



City of Shawano
Accounting Policies &
Procedures Manual

Adopted March 10, 2021

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INTRODUCTION

AUTHORITY, PURPOSE, AND CONTENT

This document, as prepared by the Finance Department and adopted by the City of Shawano (City) Common Council with the effective date of March 10, 2021, repeals all other policies regarding Purchasing, Budgeting, and Accounting.

The Finance Director shall review this policy manual annually with the City Administrator and City Clerk and update the policy manual, as necessary. Any additions or modifications shall be presented to the Common Council for approval. Any modifications to this policy manual shall be noted with the date that it became effective.

The intent of this document is to provide purchasing, budgeting, and accounting guidance for accountability, consistency and standards of operational procedures and processes for all financial transactions.

This policy manual shall be used as a procedural framework for employees to make sound defensible decisions of the highest ethical standards.

This policy manual is a guide to procedures and policies and does not give anyone the authority to revise or manipulate the adopted budget. The adopted budget shall be adhered to as adopted by the City of Shawano Common Council.

The policies in this manual cannot provide for every possible financial transaction situation. The content is guidance in every day ordinary transactions. When out of the ordinary situations arise, the Finance Department will determine the proper processing method to be used.

This document does not contain any confidential information.

SECTION 1: PURCHASING POLICY

1.1 General Purchasing Policy

The following general policy applies to all purchases:

- A purchase order is required for all purchases over \$100.
- All individual purchases over \$1,000 require quotes, bids, proposals, or sole source justification when submitted for payment. Any invoice submitted without the required documentation is considered non-compliant with the City’s purchasing policies.
- Purchases, which have been “artificially divided” (split) to avoid using standard purchasing methods and policies, are considered non-compliant with the City’s purchasing policies.

The following table summarizes the requirements for all individual purchases:

Amount	Purchasing Authority	Request Approved by	Competition Requirement	Pricing Obtained by	PO Signed by
\$1,000 to \$5,000	Department Director	Department Director	Quote(s)	Director or designee	Department Director
\$5,000 to \$10,000	Administrator	Administrator	Min. of three Written quotes	Administrator or designee	Administrator or designee
Over \$10,000	City Council	City Council Approval	Bids or proposals are required	Administrator or designee	Administrator or designee
Public Construction over \$25,000	City Council	City Council Approval	BIDs	Administrator or designee	Administrator or designee

1.2 General Guidelines

These general guidelines should be considered administrative rules and regulations and are to be adhered to by all departments in the procurement of goods and services.

Local Buying

It is the desire of the City to purchase from local vendors whenever possible. This can be accomplished by ensuring that local vendors are included in the competitive buying process. It is assumed that local vendors who wish to do business with the City will offer the lowest possible quote for the item being purchased.

Overdrafts Prohibited

Department Heads who are contemplating a purchase that will exceed a budgetary account shall contact the City Administrator or Finance Director to ensure the provision is made for the necessary budget allocation prior to initiating the purchase.

Statewide Contracts

Supplies, services, or construction items may be purchased from statewide contracts without seeking additional competitive quotes. Statewide Contract means an existing State of Wisconsin procurement contract.

1.3 When to use Quotes, Bids, and Proposals

1. Request for Quotes (RFQ's) are used for purchases whose monetary value is less than \$10,000 dollars.
2. Request for Bids (RFB's) are used for purchases whose monetary value is greater than \$10,000 dollars or for Public Construction projects over \$25,000.
3. Request for Proposals (RFP's) are used when the needs of the City cannot be described clearly with a written specification, and cost is just one of several criteria necessary to make a decision.

1.3.1 Request for Quotes (RFQ)

For purchases **greater than \$1,000 but less than \$10,000**, quote(s) are required. Quotes are an informal method of soliciting competition and may be obtained with written/email quotes. A minimum of three (3) written/email quotes are required for all **purchases greater than \$5,000 but less than \$10,000**. Any amount less than three must be explained in writing.

Public Notice and Advertising: No public notice or advertising is required for quotes. A Class 1 Notice is required for quotes over \$5,000 if related to public construction.

Bidding Time: There is no minimum bidding time period required for quotes.

Public Information: Pricing information (obtained from the quoter) **should not be shared** with the public or other quoters during the solicitation process. All quotes become public information (available for public inspection) after the time for accepting quotes has closed. "Price shopping" (i.e., "supplier such and such has given me a price of . . . can you beat it") is unethical and **should not be used**.

1.3.2 Request for Bids (RFB)

For purchases **greater than \$10,000**, sealed bids (RFBs) or proposals (RFPs) are required. Sealed bids are a more formal method of soliciting competition than quotes and there are additional requirements. The City reserves the right to accept the bid, which is most beneficial to the City. The City reserves the right to reject any or all bids. The determination of the most beneficial bid shall be recommended to the City Council, which shall make the final decision when required. The Council's decision shall take precedence over all other local standards or restrictions. No bid awarded on purchases over \$10,000 is final until formally approved by the City Council.

Public Notice and Advertising

All sealed bid requests for supplies, services, equipment, or construction shall be advertised at least once in a widely available medium (such as the newspaper or on the city internet site) a minimum of two weeks in advance of the bid due date; however, any procurement subject to noticing requirements of state and/or federal law shall comply with those requirements.

Bidding Time

- Bidding time means from the date the bid document is available to the bidders until the date and time the bid closes.
- Bidding time for sealed bids shall be not less than two weeks unless a shorter time frame is deemed necessary by the City Administrator and the department.
- Procurements subject to noticing requirements of state and/or federal law may require a longer bidding time.

Receiving and Opening Bids

- All submitted sealed bids are received by either the Department or at City Hall. All bids will be date and time stamped when they are received but will not be opened at that time.
- The sealed bids will be opened publicly, in the presence of one or more witnesses, at the time and place designated in the Invitation for Bids.
- The opened bids will be available for public inspection except for information or data that the bidder designates as proprietary or confidential.
- Bids received after the date and time set for the bid opening will not be opened or considered.

Reviewing and Evaluating Bids

- Copies of the bids shall be forwarded to the ordering department for review.
- After reviewing the bids, the City Administrator and ordering department shall determine who the lowest responsive and responsible bidder is.
- Any bidder's offering which does not meet the minimum requirements and criteria set forth in the bid document and specifications shall be rejected.
- Bids shall not be evaluated for any requirements or criteria that were not disclosed in the Invitation for Bids.
- Evaluation and review of bids is not conducted for the purpose of determining whether one bidder's item is superior to another but only to determine that a bidder's offering meets the requirements and criteria set forth in the Invitation for Bids.

