



SUPERIOR

W I S C O N S I N

Living up to our name.

**Accounting & Financial
Policies and Procedures Manual**

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INTRODUCTION

The following accounting and financial manual is intended to provide an overview of the accounting and financial policies and procedures for the City of Superior, which shall be referred to as “City of Superior” or “the City” throughout this manual.

The City of Superior reorganized under Wisconsin Statutes Chapter 62 providing for a Mayor/Council form of government, in April 1959, with the first meeting held April 21, 1959, under the new form of government. The City Council of the City of Superior is organized to have one alderperson elected from each of the ten Council districts. Compensation and expenses are established by the City Code Chapter 2. Councilors are elected every year, odd districts are elected in even numbered years, and even districts in odd numbered years, for two year terms. The approximate population of the City is 27,244.

This manual shall document the financial operations of the City. Its primary purpose is to formalize accounting and financial policies and selected procedures for all staff who have a role in accounting processes and to document internal controls.

If a particular grant or award has provisions that are more restrictive than those in this manual, the more restrictive provisions will be followed only for that grant or award.

EFFECTIVE DATE(S) OF ACCOUNTING AND FINANCIAL POLICIES

The effective date of all accounting and financial policies described in this manual is **January 1, 2018**. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

The contents of this manual were approved as official policy of the City by the City Council, Finance Committee, and Finance Director. All City of Superior staff members are bound by the policies herein, and any deviation from established policy is prohibited.

The Finance Committee and Finance Director will review this manual every two years, prior to December 31 in each odd year-end (i.e. 2019, 2021), for any necessary changes or updates. The City Council and Finance Committee will approve this manual every five (5) years to help ensure the financial policies and procedures of the City comply with current regulations.

Effective Date of Policy: January 1, 2018

Date Last Amended: January 1, 2018

Date of Next Review (if policy requires periodic review): January 1, 2020

ADOPTION OF 2 CFR PART 200

City of Superior adopted the Federal grant regulations provide in 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), including the procurement standards, effective January 1, 2018.

FISCAL YEAR OF CITY

City of Superior shall operate on a fiscal year that begins on January 1 and ends on December 31.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

City of Superior's year-end government-wide, proprietary fund, and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Accounting transactions will be processed and reports produced on SunGard Accounting Software.

DEFINITIONS

The following definitions shall apply with respect to the policies described in this manual:

BID

Formal written responses by vendors to the City's solicitation for prices of goods and or services. Bids are usually in response to formal requests for proposal (RFP's) by the City, and their formats are often specifically prescribed so as to meet precise requirements of the RFP. Information provided in a bid may be binding against the vendor. Bids are awarded based on the lowest cost bid received by a responsive/responsible bidder with exceptions as noted in the City of Superior Code of Ordinances Sec. 2-378 and Sec. 2-381.

CASH

Cash includes currency on hand in petty cash funds or change funds, demand deposits with banks or other financial institutions, and deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental entity may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. Cash in lock boxes or on hand at December 31 but not receipted for at that date should also be reported as cash.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition. Original maturity means the original maturity to the entity holding the investment.

CONDITION

A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the City or releases the promisor from its obligation to transfer its assets. In practical terms, this means a donor has imposed some type of stipulation other than a purpose or time period stipulation (which is defined as a restriction below) and that condition has some degree of uncertainty as to whether or not it will occur, and if the condition is not met, the City is not entitled to the contribution. Conditions may or may not be within the control of the City.

CONTRIBUTION

An unconditional transfer of cash or other assets to the City, or a settlement or cancellation of the City's liabilities, in a voluntary nonreciprocal transfer by another entity or individual. Charitable Contributions to governmental units are tax-deductible under section 170(c)(1) of the Internal Revenue Code, if made for a public purpose.

COOPERATIVE AGREEMENT

A legal agreement where the City implements a program with the direct involvement of the funder.

DEBT SECURITIES

Instruments representing a creditor relationship with an entity. Debt securities include U.S. government securities, municipal securities, corporate bonds, convertible debt, commercial paper, and securitized debt instruments. Unlike equity securities, debt securities have a maturity date attached.

DEPOSITS

Includes any government resources that could qualify for federal depository insurance. This includes checking accounts and demand deposits, savings accounts and time deposits, negotiable orders of withdrawal accounts, non-negotiable certificates of deposit, money market accounts at financial institutions, and other deposits in banks or credit unions.

DOCUMENTATION

Written evidence of information received from vendors. Documentation may be formal (bids received from vendors) or informal (a note written by the purchaser based on a phone conversation with a vendor).

EQUITY

This is a generic term used to refer to the difference between assets and liabilities. Due to the difference in reporting the basic financial statements, the components of equity will differ between the fund financial statements and the government-wide statements. Also referred to as net position, fund balance, or fund equity.

EXCHANGE TRANSACTIONS

A transaction in which each party receives or gives up something of approximate value.

FULL ACCRUAL

Proprietary funds recognize revenue from the effect of transactions, events, and interfund activities when they occur (earned), regardless of the timing of related cash flows (availability).

FUND BALANCE

See Equity.

FUND EQUITY

See Equity.

GRANT

A financial assistance award given to the City to carry out its programmatic purpose.

INVESTMENTS

A security or other asset that (a) the City holds, primarily for the purpose of obtaining income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. The purpose for which an asset is acquired will determine whether it is an investment.

LOCAL GOVERNMENT INVESTMENT POOL

The City has investments in the Wisconsin local government investment pool (LGIP). The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory

authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. City funds are reported at fair value.

MODIFIED ACCRUAL

Governmental funds recognize revenue in the accounting period in which they become susceptible to accrual. "Susceptible to accrual" means that revenues are both measurable and available to finance expenditures of the fiscal period. Financial resources are available only to the extent that they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The availability period used for revenue recognition is 60 days.

NET POSITION

See Equity.

NON-EXCHANGE TRANSACTION

A transaction in which a party receives or gives value without directly receiving or giving equal value in return.

NONRECIPROCAL TRANSFER

A transaction in which an individual or entity incurs a liability or transfers assets to City of Superior without directly receiving value in exchange.

PROMISE TO GIVE

A written or oral agreement to contribute cash or other assets.

QUOTES

Informal responses by vendors to the City's solicitation for prices of goods or services. Quotes may be written or verbal and are estimates of the price of a good or service. Quotes may be requested formally, such as a written memo to vendors, or informally, such as by phone. Prices and specification are not binding.

REQUEST FOR BID (RFB)

Formal request by the City for prices of goods or services. RFB's have very specific requirements as to the information the vendors must provide, such as product features, duties to be performed by the vendor and pricing. Award decisions are based solely on lowest responsive/responsible bid received.

REQUEST FOR INFORMATION (RFI)

RFI's can be prepared at any time, and do not result in a legally binding document or award. They can be used to narrow the scope of a project or define parameters, and can also be used to narrow the field of prospective vendors or prequalify vendors, in request for proposal projects.

REQUEST FOR PROPOSAL (RFP)

Formal request by the City for prices of goods or services. RFP's have very specific requirements as to the information the vendors must provide, such as product features, duties to be performed by the vendor and pricing. Requests for Proposal allow for evaluation of proposals based on a specified criteria matrix. Award decisions are not based solely on lowest responsive/responsible bid received. All RFP's shall include the City's standard terms and conditions.

RESTRICTION

A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period or is more specific than the broad limits resulting from the nature of the City, the environment in which it operates, and the purposes specified in the Articles of Incorporation and Bylaws. Restrictions on the use of an asset may be temporary or permanent.

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

THE ROLE OF THE CITY COUNCIL

City of Superior is governed by its City Council, which conducts its business through committee and Council meetings.

Is responsible for the oversight of the Organization by:

1. Establish broad policies, including financial and personnel policies and procedures.
2. Establish programs and services for the City.
3. Enact ordinances, rules, and regulations for the City.
4. Review and adopt the annual City budget.
5. Approve all contracts and expenditures.
6. Levy taxes for the support of City government operations.
7. Approve and supervise the use of all federal and state grants.
8. Oversee City department budgets.

The Department Heads shall be responsible for the day-to-day oversight and management of City of Superior.

CITY COUNCIL STRUCTURE

Committee meetings are open to the public and subject to the open meeting rules. The Committee of the Whole is made up of ten councilors and as needed meets immediately after the 2nd monthly Regular Council Meeting, except in April, when the Council organizes and elects their President and Vice President.

Standing Committees

1. Committee of the Whole
2. Finance
3. Human Resources
4. License and Fees
5. Public Safety
6. Public Works

Other Committees and Commissions

Special committees may be established by three-fourths vote of the Council. The City has more than 40 Committees and Commissions which are made up of City of Superior residents, elected officials and/or City Staff. Any citizen interested in serving on the committees may contact the Mayor's Office.

To view a summary of Common Council Committee appointments visit our website at www.ci.superior.wi.us

THE ROLES OF THE DEPARTMENT HEADS AND STAFF

The Department Heads are appointed by the City Council. The Department Heads are responsible for department operations and the hiring and evaluation of department staff. Performance evaluations are guided by the City of Superior (Human Resources) Policy and Procedures Manual Section VII Performance Appraisals. All employees within a department shall report directly to that department's head (or indirectly through a Manager/Supervisor), who shall be responsible for managing and evaluating all employees within the department.

