CITY OF SIDNEY
STATEMENT OF FINANCIAL POLICIES

I. PURPOSE AND SCOPE

The City of Sidney has a responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the provision of services desired by the public. Sound financial policies are necessary to carry out that responsibility.

This Statement of Financial Policy provides a summary of significant financial and budgetary policies required by state law, the City Charter, City ordinances, accounting principles generally accepted in the United States, and administrative practices.

This policy is designed to: 1) provide conceptual standards for financial decision-making, 2) enhance consistency in financial decisions, and 3) establish parameters for administration to use in directing the day-to-day financial affairs of the City.

The scope of these policies includes budgeting, financial reporting, auditing, internal controls, asset management, risk management, capital improvement program, debt management and financial performance targets.

II. REVIEW OF POLICIES

These policies shall be reviewed periodically and will be presented to Council annually during the budget review.

III. BUDGETING AND FINANCIAL PLANNING

A. Financial Planning Elements

The major elements of the budgeting / financial planning process for the City of Sidney are:

1. City of Sidney Comprehensive Plan - this document establishes a policy framework to guide the expansion of the City and future development over a ten to fifteen year period.
2. Five -Year Financial Plan - updated annually, this plan projects operating funds' financial performance, estimates funding needs, identifies funding sources and expands upon the Comprehensive Plan by estimating the costs and funding for projects and programs that accomplish the long term goals of the City.
3. Annual Operating and Capital Budgets - annual financial plan of the organization.

B. Long-Term Focus

The City recognizes the importance of long-term strategic planning, as evidenced by its Comprehensive Plan. Similarly, it recognizes that prudent financial planning considers the multi-year implications of financial decisions.

The City shall maintain a long-term focus in its financial planning that is mindful of the long-term objectives of the City.

C. Conservatism

Revenues will be projected conservatively, but realistically, considering:

a. past experience;
b. the volatility of the revenue source;
c. inflation and other economic conditions;
d. the costs of providing the service.

One-time or special purpose revenues will be used to finance capital projects or for expenditures required by the revenue, and not to subsidize recurring personnel costs or other operating costs.

Expenditures will be projected conservatively considering

a. a conservative, but likely, scenario of events (versus "worst case scenario");
b. specific identified needs of the program or service;
b. historical consumption and trends;
c. inflation and other economic trends.

D. Five-Year Financial Plan

A five-year financial plan shall be updated on an annual basis. The plan shall include all major operating funds and all capital improvement funds of the City. The purpose of this plan is to:

1) identify major policy issues for City Council consideration prior to the preparation of the annual budget;
2) establish capital project priorities and make advance preparation for the funding of projects within the five-year horizon;
3) make conservative financial projections for all major operating funds and all capital improvements to provide assurance that adequate funding exists for proposed projects and services;
4) identify financial trends in advance or in the early stages so that timely corrective action can be taken, if needed;
5) communicate the City's plans to the public and provide an opportunity for the public to offer input.

E. Annual Operating and Capital Budget

Scope. The operating and capital budget is the City's annual financial operating plan. All funds, except federal and state grant funds, will be subject to appropriation by Council.

Balanced Budget. The budget will be "balanced" for each fund. The proposed cash resources of each fund (beginning of year unencumbered fund balances plus estimated receipts) will exceed appropriations. When necessary, the following budget-balancing strategies will be used, in order of priority :

1) reduce expenditures through improved productivity;
2) shift expense to other parties;
3) create new service fees or increase existing fees;
4) seek tax rate increases;
5) reduce or eliminate services.

Budget Process. The policy of the City is to have the annual operating and capital budgets approved prior to January 1 of each year.

The City follows procedures prescribed by State law in establishing its budgets as follows:

(1) The County Budget Commission has suspended the requirement to prepare a tax budget. In lieu of the tax budget, about January 1 of each year, the City will submit to the Budget Commission a report of estimated revenue and actual unencumbered cash balances by fund. Thereafter, the County Budget Commission will issue an Official Certificate of Estimated Resources (OCER).

