



Manitou Springs Financial Policies

The City of Manitou Springs ("the City") is a Colorado home rule municipality operating under its City Charter. The City functions under the direction of an elected City Council. The purpose of these policies is to help frame resource allocation decisions and establish objectives, standards, and internal controls for the funds of the City. Financial policies have been adopted and used to frame major policy initiatives.

The following policies are summarized:

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A number of source documents provide the financial policies for the City. The State Constitution and the City Charter provide the basic legal requirements and timelines for policies; while City Council approves ordinances and resolutions that provide more specific direction that responds to the needs of the City.

Section 1 - Financial Management Overview

The City of Manitou Springs ("City") is a Colorado home rule municipality operating under its City Charter. The City functions under the direction of an elected Mayor and a six-member City Council.

The following financial policies establish the framework for the City's overall fiscal planning and management. It is the intent of the City that these policies demonstrate to residents, the credit rating industry, municipal bond investors, auditors, and the State that the City is committed to sound financial management and fiscal integrity. The goals of the City's financial policies are:

- I. To support sustainable municipal services.
- II. To have a capital improvement program that identifies the financial resources needed to adequately maintain and enhance the public's assets over their useful life.
- III. To provide cost-effective services to citizens and visitors.
- IV. To provide financial and other service information to enable citizens to assess the costs and results of

City Services.

- V. To follow prudent and professional financial management practices to assure residents of the City of Manitou Springs and the financial community that our City government is well managed and annual spending plans are sound financial plans given the available resources.

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

Detailed City department policies provide more specific direction on how to achieve identified goals and are the basis for consistent actions that move the community and organization toward sound financial management decisions.

Section 2 - General Financial Policy

I. Fund Accounting

A fund is a separate, self-balancing set of accounts used to account for resources that are segregated for specific purposes in accordance with special regulations, restrictions or limitations.

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

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

- a. General Fund - To account for the administrative, police and fire protection, parks, recreation, community development, infrastructure, and technology functions of the City. Principal sources of revenue consists of property taxes, franchise and occupancy taxes, sales and use taxes, licenses and permits, grants, charges for services, intergovernmental revenue, interest earnings, and operating transfers from other funds. Major expenditures are for personnel costs, materials and supplies, purchased services, capital outlay, and transfers to other funds.
- b. Special Revenue Funds - To account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. One or more specific restricted or committed revenues should comprise a substantial portion of the fund's resources but may also include other restricted, committed, and assigned resources, The City has the following Special Revenue Funds at this time: Open Space, Law Enforcement, Conservation Trust, PPRTA Public Facilities, El Paso/Beckers, MACH, Downtown Public Facilities.
- c. Capital Projects Fund - To account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Outflows financed by proprietary funds and assets held in trust are excluded.
- d. Debt Service Fund - To account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. – We do not have a Debt Service Fund at this time.
- e. Enterprise Funds (also called Business or Proprietary Funds) - To account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user determination of revenues earned, expenses incurred, and/or net income as appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has

the following Enterprise Funds: Water, Sewer, Storm Drainage.

- II. Fiduciary Funds - To account for resources received and held by the City in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust or other Agreements for the source of funds. The City holds the Manitou Springs Metropolitan Special District Operating Fund and Conservation Trust Funds as Fiduciary Funds. Accounting and Auditing Policies

The City maintains a system for financial monitoring, control and reporting for all operations, funds and agencies in order to provide effective means to ensure that overall City goals and objectives are met and to instill confidence in the City's partners and investors that the City is well-managed and fiscally sound.

The City maintains its accounting records and reports on its financial condition and results of operations in accordance with state and federal law and regulations and generally accepted accounting principles in the United States (GAAP), which are set by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

Annually, an independent firm of certified public accountants performs a financial and compliance audit of the City's financial statements. Their opinions are included in the City's Annual Financial Report and the Single Audit Report as required by Subpart F-Audit Requirements in 2 CFR 200, Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. See Section 11 - Grants Policy for additional information.