FINANCE DEPARTMENT OVERVIEW

ORGANIZATION STRUCTURE

The Finance department consists of eight (8) staff positions that manage and process financial information for City of Superior. The following positions comprise the Finance department:

- Finance Director/Senior Administrative Officer
- Assistant Finance Director
- Accountant
- Contract Analyst
- Staff Accountant
- Payroll Technician
- Account Clerk

DEPARTMENT RESPONSIBILITIES

The primary responsibilities of the Finance department consist of:

- General ledger transactions and reconciliations
- Budgeting
- Cash and investment management
- Asset management
- Grants and contracts administration
- Purchasing
- Accounts receivable and billing
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll
- Financial statement processing
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government financial reporting requirements
- Annual financial statement audit and fiscal monitoring visits
- Leases
- Insurance
- Fiscal records retention

STANDARDS FOR FINANCIAL MANAGEMENT SYSTEMS

In accordance with 2 CFR Part 200.302(b), of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, City of Superior maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Identification, in all its accounts, of all Federal awards received and expended and the Federal programs under which they were received. (2 CFR Part 200.302(b)(1))
2. Accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of 2 CFR Parts 200.327, *Financial Reporting*, and 200.328, *Monitoring and Reporting Program Performance*, and/or the award.
3. Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be fully supported by source documentation.
4. Effective control over and accountability for all funds, property, and other assets. City of Superior must adequately safeguard all such assets and ensure they are used solely for authorized purposes.
5. Comparison of expenditures with budget amounts for each award.
6. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources. (2 CFR Part 301, *Performance Measurement*)
7. Written procedures to minimize the time elapsing between the transfer of funds and disbursement by City of Superior. Advance payments must be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements. (2 CFR Part 200.305 *Payment*) See City of Superior's written procedures in the Cash Drawdowns of Advances section of this manual.
8. Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the 2 CFR Part 200 Subpart E, *Cost Principles*, and the terms and conditions of the award. See City of Superior's written procedures in the CHARGING COSTS TO FEDERAL AWARDS section of this manual.

BUSINESS CONDUCT

PRACTICE OF ETHICAL BEHAVIOR

City of Superior requires Council members, committee members, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities, and all Council members, committee members, and employees to comply with all applicable laws and regulatory requirements. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of City of Superior depend to a very large extent on the following considerations.

Each Council member, committee member, and employee (referred to as "individual" in this section) acting in a City capacity must apply her or his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. Each individual is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, individuals should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with City of Superior policy?
4. Am I sure my action does not *appear* inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known within the City or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?
7. Would I feel comfortable defending my actions on the 6 o'clock news?

Each individual should be able to answer "yes" to all of these questions before taking action.

Each supervisor and management team member is responsible for the ethical business behavior of her or his subordinates. Supervisors and management team must carefully weigh all courses of action suggested in ethical, as well as economic, terms and base their final decisions on the guidelines provided by this policy, as well as their personal sense of right and wrong.

COMPLIANCE WITH LAWS, REGULATIONS, AND ORGANIZATION POLICIES

City of Superior does not tolerate:

- The willful violation or circumvention of any federal, state, local, or foreign law by an employee during the course of that person's employment.
- The disregard or circumvention of City of Superior policy or engagement in unscrupulous dealings.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly prohibited.

The performance of all levels of employees will be measured against implementation of the provisions of these standards.

CONFLICTS OF INTEREST

INTRODUCTION

In the course of business, situations may arise in which a City decision maker has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest.

All Council members, committee members, and employees have an obligation to:

1. Avoid conflicts of interest, or the appearance of conflicts, between their personal interests and those of the City in dealing with outside entities or individuals,
2. Disclose real and apparent conflicts of interest to the City Council, and
3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

Conflicts of interest are guided by City of Superior (Human Resources) Policy and Procedures Manual Sec. IV Recruitment, Examination and Employment Standards 04.06D Conflict of Interest.

HONORARIA ACCEPTANCE

A City of Superior employee shall not accept an honorarium for an activity conducted where City reimbursed travel, work time, or resources are used or where the activity can be construed as having a relationship to the employee's position with City of Superior. Such activity would be considered official duty on behalf of City of Superior. A relationship exists between the activity and the employee's position with City of Superior if the employee would not participate in the activity in the same manner or capacity if he or she did not hold his or her position with City of Superior. The employee should make every attempt to avoid the appearance of impropriety.

An employee may receive an honorarium for activities performed during regular non-working hours or while on annual leave if the following conditions are met:

- All expenses are the total responsibility of the employee or the sponsor of the activity in which the employee is participating.
- The activity has no relationship to the employee's City of Superior duties.

Nothing in this policy shall be interpreted as preventing the payment to City of Superior by an outside source for actual expenses incurred by an employee in an activity, or the payment of a fee to City of Superior (in lieu of an honorarium to the individual) for the services of the employee. Any such payments made to City of Superior should be deposited to the City of Superior account and an appropriate entry should be made coded to the same program or department to which the employee's corresponding time was charged.

DISCLOSURE REQUIREMENTS

A supervisor or employee who believes that he or she may be perceived as having a conflict of interest in a discussion or decision must disclose that conflict to the group making the decision. Most concerns about conflicts of interest may be resolved and appropriately addressed through prompt and complete disclosure.

Therefore, City of Superior requires the following:

1. At the inception of employment or volunteer service to the City, and on an annual basis thereafter, the Finance department shall distribute a list of all contractors with whom the City has transacted business at any time during the preceding year, along with a copy of the disclosure statement to all members of the City Council, the Department Heads, other members of senior management, and employees with purchasing and/or hiring responsibilities or authority. Using the prescribed form, these individuals shall inform, in writing and with a signature, the Department Heads, the Finance Director, and the chair of the Finance Committee, of all potential reportable conflicts.
2. During the year, these individuals shall submit a signed, updated disclosure form if any new potential conflict arises.
3. The Department Head or Finance Director shall review all forms completed by employees, and the Finance Committee shall review all forms completed by Supervisors and the Department Heads and determine appropriate resolution in accordance with the next section of this policy.
4. Prior to management, Council, or committee action on a contract or transaction involving a conflict of interest, a staff, supervisor, or committee member having a conflict of interest and who is in attendance at the meeting shall disclose all facts material to the conflict of interest. Such disclosure shall be included in the minutes of the meeting.
5. A staff, supervisor, or committee member who plans to not attend a meeting at which he or she has a reason to believe that the management, Council, or committee will act on a matter in which the person has a conflict of interest shall disclose to the chair of the meeting all facts material to the conflict of interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.
6. A person who has a conflict of interest shall not participate in or be permitted to hear management's, the Council, or the committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter.
7. A person who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting shall not be counted in determining a quorum for purposes of the vote. The person having a conflict of interest may not vote on the contract or transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote and abstention from voting shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the City Council of City of Superior has a

conflict of interest when he or she stands for election as a department head or for re-election as a member of the City Council.

8. If required by Federal awarding agencies or pass-through entities, City of Superior will notify those agencies in writing of any *potential* conflict of interest. (2 CFR Part 200.112, *Conflict of interest*)
9. The City Council will review and sign the Conflicts of Interest policies of the City every two years and also have legal counsel review as well.

RESOLUTION OF CONFLICTS OF INTEREST

All real or apparent conflicts of interest shall be disclosed to the Finance Committee, the Department Heads, and the Finance Director. Conflicts shall be resolved as follows:

- The Finance Committee shall be responsible for making all decisions concerning resolutions of conflicts involving Supervisors, the Department Heads, and other members of senior management.
- The chair of the committee shall be responsible for making all decisions concerning resolutions of conflicts involving Finance Committee members.
- The chair of the Council shall be responsible for making all decisions concerning resolutions of the conflict involving the chair of the Finance Committee.
- The Department Heads shall be responsible for making all decisions concerning resolutions of conflicts involving employees below the senior management level, subject to the approval of the Finance Committee.

An employee or supervisor may appeal the decision that a conflict (or appearance of conflict) exists as follows:

- An appeal must be directed to the chair of the Council.
- Appeals must be made within 30 days of the initial determination.
- Resolution of the appeal shall be made by vote of the full City Council.
- Council members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the Council.

DISCIPLINARY ACTION FOR VIOLATIONS OF THIS POLICY

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the City or to the government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this policy will be afforded an opportunity to explain her or his actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against any employee who authorizes or participates directly in actions that are a violation of this policy.
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this policy.
3. Against any supervisor or management team member who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

PENALTY AND SANCTIONS (ORDINANCE NO.2005,9,8-2-77)

Violations of any provision of this policy constitutes cause for suspension, removal from office or employment or other disciplinary action. In addition, a penalty of up to five hundred dollars (\$500.00) for each act shall be imposed upon conviction under this policy.

POLICY ON SUSPECTED MISCONDUCT

INTRODUCTION

This policy communicates the actions to be taken for suspected misconduct committed, encountered, or observed by employees and volunteers.

Like all entities, City of Superior faces many risks associated with fraud, abuse, and other forms of misconduct. The impact of these acts, collectively referred to as misconduct throughout this policy, may include, but is not limited to:

- Financial losses and liabilities
- Loss of current and future revenue
- Negative publicity and damage to the City's good public image
- Loss of employees and difficulty in attracting new personnel
- Deterioration of employee morale
- Harm to relationships with citizens, contractors, bankers, and subcontractors
- Litigation and related costs of investigations, etc.

Our City is committed to establishing and maintaining a work environment of the highest ethical standards. Achievement of this goal requires the cooperation and assistance of every employee and volunteer at all levels of the City.

DEFINITIONS

For purposes of this policy, misconduct includes, but is not limited to:

1. Actions that violate the City's Code of Conduct (and any underlying policies) or any of the accounting and financial policies included in this manual.
2. Fraud (see below).
3. Forgery or alteration of checks, bank drafts, documents or other records (including electronic records).
4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or potential investigation, carried out by a department or agency of the federal government or by the City in connection with this policy.
5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to the City.
6. Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel, or other resources.
7. Acts that violate federal, state, or local laws or regulations.

8. Accepting or seeking anything of material value from contractors or persons providing goods or services to City of Superior. Exception: gifts valued at \$25 or less.
9. Impropriety of the handling or reporting of money in financial transactions.
10. Failure to report known instances of misconduct in accordance with the reporting responsibilities described herein (including tolerance by supervisory employees of misconduct of subordinates).

Fraud is further defined to include, but not be limited to:

- Theft, embezzlement, or other misappropriation of assets (including assets of or intended for the City, as well as those of our service recipients, subcontractors contractors, suppliers, and others with whom the City has a business relationship).
- Intentional misstatements in the City's records, including intentional misstatements of accounting records or financial statements.
- Authorizing or receiving payment for goods not received or services not performed.
- Authorizing or receiving payments for hours not worked.
- Forgery or alteration of documents, including but not limited to checks, timesheets, contracts, purchase orders, receiving reports.

City of Superior prohibits each of the preceding acts of misconduct on the part of employees, officers, executives, volunteers, and others responsible for carrying out the City's activities.