(2) Unencumbered appropriations lapse at year-end. State law provides that no contract, agreement or other obligation involving the expenditure of money shall be entered into unless the Finance Officer first certifies that the money required for such contract, agreement, obligation or expenditure is in the treasury, or is anticipated to come into the treasury, before the maturity of such contract. (O.R.C. 5705.41)

(3) All funds of the City have annual budgets legally adopted by the City Council. The exception is that when the City receives federal or state grant funds to aid in paying the cost of any program, activity, or function of the City, the amount received is deemed appropriated for such purpose. (O.R.C. 5705.42)

The City Manager acts as budget officer for the City and submits a proposed operating budget to the City Council on an annual basis. Public hearings are held to obtain taxpayer input. The Council enacts the budget through passage of an ordinance.

Budget Format and Structure. 1) The budget will be prepared on the cash basis. 2) The budget will be on a departmental basis. 3) The budget will be sufficiently detailed to identify all significant sources and uses of funds. The format will include the following on a fund-by-fund basis: estimated beginning fund balances; estimated receipts; projected cash disbursements and encumbrances; and the estimated year-end fund balances. Actual prior year data and projected current year results will be presented for comparative purposes.

Legal Level of Control. The "legal level of control" is the level of detail as approved by Council in the appropriation ordinance. Legal level of control for the City of Sidney is based on two subtotals for each department: 1) Personal Services, and 2) Contractual, Materials and Other.

F. Modifications to the Budget

Supplemental Appropriations. Amendments to authorized appropriations at the legal level of control may be made from time to time as changing circumstances dictate. These will be recommended to City Council by the City Manager along with the rationale supporting the request(s). Such budget amendments must be approved by ordinance of Council.

IV. CAPITAL IMPROVEMENT PROGRAM / CAPITAL BUDGET

The City shall provide for adequate maintenance of the capital plant and equipment and provide for orderly replacement.

A. Five-Year Capital Plan

The City shall prepare a five-year capital plan and update it annually. The plan will prioritize all anticipated capital projects and determine availability of funding.

B. Capital Budget

An annual capital budget will be prepared and approved by Council as a part of the annual budget.

Scope. The Capital Budget encompasses the Capital Improvement Fund, Water Reserve Fund, Sewer Improvement Fund, Airport Improvement Fund, Stormwater Improvement Fund, Transportation Improvement Fund, and other capital project funds established from time to time for specific projects.

Eligible Projects. The purchase or construction of a fixed asset with an acquisition cost of at least $10,000 is eligible for funding as a capital project.

Funding Sources. A recommended funding source and resource availability shall be presented to Council for each project. Water Fund and Sewer Fund capital projects are funded from water and sewer user charges. Airport Improvement Fund projects are funded by grants and transfers from the General Fund, Capital Improvement Fund, or Airport Fund. Transportation Improvement Fund projects are funded by grants and transfers from the Transportation Fund. Stormwater Improvement Fund projects are funded by transfers from the Capital Improvement Fund. Other capital projects are funded from the Capital Improvement Fund. The Capital Improvement Fund receives it's funding primarily from : 1) 20% of municipal income tax collections net of costs of collection; 2) transfers from the General Fund; and, 3) transfers from the Capital Investment Fund and 4) grants. Administration will investigate all potential alternative funding sources, such as federal or state grants.

Operational Costs of Capital Items. The operational costs associated with the maintenance and operation of a proposed capital item will be estimated and included in the operating budget.

C. Capital Investment Fund.

The Capital Investment Fund will account for resources to be held for the funding of future capital projects. The Capital Investment Fund receives its funding by transfers of cash from the General Fund. The amounts and timing of these transfers are determined by Council during the budget process. This transfer may be in an amount approximately equal to the amount by which the prior years' income tax collections exceeded the budget estimate.

V. BUDGETARY COMPLIANCE AND EXPENDITURE CONTROL

A. Budgetary Compliance and Monitoring

The City will maintain a budgetary control system to ensure that appropriations or fund balances will not be overdrawn.

A purchasing control system will be maintained which will generally require advance authorization of purchases as required by the Ohio Revised Code (O.R.C. 5705.41) and the City of Sidney purchasing policy. Encumbrance accounting will be utilized as an extension of formal budgetary control. Under this system, purchase orders, contracts and other commitments for the expenditure of monies are recorded as an appropriation encumbrance prior to placing the order or entering into the contract in order to reserve that portion of the applicable appropriation.