Only One Bid Received

If only one bid is received in response to an Invitation for Bids, the City Administrator (together with the department manager) may elect to re-solicit the Invitation for Bids, or to make an award to the single bidder if the price is deemed fair and reasonable, and if other prospective bidders had reasonable opportunity to respond.

Awarding the Order

- Upon approval by the Council, the Department will issue the purchase order to the selected supplier.
- If a contract is required, the department shall write the contract, or contact the City Attorney's Office or the City Administrator if assistance is needed. The contract must be written in a format and context acceptable to the City.
- Appeals (protests) to the award decision shall be submitted in writing to the City Administrator within 5 business days of receipt of notification.

1.3.3 Request for Proposals (RFP)

- Request for Proposals (RFP's) are used when the needs of the City cannot be described clearly with a written specification, and cost is just one of several criteria necessary to make a decision.
- Proposals are usually used for purchase of professional or human services, or high technology "state of the art" equipment.
- Proposals are not appropriate for construction projects.
- Request for Proposals (RFP's) should only be used in situations where an Invitation for Bids will not meet the needs of the City.

Writing the RFP

The department writes the RFP document which typically includes the following elements:

1. Introduction explaining the general purpose of the proposal.
2. The name and telephone number of the individual who will serve as the contact person for the project.
3. The date, time, and address of the pre-proposal conference (if applicable).
4. The due date, time, and address where the proposals are to be submitted.
5. Mandatory required qualifications of potential suppliers.
6. Key contract terms and conditions that will apply to the project.
7. A detailed scope of work describing the desired product being sought.
8. Instructions to the suppliers on preparing their proposals. Proposals typically have three major parts: (1) the supplier's approach to the project, (2) how much it will cost, and (3) the supplier's qualifications and capacity to perform.
9. The evaluation criteria which will be used to determine which proposal will best meet the needs of the City. The evaluation criteria must identify the relative importance of price, method of approach, and supplier's qualifications.

Create List of Potential Vendors

The department creates a list of potential vendors including all firms, agencies, or individuals that may be interested in providing the product/service. City Administrator may also add other potential contractors to the solicitation mailing list.

Public Notice and Advertising

All RFP's shall be advertised at least once in a widely available medium (such as the newspaper or on the city website). However, any procurement subject to noticing requirements of state and/or federal law shall comply with those requirements.

Distribute RFP

Department Director will distribute the RFP document to prospective vendors and to other interested parties.

RFP Posting and Distribution

RFP's shall be posted, distributed, and remain open not less than two weeks from the date the RFP document is available to vendors until the date and time the RFP closes, unless a shorter time frame is deemed necessary by the City Administrator and the department.

Evaluation of Proposals

- A copy of the proposals received will be forwarded to the committee members for evaluation.
- The evaluation process shall be based solely on the evaluation factors (and their relative importance) as listed in the RFP. No other factors or criteria shall be used in the evaluation.
- The evaluation process should include a numeric scoring sheet developed for each RFP in accordance with the evaluation criteria outlined in the RFP. Typical evaluation factors and weights might include:
 1. Experience and qualifications (20%)
 2. Demonstrated understanding of the project (10%)
 3. Methodology to deliver the desired end product (20%)
 4. Plan for managing the project (10%)

5. Cost (40%) [generally, the percentage weight for cost should not be less than 40%]

- Actual evaluation criteria will be developed on a per project basis that best allows for a thorough evaluation and determination.
- Evaluation Committee Meeting should be held with committee members to distribute proposals and review sheets, and to discuss the scoring and review process. The scoring procedure and each area of the evaluation criteria should be discussed so that each evaluator has a clear understanding of the procedure. Evaluators should be given sufficient time to read and evaluate each proposal.
- If there are significant scoring differences between evaluators, the Chairperson needs to ensure that the differences are not the result of misunderstandings or an inability to locate the required information in the proposal.
- Once the proposals have been evaluated and scored by each evaluator the following events should then occur:
 - A master scoring sheet should be compiled with the total score for each proposal by each evaluator.
 - Further discussion can be held on the proposals which have been scored, for clarification.

Oral presentations

Oral presentations should be scheduled if clarification or additional information is necessary. Oral presentations should be conducted under the following guidelines:

- All members of the evaluation committee should be present during oral presentations.
- Offerors should be afforded equal opportunity to respond in an oral interview.
- Time limits for oral presentations should be equal in length.
- Interviews should be conducted and controlled by the chairperson.
- No offeror should be given information pertaining to another offeror's proposal, or their present standing in the evaluation process, during presentations.

Final Evaluations

Final Evaluations will then be made taking into consideration oral presentations.

Select the Winning Proposal

The proposal determined to be the most advantageous to the City, taking into consideration price and the other evaluation factors listed in the RFP, shall be selected for contract award recommendation.

The contract award recommendation must be approved by the normal City approval process (i.e., City Administrator or City Council) prior to public announcement of the award. This is done through submittal of an "Award Recommendation and Justification" letter from the committee chairperson (or the City Administrator) describing the proposal evaluation process and justifying why the successful vendor was selected. In addition to the letter, copies of master scoring sheets, individual score sheets and information regarding rejection of the other proposals must be filed with the procurement file.

Notification of selection

A written notification should be sent to each vendor indicating the outcome of the proposal evaluation process.

Prepare and Sign Contract

Once the successful vendor has been selected, the department prepares a contract in accordance with the City guidelines for contracts and obtains the signatures of the relevant signatory parties.

1.4 Sole Source Procurement

Sole source procurement is a purchase of goods or services from the only known capable supplier, or when the unique nature of the requirement of the purchase is only available from a single supplier. Nevertheless, a purchase order is required in advance for all purchases, including items from a sole source supplier.

Sole source procurement is not appropriate for most circumstances. Generally, competitive bids, quotes, and proposals are preferred. However, there are times when sole source procurement may be necessary and justified.

For example:

- Where the compatibility of equipment, brand name, accessories, replacement parts, or service is the paramount consideration.
- Where a sole source supplier's item is needed for trial use or testing
- Procurement of items for resale
- Specialty items
- Other suppliers are not available.

A "Sole Source Letter" which explains why no other supplier will be suitable or acceptable to meet a particular need shall be provided when requesting a purchase to be restricted to a single supplier. In case of reasonable doubt, competition should be solicited.

