City of Manitowoc

Purchasing – Budget – Accounting

A Framework for Financial Stability Guide Book

Process, Practices, and Policies

Effective: November 18, 2014

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INTRODUCTION

AUTHORITY, PURPOSE AND CONTENT

This document repeals all other policies regarding Purchasing, Budgeting, and Accounting as prepared by the Finance Department and adopted by the City of Manitowoc Common Council with the effective date of November 18, 2014.

City Administration shall review and update the policy manual on an annual basis. Any additions or modifications shall be presented to the Finance Committee and approved by the Common Council. 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. The Finance Department shall assist where further clarification is needed.

This guide book shall be used as a procedural framework for employees to make sound defendable decisions of the highest ethical standards. Therefore, the Manitowoc Municipal Code 3.8 Code of Ethics shall be an integral component of this guidebook.

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 Manitowoc 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.

1-
PURCHASING POLICY

1.1 Definitions:

Agreement is a negotiated and usually legally enforceable understanding between two or more legally competent parties. An agreement typically documents the give-and-take of a negotiated settlement and a contract specifies the minimum acceptable standard of performance.

Bid is the written commitment of a vendor to furnish goods, materials and/or services or a combination thereof in specific quantities at a firm price.

Bidder is one who submits a bid in response to a Request for Bids, Quotes or Proposals.

Certificate of Insurance is a document describing the insurance policies maintained by an insured. It identifies the policy number, effective and expiration dates and name of the insurance company affording coverage. It generally acts as proof or evidence of insurance.

Environmentally Preferable Products are products that have a less harmful impact on human health and the environment when compared with competing products.

Information Services (IS) are those items that relate to computers, software, hardware, telephone or other technology-type equipment, services and supplies.

Professional Services are performed by independent contractors/consultants whose occupation is the rendering of such services. While not limited to licensed occupations, the services are considered "professional." Such professional services include, but are not limited to:

- Accounting and billing services
- Appraisal services
- Consulting services
- Information services studies
- Environmental studies
- Financial and operational audits
- Legal services (except witnesses/consultants retained for litigation)
- Personnel, job classification and benefit studies
- Training services
- Translation services

Public Works is any project for the construction, repair, remodeling or improvement of any public works building, infrastructure and grounds and/or the furnishing of supplies or material of any kind for such work.

Purchase Order (PO) is a written contract with a vendor that formalizes the terms and conditions of a proposed transaction.

Quotation is the written or verbal commitment of a vendor to furnish non-public works products or services in specific quantities at a firm price.

Request for Bid (RFB) is a structured purchasing process for public works projects used to determine source selection when price is the only factor. Contract is awarded to the lowest responsible bidder provided it meets the required specifications and is within budget.

Request for Information (RFI) is a method to collect information about the capabilities of various suppliers for comparative and budgeting purposes as well as help make decisions on whether to proceed with a RFP or RFQ.

Request for Proposal (RFP) is a method of purchasing when price is not the only factor and used when specifications and scope of services cannot be prepared to provide all prospective contractors with a complete and accurate description of the work to be performed. It is intended that the contractor will perform that work. Performance factors along with price are considered. Contract is awarded to the highest scoring vendor provided it meets the required specifications.

Request for Quote (RFQ) is a structured purchasing decision process used to determine source selection when price is the only factor. Contract is awarded to the vendor with the lowest price or highest proceeds quoted provided it meets the required specifications.

Services means the furnishing of labor, time or effort by a contractor, not involving the delivery of a specific end product other than reports which are merely incidental to the required performance. This term includes professional services.

Sole Source is when there is only one specific vendor that can provide the specific equipment, supplies or services requested.

Specification is any description of the necessary characteristics of a product, service, or item that must be met by prospective vendors. Specifications are developed jointly by the user department and Purchasing and shall not be written to limit competition.

Vendor refers to a company or firm that is a source of supply for goods and/or services.

W-9 is an IRS form, also known as "Request for Taxpayer Identification Number and Certification", which is used to verify an entity's taxpayer identification number (TIN).

1.2 General Departmental Purchasing Requirements:

All purchasing activities shall be conducted in such a manner as to obtain the best possible price, quality and service for the City of Manitowoc.

Departments shall:

1. Ensure its employees are aware of the City of Manitowoc's purchasing policies and procedures.

2. Receive Department Head/Team Leader/Manager approval PRIOR to starting the purchasing process.
3. Ensure the necessary funding is available in their budget PRIOR to starting the purchasing process.
4. Obtain a W-9 for all new vendors except if it is a refund/reimbursement.
5. Ensure the City of Manitowoc does not pay sales tax for any goods or services within the State of Wisconsin.
6. Not reimburse sales tax paid for purchases within the State of Wisconsin.
7. Not lead vendors to believe they will be awarded a contract if information they provide is being used for budget or planning purposes only.
8. Have the Department Head/Team Leader/Manager review and approve all invoices and account lines being charged.
9. Negotiate terms and discounts for purchases.
10. Request a Certificate of Insurance from any vendor performing a service on any property owned by the City of Manitowoc.
11. Obtain proper Material/Safety data sheets where applicable.
12. Fill out a Budget OverRun Form for all over runs of account lines. (The form can be obtained from the Finance Department)
13. Follow Federal, City and Wisconsin State Statutes regarding procurement for Public Work projects. (see PURCHASING CATEGORIES)
14. Structure specifications for all requests so as not to limit competition.
15. Return to Finance Department any checks that are returned back to the city due to error, lack of need, undeliverable, etc.
16. Allow Accounts Payable checks to be mailed directly to the vendor, unless they are city employees or the department has a specific written request for needing the check back.
17. Not enter into an agreement without Committee/Council approval.
18. Not make donations or contributions using general fund monies.

1.3 Employee Reimbursements:

Travel - Every employee reimbursement must be documented on the approved travel authorization form with travel authorization, along with attached original itemized receipts, nature of business, program allocation, and funding source (if applicable) before submitting for reimbursement.

Lodging - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose.

Meals and Entertainment/Clothing Allowance – reimbursement/expenditure must be documented on the approved form and submitted to the Payroll Administrator for benefit determination and per diem allowances. An itemized receipt must be provided showing the cost of food (not the charge card bill), beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose. Clothing could be a taxable benefit to the employee upon determination of the use.

Mileage – for the use of personal vehicles for City business is paid at the current IRS rate.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

The City of Manitowoc is exempt from Sales Tax and Room Taxes when traveling within the State of Wisconsin. All employees shall obtain a Sales Tax Exemption Form (S-211) prior to incurring any travel expenses or purchasing any goods that would be subject to Wisconsin Sales Tax. Sales Tax Exemption Forms may be obtained from the Finance Department. The Sales Tax Exemption Form must be presented prior to purchasing to avoid paying sales tax.

Sales Tax paid by an employee will not be reimbursed. (exception for meals within per diem amounts)

1.4 Vendor Relations:

City of Manitowoc employees participating in purchasing activities shall give all qualified bidders equal consideration and assurance of an unbiased judgment in determining whether the vendor's goods or services meet the specifications put forth by the city in the solicitation process.

City of Manitowoc employees shall not accept any gift, gratuity, services, favor or entertainment from any vendor or potential vendor. The only exception is unsolicited vendor advertising or promotional materials such as pens or calendars.

Vendors who provide the City of Manitowoc with technical product specifications or standards for evaluating bidders or proposers in a competitive purchasing process are prohibited from participating in that specific purchasing process.

Vendor samples may only be accepted if the product is of a type presently used or potentially will be used.

City of Manitowoc employees purchasing from vendors with a direct family or personal relationship shall take caution in doing so and document a competitive purchasing process. Family/personal relationships with vendors should be disclosed in writing to your supervisor to provide disclosure prior to any purchase.

City of Manitowoc employees are encouraged to buy local if possible.

1.5 City-Wide Contracting

Information Technology Services/Hardware

Regardless of price, all departments must obtain approval from Information Technology (IT) prior to initiating a purchase for any IT-related items. This will ensure that all new City of Manitowoc technology is compatible with existing systems and can be supported by IT.

Pre-approved City-wide Standard Contracts

Departments shall purchase standard products or services from contracts negotiated for City-wide use. Examples of such contracts may include office supplies, janitorial supplies, copy paper, copier maintenance, IT, etc.

1.6 Disposal of Supplies and Equipment:
Supplies or Equipment no longer serving a useful purpose shall be turned over to the Buildings and Grounds Department. The department will dispose of the supplies or equipment by transferring the material to a department which might have a use, by public auction or in such manner considered to be in the best interest of the city.

1.7 Purchasing Categories:
The City of Manitowoc purchasing activities are divided into categories:

1. Purchases under $5,000
2. Purchases over $5,000 (non-public works)
3. Purchases over $5,000 (equipment only)
4. Public works purchases $5,000-$24,999
5. Public works purchases over $25,000

Values are based on the total cost of an order, not individual items, and should include all incidental costs such as shipping, installation, training, etc. Separating or splitting purchases to remain within a specific category is strictly prohibited.

Details for each of the categories are described below:

1. <u>Purchases under $5,000</u>
Purchases under $5,000 may be procured by an employee authorized by the department head to purchase on behalf of that department in accordance with this policy. Quotes are encouraged and can be either verbal or written.

2. <u>Purchases over $5,000 (Non-Public Works)</u>
Non-public works purchases over $5,000 may be procured by an employee authorized by the department head to purchase on behalf of that department in accordance with this policy.
It is preferred by the City of Manitowoc to have documentation of two or more written competitive quotes unless it is from a sole source vendor.

3. <u>Purchases over $5,000 (Equipment only)</u>
Per Finance Committee resolution, equipment purchases over $5,000 that have been previously approved in the budget shall be procured through the RFQ process in accordance with this policy unless it is from a sole source vendor for specialized equipment.

4. <u>Public Work Purchases $5,000-$24,999</u>
Public works procurement process shall be in accordance with the Wisconsin State Statutes Chapter 62 regarding Public Works. It is preferred by the City of Manitowoc to have documentation of two or more written competitive quotes unless it is from a sole source vendor. When the quoted price exceeds $10,000, the procurement department shall have the City Attorney draft a contract for City of Manitowoc Common Council approval.

5. <u>Public Work Purchases over $25,000</u>

Public works procurement process shall be facilitated via a RFB in accordance with the Wisconsin State Statutes Chapter 62 regarding Public Works. Budget information for bid projects is available only after the procurement process is final. Award of the bid and vendor selection are required of the requesting department's standing committee and City of Manitowoc Common Council. The City Attorney, Finance Director, City Clerk and the Mayor shall all sign to legally bind the contract.

The City of Manitowoc may reject any and all bids, quotes or proposals for substantial noncompliance with the specifications or if price is higher than budgeted. A bid shall be awarded to the lowest responsible bidder.