The integrity of the various funds will be maintained by proper crediting of revenues and proper charging of costs.

B. Budget Reporting

Monthly expenditure reports will compare actual results with approved budget amounts. Such reports will be provided to the appropriate department head for review. Appropriation deficiencies will be addressed immediately via an authorized transfer of appropriations or request for supplemental appropriations.

C. Prompt Payment

All invoices approved for payment shall be paid within thirty days of receipt unless contractual terms provide otherwise. Procedures shall be established to enable the City to take advantage of all purchase discounts deemed to be in the best interests of the City.

VI. INTERFUND CASH TRANSFERS

Cash transfers may be made from one fund of the City to another fund if authorized, by ordinance or resolution, by an affirmative vote of at least four members of Council.

VII. MINIMUM FUND BALANCE RESERVES

The City will budget minimum cash fund balances for various operating funds to provide reserves for unforeseen emergencies or revenue shortfalls and to eliminate the need for short-term borrowing for cash flow needs.

It is the policy of the City of Sidney to meet or exceed these minimum cash fund balances in each budget and Five Year Financial Plan. We recognize that unforeseen events may cause short-term breaches of these fund balance reserves. However, if such a breach occurs, or is expected to occur within the five-year planning cycle, the budget balancing strategies in Section III.E. above will be invoked to determine corrective actions.

The following minimum cash fund balances are stated as a percentage of annual expenditures:

Fund	Balance as % of annual expenditures
General	20%
Street	15%
Cemetery	15%
Transportation	12%
Parking	20%
Water	20%
Sewer	20%
Solid Waste	10%
Pool	15%
Stormwater	15%

The following minimum cash fund balances are stated as a percentage of the past five (5) year moving average of annual expenditures:

Fund	Balance as % of 5 year moving average of expenditures
Capital Improvement	10%
Water Reserve	10%

Sewer Improvement	10%

VIII. INTERNAL CONTROL POLICIES

The City will maintain a system of internal control to safeguard its assets against loss, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

A. Objectives of Internal Control

A system of internal controls should be able to provide reasonable assurance that these objectives have been met :

a. **Authorization.** All transactions are properly authorized by management.

b. **Recording transactions.** Transactions are recorded as necessary (1) to permit preparation of financial statements in conformance to statutory requirements and accounting principles generally accepted in the Unites States, and (2) to maintain accountability for assets.

c. **Access to assets.** Access to assets and records should be permitted only with management's authorization.

d. **Periodic independent verification.** The records should be checked against the assets by someone other than the persons responsible for the records or the assets. Examples of independent verification are monthly bank reconciliations and periodic counts of inventory.

e. **Segregation of duties.** The organizational plan should separate functional responsibilities. In general, when the work of one employee is checked by another, and when the responsibility for custody of assets is separate from the responsibility for maintaining the records relating to those assets, then there is appropriate segregation of duties.

B. Written Procedures

Written procedures will be maintained by the Finance Officer for all functions involving the handling of cash and securities. These procedures shall embrace sound internal control principles.

C. Finance Department Responsibilities

The Finance Department shall issue internal control procedures based upon deficiencies that have been identified by City staff or the independent auditors. Finance shall ensure that a good faith effort is made to implement all independent auditor recommendations pertaining to internal control. The Finance Department will administer an "in-house audit" program to regularly and systematically review and monitor internal control procedures and compliance with federal and state regulatory requirements pertaining to internal controls or financial reporting.

D. Department Head Responsibilities

Each department head is responsible to ensure that internal control procedures, including those issued by the Finance Department, are followed throughout the department.

IX. FINANCIAL REPORTING

The City will prepare its financial reports in conformance with applicable statutes and, where applicable, accounting principles generally accepted in the United States. A Comprehensive Annual Financial Report (CAFR) will be prepared annually.

X. AUDIT

The City shall have an annual financial audit conducted by an independent public accounting firm. This audit shall be conducted according to standards established by the Auditor of State.

XI. DEBT MANAGEMENT

Debt will be used to fund only capital projects or the purchase of capital assets that will continue to provide a benefit to the community during the term of the debt. Debt will not be used to finance operating expenditures.