WHISTLEBLOWER PROTECTION

The City will consider any reprisal against a reporting individual an act of misconduct subject to disciplinary procedures. A "reporting individual" is one who, in good faith, reported a suspected act of misconduct in accordance with this policy, or provided to a law enforcement officer any truthful information relating to the commission or possible commission of a federal offense or any other possible violation of the City's Code of Conduct.

REPORTING PROCEDURE

If an employee of City of Superior has a reasonable belief that an employee or the City has engaged in any action that violates any applicable law, or regulation, including those concerning accounting and auditing, or constitutes a fraudulent practice, the employee is expected to immediately report such information by following the procedures as detailed in the personnel handbook.

DISCIPLINARY ACTION

Disciplinary actions are guided by City of Superior (Human Resources) Policy and Procedures Manual Sec. XBI Disciplinary Actions 16.01

DISCLOSURE TO OUTSIDE PARTIES

Allegations of and information related to allegations of suspected misconduct shall not be disclosed to third parties except under the provisions described in this policy (such as disclosure to outside investigators hired by the City to aid in an investigation).

However, all known frauds involving the Department Heads, senior management, or members of the City Council, as well as all material frauds involving employees below the senior management level, shall be disclosed by the Finance Committee to the City's external auditors.

The City will disclose, in a timely manner, in writing to Federal awarding agencies or pass-through entity, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting Federal awards. (*2 CFR Part 200.113 Mandatory disclosures*)

SECURITY

FINANCE DEPARTMENT

A lock will be maintained on the door leading into the City of Superior Finance Department. This door shall be closed and locked in the evenings and whenever the Finance Department is vacant. The key/combination to this lock will be provided to key accounting personnel and the Department Heads, and other personnel as approved by the Department Heads.

City of Superior's blank check stock shall be stored in a fireproof file cabinet in the Finance Department. This cabinet will be locked with a key that is kept in the Finance Department. Access to this file cabinet shall be by keys in the possession of the Finance Director, and the Accountant and the Staff Accountant.

Petty cash is stored in a drawer locked with a key. The Staff Accountant and the Finance Director will be the only employees with keys to the petty cash drawer.

ACCESS TO ELECTRONICALLY STORED ACCOUNTING DATA

City of Superior utilizes passwords to restrict access to accounting software and data. Only duly authorized finance personnel with data input responsibilities will be assigned passwords that allow access to the system.

Finance personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than every 75 days. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties. On an annual basis, City of Superior performs a review of accounting software users to ensure they have the appropriate access levels. Unnecessary access will be rescinded.

STORAGE OF SENSITIVE DATA

In addition to accounting and financial data stored in the Finance Department, other sensitive data, including protected personally identifiable information (PII), such as social security numbers of employees and/or program participants (consumers) may be stored in areas other than the Finance Department. Locations of sensitive data include, but are not limited to:

1. Human Resources Department
2. Electronic or on-line storage

The City's policy is to minimize the storage of sensitive data by shredding documents with such data or deleting additional copies of the sensitive data from documents as soon as possible. Please see the City's technology policies for standards for electronic and on-line storage.

DESTRUCTION OF CONSUMER INFORMATION

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. City of Superior will also shred all consumer information obtained by the City for any reason. Shredding will be performed on a schedule determined by each department that possesses such data, and the schedule shall be made a part of the Record Retention policy (see RECORD RETENTION section of this manual).

GENERAL OFFICE SECURITY

After hours, a security key is required for access to the offices of City of Superior. Keys are issued only to employees of City of Superior.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is the collection of all asset, liability, equity, revenue, and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports.

CHART OF ACCOUNTS OVERVIEW

The chart of accounts is the framework for the general ledger system and the basis for the accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

City of Superior's chart of accounts is comprised of five (5) types of accounts:

1. Assets and Deferred Outflows of Resources
2. Liabilities and Deferred Inflows of Resources
3. Fund Equity and Net Position
4. Revenues and Other Financing Sources
5. Expenditures/Expenses and Other Financing Uses

Each account number shall be divided into the following parts:

1. Fund
2. Department
3. Division
4. Activity Basic Account
5. Activity Sub Account
6. Element
7. Object

DISTRIBUTION OF CHART OF ACCOUNTS

All City of Superior employees involved with account coding or budgetary responsibilities will be provided with a current chart of accounts, or the section of the chart of accounts applicable to their department or program. As the chart of accounts is revised, an updated copy of the chart of accounts shall be promptly distributed to these individuals.

CONTROL OF CHART OF ACCOUNTS

The Finance Director and Assistant Finance Director monitor and control the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts must be approved by the Finance Director or Assistant Finance Director, who ensure that the chart of accounts is consistent with the organizational structure of City of Superior and meets the needs of each division and department.

ACCOUNTING ESTIMATES

City of Superior utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Fair market values of investments
3. Fair market values of donated assets
4. Values of contributed services
5. Cost allocation calculations

The Finance Director will reassess, review, and approve all estimates yearly. All conclusions, bases, and other elements associated with each accounting estimate shall be documented in writing. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Finance Committee, the Internal Auditor, and the external audit firm.

JOURNAL ENTRIES

All general ledger entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, including an explanation of each such entry. Examples of such journal entries are:

1. Recording of noncash transactions
2. Corrections of posting errors
3. Nonrecurring accruals of income and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of unearned revenue

Recurring journal entries shall be supported by a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, a journal voucher.

All journal entries not originating from subsidiary ledgers shall be authorized in writing by the Finance Director by initialing or signing the entries.

RECONCILIATION OF ACCOUNTS

To ensure the accuracy of the City's financial reporting, the City will prepare and document reconciliations of asset and liability general ledger accounts for each reporting period. Reconciliations will prove that the balances presented in the general ledger of the City agree with independent

supporting documentation (i.e. bank statements, physical inventory counts, lender records). Sub-ledger accounts will be reconciled to its general ledger account (control account) each reporting period.

Reconciliations will be reviewed by the Finance Director or designated accounting staff who was not part of preparing the reconciliation or supporting documentation. Any discrepancies shall be immediately investigated and resolved in a timely manner.

SPREADSHEET MANAGEMENT

Spreadsheets are an integral component of the City's information and decision-making framework to assist in the tracking and processing of financial and business information. Significant spreadsheets used by the City support the following functions:

- **Financial reporting**– these spreadsheets directly determine financial statement transaction amounts or balances that are subsequently recorded in the general ledger, act as a key control in the financial reporting process (e.g. balancing and/or reconciling significant accounts), or create or support financial reports or disclosures.
- **Analytical**- these spreadsheets are used to support the management decision-making process.
- **Operational**- these spreadsheets are used to facilitate tracking and monitoring of workflow to support operational processes, such as listing of open claims, unpaid invoices, or other information.

Spreadsheets that are significant to the financial process will be identified by the Finance Department, and a list of the spreadsheets, including the purpose, file location, and end-user/owner name and department will be maintained by the Finance Director and updated annually.

Significant spreadsheets will have the following controls to help ensure data integrity and reduce risk of data loss:

1. **Access control**- significant spreadsheets will be saved on a secured corporate server and not a personal hard drive. Access to the spreadsheet will be restricted to only those with a legitimate business purpose to access the file. Spreadsheets will be password protected to provide additional security for high-risk or sensitive content.
2. **Input control**- data cells that calculate, summarize, or contain a formula will be locked.
3. **Change control**- spreadsheet changes will be logged, described, tested, and documented. Updated spreadsheets will be referenced with the version number and publication date.
4. **Documentation or record control**- spreadsheets that are printed to comply with record retention policies, and grant documentation requirements will include standard headers and footers that identify the City, department, spreadsheet name, date, and time.

Prior to the development and implementation of complex spreadsheets to support financial calculation or information, the Finance Department will work with the Information Technology department, to evaluate whether the calculation or information extraction can be completed by the financial system.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE RECOGNITION POLICIES FOR MAJOR SOURCES OF REVENUE

City of Superior receives revenue from several types of transactions. Revenue from each of these types of transactions is generally recognized in the financial statements in the following manner:

TAXES

Tax revenues are reported in accordance with generally accepted accounting principles (GAAP) in the governmental fund financial statements and in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* in the government-wide financial statements.

Revenue recognition is based on actual collection activity and historical performance. Property taxes are recognized as revenues in the year for which they are levied and appropriate entries will be recorded in the fund financial statements when the revenue is not available within 60 days after fiscal year-end.

Delinquent taxes are recognized as revenue in the government-wide statements of net position and activities, subject to an allowance for uncollectible amounts. Delinquent taxes will continue to be reported as unearned revenue in the fund statements.

CHARGES FOR SERVICES

Revenue from service charges is recognized under the modified accrual and full accrual basis of accounting, depending on the fund type. Revenue for services is recognized when the service is provided. Revenue from user fees is recognized at the time of collection.

Under full accrual (proprietary, fiduciary, and government-wide financial statements), the related revenue is recognized at time of service, if the receivable is measurable. Under modified accrual (governmental fund statements), revenues are recognized if available to defray the liabilities of the current period (i.e. collectible within the coming year). Revenues deemed unavailable are not recognized in the fund financial statements, rather deferred inflows of resources is credited. This entry is eliminated and the appropriate revenue recognized for the government-wide financial statements.

LICENSES AND PERMITS

Licenses and permit revenue is recognized when cash is collected (cash basis). However, depending on the nature of the revenue, certain January collections may be accrued and recognized as revenue for the prior fiscal year.

FINES AND FORFEITURES

Revenue from fines and forfeitures is recognized when received in cash or when measurable and available or when the City has an enforceable legal claim to the amount, regardless of when cash is received. Except, when the cash settlement received in January pertains to fines imposed in the previous month and is recorded as revenue in the previous fiscal period, unless funds are restricted for specific uses or time periods, in which case, revenue will be recognized when the allowable uses or time periods occur. If the accrual-basis recognition of fines as provided above is not practicable, revenue from fines may be recognized on a cash basis

GRANT INCOME

Grant income is accrued monthly based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards) against a fully executed grant agreement.

GIFTS, DONATIONS, CONTRIBUTIONS

Gifts, donations and contributions are recognized as income when received, unless accompanied by restrictions or conditions. These contributions are considered non-exchange transactions.