1.5 Emergency Procurement

The existence of an emergency condition creates an immediate and serious need for supplies, services, or construction that cannot be met through normal procurement methods, or existing annual purchase orders.

Emergency procurement of supplies, services, or construction shall be made immediately by:

- A Department Director or designee
- The City Administrator or other designee

As much competition as practicable, under the circumstances, should be used in any procurement.

1.6 After Hours Emergencies

If an emergency need occurs after normal business hours, on a holiday, or a weekend, the Department Director or designee shall:

- Obtain as much competition as possible, given the circumstances.
- Issue an emergency purchase order or place a verbal order to the selected supplier.
- On the next working day, the department shall notify the City Administrator of the basis for the emergency.

1.7 Prohibited Activities

It shall be unlawful for any employee of the City (or family member of an employee) to ask for or receive, or for a supplier, provider, or contractor to offer, a gratuity, gift, reward, tickets, (or anything of value) to any employee of the City (or family member of an employee) which could reasonably be intended to influence the award of any contract or purchase order.

1.8 Disbursement Vouchers/Credit Card Purchases

Disbursement vouchers and credit cards are used to make payments for goods or services that do not require quotes, bids, or proposals. The following items have been identified as appropriate purchases. A purchase order should be used to procure all other items.

- Newspaper Advertising
- Insurance Premiums
- Legal Fees
- Credit Card Payments
- Land and Building Rental
- Registration for Meetings or Training Sessions, including Pre-paid Hotel costs.
- Subscriptions, Memberships, Professional Registrations, and Publications
- Utility Payments
- Petty Cash Reimbursements
- Employee Reimbursements including eyewear, health insurance, and educational.
- Postal Charges/Fees
- Worker Compensation Fees
- Credit Reporting Fees
- Bond Releases
- Phone Bills
- Refunds of City Fees or Charges (requires the signature, or initials, of the City Treasurer)
- Title Searches/Right of Ways
- Online purchases
- Suppliers that do not accept PO's.
- Uniform/Clothing

*This is not a comprehensive list. Please also refer to the Credit Card Policy for additional details and information.

1.10 Surplus Property

Supplies or Equipment no longer serving a useful purpose shall be disposed of by transferring the material to a department which might have a use, by public auction, by sealed bids, or in such manner considered to be in the best interest of the city.

SECTION 2: CREDIT CARD POLICY

2.1 Introduction to Credit Card Policy

The City may issue credit cards to certain employees/departments for use in their jobs; this policy sets out the acceptable and unacceptable uses of such credit cards. The use of city-issued credit cards is a privilege, which the City may withdraw in the event of serious or repeated abuse. Any credit card the City issues to an employee/department must be used for business purposes only and are intended to be used primarily for conferences, hotels, meals, and purchases where vendors do not provide purchase terms.

Employees with credit cards shall not use them for any non-business, non-essential purpose, i.e., for any personal purchase or any other transaction that is not authorized or needed to carry out their duties. The City will not regard expenses for one's own business-related use, such as lodging and meals while on company-approved business trips, as personal purchases, as long as such expenses are consistent with the City travel and expense reimbursement policy. If any employee uses a company credit card for personal purchases in violation of this policy, the cost of such purchase(s) could be considered an advance of future wages payable to that employee if not immediately reimbursed to the City. If an employee uses a company credit card for any other type of unauthorized transaction in violation of this policy, i.e., incurs financial liability on the City's part that is not within the scope of the employee's duties or the employee's authorization to make business-related purchases, the cost of such purchase(s) or transaction will be the financial responsibility of that employee, and the employee will be expected to reimburse the City. Any purchases an employee makes with a city credit card in violation of this policy will result in disciplinary action, up to and possibly including termination of employment, depending upon the severity and repeat nature of the offense.

2.2 Approval

The Finance Department approves the positions/departments with the ability to use a credit card issued by the City.

The Finance Director or designee shall maintain a listing of all positions/departments authorized to use a credit card and associated credit limits.

2.3 Departmental Usage Policy

Cardholders approved to use a credit card shall:

- Have purchases authorized by a Department Head.
- Only use the credit card for City purchases
- Ensure that sales tax is not paid on all exempt purchases.
- Cardholders are responsible for ensuring that they adhere to the Credit Card policy, thereby ensuring adequate controls are exercised to minimize the risk that credit cards are used for fraudulent or corrupt purposes.
- Report lost or stolen cards immediately to the Finance Director.
- Upon resignation or termination of duties with the City, reconcile all expenditures on his/her card account since the last Statement and surrender the card upon termination to appropriate staff or exit interviewer.

2.4 Credit Card Accounting Process

Purchase receipts and invoices shall be turned in to the Finance Department within 5 working days. It is recommended to scan receipts and email to the Accountant. Monthly credit card statements will be received, opened, matched and receipts reconciled with purchases by the Finance Department. Any missing receipts will be requested immediately. Cardholders that do not turn in receipts in a timely manner on a routine basis could result in cancellation of the card and shall be held responsible for any late payment fees incurred.

SECTION 3: ACCOUNTS PAYABLE PROCESS

3.1 Overview

The City strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of the City that the electronic recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice should be reviewed and approved by a Department Head, or designee, prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the accounting system. The Finance Department shall review all invoices prior to posting to the accounting system.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized.
2. Invoices are processed in a timely manner.
3. Vendor credit terms and operating cash are managed for maximum benefits.

3.2 Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed on a weekly basis. The City may deviate from this process due to holidays, extreme weather or any other delay as approved by the Finance Department. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of the City that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment unless the vendor does not supply invoices.

3.3 Preparation of a Disbursement Voucher

Prior to any account payable being submitted for payment, each department shall assemble all requests for voucher payment. Each item for disbursement shall contain the following documents:

1. Vendor invoice or credit memo
2. Receipt (or other indication of receipt of merchandise and authorization of acceptance)
3. Any other supporting documentation deemed appropriate.

3.4 Processing of Disbursement Voucher

The following procedures shall be applied to each disbursement voucher by the designated department employee:

1. Check the mathematical accuracy of the vendor invoice,
2. Compare the nature, quantity, and prices of all items ordered per the vendor invoice to the purchase order request form (if applicable), packing slip, and receiving report,
3. Review the general ledger distribution that has been documented by each department using the Organization's current chart of accounts, and
4. Obtain the review and approval of the department head, or designee, associated with the goods or services purchased.

Approvals by department heads, or designee, indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual. The approved documents shall be forwarded to the Finance Department for processing.