A. Creditworthiness Objectives

1. *Credit Ratings:* The City seeks to maintain the highest possible credit rating consistent with the City's financing objectives. The City of Sidney will maintain a long-term credit rating with one or more of the following agencies: Moody's Investors Service, Standard & Poor's, or Fitch. Maintaining or improving the City's bond rating is an important objective of the City. Accordingly, the City will strive for continual improvement in its financial policies, practices, and performance.
2. *Financial Disclosure:* The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City's outstanding securities and will abide by the provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.
3. *Capital Planning:* To enhance creditworthiness and prudent financial management, the City of Sidney is committed to systematic capital planning and long-term financial planning.
    a. Evidence of this commitment to systematic capital planning will be demonstrated through adoption and periodic adjustment of a Comprehensive Plan and the annual adoption of a Five-Year Financial Plan.
    b. The budgetary impact of debt service expenditures for proposed debt must be illustrated in the Five-Year Plan as adopted, or modified, by Council.
4. *Renewal and replacement funds:* The City will set aside annual cash allocations for the renewal and replacement of capital assets. For the water and wastewater operations, the annual budgetary allocation to this reserve should, on average, be no less than the amount reported as depreciation expense for those activities in the most recent Comprehensive Annual Financial Report (CAFR). For the Capital Improvement Fund, the annual budgetary allocation for renewal and replacement should, on average, be no less than the amount reported in the CAFR as depreciation for governmental activities.
5. *Statutory Debt Limits:* The City will keep outstanding debt within the limits prescribed by State law, including the "indirect 10-mill limitation". The City will consider using revenue debt in lieu of general obligation debt, when revenue debt is feasible, if the available margin within the 10-mill limitation is less than 3 mills.
6. *Debt Limits – City Policies:*

a. Net bonded debt (general obligation debt that is not self-supporting from revenues) shall not exceed 3.0% of assessed valuation.
b. For funds that typically issue self-supporting debt (e.g., Water Fund and Sewer Fund) the City will strive to maintain a debt coverage ratio of 1.5 or higher. Debt coverage is calculated by this formula (using data from the latest CAFR):

(operating revenues + investment income – operating expenses + depreciation and amortization) / annual debt service payments = Debt Coverage Ratio

B. Purposes and Uses of Debt

1. The City will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) only if they have a useful life of at least five years.
2. The City shall issue debt only as specifically approved by City Council. Expenditure of such monies shall be in strict accordance with the designated purpose.
3. The improvement will be financed over a period not exceeding the estimated useful life or average useful lives of the improvement or improvements to be financed. (ORC 133.20)
4. Factors to consider when determining whether to issue debt include:
   a. whether there are sufficient current resources to fund the improvement;
   b. whether it is in the best financial interest of the City, considering the costs of issuance relative to investment opportunities;
   c. whether it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries; and
   d. whether the cost of the improvement is at least $500,000.
5. The City will refrain from inter-fund borrowing for the purpose of avoiding operating fund deficits, except for short-term (six months or less) borrowing from the General Fund. Interfund borrowing will be considered on a case-by-case basis, to the extent permitted by law, to finance high priority capital needs, but only when planned expenditures in the fund making the loan would not be adversely affected. The borrowing fund will pay interest at a market-based rate.
6. The City shall seek to finance the capital needs of its revenue-producing enterprise activities through the issuance of revenue-secured debt obligations (including revenue-secured general obligation bonds). The City will determine that projected revenues are sufficient to re-pay the debt. These revenues shall be conservatively projected.
7. Debt service expenditures shall take priority over all other expenditures in the annual budget.
8. Revenue anticipatory notes shall not exceed six months in duration and shall be issued only in anticipation of revenues to be received during the same calendar year. (ORC 133.3)
9. *Conduit debt*: Conduit debt is debt payable by third parties for which the City does not provide credit or security. The City may sponsor conduit financings in the form of Industrial Revenue Bonds and similar instruments for typically economic development activities that have a general public purpose. The City must approve the proposed borrowing based on a review that includes an assessment of the borrower's creditworthiness and credit rating. The City shall also review the request for appropriateness for the City to be associated with the purpose of the borrowing issue. The review for appropriateness shall reflect sound public policy and if there is a contingent impact on the City such as marketability of the City's direct debt and collection of the general revenues of the City.

C. Debt Standards and Structure

1. *Term:* Debt will be structured to achieve the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users.