IN-KIND CONTRIBUTIONS OR NON-FEDERAL MATCH

In-kind is recognized as income when received. (See the *Cost Sharing and Matching* section of this manual.)

PROGRAM INCOME

Program income is defined as gross income generated by a supported activity or earned as a result of an award, and is recognized as a reduction in expenditures in the period in which it is received.

USER FEES AND FEE-FOR-SERVICE INCOME

User fees and fee-for-service income is recognized as income when services are rendered unless collection of amounts due is in question. In this case, revenue is recognized when payments are received.

INTEREST INCOME

Interest income is accrued monthly based on when it was earned.

Other Income

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e., recorded as revenue when received) as deemed appropriate by the Finance Director.

ADMINISTRATION OF FEDERAL AWARDS

OVERVIEW

City of Superior may receive Federal financial assistance from a grantor agency through grants or cooperative agreements. Throughout this manual, federal assistance received in any of these forms will be referred to as a federal “award.”

PREPARATION AND REVIEW OF PROPOSALS

Individual departments are responsible for preparing proposals for projects that the department intends to pursue in accordance with City bid procedures. However, all proposals shall be reviewed by the Finance Director or Assistant Finance Director prior to submission to government agencies or other funding sources to ensure the proposed budget includes all appropriate costs. Final proposals shall be reviewed and approved in writing by the City Council and the Department Heads.

POST-AWARD PROCEDURES

After an award has been made, the following steps shall be taken:

1. Verify the specifications of the grant or contract. The Finance Department shall review the terms, time periods, award amounts, and expected expenditures associated with the award. A *Catalog of Federal Domestic Assistance* (CFDA) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. Create new general ledger account numbers. New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. See the following Document Administration section for details.

COMPLIANCE WITH LAWS, REGULATIONS, AND PROVISIONS OF AWARDS

City of Superior recognizes that as a recipient of federal funds, the City is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the City meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a federal agency:

1. For each federal award, an employee within the department responsible for administering the award will be designated as "grant manager."
2. Each grant manager is encouraged to attend a training on grant management prior to beginning his or her role as a grant manager (or as early in their functioning as a grant manager as practical). Thereafter, all grant managers shall attend refresher/update courses on grant management as deemed appropriate by the applicable Department Head.

3. The grant manager shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
 - a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
 - b. Review *2 CFR Part 200 Appendix XI, Compliance Supplement* (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all federal awards.
 - c. Review the section of the *Catalog of Federal Domestic Assistance (CFDA)* applicable to the award.
 - d. The grant manager will communicate grant requirements to those who will be responsible for carrying them out, or are impacted by them.
4. The Finance Department shall forward copies of applicable laws and regulations to the grant manager (such as OMB regulations, pertinent sections of compliance supplements, and other regulations).
5. The grant manager and/or the Finance Department shall identify and communicate any special changes in policies and procedures necessitated by federal awards as a result of the review of each award.
6. The grant manager shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to *2 CFR Part 200 Appendix XI, Compliance Supplement*, and communications with federal awarding agency personnel.
7. The grant manager shall inform the Finance Department of applicable laws, regulations, and provisions of contracts and grants. The grant manager shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors. The Finance Department will then communicate this information to the independent auditors.

DOCUMENT ADMINISTRATION

For each grant/award received by City of Superior from a federal, state, or local government agency, a master file of documents applicable to the award shall be prepared and maintained. The responsibility for assembling each master file shall be assigned to the grant manager assigned to administer the program.

The master file assembled for each government award shall include all of the following documents (including originals of all documents received from the awarding agency):

1. Copy of the initial application for the award and corresponding budget
2. All correspondence to and from the awarding agency post-application, leading up to the award
3. The final, approved budget and program plan, after making any modifications
4. The grant agreement and any other documents associated with the initial making of the award

5. Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award
6. Subsequent grant modifications (financial and programmatic)
7. Copies of program and financial reports
8. Subsequent correspondence to/from the awarding agency
9. Results of any monitoring visits conducted by the awarding agency, including resolution by City of Superior of any findings arising from such visits
10. Correspondence and other documents resulting from the closeout process of the award

The preceding grant document file shall be organized into four sections as follows:

1. Pre-award documents
2. Post-award documents, including reports
3. Laws, regulations, and agency guidelines
4. Audit/monitoring-related documents

On the inside front cover of the grant document file shall be a Summary of Critical Award Provisions, prepared by the grant manager. This summary shall include, at a minimum, the following:

1. Key compliance requirements, including citations of applicable laws and regulations
2. Important deadlines
3. Correspondence contact information at the awarding agency

The original grant document file shall remain in the office of the grant manager in a locked filing cabinet. The grant manager shall maintain a separate file of frequently requested documents that shall consist of photocopies of the documents included in the secure grant document file. The purpose of this file of copied documents is to limit the potential for loss of valuable documents. Any other City of Superior employee making a valid request for access to grant documents shall be provided with the file of copied documents and shall be asked to sign this file out of the grant manager's office.

CLOSEOUT OF FEDERAL AWARDS

City of Superior shall follow the closeout procedures described in *2 CFR 200.343 – 345, Closeout*, and in the grant agreements as specified by the granting agency.

City of Superior and all subrecipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

COST SHARING AND MATCHING (IN-KIND)

OVERVIEW

City of Superior values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or federal agency regulations identify specific values to be used.

City of Superior shall claim contributions as meeting a cost sharing or matching requirement of a federal award only if all of the following criteria are met:

1. They are verifiable from City of Superior records.
2. They are not included as contributions (or match) for any other federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under the federal cost principles, *2 CFR Part 200 Subpart E, Cost Principles*.
5. They are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the federal awarding agency.
7. They conform to all provisions of federal administrative regulations, *2 CFR Part 200 Subpart D, Post Federal Awards Requirements*.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal performed by a certified appraiser as defined by *2 CFR Part 200.306(i)(1)* to establish its value.

VALUATION AND ACCOUNTING TREATMENT

In-kind typically falls into one of the following categories:

- Cash
- Space, buildings, land, and equipment
- Volunteer time and services
- Supplies

The following sections discuss the valuation and accounting treatment for each category.

CASH

- City of Superior shall recognize cash contributions as in-kind income in the period in which they are spent on allowable program costs.
- Any discounts received on goods or services are recognized as in-kind only if such discounts are not available to the general public. Discounts taken as in-kind must be supported by a letter from the contractor stating that it is providing this discount in support of the program.

SPACE, BUILDINGS, LAND, AND EQUIPMENT

Buildings and Land

If the purpose of the contribution is to assist the City in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as matching with prior approval of the awarding agency.

If the purpose of the donation is to support activities that require the use of equipment, buildings, or land, depreciation may be claimed as matching, unless the awarding agency has approved using the full value as match.

Equipment, land, or buildings are valued at their fair market value as determined by an independent appraiser. Information on the date of donation and records from the appraisal will be maintained in a property file.

Space

- Will be valued at the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
- Information on the date of donation and records from the appraisal will be maintained in a property file.
- If less than an arms-length transaction, will be valued based in actual allowable costs to occupy the facility (e.g. repairs and maintenance, insurance, etc.) not to exceed fair market value.

VOLUNTEER TIME AND SERVICES

Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor will be included in in-kind if the services are an integral and necessary part of the program.

Volunteer services will be valued at rates consistent with those paid for similar work in the City. For skills not found in the City, rates will be consistent with those paid for similar work in our labor market. Rates should include gross hourly wages plus fringe benefits calculated based on fringe benefits received by employees in similar positions, or on agency average.

Volunteers must possess qualifications and perform work requiring those skills in order to be valued at greater than an unskilled labor rate.

City of Superior requires volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees. Each program that uses volunteers will provide the volunteers a sign-in sheet which collects the following information:

- Date service was performed
- Volunteer name and address
- Hours donated (time in and out)
- Service provided
- Signature of volunteer

The sign-in sheets will be delivered to the Finance Department monthly so they can be tallied, valued, and recorded as in-kind in the accounting records.

SUPPLIES

Donated supplies must be used in the program and shall be valued at fair market value at the time of donation. Supplies can be counted as match only if the program would have purchased such items with federal funds.

FEDERAL AWARD REIMBURSEMENT REQUESTS/BILLINGS POLICIES

RESPONSIBILITIES FOR REIMBURSEMENT REQUESTS/BILLINGS AND COLLECTION

City of Superior's Finance Department is responsible for the invoicing of funding sources and the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections.)

ACCOUNTS RECEIVABLE ENTRY POLICIES

Individuals independent of the cash receipts function shall post reimbursement requests/revenue billings/invoices, credit adjustments, and other adjustments to the accounts receivable subsidiary ledger.

REIMBURSEMENTS/BILLINGS AND FINANCIAL REPORTING

City of Superior strives to provide management, staff, and funding sources with timely and accurate financial reports applicable to federal awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

City of Superior shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Accountant, subject to review and approval by Finance Director.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to City of Superior:

1. The City will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. City of Superior will strive to minimize the time between receipt of advances of Federal funds and disbursement of grant funds by issuing payments within 24 business hours of receipt of such funds. (See following section for more information on advances of Federal funds.)
3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
5. All financial reports required by each Federal award will be prepared and filed on a timely basis. To the extent City of Superior's year-end financial statement audit results in adjustments to amounts previously reported to Federal agencies, revised reports shall be prepared and filed in accordance with the terms of each Federal award.

City of Superior shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis.

At the time reimbursement requests/invoices are prepared, revenue and accounts receivable shall be recorded in the accounting records of City of Superior by the Accountant.

If a Federal award authorizes the payment of cash advances to City of Superior, the Finance Director may require that a request for such an advance be made. Upon receipt of a cash advance from a Federal agency, City of Superior shall reflect a liability equal to the advance. As part of the monthly closeout and reimbursement request/invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

CASH DRAWDOWNS OF ADVANCES OF FEDERAL FUNDS

Cash drawdowns of advances from Federal agencies shall be made weekly in conjunction with the accounts payable and payroll schedule, based on need. All Federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual. City of Superior requires that Federal funds will be disbursed within 24 hours of receipt using the following process:

1. On Wednesday, the Accountant will print out a listing of checks to be disbursed.
2. The Finance Director approves the listing.
3. On Thursday, the Accountant draws down the cash required.
4. On Friday, the checks are printed, signed, and disbursed in accordance with cash disbursement policies.