III. Basis of Accounting and Reporting Focus

The term "basis of accounting" refers to when revenues, expenses, expenditures -and the related assets and liabilities - are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made. The following are the basis of accounting available for use by the City:

- a. Cash Basis - Transactions are recognized only when cash is received or disbursed.
- b. Accrual Basis - Transactions are recognized when the economic event occurs, regardless of whether or not cash is received or paid. Proprietary funds, which encompass the enterprise funds, use the accrual basis of accounting. These funds have an income measurement/capital maintenance focus. The accrual basis of accounting is used by private enterprises as well.
- c. Modified Accrual Basis - Expenditure transactions are recognized when incurred. Revenues are recognized when they are both measurable and available to finance the expenditures of the current period. Governmental funds, including general, special revenue, debt service, and capital projects, use the modified accrual basis of accounting. For a revenue to be recognized in a governmental fund, it must be "measurable" (the amount must be known or be reasonably estimated), and it must be "available" to finance the expenditures of the same fiscal period for which the revenue is recorded. "Available," in this case, means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. For purposes of consistency, that timeframe shall be thirty (30) days for all sales tax transactions or within sixty (60) days for all other transactions.

Reporting Focus (Budget vs. GAAP) - This concept is used to refer to the way transactions are recorded and reported for compliance with Colorado Budget Law as opposed to financial statement presentation in conformance with GAAP.

- a. Budget Basis - The City's statement of revenues and expenditures are reported during the fiscal year on what is informally called a "budget basis." The City's transactions are recorded throughout the year in accordance with the financial statement requirements as set forth within the Colorado Revised Statutes. By recording the transactions in general compliance with this law, the revenues and expenditures can be more easily monitored on a monthly basis to ensure compliance with the legal requirements as set forth within the Colorado Revised Statutes.

- b. GAAP – At the end of the fiscal year, adjustments are made to present the financial information in a format that is comparable to that used by other local government units around the country. The standards for this reporting are referred to as "generally accepted accounting principles" (or GAAP basis). The adjustments to convert the City's financial records from "budget basis" to "GAAP basis" are made to ensure that the City's financial statements are fairly and consistently presented in conformance with GAAP.

Internal Control Structure

The City maintains an internal control structure consisting of the following three elements:

- a. Control Environment – an overall attitude and awareness of actions as they influence the City.
- b. Accounting System – an effective accounting system that results in identification and recording of all valid transactions, description on a timely basis of the type of transaction in sufficient detail to permit proper classification of the transaction for reporting purposes, recording of the transaction in the correct time period, and proper presentation of all transactions and related disclosures in the financial statements.
- c. Control Procedures – proper authorization of transactions and activities, adequate segregation of duties, adequate documentation and records, adequate safeguards regarding access and use of assets and records, and independent checks on performance.

Funds are categorized by standard GAAP functional classifications; and the development of new funds, departments, programs, and accounts shall be approved by the Finance Department.

Each fund in the City's budget will have an introductory statement of purpose which shall consist of the intent of the fund, sources of revenue and restricted revenues, if any, and required reserves and justification for such reserves.

IV. Financial Monitoring

The Finance Director is charged with the primary responsibility for monitoring the fiscal implementation of the approved budget. In addition, the Finance Department will work closely with other departments by providing the department heads with a monthly report of their expenses to apprise them of their financial status and of any potential issues that may affect their budgets. The Finance Department may review fiscal issues affecting any part of the City organization. This activity supports the monitoring role and focuses on the protection of City assets and the legal, efficient, and effective use of City resources. The Finance Director will provide the City Administrator a monthly report by the 12th of every month on the City's finances, including a financial report containing budget vs. actual revenue and expense information. The City Administrator will provide this information to City Council. These reports fulfill a requirement in City Municipal Code Chapter 2.60.020 Section 4.

Individual departments are responsible for monitoring and managing their resources to ensure that the legal and administrative appropriation to the department is not overspent and that all expenditures and uses of City resources are in conformity with City, state, and federal ordinances, statutes, policies, and regulations.

