



# City of Fountain Financial Policies And Procedures Manual

March 2020

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## **SECTION 1 INTRODUCTION**

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### **1.1 Preface**

The Financial Management Policies and Procedures for the City of Fountain (the City) serve multiple purposes, including, but not limited to: 1) formalizing the City Council's policy direction regarding financial management; 2) helping ensure that the City continues to be transparent and "exemplary stewards of the public trust"; 3) maintaining and enhancing the sound fiscal condition of the City; 4) facilitating communications and expectations between Council, various appointed officials, City staff and constituents; 5) documenting the organization's responsibilities for safeguarding assets, verifying the accuracy of financial data, promoting operational efficiency and ensuring adherence to prescribed policies and compliance with federal and state regulations; 6) ensuring that appropriate reviews, monitoring, and approvals take place, and; 7) setting a tone within the organization for ethical conduct and integrity. Periodic reviews and updates of the policies shall be conducted as needed. As circumstances change, it is anticipated that existing financial policies will need to be modified.

The manual is updated by the Finance Department, as needed, to reflect changes or additions to financial policies once discussed at the Executive Team level. This manual is distributed to the Mayor, Council, City Manager and Department Heads. Anyone who has responsibility for management of the budget and/or the financial affairs of the department or division should have a manual made available to them by their Department Head.

This manual is intended to be an overview of various financial policies and procedures and is not meant to be a detailed authority source. If the material in the manual does not answer a question, please contact the Finance Department.

It is the intent of the City that these policies apply to the City as a municipality including the enterprises of the City.

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### **1.2 Financial Management Goals**

The following goals and policies for the City are intended to guide the City in its financial matters. The goals consist of five significant goal statements (I through V), which provide the basic guiding parameters for financial management of the City. The policies of the City provide more specific direction on how to achieve the goals and are the basis for consistent actions that move the community and organization toward sound financial management decisions. Detailed policy descriptions and narratives are included in Section 1.

**Goal I:** To establish and sustain a community supported service system.

**Goal II:** To have a capital improvement program that adequately maintains and enhances the public's assets over their useful life.

**Goal III:** To provide cost effective services to citizens.

**Goal IV:** To provide financial and other service information to enable citizens to assess the costs and results of City Services.

**Goal V:** To follow prudent and professional financial management practices to assure residents of Fountain and the financial community that our City government is well managed and in sound fiscal condition.

### **1.3 Resource Planning and Allocation**

The purpose of this policy is to establish procedures for resource planning and allocation in accordance with long-range plans of the Council. This policy is applicable to all resource allocation and planning for the City.

1.3.1 The City budget will support the goals and policies of the City Council, Council adopted strategic plan, and service needs of the community.

The Mayor and Council have the legal authority and responsibility for the adoption of City goals and policies and an annual budget. The City organization is committed to carrying out Council goals and policies through service delivery.

Funding for services should take into consideration whether demand exists for maintaining the service or whether funding is better used elsewhere.

1.3.2 The City will maintain financial systems, which will develop budgets, provide control, and report revenue and expenditures at the line-item detail.

Efficient use of public resources requires that budget estimates be developed from a detailed level. This ensures that changes in the cost of individual line items are reflected and are neither over nor under estimated. Upon adoption, the line-item budgets become the basis against which expenditure trends are measured. Spending control at this level provides the ability to measure experience against expectation, and as the budget year progresses, allows program managers to identify positive and negative trends. The evaluation of these trends will then allow for more precise estimates of future budget needs.

1.3.3 Revenues, operating and capital expenditures, and debt service will be projected each year for at least three years beyond the current budget year. Based on assumed circumstances, including various economic, service, and inflationary factors, the forecast will attempt to portray whether community plans can be supported over the designated period. One of the essential attributes of these projections is the capability to project whether a new program or project can be supported over the long-term.

### **1.4 Ethics and Principles**

The Fountain City Council (referred to also as Council) is committed to the highest standards of conduct in the performance of its public duties. Individual and collective adherence to ethical standards by public officials is central to the maintenance of public trust and confidence in government. Council expects all appointed officials and staff to apply the following principles while adhering to the financial policies:

- Promote decisions with the public's interest in mind.
- Actively promote public confidence in the City of Fountain.

- Effectively manage and safeguard all funds and City assets.
- Maintain a respectful attitude toward the public, employees and colleagues.
- Cooperate effectively with other governmental agencies, political subdivisions and all other organizations in order to further the public interest of the City.
- Refrain from any and all conflicts of interest that may arise.

In addition, the Finance Department adheres to the Code of Professional Ethics of the Government Finance Officers' Association (GFOA), which is included in Section 10 of this document. Refer to the "City of Fountain Employee Handbook" for a more detailed discussion of standards of conduct and conflicts of interest.

## **SECTION 2     *FINANCIAL MANAGEMENT POLICIES***

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The purpose of this policy is to establish guidelines for which the City's financial reporting will be presented. The guidelines are applicable to all financial reporting and record keeping for the City. In addition, financial management policies indicate basis of accounting, departmental reporting, continuing disclosures, audit requirements and internal controls.

### **2.1     Accounting and Financial Practices**

- 2.1.1     Maintain adequate systems. The City will maintain adequate systems for collecting, controlling, recording and reporting both revenues and expenditures while using an accounting and financial reporting system that conforms with Generally Accepted Accounting Principles as appropriate to governments.
- 2.1.2     Generally Accepted Accounting Principles (GAAP). The City will manage its funds as independent financial entities in accordance with legal requirements, administrative policies, and Generally Accepted Accounting Principles, including Government Accounting Standards Board pronouncements. The City's financial structure is composed of various funds; that is, self-balancing sets of accounts. Each fund is established as a result of statutory, administrative or other legal requirements. From a private sector perspective, each fund can be considered a wholly-owned subsidiary of the City. Accordingly, each fund can be considered a separate independent business, which must support all of the direct and indirect costs of operating services or capital maintenance and enhancement.
- 2.1.3     Fund accounting. Unlike most private enterprises, the City provides many services which, were they not provided by a government agency, would be considered monopolistic. Therefore, many of the free market economic controls, such as price, no longer ensure that services are provided in the most effective and efficient manner possible. Also, unlike most private enterprises, governments have the ability to raise revenues through taxes rather than through the exchange of goods or services. Taxes are not usually applied strictly on the basis of the services received in exchange.

These two basic differences between private enterprise and governments have led citizens (taxpayers) and other groups with particular interests in government to see "non-market-place" means of controlling the expenditures of government. Legal and political constraints have been instituted which require governments to expend monies in certain restricted ways. Certain resources, such as some Federal grants, are legally available only if they are used for specific programs, e.g., the Community Development Block Grant program. The City is required to refund these resources if they have not been used within the specific conditions established by law or the grant agreement.

In order to account for these resources and the related expenditures, an accounting theory based on a measurement unit called a fund was developed. Instead of putting all the City's resources together in one set of accounts and then trying to figure out what was related to what, the City's resources are accounted for in separate sub-entities called funds.

Each fund is a self-balancing set of accounts which records all activities concerning the assets, liabilities, equity, revenues, and expenditures needed to carry on a specific activity. The separation

of the City's activities into funds allows the City to maintain the appropriate (required) controls over expenditures for each activity and to report on specific activities to interested citizens.

2.1.4 Fund types. All funds are classified into six (6) fund types. These fund types, and the purpose of each:

1) General Funds. To account for the administrative, police and fire protection, parks, recreation, community development and technology functions of the City. Principal sources of revenue consists of property taxes, franchise and occupancy taxes, sales and use taxes, licenses and permits, grants, charges for services, intergovernmental revenue, interest earnings, and operating transfers from other funds. Major expenditures are for personal services, materials and supplies, purchased services, capital outlay and transfers to other funds.

2) Special Revenue Funds. To account for the proceeds of specific revenue sources that are legally restricted to expenditures with specified purposes.

3) Capital Projects Fund. To account for resources designated to acquire and construct capital facilities primarily related to infrastructure, except for minor acquisitions financed from regular operating funds. (The City currently has no capital projects funds)

4) Debt Service Fund. To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. (The City currently has no debt service funds)

5) Enterprise Funds (also called Business or Proprietary Funds). To account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user determination of revenues earned, expenses incurred, and/or net income as appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

6) Agency Funds. To account for resources received and held by the City in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust or other agreements or conditions of the trust for the particular source of funds.

2.1.5 Basis of Accounting – Cash vs. Accrual. The term “basis of accounting” refers to when revenues, expenses, expenditures - and the related assets and liabilities – are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made. The following are the basis of accounting available for use by the City:

- Cash Basis. Transactions are recognized only when cash is received or disbursed.
- Accrual Basis. Transactions are recognized when the economic event occurs, regardless of whether or not cash is received or paid. Proprietary funds, which encompass the enterprise funds, use the accrual basis of accounting. These funds have an income measurement/capital maintenance focus. The accrual basis of accounting is used by private enterprises as well.
- Modified Accrual Basis. Expenditure transactions are recognized when incurred. Revenues are recognized when they are both measurable and available to finance the expenditures of the current period. Governmental funds, including general, special revenue, debt service, and capital projects, use the modified accrual basis of accounting. For a revenue to be recognized



in a governmental fund, it must be “measurable” (the amount must be known or be reasonably estimated), and it must be “available” to finance the expenditures of the same fiscal period for which the revenue is recorded. “Available,” in this case, means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. For purposes of consistency, that time-frame shall be sixty (60) days which was set for purposes of property tax revenues.

- 2.1.6 Reporting Focus – Budget vs. GAAP. This concept is used at the City of Fountain to refer to the way transactions are recorded and reported for compliance with Colorado Budget Law as opposed to financial statement presentation in conformance with Generally Accepted Accounting Principles. The City’s monthly statement of revenues and expenditures are reported during the fiscal year on what is informally called a “budget basis”. The City’s transactions are recorded throughout the year in accordance with the financial statement requirements as set forth within the Colorado Revised Statutes. By recording the transactions in general compliance with this law, the revenues and expenditures can be more easily monitored on a monthly basis to ensure compliance with the legal requirements as set forth within the Colorado Revised Statutes.

At the end of the fiscal year, adjustments are made to present the financial information in a format that is comparable to that used by other local government units around the country. The standards for this reporting are referred to as “Generally Accepted Accounting Principles” (or GAAP basis). The adjustments to convert the City’s financial records from “budget basis” to “GAAP basis” are made to ensure that the City’s financial statements are fairly and consistently presented in conformance with GAAP.

#### 2.1.7 Financial Statements

The City’s basic financial statements, presented in the Comprehensive Annual Financial Report (CAFR), are to be comprised of the following components:

- Management discussion and analysis
- Government- wide financial statements
- Fund financial statements
- Notes to the financial statements
- Supplementary information
- Statistical section
- Compliance section

Management discussion and analysis is presented by City financial management describing the City’s financial performance. It provides an overview of the City’s financial activities for the fiscal year.

Government-wide financial statements report information on all activities of the City in a manner similar to a private-sector business. The government-wide statement of net position presents information on all of the City’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Fund financial statements depict each fund as a separate grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities and/or objectives. The City of Fountain, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the City's funds can be separated into three categories: government funds, proprietary funds and agency funds.

Notes to the financial statements include a summary of significant accounting policies and additional details and/or explanations of major line items within the financial statements.

Supplementary information includes individual fund statements with comparisons of budgeted revenues and expenditures to actual results.

The statistical section includes ten (10) year summaries of various data including, but not limited to, financial trends, debt capacity, demographic and economic information and operating information.

The compliance section includes reports that are legal requirements such as the Highway Users Tax local finance report and federally required single audit reports, if necessary.

- 2.1.8 Departmental reporting. The City uses the Harris Innoprise financial accounting software systems, to maintain detailed records of all sub-ledger and general ledger activity of the City. The City Manager, Department Directors, and select managers and staff have direct access to a large variety of financial reports for their department(s). Reports can be generated at the line item detail level or at a broader over-view level.

