



Borough of Dormont Financial Policies and Procedures

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Statement of Purpose

The financial integrity of our Borough government is of utmost importance. To discuss, write, and adopt a set of financial policies is a key element to maintaining this integrity. Our Borough has evolved with a variety of financial policies that can be found in many different sources including: Borough Council Resolutions and Ordinances; Budget documents; and Capital Improvement Programs. The set of policies within this document serve as a central reference point of the most important of our policies, which are critical to the continued financial health of our local government.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the Borough, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing the Borough. They will promote sound financial management and assist in the Borough's stability, efficiency, and effectiveness.

Financial Goals

The Borough of Dormont's financial goals seek to:

- Ensure the financial integrity of the Borough;
- Manage the financial assets in a sound and prudent manner;
- Improve financial information for decision makers at all levels including:
 - Policy makers, specifically Borough Council as it contemplates actions that may affect the Borough on a long- term basis; and
 - Managers as they implement policy on a day-to-day basis
- Maintain and further develop programs to ensure the long term ability to pay all costs necessary to provide the level and quality of service required by the citizens;
- Maintain a spirit of openness and transparency while being fully accountable to the public for the Borough's fiscal activities

Section 1: Accounting, Auditing, and Financial Reporting Policy

PURPOSE: The purpose of this Accounting, Auditing and Financial Reporting Policy is to establish and maintain high standards for accounting practices in the Borough of Dormont, thereby enabling residents, the Council, and the Borough Manager to make sound decisions in preparing and adopting the Borough budget and managing Borough finances through:

ACCOUNTING: The accounting practices of the Borough will conform to Generally Accepted Accounting Principles for local governments as established by the Governmental Accounting Standards Board. The Borough Manager will establish and maintain a system of fund accounting and shall measure financial position and results of operations using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary and fiduciary funds;

AUDITING: Annually the Council will cause the Borough's financial statements to be audited by a qualified, properly licensed independent accounting firm; and

MONTHLY AND ANNUAL FINANCIAL REPORTING: The Borough Manager will prepare monthly financial reports for the Council's review and for public dissemination. These reports will consist of:

- **Budget Report** showing revenues collected and appropriations expended for the previous month with the variance from the budget amounts for each line item;
- **Statement of Revenue, Expenditures, and Changes in Fund Balance** showing revenues and expenditures and the difference between the two, the beginning fund balance for the period, the ending fund balance; and
- **Balance Sheet** showing Borough estimated assets less liabilities and fund balance.

The Borough Manager will also prepare an annual financial report. This report will include financial statements for each of the funds of the Borough, as well as appropriate additional disclosures as necessary for the complete understanding of the financial statements presented. In addition, the annual report will include a narrative discussion and appropriate graphics explaining how the Borough's current financial position and results of financial activities compare with those of the prior year and with budgeted amounts. This report, together with the most recent independent auditor's report will be reproduced in the Borough's newsletter each year.

Section 2: Purchasing Policy

PURPOSE: The purpose of this Purchasing Policy is to: obtain the highest quality goods and services for the Borough of Dormont at the lowest possible price; exercise financial control and oversight of the purchasing process; clearly define purchasing authority; allow fair and equal opportunity among qualified suppliers; and provide for increased public confidence in the procedures followed in public purchasing.

PURCHASE AUTHORIZATION: No purchases over \$1,000 shall be made by any Borough officer or employee without prior approval of the Council. When making any purchase over \$100 not subject to the bid process described below, officers and employees must solicit quotes from at least two vendors unless the Council has approved a sole source vendor. Suppliers will be selected based on cost, the quality of the goods and services offered, and the ability, capacity, and skill of the vendor demonstrated under prior contracts with the Borough.

BID PROCESS: Pursuant to the Borough Code purchases of \$18,900.00 or more shall be subject to a bid process as required in the State of Pennsylvania Borough Code. Items from \$10,200 to \$18,900 require 3 written quotes. The bid process shall be initiated by the issuance of a Request for Bids, Request for Proposals, Request for Quotations or similar process, prepared by the Borough Manager. Notice of the request for bids shall be made by letters to known providers soliciting bid responses, advertisements posted in a public location within the Borough, and advertisements placed in a newspaper of general circulation in the region.

BID SPECIFICATIONS: Bid specifications shall include:

1. Bid name.
2. Bid submission deadline.
3. Date, location, and time of bid opening.
4. Specifications for the project or services including quantity, design, and performance features.
5. Bond and/or insurance requirements.
6. Any special requirements unique to the purchase.
7. Delivery or completion date.

Once a request for bids has been issued, the bid specifications will be available for inspection at the Borough office.

BID SUBMISSION: All bids must be submitted in sealed envelopes, addressed to the Borough in care of the Borough Manager, and plainly marked with the name of the bid and the time of the bid opening. Bid proposals will be date stamped on the outside of the envelope immediately upon receipt. Any bid may be withdrawn in writing prior to the scheduled time for the opening of bids. Any bids received after the time and date specified shall not be considered and shall be returned to the bidder unopened.