1.8 Major Equipment and Vehicle Policy
Finance Committee approved August 19, 1996
Finance Committee Revision November 24, 2008
The following procedure shall be used by all departments when purchasing any vehicle or major piece of equipment. The steps are as follows:

1. Funding for specific vehicle and equipment purchases are approved during the budget process by the Mayor, Finance Committee, and ultimately adopted by the full Common Council.
2. The department head is then responsible to inform the Standing Committee of the Common Council that they work with about the details of the impending vehicle/equipment purchase.
3. Standing Committee approves purchase.
4. When purchasing a piece of equipment costing $10,000 - $25,000, competitive bids or quotes must be taken. Competitive bids must be taken when purchasing any vehicle, or any other piece of equipment costing $25,000 or more. The bids or quotes are to be taken by the Board of Public Works. Finance Committee approval is required to waive the competitive bid process for specialized major equipment and vehicles.
5. Common Council approves successful bid and purchase.

1.9 Exceptions:
This policy shall NOT apply to:

Emergency purchases used to resolve an immediate threat to the health or safety of the public and/or employees. The department addressing the emergency situation shall procure the necessary products/services and submit a report of all emergency purchases and justification to the City Attorney within five (5) business days of the event.

Purchases based on a cooperative purchasing agreement established by one or more units of government. Cooperative purchasing may include, but are not limited to, joint or multi-party contracts between units of government or open-ended state, municipal, federal or other government contracts which are made available to the City of Manitowoc.

Purchases that are determined to be available from only one source as a result of a regulated or natural monopoly such as utility, telephone and cable services. These purchases must be approved by the City Attorney for the required supply, service, or construction, and when

circumstances exist, which preclude competitive procurement. Sole source purchases may not be used for public works projects.

1.1-
CREDIT CARD/P-(PURCHASE) CARD POLICY

1.1.0 Introduction to Credit Card Policy:

The City of Manitowoc will 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. Use of company-issued credit cards is a privilege, which the City of Manitowoc may withdraw in the event of serious or repeated abuse. Any credit card the City of Manitowoc issues to an employee/department must be used for business purposes only. 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 of Manitowoc 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 of Manitowoc's 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 of Manitowoc. 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 of Manitowoc'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 of Manitowoc. 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.

1.1.1 Finance Committee Approval:

The Finance Committee approves the positions/departments with the ability to use a credit card issued by the City of Manitowoc. The committee sets the spending limit per card issued.

The Finance Department is authorized to reissue credit cards due to vacancies or lost cards for all approved positions/departments authorized to use credit cards. The Finance Department shall maintain a listing of all positions/departments authorized to use a credit card and associated credit limits.

Any additional requests for a credit cards which are not on the authorized listing of credit card users, shall be approved by the Finance Committee prior to issuing and setting a credit limit.

1.1.2 Finance Department Responsibility:

The Finance Department shall:

- Inform the Finance Committee of strategic planning of the use of credit cards to better enhance rebate programs provided by the credit card company providing the service to the City of Manitowoc.
- Oversee that the Departmental Usage and Accounting Process Policies are being adhered to.
- Cancel/issue/reissue/dispose cards as needed.
- Coordinate the ACH transfer of monies for the City of Manitowoc to the credit card provider.
- Maintain a current list of credit card holders and their associated credit limit.

1.1.3 DEPARTMENTAL USAGE POLICY

Cardholders approved to use a credit card shall:

- Have purchases authorized by a Department Head/Team Leader/Manager
- Only use the credit card for City of Manitowoc purchases
- Ensure that sales tax is not paid on all exempt purchases
- Follow the policy on Employee Reimbursements (refer to 1.3 of this manual)
- 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 US Bank 1-800-344-5696 and report immediately to the Finance Department.
- Upon resignation or termination of duties with the City of Manitowoc, reconcile all expenditures on his/her card account since the last Statement and surrender the card upon termination to appropriate staff or exit interviewer.

1.1.4 CREDIT CARD ACCOUNTING PROCESS

Credit Card statements are issued to the departments at the beginning of the month. Departments will need to have their credit card transactions processed through Accounts Payable by the end of the month following the closing statement date. This will ensure accounting records maintain accurate and meaningful balances. Cardholders that do not reconcile by the end of the month will be sent a reminder of their obligation under this policy. Repeat non-conformance could result in cancellation of the card.

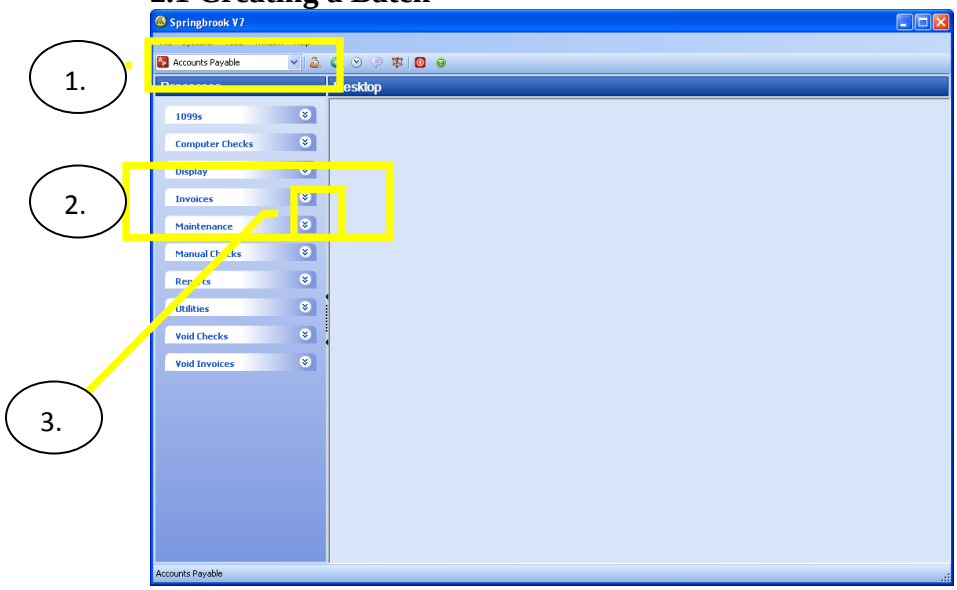
Cardholders must retain transactional evidence to support all charges. An acceptable receipt for reimbursements of claimable business expenses on the credit card is an original receipt. Original receipts for all credit card transactions will be retained in the Accounts Payable office.

Audits of cardholder purchases will occur on a monthly basis by Accounts Payable. In addition, external auditors could carry out audits from time to time. If a Cardholder has questionable purchases showing on the monthly Statement, this information will be forwarded to the Finance Director for resolution.

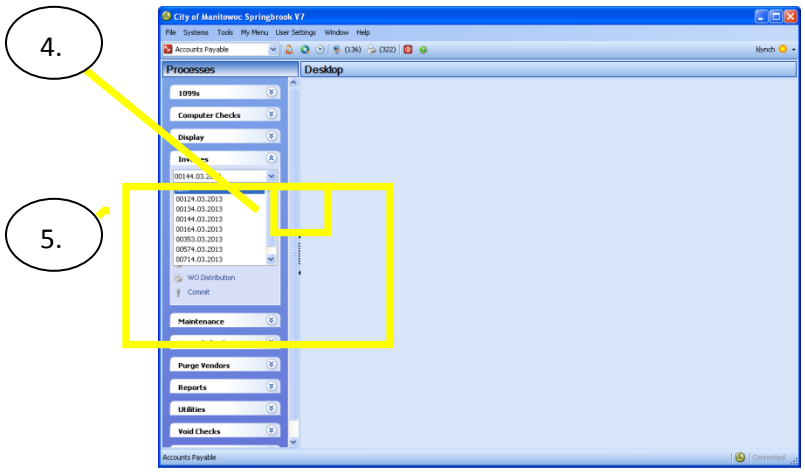
2-
ACCOUNTS PAYABLE PROCESS

How to enter an invoice into Springbrook

2.1 Creating a Batch

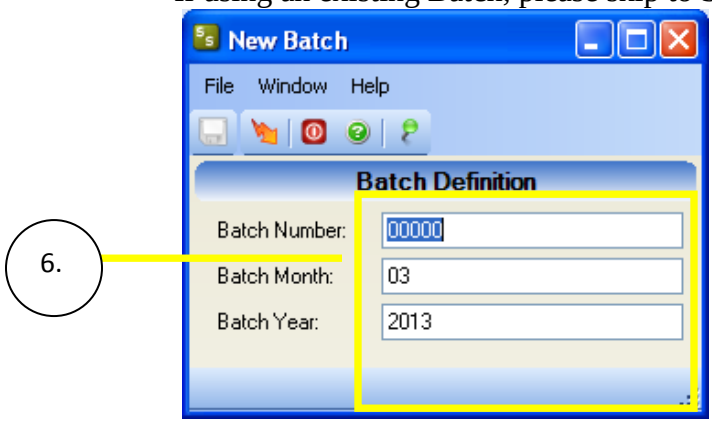


1. Select Accounts Payable from the list of available modules using the drop down menu.
2. Find Invoices from the Menu at the left side
3. Click on the Double Down Arrow (this will open up the process for Invoicing)



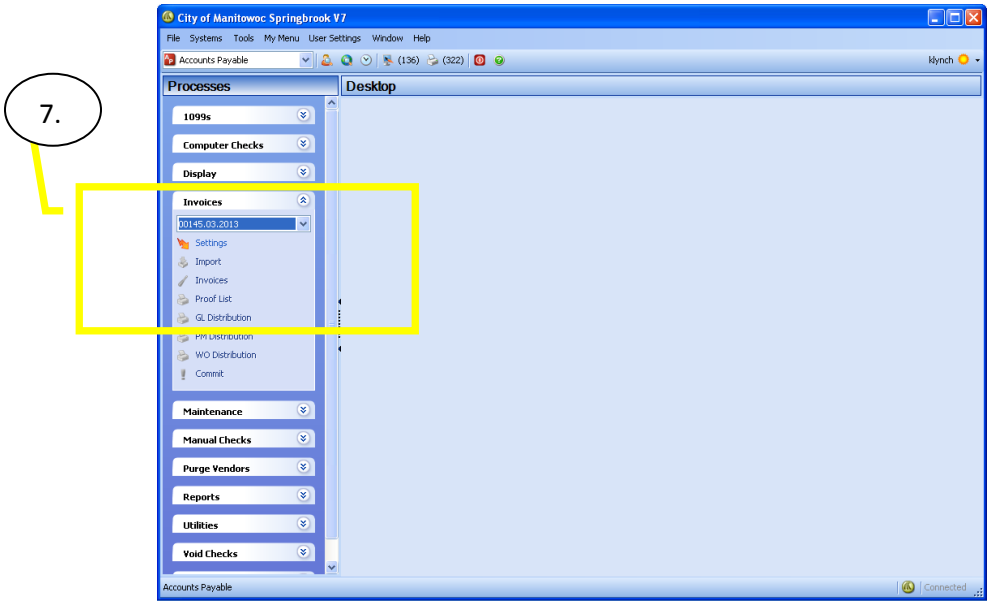
4. Click on the Drop Down Menu Arrow to see all batches available or to start a new batch.
5. Select the batch by clicking on the appropriate batch (it will highlight in the box as the active Batch) OR Click on ‘New’ to add a New Batch.