CLASSIFICATION OF REVENUE AND RESTRICTED NET POSITION

All income received by City of Superior is classified as *unrestricted*, with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as restricted.
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.
3. Income earned from endowment funds (e.g., interest and dividends, gains and losses) in connection with endowments where the donor has explicitly stated that earnings on an endowment be restricted for specific purposes.

From time to time, City of Superior may raise other forms of revenue which carry stipulations that the City utilize the funds for a specific purpose or within a specified time period identified by the funder. When this form of revenue income is received, City of Superior shall classify this revenue as restricted.

As with all restricted funds (equity), when the restriction associated with the funds has been met (due to the passing of time or the use of the resource for the purpose designated by the funder), City of Superior will reclassify the related equity from *restricted* to *unrestricted* or *unassigned* in its financial statements and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the City of Superior City Council may determine that it is appropriate to set funds aside for specific projects. Such funds shall be classified as *assigned*, or *committed* and reported as a separate component of the reported fund balance.

CASH RECEIPTS

OVERVIEW

Cash (including checks payable to the City) is the City's most liquid asset. Therefore, it is the objective of City of Superior to establish and follow the strongest possible internal controls in this area.

CASH RECEIPTS PROCEDURES

The following cash receipts procedures will be followed by the City departments:

Departments receiving checks as payments should require the maker of the check to make it payable to "City of Superior/Treasurer or City of Superior/Department name." Under no circumstances should a check for the City be made payable to an individual or left blank unless it is being signed over to the City.

- Under no circumstances should cash refunds be given for 3rd party check transactions.
 - Post-dated checks are not acceptable.
1. All City departments and activities shall record all cash receipts at the time the funds are received. Departments and activities that receive cash, as a part of their normal day-to-day operation must establish an audit record in SunGard Software.

Documentation should minimally include the following information:

- Payer's name
 - Form of payment (if check, check number should be included)
 - Amount paid
 - Date of payment
 - Service/product rendered
 - Initials or SunGard Software generated audit stamp of person(s) collecting cash receipts
2. Mail Transactions:
 - A designated person should be assigned to open all incoming mail and prepare a listing of cash and/or check received (see explanation of documentation for information on what should be included on the listing).
 - This designated person should be an individual other than those who post to accounts receivable and prepares bank reconciliation.
 3. All checks shall be immediately endorsed "Pay To The Order of City Treasurer/Department For Deposit Only" or endorsed by a system printer and placed in a secure box or drawer until deposited with the Treasurer or in bank account.

4. The department head is responsible for ensuring that procedures exist for the safekeeping of all undeposited cash receipts and securities held by the department and must ensure that such items are placed in a locked safe or other adequately secured container at all times when the items are unattended. Under no circumstances should unauthorized employees gain access to cash. Only employees authorized to receipt cash should have access to department cash register and/or cash drawers.
 - The loss or theft of funds and/or other valuables due to failure to adhere to the provisions of this procedure could result in the department having to cover the loss from its own funds.
 - All losses or thefts must be reported immediately to the Finance Director. The Finance Director shall notify law enforcement agency if theft or fraud is suspected. All Suspected thefts or fraud are to be treated confidentially.
5. All departments shall remit monies directly to the City Treasurer by 3:00 p.m. daily if the total daily receipts exceed \$50.00. Otherwise, deposits should be made when the total accumulated receipts exceeds \$50.00 or at the end of the week, whichever comes first. Monetary collection sites exceeding more than 3 miles from the Treasurer's office would be exempt from making daily deposits, but will be required to make weekly deposits.
6. Under no circumstance should disbursements be made from cash receipts (i.e., to cash personal checks, make purchases, etc.). Cash receipts should be deposited (in total) with the City Treasurer.
 - Exceptions: The only exception to depositing in exact form to the City Treasurer is cash and checks that are deposited into separate departmental bank account(s) which are listed above.
7. Each department shall total all checks and cash being recorded for deposit. Attach calculator tape and/or SunGard Software edit to the deposit for the City of Superior Treasurer, breaking down check & cash totals.
8. Make sure the "Total Checks and "Total Cash" when added together equal the "Total Deposit" entered in SunGard Software.
9. The Treasurer's staff will count the checks and currency and compare that to what is entered in SunGard Software.
10. Finance staff will make a copy of the daily summary report for the Finance Department. These copies will be added to the monthly cash reconciliation report by the Finance Department.

TIMELINESS OF DEPOSIT PREPARATION

Departments will prepare deposits on a daily basis, unless the total amount received for deposit is less than \$500. In no event shall deposits be made less frequently than weekly. Undeposited checks and cash shall be secured in a locked box and kept in a secure area until deposited. These funds will not be used as petty cash or to make change.

CREDIT CARD RECEIPTS

City of Superior accepts credit cards and has negotiated contracts for out sourcing of processing payment transactions. Individual City of Superior departments may not use or negotiate individual contracts with these or other payment card companies or processors.

When consumers, citizens, or donors wish to make payment via credit card, they will be directed to the City's website for personal property tax payments and utility account payments.

Other credit card payments can be processed locally at the city clerk's office, finance department, library and landfill.

For payments made by credit card through the City's website, the following procedures will be followed:

1. Charges will be processed by an outsourced service provider. Approved providers include:
 - a. "Official Payments" for personal property taxes
 - b. "Hearland" for utility bill payments
 - c. "TSYS" for in house credit card payments
2. The service provider will send daily reports to the finance department listing each amount paid, the payee, and purpose of payment.
3. The Accountant will post receipts and print a copy of the service provider report for the Finance Department to be used in reconciling the bank statement.

RECONCILIATION OF DEPOSITS

On a periodic basis, the Finance Director or Assistant, who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listings of receipts to bank deposits on the monthly bank statement. Any discrepancies shall be immediately investigated.

RECEIVABLES MANAGEMENT

OVERVIEW

Receivables represent amounts due to the City for goods furnished or services provided before the end of the reporting period and include amounts that are significant and measurable. If a receivable is outstanding at December 31, and is determined to be collectible, the amount will be reported on the financial statements as of the fiscal year-end.

The City records all grant receivables and income as grant revenue is earned and billed/reimbursement requested during the grant year.

For proprietary and fiduciary fund statements, and the government-wide statements, revenue that is earned and measurable is recognized at the same time receivables are reported (full accrual accounting). For governmental fund statements, amounts earned and collected within 60 days are considered available and are reported as revenue and a receivable. Amounts that are earned, but collected after 60 days are not reported as revenue, but are reported as a receivable and deferred inflow of resources (modified accrual).

See the Revenue Recognition Policies for additional information.

RECEIVABLE MONITORING AND RECONCILIATIONS

On a monthly basis, the Finance Department will reconcile a detailed accounts receivable report (showing aged, outstanding invoices by payer) to the general ledger. The Finance Director will review the reconciliation and ensure that all differences are immediately investigated and resolved.

The Assistant Finance Director and applicable Department Head are responsible for monitoring budget-to-actual grant expenditures throughout the grant year, and will meet quarterly with the Finance Director to discuss grant fiscal results.

CREDITS AND OTHER ADJUSTMENTS TO ACCOUNTS RECEIVABLE

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include returned products and adjustments for billing errors. An employee who is independent of the cash receipts function will process credits and adjustments to Accounts Receivable, and all credits shall be authorized by the Finance Director.

ACCOUNTS RECEIVABLE WRITE-OFF AUTHORIZATION PROCEDURES

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the Finance Department. If an account receivable is deemed uncollectible, the following approvals are required before the write-off is processed:

<u>Amount</u>	<u>Authorized in writing by</u>
Less than \$100	Department Manager
\$100 or more	Finance Director

After a write-off has been processed, appropriate individuals in the originating department will be advised to ensure that further credit is not granted and the master list of bad accounts is updated. Customers listed as poor credit risks will be extended future credit only if the back debt is paid and the customer is no longer deemed a collection problem.

RESERVE FOR UNCOLLECTIBLE ACCOUNTS

City of Superior will maintain a reserve for uncollectible accounts receivable. At the end of each fiscal year, the City will evaluate the collectability of receivables and determine an appropriate allowance for uncollectible amounts. The following factors will be used to determine adjustments to the allowance for doubtful accounts:

1. An analysis of outstanding, aged accounts receivable.
2. Historical collection and bad debt experience.
3. Evaluations of specific accounts based on discussions with the department that originated the revenue resulting in the receivable.

Year-end adjustments to the reserve for uncollectible accounts shall be performed only with authorization from the Finance Director. This reserve account is used in the following year to write off those items that are deemed uncollectible from the prior year after further collection efforts have been abandoned, as described earlier.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

OVERVIEW

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY CITY OF SUPERIOR. THIS POLICY ASSUMES THAT ALL PURCHASES HERUNDER WILL BE BUDGETED IN A DEPARTMENT'S ANNUAL BUDGET. PURCHASE PROCEDURES OF VARIOUS MATERIALS AND SERVICES FOR CITY OF SUPERIOR ARE EXPLAINED IN THIS SECTION.

City of Superior requires the practice of ethical, responsible, and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

The goal of these procurement policies is to ensure that materials and services are obtained in an effective manner and in compliance with the provisions of applicable federal statutes and grant requirements.

RESPONSIBILITY FOR PURCHASING

All Department Heads or their designees shall have the authority to initiate purchases on behalf of their department, within the guidelines described here. Department Heads shall inform the Finance Department of all individuals that may initiate purchases. The Finance Department shall maintain a current list of all authorized purchasers for proper setup in the purchasing system.

The Finance Director has approval authority over all purchases and contractual commitments according to the approved authorization thresholds, and shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

CODE OF CONDUCT IN PURCHASING

(2 CFR Part 200.318 (c)(1))

Ethical conduct in managing the City's purchasing activities is absolutely essential. Staff must always be mindful that they represent the City and City Council and share a professional trust with other staff and funding sources.

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.