Bidders shall bid to specifications and any exceptions must be noted. A bidder submitting a bid thereby certifies that the bid is made in good faith without fraud, collusion, or connection of any kind with any other bidder for the same work, and that the bidder is competing solely on his/her behalf without connection with or obligation to any undisclosed person or firm.

BID OPENING: Every bid received prior to the bid submission deadline will be publicly opened and read aloud by the Borough Manager or his/her designee. The bid opening will include the name and address of bidder; for lump sum contracts, the lump sum base bid and the bid for each alternate; for unit price contracts, the unit price for each item and the total, if stated; and the nature and the amount of security furnished with the bid if required.

CRITERIA FOR BID SELECTION: In evaluating bids, the Borough Manager and Council will consider the following criteria:

1. Price.
2. Bidder's ability to perform within the specified time limits.
3. Bidder's experience and reputation, including past performance for the Borough.
4. Quality of the materials and services specified in the bid.
5. Bidder's ability to meet other terms and conditions, including insurance and bond requirements.
6. Bidder's financial responsibility.
7. Bidder's availability to provide future service, maintenance, and support.
8. Nature and size of bidder.
9. Any other factors that the Borough determines are relevant and appropriate in connection with a given project or service.

The Borough reserves the right at its sole discretion to reject any and all bids, wholly or in part, to waive any informalities or any irregularities therein, to accept any bid even though it may not be the lowest bid, to call for rebids, to negotiate with any bidder, and to make an award which in its sole and absolute judgment will best serve the Borough's interest. Should this be recommended, the Borough Manager will provide a detailed explanation for the Borough Council and the public. The Borough reserves the right to investigate the financial responsibility of any bidder to determine his or her ability to assure service throughout the term of the contract.

CHANGE ORDERS: If specification changes are made prior to the close of the bid process, the Request for Bids will be amended and notice shall be sent to any bidder who already submitted a bid and a new bid process will be initiated. Once a bid has been accepted, if changes to the specifications become necessary, the Borough Manager will prepare a change order specifying the scope of the change. Once approved by the Borough Council, the contractor and an authorized agent of the Borough must sign any change order.

EXCEPTIONS

Sole Source Purchases: If the Borough Council determines that there is only one possible source for a proposed purchase, it may waive the bid process and authorize the purchase from the sole source. The Borough Manager will provide a detailed explanation for why the purchase is a sole source purchase.

Recurring Purchases: If the total value of a recurring purchase of a good or service is anticipated to exceed \$18,900_during any fiscal year, the bid process shall be utilized and shall specify the recurring nature of the purchase. Once a bid has been accepted, all future purchases shall be made from that bidder without necessity of additional bids, until such time as the Borough Council votes to initiate a new bid process.

Emergency Purchases: The Borough Council may award contracts and make purchases for the purpose of meeting a public emergency without complying with the bid process. Emergency expenditures may include immediate repair or maintenance of Borough property, vehicles, or equipment if the delay in such repair or maintenance would endanger persons or property or result in substantial impairment of the delivery of vital Borough services such as snow removal, police or fire services or even tax collection processes.

Professional Services: The bid process shall not apply to the selection of providers for services that are characterized by a high degree of professional judgment and discretion including legal, financial, auditing, engineering, risk management, and insurance services. The Borough Manager after approval by Council shall undertake a formal Request for Proposals process for special projects or for reevaluating existing recurring contracts when it is expected that the cost of professional services will exceed \$18,900.

State Contracts: The Borough Council may award contracts and make purchases from any Federal, State or Local purchasing contract without the need for following the formal bid process. These contracts, such as the Federal GSA or local SHACOG contracts have been professionally and formally specified and bid out and the resulting vendors therefore meet the spirit of the purchasing rules for the Borough.

Section 3: Cash Receipts, Petty Cash, and Returned Check Policy

PURPOSE: The purpose of this Cash Receipts Policy is to establish proper management practices by Borough employees when their assigned duties require the processing of cash, checks, and other receipts in order to instill public confidence in Borough operations and to provide accurate, reliable, and timely information upon which financial decisions can be made.

AUTHORIZED PERSONNEL: For internal control purposes, only the following officers, employees, and volunteers are authorized to receive funds on behalf of the Borough of Dormont: Borough Manager, Tax Collector, Mayor, Council members, Clerk Supervisor, Clerk/Receptionists, Recreation Director, Police Clerk, Building Official and Code Enforcement Officer.

PROPER PAYEE: All checks, money orders, and credit card payments, regardless of function, must be made payable to the Borough of Dormont. No instruments may be made payable to a Borough officer, employee, volunteer, department, committee, board, or group.

RECEIPTS: Persons authorized to receive funds on behalf of the Borough must issue a fully completed collection receipt for any cash received. The original completed receipt must be issued to the person from whom the funds are received. A copy of the receipt must be delivered to the Clerk/Receptionist with the funds. A separate copy of the receipt must be retained by the person authorized to receive funds for audit purposes.

SAFEGUARDING FUNDS: Safeguarding funds prior to deposit with the Bookkeeper is the responsibility of authorized personnel receiving the funds. All coins, currency, checks, credit card information, and money orders must be retained in a secure place until deposited with the Bookkeeper in accordance with the section PREPARING AND DEPOSITING FUNDS below.