If a New Batch is being generated, please continue with Step 6.
If using an existing Batch, please skip to Step 9.



6. Five digits are needed to create a Batch. Use the first 2 digits of your org (example: 14100 – Finance will use 14) and the last digit will be the next batch to process in the month. ((Using 1 thru 5 for each Friday of the month.) The batch month and year should be the month and year the bills are to be PAID. CLICK SAVE. (two zeros will populate in front of your number- see screenshot with instruction #4 -5 above for example)

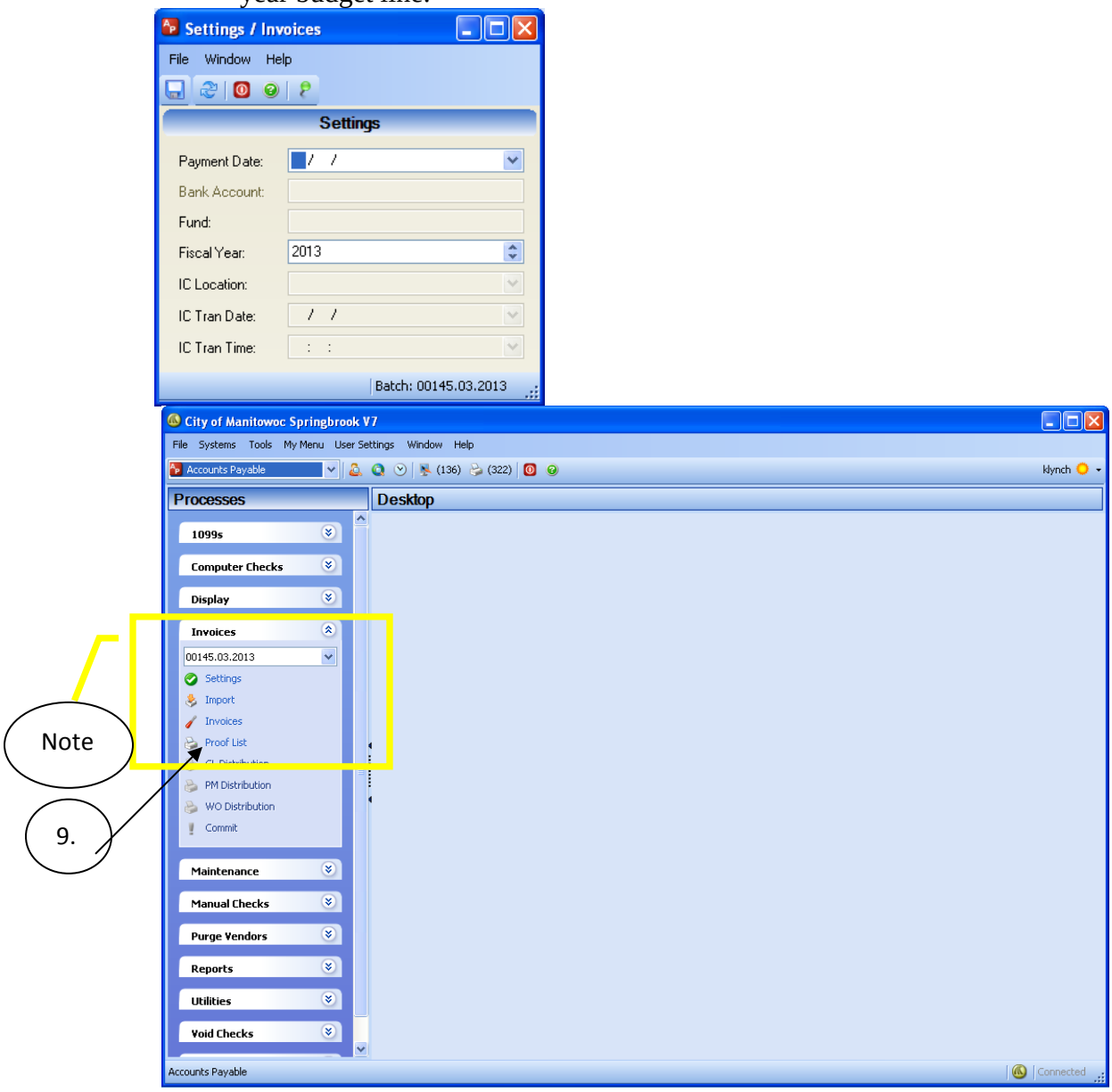
   Caution: YEAR END: when using the prior year's budget line:
   Batch #: use 6-9 after your org number for yearend additional batches
   Month: 12 Year: use the prior year
   Contact Finance for assistance.



7. The active batch will show in the window under Invoices. Click on Settings to setup the settings for this batch.

8. Enter the PAYMENT DATE. (The Friday payables will be generated.) SAVE.

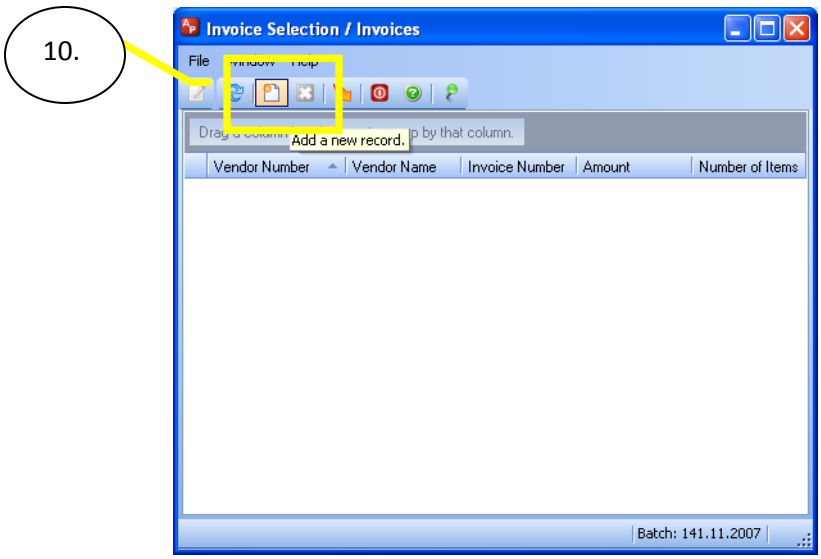
Caution: YEAR END: Change the FISCAL YEAR to the prior year if using a prior year budget line.



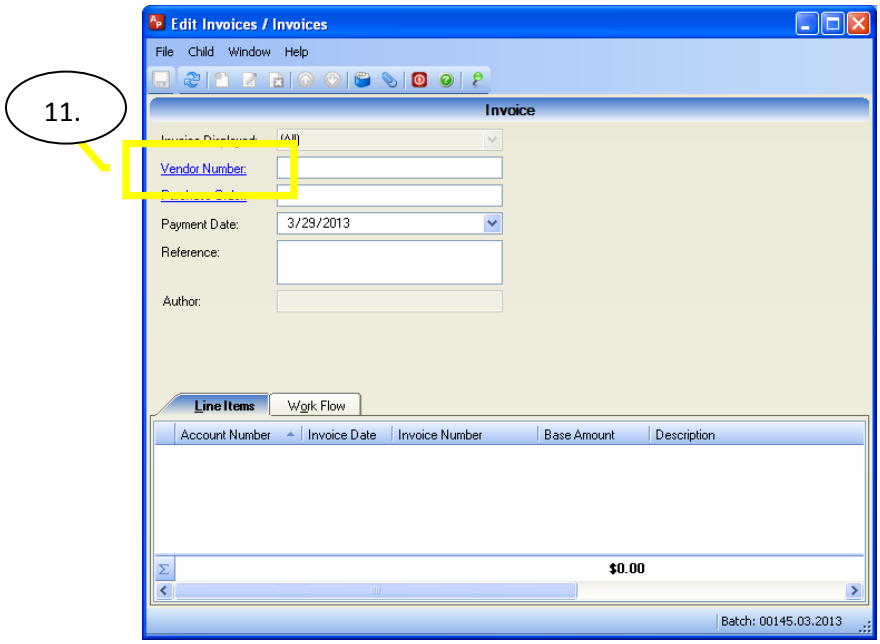
Note: The active batch is showing. The check mark next to the Settings indicates that this step is complete. Move past the Import. The invoices are now ready to be input.

2.2 Entering an Invoice

9. Click on Invoices and the next screen shot is what pops up.

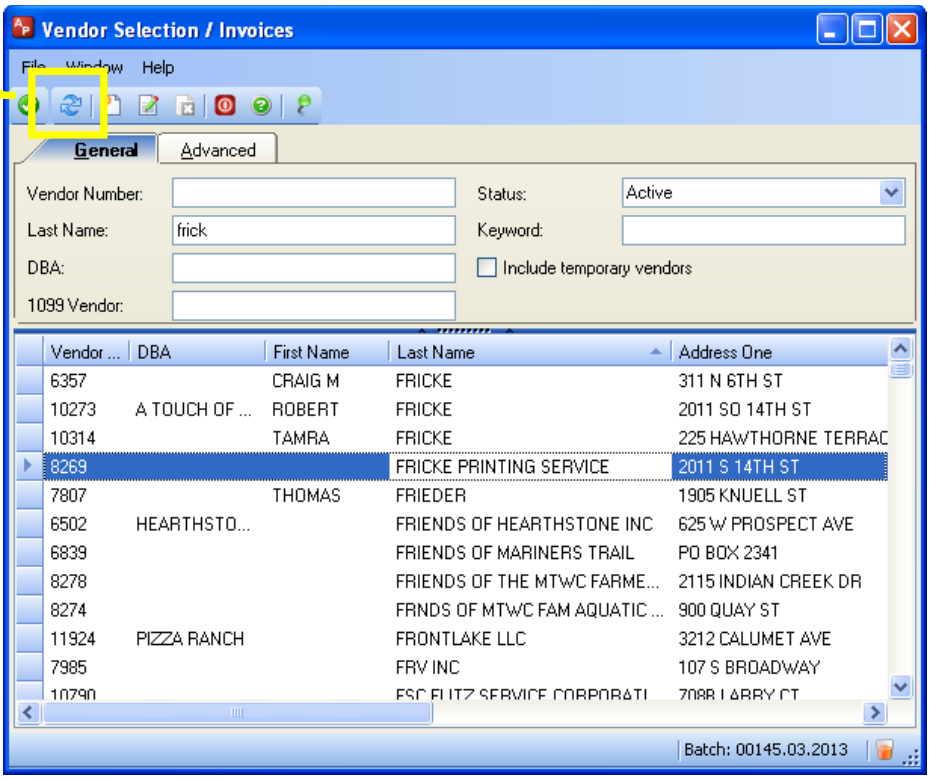


10. Click on ‘Add a new record.’ And the next screen shot pops up.



11. Click on ‘Vendor Number’.

Refresh button



TIPS & TRICKS

See 'Handy Hints'

Move fields by dragging them where you want them.