- No officer, Council member, employee, or agent shall participate in the selection or administration of a contractor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, Council member, employee or agent, or any member of his or her immediate family, his or her spouse or partner, or a City that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the contractor selected.
- Officers, Council members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to sub-agreements.
- Unsolicited gifts with a value of \$25 or less may be accepted with the approval of the Department Heads.

COMPETITION

(2 CFR Part 200.319)

In order to promote open and full competition, purchasers will:

- Be alert to any internal potential conflicts of interest.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate, or restrain trade.
- Not permit contractors who develop specifications, requirements, or proposals to bid on such procurements.
- Award contracts to bidders whose product or service is most advantageous in terms of price, quality, and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the City's best interest.
- Not give preference to state or local geographical areas unless such preference is mandated by Federal statute. *(200.319(b))*
- "Name brand or equivalent" description may be used as a means to define the performance or requirements *(200.319(c)(1))*

NONDISCRIMINATION POLICY

All contractors who are the recipients of City funds or who propose to perform any work or furnish any goods under agreements with City of Superior, shall agree to these important principles:

1. Contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation, or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the contractors.
2. Contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisements, and solicitations placed in accordance with federal law, rule, or regulation shall be deemed sufficient for meeting the intent of this section.

PROCUREMENT PROCEDURES

The following are City of Superior's procurement procedures:

1. City of Superior shall avoid purchasing items that are not necessary or duplicative for the performance of the activities required by a federal award. *(2 CFR Part 200.318(d))*
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the federal government. *(2 CFR Part 200.318(d))*. This analysis should only be made when both lease and purchase alternatives are available to the program.
3. Purchasers are encouraged to enter into state and local inter-governmental or inter-entity agreements where appropriate for procurement or use of common or shared goods and services. *(2 CFR Part 200.318(e))*
4. Purchasers are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs. *(2 CFR Part 200.318(f))*
5. Documentation of the cost and price analysis associated with each procurement decision in excess of the simplified acquisition threshold (\$150,000) shall be retained in the procurement files pertaining to each federal award. *(2 CFR Part 200.323)*
6. All pre-qualified lists of persons, firms or products which are used in acquiring goods and services must be current and include enough qualified sources to ensure maximum open and full competition. *(2 CFR Part 200.319(d))*
7. City of Superior will maintain records sufficient to detail the history of procurement, including: *(2 CFR Part 200.318(i))*
 - a. Rationale for the method of procurement;
 - b. Selection of contract type;
 - c. Contractor selection or rejection; and
 - d. The basis for the contract price.
8. City of Superior shall make all procurement files available for inspection upon request by a federal or pass-through awarding agency.
9. City of Superior shall not utilize the cost-plus-a-percentage-of-costs or percentage of construction cost methods of contracting. *(2 CFR Part 200.323(d))*

All staff members with the authority to approve purchases will receive a copy of and be familiar with *2 CFR Part 200.400 – 475, Cost Principles*.

CAPITAL OUTLAY PURCHASES

Capital outlay is an expenditure of \$5,000 or greater and having a useful life of not less than one year. This includes real property acquisition, construction, equipment, and repairs, or updating of an existing capital item which extends the life and value of the item, as opposed to normal recurring operating maintenance and repairs. The costs that are considered outlay are:

- The cost of the item itself
- Preservation costs
- Additions
- Improvements
- Ancillary cost (freight, etc.)

Outlay is determined by expenditure level, regardless of funding source. If an item is paid for fully by grants there must still be an expenditure for the full amount of cost, with an equal revenue for the funds provided by the grant.

Capital outlay items must be on a capital outlay list approved during the budget process. Changes to the list must be approved by the oversight committee, Finance Committee and City Council through either a Budget Adjustment or Repurpose of Funds action form. Requests to spend incurred savings or to substitute items on the approved outlay list must be authorized through an approved Budget Adjustment or Repurpose of Funds action.

Computer hardware or software purchases shall be made by the Information Systems (IS) Department in cooperation with the department requesting the items. Departments who can receive reimbursement for these purchases through grants or other means shall inform the IS Department. Costs of the equipment or software and ongoing maintenance shall be charged back to the user department.

AUTHORIZATIONS AND PURCHASING LIMITS

All purchase requisitions must be completed by the department requesting the purchase. The requisition should be approved by the appropriate personnel through the workflow process. A purchase order (PO) is required before items are ordered. The following table summarizes the required approval levels and solicitation processes:

Threshold	Procedures
Less than \$5,000	Department Heads are authorized to spend up to \$5,000 for any line items that is part of their approved budget subject to the availability of funds.
\$5,000 - \$24,999	The Purchase shall be made by the responsible department head in the manner in which he or she determines to be in the best interests of the City. Three documented price quotes are required. The responsible department head or designee shall prepare written specifications for the purchase. The specifications shall not require by name or number a specific model or make unless the department head has determined that the City's need can be fulfilled only by purchase of a specific model or make. The quotes are returned to the contract analyst. The lowest qualified quote will be accepted. If the circumstances are such that the purchaser is unable to obtain three price quotes the circumstances shall be documented and reported to the department head. If no budgeted funds existed for the purchase, the department head shall prepare a report which compiles a list of all bids received and contains the department head's recommendation. The report shall be forwarded to the common council which shall determine which bid, if any, to accept. The common council shall review the department head's recommendations and shall determine which, if any, bid to accept. If a bid is accepted, the department head will notify the successful party. The contract analyst shall prepare any necessary contracts to obtain the services in accordance with any bid accepted by the common council.
Over \$25,000	Section 2-377, Bid procedure for purchasing equipment, materials and supplies shall be followed. The responsible department head or designee shall prepare written specifications for the purchase. The specifications shall not require by name or number a specific model or make unless the department head has determined that the City's need can be fulfilled only by purchase of a specific model or make. Bid packets shall contain and be required of the vendor: Subcontractor and Suppliers Listing, Addenda Acknowledgment, Bid Bond, Bidder's Proof of Responsibility, Affidavit of Organization and Authority, and Affidavit of Compliance. The bid shall be advertised for two consecutive weeks. Upon the deadline of the sealed bids the bids shall be opened with at least two City of Superior staff members present. The lowest responsible bidder shall be awarded. The department head shall prepare a report which compiles a list of all bids received and contains the department head's recommendation. The report shall be forwarded to the common council which shall determine which bid, if any, to accept. The common council shall review the department head's recommendations and shall determine which, if any, bid to accept. If a bid is accepted, the department head will notify the successful parties. The contract analyst shall prepare any necessary contracts to obtain the services in accord with any proposal accepted by the common council.

Exceptions to bid procedures:

1. Any single purchase or order of equipment, materials, or supplies in the amount of \$25,000.00 or less.
2. Purchases of replacement parts for equipment already owned by the city where there is only one known supplier of the replacement parts.
3. Patented equipment where, in the department head's opinion, the patented product is the only product that can satisfactorily meet the city's need.
4. Rental of equipment, where the rental agreement does not contain an option to purchase.
5. Contracts for public construction as defined and governed by Wis. Stats. §§ 62.15 and 66.0901.
6. Purchases of used equipment.
7. Emergency purchases of materials, equipment and supplies. For purposes of this article, an emergency purchase exists when, in the opinion of the mayor and responsible department head, the delay caused by following the bid procedures of section 2-377 may disrupt city operations, subject the city to a significant risk of substantial cost or liability, endanger property or persons in the city or otherwise place the city in a position of significant disadvantage.
8. Purchases made under a state contract bid.

Procedure for purchase of equipment, materials and supplies exempt from bid procedures:

- If the purchase of equipment, materials or supplies is excluded from the city's bid procedure under section 2-377 and the amount of the purchase is not more than \$25,000.00, the purchase shall be made by the responsible department head in the manner in which he or she determines to be in best interests of the city; provided, however, that budgeted funds must be available before the purchase can be made. In the event budgeted funds are not available, the responsible department head shall obtain common council approval prior to the purchase or obtain common council approval of a budget transfer resolution to insure that funds are available to pay for the purchase.
- If the purchase of equipment, materials or supplies is excluded from the city's bid procedure under section 2-377 and the amount of the purchase is more than \$25,000.00, the responsible department head seeking the purchase shall submit to the common council in advance of the purchase a report summarizing the nature of the proposed purchase, the number and names of interested suppliers, the extent of the department's advertising efforts, the prices submitted by interested suppliers, an explanation of the department's need for the purchase and the department's recommendations. The department head shall not proceed with such purchase without common council approval; provided, however, that in cases where sections 2-378 (7) or (8) apply, the department head may proceed with the purchase without prior common council approval and he or she submits to the common council within 60 days a report containing the information described in this section. In cases where section 2-378(5) applies, the purchase procedure required by Wis. Stats. §§ 62.15 and 66.0901, shall be followed as applicable.

THRESHOLDS AND PROCEDURES FOR PURCHASING OF SERVICES

When no budgeted funds exist for any purchase, the department requesting the service shall notify the common council in advance and obtain the common council's authorization to proceed to bid or purchase service. If funds for the purchase have been budgeted and remain unspent, this step is unnecessary.

Threshold	Procedures
Less than \$5,000	Department Heads are authorized to spend up to \$5,000 for any line items that is part of their approved budget subject to the availability of funds.
\$5,000 - \$24,999	The Purchase shall be made by the responsible department head in the manner in which he or she determines to be in the best interests of the City. Three documented price quotes are required. The responsible department head or designee shall prepare written request for proposal. The request for proposals shall set forth the nature of the services requested, an explanation of the information desired, and the deadline by which the proposals are to be submitted. The quotes are returned to the contract analyst. The responsible department head or designee shall review the proposals received and if no budgeted funds existed shall prepare a report to the common council summarizing the nature of the services requested, the number and names of interested providers, the costs of the services as proposed by each provider and the recommendations of the department head. If the circumstances are such that the purchaser is unable to obtain three price quotes the circumstances shall be documented and reported by the department head. The report shall be forwarded to the common council which shall determine which bid, if any, to accept. The common council shall review the department head's recommendations and shall determine which, if any, proposal to accept. If a proposal is accepted, the department head will notify the successful parties. The contract analyst shall prepare any necessary contracts to obtain the services in accord with any proposal accepted by the common council.
Over \$25,000	Section 2-381, Bid procedure for purchasing services shall be followed. The responsible department head or designee shall prepare written request for proposal. The request for proposals shall set forth the nature of the services requested, an explanation of the information desired, and the deadline by which the proposals are to be submitted. Bid packets shall contain and be required of the vendor: Subcontractor and Suppliers Listing, Addenda Acknowledgment, Bidder's Proof of Responsibility, Affidavit of Organization and Authority. The bid shall be advertised for two consecutive weeks. Upon the deadline of the sealed bids the bids shall be opened with at least two City of Superior staff members present. The department head shall prepare a report which compiles a list of all proposals received and contains the department head's recommendation. The report shall be forwarded to the common council which shall determine which proposal, if any, to accept. The common council shall review the department head's recommendations and shall determine which, if any, proposal to accept. If a proposal is accepted, the department head will notify the successful parties. The contract analyst shall prepare any necessary contracts to obtain the services in accordance with any proposal accepted by the common council.

