest bearing checking account

If more than 30 days but less than 365 days, request quotes from the qualified institutions as designated by the council, requesting rate and calculation method

IF RESERVES OR BOND COVENANT

- 2a) If less than 30 days, deposit in savings account or interest bearing checking account

If more than 30 days, get quotes from the qualified institutions as designated by the Council, requesting rate and calculation method

NOTE: Check authorized investment types for this category of investment, i.e., Bond Resolutions

- 3) Advise/consult with the City Administrator, term, quote on all rates and recommended activity
- 4) Advise all participating institutions of quote results
- 5) If a wire transfer is to be made for an investment, the Accounting Manager is to proof and verify these entries prior to posting into the accounting system.

4- INTERNAL CONTROL FOR INVESTMENTS AND BANKING SERVICES

RECONCILIATION

The Accounting Assistant or Accounting Manager shall reconcile all investments insuring that original documents of the transaction are received from the participating institution and are consistent with monthly and/or quarterly statements.

Annually the Accounting Assistant shall reconcile the 1099/s received from all institutions holding interest-bearing funds of the City and report the verification to the City Treasurer.

Audit reports are vital and can identify for the Council those areas needing improvement based on this, the investment and purchasing policies. Most audits:

- 1) Test for the accuracy of investment data obtained from third parties, especially market prices
- 2) Test the accuracy of other information in investment reports, especially data that is not reconcilable, such as CUSIP numbers
- 3) Test the adequacy of investment accounting and settlement controls
- 4) Test the accuracy of investment policy compliance

CONTROLS OVER BANKING SERVICES

Banking services shall be awarded through competitive bid to local banking institutions. The most favorable institution must demonstrate security, efficiencies, community commitment as well as favorable banking fees.

The Finance department shall monitor and record all banking activity for the City. Security from thief or fraud is of utmost importance.

Types of Accounts to be used:

- General Deposit Account: This account is designed for cash deposits from the City Clerk, pool, compost facility, and transit. No checks or outside party activity will be allowed access to this account.
- Funnel Account: For those agencies and credit card vendors doing electronic transactions with the City, this account has been established. No Checks or cash deposits are allowed on this account.

4- INTERNAL CONTROL FOR INVESTMENTS AND BANKING SERVICES

- Payable and Payroll Accounts: All checks written by the City for employees or outside vendors will be written from these accounts. No electronic transactions from outside agencies or cash deposits are allowed access to these accounts.
- DMV Account: This account is maintained for those deposits collected by the DMV on behalf the City.
- Other miscellaneous accounts: From time to time various accounts may be required by grantees or state statute.

Cash Disbursements:

All disbursements (including payroll), except for petty cash, are generated through the accounting system by check or electronic payment. Check stock is pre-numbered and with adequate physical control over unauthorized use. Those preparing checks are not allowed to sign the checks or have access to the checking accounts from which they are prepared.

5 - DISCLAIMER CONCERNING ORDINANCE SECTIONS

DISCLAIMER CONCERNING ORDINANCE SECTIONS

All ordinance sections referenced within this policy are in effect as of the revision date of the policy. If an ordinance is changed subsequent to the passage of this policy, all published ordinances changes supersede what is written within this policy.

GUIDELINES FOR DELINQUENT (NON-PARKING) ACCOUNTS RECEIVABLES

The following procedures will apply for all accounts that are past due:

- Stamp the statement with a “past due” notice for any accounts that are delinquent. Include a summary sheet of what type of action will be taken if the account is not paid in full.
- Charge interest after net 30 at a rate of one and one half percent (1 ½%) per month.
- Put the individual or business name on “hot sheet”. The names on the sheet will be required to pay cash, certified check or credit card for all future transactions. Individuals on the hot list may be denied city licenses and permits under Section 1-12 of the Municipal Code.
- Net any amounts payable to the delinquent individual or business by the amount that is owed to the City until the account is paid in full. Proper accounting procedures will still be implemented to maintain accuracy for correct revenue and expenditure classifications.
- For accounts delinquent in excess of \$50, utilize the income offset program whereby any income due from the state can be offset by the amount owed to the city.
- If all attempts for collection have failed, the amount should be written off and sent to a third party collection agency. This should not be utilized until all other efforts have been made since the local collection agency automatically receives 50% of the amount sent to their agency.