The Finance Department will enter the invoices into the accounting system, the Accountant will provide to the Finance Director, or designee, an accounts payable report along with all copies of invoices and credit memos to review, approve or deny. If any invoices or credit memos are denied, they shall be sent back to the originating department for clarification and/or justification. The approved invoices will be processed for a voucher. All vouchers require two (2) signatures, the City Clerk, and the Mayor. Only one signature will be required to be wet. If a second signature is to be stamped, the stamp shall be placed in a secured location with a log indicating date, time and City employee using the stamp. Alternatively, the City may utilize electronic signatures for the City Clerk and Mayor. Adequate safeguards should be in place to prevent unauthorized disbursement of funds when utilizing the electronic signatures. Safeguards include using an electronic workflow approval system to document appropriate approvals are obtained throughout the accounts payable process.

3.5 Payment Discounts

To the extent practical, it is the City's policy to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

SECTION 4: BUDGET POLICY

4.1 Definition of Fund Structure

The City uses fund accounting for its financial structure. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities. Funds are the control structures that ensure that public monies are spent only for authorized purposes and within the amounts authorized. Funds are established to account for the different types of activities and legal restrictions that are associated with a particular governmental function. The use of funds and the budgeting, accounting, and auditing that are associated with this fund structure are governed by the Governmental Accounting Standards Board (GASB). For financial statement presentation purposes, the various funds of the City are grouped into the following fund types under three broad fund categories: governmental, proprietary, and fiduciary/agency.

Governmental Funds

Governmental funds are those through which most municipal functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The City's Governmental Funds are the General Fund, Special Revenue Funds, Debt Service Fund, and the Capital Projects Fund.

- The General Fund accounts for all financial resources except those required to be accounted for in another fund. The unassigned general fund balance is available to the City for any purpose, provided it is expended or transferred according to the general laws of Wisconsin, and of the City.
- Special Revenue Funds are used to account for revenue from specific sources (other than major capital projects) which require separate accounting because of legal restrictions.
- Debt Service Funds account for the accumulation of resources for and payment of general long-term obligations' principal and interest.
- Capital Projects Funds account for financial resources to be used for acquisition of equipment and the construction of major capital facilities (other than those financed by proprietary funds), and to account for the financing of public improvements or services deemed to benefit specific properties on which assessments are levied. (see also 4.2 Capital Budgeting for more information.)

Proprietary/Enterprise Funds

Proprietary Funds reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds are used to account for operations that provide services which a fee is charged to external users for goods or services.

Fiduciary /Agency Funds

Fiduciary Fund reporting focuses on net assets and changes in net assets. The fiduciary fund is comprised of only the agency funds.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4.2 Capital Budgeting

Capital Projects include the acquisition of equipment and construction projects. Construction projects are defined as a study, engineering/design, and construction, or a combination of all three phases totaling \$10,000 or more having a useful life of at least five years. Equipment is defined as any equipment or software with a useful life of 3 years or more and a value of \$5,000 or more individually to be an equipment replacement/purchase eligible item.

The Capital Improvement Plan (CIP) is comprised of all current and anticipated long-term capital needs of the City. The CIP is a comprehensive resource of the City's assets indicating useful life, entry price and depreciable value.

Projects will be funded by a combination of note proceeds, bond proceeds, grants, municipal capital lease financing, government loans, gifts, and operating funds. If a capital project is debt funded (note, bond, lease, or loan), the term of the debt should not exceed the useful life of the project.

4.3 Budget Timeline Guide

January	Carryover requests are due.
April-May	Budget priority setting and long-term capital planning.
June	Five-year capital and equipment plans submitted to City Administrator.
July	Departments submit operational budgets.
August	Equipment/capital improvement plan provided to various Committees/Commissions
September	Proposed budget presented to various Committees/Commissions.
October	Council budget review session
November	Council adopts the budget and sets the levy rate.
December	Tax bills are generated.

4.4 Budget Transfer Policy

Background

During the course of a fiscal year, departments often find it necessary to adjust their budget due to unanticipated savings or temporary shifting of departmental priorities. Because of the temporary (i.e., current fiscal year) basis of these adjustments, budget transfers are processed to affect the change. It is expected that department heads will make all permanent budget adjustments through the annual budget process.

In addition, funding for some activities is budgeted on a system-wide basis (contingencies, etc.) and allocated to the individual departments during the fiscal year. Budget transfers are also prepared for supplemental funding and/or spending authorized or approved by the Common Council.

This policy applies to any changes made to the council adopted budget.

Policy

Department Heads are responsible for monitoring their budgets. At a minimum, departments are to monitor their ability to be in balance by the end of each quarter and fiscal year end. All revenues and expenses must be properly accounted for throughout the course of the year and allocated to the appropriate accounts. **Department heads are not allowed to manipulate revenues and expenses to avoid budget overdrafts.**

If, during the course of the year, a department determines an expense account may be in overdraft status at the end of the fiscal year, that department should initiate the proper budget adjustment action according to the procedures outlined below. Requests for a budget transfer should be made at the time the department realizes it cannot achieve its objective for a given account.

Departments will submit a written request to the City Administrator to initiate the appropriate process.

Budget transfers are bound by department. This allows for transfers between functions within departments but restricts transfers between departments as well as different funds. In rare unforeseen circumstances, budget transfers or amendments between departments as well as different funds may occur upon approval by a two-thirds vote from Common Council. A class 1 notice of the change must be published within 10 days after the change is made or the change is invalid.

Transfer approvals will be determined by the level of funds being requested for transfer.

- Level #1 - \$1,000 - \$10,000 – City Administrator
- Level #2 – More than \$10,000 – Common Council

All budget transfers will be approved by the City Administrator and processed within the accounting system. Budget status and transfer activity will be monitored by the City Administrator (or designee) through the use of the City-Wide Financial Management System. The Mayor and the Common Council will monitor activity through monthly budget to actual reporting.

After respective approval and the transfer of data has been entered into the Financial Management System, the Budget Transfer Request Form will be sent to the department head and/or manager with the Finance Department's section completed to confirm the transfer or give feedback on a denial. **Departments must review all transfers to ensure that resources have been distributed properly.**

SECTION 5: ACCOUNTING POLICY

5.1 Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, and proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

5.2 User Fees and Charges

The City's Common Council shall establish all user charges and fees at a level sufficient to cover the costs of services provided. It will also consider market rates and charges levied by other municipalities to establish comparable amounts. Fees and charges should be reviewed annually and should be modified to allow growth at a rate that keeps pace with the costs of the provided service.