Exceptions to bid procedures:

1. If the purchase of services is less than \$25,000.
2. Contracts for demolition where the structure to be demolished has been condemned under the authority of Wis. Stats. 66.0413 or its successor statutes.
3. Emergency services when, in the opinion of the mayor and responsible department head, a delay would disrupt city operations, subject the city to significant risk of substantial cost or liability, endanger property or persons in the city or otherwise place the city in a position of significant disadvantage.
4. Purchases made under state contract bid.

Procedure for purchases of services exempt from bid procedures:

- If the purchase of services is excluded under the city's request for proposals procedure under [section 2-380](#) and the amount of the purchase is not more than \$25,000.00, the purchase shall be made by the responsible department in the manner in which he or she determines to be in the best interest of the city; provided, however, that budgeted funds must be available before the purchase is made. In the event budgeted funds are not available, the department head shall obtain common council approval prior to entering into a contract for the services or obtain common council approval of a budget transfer resolution to ensure that funds are available to pay for the purchase.
- If the purchase of services is excluded under the city's request for proposal procedure under [section 2-380](#) and the amount of the purchase is more than \$25,000.00, the purchase shall be approved by the common council prior to entering into a contract and prior to receiving the services. The department head seeking the services shall present to the common council a report summarizing the nature of the services sought, the number and names of interested providers, the extent of the department's efforts to obtain proposals, the anticipated costs of the services and the department's recommendations.
- Notwithstanding the exceptions of [section 2-381](#), if the proposed contract is for lobbying services, no department head or city employee shall enter into such a contract in any amount without the prior approval of the common council.

SUPERSEDING FEDERAL AND STATE REQUIREMENTS

Nothing in this policy shall supersede any federal or state statutory or regulatory requirements. To the extent that this article conflicts with purchasing procedures required by any applicable federal or state law or regulation or by any applicable federal, state or governmental grant, the city shall follow the requirements of the applicable law, regulation or grant in purchasing the equipment, materials, supplies and services irrespective of the provisions of this article.

AUTHORIZATIONS AND EXECUTION OF CONTRACTS

The department heads are authorized to enter into and sign any contract on behalf of the City of Superior in contracts less than \$5,000. Contracts in excess of this amount shall follow the appropriate procedures. Contracts in excess of \$5,000 shall be signed by the mayor and the city clerk.

REQUIRED SOLICITATION OF QUOTATIONS FROM CONTRACTORS

Solicitations for goods and services (requests for proposals or RFPs) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product or service to be procured. Descriptions shall not contain features which unduly restrict competition.
2. Requirement which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
3. Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
4. The specific features of descriptions that bidders are required to meet when appropriate. Specific "brand name or equal" descriptions are only applicable when department head has determined that the city's need can only be fulfilled by the purchase of a specific model or make.
5. A description of the format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
6. The date by which proposals are due.
7. Required delivery or performance dates/schedules.
8. Clear indications of the quantity(ies) requested and unit(s) of measure.

EXTENSION OF DUE DATES AND RECEIPT OF LATE PROPOSALS

Solicitations should provide for sufficient time to permit the preparation and submission of offers before the specified due date. However, an extension may be granted if a prospective offeror so requests and is approved. If an extension is granted, it shall be documented in an addendum.

Contractor proposals are considered late if received after the due date and time specified in the solicitation. Late proposals shall be so marked on the outside of the envelope and retained, unopened, in the procurement folder. Contractors that submit late proposals shall be sent a letter notifying them that their proposal was late and could not be considered or award.

EVALUATION OF PROPOSERS

Proposers shall be evaluated that considers some or all of the following criteria as appropriate for the purchase:

1. Adequacy of the proposed methodology.
2. Skill and experience of key personnel.
3. Demonstrated experience.
4. Other technical specifications designated by the department requesting proposals.
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Proposer's financial stability.
7. Results of communications with references supplied by proposer.
8. Ability/commitment to meeting time deadlines.
9. Cost.
10. Other criteria to be specified by the department requesting proposal.

Not all of the preceding criteria may apply in each purchasing scenario. However, the department responsible for the purchase shall establish the relative importance of the appropriate criteria prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

After a contractor has been selected and approved by the Department Head, the final selection shall be approved by others according to City of Superior's purchase of services policies.

PROVISIONS INCLUDED IN ALL FEDERAL FUNDED PROJECTS

****Include list from pages 65 & 66.**

VERIFICATION OF AWARDED CONTRACTORS

The Contract Analyst will perform additional procedures to validate the legitimacy of awarded contractors. The contract analyst shall perform a limited public records search and shall contact the contractor to validate its existence.

PROCEDURES FOR NON-AWARDED VENDORS OR CONTRACTORS

Once an award is made for a solicitation, all bidders must be notified in writing of the results. Persons challenging a bid award or an order for any reason shall notify the common council prior to approval of the award or order, as per city ordinance section 2-377.

Contract Administration:

1. A separate electronic and paper contract file shall be maintained for all contracts.
2. All original agreements and leases with signatures shall be filed in the City Clerk's office.
3. Each contract file shall contain: Request for Bid or Proposal, vendor list, record of public posting, copies of bids received, selection/evaluation procedures, evaluation criteria and scoring sheet, scores of all bids evaluated, records of any presentations or meetings with bidders, award letter, rejection letter(s), final signed agreement, original bond, current insurance certificate, invoices, amendments, and correspondence.
4. No work or purchase shall be authorized until the contract for the work or purchase has been approved and fully executed.
5. No change in the work or purchase shall be authorized until an amendment to the contract has been approved and fully executed.
6. The responsible department head will authorize payment of invoices to contracts after final approval of work products.

PUBLIC ACCESS TO PROCUREMENT INFORMATION

Procurement information shall be a public record to the extent provided by state and federal law and shall be available to the public as provided by the City of Superior Public Records Official Notice, adopted by the Common Council on December 16, 2003.

MODIFICATIONS OF CONTRACTS

The contract analyst, after consultation and approval with the city attorney, may modify or delete existing and add new contractual provisions and clauses to all forms of supply, service and construction contracts utilized by the city, provided that such modification, deletions, or additions are supported by a written determination.

CANCELLATION OF INVITATION FOR BIDS OR REQUESTS FOR PROPOSALS

An invitation for bids, a request for proposals, or other solicitation may be delayed or cancelled, or all bids or proposals may be rejected in whole or in part as may be specified in the solicitation, only if it is determined in writing by the responsible department head that such action is taken in the best interests of the city.

CONFLICTS OF INTEREST CITY ORDINANCE SEC. 2-348

No official or employee, whether paid or unpaid, shall engage in any business or transaction or shall act in regard to financial or other personal interests, direct or indirect, in a manner which is incompatible with the proper discharge of his or her official duties or which would tend to impair his or her independence of judgment or action.

1. *Incompatible employment.* No official or employee shall engage in or accept private employment or render service, for private interests, when such employment or service is incompatible with the proper discharge of his or her official duties or would tend to impair his or her independence of judgment or action in the performance of his or her official duties, unless otherwise permitted by law.
2. *Disclosure of confidential information.* No official or employee shall, without proper authorization, disclose confidential information nor use such information to advance the actual or anticipated financial or personal interest of any person.
3. *Gifts; kickbacks.* No person may directly or indirectly offer or give to any officer or employee, and no officer or employee may directly or indirectly solicit or accept from any person any gift, favor or other thing of value if it could reasonably be expected to influence the officer's or the employee's vote, official actions or judgment or could reasonably be considered as a reward for any official action or inaction. No officer or employee shall directly or indirectly solicit or accept any kickbacks.
4. *Representing private interests before city agencies or courts.* No officer or employee shall appear on behalf of any private person, other than himself or herself, his or her spouse or minor children, before any city agency. However, members of the common council may appear before city agencies on behalf of their constituents in the course of their duties as representatives of the electorate or in the performance of public or civic obligations.
5. *Contracts with the city.* No city officer or employee shall in his or her official capacity participate in the making of a contract in which he or she has a private pecuniary interest, direct or indirect, or perform in regard to that contract any function requiring the exercise of his or her discretion, or shall enter into any contract with the city unless, within the confines of Wis. Stats. § 946.13.
6. *Improper use of position.* No officer or employee may use or attempt to use his or her public position to influence or gain unlawful benefits, advantages or privileges for himself or herself or others.
7. *Political activity.* No employee is precluded from engaging in political activity provided that such activity does not interfere with normal work performance and is not conducted during normal working hours and does not involve the use of city equipment or property. Employees are specifically prohibited from directly or indirectly coercing any persons to contribute monetary or other types of assistance to any political candidate, party or purpose under provisions of the Federal Hatch Act, employees who are principally employed in an activity which is financed in whole or in part by federal loans or grants cannot become candidates in partisan elections.

SUBRECIPIENTS

MAKING OF SUBAWARDS

From time to time, City of Superior may find it practical to make subawards of federal funds to other entities. All subawards in excess of the simplified acquisition threshold (\$150,000) shall be subject to the conflict of interest policies described in the PURCHASING POLICIES AND PROCEDURES section. In addition, all subrecipients must be approved in writing by the federal awarding agency and agree to the subrecipient monitoring provisions described in the next section.