GUIDELINES FOR DELINQUENT (NON-PARKING) ACCOUNTS RECEIVABLES

Rental Registration or inspection fees

- Cite for a municipal infraction fine based on the amount established in Code Section 15.5-5 (g & h) of the Code of Ordinances if not paid within 90 days (as of April 2000 the amount is set at \$100.00).
- Under Iowa Code, 364.17 the City may charge a late payment fee of twenty-five dollars and may add interest of up to one and one-half percent per month if a fine is not paid within thirty days of the date that the fine is due. A notice of the late payment fee shall be sent by first class mail to the owner's personal or business mailing address.
- Any unpaid penalty, fine, fee or interest constitutes a lien on the real property and may be collected in the same manner as a property tax.
- Send a letter stating the "letter of compliance" will be revoked if not paid within 120 days. Issue a tenant eviction notice of not paid within the time frame. Based on Code of Ordinance Section 15.5-5 (b, f & h).

License & Permits

- Cite for a municipal infraction. (Code Section 17-6 of City of Marshalltown Code of Ordinances)
- Revoke license until payment is made to the City. Issue a letter to the offender stating license will be revoked if not paid within 10 days of the letter.
- Attach a mechanic's lien against the property.

False Alarms

- Cite for a municipal infraction based on Code section 17.245 of Code of Ordinances (as of April 2000 the amount is \$100.00 based on Code Section 1-8).

Nuisances

- Cite for a municipal infraction (Code Section 1-8)

- Certify the costs to the county auditor to be collected in the same manner as general property taxes (Code Section 21-71)

Rent Assistance Promissory Notes

- Issue a wage attachment or garnishment against the individual (if employment is known).

Miscellaneous Undesignated

- Send to small claims court if the amount equals or exceeds \$50.00
- Send to the local credit bureau collection agency for any amounts under \$5035.00.

**GLOSSARY - CITY OF MARSHALLTOWN, IOWA
CODE OF ORDINANCES RELATIVE TO CASH MANAGEMENT**

The code sections can be revised by the City Council at any time. Reference the original Code of Ordinances for current wording. The date of the last revision is shown for informational purposes.

Municipal Infractions

General Penalty

Sec 1-8

- The doing of any act prohibited or declared to be unlawful, an offense or a misdemeanor by this Code or any technical code herein adopted by reference, or the omission or failure to perform any act, or duty required by this Code or any technical code herein adopted by reference, is unless another penalty is specified, punishable by a fine in a sum not exceeding one hundred dollars (\$100.00) or imprisonment not to exceed thirty (30) days.

State law reference-maximum penalty prescribed, ICA 364.3

Definition

Sec 1-9

12-11-89

- (a) *Municipal infraction*: Any violation of the Code of Ordinances, City of Marshalltown, Iowa, any ordinance or code adopted by reference or the Zoning Ordinance of the City of Marshalltown, Iowa, or the omission or failure to perform any act or duty required thereby, is a municipal infraction, except those provisions specifically provided under state law as a felony, an aggravated misdemeanor, a serious misdemeanor or a simple misdemeanor under Chapters 687 through 747 of the Iowa Code, and is punishable by civil penalty as provided herein.
- (b) *Repeat offense*: A recurring violation of the same section of the Code of Ordinances, City of Marshalltown, Iowa, any ordinance or code adopted by reference or the Zoning Ordinance of the City of Marshalltown, Iowa, if the prior offense was committed not more than twelve (12) months prior to the recurring violation.
- (c) *Officer*: The term officer shall mean any employee or official authorized to enforce the Code of Ordinances, City of Marshalltown, Iowa, any ordinance or code adopted by reference or the Zoning Ordinance of the City of Marshalltown, Iowa.