Move fields off or add new fields by right clicking the mouse on the menu bar and select or deselect the fields

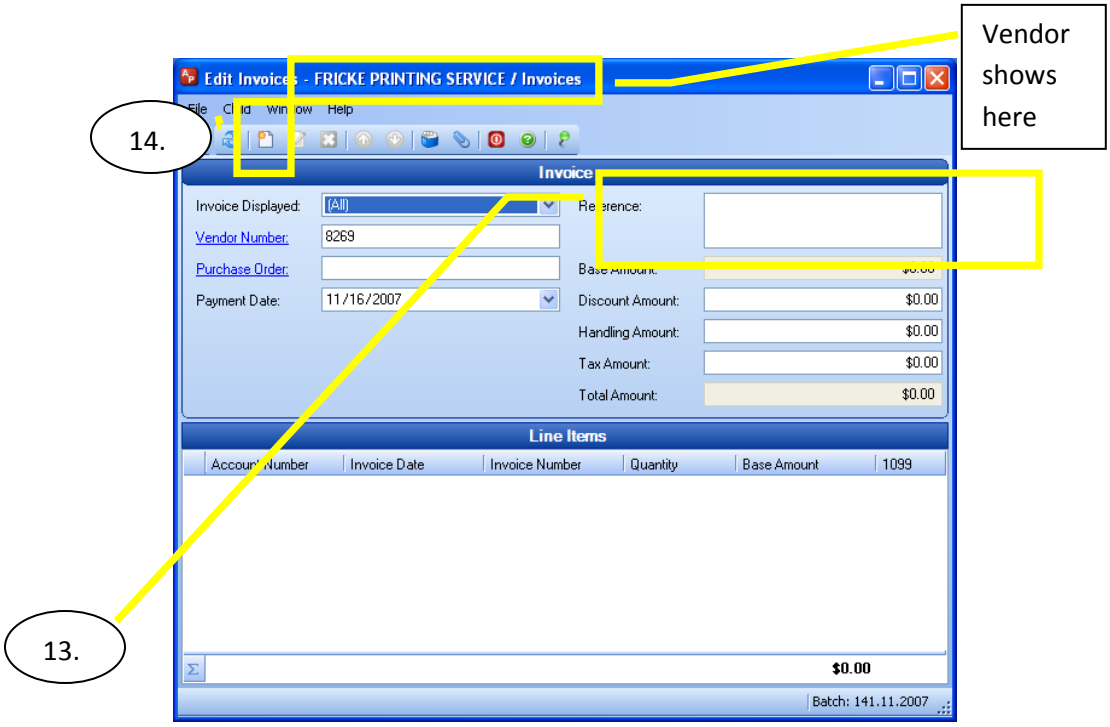
A screen will pop up where you can inquire on a vendor. There are several ways to do this:

If you know the vendor number, type it in Vendor Number and click on the Refresh.
OR
In the Last Name, start typing the name of the company and click on Refresh

NOTE: if you are having trouble finding a Vendor, select ALL in the STATUS field and/or check the box to Include Temporary Vendors. Click on Refresh.
(If the status of the Vendor is <u>InActive</u>, see Finance to change the status of that Vendor)

12. When your Vendor is located: Double Click on it

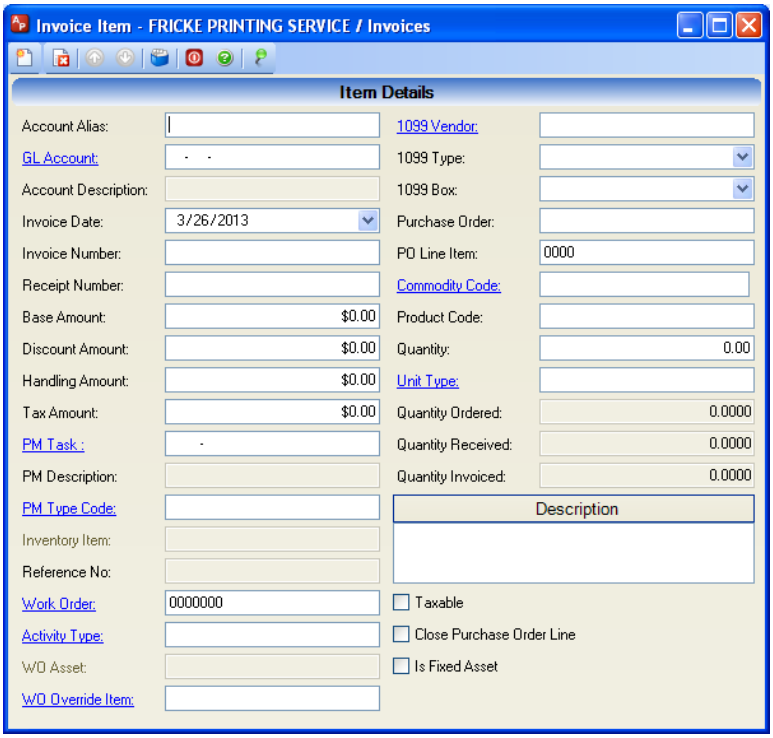
The next screen pops up.



13. Add a reference. This is a short description of what this invoice is for. The reference will show up on the check stub only.

At this point, you are done with this screen and will now need to add line items from your invoice.

14. Click on 'Add a new record' (white page) to insert a line item. The next screen pops up.



Note: allows you to modify the look of this screen…

ON THIS SCREEN USE THE 'TAB' KEY TO GO TO THE NEXT FIELDS:

15. Type in the GL Account. The description will populate in the next field.
16. Enter an invoice date.
17. Enter an invoice number. (Type in exactly as shown on invoice)
18. Enter base amount for the line item of this invoice.
19. Enter line item description. This will show in Vendor history file and on the Account, not on the check stub.

    The following are optional:
20. Enter a discount if applicable. (Use + amount, it will not accept a -)
21. Enter handling charge to be allocated to this item.
22. If Applicable: Enter a Project Management Task Label. (Click on Task Label to see all available codes.)
23. Next select a Project Management Type Code. Click on PM Type Code and the next screen pops up.
24. Locate and Select a E, M, S code. L is a labor code.
25. Enter quantity. (This is a non-calculating field and is optional for use.)
26. Enter unit type. (This is not a calculating field based on quantity – optional field)

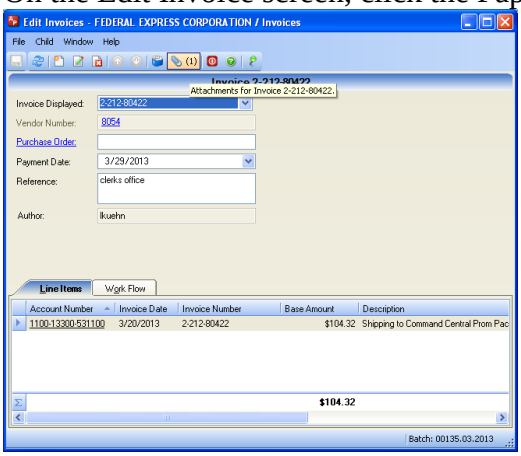
    Adding additional line items:
27. If you would like to add another line item for this invoice, click on the 'Add a record' (white page), and follow directions 15. through 26.

    Note: The info previously input will stay except for the base amount goes to $0.

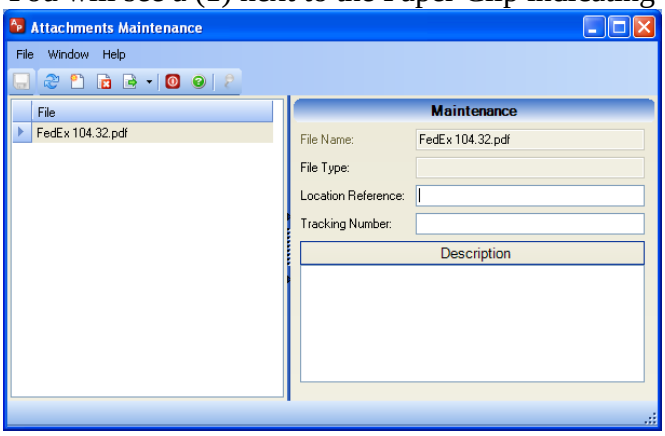
    If you are done, click the Exit.

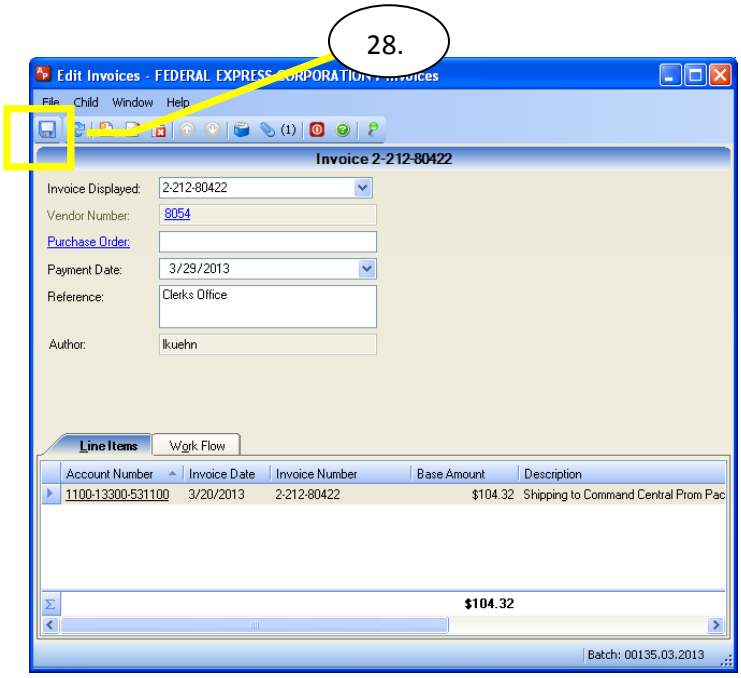
2.3 SCANNING and ATTACHING the Invoice:
When all line items are completed, scan the invoice and attach it to your record.

On the Edit Invoice screen, click the Paper Clip.



Click the White Page, then File Name (locate file), Save, Exit
You will see a (1) next to the Paper Clip indicating there is 1 file attached. See above screen.





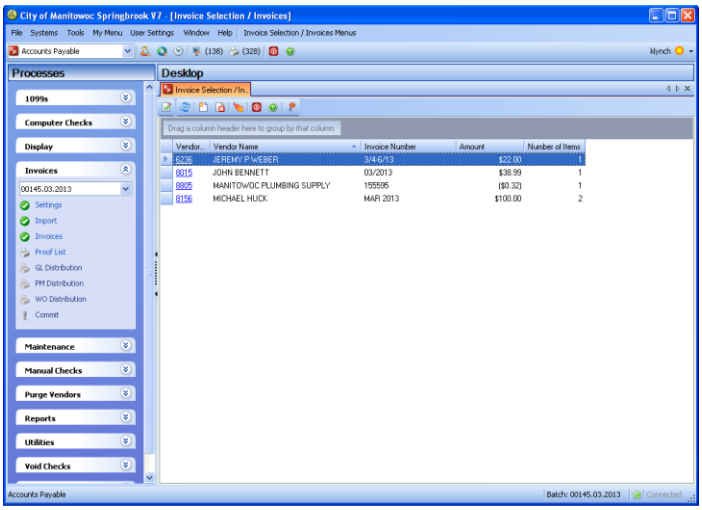
28. When complete, Click on Save.