2. *Repayment schedule:*
    a. The City shall strive to repay at least 20 percent of the principal amount of its debt within five years and at least 40 percent within ten years.
    b. The City will seek to structure debt with relatively level debt service (principal and interests) costs over the life of the debt.
    c. There shall be no "balloon" bond repayment schedules, which consist of low annual payments and one large payment of the balance due at the end of the term.
3. *Credit enhancement* (e.g., letters of credit, bond insurance) may be used, but only when its use reduces net debt service by more than the cost of the enhancement.
4. *Call provisions:* Call features shall be no later than ten years from the date of delivery of the bonds. Calls shall be made as short as possible in context of seeking the optimal true interest cost. Calls should generally be at par.
5. *Issuance costs*, such as bond counsel fees, financial advisor fees, registrar / paying agent fees, rating agency fees, printing costs, and underwriter's discount, will be charged to the bond issue to the extent allowable by law.
6. *BANs:* Short-term borrowing, such as bond anticipation notes (BANs), may be used to provide financing during construction or until revenue from Tax Increment Financing arrangements is received. Also, BAN's may be used to avoid issuing long-term debt during unfavorable conditions in the bond market. Such borrowing will be undertaken only if the transaction costs plus interest of the debt are less than the cost of internal borrowing, or available cash is insufficient to meet capital requirements.
7. *Refundings:*
    a. Periodic reviews of all outstanding debt will be undertaken to evaluate refunding opportunities.
    b. Refunding will be considered if and when there is a net economic benefit of the refunding. In general, advance refundings will be undertaken when a net present value savings of at least two percent of the refunded debt can be achieved. Refundings that produce a net present value benefit of less than two percent will be considered on a case-by-case basis.

Debt Administration and Process

1. *Competitive versus Negotiated sales:*
    a. In general, it is the policy of the City to issue debt through a competitive process. Bids will be awarded on a true interest cost basis (TIC), providing other bidding requirements are satisfied.
    b. Negotiated sales of debt will be considered when the complexity of the issue requires specialized expertise, when the size of the issue may limit the number of potential bidders, when a negotiated sale would result in substantial savings in time or money, when the City has determined that all competitive bids received are unsatisfactory, or when market conditions or City credit are unusually volatile or uncertain.
2. *Investment of bond proceeds:* All bond proceeds shall be invested consistent with the City's investment policy. Investment of proceeds and records thereof will be structured to comply with the arbitrage rebate compliance requirements of federal tax code.

XII. INVESTMENTS AND DEPOSIT OF FUNDS

A. Investment Policy

All idle funds shall be invested in accordance with the Statement of Investment Policy approved by City

Council. This policy emphasizes safety, preservation of principal, liquidity and yield.

B. Interest Distribution
Interest shall be distributed to the following funds in proportion to their cash balance as a percentage of the total cash balances of all funds :

Street Fund
State Highway Fund
C.D.B.G. Revolving Loan Fund
C.D.B.G. Fund
CDBG Program Income Fund
HOME Program Income Fund
Capital Investment Fund
Cemetery Maintenance Fund
Mausoleum Maintenance Fund
Water Reserve Fund
Water Source Reserve Fund
Sewer Improvement Fund
Water Fund
Sewer Fund

All other interest will be distributed to the General Fund except as otherwise required by statute or as required by state or federal grants.

C. Deposit of Funds
Public money must be deposited with the Finance Department or to a designated public depository on the business day following the day of receipt.

D. Depository Bank
The City shall designate public depositories eligible to receive deposits of the City's funds at least once every five years. Depositories so designated shall appear on a list of eligible depositories authorized by the State of Ohio. (O.R.C. 135.12)

XIII. ASSET MANAGEMENT

A. Capital Assets. Capital assets include land, land improvements, buildings, building improvements, machinery, equipment, infrastructure and all other assets that are used in operations and that have initial useful lives extending beyond one year. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, sidewalks, sewer and water lines and similar items.

A capitalization threshold is the cost established by the City that must be met or exceeded if an asset is to be recorded and depreciated as a capital asset. The City has established the threshold of an initial, individual cost of more than $5,000.