5.3 Accounts Receivable

Training in the module is available from the city-wide financial management system vendor and procedural processes are drafted by the vendor and available for use to all employees using the module.

Any invoice placed in the system shall not be reversed, adjusted, or discounted by the department that initiated the invoice. The department shall submit a written request to the Finance Department to have the bill reversed or adjusted.

Exceptions would include: an error on the billing, usual and customary adjustments, wrong customer billed or any invoice that does not require a judgment whether it is a legitimate billing.

5.4 Accounts Receivable Delinquent Payments and Collections

The Finance Director shall designate a city employee to be responsible for accounts receivable. The designated employee is responsible for coordinating, tracking, monitoring, and collecting all payments and delinquent payments due to the City. The designated employee shall process and send out letters and past due statements for overdue accounts by the end of each month.

The accounts receivable aging schedule for the city employee to send a past due notices to overdue accounts are:

- 30 days past due shall receive a letter from the designated city employee notifying them of a past due amount.
- 60-90 days past due accounts shall receive a letter from the designated city employee notifying them of the past due amount and the available option to start a payment plan.
- Over 90 days past due accounts shall receive a final notice letter regarding the account going to collection if not paid within 10 days of the letter.
- The Finance Director or the designated accounts receivable City employee is authorized to send accounts remaining delinquent after 100 days to a collection agency.

5.5 Cash Receipts/Cash Handling

Any department taking in cash/check/credit card transactions must report any cash handle deliverables on a timely basis. Each department must provide a deposit to City Hall daily.

Departments shall:

- Contact the Finance Department to assist in the deposit process if unsure how to account for the monies.
- Immediately receipt all funds collected.

5.6 Payments from Accounts with Non-Sufficient Funds

If payment is submitted to the City from a bank account with non-sufficient funds, the Finance Director or designee, shall notify the issuer for recovery of the amount plus an administrative/service/bank fee amount as set in the City's fee schedule. This fee is to recover costs associated with the NSF payment.

The Finance Director, or designee, for all non-tax payment transactions, when notified of a NSF, shall immediately reverse the receipt of payment, and send the debtor a letter of notification that the debt is not paid. Upon repayment the debt shall be processed through cash receipting. Repayment deadline of a tax payment that is NSF shall be determined by the installment due dates taking consideration for the grace period. If not repaid by a deadline, the Finance Director, or designee, shall reverse the payment in the tax system and mark the tax parcel delinquent if applicable.

5.7 Bank/Cash Reconciliation

The Finance Department is responsible for balancing cash and all bank statements monthly. This shall be done no later than the end of the following month. Any discrepancies, errors and adjustments shall be made, and departments affected shall be notified as to the issue to assist in future accuracy.

The Finance Director is responsible for the cash flow availability with movement of monies between accounts for positive impact of the City's resources.

5.8 Unassigned General Fund Balance Policy

To maintain the City's credit rating and meet seasonal cash flow shortfalls, the Budget shall provide for an anticipated Unassigned General Fund Balance between 20% and 25% of annual General Fund revenues.

Should the Unassigned General Fund Balance fall below 20% of General Fund revenues, a plan for regaining compliance with the policy shall be submitted to the Common Council.

5.9 Asset Capitalization Policy

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets, including infrastructure assets that are to be recorded in the city's annual financial statements. This policy also addresses other considerations for recording and depreciating fixed assets.

5.9.1 Capitalization Threshold

Capital assets may be acquired through purchase, self-construction, or donation. The asset value when purchased will be the initial cost plus the trade-in value of any old asset traded, plus all costs related to placing the asset into operation. Donated or contributed assets are recorded at fair market value as of the date the asset is acquired. The cost of self-constructed assets will include all costs of construction.

Capital asset value thresholds for capitalization are to be applied to individual capital assets rather than to groups of similar capital assets.

Class of Asset	Examples of Costs to be Capitalized	Capitalization
Land	Purchase price or market value, closing costs, cost of preparing land for use, demolition of existing buildings and improvements	Capitalize all land
Machinery and equipment	Purchase price, freight charges, assembly, installation	\$5,000
Land Improvements	Included parking lots, outdoor lighting, fences, tennis courts, playground equipment, athletic fields, trails, retaining walls	\$5,000
Buildings	Materials, labor, design costs, site excavation, purchase price	\$5,000
Building Improvements	Component units when separately replaced. Major renovation or alterations of original building.	\$5,000
Intangible assets	Software, land use rights, patents, copyrights, trademarks	\$25,000
Infrastructure	See Attachment A of Examples	\$25,000

- Capital assets having values of \$250 to \$5,000 are to be controlled at the department level for insurance and inventory reporting purposes. However, these capital assets will not be capitalized and will not be reported as capital assets.
- Value estimates of capital assets required to be reported, but for which no historical documentation is available due to past accounting practices, shall be reviewed by the City auditor in accordance with GASB requirements.
- A listing of capital assets is to be kept, annually reconciled, and reported in the annual financial statements.

5.9.2 Useful Lives

Consider the following when determining the useful life of an asset:

- The length of time these assets have historically lasted.
- Anticipated changes in technology
- Specific asset use
- Maintenance practices – among City departments, similar assets may be assigned different useful lives, depending on asset use and maintenance.

Capital Assets – General Guidance

Buildings	30-50 years
Building Improvements	15-50 years
Machinery and equipment	3-20 years
Land improvements	15 – 30 years
Intangible assets	2 – 100 years

Infrastructure Assets – Specific Guidance

Asphalt	20 years
Curb & Gutter	30 years
Concrete	30 years
Sidewalks	30 years
Bridges	50 years

5.9.3 Salvage Value

The salvage value of capital assets is estimated to be immaterial to the financial statements. Therefore, generally the City will not record salvage value on capital assets.

5.9.4 Disposition of Assets

Fixed assets may be disposed of due to sale, obsolescence, loss, destruction, or replacement. Upon disposal of an asset, the capital asset records will be relieved of the cost and related depreciation.

5.9.5 Depreciation Method

The straight-line depreciation method will be used for all capital assets. In addition, depreciation will be calculated in the year of addition based on one half year's depreciation regardless of when in the year the asset was put into use.

Infrastructure assets will be depreciated on the straight-line method on an annual basis. Assets will be depreciated on an individual segment basis, when possible, or a composite method when determined to be more reasonable.