PREPARING AND DEPOSITING FUNDS: Funds collected by authorized persons must be deposited with the Bookkeeper no later than the following business day. Each person depositing funds with the Bookkeeper must submit a report from the Borough's computer software or a spreadsheet or adding machine tape with each deposit. The Bookkeeper will count and verify the amount deposited in the presence of the person depositing the funds. All deposits made to the Bookkeeper will be issued a receipt or other acknowledgement. An employee of the Police Department will take the deposits to the bank daily and obtain copies of all deposit statements issued by the bank for the Bookkeeper. Each department will receive from the Bookkeeper a monthly list of deposits that have been verified through the bank statement. Any discrepancies shall be reported to the Bookkeeper immediately.

PETTY CASH: No officer, employee, volunteer, department, committee, board, or group may establish a petty cash system without consent from the Borough Council and the Borough Manager. The Borough Manager will appoint an officer, employee, or volunteer to be custodian for each petty cash account. A base petty cash amount must be determined by the Borough Manager. A lockable cash box will be used to store petty cash and must be locked at all times. The key will be kept in a secure location. Only the petty cash custodian and the Bookkeeper will have access to the locked petty cash box and key.

A pre-numbered, two-part receipt will be issued by the custodian or the Bookkeeper for each payment made out of the petty cash fund. This receipt is to be signed by the custodian or Bookkeeper and the officer, employee, or volunteer receiving the petty cash. Payments out of petty cash will be made only when a valid receipt is presented. Should prepayments out of petty cash be necessary, a memo explaining the purpose of the prepayment must be signed by the custodian or Bookkeeper and the officer, employee, or volunteer and placed in the petty cash box or drawer.

At all times, the total of receipts added to the cash remaining in the petty cash box must equal the predetermined petty cash amount. Under no circumstance will personal funds be used to compensate shortages. All shortages must be brought to the attention of the Bookkeeper immediately upon discovery.

RETURNED CHECKS: A check returned by the bank will be recorded in the accounting system against the revenue in which it was originally posted unless the check is replaced. First-time returned checks will be re-deposited. Upon second receipt of a returned check, the Bookkeeper will notify the check writer and inform him or her that his or her check did not clear and advise that there is a \$35.00 return check fee due. Thereafter, full payment, including the return check fee, must be in the form of cash, money order, or bank certified check.

Section 4: Credit Card Policy

PURPOSE: Credit cards provide a convenient method of obtaining goods and services for the Borough. However, by their nature, credit cards provide an opportunity for unauthorized purchases and fraudulent activity. The purpose of this policy is to establish criteria for the proper use of credit cards when conducting Borough business.

CARD HOLDERS AND LIMITS: The Borough Council will determine which officers and employees of the Borough will be authorized to use a Borough credit card and will establish appropriate limits for each purchase and the total credit limit for each card. Cards will be issued in the name of the Borough.

CREDIT CARD USE: Credit cards issued under this policy may only be used by authorized employees to conduct Borough business. Credit cards may not be used for personal purchases, cash advances, or purchases that exceed the Borough's authorized purchase limit. A cardholder who makes unauthorized purchases or advances will be liable for the amount of such purchases or advances, plus any administrative fees charged by the bank in connection with the misuse. Employees may also be subject to disciplinary action for misuse of a Borough credit card, up to and including termination.

SECURITY: Authorized credit card users are responsible for the card's protection and custody and shall immediately notify the Borough Manager and the Bookkeeper. They in turn will notify the Credit Card Company or bank if the credit card is lost or stolen.

DOCUMENTATION: Each month, with submission of the credit card bill to the Bookkeeper, authorized credit card users shall submit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the purchase, and the official business for which it was purchased. For over-the-counter purchases, documentation will include the invoice and customer copy of the charge receipt. For internet purchases, documentation will include a copy of the receipt and order conformation page. For telephone purchases, documentation will include a faxed copy of the receipt from the vendor.

Section 5: Debt Management Policy

PURPOSE: The purpose of this Policy is to establish the guidelines for the issuance of debt by the Borough of Dormont. Debt levels and the related annual debt service expenditures are important long-term obligations that must be managed with available short- and long-term resources. This policy also addresses the level of indebtedness that the Borough can reasonably expect to incur without jeopardizing its existing financial position and that meets all State of Pennsylvania requirements.

Adherence to a debt management policy, along with the utilization of other sound and prudent financial practices and the Borough's other financial policies, will assure the lending market that the Borough is well managed and will meet its obligations in a timely manner.

PLANNING AND PERFORMANCE: Debt management means adopting and maintaining financial plans for both the issuance and repayment of debt. The determination to issue new debt should normally be made as a part of the adoption of the annual capital budget, which prioritizes capital projects and identifies the various funding sources available for those projects. Planning for the repayment of debt will include analysis of the operating budget to determine if the fund will incur the additional debt service required by the new debt. For example, if the Borough can afford an extra \$10,000 per year without raising taxes but the annual payment of principal and interest will be \$12,000, then the debt should not be incurred.