Reports include the original adopted budget and the revised amended budget. Each manager and director is responsible for quality assurance and monthly review of financial and budget reports. Custom reports can be created by the Finance Department upon departmental request and reporting ability.

The Finance Department will monitor summary reports and bring exceptions to the attention of the City Manager as necessary.

Each department director is responsible for major projects that fall under their managerial control and may be required to provide project status reports to the City Council as necessary. Finance will support these efforts to the extent possible, given adequate notice.

## **2.2 Continuing Disclosures**

- 2.2.1 In accordance with regulations and the Municipal Securities Rulemaking Board (MSRB) requirements and through the Electronic Municipal Market Access (EMMA), the Finance Department will make all required continuing disclosures. These disclosures are required due to the CWRPDA loans and the various utilities bonds. The disclosures involve year end statistics on utilities and financial data on both the General Fund and the Utilities Funds. Disclosures are made by June 30 of each year on the prior calendar year's financial and statistical data. Disclosures are made to Colorado Springs Utilities as well as through the EMMA website operated by the MSRB. The form and makeup of the disclosures were committed to in each of the loans and bonds. The Finance

Director is responsible for keeping the EMMA website login passwords and for completing the disclosures.

## **2.3 Audits**

- 2.3.1 External audits. State law requires that all general-purpose local governments, which the City of Fountain is, publish, within six months of the close of each fiscal year, a complete set of financial statements. These statements must be presented in conformance with generally accepted accounting principles for government entities and be audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. It is the policy of the City to employ a certified public accounting firm to audit the accounting financial statements on an annual basis. The Finance Department prepares the materials requested by the auditor and the Finance Director is responsible for producing and distributing both the required CAFR and the associated audit management letters. The City Manager and Finance Director coordinates with directors to correct any findings of deficiencies in the systems or controls that may be noted by the external auditors in the management letter.

## **2.4 Internal Controls**

- 2.4.1 A comprehensive framework of internal controls serves as the first line of defense in safeguarding assets and offers at least partial protection in detecting errors and fraud. Internal control, which is synonymous with management control, helps government servants achieve desired results through effective stewardship of public resources.

The City Manager and the Finance Department are primarily responsible for the appropriate internal controls of all City assets and financial transactions. Internal control, as mentioned above, is a major part of managing an organization. An integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations

Examples of how the Finance Department assists the City in achieving effectiveness and efficiency are the periodic reviews of systems and the corresponding effectiveness of job duties within those systems. The Finance Department also provides management consulting advice to Department Heads together with management reports to assist them in making cost-effective decisions.

Examples of reliability of financial reporting include double reviews of all purchasing requests and bi-weekly payroll, annual audited financials and monthly reconciliations of cash received. Examples of compliance with applicable laws and regulations include the timeliness of reporting to the State and the controls surrounding appropriated expenditures.

The Finance Department establishes appropriate internal control based on the following five (5) standards and as explained in further detail below:

- Control Environment
- Risk Assessment
- Control Activities

- Information and Communications
  - Monitoring
- 2.4.2 Control Environment. Management and employees establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. Integrity and solid ethical values maintained and demonstrated by management and staff is the cornerstone of this foundation and is held to a high standard.
- 2.4.3 Risk Assessment. Internal control shall provide an assessment of the risks the agency faces from both external and internal sources. Forecasting, strategic planning and consideration of findings from audits all aid in risk identification and will be carried out on an ongoing basis by the Finance Department to continually identify and mitigate where possible.
- 2.4.4 Control Activities. Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives. Control activities include the policies, procedures, techniques and mechanisms that enforce management's directives. The budget process, for example, is a control activity that helps ensure departments are carrying out the Council's directives. These activities are an integral part of the City's planning, implementing, reviewing, and accountability of City resources.
- 2.4.5 Information and Communications. Information is recorded and communicated to management and others within the City as needed, in a form, and within a time frame that enables them to carry out their internal control and other responsibilities. Forms of communication must be reliable and timely for the City to achieve its objectives. The Finance Department stays current on all government finance pronouncements and standards that may affect City reporting and operations and communicates such information to department directors as soon as possible. The Finance Department also consults with external auditors, the attorney's office and/or any other necessary resources when additional expertise is required to properly implement changes in current operations, policies and procedures. The Finance Department ensures that all financial reporting mechanisms available to management are accurate, easily accessible, and add value to management decision making. In addition, communication to the public of all expenditures is accomplished through posting the budget and the CAFR on the City's website.
- 2.4.6 Monitoring. Internal control monitoring assesses the quality of performance over time and ensures that the findings of audits and other reviews are promptly resolved. Monitoring is a continual process and occurs in the course of normal operations. An example of monitoring is management's review and approval of accounts payable on a weekly basis and the interim work performed by the external auditor.

## **SECTION 3     *BUDGETING AND FINANCIAL MONITORING POLICIES***

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This section has been developed to provide City staff involved with budget preparation with a conceptual framework in which to prepare the Executive Budget Recommendation as well as to monitor the appropriated budget. Whenever possible, specific policies, procedures, and parameters have been outlined to enable the user to operationally develop a particular aspect of the budget. There may be instances when an unusual situation that might affect a department is not addressed in this manual; in that case, the department should contact the Finance Director for specific instructions to address the situation.

### **3.1     Budgeting**

- 3.1.1    Budget Development Purpose Statement. The budget is to be developed with the participation of all departments and members of City Council and with their commitment to meet the needs and expectations of City citizens. The budget is to be aligned with the Council's three year strategic plan as much as possible, while maintaining efficiency and effectiveness.
- 3.1.2    Budget Law. The policies for the City budget comply with Local Government Budget Law of Colorado as outlined in Colorado Revised Statutes (C.R.S.) Title 29: Article 1, Budget and Services: Part I. for preparation, consideration, adoption, execution, and audit procedures. The budget policies apply to all departments of the City of Fountain. Annually, the City Council has the authority and responsibility to adopt and oversee implementation of a budget approving the use of public funds for the operation of all City departments. The City's fiscal year runs from January first through December thirty-first.
- 3.1.3    Balanced Budget Guidelines. Each fund is balanced separately. Unless specifically authorized by the City Council expenditures will be equal to or less than the revenues for each fund. In cases where expenditures exceed revenues, sufficient reserves must be available to cover the deficit, or a transfer from another fund must be approved by Council. If sufficient reserves and/or a transfer from another fund is not available, essential services will receive first priority for funding. Subsequently, low-priority services will be identified for reduction or elimination. Long range financial projections are prepared for major funds and analyzed to assure that impacts of the proposed budget are fiscally sound in future years.
- 3.1.4    Budget Process Timeline. It is the Finance Director's responsibility to develop and distribute a budget process timeline to Department Heads in a timeframe that allows appropriate, responsible development of department budgets. A typical timeline will be as follows:

April	Finance Director prepares revenue projections
May	Budget work session with City Council to receive direction
May-June	Departments prepare budget requests in OpenGov
July	Peer Review Meetings
August-Sept	Budget refinement and document production
Oct 1	Draft budget to City Council not later than this date per City Charter
Oct	Budget work sessions with City Council open to the public
Oct-Nov	Public Hearing and First Reading of Budget Ordinance
Dec 15	Budget must be adopted no later than 15 days before the start of the next fiscal year per the City Charter

- 3.1.5 Department Responsibility. Departments are responsible for the following in the budget development process:
- a. Completion of information template and budget line item requests in OpenGov in provided timeframe, which includes standard narrative including goals & objectives, a functional organizational charge, and activity measures.
  - b. Financial Summary Requests: Information regarding historical and current financial line item allocations will be provided to each department in the OpenGov system. The information will be presented in such a format that the department will update the request for the next two year period, or, in the case of single year budgeting, the revisions from the previous year's estimated request.
  - c. Appropriate revenue and expenditure projections that account for economic conditions, operating changes, community growth, etc. These will be developed in coordination with the Finance Department.
  - d. Capital project planning and cost estimates, including pictures of the capital items requested.
  - e. Communicating information appropriately to departments and attending budget meetings.
  - f. Reviewing all budget materials for accuracy, content, and style.
  - g. Identifying any additional staffing needs and forwarding them to Finance. All payroll accounts, including staffing needs requests are not included in the department's OpenGov input.
- 3.1.6 Budget Adoption. Following internal development and review of the budget, the City Council will hold hearings on the budget, to provide public review of the document and to discuss further budget development. Following review at the Council level, the Council shall provide authority to expend funds through a Budget Ordinance adopted in open meeting.
- a. The Budget Ordinance shall authorize the budget at the Fund and Department level.
  - b. The amount appropriated to a specific fund and/or department may change as a result of subsequent Council actions, as identified in 3.1.8 below.
- 3.1.7 Budget Control and Execution. The level of budgetary control is at the classification level within each department. No department may expend, or contract to expend, any money in excess of the amount appropriated in the appropriation resolution. No fund may carry a negative fund balance according to State statute. Administratively, operating budgets are controlled at the department level with departments having the authority to transfer appropriations within certain classifications within a department without further Council approval. Those certain classifications are fixed in the annual budget guidelines as approved by the Council and may be expanded to line item control. Increases in staffing and capital expenditure appropriations must be approved by the Council. All requests for transfers must be made through Finance by completing a Budget Transfer Request Form. Requests between line items in the same classification will be made with the City Manager's approval. Requests that are not in the same classification, but are deemed immaterial, may also be made with the City Manager's approval. Material transfer requests will usually require Council approval through the supplementary budget process.
- 3.1.8 Supplementary Budget Process. From time to time, the budget may require adjustments due to unforeseen expenditures, to recognize unanticipated revenue, or to adjust operating transfers.
- a. Supplementary Budget Resolution. During the year, adjustments that will change the budget at the Fund or Department level may be made by bringing a supplemental budget Resolution to the Council for their approval.

- b. Upon approval by Council of any supplementary budget Resolution, the Finance Department will prepare the necessary budget entries, to formalize the budget adjustments that were thereby appropriated.
- c. It is the goal of each department to ensure that actual expenditures for the year do not exceed the budgeted amounts appropriated.

### **3.2 Financial Monitoring**

This section outlines the responsibilities of Departments in monitoring and managing the approved Budget.

- 3.2.1 Financial Statement. Each spring, financial statements are generated with the assistance of the outside auditor, which summarizes revenue and expenditures, budgeted amounts, total collected and spent for the previous year, and the percentage of total to budgeted dollars. The City Manager and Finance Director review the financial statements for accuracy and to assist with summarizing year-end results in their reports to City Council.
- 3.2.2 City Manager responsibility. The City Manager is ultimately responsible for the implementation and management of the budget and for the proper use and preservation/protection of the City's assets.
- 3.2.3 Finance Department responsibility. The Finance Director is charged with the primary responsibility for monitoring the fiscal and program implementation of the approved budget. The Finance Director will report to the City Manager on various aspects of budget implementation and management. In addition, the Finance Department will work closely with other departments to apprise them of their financial status and of any potential issues that may affect their budgets. The Finance Department may review fiscal issues affecting any part of the City organization. This activity supports the monitoring role and focuses on the protection of City assets and the legal, efficient, and effective use of City resources. The Finance Director will provide City Council with a periodic updates, when requested, on the City's finances including a financial report containing budget versus actual revenue and expense information.
- 3.2.4 Department Responsibility. Departments are responsible for monitoring and managing their resources to ensure that the legal and administrative appropriation to the department is not overspent and that all expenditures and uses of City resources are in conformity with City, State, and Federal ordinances, statutes, policies, and regulations as follows:
  - Legal Appropriation. Each department is responsible for ensuring that expenditures do not exceed the legal appropriation level for their department within each fund, operating and capital expenditures combined.
  - Revenues. Departments are responsible for monitoring revenues that are collected as a result of programs administered by their departments. If a significant change in the estimate for the current or future fiscal year's results, the department must contact the Finance Director to advise of the change.
  - Potential line item transfers and/or supplemental budget requests. If any one line item appears to be potentially overspent by year end, or in the case of forecast revenue levels not being met, the Department Head must notify the Finance Director. He/she will work with the Department Head and the City Manager to determine if a budget transfer or a supplemental budget request is necessary.