- a. Legal Appropriation – Each department is responsible for ensuring that expenditures do not exceed the legal appropriation level for their department, operating and capital expenditures combined.
- b. Revenues – Each department is responsible for monitoring revenues that are collected as a result of programs administered. If a significant change in the estimate for the current or future fiscal year's results, the department must contact the Finance Department to advise of the change.

V. Audit

The Charter and Code of the City of Manitou Springs, State of Colorado statutes, and federal laws and regulations will be followed wherever they apply to the financial activities of the City. The source of historical financial information about the City will be the central accounting system as operated and maintained by the Finance Department. The source of all current and future budget information, including spending plans, revenues, and expenditures, is the annual budget document.

- a. External Audit - In accordance with City Charter §10.9, an annual external audit will be performed by an independent public accounting firm with the subsequent issuance of a financial report and opinion.
- b. Single Audit -The City contracts with an external firm to conduct a single audit on an annual basis, if the City meets the requirements for a single audit as per 2 CFR 200. See Section 11 - Grants Policy for additional information on audit requirements.

Section 3 - Budget Policy

I. Overview

The annual budget is an operational plan that provides the City Council with the financial information necessary to guide resource allocation to accomplish the goals and objectives of the City. The budget details how municipal services will be provided. The budget, along with the annual appropriation ordinance and any supplemental appropriations, provide the basis for the control of expenditures and set the financial guidelines for the City. The basic legal requirements and budget process are defined by the State Constitution and City Charter.

II. Budget Philosophy

The City is committed to developing a sound financial plan for the operations and capital improvements that meet the City's Strategic Plan goals. The City provides a wide variety of services to residents and visitors. It is the responsibility of the City Council to adopt a budget and the City Administrator's, in conjunction with the Finance Director, responsibility to manage the available resources to best meet the service needs for the overall good of the community. To achieve this, the City:

- a. Utilizes conservative growth and revenue forecasts.
- b. Prepares plans for operations and capital improvements.
- c. Allows staff to manage the operating and capital budgets, with City Council approving the allocations for both.
- d. Adopts financial policies.
- d. Establishes budgets for all funds based on adopted policies.
- e. Appropriates the budget in accordance with the City Charter and State Constitution; and
- f. Develops a budget that minimizes adverse impacts to the community.

III. Budget Preparation Process

The City identifies important community outcomes and develops a financial and service delivery plan to achieve those outcomes. City Council allocates funding based on current priorities and results and does not simply increase the prior year's budget. Each year, in June and July, departments develop revenue and expense projections for the following year and submit them to the Finance Department. In

July/August, departments present their budget to the City Administrator for review and analysis. Not later than the fifteenth in October, the City Administrator submits a preliminary budget to City Council for review. In October, City Council holds a retreat work session on each department's budget. Before December 15th, City Council must adopt the following year's budget.

IV. State Statutory Requirements

The State Statute indicates that no later than October 15 of each year, the budget shall be submitted to the governing body. As a result, the City Administrator presents the recommended budget for the ensuing fiscal year to City Council no later than October 15 of each year.

V. Manitou Springs City Charter Requirements

a. Budget Fiscal Year - Manitou Springs City Charter §10.1.

The fiscal year of the City shall commence on the first day of January and end on the last day of December of each year.

b. City Council's Powers and Duties – Manitou Springs City Charter §4.2. Section d.

Prepare and administer an annual budget, and post monthly in City Hall and make available to the public the line by line expenditures authorized by the Council.

(Amendment adopted and approved August 17, 1993; Amendment No. 4, adopted and approved November 7, 1989.)

c. Budget Requirements. - Manitou Springs City Charter §10.2.