USE OF SHORT-TERM AND LONG-TERM DEBT: Short-term debt shall be limited to borrowing to cover short-term, temporary cash flow shortages within the Borough's fiscal year through the use of tax anticipation or bond anticipation notes. Use of tax anticipation notes will only occur in those instances where there is an inadequate level of cash flow. Bond anticipation notes will be considered when cash is required to initiate a capital project prior to the receipt of bond proceeds. The Borough Council and Borough Manager should manage the Borough's finances so as to avoid the use of short-term debt whenever possible.

When determined to be in the best interest of the Borough by the Borough Council, long-term debt will be issued only for the acquisition, construction, or improvement of land, buildings, infrastructure, and public improvements that cannot be financed from current revenues or other resources. Current year budget appropriations and accumulated reserve funds will be used to minimize the amount of long-term borrowing that is required.

PURPOSE OF DEBT: General obligation debt funded by general fund property taxes shall be used for projects that provide a general benefit to Borough residents and that cannot otherwise be self-supporting. Debt incurred for use by an enterprise fund, even if backed by a general obligation pledge of the Borough, shall be self-supporting and repaid solely from the revenues of such fund, unless a general benefit to Borough residents can be clearly demonstrated.

REPAYMENT OF DEBT: The Borough Council and Borough Manager will conservatively project the revenue sources that will be utilized to repay any debt, and will analyze the impact on the citizens and businesses of the Borough of both the additional debt service as well as any additional operating expenses resulting from the improvement, to determine if new debt should be issued and to structure the appropriate repayment terms for each debt issue. The maturity of long-term debt shall be kept as short as possible to minimize the overall impact on the taxpayers during the life of the debt. However, the maturity should not be so short that the repayment will create an unreasonable burden. In no event shall the life of the debt exceed the life of the improvement being financed.

DEBT RATIOS: The Borough will follow all of the guidelines of the State of Pennsylvania Local Government Unit Debt Act and all other State and Federal Laws with regard to the amounts of debt that are permitted.

Section 6: Capital Program and Budget Policy

PURPOSE: The purpose of this Capital Program and Budget Policy is to establish a capital improvement program (CIP) for the Borough of Dormont. The capital assets of the Borough and their condition are critical to the quality of services provided to the municipality. A CIP is a multi-year financial plan for the construction or acquisition of capital assets. It provides for the planning of future financial resources and financing of projects (including allocations from current operating budgets, funding of capital reserves, or the use of capital debt). A CIP also identifies the future financial resources required to operate and maintain capital assets once they have been acquired. Through a CIP, the Borough can plan future operating budget expenditures, debt repayment requirements, and potential reserve fund needs in order to better manage its long-term financial position.

CAPITAL IMPROVEMENT PLAN AND BUDGET: The Borough Council will adopt a five-year CIP for the Borough of Dormont through the annual Budget process. This plan will include the Borough's plan of capital projects proposed to be undertaken during each of the following five years, the estimated cost of those projects, and the proposed method of financing. The Borough Council will review and update the CIP annually.

The CIP will be arranged to indicate order of priority of each capital project and to state for each project the following:

- (1) a description of each proposed project and the estimated total cost of the project;
- (2) the proposed method of financing, indicating the amount proposed to be financed by direct budgetary appropriation or duly established reserve funds, the amount estimated to be received from the federal or state government, the amount to be financed by impact fees, and the amount to be financed by the issuance of debt obligations (See Section 5 above for details), showing the proposed type or types of obligations, together with the period of probable usefulness for which they are proposed to be issued; and
- (3) an estimate of the effect, if any, upon operating costs of the Borough.

Each year, the Borough Council will develop a capital budget that lists and describes the capital expenditures to be undertaken by the Borough during the coming fiscal year. As resources are available, the capital budget will be incorporated into the current year operating budget.

CAPITAL EXPENDITURES: For purposes of the CIP, a capital expenditure is defined as any expenditure for land, land improvements, buildings, building improvements, vehicles, or equipment costing more than \$5,000 and any expenditure for infrastructure (e.g., roads, bridges, water and wastewater distribution and collection systems) costing more than \$25,000.

RESERVE FUNDS: In conjunction with the Borough's debt management policy, the Borough Manager shall annually propose funding of reserve funds to accumulate resources to pay for items included in the CIP. The use of such reserve funds should minimize large fluctuations in the tax rate and will reduce the need for incurring additional debt. Other capital improvements

may be funded by bond issue or through the operating budget.

PRIORITY CRITERIA: Capital projects and/or capital assets will receive a higher priority if they meet some or most of the following criteria:

1. The project or asset meets a policy goal or fulfills a strategic objective of the Borough Council and its adopted Comprehensive Plan.
2. The project or asset is required under a state or federal mandate, law, or regulation.
3. The project or asset will mitigate or eliminate a known safety hazard.
4. The project or asset will maintain and improve the delivery of public services to the majority of the population.
5. The project or asset will improve the quality of existing infrastructure.
6. State or federal grant funds are available to assist in funding for project.