3.2.5 Reserves. Reserves are used to buffer the City from downturns in the economy, to provide for emergency requirements, and to provide an additional source of accumulated funding for major capital improvements or redevelopment. The Finance Department tracks five types of reserves for government funds. They are as follows:

- Nonspendable funds – portion of net resources that cannot be spent (i.e. inventory)
- Restricted funds – funds that have been limited to their use by law or outside entities
- Committed funds – funds that have been limited to their use by City Council
- Assigned funds – funds that are limited by their intended use such as the special revenue reserves that are not committed or restricted
- Unassigned funds – residual funds after accounting for nonspendable, restricted, committed and assigned funds

The targeted fund balance for governmental funds reserves consists of all balances other than nonspendable and restricted funds. The reason for this is that City Council may “uncommit” committed funds and/or “unassign” assigned funds through Council resolution. Council has established a fund balance policy for reserves as follows:

- The suggested targeted fund balance in the General Fund is 20% of the current year General Fund operating expenditure budget. This amount includes two months expenditures (17%) plus the 3% emergency reserve required under the TABOR amendment.
- Any excess of fund balance over the 20% floor may be used to provide reserves for economic uncertainty, or provide a source of funds for capital equipment, capital projects, and/or redevelopment programs, as the Council sees fit.
- The combined Water and Electric individual cash balances should not be allowed to fall below 25% of the current year’s operating expense budget before depreciation.



## **SECTION 4     EXPENDITURE MANAGEMENT**

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The purpose of this section is to establish purchasing and bidding guidelines. These policies are applicable to all purchasing for the City of Fountain and are established to ensure that needed goods and services are obtained in a timely manner, at the lowest prices possible, consistent with acceptable quality standards, and in accordance with the requirements of Section 3.3(e) of the City Charter pertaining to purchasing.

Consistent with these objectives, a part of the City's procurement activity is decentralized. In recognition of the cost of staff time and to reduce the cost of making small purchases, purchasing cards are issued to selected personnel as approved by the Department Head and Finance Director. The purchasing card will be defined later in this manual.

Additional requirements in the case of FEMA and Homeland Security grants are also indicated in this section.

Also described below are; procedures which apply to purchases made directly by City staff, the steps followed by the Finance Department, the public purchasing law, and ethical standards that shape the City's purchasing activities.

### **4.1     Purchasing Policies**

Procurements by the City of Fountain are governed by state law, the City Charter and these purchasing policies.

#### **4.1.1     Principles and Ethics.** All employees of the City of Fountain subscribe to the following principles and ethics:

- We believe in the dignity and worth of the service rendered by government and our own social responsibility as trusted public servants. We consider, first, the interest of the City in all transactions and agree to carry out the City's established Purchasing Policies and applicable law;
- We will keep the City informed, through appropriate channels, on problems and progress of the City of Fountain that we serve, but keep ourselves in the background, by emphasizing the importance of the facts;
- We are governed by the highest ideals of honor and integrity in all public and personal relationships in order that we may merit the respect and inspire the confidence of the City and the public, which we serve;
- We strive to stimulate competitive bidding in order to obtain goods and services at the lowest possible cost, and to provide all interested vendors with the opportunity to offer their products to the City;
- We strive to accord a prompt and courteous reception, so far as conditions will permit, to all who call on a legitimate business mission;
- We believe that personal gain or benefit obtained through misuse of public or personal relationships is dishonest.

#### **4.1.2     Conflict of Interest.** No employee or official of the City shall participate in a transaction, contract, activity, or service of the City which has a direct or predictable effect on the employee's financial interests or the financial interests of an employee's immediate family member or is otherwise prohibited by law.

Exceptions to this rule are as follows:

- a) When an employee's family member is contacted to perform a contractual service by a Department Head from a department other than the employee's department.
- b) When the contractual service is approved in advance by the City Manager
- c) When the employee's family member has secured the contract through the City's bid process.

4.1.3 General Purchasing Rules. All purchases or contracts for services of any kind or description, payment for which is to be made from funds of the City of Fountain, shall be, without exception, in the following manner.

- Personal Purchases. It is prohibited for an employee or official to make purchases for personal purposes or to receive special pricing from a vendor using the City's name, account, or reputation. Employees may not authorize payments to themselves. The employee's Department Head or the City Manager must approve the expenditure.
- The Finance Department has the responsibility to oversee all purchasing activities for all departments at the City. Any employee that has a purchasing card approved by their Department Head is authorized to purchase goods pursuant to 4.4 below.
- Purchase Orders. A purchase order is not required for items under \$50.

Purchasing Thresholds:

- a. **Under \$5,000.** Small items in this category, used on a day-to-day basis, may be purchased with the approval of supervisory personnel without competitive bidding on each item. However, even on these items, periodic telephone checks should be made to be certain the purchases are secured from a local source at the lowest cost for the quality needed. Items used on a day-to-day basis consist of office supplies and other items that are routinely purchased. For items under \$5,000 that are not routinely purchased, it is required to obtain three telephone bids to ensure that the lowest best bid is received. Department Heads may authorize employees to purchase budgeted items by requesting a purchasing card for that employee and assigning a dollar limit. Whenever possible, these items should be purchased within the City Limits of Fountain.
- b. **\$5,000 - \$50,000.** Purchases or contracts for services for the sum of \$5,000 to \$50,000 shall be secured on competitive bid basis. This must be accomplished by securing at least three written informal bids or through the formal bid process utilizing advertisement and specifications; whichever is most advantageous to the City.
  - When seeking written informal bids, all bids must be tabulated in detail and forwarded to the Department Head and Finance Director. If the recommended bid is not the lowest, a detailed explanation must accompany the bid's submission to the Department Head and the Finance Director.
  - Bid award in this category will be made by the Department Head if the funds are available within the approved Budget. If funds are not within the Budget, bid award shall be made by the City Council at a regularly scheduled Council meeting.
  - Whenever possible, these items should be purchased within the City Limits of Fountain provided the goods or services comply with bid specifications and are determined to be in the best interest of the City. Preference may be given to vendors located within the City Limits of Fountain when quality of product is equal or better, and the difference in the delivered price is negligible (less than 5% difference, up to a maximum of \$2,500).
  - Change Orders to contract amounts may be made by the City Manager or Department Head, provided that funds are available within the Budget and the sum of Change Orders

does not exceed 10% of the original contract amount. Otherwise, Change Orders shall be approved by Council.

- c. **\$50,000 and higher.** Any item for services, projects, or equipment in this category shall be purchased through the formal bid process. Formal bids shall be secured by advertisement. Additionally, a random sample of vendors who qualify, or who have indicated an interest in bidding, shall be forwarded a copy of the specifications, when possible, to insure the best competitive bids for the City.
- The responsibility for the advertising of formal bids will be that of the Department Head overseeing the purchase. It is required that an advertisement for formal bid is placed in the newspaper 10 days prior to the bid opening.
  - Award of items in this category will be made by the City Manager based on Department Head recommendations if it is an appropriated item. If funds are not appropriated for the item, bid award shall be made by the City Council at a regularly scheduled Council meeting along with the expenditure authorization by motion or resolution. This item will be included in the final budget amendment which is adopted by ordinance before the end of the year. Award shall typically go to lowest and best bidder, but preference may be given to vendors located within the City Limits of Fountain when quality of product is equal or better and the difference in the delivered price is negligible (less than 5% difference, up to a maximum of \$5,000).
  - Change Orders shall be taken to Council for approval if the sum of Change Orders exceeds 10% of the original contract amount or if funds are not available within the Budget to cover the Change Order(s)

4.1.4 Purchasing Authority. The purchasing authority thresholds are set forth as follows:

- **Up to \$1,000:** For purchases up to \$1,000, Division Managers shall have the responsibility to authorize purchase requisitions.
- **\$1,001 to \$2,000:** For purchases more than \$1,000 and up to \$2,000, the Department Head shall have the responsibility to authorize purchase requisitions.
- **\$2,001 to \$4,000:** For purchases more than \$2,000 and up to \$4,000, the Finance Director shall have the responsibility to authorize purchase requisitions.
- **\$4,001 and up:** For purchases of more than \$4,000, the City Manager shall have the responsibility to authorize purchase requisitions.
- It shall be considered a violation of the Purchasing Policy to circumvent the approval process by using multiple purchase requisitions to complete a purchasing transaction.

Vehicle Purchases and Vehicle Repairs. The Public Works Director or his designee must approve all vehicle purchases and vehicle repair decisions including if the vehicle should be repaired and what vendor is appropriate to make those repairs.

Emergency Purchases. Pursuant to City Charter, to meet a public emergency which jeopardizes public health, peace, safety or property, the Council may make emergency appropriations. Such appropriations may be made by emergency ordinance in accordance with the provisions of the Charter.

Furthermore, in cases of an emergency which requires immediate purchase of supplies or services and time is of the essence, the City Manager shall have the authority to authorize such purchase up

to \$500,000 or secure such services needed without complying with procedures as set out in section 4.1.3 b and c. Examples of emergencies requiring emergency purchase include sewer line collapse, water system pump failures, and weather-related damage requiring immediate repair.

For purchases over \$500,000, a full report of such an emergency purchase shall be made by the City Manager to the City Council no later than the next City Council meeting.

An emergency purchase is an immediate need of a good or service, which was unable to be anticipated, in which time is a crucial factor and would be a disservice to the citizens of the community of Fountain if the item were not purchased.

- 4.1.5 Authorized Signatures. The purpose of this policy is to outline the authorized positions to act on the City's behalf for the signature of checks and electronic funds transfers. This policy is applicable to the signing of all checks, contracts, agreements and electronic funds transfers for the City of Fountain.
- a. Check Signing Authority. Every check issued by the City shall be signed by the Mayor or Mayor Pro Tem and countersigned by the City Clerk or City Manager. Facsimile or mechanical signatures may be used for such checks if authorized by the Council. The Finance Director may, with the approval of the City Manager, adopt such other controls over the disbursement of funds as may be necessary.
  - b. Electronic Funds Transfers. Electronic funds transfers into and out of the City's accounts may be initiated by authorized Staff in the Finance Department for payment of payroll, debt service, and vendor liabilities. In all instances, the electronic funds transfer must be initiated by an authorized Finance Department staff member and reviewed and approved by the Finance Director to maintain a high level of internal control. Authorized Customer Service staff may initiate and process ACH debit payments from utility customer accounts. The initial set-up of these recurring ACH transactions is reviewed by the Customer Service Manager.

## **4.2 Bid Guidelines**

The purpose of this policy is to provide guidance on the process necessary when required to follow the bidding process.

- 4.2.1 Bidders List. The Finance Director or responsible Department Head will maintain a list of vendors who wish to bid on goods or services for the City of Fountain. All vendors wishing to provide goods or services to the City may contact the Finance Director or responsible Department Head with appropriate information for inclusion in future bid processes. When the City prepares an invitation to bid, all respective bidders on the list shall be notified in writing and given sufficient time to provide a bid to the City if the vendor intends to do so.
- 4.2.2 Correspondence with Vendors. All correspondence with vendors should be communicated through the Department Head responsible for overseeing the specific bid unless the bid specifications make it advisable to delegate the authority to others.
- 4.2.3 Formal Bid Notice. All formal bid purchases or formal contracts for services shall be advertised as follows:

- All notices and solicitation of bids shall state the time and place of the bid opening. It is required that the request for bid be published in the newspaper at least 10 days prior to the bid opening.
- Notices and solicitations of bids shall include information that these are sealed bids and that they should be so identified (as bids) on the envelope.
- Notices and solicitation of bids shall plainly state to whom the sealed bid(s) should be addressed.
- Performance bond(s), in cash or otherwise, or other acceptable financial assurance such as letter of credit shall be requested if in the best interest of the City in such an amount as may be deemed sufficient to secure the execution of the contract or furnish supplies.
- The City of Fountain, Colorado reserves the right to reject any and all bids and waive any informality. The City of Fountain also reserves the right to select the lowest and/or best bidder as determined by the City in its sole discretion.