The Council shall on or before October 31st each year prepare an amended budget for the current fiscal year and a proposed budget covering the next year, which shall contain at least the following information:

- a. *Detailed estimates with supporting explanations of all proposed expenditures from the various funds of the City, showing the expenditures for corresponding items for the most recently audited fiscal year and the estimated expenditures for the remainder of the current fiscal year.*
- b. *Statements of the bonded and other indebtedness of the City, showing the debt redemption and interest requirements, the debt authorized and unissued, and the condition of sinking funds, if any.*
- c. *Detailed estimates of all anticipated revenues of the City from all sources other than taxes with a comparative statement of the amounts received by the City from each of the same similar sources for the last preceding fiscal year in full, and estimated revenues for the current fiscal year.*
- d. *A statement of the estimated balance or deficit for the end of the current fiscal year.*
- e. *An estimate of revenues necessary to meet proposed expenditures.*
- f. *As a part of the budget message, the Council shall present a program of proposed capital improvement projects to be undertaken during the ensuing year or years and the method of financing same.*
- g. *Such other supporting information as the Council may provide.*
- h. *Based upon a preliminary determination that it may be necessary to increase a tax levy or enact a new tax to balance the annual budget or a determination that the Constitution of the*

State of Colorado revenue and spending limits would restrict funding basic municipal services such as construction, repair and maintenance of streets, capital projects, parks facilities and purchase of equipment, the City Council may, no later than its second regular meeting in September of any year, adopt a resolution calling for a vote on either or all questions in the next general or special election to be held in November of any year. (Amendment adopted and approved August 17, 1993; Amendment No. 4, adopted and approved November 7, 1989.

d. Adoption of Budget and Appropriation - Manitou Springs City Charter §10.4.

Not less than twenty days prior to the first day of the next fiscal year, Council shall enact ordinances to revise the annual budget for the current fiscal year; to adopt the annual budget for the next fiscal year; and to set the property tax mill levy.

(Amendment approved and adopted August 17, 1993.)

e. Public Hearing - Manitou Springs City Charter §10.3.

A public hearing on the proposed budget shall be held by the Council no later than December 10th. Notice of the time and place of such hearing shall be published one time at least five days prior to the hearing, and copies of the proposed budget shall be on file for public inspection at the office of the Clerk during normal office hours. Prior to adoption of the final budget, the Council may insert new items of expenditure or may increase, decrease or strike out items of expenditures, except that no item budgeted for debt service shall be reduced. If Council shall decrease the total proposed expenditures, such decrease shall be reflected in the full proposed revenue. If Council shall increase the total proposed expenditures, such increase shall be reflected in the tax levy or by appropriate changes in other revenues.

(Amendment approved and adopted August 17, 1993.)

A public hearing is held at the second reading of the Ordinance approving the budget and appropriating funds of each fiscal year, to allow public comment upon the proposed budget.

Section 4 - Debt Policy

I. Overview

The City recognizes the primary purpose of facilities is to support provision of services to its residents. The City must balance debt financing and "pay-as-you-go" methods to meet the capital needs of the community. The City realizes failure to meet the demands of growth may inhibit its continued economic viability but also realizes too much debt has detrimental effects. Historically, the City's total bonded indebtedness as a percentage of total general obligation debt limits has been minimal

The City uses lease purchase financing for several purposes, which include the acquisition of real property and the replacement of equipment and vehicles. Lease purchases decrease the impact of the cost to a department by spreading the costs over several years and are subject to annual appropriation by City Council.

II. Debt Limitations

- a. No bonds or other evidences of indebtedness, payable in whole or in part from the proceeds of ad valorem property taxes or to which the full faith and credit of the City are pledged in writing or otherwise shall be issued, except in pursuance of an ordinance authorizing the same, and unless the question of the issuance of the bonds shall at any special or general municipal election be submitted to a vote of the qualified electors of the City and approved by a majority of those voting on the

question. However, City Council pursuant to ordinance and without election may:

- (1) Issue local improvement district bonds.
 - (2) Borrow money or issue bonds for the purpose of acquiring, constructing, extending or improving water, sewer, or other public utilities or income-producing projects provided, further, that said borrowing shall be repaid and said bonds shall be made payable solely out of the net revenue derived from the operation of the utility, utilities, or other income-producing projects, or any or all thereof. Net revenue shall mean gross revenue less all operation and maintenance expenses of the project for which the money has been borrowed or bonds issued.
- b. The City shall not become indebted for any purpose or in any manner to an amount which, including existing indebtedness, shall exceed 10% of the assessed valuation of the taxable property within the City as shown by the last preceding assessment for City purposes provided; however, that in determining the amount of indebtedness, there shall not be included within the computation of indebtedness local improvement district bonds, revenue bonds, or general obligation bonds or other evidences of indebtedness issued for the acquisition, construction, extension, or improvement of water/sewer/storm drainage facilities or supplies, or both.
- III. Security and Exchange Commission (SEC) Rule 15c2-12 "Municipal Securities Disclosure" Requirements
The City is committed to providing timely and consistent dissemination of financial information with SEC regulatory requirements. It is imperative that disclosure be accomplished in a timely fashion in accordance with SEC Rule 15c2-12 and the City's Disclosure Dissemination Agent Agreement (DDAA).

This disclosure policy confirms the City's commitment to fair disclosure. Its goal is to develop and maintain guidelines for presenting related financial reports and events to interested third parties, financial institutions and the general public.

This policy covers all City employees and elected officials of the City. It covers disclosure documents filed with the SEC, statements made in the City's CAFR, and any unaudited interim reports.

Section 5 - Cash Management Policy

I. Scope

The City recognizes that effective cash management is an integral component of sound financial management. Therefore it is the policy of the City that funds deemed idle, based on projected cash flow, shall be invested in a manner that seeks to maximize their productivity until such time as they are needed for the operation of the City. (Refer to Section 6 - Investment Policy)

II. Cash Deposits and Receipts

- a. Departments collecting cash receipts, whether in cash or other forms of payment, must turn in such receipts to the Finance Department on a daily basis together with records required to verify accuracy of such collections.
- b. Departments authorized to make deposits should promptly submit bank deposit receipts and daily cash reports to the Finance Department to verify the accuracy of collections.
- c. The Finance Department will set forth general cash handling procedures to be followed for all City departments. Departments may have more restrictive policies but will not have less restrictive policies as set forth from the Finance Department.

Section 6 - Investment Policy

I. Investment Policy - Operating and Reserve Accounts

Existing Colorado State Statutes provide home rule municipalities with legal authority to promulgate and implement local standards for cash and investment management operations. The City will invest in securities in a manner authorized by Colorado statutes and as directed by City Council. The purpose of the City's Investment Policy is to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City.

Section 7 - Fund Balance Policy

I. Overview

The City's Fund Balance is the accumulated difference between assets and liabilities within governmental funds. A sufficient fund balance allows the City to meet its contractual obligations, provide funds for new and existing programs established by City Council, mitigate negative revenue implications of federal or state budget actions, mitigate economic downturns, fund disaster or emergency costs, provide funds for cash flow timing discrepancies and fund non-recurring expenses identified as necessary by City Council.

II. Governmental Fund Balance Type Definitions

The Governmental Accounting Standards Board (GASB) issued Statement Number 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" effective for periods after June 15, 2010. The objective of this Statement was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes limitations on the purposes for which fund balances can be used.

- a. ***Non-spendable Fund Balance*** - Some assets reported in governmental funds may be inherently non-spendable from the vantage point of the current period.
 - Assets that will never convert to cash such as prepaid items or inventories,
 - Assets that will not convert to cash soon enough to affect the current period such as non-financial assets held for resale,
 - Resources that must be maintained intact pursuant to legal or contractual requirements such as capital of a revolving loan fund.
- b. ***Restricted Fund Balance*** - This represents the portion of fund balance that is subject to externally enforceable legal restrictions. Such restrictions are typically imposed by parties altogether outside the City such as creditors, grantors, contributors or other governments. Restrictions can also arise when the authorization to raise revenues is conditioned upon the revenue being used for a particular purpose.
- c. ***Committed Fund Balance*** - This represents the portion of fund balance whose use is constrained by limitations that the City imposes on itself by City Council (highest decision-making level) and remains binding unless removed in the same manner. The City does not use committed funds in its normal course of business.
 - Requires action by City Council to commit fund balance

- Formal City Council action is necessary to impose, remove or modify a constraint reflected in the committed fund balance
- d. Assigned Fund Balance - This describes the portion of fund balance that reflects the City's intended use of resources. This authority rests with the City Council and has been delegated to the Finance Director by way of Resolution 2514.