Section 7: Investment Policy

PURPOSE: Moneys received by the Borough of Dormont may be invested and reinvested by the Borough Manager with the approval of the Borough Council. The purpose of this Investment Policy is to establish the investment objectives, standards of investing prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the proper management and investment of the funds of the Borough of Dormont.

This Policy does not apply to trust funds held by the Borough of Dormont. These trust funds are managed under a separate investment policy for trust assets, adopted by the trustees of public funds. It does not apply to bond fund investments made in accordance with applicable bond debenture requirements.

OBJECTIVES: The primary objectives in priority order of investment of the funds of the Borough of shall be safety, liquidity, yield, and local investment:

Safety: Safety of principal shall be the foremost objective of Borough funds. Investments will be undertaken so as to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk (the risk of loss due to the failure of the security) and interest rate risk (the risk that the market value of securities in the portfolio will fall due to changes in market interest rates). Credit risk will be minimized by diversifying the Borough's investment portfolio so that the impact of potential losses from any one type of investment will be minimized. Interest rate risk will be minimized by investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the Borough's investment portfolio.

Liquidity: The Borough's investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. This will be accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. The portfolio will consist primarily of securities with active secondary or resale markets. A portion of the portfolio may be placed in money market mutual funds to ensure liquidity for short-term funds.

Yield: The investment portfolio will be designed to attain a market rate of return throughout budget and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments will be limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

Local Investment: Where possible, funds may be invested for the betterment of the local economy. The Borough may accept a proposal from an eligible institution that provides for a reduced rate of interest, provided that such institution documents the use of deposited funds for community development projects. Local investment is of tertiary importance compared to the safety, liquidity, and yield objectives described above.

POOLING: Except where prohibited by law, cash and reserve balances from all funds will be consolidated to maximize investment earnings and to increase efficiencies with regard to: investment pricing; safekeeping; and administration. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

STANDARD OF CARE: The standard of care to be used by the Borough Manager and Borough Council shall be the prudent person standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

CONFLICTS OF INTEREST: The Borough Council and the Borough Manager shall refrain from personal business activity that could conflict with the proper execution and management of the Borough's investments or that could impair their ability to make impartial decisions. They shall disclose any material interests in financial institutions with which the Borough conducts business, and further disclose any personal financial or investment positions that could be related to the performance of the Borough's investments. Council members and the Borough Manager shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Borough.

INTERNAL CONTROLS: The Borough Council and Borough Manager will establish a system of internal controls, which shall be documented in writing to prevent the loss of invested funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Borough.

AUTHORIZED INVESTMENTS AND INSTITUTIONS: Public deposits shall only be made in qualified public depositories as established by Pennsylvania law. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Borough must supply the following as appropriate:

1. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
2. Proof of National Association of Securities Dealers (NASD) certification;
3. Proof of state registration;
4. Certification of having read and understood and agreeing to comply with the Borough's investment policy; and
5. Evidence of adequate insurance coverage.

The Borough Manager and Borough Council or their designee will conduct an annual review of the financial condition and registration of all qualified financial institutions and broker/dealers used by the Borough.

The following investments will be permitted under this policy:

1. U.S. Treasury obligations which carry the full faith and credit guarantee of the United States Government and are considered to be the most secure instruments available;
2. U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
3. Certificates of deposit and other evidences of deposit at financial institutions;
4. Bankers acceptances;
5. Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, D-1 or higher) by a nationally recognized rating agency;
6. Investment grade obligations of state and local governments and public authorities;
7. Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
8. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
9. Local government investment pools, either state-administered or developed through joint powers statutes, and other intergovernmental agreement legislation.

COLLATERALIZATION: Collateralization using obligations fully guaranteed by the full faith and credit of a Pennsylvania municipality, the State of Pennsylvania, and/or the United States Government will be required on certificates of deposit and repurchase agreements. The current market value of the applicable collateral will at all times be no less than 102% of the sum of principal plus accrued interest of the certificates of deposit or the repurchase agreement secured by the collateral. Collateral will always be held by an independent party, in the Borough's name, with whom the Borough has a current custodial agreement. Evidence of ownership must be supplied to, and retained by, the Borough.

SAFEKEEPING AND CUSTODY: All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by an independent third-party custodian selected by the Borough Manager as evidenced by safekeeping receipts in the Borough's name. The safekeeping institution shall annually provide a copy of its most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

REPORTING: The Borough Manager will have a quarterly investment report prepared that analyzes the status of the current investment portfolio and the individual transactions executed over the last quarter. The report will include a listing of individual securities held at the end of the reporting period, realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over a one-year duration that are not intended to be held until maturity, average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks, listing of investment by maturity date, and percentage of the total portfolio which each type of investment represents.

Section 8: Trustees of Public Funds Investment Policy

PURPOSE: In accordance with State of Pennsylvania law, funds held by a Borough in trust for any purpose, including pension trust funds, are under the charge and management of the Borough's trustees of public funds.¹ The trustees of public funds have the power to hold, purchase, sell, assign, transfer, and dispose of any of the securities and investments in which any of these funds are invested, as well as the proceeds of such investments.