All capital assets are valued at historical cost, or estimated historical cost, if actual cost is not available. Estimated useful lives are determined based on City of Sidney's own experiences. Useful lives will be

reviewed periodically for unusual or changing situations that alter an asset's useful life. Donated capital assets are valued at their estimated fair market value at the time received. Interest on constructed capital assets for enterprise funds is capitalized.

B. Controlled Capital-type Assets. The custodial departments shall maintain inventory records for assets that have initial useful lives extending beyond a year but do not qualify as capital assets for financial reporting purposes, if such assets fall with the following categories:

1. Assets that require special attention to ensure legal compliance. (e.g. assets acquired through contracts)
2. Assets that require special attention to protect safety and avoid potential liability (e.g. police weapons)
3. Assets that require special attention to compensate for a heightened risk of theft ("walk away items" that are both easily transportable and readily marketable or easily diverted to personal use) (e.g. sound equipment)

C. Safeguarding of Assets. The City's capital and controlled capital-type assets (as defined above) will be reasonably safeguarded and will be used only for an appropriate public purpose. Responsibility for the safeguarding of those assets rests with the department head to whose department the asset is assigned.

D. Annual Inventory. Each department shall conduct a periodic inventory of these capital assets and controlled capital-type assets using guidelines established by the Finance Department. The Finance Department will periodically perform a review over these assets.

XIV. RISK MANAGEMENT (INSURANCE)

The City shall make diligent effort to prevent loss or degradation of City assets and to reduce the City's exposure to liability.

The City shall transfer risk to other parties, where cost-effective, by purchasing insurance.

The City shall shift the legal and financial responsibility to third parties who perform work or provide services to the City for losses or potential losses caused by the actions of those third parties. This transfer of risk may occur through a variety of means in leases, purchase and service agreements, and other contracts. The transfer of risk shall be made formally and in writing and may include indemnification agreements, insurance requirements and the required provision of certificates of insurance (with the City of Sidney named as an "additional insured").

XV. SPECIAL REVENUE FUNDS

A. Special Revenue Funds' Purpose

Special revenue funds are used commonly to account for revenues raised for a specific purpose. These funds can also be required through legislation or by grant funding. Special revenue funds allow separate reporting information on the sources and applications of restricted resources separate from the General Fund.

B. City of Sidney Special Revenue Activities

The following activities are classified as special revenue funds:

- Street maintenance
- Income tax collection
- Separation pay benefits
- Parking fee collections
- Law enforcement activities (paid by grants)
- Grant related activities
- Tax increment financing
- Operation & maintenance of cemetery,

C. Special Revenue Financial Performance Policy

Cemetery Fund:

Revenues generated by this fund shall be sufficient to support 40% of:

- Operating costs, determined on the budgetary basis of accounting
- Cash fund balance reserves as specified elsewhere in this policy.

Separation Payment Fund: This fund is used to accumulate resources in order to pay the eligible vacation and sick leave balances to employees at retirement. Transfers to this fund are made from the operating fund from which the employee is paid. During the annual budget process, an estimated separation payout is calculated using the vacation and sick leave balances for those employees with greater than twenty-five (25) years of public employment or over the age of 60. The estimated amounts are compared to the actual amounts already funded. Any differences represent the amounts to be transferred by the particular operating fund (e.g. General, Street, Water, Sewer) to the Separation Fund.

XVI. ENTERPRISE FUNDS

A. Enterprise Funds' Purpose

Enterprise funds are commonly used to account for activities that are fully financed through user charges. Also, they are used when it has been determined that it is beneficial to determine the full cost of operations, including the determination of depreciation and other such private sector accounting conventions. Accordingly, enterprise funds are subject to generally accepted accounting principles applicable to similar businesses in the private sector.