- 4.2.4 Competitive Buying. City policy requires quotes or bids to be obtained from as many providers as reasonably possible to insure a competitive marketing atmosphere and advantageous pricing. Bids will be solicited when required by policy and also when it is found to be advantageous to do so. Any qualified provider may respond to a City request for quote or bid.

Periodically, the Finance Department may check items purchased by other authorized personnel to verify that the City is obtaining the best prices for the quality of goods purchased. Recommendations will be made as necessary to benefit the City.

- 4.2.5 Maintenance Agreements. If the need for a maintenance agreement is anticipated at the time of purchase, the terms of the agreement must be included in the bid specifications.

- 4.2.6 Steps in Bid Process. The following steps are involved in the bid process:
- a. Department head prepares the bid package, sets the bid opening date, prepares the advertisement for call for bids, the bid invitation letter, specifications and list of prospective bidders.
  - b. Department Head holds public bid opening.
  - c. The requesting department prepares a tabulation of bids received, analyzes bids, and returns bid documents with recommendations for bid award to Department Head and Finance Director.
  - d. Finance Director reviews analysis and recommendation and, upon approval the Department Head, prepares final recommendation for submission to City Manager or City Council, whenever appropriate as indicated through this Bid Policy.
  - e. Bid award is made pursuant to the purchasing thresholds set forth above.
  - f. Requesting department obtains purchase order prior to issuing a Notice to Proceed or otherwise obligating the City financially, and administers the contract and notifies accounts payable when payment is to be made through standard invoice procedures.

- 4.2.7 Price Agreements and Other Centralized Purchasing. Price Agreements are contracts negotiated by the City for goods or services, which we need frequently throughout the year (e.g., fax machines, computers, uniforms, sand and gravel, etc.). It is to the City's advantage for departments to use these agreements to save money and time by not having to go through a bid process for each purchase. The City does require that departments purchase certain types of goods and services in a more centralized fashion: data processing equipment and services, telecommunications

equipment and services, vehicle purchases, printing goods and services, office supplies. These purchases are coordinated with the assistance of Finance, unless otherwise designated.

- 4.2.8 Contractor Performance Problems. It is very important that departments document any performance problems with a particular vendor. Documentation should include written notification to the vendor of a problem, evidence of attempts to resolve the problem and a summary of the final outcome of the situation.

Please notify the Purchasing Agent when a vendor continues to have performance problems and forward a report documenting the incident(s). The City Manager may determine if a vendor is classed as irresponsible and should be taken off of our bidding list for a period of three (3) years or until the vendor can prove the problems have been corrected.

- 4.2.9 Exclusive Service. In the event that there is only one (1) firm, company or individual capable of providing a particular service or commodity, referred to as a sole source vendor, and such services or commodities cannot be secured from any other person(s) or company(ies), then the City Manager may authorize securing such items without the above bidding process(es) by declaring a sole source vendor. Approval of the City Manager must be received **prior** to making the purchase. To receive such authorization, the Department Head must submit with the purchase order, a detailed report explaining why this is the only feasible person/company from which to purchase/contract; and confirmed research must be included in the explanation.

- 4.2.10 Exemptions from the Public Bidding Process. The City recognizes certain exemptions from the Public Bid Process, as described herein:

- Professional Services. This Purchasing Policy shall not apply to professional services and the requirements shall not be mandatory in the employment of professional services. Professional services include, but are not limited to, the following: Attorneys, Bond Counsel, Certified Public Accountants/Auditors, Consultants, Engineers, Financial Advisors, Physicians, and Real Estate Brokers.
- Design-build Services. This Purchasing Policy shall not apply to design-build specialty services so long as the City Council approves such an exemption through formal action.
- Use of State Bids Awards. This Purchasing Policy shall not apply if the purchasing department is able to piggy-back on a State bid award, GSA bid award, or other bid award where a Public Bid Process has taken place.

- 4.2.11 Contract Authority. The City Manager shall have the power and duty to approve and execute, by signature, all contracts or agreements of, or on behalf of, the City or its enterprises, subject to the following limitations:

- No contract or agreement shall exceed \$200,000. Contracts or agreement exceeding \$200,000 shall be taken to City Council for approval.
- No contract or agreement shall involve conveyances of interest in land, bonds, indentures, evidence of indebtedness, or proclamations, unless the authority to approve and execute such documents shall be granted by the City Council.
- Such contract or agreement does not constitute an "intergovernmental agreement" under Colorado law.

- It shall be the City Manager's duty to ensure that all City contracts and agreements are procured in compliance with the requirements of the Fountain Municipal Code and any applicable rules and regulations.
- The City Manager may delegate the City Manager's signatory authority for the approval and execution of contracts and agreements to the Deputy City Manager and/or Department Head where the contractual matters fall within their area of responsibility. With the City Manager's prior approval, Department Heads may further delegate signatory authority for limited purposes.
- No City contract shall be approved or executed unless funds for the payment of obligations under the contract or agreement are in the budget approved by City Council and the funds have been appropriated by the City Council. This section shall not prohibit approval and execution of multi-year contracts or agreements where such agreements are legally permissible.

### **4.3 FEMA and Homeland Security Grants**

Affirmative steps in bidding process for federal grants:

- 4.3.1 All procurements must comply with 2 CFR 200.319(b), which is a Federal requirement that prohibits the use of statutorily or administratively imposed state, local or tribal geographic preferences in the evaluation of bids or proposals. The exception to this is when Federal statutes expressly mandate or encourage geographic preference. However, when contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.
- 4.3.2 The City will take all necessary steps to comply with 2 CFR Subpart D (200.321). In doing so the City will assure that: (1) minority businesses, women's business enterprises and labor surplus area firms are used when possible. This involves: (2) including these businesses on solicitation lists, (3) dividing total requirements, when economically feasible into smaller tasks in order to use such firms, (4) establishing delivery schedules that permit such firms to solicit, (5) using the services and assistance, as appropriate, of such organizations as the SBA and the MBDA of the Department of Commerce, and (6) requiring the prime contractor, if subcontracts are to be let, to take affirmative action steps listed in paragraphs (1) through (5) of this section.
- 4.3.3 Checking for Contractor Disbarment Bidding Process for Federal Grants. The City checks for contractor disbarment in SAM.gov to determine if a prospective contractor is excluded from bidding in accordance with 2 CFR 180.155.

Furthermore and in accordance with 2 CFR 200, Appendix II, the City will not award a contract to any parties listed on the government-wide exclusions in accordance with OMB guidelines. All contractors are to be verified in SAM.gov and the page showing that they are in good standing is to be printed and kept with the procurement files.

### **4.4 City Issued Credit Cards**

The purpose of this policy is to maintain the financial integrity of the City and its staff. The Purchasing Policy applies to all items procured by the use of a Purchasing Card. The purpose of the Purchasing Card program is to establish a more efficient, cost effective method of purchasing and paying for small dollar transactions within established usage limits. Under no circumstances will the Purchasing Card be used for personal

purchases. The Purchasing Card may be used to make payments for goods and designated services that do not exceed the individual card limit and are not prohibited by Purchasing Card policies and procedures.

- 4.4.1 Issuance. City credit cards may be issued to Department Heads or other personnel as authorized by the City Manager and Finance Director.

If a cardholder is placed on short-term or long-term disability, the Finance Department must be notified and the card will be inactivated. When the cardholder returns to work, notify the Finance Department with a request to re-activate the card.

- 4.4.2 Legitimate Business Expenses. A credit card may be used for purchases or costs associated with approved travel. No cardholder may procure goods or services for personal purposes. Personal use of a credit card consists of procuring an item that is not a legitimate business expense and must be reimbursed to the City. Misuse of the card could subject an employee to discipline pursuant to City personnel policies. **For further information, refer to the City of Fountain Purchase Cardholder Agreement.**

Department Heads may make available credit cards for purchases where time is of the essence to save the City money; where a credit card is the only or easiest form of payment accepted for a product or service; or when required for travel purposes. It is the responsibility of the Department Head to notify the Deputy Finance Director or the Payroll and Accounting Technician, if an employee is no longer authorized to use the City's credit card.

**Allowable Use:**

The following are examples of types of items that may be purchased with the card; this is not an all-inclusive list. If in doubt, contact the Finance Department.

- Travel-related expenses (airfare, hotel, meals)
- Conference/seminar registration fees
- Professional memberships and license fees
- Food for meetings (i.e. donuts and bagels for morning meeting)

**Non-Allowable Use:**

At NO time are the following purchases allowed with a Purchasing Card. This is not an all-inclusive list. If in doubt, contact the Finance Department.

- Cash Advances or cash refunds of any type
- Personal use of any kind or for any non-City purpose
- Alcohol or alcoholic beverages of any kind
- Gifts or donations

The Purchasing Card is not intended to avoid or bypass appropriate purchasing or payment procedures. Rather the Purchasing Card complements the existing available processes.

- 4.4.3 Prior Authorization of Expenditures. Purchases with a Purchasing Card do not require a purchase order. However, prior authorization of expenditures at the department level shall be determined by the Department Head. Purchases are subject to per purchase limits in addition to maximum card



restrictions.

- 4.4.4 Monthly Reconciliation. The Department Head is responsible for ensuring monthly reconciliation and approvals are completed. The basic monthly reconciliation and approval process is as follows:
- The Cardholder is responsible for submitting receipts to the Department Head or designee/reconciler.
  - Reconciler matches and attaches the receipts to the statement of charges, and forwards to the Department Head or designee for approval.
  - The Department Head reviews the monthly statement, and if appropriate approves the transactions and forwards to the Finance Department.

- 4.4.5 Purchasing with a Purchase Card. Purchases may be made with the Purchasing Card by phone, fax, secured internet site, or in person. When ordering, request that the vendor provide an itemized invoice or receipt. Cardholders are responsible for obtaining and submitting an itemized invoice, receipt, or credit to their Department Head for reconciliation and documentation processes. For internet/on-line purchases make sure to use the following address otherwise your card will be declined: **116 South Main Street, Fountain, CO 80817.**

The City of Fountain is exempt from paying Colorado sales or use tax. Information on the City's tax exempt status appears on the front of the Purchasing Card. Be sure to remind the vendor of our tax exempt status when making a purchase. If the sales tax exemption is denied, a note must be written on the receipt explaining why it was denied.

- 4.4.6 Returns, damaged goods, credits. Items purchased with the Purchasing Card will periodically need to be returned for one reason or another. Credits listed on the statement must be documented with a note as to when the original charge was made and why we are receiving a credit if the credit invoice/receipt is not available.
- 4.4.7 Disputed Items. Disputed items may result from failure to receive goods, fraud, misuse, defective merchandise, incorrect amounts being charged, duplicate charges, or credits not yet received. Most issues can be resolved by contacting the vendor. The cardholder is responsible for contacting and following up with the vendor on any erroneous charges and disputed items.
- 4.4.8 All vendors that accept Purchasing Cards are registered under a specific Merchant Category Code (MCC). These codes specify the type of business the vendor engages in. (i.e. airlines, medical services, retail stores, restaurants, etc.) The Finance Department has blocked all categories deemed inappropriate for City of Fountain business transactions. Purchasing Cards cannot be used to make purchases from vendors that fall under a blocked category on the Merchant Category Code (MCC) listing. Examples of some blocked categories include but are not limited to:
- Beer, Wine and Liquor stores
  - Dry Cleaners
  - Cash Advances
  - Fines, Tax Payments, Court Costs

- 4.4.9 Audits. All transactions are subject to review by the Finance Department for compliance with Purchasing

Card Policies and Procedures, and applicable laws and regulations. All transactions should be reviewed by the Department Head or assigned designee. Finance Department staff will compare each transaction with the receipt. Violations will be recorded and a determination will be made as to whether any violations and/or trends need to be addressed with a specific office, department, or cardholder.