The purpose of this Investment Policy is to establish the investment objectives, standards of investing prudence, eligible investments and transactions, reporting requirements, and safekeeping and custodial procedures necessary for the proper management and investment of those funds under the management and control of the trustees of public funds.

OBJECTIVES: The primary objectives in priority order of investment of the trust funds of the Borough of Dormont shall be safety, liquidity, yield, and local investment:

Safety: Safety of principal shall be the foremost objective of Borough trust funds. Investments will be undertaken so as to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk (the risk of loss due to the failure of the security) and interest rate risk (the risk that the market value of securities in the portfolio will fall due to changes in market interest rates). Credit risk will be minimized by diversifying the investment portfolio so that the impact of potential losses from any one type of investment will be minimized. Interest rate risk will be minimized by investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the investment portfolio.

Liquidity: The investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. This will be accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands.

Yield: The investment portfolio will be designed to attain a market rate of return throughout budget and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments will be limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Yield is of secondary importance compared to safety and liquidity objectives.

Local Investment: Where possible, trust funds may be invested for the betterment of the local economy. Local investment is of tertiary importance compared to the safety, liquidity, and yield objectives described above.

¹ Trustees of the Borough can be the Recreation Board who might handle only hundreds of dollars to the Pension Board which is responsible for millions of dollars.

STANDARD OF CARE: The standard of care to be used by the trustees of public funds shall be the prudent investor standard.

CONFLICTS OF INTEREST: The trustees of public funds shall refrain from personal business activity that could conflict with the proper execution and management of the Borough's trust investments or that could impair their ability to make impartial decisions. They shall disclose any material interests in financial institutions with which the Borough conducts business, and further disclose any personal financial or investment positions that could be related to the performance of the Borough's trust investments. The trustees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Borough.

AUTHORIZED INVESTMENTS AND INSTITUTIONS: In accordance with State of Pennsylvania law, the trustees of public funds are authorized to invest in:

1. Any security, including a revenue obligation, issued, insured, or guaranteed by the United States;
2. Such municipal bonds or other bonds that are rated at the time of the transaction by a nationally recognized statistical rating organization in one of its four highest categories;
3. Repurchase agreements or debt securities of any federally insured financial institution;
4. The shares of an investment company or a unit investment trust that is registered under the federal investment company act of 1940, as amended, if such mutual investment fund has been in operation for at least ten years and has net assets of at least \$500 million; or
5. Deposits in federally insured financial institutions as defined in subdivision 11101(32) of Title 8.

COLLATERALIZATION: Collateralization using obligations fully guaranteed by the full faith and credit of a Pennsylvania municipality, the State of Pennsylvania and/or the United States Government will be required on certificates of deposit and repurchase agreements. The current market value of the applicable collateral will at all times be no less than 102% of the sum of principal plus accrued interest of the certificates of deposit or the repurchase agreement secured by the collateral. Collateral will always be held by an independent party, in the Borough's name, with whom the Borough has a current custodial agreement. Evidence of ownership must be supplied to, and retained by, the Borough.

SAFEKEEPING AND CUSTODY: All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by an independent third-party custodian selected by the trust fund administrator as evidenced by safekeeping receipts in the Borough's name. The safekeeping institution shall annually provide a copy of its most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

REPORTING: The trustees will prepare a quarterly investment report that analyzes the status of the current investment portfolio and the individual transactions executed over the last quarter.

Section 9: Fraud Prevention Policy

PURPOSE: The purpose of this policy is to provide a mechanism for employees and officers to bring to the attention of the Borough's auditors any complaints regarding the integrity of the Borough's internal financial controls or the accuracy or completeness of financial or other information used in or related to the Borough's financial statements and reports. Borough employees and officers shall not be discharged, demoted, suspended, threatened, harassed, or discriminated against in any manner for raising reasonable questions concerning the fair presentation of Borough financial statements in accordance with this policy.

REPORTS OF IRREGULARITY: Any employee who has a complaint regarding the integrity of the Borough's internal financial controls or the accuracy or completeness of financial or other information used in or related to the Borough's financial statements and reports, or who observes any questionable accounting practices, should report such complaint to the Borough's auditors and Borough Manager or Council President.

The report should include a description of the matter or irregularity, the period of time during which the employee observed the matter or irregularity, and any steps that the employee has taken to investigate the matter or irregularity, including reporting it to a supervisor and the supervisor's reaction. The report may include, at the employee's option, the employee's contact information if additional information is needed. However a report shall not be deemed deficient because the employee did not include contact information.

Examples of reportable actions include any indication of fraud, misappropriation of Borough resources, substantial variation in the Borough's financial reporting methodology from prior practice or from generally accepted accounting principles, and the falsification, concealment, or inappropriate destruction of Borough financial records.

INVESTIGATION: Upon receiving such a report, the Borough's auditors in conjunction with the Borough Manager shall investigate the issues identified in the report. The Borough's auditors may consult with the Borough Council, Borough Manager, Bookkeeper, any other Borough employee, legal counsel and independent auditors as a part of their investigation. At the conclusion of the investigation, the Borough's auditors shall prepare a written response to the report, which shall be a public document.