III. General Fund Unrestricted Fund Balance

A top priority goal of the City Administrator is to improve the long-term fiscal health of the City. Revenue projections are conservative and authorized expenditures are closely monitored. In stable economic times, the combination of these two strategies leads to revenue collections higher than actual expenditures.

Net revenue (actual revenue collections less actual expenditures) is available to first fund the Taxpayer's Bill of Rights (TABOR) reserve for emergencies required under Article X, §20 of the Colorado State Constitution and then to the designated reserves. Year-end balances in the undesignated reserves may be used as a funding source in the next budget year.

The City's policy is to accumulate adequate reserves to protect the City during economic downturns or large scale emergencies. The City also maintains reserves that are required by law or contract and that serve a specific purpose. These types of reserves are considered restricted and are not available for other uses. Within specific funds, additional reserves may be maintained according to adopted policies.

The Government Finance Officers Association (GFOA) is a professional association of state and local finance officers in the US and Canada whose members are dedicated to the sound management of government financial resources. GFOA recommends that "governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund."

The GFOA recommends, at a minimum, that general-purpose governments, regardless of size, incorporate in its financial policies that unrestricted fund balance in their general fund be no less than two months of regular general fund operating revenues or regular general fund operating expenditures.

The City's goal target range for General Fund Reserve - Unrestricted Fund Balance is 11% to 18% of the following year's expenditure budget. The target for the unrestricted General Fund balance would exclude the TABOR emergency reserves but include other categories of fund balance that are committed, assigned or unassigned.

IV. The Taxpayer's Bill of Rights - Emergency Reserves

For use in declared emergencies only, the City through state law is required to set aside a reserve 3% or more of its fiscal year spending which excludes bonded debt service (article X-20(5) of the state constitution). This 3% requirement may be satisfied through a cash reserve, letter of credit, or pledge of real property. The City satisfies this requirement through a pledge of real property.

"Emergency" is defined to exclude economic conditions, revenue shortfalls, or City salary or fringe benefit increases.

V. Other Funds

Enterprise and some Special Revenue Funds - These reserves provide for unexpected revenue losses or unanticipated expenditures during the year. A portion of these reserves may be appropriated as part of the annual budget and may be utilized at the end of the fiscal year if necessary.

VI. Debt Reserves

Debt reserves are established to protect bond holders from payment defaults. Adequate debt reserves are essential in maintaining good bond ratings and the marketability of bonds. The amount of debt reserves are established by bond ordinance for each fund in association with each bond issuance. At times, it may be desirable to use bond insurance rather than debt reserves. This is usually based on the recommendation from the City's Financial Advisor.

Section 8 - Capital Improvements Program Policy

I. Overview

The City has a significant investment in its streets, facilities, parks, natural areas and other capital improvements. In past years, the City Council and the residents of Manitou Springs through their actions have demonstrated a firm commitment to and investment in City capital projects.

II. Five-Year Capital Improvement Program (CIP) Plan

A five-year capital improvements plan will be maintained for municipal needs.

III. Funding Sources and Requirements

- a. All City capital improvements will be constructed and expenditures incurred for the purpose as approved by City Council, with funds rolled over from year to year until a project is deemed complete.
- b. The City will use a variety of different sources to fund capital projects, including the "pay- as-you-go" philosophy .
- c. Funding for operating and maintenance costs for approved capital projects must be identified at the time projects are approved.

IV. Transfer of Funds

Funds cannot be transferred from one active CIP project to another without City Council's approval.

Section 9 - Revenue Policy

The City shall strive to maintain a balanced and diversified revenue structure to protect the City from fluctuations in any one source due to changes in local economic conditions which adversely impact that source.

Revenue estimates will be conservative and based upon trend analysis, economic conditions and other factors. Estimates will be established by the Finance Department and reviewed by the City Administrator.