B. City of Sidney Enterprise Activities

The following activities and associated funds are classified as enterprise funds:

- Water treatment and distribution system
  - Water Fund (operating)
  - Water Reserve Fund (capital)
- Sanitary sewer collection and treatment system
  - Sewer Fund (operating)
  - Sewer Improvement Fund (capital)
- Operation of the municipal airport
  - Airport Fund (operating)
  - Airport Improvement Fund (capital)
- Solid waste collection / disposal and recycling activities

Solid Waste Fund
Yard Waste Fund
Operation of municipal aquatic facility
Swimming Pool Fund
Stormwater maintenance and monitoring activities
Stormwater Fund (operating)
Stormwater Improvement Fund (capital)
Operation of the Shelby Public Transit system
Transportation Fund (operating)
Transportation Improvement Fund (capital)

C. Enterprise Funds Financial Performance Policies

Water (including Water Reserve Fund), Sewer (including Sewer Improvement Fund) and Solid Waste Fund:

Revenues generated by each of these funds shall be sufficient to support 100% of:
Operating costs, determined on the budgetary basis of accounting;
Administrative overhead charges (see Section E below);
Debt service;
Adequate maintenance and replacement of capital plant and equipment;
Special replacement reserves and other reserves required by grants or bond indentures;
Cash fund balance reserves as specified elsewhere in this policy.

Airport Fund (including Airport Improvement Fund)

Revenues shall be sufficient to support 100% of the following:
Operating Costs, determined on the budgetary basis of accounting;
Maintenance of capital plant and equipment;
Cash fund balance reserves as specified elsewhere in this policy.
The General Fund or Capital Improvement Fund will subsidize 100% of the following:
Administrative overhead charges;
Replacement of capital plant and equipment;
Special replacement reserves and other reserves required by grants or bond indentures.

Swimming Pool Fund

Revenues shall be sufficient to support approximately 60% of the following:
Operating Costs, determined on the budgetary basis of accounting;
Maintenance of capital plant and equipment;
Cash fund balance reserves as specified elsewhere in this policy.
The General Fund or Capital Improvement Fund will subsidize 100% of the following:
Administrative overhead charges;
Replacement of capital plant and equipment;
Special replacement reserves and other reserves required by grants or bond indentures.

Stormwater Fund (including Stormwater Improvement Fund)

Revenues shall be sufficient to support approximately 100% of the following:
Operating Costs, determined on the budgetary basis of accounting;
Administrative overhead charges;

Maintenance of capital plant and equipment;
The Capital Improvement Fund will subsidize 100% of the following:
Replacement of capital plant and equipment;
Special replacement reserves and other reserves required by grants or bond indentures.

Transportation Fund (including Transportation Improvement Fund)
Revenues shall be sufficient to support approximately 100% of the following:
Operating Costs, determined on the budgetary basis of accounting;
Administrative overhead charges;
Maintenance and replacement of capital plant and equipment;
Special replacement reserves and other reserves required by grants or bond indentures;
Cash fund balance reserves as specified elsewhere in this policy.

D. Enterprise Funds' Revenue and Fee Policies

Rates shall be reviewed annually and adjusted to allow charges to grow at a rate that keeps pace with the cost of providing the service. Projected cash needs for at least five years into the future will be considered when establishing rates. This policy will result in incremental increases in rates rather than large increases that may result in a financial burden to customers.

E. Administrative Reimbursement to General Fund

General Fund activities provide administrative overhead services to other funds. The cost of this overhead must be considered to establish the full cost of operations of an enterprise fund. Administration will recommend, in the annual budget, an equitable allocation of inter-fund administrative charges based upon a cost accounting analysis.

XVII. INTERNAL SERVICE FUNDS

A. Internal Service Funds' Purpose

An internal service fund is used to account for the provision of goods or services provided by one department to other departments on a cost-reimbursement basis. A central garage and data processing services are common examples of in-house services provided in this manner.

Internal service funds are subject to generally accepted accounting principles applicable to similar businesses in the private sector. This accounting treatment provides a good measure of the full cost of providing the service, thereby enabling comparisons of that cost with the cost of procuring the good or service from third parties.

B. City of Sidney Internal Service Funds

The following activities and funds are classified as internal service funds:
Central vehicle service garage and fleet operations
Garage / Fleet Operations Fund
Provision of central service center facility
Service Center Building Fund
Information services and data processing
Information Technology Fund
Collection of City revenue
Revenue Collections Fund

C. Evaluation of Internal Service Funds' Performance

The City will periodically re-evaluate whether the provision of these services in-house is preferable to contracting for the services from outside vendors. Both the cost and the quality of the service will be considered.

03/02/1999
Rev. 03/12/2001
Rev. 09/08/2003
Rev. 03/13/2006
Rev. 04/9/2007
Rev. 4/28/2008
Rev 9/10/2012