Section 10: Fund Balance Reserve Policy

PURPOSE: The Council of the Borough of Dormont believes that sound financial management requires that sufficient funds be maintained by the Borough for unanticipated expenditures and revenue shortfalls during the course of the fiscal year as may be caused by economic downturns, natural disasters, and other unforeseen circumstances. Maintaining such funds will help sustain the stability of the Borough tax rate and reduce the need for short-term borrowing.

OBJECTIVE: To establish a reserve fund with a maximum of \$1,000,000 in accordance with State of Pennsylvania law. The Borough's objective is for adequate funds to be set aside in this reserve fund in a planned and consistent manner and that these moneys not be spent for regular Borough expenditures or used to reduce property taxes.

RESERVE FUND EXPENDITURES: The reserve fund is established for the purpose of covering unanticipated revenue shortfalls and paying non-recurring and unanticipated general and capital fund expenditures of the Borough. To this end, the Borough Council will only draw on the reserve fund to alleviate unanticipated short-term budgetary issues such as revenue shortfalls or unforeseen expenses. Any expenditure of the reserve fund by the Borough Council for such purposes shall require approval of a majority of Borough Council members after due notice and a public hearing.

RESERVE FUND APPROPRIATIONS: Annually, the Borough Council will propose funding of the reserve fund through the Borough budget to maintain the balance at the amount authorized. If expenditures reduce the reserve fund balance below 75% of the maximum amount authorized, the Borough Council will, as part of its approval, adopt a plan to restore the funds to the prescribed level.

Section 11: Balanced Budget Policy

PURPOSE: The Council of the Borough of Dormont believes that sound financial management requires that the annual Borough budget be developed and administered in such a way that annual revenue from property taxes and other sources equals or exceeds annual expenses. Adoption and administration of balanced budgets will help maintain the stability of the Borough tax rate and reduce the need for borrowing.

BUDGET DEVELOPMENT AND APPROVAL: Each year, the Borough Manager will develop and present to the residents an operating budget that balances annual revenues and annual expenditures for all funds. The Borough Manager will avoid proposing annual budgets that overestimate revenues, defer maintenance or replacement of essential capital assets, roll over short-term debt, or inadequately fund Borough obligations. Upon Borough Council approval of the Borough budget the Borough Council will set the tax rate necessary to raise the specific amounts approved in the Borough budget.

BUDGET ADMINISTRATION: The Borough Manager administers the Borough budget through his authority in the State of Pennsylvania Borough Code and Dormont Code of Ordinances. In order to carry out this responsibility effectively, the Borough Manager must have timely and accurate information about the status of the town's finances. To this end, the Borough Manager and Borough Council have adopted a financial reporting policy under which the Borough Manager or his/her designee prepares monthly financial reports for the Borough's budget management purposes (See Section 1 above).

The Borough recognizes that unanticipated expenditures and revenue shortfalls caused by circumstances not foreseen at the time a budget is approved may require transfer of money between or among line items or even deficit spending. The Borough Manager will endeavor to administer the Borough budget to provide services in a manner consistent with the residents' expectations in light of actual circumstances that arise during the fiscal year, and will manage the budget to avoid, to the extent reasonably possible, deficit spending or the need to borrow money to pay current operating expenses.

LINE ITEM TRANSFERS: During the fiscal year, all transfers between or among budget line items will require a majority vote of the Borough Council. The vote will state the line items that are subject to transfer, the reason for the transfer, and the reason funds are available for transfer. Transfers will be made consistent with any applicable statute or legal obligations that may encumber or restrict the use of certain funds. At the close of the fiscal year but in no case later than the Council's Business Meeting of ????, the Borough Manager will present a budget closing plan to the Borough Council, making recommendations for transfers between or among line items, and recommending the application of any budget surplus. Approval of the budget closing plan will require a majority vote of the Borough Council. Any annual budget deficit will be addressed in accordance with State of Pennsylvania laws.

SECTION 12: GIFT POLICY

PURPOSE: The Borough of Dormont has the power to receive and dispose of donated property. The Borough Council finds that the orderly and expeditious handling of gifts requires policy guidance from the Borough Council to protect the interests of the Borough as well as donors. This policy detailed below provides for the acceptance, valuation and disposition of gifts.

ROUTINE OUTRIGHT GIFTS: These include cash in all its forms (e.g., currency, checks, bank drafts, money orders, electronic fund and wire transfers, ACH debits, credit and debit cards), publicly traded securities (with exceptions listed below) and shares of mutual funds (regulated investment companies). These gifts are routine. In most cases, Borough Council makes no special policy provision for these gifts other than to require high standards of stewardship. Gifts of securities will not be accepted if they fall into one of the following categories. If they:

1. are restricted stock;
2. are assessable or could create a liability for the Borough;
3. cannot be immediately or quickly liquidated (unless approved by the Borough Council);
4. are not assignable; or
5. which on investigation have no apparent value.

Routine outright gifts present few valuation challenges. Fees associated with these gifts (e.g., credit card fees, brokerage commissions) are business expenses of the Borough and do not reduce gift valuations.