<u>To add your next INVOICE:</u>
Click on the 'white page' from STEP 10 and continue adding another invoice.

If this batch is not complete, and you have more invoices to enter into it, when you re-enter the system, be sure to select the <u>correct batch</u> you created for this payable run.

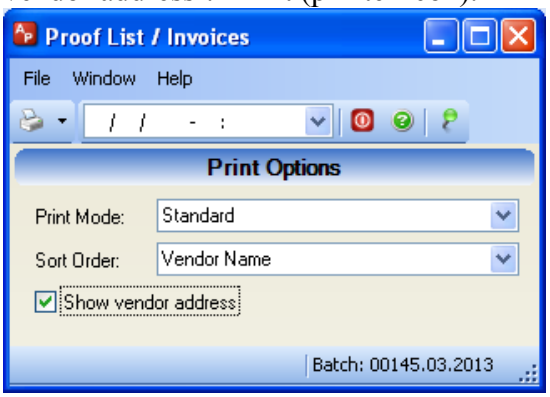
If you are completely done entering invoices for this batch,

2.4 Finalizing the Batch



This screen shows that you have successfully completed the first three steps in the process and that you will need to next run the Proof List.

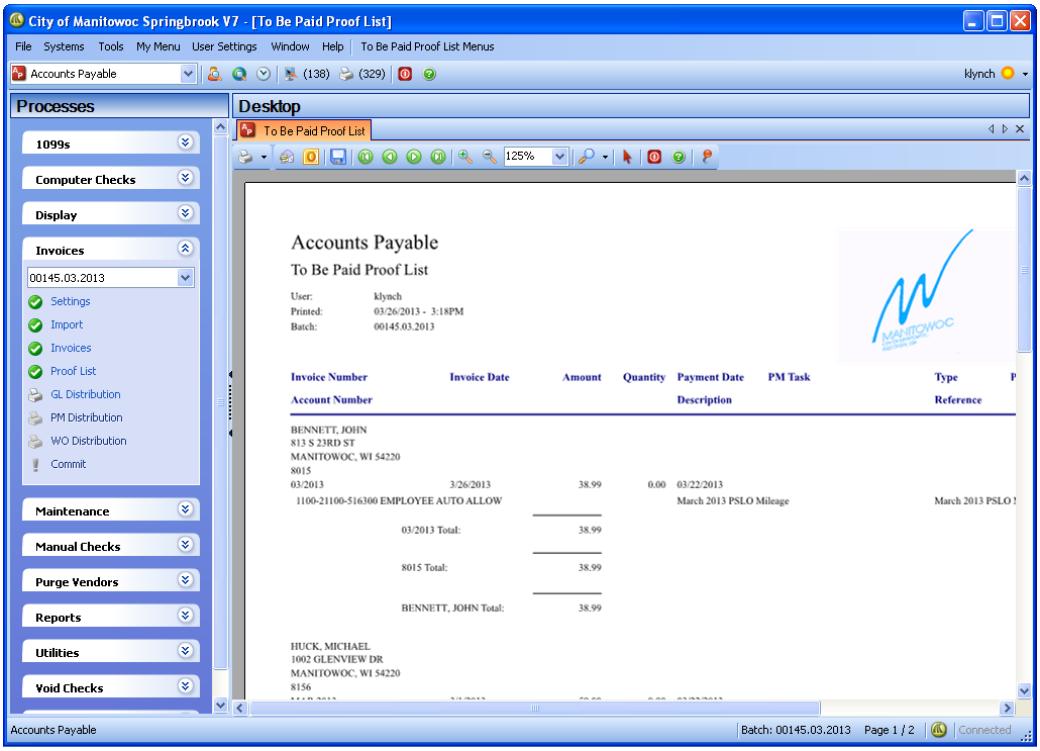
Click on Proof List and this screens pops up. Select Vendor Name and click the box to 'Show vendor address'. Print (printer icon).



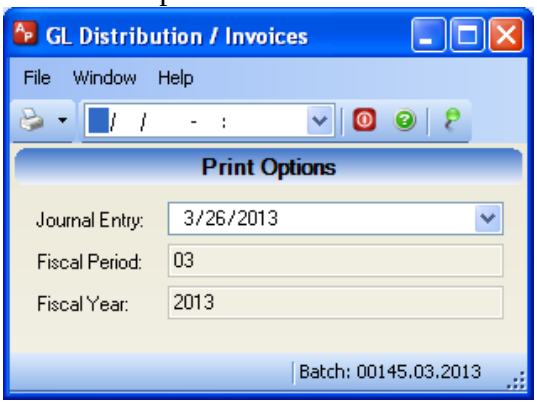
A clock looking icon by the Proof List indicates that the report is being generated. A check mark will show when it is completed.

Note: When the Proof List is completed, a check mark will show here to indicate this step is complete. If an error is found from the Proof List, you may go back to the Invoices area and fix the error. You will then see that the Proof List will need to be run again because the printer will show up. You will not be able to go to the next step until the check mark shows up to indicate this step is complete.

Print the report.
A sample of the Proof List is below.

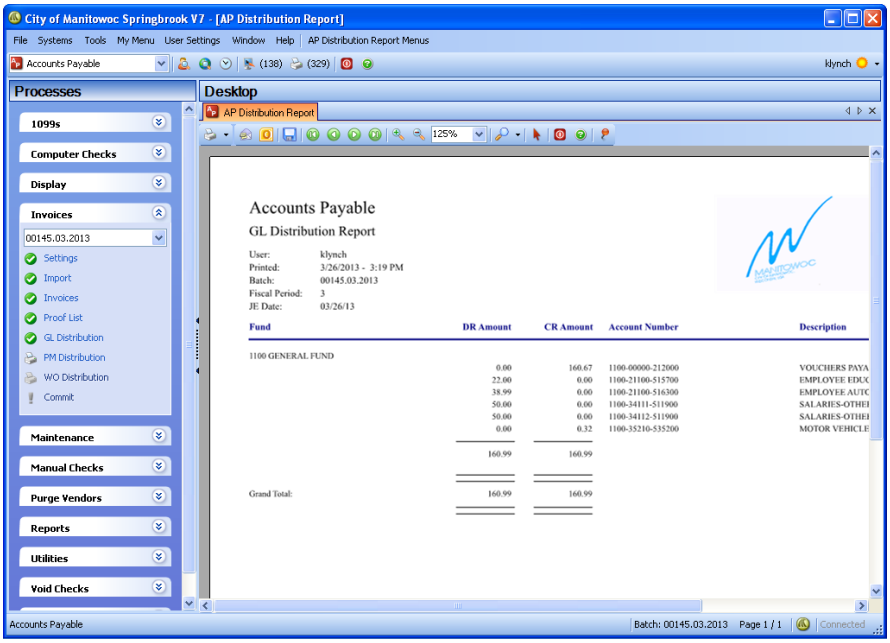


The next step is the G/L Distribution. Click on it, you will see the next screen.



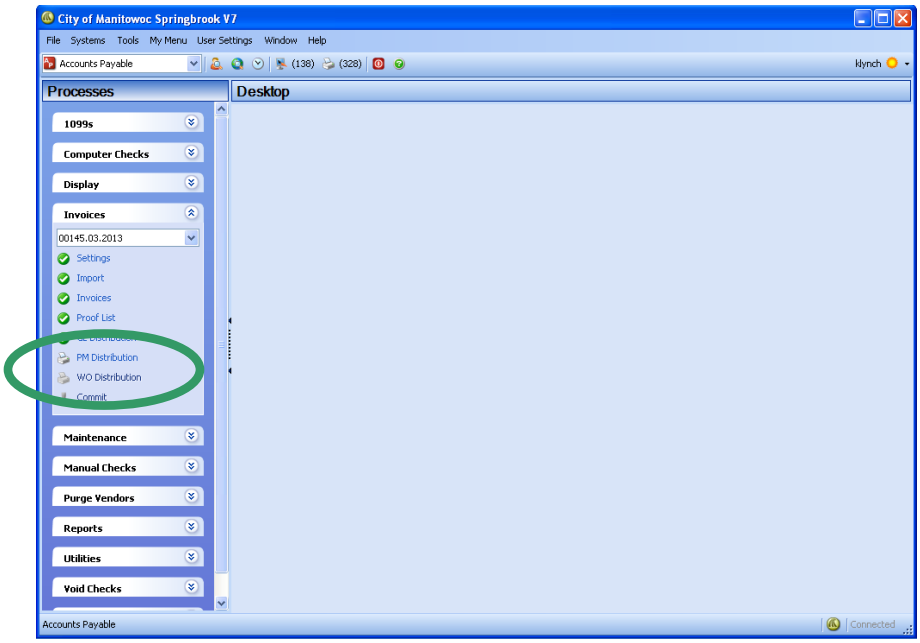
The Journal Entry date is the date the Payable will be ran. If the payable will be ran in the next month, the Period will change. This is OK. Click on the printer icon to print.

YEAR END: If paying invoices in the next year using the prior year's budget account lines, you will need to change this to 12/31/20##. (Be sure your Setting's fiscal year is the prior year)



Print the report.

Run the PM and WO Distribution:



You must Click on this and Click the Printer Icon.

(Most of you won't have anything on this report because it is for the use of Project Management and Work Orders.)

These reports DO NOT have to be submitted with the Proof List and G/L Distribution.

2.5 Preparing Documents to Send to Accounts Payable

1. All **original** invoices should be attached to the Proof List. Invoices should be in order of the Proof List.
    a. If a remittance document needs to go with the check, make sure it is attached by staple or paperclip in the center of the back of the original invoice.
    b. If a check needs to be returned to your office, highlight the vendor on the proof list. A note to the Finance Director should be attached as to the reason you need the check returned.
    c. When a vendor name is different than what shows on the invoice, write the actual name of the vendor on the top of the invoice.
    d. Every invoice should have an account number written on it.

The G/L Distribution should be stapled to the back of the Proof List.

The Proof List report **must have a Department Head (or authorized person's) signature on it** approving the payment of those invoices.

Bills will be paid weekly. The documents referenced above shall be submitted to Accounts Payable by 1:00pm Wednesday.

Periodically deadlines will need to be modified for holidays and staffing purposes. A timely email will be sent out indicating a change in the deadline.

3-
BUDGET POLICY

3.1 Definition of Fund Structure:
The City of Manitowoc 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.

1 - 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 or must 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 Capital Project Funds.

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 of Manitowoc.

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.

2 - Proprietary Funds
Proprietary fund 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.