5.9.6 Works of Art and Historical Treasures

Works of art and historical treasures purchased by or donated to the City should be reported at their historical cost or estimated fair value at date of donation.

Infrastructure	Examples of Costs to be Capitalized	Examples of Costs to be Expensed
Streets, Curb, & Gutter	New construction, partial reconstruction, full reconstruction	Crack filling, sweeping, patching, seal coating, pavement rehabilitation, pavement recycling, overlay
Bridges	New construction, partial reconstruction, full reconstruction	Crack filling, patching
Storm Sewers	New construction, partial reconstruction, full reconstruction	Storm sewer repairs
Sidewalks	New construction, partial reconstruction, full reconstruction	Spot replacements
Dams	New construction, partial reconstruction, full reconstruction	Spot repairs, maintenance

5.10 Debt Management Policy

The City shall, as a matter of policy, conduct its finances so that the amount of direct, non- self-supporting, unlimited tax general obligation debt outstanding at any time that is subject to approval by the Common Council does not exceed 75% of the city’s legal debt margin capacity which is calculated at 5% of the city’s total equalized valuation.

The city’s general obligation bond issues should be structured such that, on average, the life is 20 years or less.

When the City finances capital projects by issuing bonds, it will pay back the related debt within a period not to exceed useful life of the projects.

The City will promote effective communications regarding its financial conditions with bond rating agencies and others in the marketplace based on full disclosure.

The City will regularly evaluate its adherence to the debt policy.

SECTION 6: INVESTMENT POLICY

6.1 Governing Authority

Legality – The investment program shall be operated in conformance with federal, state, and other legal requirements, including Wisconsin Statute §66.0603.

6.2 Scope

This policy applies to the investment of all funds. Proceeds from certain bond issues, as well as separate foundation or endowment assets, may be covered by a separate policy, as necessary.

Pooling of Funds

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies regarding investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

6.3 General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
 - a. **Credit Risk**

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

 - i. Limiting investments to the types of securities listed in Section 7 of this Investment Policy.
 - ii. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
 - b. **Interest Rate Risk**

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by:

 - i. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
 - ii. Investing operating funds primarily in shorter term securities, money market funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see Section 8)
2. **Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the short-term portion of the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools, which offer the same date liquidity for short term funds.

3. Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:
 - A security with declining credit may be sold early to minimize loss of principal.
 - A security swap would improve the quality, yield, or target duration in the portfolio.
 - Liquidity needs of the portfolio require that the security be sold.
4. Local Considerations: Where possible, funds may be invested for the betterment of the local economy or that of local entities within the state. The City may accept a proposal from an eligible institution, which provides for a reduced rate of interest provided that such institution documents the use of deposited funds for community development projects.

6.4 Standards of Care

1. Prudence: The standard of care to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from the expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The “prudent person” standard states that, “Investments shall be made with judgment and care, under circumstances when prevailing, which the persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

2. Ethics and Conflict of Interest: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.
3. Delegation of Authority: Authority to manage the investment program is granted to the City Administrator, hereinafter referred to as the investment officer and derived from the following: Wisconsin State Statute 59.62. Responsibility for the operation of the investment program is hereby delegated to the investment officer.

6.5 Internal Controls

The Finance Department is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from losses, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefit requires estimates and judgments by management. The internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority and review from accounting and recordkeeping.
- Custodial safekeeping.
- Avoidance of physical delivery of securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investment and wire transfers.
- Development of a wire transfer agreement with the lead bank.

6.6 Suitable and Authorized Investments

1. Investment Types: Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:
 - U.S. Treasury obligations which carry the full faith and credit guarantee of the United States Government and are considered to be the most secure instruments available.
 - U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value (e.g., debt issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corp, Federal Home Loan Bank, Federal Farm Credit Bank).
 - Certificates of Deposit and other evidence of deposit at financial institutions.
 - Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1 or D-1 or higher) by a nationally recognized rating agency.
 - Bonds, notes, debentures, or other evidence of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise):
 - Investment-grade obligations of state provincial and local governments and public authorities.
 - Repurchase agreements whose underlying purchased securities consist of the instruments.
 - Money Market mutual funds regulated by the Security and Exchange Commission and whose portfolios consist only of dollar denominated securities; and
 - Local government investment pool either state administered or developed through joint powers statutes and other intergovernmental agreement legislation.
2. Collateralization: Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization may be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

6.7 Investment Parameters

1. Diversification: The City will minimize concentration of credit risk, the risk of loss attributed to the magnitude of a government's investment in a single issuer, by diversifying the portfolio so that reliance on any one issuer or broker/dealer will not place an undue financial burden on the City. Accordingly, the permitted concentrations of investments, as a percentage of the portfolio and per individual issuer, are as follows:
 - U.S. Treasury Obligations: 0-100 percent.
 - State or Municipal Debt Obligations: 0-50 percent, 0-10 percent per issuer.
 - U.S. Sponsored Agencies: 0-70 percent, 0-10 percent per issuer.
 - Certificates of Deposit: 0-100 percent, not to exceed applicable FDIC coverage per institution unless covered by a collateralization agreement or bond(s).
 - Corporate Notes/Bonds: 0-70 percent, 0-10 percent per issuer.
 - Cash and cash equivalents (savings and money market accounts): 0-100 percent, not to exceed applicable FDIC coverage unless covered by a collateralization agreement or bond(s).
2. Maximum Maturities: To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than seven (7) years from the date of purchase or in accordance with state and local statutes and ordinances. The City shall adopt weighted average maturity limitations (which range from 90 days to 7 years), consistent with the investment type objectives.

Reserve funds and other funds with longer term investment horizons may be invested in securities exceeding six (6) years if the maturities of such investments are made to coincide as nearly as practicable with expected use of funds.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as the local government investment pool, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

6.8 Reporting

1. Methods: The Finance Director shall prepare a detailed investment report semiannually. The investment report will be prepared in a manner, which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be provided to the Finance Committee. The report will include the following:
 - Listing of individual securities held at the end of the reporting period.
 - Listing of investment by maturity date.
 - Percentage of the total portfolio, which each type of investment represents.
2. Performance Standards: The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmarks shall have a similar weighted average maturity as the portfolio.

3. Mark to Market: The market value of the portfolio shall be calculated monthly as part of the monthly report. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on “Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools.”

6.9 Policy Considerations

1. Exemption: Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

6.10 Approval of Investment Policy

The investment policy shall be formally approved and adopted by the City Council and may be reviewed as deemed appropriate.