Non-recurring revenues and other financing sources will not be used to finance ongoing operations with the exception of the use of approved grants or the use of fund balance in accordance with fund balance policies. Federal aid, state aid, gifts, and grants will be accepted only after an assessment is made of potential cost implications.

a. Grants will be spent for the purposes intended and will not be relied on for basic General Fund services. The City will review grants for operating programs on an individual basis to determine suitability of accepting the grants from a sustainable long-term financial perspective.

- b. The City will vigorously pursue grants for capital projects that fit long-range community improvement goals.

- c. All potential grants will be carefully examined for matching requirements; both dollar and level-of-effort matches.

The City will review its fees and other charges for services annually to ensure that revenues are meeting intended program goals and are keeping pace with inflation, other cost increases and any applicable competitive rate. The City will evaluate cost recovery and align fees with cost recovery goals. Enterprise operations will be self-supporting.

Section 10 - Expenditure Policy

The City will pursue goals of efficiency and effectiveness by balancing short-term and long-term community needs.

Current operating expenditures will be funded with current operating revenues, approved grants, or the use of fund balance in accordance with fund balance policies. The Finance Department will monitor revenues and expenditures during the year to provide an opportunity for actions to be taken to bring expenditures in line with revenues received.

The City will undertake periodic reviews of City programs for both efficiency and effectiveness. Privatization and contracting with other governmental agencies will be evaluated as alternatives to services delivery. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope and eliminated.

Section 11 - Grants Policy

I. Conflict of Interest

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

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

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

II. Grant Identification and Application

- a. Every department intending to apply for grant funding from a federal, state, local government or private source, or expecting to receive funds from a formula grant or TIP allocation shall timely notify the Finance Department of its intent to apply for grant funds.
- b. Departments shall designate a person to receive and respond to grant opportunities for their agency and to serve as a primary contact person between the agency/department and the City's Finance Department.
- c. The Finance Department shall review all grant applications and notifications, other than for

independent agencies, to:

- i. Determine whether applications are consistent with City priorities.
- ii. Facilitate coordination with existing City programs where appropriate; and
- iii. Evaluate the immediate and long-term financial consequences of accepting funding (particularly for match requirements and in-kind contributions).

III. Strategic Alignment

Applications for grants and financial assistance and their awards shall align with existing City strategic plans and processes. Awards typically support activities in two categories:

- a. Capital: Applications and awards for capital should align with the City's 5-Year Capital Improvement Program Plan or Strategic Plan.
- b. Operating: Applications and awards for operating and program support should align with other existing plans, or the City's Strategic Plan.

IV. Accounting and Reporting

- a. The accounting system will separate revenues and expenditures by funding source for all grants. The accounting system will break down revenues and expenditures for each individual grant and supporting documentation will be maintained in the financial system for all grant expenditures, as is required of all expenditures.
- b. Grant Administrators, within the departments, will reconcile on a regular basis to ensure all revenues and expenditures are being appropriately coded to the correct grant.
- c. Federal grant funds will not be commingled with funds from other Federal grants or other local match money. When applicable, any matching funds for a grant will be tracked by the department who is responsible for the grant and will only include items that directly correlate to an approved activity identified in the grant proposal.
- d. Capital assets are tracked through the fixed asset system and, if a grant has purchased a capital asset, will be noted in the fixed asset system using the project system identified above. The City also tracks related award information as required per 2 CFR §200.313(d), Management Requirements.
- e. Only allowable costs will be allocated to a grant.
- f. City departments are responsible for all aspects of the grant process including planning for grant acquisition, preparing and submitting grant proposals, preparing Resolution requests to accept funds, developing grant implementation plans, managing grant programs, preparing and submitting reports to grantors, and properly closing out grant projects. Department staff and Finance staff will maintain a close working relationship with respect to any grant activity to ensure a clear understanding of the project status.

V. Documentation

All grant expenses must comply with the terms set forth in the grant application, grant award letter, city procurement policies and the guidelines in the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 2 CFR 200.