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

3 - 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.

The City does not have to appropriate agency funds. Agency funds account for money a government holds in an agency capacity on behalf of another person or entity. Therefore a government has minimal discretion in spending this money.

3.2 Capital Budgeting:
Capital Projects are defined as a study, engineering/design, purchase of equipment and/or construction, or a combination of all three phases totaling $5,000 or more having a useful life of at least five years.

The Capital Improvement Plan (CIP) is comprised of all current and anticipated long-term capital needs of the City. The ability to fund those projects will be based on the Financial Forecasting "Plan". The "Plan" is a document updated by the Finance Director as needed. 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.

3.2.1 Capital Allocation Work Group (CAWG):
The CAWG has developed procedures which describe the process for developing and monitoring the Capital Improvement Plan. The Finance Committee will be charged with oversight responsibility for the CAWG and final approval of the committee's procedures.

The CAWG shall study proposed capital projects and improvements involving major non-recurring tangible assets and projects which:
1) have a useful life of at least five years
2) have a net cost over $5,000

All departments shall by May 31 of each year, submit to the workgroup, on workgroup approved forms, all anticipated projects requiring action within the ensuing six years. The CAWG shall consider the relative need, impact, timing and cost of these expenditures and the effect each will have on the financial position of the City. No appropriation shall be voted upon by the city council unless the proposed capital improvement is considered in the Workgroup's Report, or the CAWG shall first have submitted a report to the City Council explaining the omission.

The CAWG shall prepare an Annual Report recommending a Capital Improvement Budget for the next fiscal year, and a Capital Improvement Plan including recommended capital improvements for the following five fiscal years. The Annual Report shall include an inventory of all assets to be supported by the Capital Improvement Plan. The Annual Report shall be submitted to the Mayor for consideration within the annual budget by August 1st of each year.

The sources of funds utilized for funding the projects approved will comprise a mix of non-tax levy revenues, borrowed funds and annual tax levy, with the composition of such funds to be based upon financial condition of the city and to be determined on an annual basis with a recommendation from the Mayor presented with the annual budget. The City Council will still need to issue the appropriate amount of General Obligation Bonds/Notes to fund the capital plan.

The CAWG Annual Report will be followed as closely as possible by the approving authorities, but understanding that the ultimate decision for all funding is vested within the Mayor and City Council as part of the Annual Budget Adoption. Once the Plan receives approval and the City Council has approved the financing for the plan the CAWG will monitor and fulfill the approved requests in a timely manner to ensure project completion.

The Capital Allocation Working Group (CAWG) with voting rights shall be composed of the Chief of Police, Fire Chief, Director of Department of Public Infrastructure (DPI), DPI Operations Team Leader, DPI Transit/B & G Team Leader, Museum Director and Finance Director/Treasurer or as determined by the Common Council.

3.2.1.a End of Life Fund (ELF):
The CAWG shall prepare the Capital Improvement Program in a manner which establishes an "End of Life Fund" (ELF) that will be utilized to replace assets which are readily available for purchase without excessive lead times.

The procedure for fulfilling requests from the ELF shall be based upon rational criteria reviewed and approved by the CAWG annually.

End of Life items consist of equipment that has been designated as such and noted in the CAWG Report. Items are to be identified during the ranking process as eligible for end of life consideration. The process to access the ELF is as follows:

1. Present a completed Capital Project Request Form, with at least one valid quote from a vendor and/or a departmental estimate.
2. Include a copy of your department's budget to actual report for the latest month.
3. If a department is under budget a funding plan should be presented detailing what funding can be utilized from existing department funds.
4. The CAWG will evaluate each request to coincide with available funding and advise the department of the workgroup's decision.

3.2.1.b Unbudgeted Capital Request:
Unbudgeted Requests are for items that are not in the current year plan and are not associated with a budget.

1. Check with the Mayor and/or Finance Director for possible funding sources.
2. Have requested Asset approved by the appropriate oversight committee.
3. If there is no other possible funding source identified in #1 or additional funding is needed, request CAWG for unbudgeted funding by completing a Capital Project Request Form.

All approved requests by the CAWG shall be forwarded to the Finance Committee for final approval prior to purchasing the requested items.

3.3 Budget Timeline Guide:

February	Carryover requests are due
May	Departmental funding requests for subsequent year's Capital Projects due
June	Extended Budgeting is setup for each Department for current year actuals and next year requests CAWG reviews and ranks Capital Budget requests
July	Finance Department requests operational budgets from all Departments CAWG prepares report to be presented to Mayor for inclusion in annual budget
August	Department's operational budgets are due CAWG presents Capital Allocation Report to the Mayor Department meetings to discuss budget requests are held with the Mayor
September	Administrative staff formulates the Executive Budget Mayor presents the Executive Budget to the Common Council

Capital Project Request Form

Request Type:

Department: Date:

Title of Request:

Department Priority

Linked to another project?
- ◯ Yes
- ◯ No

Project Request is:
- ◯ New
- ◯ Replacement
- ◯ Modification

Estimated Useful Life:

This is a limited field, please attach documents for more detail.

Description:

Basis of Cost:
- ◯ Quote
- ◯ Bid
- ◯ Estimate

Total Cost

Revenue (if any) Net Cost

Will there be additional costs in future years to complete this project?

select one:
- ◯ Yes
- ◯ No

If yes, amount?

Finance Dept: Account Sent to Dept: ☐

Action:

October Finance Committee deliberates over the Executive Budget

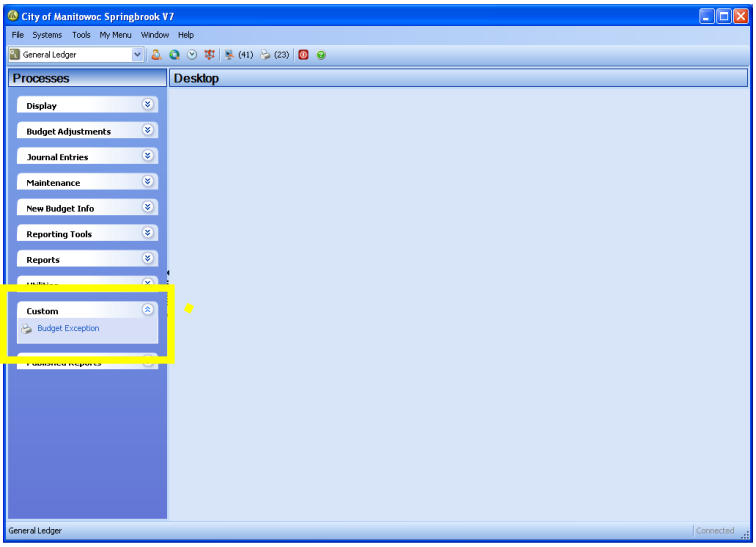
November Council adopts the budget and sets the levy rate

December Tax bills are generated

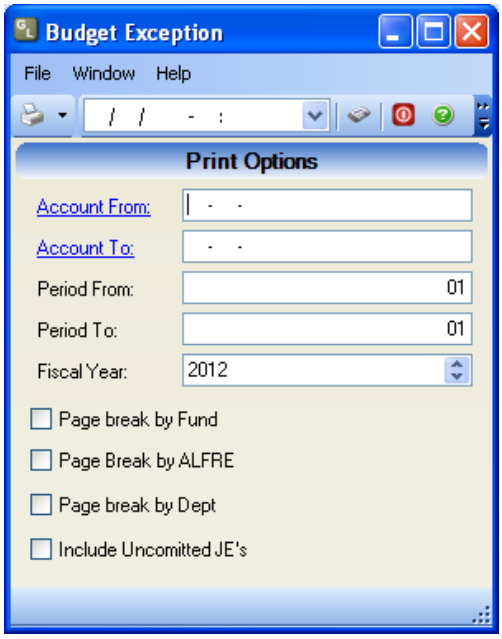
3.4 Budget Exception Reporting:

In Springbrook:

1) Select General Ledger from the System Modules
2) Click on the dbl down arrows by Custom
3) The Budget Exception Report is located here (click on it to open).



Account Structure = Fund – Org (Dept.) – Account



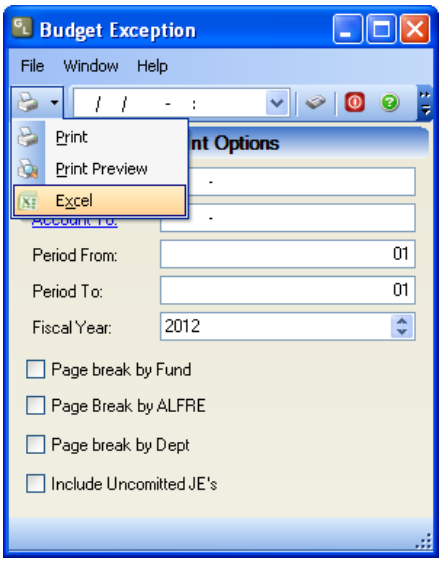
Account From: 1100 - Org# - account leave blank
*(unless you are Aquatic Center, Library, Transit or WWTF, use your respective fund and org)

Account To: same as Account From:

Period From / To: 1st Quarter = 01 / 03
2nd Quarter =01 / 06
3rd Quarter =01 / 09
4th Quarter = 01 / 12

Fiscal Year.
Select the Current Year or Prior Year when doing 4th Qtr.

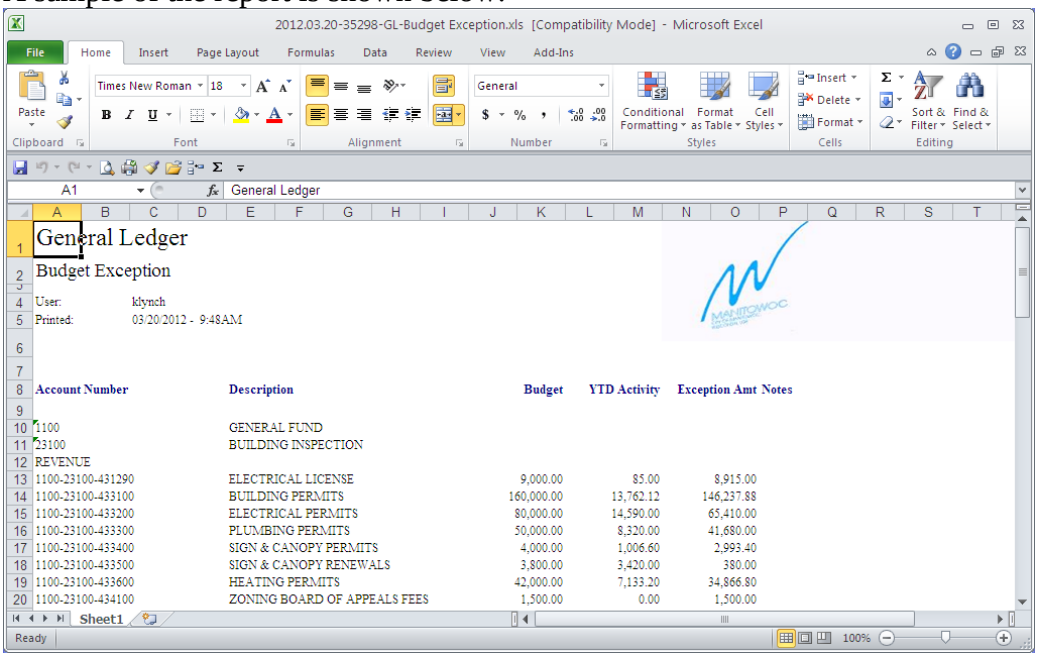
Print the report to Excel (click on the down arrow next to the printer to open menu)



A BOX will pop up on the lower right hand of your screen to open your report in Excel.