It is the policy of the Borough that cash shall be deposited as soon as possible and in accordance with those procedures set forth in Section 3 above). If shares of stock are gifted, any net gains or losses will be applied to the account for the gift designation or purpose. Neither losses nor gains realized on the sale of the stock by the Borough will affect the valuation of a gift of securities or mutual fund shares.

If the monetary gift is greater than \$500.00 and is designated by the giftee for a specific purpose, the Borough Council shall direct the Borough Manager to establish a line item in the proper category in the Borough's Fiscal Year budget so that it is assured that the gift amount is utilized for the purpose intended and to assure appropriate monitoring and auditing of the gift.

OUTRIGHT GIFTS REQUIRING DUE DILIGENCE: The section applies to:

1. Gifts of real estate;
2. Gifts of tangible personal property including without limitation art work, coins, boats, motor vehicles, telecommunications equipment, and computer hardware and software.

3. Gifts of intangible personal property including but not limited to non-routine gifts of securities, closely held business interests, royalties and intellectual property.

Council shall consider the acceptance of other non-cash gifts only after due diligence to determine if the property:

1. Meets the readily marketable standard, and
2. Meets the goals and objectives of the Borough and Council, and
3. The Finance Committee shall conduct the due diligence and report findings in writing to the Borough Council. At a minimum, the report of findings shall include the donor's intent; a detailed description of the asset; the purpose of the gift and whether it is to be sold or retained for use; an estimate or appraisal of the gift's fair market value and an assessment of its marketability (Consistent with U. S. tax law, policy requires an appraisal for all non-cash gifts greater than \$5,000.); an estimate of costs of ownership such as storage, security, operations, maintenance and insurance and sources of funds to support these costs and-or an estimate of costs of liquidation and how these costs will be handled (i.e., taken from the proceeds or paid from a separate source); any special arrangements requested by the donor concerning disposition (e.g., price considerations, time duration prior to disposition, potential buyers, etc.); and an assurance that the Finance Committee has disclosed "Donor Responsibilities" and "Disclosures" (see below) to the prospective donor.

Council shall neither appraise nor assign a value to gift property. Valuation is the responsibility of the donor. The gift valuation may be different than the tax deduction value or the financial statement value.

Consistent with the general policy on disposition, Council will typically liquidate non-cash gifts. The donor shall pay costs associated with the appraisal, the preparation of documents conveying title and the delivery of the gift. In the case of real estate, the donor will be asked to pay for an environmental hazard assessment if it is determined that one is necessary. Acknowledgements given for non-cash gifts shall include disclosures emphasizing the donors' responsibility to obtain tax advice.

RESTRICTIONS ON GIFTS: Borough Council has the general authority to accept restricted gifts. Gifts characterized by unique, unusual, demanding, or highly detailed restrictions shall be referred to the Finance Committee or other body designated by the Borough Council. No gift shall be accepted which creates a financial or administrative burden, impairs the Borough's ability to define and pursue its mission, requires illegal or unethical acts, hinder governance or administration.

A gift agreement is indicated for a named endowment fund or when a gift goes beyond broad restriction and presents a level of detail that requires documentation for effective administration and stewardship. (A gift designated for a program or facility without further restriction is an example of a broadly restricted gift.) The Borough Manager with the consent of the Borough Council has the authority to negotiate gift agreements, draft sample forms and promulgate procedures for concluding gift agreements. The following guidelines are included to give guidance to these activities:

1. The gift agreement documents clearly and concisely the donor's intent and the roles and responsibilities of the donor in the execution of the intent.
2. If the gift is greater than \$500.00 and is designated by the giftee for a specific purpose, the Borough Council shall direct the Borough Manager to establish a line item in the proper category in the Borough's FY budget so that it is assured that the gift amount is utilized for the purpose intended and to assure appropriate monitoring and auditing of the gift.
3. The gift agreement should preserve the prerogatives of the Borough Council to set investment policies, including endowment spending rules.
4. A gift agreement should contain a "savings" or "escape" clause in the event the restrictions on the gift become obsolete, inappropriate or impracticable and must be changed.
5. Gift agreements should state that Pennsylvania law governs them.

The use of donated funds for a purpose other than that stipulated by the donor or provided for in the "savings" or "escape" clause in the gift agreement is prohibited. If another use is deemed necessary, consent for using the funds in a different manner may be sought from the donor or may be altered in accordance with the terms of the gift agreement. If the use becomes obsolete, inappropriate, or impracticable, court approval may be sought to alter the use. Similarly, for a donor to change the originally stated use of donated funds, Council must first agree to the change.

CHARITABLE DEDUCTIONS: Taxpayers claiming charitable contribution deductions for cash, check, or other monetary gifts made in taxable years beginning after August 17, 2006, are subject to the new recordkeeping requirements mandated by the Pension Protection Act of 2006 (PPA). To substantiate a deduction, PPA requires a taxpayer to maintain a bank record or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution. The Borough may be required to provide the Donor a written acknowledgement of the gift and approximate value of the item consistent with the process set forth in this policy.