Payment of Fees or Fines

Sec 1-12

06-10-96

- Prior to the issuance of any license or permit by the city, the city clerk shall make a diligent search of city records to determine if the applicant owes any fines or fees to the city. If there are fines or fees due and owing, such fines and/or fees shall be paid in full prior to the issuance of any license or permit.

Application

Sec 15.5-3

- This chapter applies to all rental dwelling units within the city, except hotels, motel, or buildings owned by the State of Iowa or political subdivision thereof, state-licensed health and custodial facilities and owner-occupied single-family dwellings.

• Violations and Penalties

Sec 15.5-5

02-10-97 No owner

or operator shall rent or offer for rent any dwelling unit for use in whole or in part for human habitation, unless a valid letter of compliance has been issued for any such dwelling unit to the current owner, subject to the following exceptions:

- 1) Any dwelling unit in which a valid letter of compliance issued to a previous owner is in effect at the time of acquisition by the current owner, and the current owner has filed an application for a letter of compliance; or
- 2) Any dwelling unit in which a valid letter of compliance is not in effect at the time of acquisition by the current owner and the current owner has filed an application for a letter of compliance, and any of the following has occurred:
 - a) The housing inspector conducted an inspection of the dwelling unit, and it was found to conform to the requirements of this chapter; or
 - b) After an inspection conducted by the housing inspector resulting in a finding that the dwelling unit failed to conform to the requirements of this chapter, the current owner entered into a written agreement with the housing inspector, detailing a program to abate nonconformance with the requirements of this chapter, and such agreement was successfully completed or is still in effect; or
 - c) The housing inspector failed to conduct an inspection of the dwelling unit within ten (1) working days from the filing of an application for a letter of compliance for the dwelling unit by the current owner. However, if the housing inspector thereafter conducts an inspection, the exception provided by this subsection c shall no longer be in effect, and the requirements of subsections (a) (2)b of this section shall apply.

Annual registration of residential rental property shall constitute an application for the letter of compliance:

- a) No person shall occupy, nor shall the owner or operator allow any person to occupy, any dwelling unit more than thirty (30) days after the effective date of the denial or revocation of a letter of compliance or that dwelling unit or after the housing inspector finds that the vacation of the dwelling unit is necessary before abatement of a nonconformance can reasonably proceed.
- b) No person shall occupy, nor shall the owner or operator allow any person to occupy, any dwelling unit in excess of the maximum occupancy permitted in Section 15.5-40.

- c) No person shall permit a state of nonconformance to exist after the time set by the housing inspector or abating the nonconformance.
- d) No person shall fail to fulfill the specific obligations placed upon them by the provisions of this chapter relating to minimum property standards, whether they be owner, operator or occupant.
- e) No owner of property regulated by this chapter shall fail or refuse to pay a fee in the method and within the time required, prescribed by Section 15.5-8 and applicable resolutions of the city council; nor shall any owner fail to submit a completed registration form to the housing inspector, in accordance with the requirements of Section 15.5-7.
- f) Willful or repeated noncompliance with the requirements of this chapter by the owner, operator, or occupant shall constitute a misdemeanor, punishable by a fine of up to one hundred dollars (\$100.00), or imprisonment up to thirty (30) days in the county jail. Each day of noncompliance will constitute a separate violation.
- g) Persons in violation of sections 15.5-5(a) through (f) may, for each such violation, be cited for a municipal infraction and be subject to such civil penalties as defined in Section 364.22 of the most current Iowa Code. Such persons shall also be liable in such case for all costs, expenses, and disbursement of any such violation. Such persons shall also be liable to eviction or to revocation of the letter of compliance.
- h) The housing inspector, upon finding an apparent violation of this section, may institute appropriate legal proceedings.
- i) Application for a hearing under section 15.5-17 shall stay the effective date of the enforcement of this section unless an emergency exists.