- a. Documentation for all expenditures must be retained by the department for audit purposes and should include:

- i. Time sheets certified or signed by the employee and approved by their supervisor for all payroll expenses,
 - ii. City, state or governmental agreement number,
 - iii. Formal bids for all purchases requiring such a process per City or Federal regulation, and price or rate quotation documentation for all purchases that do not exceed the Simplified Acquisition Threshold on Federally funded grants per 2 CFR 200, §200.320(b),
 - iv. Detailed receipts or invoices,
 - v. General Ledger detail showing revenue and expenditure activity, reviewed on a regular basis, and reconciled to detail provided to granting agencies,
 - vi. Asset records supporting use, maintenance, and proper disposal of grant funded equipment as identified in 2 CFR §200.313 and 2 CFR §200.439,
 - vii. Proper classification of and documentation for subrecipient determination, including but not limited to risk assessments, monitoring plans, correspondence, and results of audits both external and City led; and
 - viii. Additional supporting documents including, but not limited to, environmental clearances, permits, and supporting correspondence.
- b. The City's Finance Department, with the assistance of specific grantee City departments, shall maintain the following information:
- i. Identify, through a project and account structure, all federal awards received and expended and the federal programs under which they were received. All awards should be identifiable by the Catalog of Federal Domestic Assistance (CFDA) title and number, award number, award year, name of federal agency, and the name of the pass-through agency (if applicable).
 - ii. Maintain internal control over federal programs that provides reasonable assurance that the grantee is managing the award in compliance with the laws, regulations, and the provisions of the contract or grant agreement.
 - iii. Comply with laws, regulations and the provisions of contract or grant agreements related to each grant award.
 - iv. Prepare required financial statements, including financial statements that reflect the entity's financial position, results of operations or changes in net position, and where appropriate, cash flows for the fiscal year audited. In addition, a schedule of federal assistance will be prepared for the external auditors which include all federal grants.
- c. Grant documents should be read carefully to ensure compliance with all grant requirements. Additional documentation may be required under the terms and conditions of the specific grant award to include, but not limited to, procurement justification, grant reconciliation frequency, cash match calculation and tracking, and records retention.
- d. Grant administrators are responsible for confirming that the information in the financial system is accurate as outlined above.

VI. Personally Identifiable Information

- a. All grant documentation must maintain, to the maximum extent allowable, the confidentiality of

Personally Identifiable Information ("PII") as set forth in the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 2 CFR §200. PII is defined as:

1. An individual's first name or first initial and last name in combination with any one or more of types of information, including, but not limited to social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical, and financial records, and educational transcripts.
2. This does not include PII that is required by law to be disclosed.

VII. Audit

Per OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200 §200.501, all non-federal entities that expend \$750,000 or more in a year on Federal awards, either as the grantee or the sub-grantee, shall have a single or program-specific audit conducted for that year in accordance with the provisions of the Uniform Guidance. The single audit encompasses both the entity's financial statements and the Federal awards received by the entity; whereas a program-specific audit will audit one Federal program and can only be used when the grantee receives grant awards only from one Federal program. The City contracts with an external firm to conduct a single audit on an annual basis. The awarding agency may also specify additional audit requirements in the grant award letter or grant guidance.

The Finance Department, with the assistance of the specific grantee City departments, shall follow up and take corrective action on all audit findings.

Section 12 - Identify Theft Prevention Policy

In 2008, Congress directed the Federal Trade Commission (FTC) and other agencies to develop regulations requiring "creditors" and "financial institutions" to address the risk of identity theft. The resulting Red Flag Rules requires all such entities that have "covered accounts" to develop and implement written identify theft prevention programs.

The FTC defined "creditors" as businesses or organizations that regularly defer payment for goods or services and bill customers later. This includes nearly any organization extending credit, whether by granting loans, making credit decisions, etc.

Pursuant to the FTC enforcement policy of the Identify Theft Red Flags Rule, the City of Manitou Springs has evaluated risk factors to develop a policy designed to help identify, detect, and respond to patterns, practices, or specific activities – known as "red flags" – that could indicate identify theft.