Purchasing Card transactions are also reviewed by the City's external auditors each year for compliance with sound business practices.

4.4.10 Fraud and Failure to Follow Policies and Procedures. There are two (2) types of fraud:

- 1) The first type of fraud is ID fraud, where a card issued by the City of Fountain is lost or stolen, or duplicate charges are made with the cardholders account number. In this case, the City is protected through the issuing banks fraud protection and neither the City nor the cardholder are liable.
- 2) The second type of fraud comes about when the cardholder intentionally purchases an item (i.e. a television or stereo) intended for personal use. In this case, the City is covered by the fraud protection only if the cardholder is terminated from employment with the City. If the cardholder is not terminated, the City becomes liable. The City will pursue all available remedies to recover such unauthorized use.

Fraudulent use of the City of Fountain Purchasing Card is a serious matter that may result in disciplinary action up to and including termination of employment, and may subject the cardholder to legal action.

Cardholders may have their Purchasing Card privileges temporarily or permanently revoked, depending on the violation of policy or procedure that has occurred.

#### **4.5 Meal and Incidental Expenses Per Diem, Automobile Reimbursement and Petty Cash Use**

- 4.5.1 Employees traveling to attend training or on other City business shall receive a meal and incidental expense per diem based on the rate published by U.S. General Services Administration (GSA) Website, [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem), for the particular City or County they are visiting. The per diem for partial day travel shall be determined by the breakout provided on [www.gsa.gov/mie](http://www.gsa.gov/mie).

Employees traveling on City business and using a personal vehicle shall be reimbursed the published Internal Revenue Service (IRS) standard mileage rate for auto expenses. Employees should make use of City vehicles when possible when traveling on City business.

- 4.5.2 Petty Cash. Petty cash can be obtained upon authorization. Each petty cash location will have a balance of no more than \$200. The procedure to obtain petty cash is to fill out a petty cash slip, noting the date, amount, account coding, reason for request, and approval by authorized personnel. The maximum limit is \$35 per request.

Travel reimbursements up to \$35 will be reimbursed through the Petty Cash Fund. This allows the employee to receive the reimbursement promptly and requires less processing costs than through accounts payable.

Requests to draw more than \$35 from Petty Cash can be made to the appropriate Department Head and will be considered when funds allow.

#### **4.6 Unclaimed Property**

- 4.6.1 Unclaimed money is tangible property that has been abandoned by the owner for one or more years. Some examples of property that can become abandoned and might be considered unclaimed property are: payroll checks, vendor checks, and over-payment or refund checks.

Colorado Revised Statutes (C.R.S.) Title 38: Article 13, Unclaimed Property Act requires the City to notify on all personal property that is considered abandoned or unclaimed and remit funds on property over \$25 in value to the State Treasurer for deposit by November 1st of each year. Though state statute allows the City to keep unclaimed property less than \$25 in value issued up to three years prior to remittance, Fountain City finance has committed to remit all unclaimed property to the state regardless of dollar amount by November 1st of each year. Before filing an unclaimed property report, the City must send written notice to the owner at the owner's last known address not more than 120 days prior to submission of the report. All property is turned over to the state treasurer's office annually by the deadline mentioned above, after the finance department has exhausted all alternatives to ensure the money is delivered to the appropriate owner.

## **SECTION 5     REVENUE MANAGEMENT**

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### **5.1     Revenue Sources**

The City follows a policy of prompt and efficient collection of taxes, fees and other revenues, and strives to maintain a simple revenue structure in order to reduce compliance costs for the taxpayers while ensuring the City's ability to provide ongoing services. The Finance Department develops adequate deposit procedures for City departments.

- 5.1.1 Revenue Diversification for Fiscal Sustainability. Generally, current revenues fund current expenditures. The City maintains diverse revenue sources and a multi-year forecasting system to help ensure stability so as to protect programs and services from short-term fluctuations in cash flows of any single revenue source. The goal is that the City will be able to continue necessary programs and services to its citizens. The Finance Department annually develops conservative financial assumptions supporting the multi-year forecasts. The Finance Department is responsible for maintaining these forecasts as well as cash flow records and reconciliations.
- 5.1.2 Sales Taxes. The City's largest source of discretionary revenues is sales taxes. The City receives these taxes directly from the State approximately one and a half months after the end of the month for which the taxes are collected. The Finance Department uses historical records and its' forecasting system to project cash flows from sales taxes. In addition, the Finance Department reports the sales tax receipts to City personnel on a monthly basis with appropriate analyses. The Finance Department prepares this report within days of receiving the collection report from the State.
- 5.1.3 Property Taxes. Property taxes are determined through the assessment of property values in accordance with Colorado Statutes and multiplied times the appropriate mill levies assigned to those properties.
- 5.1.4 Franchise Fees. The City of Fountain has a number of franchise agreements with various utility providers, including the City-owned water and electric utilities, which provide payment for use of the City's rights-of-way.
- 5.1.5 Use Taxes. The use tax rate for the City is 2% and the major sources are new construction and vehicle purchases. If the City is presented with a contract at the time of permit, 1% is charged on the entire contract under the assumption that 50% of the contract is labor, which is not taxable.
- 5.1.6 Transfers. The Finance Department is responsible for analyzing the elasticity and diversity of the revenue stream and for determination of cash distribution or transfers to and from funds.
- 5.1.7 Grant Revenue. Each department is responsible for the preparation and submission of grant proposals and for complying with all grant management and reporting requirements. All potential grants shall be carefully examined by the submitting department for matching requirements (dollars, maintenance-of-effort, and in-kind matches), and funding sources identified for the out years once grant funds are reduced or eliminated.

Future funding obligations required by grants must be identified prior to grant acceptance by the City Council. The City shall seek grants and other funding opportunities which provide maximum leverage of City monies while minimizing commitments requiring recurring City fiscal expenditures.

Each department is also responsible for providing all necessary grant information to the City's Deputy Finance Director immediately upon receipt of the grant award and during the course of the audit to the external auditor.

For more detailed requirements surrounding grant revenue and compliance, See Section 8 of this manual.

- 5.1.8 Fees, Fines and Forfeitures. All fees established by the City for fees, licenses, permits, fines, services, applications, and other miscellaneous charges shall, whenever possible and within the law, be set to recover all or the maximum reasonable portion of the City's expense in providing the associated service. The City's expense includes all direct and indirect costs, such as depreciation, supervision, clerical support, and all other costs as calculated in the cost allocation plan. These fees are reviewed at least annually by the City departments and with the assistance of the Finance Department, in order to determine the impact of inflation and other cost increases.

The City Council will review Staff proposals to establish cost recovery policies for fee supported services which consider the relative public/private benefits received from the services being provided and/or the desirability of providing access to services for specialized populations. These policies will determine the percentage of full service costs to be recovered through fees. The level of cost recovery will be routinely adjusted to ensure that rates are current, equitable, and competitive and cover that percentage of the total cost deemed appropriate.

Many services provided by the City directly benefit individuals and not the community as a whole. These services include building permits, provision of utilities, and others. When services of this nature are subsidized by the general taxpayer, scarce resource dollars are not available for other City services. In these user-choice services, the customer has the opportunity to determine whether or how much the service is used, with part of that decision being made through the normal pricing system. In such cases, the City is committed to recovering the full cost of providing the service, including both direct and indirect costs, through a user fee or service charge.

It is the policy of the City to:

- Develop broad policies concerning funding of services.
- Review all services to determine if a fee should be charged.
- Set fees that are comparable to other jurisdictions and/or that recover the full costs of providing that service, when appropriate.
- Consider user's ability-to-pay and other social/community benefits of the service.
- Periodically evaluate fee amounts.

In some cases, full cost recovery is not permitted because of statutory or other legal restrictions, and in other cases it may not be desirable for social/community benefit reasons. The Council shall determine when social/community benefits should be considered in the establishment of fees.

## **5.2 Revenue Reporting**

- 5.2.1 Timeliness of Deposits. All funds received will be receipted into Harris Innoprise Systems and deposited to the operating account, or other financial software and banking institution in the case of certain utilities payments, as it may apply, no more than three days after receiving the funds. Funds must be receipted into the financial software and to the bank on the same business day for reporting purposes. Funds may be received in the form of cash, check, warrant or wire.

## **5.3 Cash Receipts and Collections**

- 5.3.1 Credit Collections. When the City receives a check for goods or services, it is deposited into the City's bank account. Upon a check being returned from the bank due to insufficient funds, the party will be notified and informed to pay their balance and applicable fee(s).

If the check in question concerns a service in process, it is the responsibility of the department to stop City services until the debt plus any required fees have been paid.

- 5.3.2 Cashier/Cash Receipts. Cash and checks are received at various locations in City Hall including Municipal Court, the City Clerk's office, Customer Service, and Finance. In cases of counter activity, a customer receipt is generated by the authorized employee on the computerized cash register, which enters the transaction into a batch in the financial management system or the utility billing system. These cash receipt batches are reviewed and posted to the system by the Accountant or in the case of utility bill payments, the Utility Accountant. In cases of wire transfer to the City's bank account, a journal entry is prepared and posted to the general ledger by the Accountant.

A new batch is created every morning to process the receipts for the day. When the batch is closed and the appropriate reports have been printed, the batch is assigned to the Accountant or the Finance Director. The drawer is balanced and the bank deposit is prepared the next morning by the City Clerk/Treasurer or the Administrative Assistant. Customer Service, Court and Finance also prepare deposits which are placed in plastic deposit bags and sealed and are delivered to the City Clerk/Treasurer. The City Clerk/Treasurer or the Administrative Assistant records all the deposits in the log book provided by Brinks. Brinks picks up the deposit every morning and UMB Bank receives the deposit the following morning. The Accountant or the Finance Director has the authority to edit these batches before they are posted to the general ledger.

- 5.3.3 Internal controls involving cash receipts include:
- Cash receipts are numbered by the computerized cash register.
  - Authorized personnel must enter a password prior to processing a receipt.
  - Transactions can only be voided by Finance Department personnel through the use of a password.
  - All checks submitted to Finance for processing shall be endorsed with:

PAY TO THE ORDER OF BANK NAME  
FOR DEPOSIT ONLY  
CITY OF FOUNTAIN  
ACCOUNT NUMBER

- e. Bank accounts are reconciled monthly by the Accountant and reviewed by the Finance Director.

5.3.4 Basis of Accounting. Throughout the fiscal year, revenue will be receipted using the cash basis of accounting, unless the receiving department uses the accounts receivable billing module. The general ledger date in the financial software will be the same as the day the funds are deposited to treasury/the bank. All revenue received in the first sixty (60) days of the following fiscal period that was earned and recognizable in the previous period will be accrued according to GAAP and in compliance with government financial reporting requirements.

## **SECTION 6     *INVESTMENT AND TREASURY MANAGEMENT***

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The purpose of this policy is to establish the City's investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments, selection of financial institutions, portfolio maturities, volatility, diversification, risk, safekeeping, and custody requirements

### **6.1     Investments- Scope, Authority, Objectives and Standards**

6.1.1     Scope. This investment policy applies to all investment *transactions/activities* of the City of Fountain, Colorado, involving the investable funds of said City with the exception of its uniformed and non-uniformed employee pension plans. Investment activities shall be performed in conformance with this policy and the City's financial policies. The City, its financial institutions, its investment managers and broker/dealers shall be an equal opportunity employer.