If you miss that box, you can go to the Jobs Viewer and open your report from there.

A sample of the report is shown below.



Enter your exception reason. ALL accounts need an explanation.

SAVE your document. E-MAIL the document to the Business Manager by the 20th of the month following the end of the quarter.

Due dates: 1st Quarter: April 20 2nd Quarter: July 20 3rd Quarter: October 20
4th Quarter: set by the Finance Department (will be noted in the Year End Accounting Deadlines letter)

The Finance Department is responsible for compiling the data into one pdf file for distribution to the Finance Committee.

3.5 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 are 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 Mayor, the Finance Committee, other Council Standing Committees and/or the Common Council

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

POLICY

Department Heads and Managers 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 yearend. All revenues and expenses must be properly accounted for throughout the course of the year and allocated to the appropriate accounts. Department heads and managers 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 fill out the Budget Transfer Request Form as provided by the Finance Department and present the completed form to the Finance Department to initiate the appropriate process. The document will be submitted to a department, committee or governing body contingent on the amount of the request (see below).

Budget transfers are bound by division. This allows for transfers between different organizations in the same division, but restricts transfers between divisions as well as different funds. Example: Streets, Motor Pool, Bridges, Cemetery, Parks, Recreation, Senior Center and Transit are budgeted divisions within the Department of Infrastructure. Departmental transfers may be made from one organization to another within the division (sanitary sewers to traffic signals) but would be restricted from transferring funds between divisions (Cemetery and Senior Center).

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

- Level #1 - Less than $2,500 – Finance Director or designee(s)
- Level #2 - $2,500 – $9,999 – Oversight Committee

- Level #3 - $10,000 - $24,999 – Oversight Committee and Finance
- Level #4 - $25,000 & Up – Oversight Committee, Finance Committee and Common Council

All budget transfers will be processed by the Finance Department. Budget status and transfer activity will be monitored by the Finance Director/Treasurer (or designee) through the use of the City-Wide Financial Management System. The Mayor and the Common Council will monitor activity through quarterly Budget Exception 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.**

Budget Transfer Request Form

Department Head/Manager

Justification for Request

Account to Transfer from:

Fund:	Org/Dept:	Account:	Short Title:	Amount:
Fund:	Org/Dept:	Account:	Short Title:	Amount:
Fund:	Org/Dept:	Account:	Short Title:	Amount:

Total:

Account to Transfer to:

Fund:	Org/Dept:	Account:	Short Title:	Amount:

When complete, submit this form to the Finance Department to initiate the next step for processing your request.

Finance Department Use Only:

Approval Level? Select One.

Approved?

- ◯ Yes
- ◯ No

Action Steps:

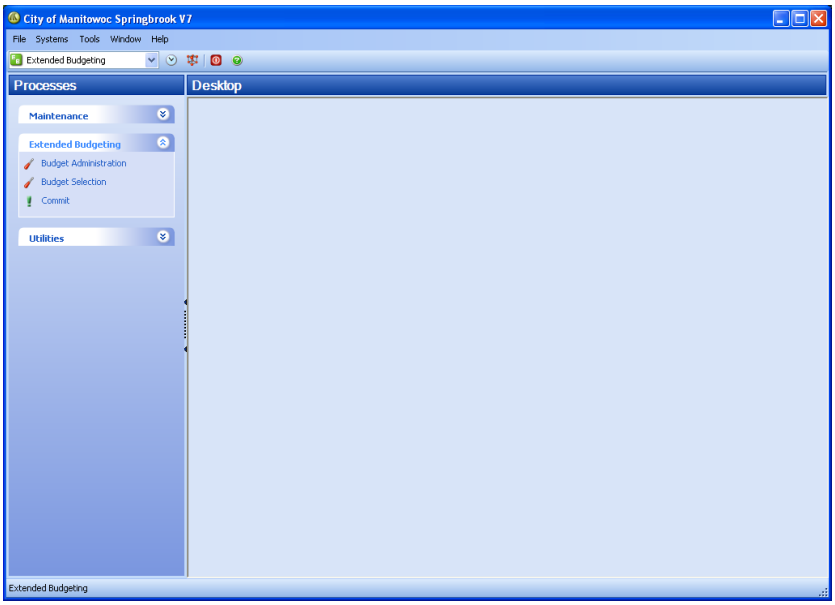
- ☐ Make transfer in Springbrook if request is approved
- ☐ Notify department of action taken on request

Reason for denial:

3.99 EXTENDED BUDGETING PROCESS

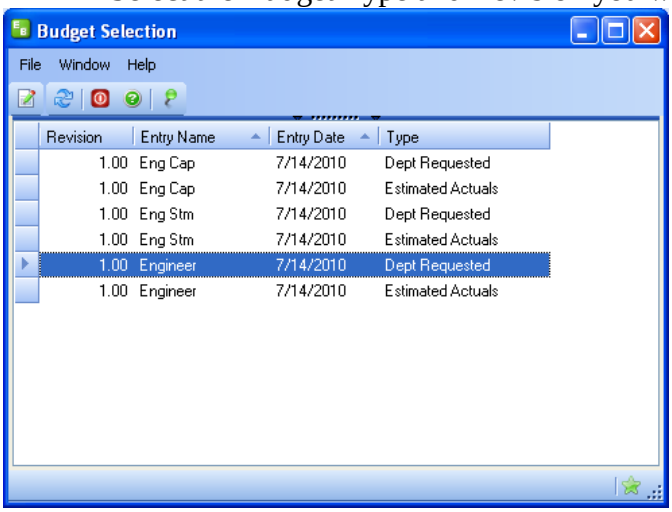
How to Budget in Extended Budgeting:

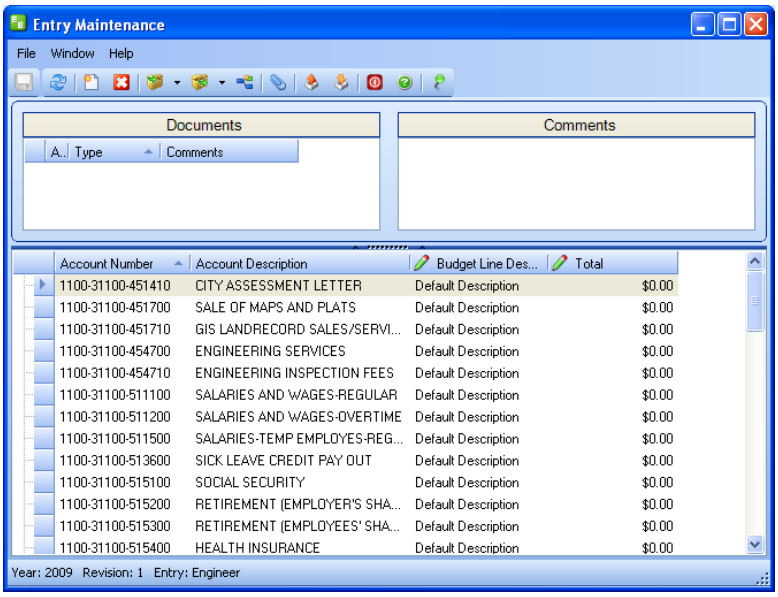
4) Select Extended Budgeting from the System Modules
5) Click on the dbl arrows by Extended Budgeting.
6) Click on BUDGET SELECTION.



Budget Selection

-Select the Budget Type and Revision you want to work with.





Here is where you add your budget.

<u>2 Options for entering:</u>

1) HIGHLIGHT the Account > Click on the 'WHITE PAGE'

---

2) Click in the total column and input your budget for that account line.
Click another account or TAB to 'lock in' your entry.
Click SAVE. (You can save and go back in as many times as you like.)

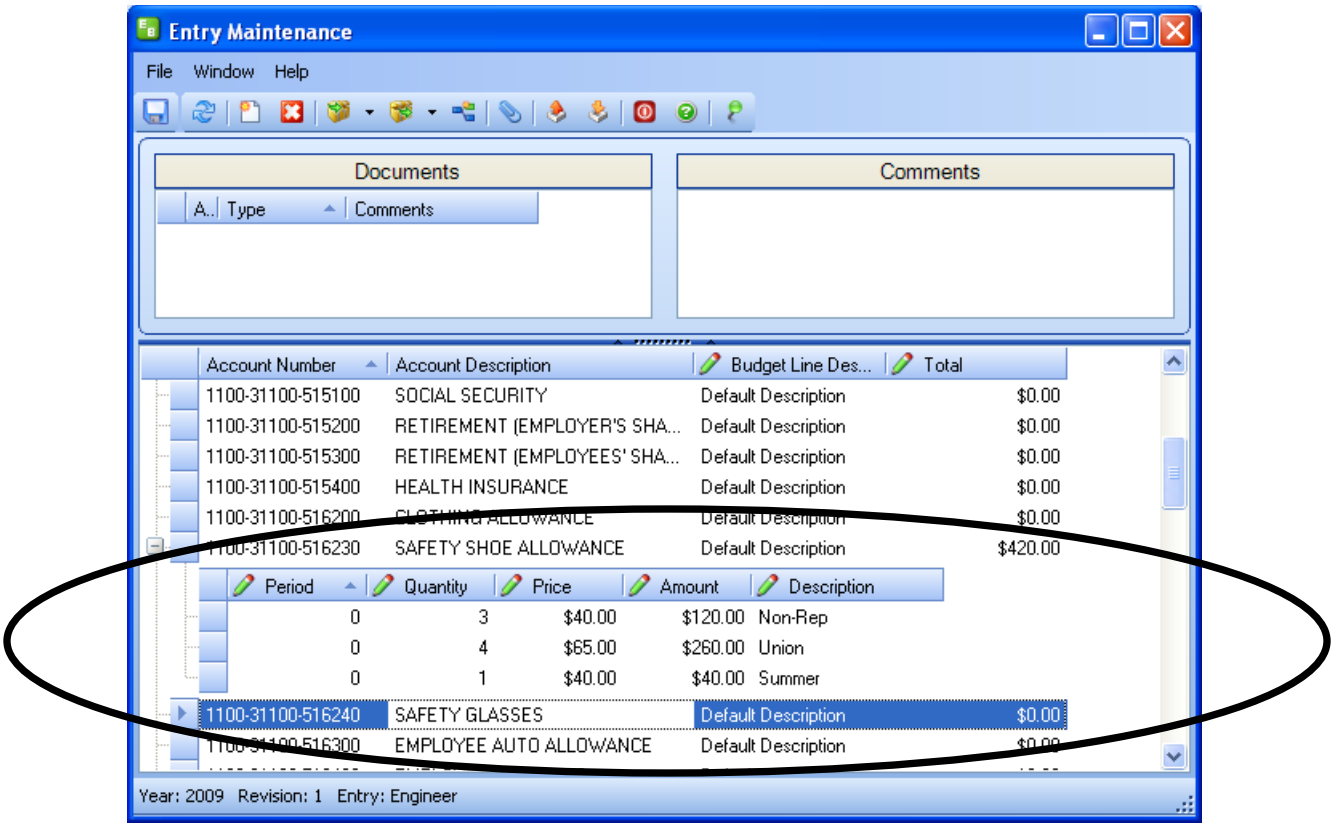
<u>Itemizing Your Budget</u>

If you want to itemize the budget account line (as shown below), click on the 'White Page' to add another description line.