SECTION 7: INTERNAL CONTROLS

7.1 Definition of Internal Control

Internal control is a process that is developed by the municipality to provide reasonable assurance that the following categories of objectives will be achieved:

1. the municipality's financial reporting will be reliable.
2. the municipality will be operated effectively and efficiently; and
3. the municipality will comply with applicable laws, regulations, contracts, and grant agreements.

A good internal control structure is essential to providing reasonable assurance that the City is achieving their objectives. Such objectives include, but are not limited to, utilizing public resources in compliance with laws, regulations, and budgetary limitations. An adequate control structure will provide information that helps detect errors and fraud and provides reasonable assurance that financial reports are accurate. It will limit the opportunity for theft or unauthorized use of assets, including cash, inventory, and capital assets.

These Internal Controls establish guidance related to internal control and compliance for management within the City. Developing an adequate internal control system requires continual analysis and modification to address changing circumstances. Management should identify and address additional objectives that are relevant to their operations.

These objectives are often stated as goals and should address all significant activities of the City. There is the need to identify these activities and place relevant risks and related control procedures to them.

The framework for a comprehensive control plan is within these five essential components:

1. Control environment
2. Risk assessment
3. Control Activity
4. Information and communication
5. Monitoring

These five components must operate together to have effective internal control.

7.2 Control Environment

The control environment is the foundation for all the other components. It "sets the tone at the top". That is, if management (the Mayor, Council, City Administrator, Department Heads) views internal control as important, the rest of the organization will likely follow that same path. Control environment factors include integrity, ethical values, management's philosophy and operating style, organizational structure, assignment of authority and responsibility, and human resource policies and practices.

The control environment involves more than setting standards, policies, and structures; it involves communicating and enforcing those standards, policies, and structures.

7.3 Risk Assessment

Municipal officials should have processes in place to identify potential risks due to changing circumstances. Technological developments, employee turnover, new programs, new accounting standards, new laws and regulations, economic growth and decline, and many other factors impact the adequacy of a municipality's internal control structure.

Municipal officials need to consider the potential for fraud in assessing the various types, assessing incentive, pressures, and opportunities. Each will present different risks that must be identified and analyzed for its significance and each risk needs a determination of the level for response.

Operations –

- Ensure that the municipality's resources are adequately safeguarded.
- Provide taxpayer services efficiently and effectively.
- Consider tolerances for risk.
- Provide for the long-term stability of the municipality.
- Provide a stable and rewarding environment for employees.

Financial Reporting –

- Provide timely internal financial reports and schedules for evaluating operations.
- Provide timely external financial and non-financial reporting.
- Issue timely financial reports that comply with generally accepted accounting principles and the additional requirements of GASB (Government Accounting Standards Board)

Compliance–

- Comply with all relevant laws, regulations, contracts, and grant agreements.

7.4 Control Activities

Control activities are management's specific policies and procedures that help ensure that the risks related to achieving management's objectives are addressed.

Management should at a minimum:

- Develop an employee manual that addresses management's expectations regarding business practices and ethical behavior (includes pay scales, promotions, dress code, probationary period, evaluations, conflict of interest issues, etc.); job skills requirements (job descriptions, lines of authority and responsibility, certifications, education, training, etc.); employee benefits (leave, flex plans, health insurance, pension, PTO, etc.); disciplinary policies and procedures.
- Establish a simple and flexible organizational plan that clearly places responsibility for specific activities upon specified individuals/job titles. Control over the accounting function should be centralized under one official who is responsible for all recordkeeping and reporting and who has the authority to supervise the entire financial operation. Centralizing the accounting function does not eliminate the approval and custodial functions. It allows for consistent application of accounting rules and a general overall review of all activities of the municipality.

- Separate duties of employees so that no one person has control over a complete transaction from beginning to end. Workflow should be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons should be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion. When adequate segregation of duties is not possible, management oversight should be increased to provide reasonable assurance that errors, irregularities, or fraud are prevented or detected and corrected in a timely manner. Such oversight would include, but not be limited to, the review of bank statements, cash receipts and cash disbursements summaries as well as the related supporting documentation, and analysis of monthly reports.
- Maintain record retention to substantiate transactions.
- Ensure that qualified individuals are hired, and that appropriate training is provided.
- Establish IT controls for information processing a) security b) passwords c) change management d) numerical sequences of transactions and checks.
- Use tangible and intangible safeguards to secure the organization's resources. Tangible being cameras, locks, barriers; Intangible being collateral/insurance on financial resources, institutional knowledge.

7.5 Information and Communication

Information and communication systems should provide reliable reports for both internal and external purposes. The means of communicating information within the organization will significantly impact whether objectives are achieved.

7.6 Monitoring

Monitoring the internal control system provides assurance to management that: policies and procedures are being followed; information is being communicated accurately and timely; and risks are being identified and appropriately addressed. In addition, it ensures that internal control continues to operate effectively, since processes, goals, and circumstances are not static and changes in those areas will necessitate changes in internal control.

During the annual external audit, performed by a Certified Public Accounting Firm, internal controls shall also be analyzed and measured for their effectiveness throughout the organization. They shall issue a report on internal controls and compliance, offering information regarding laws and regulations and internal controls related to financial reporting.

SECTION 8: FEDERAL AWARDS

8.1 Charging of Costs to Federal Awards

Only costs that are reasonable, allowable, and allocable to a federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

8.2 Criteria for Allowability

All costs must meet the following criteria to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be "reasonable" for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Organization or the performance of the award.
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, federal and state laws and regulations, and the terms and conditions of the award.
 - c. Whether the individuals concerned acted with prudence in the circumstances.
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a federal award.
 - b. The cost benefits both the federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the Organization, but where a direct relationship to any program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of OMS Circular A-122, the federal award itself or any provisions 2 CFR part 200 such as Subpart E – Cost Principles and the Terms and Conditions of the Federal Award.
4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the City.
5. Costs must be consistent with Non-Federal charges and be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
8. The cost must be adequately documented.
9. Disbursement of federal funds shall be consistent with City policy regarding accounts payable.

8.3 Personnel and Fringe Benefit Costs

The cost of fringe benefits in the form of compensation paid to employees during periods of authorized absences from the job, such as for vacation, family-related leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowed and provided for under the City's written employee handbook of personnel policy, rules, and regulations.

8.4 Procurement

The City will adhere to all Wisconsin DOT Transit procurement procedures when 5311 Federal Grant monies are used.

The City will adhere to all federal procurement procedures when Federal Grant monies are used.