6.1.2     Restriction of Authority. The ultimate responsibility and authority for investment transactions resides with the City Treasurer and the Finance Director, who acts as the ex-officio City Treasurer and is fully authorized to buy, sell, and trade investments in accordance with the goals and objectives of this investment policy. No person may engage in an investment transaction except as authorized under the terms of this policy.

Bonding of all Finance Department staff who have authority to make wire transfers or who have signatory responsibilities of checking accounts shall be required. Bonding also shall be required for any individuals authorized to place, purchase, or sell investment instruments.

6.1.3     Objectives. The City shall seek to optimize its return on investments within the constraints of safety and liquidity. The primary objective of this investment policy shall be to manage the portfolio in such a manner as to attain a market rate of return equal to or greater than average rate of return of the one year T-Bill or other appropriate performance measure as determined by the City Council while preserving the capital and protecting the investment principal of the overall portfolio. To attain this objective, diversification shall be required to ensure that potential losses on any security or securities does not exceed the income generated from the overall portfolio.

The portfolio shall be structured to allow maximizing the return consistent with risk limitations and prudent investment decisions based on this investment policy.

The portfolio shall remain sufficiently liquid to meet anticipated disbursement requirements.

Nothing shall prohibit the City's Finance Director from investing all excess funds in the most efficient and beneficial manner possible in order to achieve market rates of return consistent with constraints imposed for safety, cash flow, and applicable investment laws.

6.1.4     Prudent Person Standard. Investments made pursuant to CRS 24-75-601.1 must be made in accordance with the "prudent man (person)" standard of CRS 15-1-304, (CRS 24-75-601.1(2)). This requirement states that fiduciaries, such as official custodians who make investments or deposits for local governments, are obligated to exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of



the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital. (CRS 15-1-304)

- 6.1.5 Reporting Requirements. The Finance Director shall submit to the City Manager and City Council a bi-annual investment report listing all of the investments held and classified by categories of investment risk. The report will summarize recent market conditions, economic developments, and investment conditions. The report shall also provide the amount of interest earned to date on a modified accrual basis and the cumulative interest earned during the year.
- 6.1.6 Internal Controls. The Finance Director shall establish a system of internal controls to ensure the integrity of the investment process. All investment transactions shall be supported by written evidence such as a confirmation ticket issued by the broker/dealer. In addition, the City's internal auditor or the independent auditor shall perform a review of the controls on an annual basis. The controls shall be designed to prevent loss of public funds because of fraud, error, and misrepresentation by another party or imprudent actions by an employee or employees of the City.
- 6.1.7 Pooling of Assets. In order to maximize the effective investment of assets, all funds may be pooled into one account for investment purposes known as the Investment Fund. The income derived from this account will be distributed periodically to the various funds based on the average balance over the period for which interest was earned and is being allocated.

## **6.2 Eligible and Prohibited Investments, Criteria, Safekeeping, and Other**

- 6.2.1 Eligible investments shall be defined as those instruments allowed in this policy as follows:
  - a. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding five years from the date of purchase.
  - b. Obligations of **Federal Instrumentality Securities** and U.S. Government Agencies: Specifically mentioned in the law are securities issued by FNMA (Federal National Mortgage Association) "Fannie Mae"; by GNMA (Government National Mortgage Association) "Ginnie Mae"; by FHLMC (Federal Home Loan Mortgage Corporation) "Freddie Mac"; by the FFCB (Federal Farm Credit Bank); and by the FHLB (Federal Home Loan Bank).
    - If a Federal Instrumentality Security carries a rating lower than the highest category by any Nationally Recognized Statistical Ratings Organization (NRSRO), the security is eligible for purchase subject to the following limitations: the final maturity may not exceed three years from the date of trade settlement and the security must be rated at least AA- or the equivalent by at least two NRSROs and not less by any. A money market security issued at a discount with a maturity of less than one year must be rated at least A1 or the equivalent by at least two NRSROs and not less by any. Subordinated debt shall not be purchased.
    - For securities authorized in this section, the City shall limit the combined total of investments to no more than 90 percent of the total portfolio and 30 percent per issuer.
  - c. Prime Commercial Paper issued by U.S. companies with maturities not exceeding 270 days from the date of purchase, which at the time of purchase is rated in its highest rating category by one or more nationally recognized organizations which regularly rate such obligations (A-I+ by Standard and Poors, P-1 by Moody's, D-I+ by Duff and Phelps, or F-I+ by Fitch).
  - d. The City's own securities including certificates of participation and lease obligations.

- e. Local Government Investment Pools. Pursuant to CRS 24-75-701, et seq., local governments may pool moneys they do not immediately need in a "local government investment pool trust fund". The pooling of moneys permits local governments to take advantage of short-term investments for which they individually may not have sufficient minimum capital and to maximize net interest earnings. The pool trust funds may only invest in securities which all participating local governments may individually invest in. (CRS 24-75-704(1)) The investment pool trust fund is created by resolution, drafted and adopted by each participating government's governing body.
- f. Time Certificates of Deposit or Savings Accounts in state or national banks which are state approved depositories per CRS 24-75-603, et seq. (as evidenced by a certificate issued by the State Banking Board) and are insured by the FDIC. Certificates of Deposit which exceed the FDIC insured amount shall be collateralized in accordance with the Colorado Public Deposit Protection Act. This collateral shall have a market value equal to or exceeding 102 percent of the difference between the insured amount and the County's total deposit of all funds with the institution. The City may deposit moneys only at financial institutions which are "eligible public depositories" pursuant to the Public Deposit Protection Act, CRS 11-10.5-101, et seq. Any official custodian of public moneys seeking to open a bank account in an eligible depository in Colorado must obtain public deposit account identification numbers from the Colorado Division of Banking. The Division of Banking designates and certifies a bank as an "eligible public depository". If the City is seeking to use an eligible public depository, a copy of the bank's "eligible public depository designation certificate" should be obtained.
- g. Repurchase agreements for any of the U.S. Government and agency securities listed in paragraphs one and two above, under certain conditions, including that the securities must be marketable; that the market value of such securities at all times must be at least equal to the funds invested by the investing public entity; and that the title must be transferred and the securities must actually be delivered.
- h. Certain money market funds. Statutes impose several conditions including registration of the fund under the federal "Investment Company Act of 1940"; that the fund seeks to maintain a constant share price; the fund charges no sale or load fees; the fund invests only in securities listed above, with a few specific exceptions; the securities have maximum maturity as specified in rule 2a-7 of the federal "Investment Company Act of 1940" with additional limitations; the fund has assets of a certain amount; or has the highest current rating from a nationally recognized rating agency; or consists of certain securities; and the dollar-weighted average portfolio maturity meets requirements of rule 2a-7 with additional limitations.
- i. Certain guaranteed investment contracts purchased only with debt, certificates of participation, or lease-purchase agreement proceeds, but no refunding proceeds.
- j. U.S. dollar denominated corporate or bank debt, issued by a corporation or bank organized and operating within the United States with a net worth in excess of \$250,000,000; the debt must carry at least one ratings not below "AA or Aa2" from any nationally recognized rating agencies; and the book value of the local government's investment in this type of debt shall at no time exceed 30 % of the City's investment portfolio, or five percent of the book value if the debt is issued by a single corporation or bank.

6.2.2 Prohibited Investments. It shall be the policy of the City to refrain from investment in SBA's, banks or savings and loan associations who secure more than 5% of their deposits through brokers, or whose equity to asset ratio is less than 3%, or to invest in GNMA's or Eurodollar TD's, Eurodollar

CD's, Equity Mutual Funds, Unit trusts, and government backed funds not allowed by C.R.S. 24-75-601 as amended.

Examples of securities the City shall not invest in include the following types of securities: equities—common or preferred stock of corporations; Certificates of Deposit (CDs) in out-of-state banks; real estate; commodity futures; collateralized mortgage obligations (CMOs), except those issued directly by government agencies; unit investment trusts (UIT); obligations of the Student Loan Marketing Association (SLMA); art and other collectibles.

- 6.2.3 Collateral Requirements. To qualify as a depository, financial institutions and savings and loan associations must collateralize the City's deposits in accordance with: Sections 11-10.5-101 through 11-10.5-121, C.R.S. as amended entitled "Public Deposit Protection Act"; Sections 11-47-101 through 11-47-120 C.R.S. as amended entitled "Savings and Loan Association Public Deposit Protection Act."

The City considers repurchase agreements as simultaneous sales and purchases of securities rather than as collateralized loans. However, securities underlying repurchase agreements are referred to as "collateral" for the purpose of this policy. It is the City's policy to require all issuers of repurchase agreements to execute a copy of the City's master repurchase agreement. A copy must be on file *prior to entering* into any repurchase agreements. In addition, the maximum length of a repurchase agreement shall be 90 days.

- 6.2.4 Selection of Financial Institutions and Dealers. The City's depository shall be selected through competitive bidding in accordance with the City's financial policies. When selecting the depository, the creditworthiness of the institution shall be considered. It shall be the policy of the City to purchase securities only from those financial institutions included in the City's approved list of broker/dealers or banks.

The Finance Director shall approve banks and savings and loans seeking to establish a relationship with the City for the certificate of deposit program. Certificates of deposit shall be collateralized in accordance with the Public Depository Protection Act and the Savings and Loan Association Public Deposit Protection Act as set forth in the Colorado Revised Statutes.

All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving the City's funds. The supervising officer of the institution shall agree to exercise due diligence in monitoring activities of the officers and subordinate staff members engaged in transactions with the City. Employees of any firm or financial institution that offers securities or investments to the City shall be trained in the precautions appropriate to public sector investments and are required to be familiar with the City's investment objectives and constraints.

- 6.2.5 Portfolio Maturities and Volatility. It is the City's intent to manage all of its investments, with the exception of the uniformed and non-uniformed employee pension plans, in such a way that any market price losses resulting from interest rate volatility would be offset by coupon income and current income received from the balance of the portfolio during a 12-month period. In addition, no maturity extension (swap) should be taken if it would result in negative income on the overall fund's portfolio. The maximum maturity date for all securities is no more than five (5) years from the date of purchase unless otherwise authorized by the City Council.

- 6.2.6 Diversification. It is the policy of the City to diversify investments within the portfolio. Securities shall be diversified to eliminate the risk of loss resulting from over-concentration of investment in a specific maturity, a specific issue or a specific class of securities. Diversification strategies shall be determined and revised periodically by the Finance Director.

When establishing specific diversification strategies, the following general policies and constraints shall apply: maturities shall be staggered in such a way that avoids undue concentration of assets in a specific maturity sector. Short-term maturities shall be selected which coincide with specified disbursement dates thereby avoiding the need to sell securities prior to maturity. Longer-term maturities shall be selected which provide for stability of income and reasonable liquidity.

- a. Positions in securities of a single issuer, except for U. S. Treasury securities, FHLB, FNMA, FFCB, and FHLMC, shall be limited to 5% of the overall portfolio so that in the event of default, the portfolio's annual investment income will exceed a loss on any single issuer's securities. Because the credit-worthiness of FHLB's, FNMA's, FFCB's and FHLMC's may change from time to time, the Finance Director may at times limit or prohibit their purchase.
- b. Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities greater than one year shall not exceed the coupon interest and investment income received from the balance of the portfolio.
- c. The Finance Director shall establish strategies and guidelines for the portfolio allocation of all securities.

- 6.2.7 Risk Tolerance. The City realizes that investment risk can result from issuer defaults, market price changes or certain technical complications, which lead to temporary illiquidity. Therefore, portfolio diversification is used as a means to control risk. The Finance Director is expected to display prudence when selecting investment securities and use safety, liquidity and yield in that order of priority as a way to minimize the risk of default. In addition, no one individual investment transaction shall be made which would jeopardize the total capital position of the overall portfolio.