- The total column will automatically add the amounts from the itemized area.
- You can put a different number in the total column; the system will automatically add another line item showing an 'automatic adjustment'.
- You <u>do not</u> have to use Quantity or Price… if you do..the system multiplies it for you and populates the Amount column.

Click another account or TAB to 'lock in' your entry.

Click **SAVE**. (You can save and go back in as many times as you like.)



Notes:

- You may export this information into Excel for printing or for populating your budget. However to import it back in… you must use the template that was exported out. Check with IT for further clarification in doing this.
- Attachments can be added.

4-
ACCOUNTING POLICY

4.1 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.

4.2 User Fees and Charges:
The City of Manitowoc 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.

4.3 Accounts Receivable
Each department is responsible for their respective billing through the A/R financial software.

Training in the module is available from the Finance Department and Procedural processes are drafted 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 request for their standing committee to recommend to the Common Council the bill be 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.

All adjustments in the financial software shall be committed in the Finance Department. Departments shall submit to the Finance Department the proof list, GL Distribution and documentation authorizing the adjustment. Legitimate billings shall need Common Council approval.

4.4 Accounts Receivable Delinquent Payments and Collections:
The Finance Department is responsible for coordinating, tracking, monitoring and collecting all delinquent payments due to the City of Manitowoc.

The Finance Department shall process and send out letters and past due statements for overdue accounts by the end of the second week of each month.

The accounts receivable aging schedule for the City of Manitowoc to send a past due notices to overdue accounts are:

- 30 days past due shall receive a letter from the Finance Department notifying them of a past due amount and the available option to start a payment plan.
- 60-90 days past due accounts shall receive a letter from the City Attorney attempting to collect a debt.
- 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 Department is authorized to send accounts remaining delinquent after 100 days to a collection agency.

4.5 Cash Receipts/Cash Handling

Any department taking in cash/check/credit card transactions must report and cash handle deliverables on a timely basis. Each department has unique situations and as such timely means something different. Therefore, the minimum deposit requirements for departments are at least weekly.

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
- Deposit all receipts intact with City Treasury. This means receipts shall be deposited in receipt number order.

A voided receipt for any reason needs to be documented and sent to the Finance Department for internal audit of the transaction.

Some City of Manitowoc 'Events' require starting cash. Departments needing starting cash shall make their request on a form 'Cash Disbursement Request' provided by the Finance Department at least 4 days in advance of their need. Departments shall submit their request to the Finance Director/Treasurer for approval. Treasury will prepare the request and have Finance sign off that it was verified. A signature for pickup is required.

4.6 Payments from Accounts with Non-Sufficient Funds:

If payment is submitted to the City of Manitowoc from a bank account with non-sufficient funds, the City Clerk shall notify the issuer for recovery of the amount plus an administrative/service/bank fee of **$25**. This fee is to recover costs associated with the NSF payment.

The City Clerk, for all non-tax payment transactions, when notified of a NSF, shall immediately reverse the receipt 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 City Clerk shall reverse the payment in the tax system and mark the tax parcel delinquent if applicable.

4.7 Bank/Cash Reconciliation

The Finance Department is responsible for balancing cash and all bank statements monthly. This shall be done no later than the 15th 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/Treasurer is responsible for the cash flow availability with movement of monies between accounts for positive impact of the City of Manitowoc's resources.

4.8 Unassigned General Fund Balance Policy

To maintain the City of Manitowoc's credit rating and meet seasonal cash flow shortfalls, the Budget shall provide for anticipated Unassigned General Fund Balance between 15% and 30% of annual General Fund revenues.

Should the Unassigned General Fund Balance fall below 15% of General Fund revenues a plan for regaining compliance with the policy shall be submitted to the City Council via the Finance Committee.

In the event the Unassigned General Fund Balance is above 30%, the difference must be used for property tax relief and/or one time capital expenditures which do not increase ongoing City costs.

4.9 Capitalization Threshold

Individual tangible capital-type items should be capitalized only if they have a minimum value of $5,000 and have an estimated useful life of at least two years following the date of acquisition.

The capitalization threshold is to be applied to individual items rather than to groups of similar items (e.g., desks and tables).

4.10 Debt Management Policy

The City of Manitowoc 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 City Council does not exceed 55% 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 public improvement bond issues should be structured such that, on average, the life is less than 15 years. Generally, the city will structure each general obligation public improvement bond issue on an equal annual principal basis.

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.

5-
INVESTMENT POLICY

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

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

1. Pooling of Funds

Except for cash in certain restricted and special funds. The City of Manitowoc will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to 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.

5.3. 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 of Manitowoc will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section 7 of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and adviser with which the City of Manitowoc will do business in accordance with Section 5.
- 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 of Manitowoc 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:

- 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.
- 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, taking into account 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 of Manitowoc 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.

5.4. 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 of Manitowoc.

3. Delegation of Authority

   Authority to manage the investment program is granted to the Finance Director/Treasurer, Clerk Treasurer and Assistant Finance Director, hereinafter referred to as investment officers and derived from the following: Wisconsin State Statute 59.62. Responsibility for the operation of the investment program is hereby delegated to the investment officers, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officers. The investment officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

5.5. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. Authorized Financial Institutions, Depositories, and Broker/Dealers

   A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of $10,000,000 and at least five years of operation). These may include "primary" dealers

or regional dealers that qualify under Security and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Security Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the City of Manitowoc investment policy
- Evidence of adequate insurance coverage

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officers.

2. Minority and Community Financial Institutions

From time to time, the investment officers may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under paragraph 1 may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law. The finance committee must approve these types of investment purchases.

5.6. Safekeeping and Custody

1. Delivery vs. Payment

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

2. Safekeeping

Securities will be held by a (centralized) independent third party custodian selected by the entity as evidenced by safekeeping receipts in the City of Manitowoc's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

3. Internal Controls

The investment officers shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the finance committee and with the independent auditor. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, and misrepresentation by third parties,

unanticipated changes in financial markets, or imprudent actions by employees and officers of the City of Manitowoc.

5.7. 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 evidences 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 evidences 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 aforementioned 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.

   Investment of derivatives of the above instruments shall require authorization by the City of Manitowoc Finance Committee.

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.

3. Repurchase Agreements

5.8. Investment Parameters

1. Diversification

   The following diversification limitations shall be imposed on the portfolio:

   - Maturity: No more than 85 percent of the portfolio may be invested beyond 12 months.
   - Default Risk: To avoid over concentration in securities from a specific issuer or business sector. In general, no limits are necessary for U.S. Treasury securities: no more than 25% of the overall portfolio may be invested in a single government agency issuer; no more than 20 percent of the portfolio may be invested in a single money market; no more than 20 percent in corporate bonds; no more than 20 percent in commercial paper; no more than 10 percent in a single issuer of corporate bonds; and no more than 10 percent in a single issuer of commercial paper. In no case should the combined corporate bond/commercial paper holdings exceed 30% of the overall portfolio.
   - Liquidity Risk: At least 10 percent of the portfolio shall be invested in overnight instruments or marketable securities which can be sold to raise cash in one day's notice.

2. Maximum Maturities

   To the extent possible, the City of Manitowoc shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Manitowoc 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 of Manitowoc 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 by 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. The intent to invest in securities with longer maturities shall be disclosed in writing to the finance committee.

   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.

3. Competitive Bids

   The investment officer shall obtain bids from at least two brokers or financial institutions on all purchases greater than $1,000,000 face value of investment instruments purchased on the secondary market.

The investment officer may purchase instruments from any authorized broker equal to or less than $1,000,000 face value without competitive bid with approval of one of the following: Mayor or Finance Committee Chairperson.

5.9. Reporting

1. Methods

   The finance director shall provide a minimum a quarterly report listing all individual securities held at the end of each month.

   The finance director shall prepare a detailed investment report semiannually. The investment report will be prepared in a manner, which will allow the City of Manitowoc 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
   - Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that is not intended to be held until maturity.
   - Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
   - Listing of investment by maturity date.
   - 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. Marking 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."

5.10. 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.

2. Amendments

This policy shall be reviewed annually at the June meeting of the finance committee. All changes recommended by the investment officers must be approved by the finance committee and city council.

5.11. Approval of Investment Policy
The investment policy shall be formally approved and adopted by the city council and may be reviewed as deemed appropriate.

5.12. Supporting Documentation
Documents, as applicable, including but not limited to the following, will be available as supplements to the investment policy:

- Relevant investment statutes and ordinances;
- Investment Procedures and Internal Controls;
- Glossary;
- Broker/Dealer Questionnaire
- Credit studies for securities purchased and financial institutions used;
- Safekeeping agreements;
- Wire transfer agreements;
- Sample investment reports;
- Methodology for calculating rate of return;
- GFOA Recommended Policies.

6-
INTERNAL CONTROLS

6.1 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:

• the municipality's financial reporting will be reliable;
• the municipality will be operated effectively and efficiently; and
• 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 of Manitowoc 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 of Manitowoc. 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 of Manitowoc. 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.

6.2 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, 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.

6.3 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)
• Provide an Internal Audit Report regarding security status of municipal resources

Compliance–

• Comply with all relevant laws, regulations, contracts and grant agreements

6.4 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. Work flow 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.

• Should ensure that qualified individuals are hired and that appropriate training is provided.

• Should have adequate surety bond coverage for all officials and employees.

• 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.

6.5 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.

6.6 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.

Continuous internal auditing is a method used to monitor activities, such as control activities and risk assessments, on a more frequent basis. The "continuous" aspect of auditing and reporting refers to the real-time or near real-time capability for financial information to be checked and shared. Not only does it indicate that the integrity of information can be evaluated at any given

point of time, it also means that the information is able to be verified constantly for errors, fraud, and inefficiencies. Each instance of continuous auditing has its own pulse. The time-frame selected for evaluation depends largely on the frequency of updates within the accounting information systems. Analysis of the data may be performed continuously, hourly, daily, weekly, monthly, etc. depending on the nature of the underlying business cycle for any given business process.

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.