8.5 Procurement Protest Procedures

The City of Shawano has developed the following procedures to handle and resolve disputes relating to the procurement process.

1. Notification

- a. Any party registering a bid award protest, must do so in writing within 10 days from the date of the issuance of the bid award. Upon receiving a written bid protest, the City of Shawano will provide the protester with a copy of the City of Shawano's protest procedures and a protest form, via e-mail or by fax within 15 days of the complainant's filing. No Verbal Protest Complaints will be addressed.
 - i. Protests must be in written form and addressed to the City of Shawano, City Administrator, 127 S. Sawyer St., Shawano, WI 54166
 - The written protest should contain the following information:
 - a. Name and Title of Complainant
 - b. Name and Address of Business
 - c. Phone Number, E-Mail Address and Fax Number
 - d. Nature and extent of the protest
 - e. Documentation of Claims
 - f. Action Requested

2. Response

- a. The City of Shawano City Administrator will review and respond in writing, to each substantive issue raised in the written protest within 15 working days. Depending on the nature of the complaint or protest, the City Administrator may respond, or may refer the complaint or protest to the City of Shawano Finance Committee. In either case, a response must be rendered within 15 working days.
- b. The final step in the local protest procedure process rests with the City of Shawano Finance Committee. If the complainant is not satisfied with the response made by the City of Shawano City Administrator, the complainant may request a review by the City of Shawano Finance Committee via certified mail addressed to the City of Shawano Finance Committee and a copy sent to the City Administrator, no more than 5 days after the City Administrator's written decision. The Finance Committee at its discretion has the right to review the request or by inaction, let the City Administrator's decision stand. If there is no response from the Finance Committee within 5 business days, the City Administrator's decision is affirmed.
- c. If the Finance Committee chooses to review the complaint, the Committee will invite the protester to provide the following written information and details:
- d. The information provided to the City of Shawano's Finance Committee should include:
 - i. Original complaint form
 - ii. City Administrator's written response

- iii. Additional information submitted to or requested by the Finance Committee.
- iv. All documentation and pertinent facts relating to the dispute.
- v. City Administrator's recommendation
- e. After reviewing the written protest information, the City of Shawano Finance Committee will make a recommendation and provide a written response to the complainant's protest. If the Finance Committee so chooses, it may prior to its final recommendations, invite the complainant to address the protest issue at a meeting scheduled by the Finance Committee. However, the City of Shawano Finance Committee at its sole discretion may choose to render its decision without consulting the complainant based solely on the evidence and information before it.
- f. After the conclusion of the Finance Committee's deliberations and decision, the City Administrator shall provide the Finance Committee record of decision to the complainant within 10 business days.
- g. All decisions rendered by the City of Shawano Finance Committee are final. This completes the local portion of the protest procedure process.
- h. The complainant does have the option to request reconsideration only if data becomes available that was not previously known, or there has been an error of law or regulation.
- i. The Federal Transit Administration will only entertain a protest that alleges that the City of Shawano has failed to follow their protest procedures. Any protest to the FTA must be filed in accordance with FTA Guidance Circular 4220.1F or the most recently revised circular.

SECTION 9: RECORD RETENTION

9.1 Record Retention

The City's policy is to retain records as required by Federal laws or regulations, Wisconsin statutes or city ordinance.

9.2 Financial Records

City Staff may destroy the following nonutility records under their jurisdiction after the completion of an audit by State auditors or an auditor licensed under Ch. 442, Wis. Stats., but not less than 7 years after payment or receipt of the sum involved in the applicable transaction:

- Bank statements, deposit books, slips, and stubs.
- Bonds and coupons after maturity.
- Cancelled checks, duplicates, and check stubs.
- License and permit applications, stubs, and duplicates.
- Payrolls and other time and employment records of personnel included under the Wisconsin Retirement Fund.
- Receipt forms.
- Special assessment records.
- Disbursement vouchers, requisitions, purchase orders and all other supporting documents pertaining thereto.

9.3 Utility Records

Officers may destroy the following records of municipal utilities subject to regulation by the State Public Service Commission and after an audit as provided above, but not less than 2 years after payment or receipt of the sum involved in the applicable transaction:

- Water, sewer, electrical stubs, and receipts of current billings.
- Customers' ledgers.
- Disbursement vouchers and supporting documents pertaining to charges not included in plant accounts.
- Other utility records after 7 years with the written approval of the State Public Service Commission.

9.4 Other Records

Officers may destroy the following records, but not less than 7 years after the record was effective:

- Assessment rolls and related records, including Board of Review minutes.
- Contracts and papers relating thereto.
- Financial reports other than annual financial reports.
- Insurance policies.
- Justice dockets.
- Oaths of office.
- Reports of boards, commissions, committees, and officials duplicated in the official minutes.
- Resolutions and petitions.
- Voter record cards.

9.5 Notice Required

Prior to the destruction of any public record described above, at least 60 days' notice shall be given the State Historical Society.

SECTION 10: APPEXDIX

10.1 Chart of Accounts

Funds	###	Revenues	4###
General Fund	1##	Taxes	41##
Special Revenue Funds	2##	Special Assessments	42##
Debt Service Fund	3##	Intergov't Revenues	43##
Capital Projects/TID Funds	4##	License & Permits	44##
Proprietary Funds	6##	Fines Forfeits Penalties	45##
Internal Service Funds	7##	Public Charges Service	46##
Trust & Agency Funds	8##	Intergov't Charges	47##
Fixed Assets/Debt Fund	9##	Miscellaneous Revenue	48##
		Other Financing Sources	49##
Assets	1####	Expenses	####
Cash Accounts	11###	Personnel Expenses	1###
Tax & Special Receivables	12###	Operating Expenses	2###
Accounts Receivable	13###	General Expenses	3###
Due From Other Funds	15###	Insurance Expenses	5###
Inventories & Prepayments	16###	Other Expenses	6###
Long Term Receivables	17###	Other Financing Uses	9###
Fixed Assets	18###		
Debt Retirement Resources	19###		
Liabilities	2####	Cost Centers	#####
Accounts Payable	21###	General Government	51###
Special Deposits	23###	Public Safety	52###
Due to Other Governments	24###	Public Works	53###
Due to Other Funds	25###	Health & Human Serv	54###
Deferred Revenues	26###	Culture, Rec & Edu	55###
Long Term Debt	29###	Conservation & Dev	56###
		Tax Increment District	8#####
Fund Equity	3####		