



CITY OF FREEPORT

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RESOLUTION 2018-05

A RESOLUTION APPROVING THE DISBURSEMENT AND PAYMENT OF CLAIMS POLICY

Disbursement and Payment of Claims Policy

Expenditures

In order for an expenditure of public funds to be lawful, it should meet both of the following standards:

Public purpose

There must be a public purpose for the expenditure. The Minnesota Supreme Court has generally concluded that “public purpose” means an activity that meets all of the following standards:

- The activity will benefit the community as a body.
- The activity is directly related to functions of government.
- The activity does not have as its primary objective the benefit of a private interest.

The Minnesota Supreme Court has also held that the general objective of a public purpose is to promote the following for all of a city’s residents:

- Public health
- Safety
- General welfare
- Security
- Prosperity
- Contentment

Authority

There must be specific or implied authority for the expenditure in statute. Specific authority is usually fairly clear. In contrast, whether authority is implied by a particular statute is subject to interpretation. The city should consult with its city attorney as to whether authority for a specific expenditure is implied.

Payment of Claims

Pursuant to Minnesota Statute § 412.271, subd.1, no disbursement of city funds shall be made except by an order drawn by the mayor and clerk- treasurer. Except when issued for the payment of judgments, salaries and wages previously fixed by the City Council or by statute, principal and interest on obligations, rent and other fixed charges, the exact amount of which has been previously determined by contract authorized by the City Council, no order shall be issued until the claim to which it relates has been audited and allowed by the City Council.

Prompt Payment of Claims

Minnesota Statute § 471.425 requires that cities pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the city in good faith disputes the obligation.

The following requirements must be met:

- For cities who have regularly scheduled council meetings at least once a month, the standard payment period is defined as within 35 days of the date of receipt.

- A city shall calculate and pay interest to a vendor if the city has not paid the obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period.
- The rate of interest calculated and paid by the city on the outstanding balance of the obligation not paid according to the terms of the contract or during the standard payment period shall be 1.5 percent per month or part of a month.
- No interest penalties may accrue against a purchaser who delays payment of a vendor obligation due to a good faith dispute with the vendor regarding the fitness of the product or service, contract compliance, or any defect, error or omission related thereto. If such delay undertaken by the city is not in good faith, the vendor may recover costs and attorney's fees.
- The minimum monthly interest penalty payment that a city shall calculate and pay a vendor for the unpaid balance for any one overdue bill of \$100 or more is \$10. For unpaid balances of less than \$100, the city shall calculate and pay the actual interest penalty due the vendor.

Immediate Payment of Claims

Pursuant to Minnesota Statute § 412.271, subd. 4, when payment of a claim based on contract cannot be deferred until the next City Council meeting without loss to the city through forfeiture of discount privileges or otherwise, it may be made immediately if the itemized claim is endorsed for payment by at least a majority of all the members of the City Council. The claim shall be acted upon formally at the next City Council meeting in the same manner as if it had not been paid, and the earlier payment shall not affect the right of the city or any taxpayer to challenge the validity of the claim.

Cash Disbursement Guidelines

The Clerk-Treasurer will be responsible for implementing and providing internal control for all disbursements.

1. General Guidelines

- a. All general disbursements will be approved in advance by the City Council. The following exceptions may be made upon approval of the Mayor and Clerk-Treasurer:
 - i. Debt service payments, including principal, interest, and fiscal agent fees
 - ii. Payroll and related liability payments
 - iii. Investment purchases
 - iv. Sales tax payments
 - v. Postage replenishment
 - vi. Contract or other payments that have specific City Council pre-approved payment instructions
 - vii. Payments to the following vendors:
 1. Albany Mutual Telephone
 2. Ameripride Linnen & Apparel
 3. Centerpoint Energy
 4. Central MN Credit Union (Credit Card)
 5. DHIA Laboratories
 6. Finken Water Centers
 7. League of Minnesota Cities Insurance Trust (LMCIT)
 8. Rahn's Oil & Propane, Inc.
 9. Star Publications LLC.
 10. Verizon Wireless
 11. Xcel Energy
- b. All general disbursements, other than from payroll, petty cash, or made electronically, will be made by pre-numbered checks.
- c. In accordance with Minnesota Statutes § 471.38 and § 471.391, checks by which claims are paid may have printed on their reverse side, above the space for endorsement thereof, the following statement: "The undersigned payee, in endorsing this check declares that the same is received in payment of a just and correct claim against the city, and that no part of it has heretofore been paid." When endorsed by the payee named in the check, such statement shall operate and shall be deemed sufficient as the required declaration of the claim.
- d. Under no circumstances will blank checks be signed in advance.
- e. Paying off of vendor statements (rather than invoices) will be prohibited.

- f. Electronic claims will be utilized for all general disbursements.
- g. Unpaid invoices will be maintained in a file by the Administrative Assistant.

2. General Disbursement Process

- a. All invoices received by the city will be generally opened and date stamped by the Administrative Assistant, who will:
 - i. Verify that the goods and/or services were received
 - ii. Verify that the amount of the invoice is correct
 - iii. Attach packing slips or bills of lading
 - iv. Complete an electronic claim, including:
 - 1. Vendor name and address
 - 2. Invoice number
 - 3. Account coding
 - 4. Description of invoice
 - 5. Amounts
 - v. Present a Claim Approval List and attached invoices to the Clerk-Treasurer
- b. The Clerk/Treasurer processes all authorized payments by:
 - i. Verifying that all amounts due and account codes are accurate
 - ii. Reviewing application of sales tax on each invoice for propriety
 - iii. Initialing the Claim Approval List to indicate approval
 - iv. Copying any specific invoices for the City Council's review
 - v. Providing a copy of the Claims Listing report to the City Council for approval during the regularly scheduled City Council meetings
 - vi. Providing explanation to the City Council for all disbursements within the accounts payable report
- c. Checks will be signed and mailed on the day following City Council approval of the Claims Listing and accounts payable reports:
 - i. Two authorized signers (Mayor and Clerk-Treasurer) will sign all approved checks, while verifying that all checks are accurate by comparing the check and amount to the approved Claim Approval List and invoices
 - ii. After authorized signatures are obtained, the Administrative Assistant will mail the approved disbursements:
 - 1. A check including stub will be mailed to the vendor
 - 2. A check stub will be attached to the invoice, which will then be filed

Electronic Disbursement Process

- d. Electronic or wire transfers will generally be for:
 - i. Debt service payments, including principal, interest, and fiscal agent fees
 - ii. Payroll and related liability payments
 - iii. Investment purchases
 - iv. Sales tax payments

The Clerk-Treasurer will be responsible for implementing and providing internal control for all electronic or wire transfer disbursements by documenting the process and anticipating the funds to be wired to the designated depository on a particular date and time as well as preparing appropriate general ledger transactions, including payments and adjusting journal entries.

Credit Cards

In accordance with Minnesota Statute § 471.382, the City Council may authorize the use of a credit card by any city officer or employee otherwise authorized to make a purchase on behalf of the city. If a city officer or employee makes or directs a purchase by credit card that is not approved by the City Council, the officer or employee is personally liable for the amount of the purchase. A purchase by credit card must otherwise comply with all statutes, rules, or city policy applicable to city purchases.

Dated This 25th Day of November, 2014

Motion by:

Second by:

Council members in favor:

Opposed or abstained: None

Rodney Atkinson, Mayor

ATTEST:

Adrianna Hennen, Clerk-Treasurer