If a specific issuer should default, the Finance Director shall review the portfolio and securities having comparable credit risks. The Finance Director shall establish guidelines concerning price volatility of the overall portfolio as well as certain individual securities, after first establishing a range of possible interest rate fluctuations within which markets could reasonably be expected to trade.

- 6.2.8 Safekeeping and Custody. Investments of the City shall be held by a third party custodian (bank or broker/dealer) or any branch of the Federal Reserve. Investment officials shall be bonded to protect the public against possible embezzlement and fraud. Written safekeeping procedures shall be established and reviewed annually by an *independent* auditor.
- 6.2.9 Local Preference. If determined feasible by the Director of Finance or the City Manager, preference to chartered commercial banks, savings and loan institutions, and industrial banks located within the City Limits of Fountain under Section 3.3(d) of the City Charter.
- 6.2.10 Defense of Staff and Payment of Judgments or Settlements against Staff. Staff, as public employees of the City, shall be subject to the defense of public employees and payment of judgments or settlements against public employees from liability for losses that may occur in the administration of this investment policy to the extent provided for under the Colorado Governmental Immunity Act, CRS 24-10-101 et. seq.

## **SECTION 7     DEBT MANAGEMENT**

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The purpose of this policy is to establish debt issuance guidelines and describe the types of debt the City will undertake and in which circumstances. This policy is applicable to all debt issuance for the City of Fountain including obligations which are not legally debt (i.e. leases), but which are obligations of the City of Fountain that are subject to annual appropriation of funds for their payment by the City Council of the City of Fountain.

### **7.1     Debt Guidelines**

The purpose of this policy is to establish the primary guidelines under which debt will be issued to the City.

- The City will seek to maintain, and if possible, improve its current bond rating so its borrowing costs are minimized and its access to credit is preserved. Sound financial practices, debt management and capacity, and competent management support the maintenance of the City's current bond rating. In its relations with rating agencies and the investment community, the City will follow a policy of full disclosure, as required by legal and professional practices.
- Credit Worthiness. The City will seek to maintain, and as possible, improve its current credit rating so its borrowing costs are minimized and its access to credit is preserved and enhanced.
- The City will maintain good communications about its financial condition with bond and credit rating institutions.
- Borrowing Purposes. The City will not fund current operations from the proceeds of borrowed funds, except for short-term cash flow borrowing such as Tax Anticipation Notes. The City will confine long-term borrowing to capital improvements, projects, or equipment, which cannot be funded from current revenues.
- Debt Repayment. When the City uses long-term debt financing, it will repay the debt within a period not to exceed the useful life of the improvements or equipment.
- Whenever possible, debt shall be self-supporting, and will be revenue debt, or revenue-backed with a general obligation pledge.
- The general obligation pledge will be used only for projects, which have a general benefit to City residents, which cannot be self-supporting.
- Arbitrage occurs when the funds received from a bond are reinvested at a higher interest rate than that which is paid to the bond investors. Taxes must be paid on any profits derived by the City from such reinvestment. Reports are required for each bond on every five year anniversary of the bond issue date. The Finance Director will contract with an arbitrage compliance consulting firm to ensure proper calculation and compliance with IRS arbitrage regulations.
- A calendar with up-to-date payment information will be maintained by Finance for all debt obligations of the City.

### **7.2     Types of Debt**

7.2.1 The following types of debt may be issued by the City:

- Pursuant to Section 10.5 of the City Charter, revenue bonds, payable from any or source or sources other than ad valorem taxes of the City, may be issued without an election by Council action.
- Local or Special Improvement District Bonds may be issued and debt repayments scheduled pursuant to the requirements set forth in Section 10.8 of the City Charter.

- Advance refunding will generally be undertaken only when the net present value savings exceeds 4% of the net interest cost or when the restructuring of debt is in the City's financial interest in accordance with the provisions set forth in Section 10.6 of the City Charter.
- Lease purchase debt, including certificates of participation, will be considered as an alternative to long-term vendor leases when cost effective. Such debt will be subject to annual appropriation and administered by the Finance Department.
- Long-term lease purchases for buildings and facilities will be used when the cost of a lease purchase is lower than other options or if deemed appropriate because of time constraints, etc. pursuant to the requirements set forth in Section 10.7 of the City Charter.
- Direct Bonded Debt. Pursuant to Section 10.4 of the City Charter, the Net Direct Bonded Debt as a percentage of Assessed Value shall not exceed 10%.
- Conduit Financing. Recognizing that the City is able to issue debt for broad purposes, it may be appropriate to issue on behalf of another party when the City Council, after a complete review process, determines that the proposed project will provide a general benefit to City residents.
  - The City will consider issuing conduit financing which will not impair the City's credit rating. Any financing issued through the City shall qualify for an investment grade rating by one or both of the two top rating agencies. All expenses related to conduit financing will be borne by the applicants. The City shall establish review procedures for projects, including public contracting and financial fees.
- Loans/Installment Purchases. Because all loans and installment purchases are considered the City's debt, it is very important that Finance complete those transactions on behalf of the City. Finance will maintain a copy of the agreement, payment schedule, and contact name. Finance is also available to review terms of any loan or lease purchase agreement. All payments will be processed through Finance.
- Certificates of participation are used when a revenue source is available within the City's long-range operational forecasts.
- Other Financing. The City may issue debt on behalf of its enterprises subject to the same criteria listed above. Debt issued for City enterprises shall be approved by the City Council.
- Interfund borrowings may occur for temporary cash flow reasons and are not intended to result in a transfer of financial resources. Any interfund borrowings from one fund to another must be approved by the City Council by resolution. In such cases, a loan agreement between the funds will be included and attached to the Council resolution containing repayment terms, interest rates, due dates, etc.

## **SECTION 8     CITY PROPERTY**

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The City strives to be good stewards of all of our resources. In addition to financial resources, community resources include capital assets and properties. The purpose of this section is to establish guidelines for fixed asset accounting as well as surplus property that is no longer of use or value to the City.

### **8.1     Fixed Assets**

Fixed assets are maintained by the Finance Department using a perpetual inventory system. The term “fixed asset” is used to describe land, buildings, vehicles, equipment, and other items used in providing services to the community. It is important to track an entity’s fixed assets to help protect the items against theft, loss, or misuse. The City will perform a physical inventory of its tangible capital assets, either simultaneously or on a rotating basis, so that all of the City’s tangible capital assets are physically accounted for, at least once every five years. Each asset will be included in a detailed physical inventory report and will identify items that have been disposed of or transferred to a different location within the City.

An item is given a sequential number for identification. Upon payment of invoice, the sequential number can then be used to trace the item back to the fixed asset listing, which includes serial numbers, model numbers, location, and historical cost information. Once the item is received by the department intended, it is the department’s responsibility to notify the Finance Department upon transfer to another department or disposal.

For Financial Statement purposes, the City capitalizes and reports any individual Fixed Asset over \$5,000 in the Enterprise Funds and the General Fixed Asset Account with an estimated useful life of more than one year following the date of acquisition. The City will apply its threshold to individual items rather than to groups of similar items (e.g., desks and tables). Infrastructure assets will be treated separately from other capital assets and the capitalization threshold will focus on new construction or extension of useful life of an existing infrastructure item.

### **8.2     Surplus Property Disposal**

This section describes the methods for disposal of surplus personal property at the City of Fountain. Disposal of the City’s surplus property is under the direction of the Finance Director. As items were purchased with public funds, the City Manager must declare items to be surplus prior to disposal and said disposal must follow the provisions indicated herein. In every instance, unless specifically authorized by the City Manager, revenues from the sale of surplus items must be deposited into the City’s bank accounts. The methods of disposal used are:

- **De Minimis Valued Items.** Non-capital material and supply items that are normally used up during the normal course of business and have an individual value of less than \$2,500, are exempted from the formal surplus disposal process. These items can be thrown away, destroyed, or sold at a City yard sale without a declaration of surplus property.
- **Unusable Equipment.** The disposal of capital equipment that has only a salvage value that is less than \$2,500, is exempted from the formal surplus disposal process. These items can be sold for salvage value without a declaration of surplus property, upon approval of the City Manager.
- **Auction Sale of Property.** Non-attached personal property may be sold at auction if the Finance Director determines that the auction contemplated will probably result in a higher return than if the property were sold by competitive written bid.
- **Fixed Price Sale of Property.** The Finance Director or designee may approve a department to sell personal property, including recyclable or reclaimed materials, without formal competitive bidding if it is

determined that this type of sale will result in increased net revenue and the City is in compliance with the following conditions:

- a. When the current market value per item is deemed to be less than \$5,000, the Finance Director may establish or approve a Department Manager's selling price, schedule and advertise a sale date, and sell to the first qualified buyer meeting the sales terms.
  - b. City employees may submit an offer meeting the sales terms for the personal property when no offers meeting sale terms have been received within 72 hours of the sale date.
- Sealed Competitive Bid for Property. When the current value per item is deemed to exceed \$5,000, the personal property must be offered for competitive written bid and be advertised in the newspaper at least 10 days prior to sale, or be offered for sale at public auction. If no bids are received or if a determination is made that the market value of the property exceeds the offer of the highest responsible bidder, all bids may be rejected and the Finance Director or appropriate Department Head may negotiate a sale subject to the following conditions:
  - a. An appraisal of the market value of the property is obtained and documented and the negotiated sale price meets or exceeds the market value; or
  - b. The sale amount exceeds the highest bid received through the bidding or auction process.
- Donations of Property. The City Manager may transfer property, including recyclable or reclaimed materials, without payment or only nominal payment without competitive bids to another public agency or recognized non-profit activity which is certified to receive Federal surplus property, subject to the following:
  - a. A determination has been made that the property is not needed for other public purposes and that its economic value has been expended by the City;
  - b. It will be transferred to the public agency or non-profit corporation for the express purposes of providing the public services the entity provides;
  - c. If the property has a current market value of \$250 or more, the donation or sale shall: Be approved by the City Manager; be documented by the Finance Director to be clearly in the public interest; and be determined by the City Manager and Finance Director that this is the most efficient and cost-effective method for disposing of the property.
  - d. The Finance Department shall maintain a record of all transfers, donations, or sales authorized by this section.
- Items of Specialized and Unique Use. Items of specialized and unique use, including but not limited to, uniforms, special clothing, and articles of personal apparel having individual current value of less than \$100 per item (such as a pair of shoes) may be sold to City employees or retired or terminated employees for whose use they were purchased. These items may be sold without bid and with a process deemed most efficient by the responsible Department Head.
- Trade-In of Property. Property may be traded in conjunction with acquisition of other items at the time competitive bids are solicited for those items. Notice of the item traded in should be provided to Finance by the appropriate Supervisor or Department Head within seven (7) days of trade to remove from the asset list and discontinue insurance coverage.



## **SECTION 9     GRANTS**

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The purpose of this section is to develop, implement, and maintain meaningful grant oversight and coordination for the City thereby increasing grant related revenue, limiting the City's exposure for grant related legal liability, and improving the efficiency and impact of programs and services funded through grants.

Grant funds received by the City support important programs and services that the City provides to the community including: public safety, recreation, homeland security, infrastructure improvements, among others.

### **9.1     Conflict of Interest**

- 9.1.1    No employee or official of the City shall have any interest, financial or otherwise, direct or indirect, or have any arrangement concerning prospective employment that will, or may be reasonably expected to, bias the design, conduct, or reporting of a grant-funded project on which he or she is working.