Yearly Registration

Sec 15.5-7

8-23-93

- a) The registration form shall request an updating of at least the same information as required by section 15.5-6, and shall be submitted to the housing inspector prior to July 31 of each year or within fourteen (14) days of closure when acquiring residential rental property.
- b) The housing inspector shall mail a registration form to all registered residential property owners by July 1 of each year. The owner shall return the completed registration form to the housing inspector within thirty (30) days of receipt of same. Failure to complete or return the registration form shall result in a revocation of the letter of compliance, or denial of the application for the same and/or cited as a municipal infraction.

Fees

Sec 15-5-8

8-23-93

- There shall be established annually a reasonable schedule of fees for the purpose of partially defraying the cost of inspection, enforcement and administration of the provisions of this chapter. Said fee schedule and the times and methods for payment thereof shall be established by resolution of the city council. Amounts due and payable under said schedule of fees shall constitute a debt owned to the city and may be enforced and collected as such. Failure or refusal to pay fees required shall also constitute a violation of this section.

Licenses and Business Regulations-Penalty Sec 17-6

- Any person violating any of the provisions of this chapter or proceeding in a manner different from, or contrary to the mode and procedure herein stated, or failing or refusing to procure a license when required to do so by the provisions of this chapter, or to do any of the acts for which a license is required herein without such license, shall be deemed guilty of a misdemeanor and upon conviction thereof shall be punished in accordance with section 1-8. The violation of any of the provisions of this chapter on a separate and distinct days shall each be considered a separate and distinct offense. The violation by the licensee or his employees of any of the provisions of this chapter may be sufficient cause upon conviction for revocation of the license by the mayor or council. The penalties provided herein are in addition to any fees, charges, forfeitures or liabilities otherwise imposed.

False Alarms

Sec 17-221

9-11-95

- Each alarm having its alarm terminate at the police station, either silent, telephonic, or having an outside audible (local) alarm on the premises within the meaning of this article will be allowed no more than two (2) in any calendar year. For every false alarm over two (2) the responsible party shall be billed at a rate established by resolution of the Council.. Said billing shall be made monthly by the city. An authorized test of the alarm system shall not be considered a false alarm, providing notice of such test has been relayed to the police department and approved by the police department prior to said testing. The service fee shall be assessed against the occupant of the address protected by the alarm. The police chief shall have discretion to waive the service fee for good cause.

Alarm Devices Terminating at City Facilities Sec 17-224

9-11-95

- A burglar or holdup alarm may terminate and give a signal at the police station. Any alarm company having such alarm panel terminating at the police station shall be billed one thousand dollars (\$1,000.00) per year for the service. The police chief may set standards and rules regulations governing such equipment and may limit the number of alarm systems so terminating.

Municipal Infraction

Sec 17-245

- Any violation of this alarm systems article shall constitute a municipal infraction punishable as a civil penalty as provided in the Marshalltown Code of Ordinances.

Public Nuisances - Definitions

Sec 21-61

11-14-83

- As used in this article, the following words and phrases shall have the meanings ascribed to them in this section:

Nuisance shall mean whatever is injurious to health or safety, indecent or offensive to the senses or an obstacle to the free use of property so as essentially to interfere with the comfortable enjoyment of life or property. The following are declared to be nuisances:

- i) Dense growth of all weeds, vines, brush or other vegetation in the city so as to constitute a health, safety, or fire hazard
- ii) Inoperable or unlicensed vehicles found upon public private premises which are not stored under a permanent roofed enclosure. Mere licensing of an inoperable vehicle shall not constitute a defense to the finding that the presence of any vehicle constitutes a nuisance.

Procedures for Collection

Sec 21-71

4-11-74

- The clerk shall mail a statement of the total expense incurred to the real property owner who has failed to abide by the notice to abate, and if the amount shown by the statement has not been paid within 30 days, he shall certify the costs to the county auditor and it shall then be collected with and in the same manner as general property taxes.