It shall be the responsibility of the Grant Project Manager for each particular grant-funded project to ensure that in the use of project funds, officials or employees of the City and nongovernmental recipients or sub-recipients shall avoid any action that might result in, or create the appearance of:

- Using his or her official position for private gain
- Giving preferential treatment to any person or organization
- Losing complete independence or impartiality
- Making an official decision outside official channels
- Affecting adversely public confidence in the grant funded program in particular and the City in general

### **9.2     Roles and Responsibilities**

City Departments and their staff that occupy positions of responsibility with respect to grant activity have specific roles and responsibilities that they shall perform and uphold both ethically and in the best interests of the City.

- 9.2.1    City Council.    The City Council has sole responsibility for approving grant awards, through Resolution.
- 9.2.2    City Manager.    The City Manager has sole responsibility for approving all grant applications not requiring legislative body approval and executing all grant contracts and agreements for grant awards approved by the City Council.
- 9.2.3    Finance Department.    The Finance Department is responsible for general oversight of the City's grant activities. All grant activity must be routed through the Finance Department including receipt and deposit of grant related funds and requests for expenditure of funds in accordance with Section 4.1.4 of this Financial Policies and Procedures Manual. Grant applications and/or grant status reports often require the signature of the "Finance Officer" or similar title representing the City's senior financial authority. In these cases the name and requested information of the Finance Director or designee shall be provided. The Finance Director or designee shall review all grant applications prior to submission to ensure that any match required by the City is available. The Finance

Department is responsible for setting up project accounts to track revenues and expenditures. Separate revenue and separate expense accounts or sub accounts shall be created for all federal grants.

- 9.2.4 City Attorney. Grant agreements are different from many other contracts in that there is little or no negotiation involved. In the vast majority of circumstances the City will either sign the agreement or decline the award. Despite the City's lack of bargaining power in this regard, it is nevertheless prudent to conduct a legal review of grant agreements to ensure that all of the terms of the agreement are legally enforceable. The City Attorney shall review the terms and conditions of the award as the initial step in the Resolution process, as requested by the City Manager, Finance Director, or Department Head.
- 9.2.5 City Departments. City Departments are responsible for all aspects of the grant process including planning for grant acquisition, preparation and submitting grant proposals, preparing Resolution requests to accept funds, developing grant implementation plans, managing grant programs, preparing and submitting reports to grantors, and properly closing out grant projects, as detailed throughout this manual. Department staff and Finance Department staff will maintain a close working relationship, with respect to grant activity, to ensure a clear understanding of the project status.

### **9.3 Grant Processes**

Each City Department that seeks grant funding shall undergo an annual planning process for grant acquisition coordinated through the appropriate Department Head to compile a comprehensive list of Department needs that can potentially be met through grant funding. Budgets and narrative statements should then be developed for each of the needs, as should goals and objectives that, once achieved, will address the identified need. Federal grants often require more extensive reporting requirements than state and local grants. The anticipated cost of administering and implementing the grant should be compared to the dollar benefit of the grant. The Department Head shall take the cost/ benefit analysis into consideration when determining which grants to submit application requests.

- 9.3.1 Grant Award and Resolution. The Department receiving the grant award must prepare the Resolution and Agenda Commentary and submit to the City Clerk for inclusion in the City Council Packet. A grant award letter and grant agreement must accompany the Resolution. The Resolution must include language for a supplemental appropriation by the Council for inclusion in the year-end supplemental appropriation ordinance.
- 9.3.2 City Attorney Review. The City Attorney shall conduct a legal review of grant agreements to assess whether the terms and conditions of the agreement are legally enforceable prior to forwarding an Ordinance or Resolution to City Council for action, as requested by the City Manager, Finance Director, or Department Head.
- 9.3.3 Grant Implementation. All City Departments that receive grant funding shall develop a Grant Implementation Plan that identifies the goals and objectives to be achieved, the project timeline, milestone events, an anticipated expenditure schedule, roles and responsibilities, and takes into account grantor terms and conditions.

Upon notification of a grant award, the recipient Department shall convene an implementation planning process to include department grant management, accounting staff, key project staff, and any other key individuals. Exceptions to this requirement must be approved by the City Manager.

- 9.3.4 File Management. All City Departments shall maintain a file format for grant related documents to include separate sections for document associated with submittal, research, award, finance, and reports, with clear separation between fiscal years unless otherwise directed by the grantor. The grantor's preferred file structure shall always take precedence.

File Structure. All department and master files associated with a grant award must include the following five sections with clear separations between different fiscal years, unless otherwise directed by the grantor:

- 1) Submittal (e.g., application guidance and a copy of the application)
- 2) Research (e.g., statistical and other information used in preparation of and support of the grant)
- 3) Award (e.g., award letter, O&R, grant agreement, and anything else relating to the award)
- 4) Finance (e.g., account set up, purchase orders, invoices)
- 5) Reports (e.g., reports to granting entity and evaluation components)

File Retention. The City maintains grant records for at least three (3) years following the closure of their most recent audit report. If any litigation, claim, negotiation, audit, or other action involving records has been started before the expiration of the three-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three-year period, whichever is later. Grantors may require retention periods in excess of three years.

For JAG Recovery Act Grants, the City will retain all project records, as will facilitate an effective audit, for seven (7) years after the end of the state fiscal year that includes the end date of the grant. (For example, if the grant ended 9/30/2011, the state FY would be July 1, 2011-June 30, 2012. The files could be destroyed after 6/30/2019); except, if an audit is in progress and/or finding of a completed audit have not been resolved satisfactorily, then records must be retained beyond the seven-year period until such issues are resolved.

- 9.3.5 Budget Modifications. Modifications to the budget associated with a grant-funded project in such a way that will alter the grant amount or move funds from one budget line item to another, shall require prior approval of the grantor or as per the grantor's terms and conditions.

If a need arises to modify the budget associated with the grant funded project, the Grant Project Manager must:

1. Request approval for the modification from the grantor. If the grantor provides verbal approval, the recipient Department must follow-up with written verification by submitting hard copies of the approval to the Finance Department.
2. Approval in writing from the grantor to move budget between line items must be provided to the Finance Department, who will make the appropriate adjustment to the project budget in the financial system.

- 9.3.6 Receipt of Funds. No funds shall be dispersed until a Resolution has been approved by the City Council and the Finance Department has established a project number

Monies received are conveyed to the City in different ways. In order to prepare and plan for the successful management, identification of the “type of money transfer” must be made. The three types of money transfers are (1) Electronic Transfers, (2) Reimbursement, and (3) Lump Sum. All grant award money transfers are coded as revenue, and categorized as to funding source; i.e. Federal, state, or other. In all cases, requests for reimbursement to the granting entity must be authorized in advance by the Finance Department

#### **9.4 Miscellaneous Grant Requirements**

- 9.4.1 Procurement. All procurement activity associated with grant-funded projects shall follow the procedures outlined in Section 4, Expenditure Management, of the City’s Financial Policies and Procedures Manual, as well as the grant requirements, whichever is more restrictive.
- 9.4.2 Program Income. All program income resulting from a grant-funded project or program shall be managed and maintained as established in the award letter, grant agreement, contract, special conditions, or other document generated by the granting entity.
- 9.4.3 Reporting. Recipient Departments shall prepare accurate reports as required by the grantor. Recipient Departments shall prepare all required reports. All financial reports and reimbursement request must be reviewed by the Finance Director or designee prior to submission to the grantor.
- 9.4.4 Grant Oversight. During the grant period of any grant received by the City, the Finance Department may review the files associated with the grant and the project or program it funds.
- 9.4.5 FEMA, Homeland Security and Other Federal Grants. There are a number of other requirements to many federal grants, including, but not limited to, those listed in this manual in **Section 4.3**.

## **SECTION 10 CODE OF PROFESSIONAL ETHICS**

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The Finance Department uses the Government Finance Officers Association “Code of Professional Ethics” for guidance in ethical matters. Specifically, the following sections are readily applicable to the Finance Department’s ethical operations:

- Personal Standards
- Responsibility as Public Officials
- Professional Development
- Professional Integrity-Information
- Professional Integrity-Relationships
- Conflict of Interest

In addition, the Finance Department strives to live by the personal commitments added to the GFOA’s “Code of Professional Ethics”.

### **10.1 Government Finance Officers Association (GFOA) “Code of Professional Ethics”**

#### **I. Personal Standards**

Government finance officers shall demonstrate and be dedicated to the highest ideals of honor and integrity in all public and personal relationships to merit the respect, trust, and confidence of governing officials, other public officials, employees, and of the public.

- They shall devote their time, skills, and energies to their office both independently and in cooperation with other professionals.
- They shall abide by approved professional practices and recommended standards.

#### **II. Responsibility as Public Officials**

The GFOA code of professional ethics offers guidelines for public officials; however, City of Fountain Government public officials are governed by and abide by the statutory code of conduct found in Colorado Revised Statutes (C.R.S.) 24-18-101. For this reason, we have omitted the section

#### **III. Professional Development**

Government finance officers shall be responsible for maintaining their own competence, for enhancing the competence of their colleagues, and for providing encouragement to those seeking to enter the field of government finance. Finance officers shall promote excellence in the public service.

#### **IV. Professional Integrity-Information**

Government finance officers shall demonstrate professional integrity in the issuance and management of information.

- They shall not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement or which omits material fact.
- They shall prepare and present statements and financial information pursuant to applicable practices and guidelines.
- They shall respect and protect privileged information to which they have access by virtue of their office.
- They shall be sensitive and responsive to inquiries from the public and the media, within the framework of state or local government policy.

#### **V. Professional Integrity-Relationships**

Government finance officers shall act with honor, integrity, and virtue in all professional relationships.

- They shall exhibit loyalty and trust in the affairs and interests of the government they serve, within the confines of this Code of Ethics.
- They shall not knowingly be a party to, or condone, any illegal or improper activity.
- They shall respect the rights, responsibilities and integrity of their colleagues and other public officials with whom they work and associate.
- They shall manage all matters of personnel within the scope of their authority so that fairness and impartiality govern their decisions.
- They shall promote equal employment opportunities, and in doing so, oppose any discrimination, harassment, or other unfair practices.

VI. Conflict of Interest

Government finance officers shall actively avoid the appearance of, or the fact of, conflicting interests.

- They shall discharge their duties without favor and shall refrain from engaging in any outside matters of financial or personal interest incompatible with the impartial and objective performance of their duties.
- They shall not, directly or indirectly, seek or accept personal gain which would influence, or appear to influence, the conduct of their official duties.
- They shall not use public property or resources for personal or political gain.

**10.2 Government Finance Officers Association “Code of Professional Ethics Personal Commitments”**

Members of the Finance Department strive to abide by the following personal commitments:

- Integrity and honesty
- Producing results for our community
- Treating people fairly
- Welcoming diversity and inclusion
- Being reliable and consistent

## **SECTION 11    *OTHER REFERENCED POLICIES***

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### **11.1    Internet and Website Policy**

It is the policy of the finance office to update the departmental information on the City of Fountain publicly-available website on an on-going basis. As information becomes available, or is updated, the finance office will strive to publish the updates on the appropriate website within seven business days.

### **11.2    Human Resources Policies**

11.2.1 Compensation Policies. Compensation policies and procedures are maintained by the Human Resources Department and approved by the City Council. These procedures explain the determination and adjusting of employee salaries. These policies and procedures are updated as needed by the Human Resources Department.

11.2.2 Employee Benefits. Employee benefit policies are maintained by the Human Resources Department and are available to City staff.

11.2.3 Recruiting and new FTE Policies. Policies managing the recruitment of new employees and requests to fill vacant positions are maintained by the Human Resources Department. These policies and procedures are available to all City staff in the Employee Manual and are updated as needed by the Human Resources Department.

## **SECTION 12    *POLICY REVISIONS***

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### **12.1    Future Revisions**

This Financial Policies and Procedures Manual shall be reviewed by the Finance Director, the Deputy Finance Director, the City Manager, and the City Council annually, and as needed, and may be amended as conditions warrant. Amendments to this manual may be updated by the Finance Director as necessary, with approval from the City Manager and the City Council.