City of Superior is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate monitoring. Evaluations may include such factors as: *(2 CFR Part 200.331(b))*

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel, or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

In addition, City of Superior shall obtain the following documents from all new subrecipients:

1. Articles of Incorporation
2. Bylaws or other governing documents
3. Determination letter from the IRS (recognizing the subrecipient as exempt from income taxes under IRC section 501(c)(3))
4. Last three years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last three years' audit reports and management letters received from subrecipient's independent auditor (including all reports associated with audits performed in accordance with 2 CFR Part 200.500 – 521, if applicable)
6. Copy of the most recent internally-prepared financial statements and current budget
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations, or monitoring procedures performed in the last three years

MONITORING OF SUBRECIPIENTS

When City of Superior utilizes federal funds to make subawards to subrecipients, City of Superior is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor subrecipients, the following policies apply to all subawards of Federal funds made by City of Superior to subrecipients:

The following required information will be provided to all subrecipients:

1. Federal Award Identification.
 - a. Subrecipient name (which must match the name associated with its unique entity identifier);
 - b. Subrecipient's unique entity identifier;
 - c. Federal Award Identification Number (FAIN);
 - d. Federal Award Date;
 - e. Subaward Period of Performance Start and End Date;
 - f. Amount of Federal funds obligated by this action;
 - g. Total Amount of Federal funds obligated to the subrecipient;
 - h. Total Amount of the Federal award;
 - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - j. Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
 - k. Catalogue of Federal Domestic Assistance (CFDA) Number and Name. City of Superior must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - l. Identification of whether the award is research and development (R & D); and
 - m. Indirect cost rate for the Federal award (including if the de minimis rate is charged per 2 CFR Part 200.414 Indirect (F&A) costs).
2. All requirements imposed by City of Superior on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
3. Any additional requirements that City of Superior imposes on the subrecipient in order for City of Superior to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
4. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between City of Superior and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in 2 CFR Part 200.414(f), Indirect costs.
5. A requirement that the subrecipient permit City of Superior and auditors to have access to the subrecipient's records and financial statements as necessary for City of Superior to meet the monitoring requirements of 2 CFR Part 200; and
6. Appropriate terms and conditions concerning closeout of the subaward.
7. Subawards shall require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.

8. Subawards shall require that subrecipients submit financial and program reports to City of Superior on a basis no less frequently than quarterly.
9. City of Superior will follow up with all subrecipients to determine whether all required audits have been completed. City of Superior will cease all funding of subrecipients failing to meet the requirement to undergo an audit in accordance with 2 CFR Part 220.501. For subrecipients that properly obtain an audit in accordance with 2 CFR Part 200.501, City of Superior shall obtain and review the resulting audit reports for possible effects on City of Superior's accounting records or audit.
10. City of Superior shall assign a staff member the responsibility of monitoring each subrecipient on an ongoing basis during the period of performance. This employee will establish and document, based on her or his understanding of the requirements that have been delegated to the subrecipient, a system for the ongoing monitoring of the subrecipient.
11. Ongoing monitoring of subrecipients will vary from subrecipient to subrecipient based on the nature of work assigned to each. However, ongoing monitoring activities may involve any or all of the following:
 - a. Regular contacts with subrecipients and appropriate inquiries regarding the program.
 - b. Reviewing programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern.
 - c. Monitoring subrecipient budgets.
 - d. Performing site visits to the subrecipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
 - e. Offering subrecipients technical assistance where needed.
 - f. Maintaining a system to track and follow up on deficiencies noted at the subrecipient in order to ensure that appropriate corrective action is taken.
 - g. Establishing and maintaining a tracking system to ensure timely submission of all reports required of the subrecipient.
12. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.
13. In connection with any subrecipient that has been found to be out of compliance with provisions of its subaward with City of Superior, responsive actions by the City shall be determined by the appropriate Department Head and the Finance Director. Such actions may consist of any of the following actions:
 - a. Increasing the level of supporting documentation that the subrecipient is required to submit to City of Superior on a monthly or periodic basis.
 - b. Requiring the subrecipient prepare a formal corrective action plan for submission to City of Superior.
 - c. Requiring that certain employees of the subrecipient undergo training in areas identified as needing improvement.
 - d. Requiring documentation of changes made to policies or forms used in administering the subaward.

- e. Arranging for on-site (at the subrecipient's office) oversight on a periodic basis by a member of the City of Superior accounting or grant administration staff.
- f. Providing copies of pertinent laws, regulations, federal agency guidelines, or other documents that may help the subrecipient.
- g. Arranging with an outside party (such as City of Superior's own independent auditors) for periodic on-site monitoring visits.
- h. Reimbursing the subrecipient for allowable expenses and not providing advance of grant funds.
- i. Requiring review and approval for each disbursement and all out-of-area travel.
- j. As a last resort, terminating the subaward relationship and seeking an alternative.

LOBBYING

LOBBYING ACTIVITIES DEFINED

Lobbying activities conducted by the City may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the City or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the City is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the City supports or opposes), and
2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

SEGREGATION OF LOBBYING EXPENDITURES

No lobbying expenditures may be charged directly or indirectly to any federal award (i.e., the City must have a nonfederal source of funds to which such lobbying costs can be charged).

Accordingly, City of Superior segregates all direct and indirect lobbying expenditures in a separate section of the chart of accounts in the general ledger. Where appropriate, lobbying expenditures shall also be allocated their fair and reasonable share of employee benefits and other allocated costs in accordance with cost allocation policies described elsewhere in this manual.

CHARGING COSTS TO FEDERAL AWARDS

OVERVIEW

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

SEGREGATING UNALLOWABLE FROM ALLOWABLE COSTS

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Grant managers and finance personnel shall be familiar with the allowability of costs provisions (2 CFR Part 200.400 – 475, Cost Principles), particularly:
 - a. The list of specifically unallowable costs found in 2 CFR Part 200.421 – 475, Selected Items of Cost, such as alcoholic beverages, bad debts, contributions, fines and penalties, etc.
 - b. Those costs requiring advance approval from federal agencies in order to be allowable in accordance with 2 CFR Part 200.407, Prior Written Approval, such as participant support costs, equipment purchases, etc.
3. No costs shall be charged directly to any federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200.400 – 475, Cost Principles.
4. For each federal award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a federal award or to activity associated with a federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).

CRITERIA FOR ALLOWABILITY

All costs must meet the following criteria from 2 CFR Part 200.402 – 406, Basic Considerations, in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the City or the performance of the award.
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm’s length bargaining, federal and state laws and regulations, and the terms and conditions of the award.
 - c. Whether the individuals concerned acted with prudence in the circumstances.
 - d. Consistency with established policies and procedures of the City, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be “allocable” to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a federal award,
 - b. The cost benefits both the federal award and other work and can be distributed in reasonable proportion to the benefits received, or
 - c. The cost is necessary to the overall operation of the City, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of 2 CFR Part 200 Subpart E, Cost Principles, or the federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the City.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles (GAAP).
7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
8. The cost must be adequately documented.

DIRECT COSTS

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal Award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (2 CFR Part 200.413(a)). City of Superior identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate Program Director and reviewed by the Finance Director.

Time sheets are submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets shall serve as the basis for charging salaries directly to federal awards and nonfederal functions. See the PAYROLL section of this manual for detailed procedures.

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award (i.e., such equipment shall not be capitalized and depreciated for grant purposes, but will be capitalized and depreciated at year-end for financial statement purposes).

SHARED OR JOINT COSTS

Shared or joint costs are those that have been incurred for common or shared objectives and are not easily identifiable with a particular grant or programs, but are necessary to the operation of these grants or programs. Shared or joint costs will be allocated fairly to all objectives benefiting from the costs as described in City of Superior's approved cost allocation plan. Indirect costs, but not shared or joint costs, will be allocated to benefiting grants through the use of an indirect cost rate.

Examples of City of Superior's shared or joint costs are:

- Various employees' salaries and benefits that are shared between CDBG and the General Fund.

Per Federal guidelines, each grant will be charged its fair share of costs. Any costs not reimbursed by a particular funding source will be charged to corporate or other funds that may cover indirect or shared or joint costs after the allocation process is complete.

DIRECT COSTING PROCEDURES

Direct and shared or joint costs are allocated to the benefiting programs using cost pools under the following policies and procedures:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources.
2. As much as possible, costs will first be charged directly to benefiting programs.

3. All remaining shared or joint costs will be allocated on the most meaningful measures, as determined in the City's approved cost allocation plan. This document is filed under separate cover.
4. Program-related costs will be allocated based on relevant activity measures, such as number of meals served, number of children or clients.

CENTRAL SERVICES COST ALLOCATION PLAN

City of Superior prepares and maintains a Central Service Cost Allocation Plan to identify, accumulate, and allocate or develop billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies.

The plan documents the City's method and processes of fairly and equitably allocating the central service costs that will be claimed (either as a billed or an allocated cost) under Federal awards. Costs and other data used to distribute the costs included in the plan will be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards. Central service costs not included in the plan will not be reimbursed.

The City's central service cost allocation plan will be prepared and finalized six months prior to the beginning of each fiscal year in which it proposes to claim central service costs.

ACCOUNTS PAYABLE MANAGEMENT

OVERVIEW

City of Superior strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and bank account reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the contractor invoice for the related goods or services.
- The contractor invoice should be reviewed and approved by a Department Head or Supervisor depending upon the amount of expenditure prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

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

- Disbursements are properly authorized.
- Invoices are processed in a timely manner.
- Contractor credit terms and operating cash are managed for maximum benefits.

RECORDING OF ACCOUNTS PAYABLE

- All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.
- Accounts payable are processed on a weekly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.
- Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the contractor records.
- Invoices received via email will be printed, date-stamped, and initialed by an accounting clerk.
- Any additional copies of the emailed invoice will be deleted.
- No payments will be made from contractor statements.

ACCOUNTS PAYABLE CUTOFF

For purposes of the preparation of the City's monthly financial statements, all contractor invoices that are received, approved, and supported with proper documentation by the fifth day of the following month shall be recorded as accounts payable as of the end of the immediately preceding month, if the invoice pertains to goods or services delivered by month-end.

STANDARD BILL PAYING PROCEDURES

The following is the standard procedure to be followed for all purchasing categories (See the specific spending categories for authorization steps):

1. Invoices or check requests submitted for payment by the City's departments and divisions to the Finance Department must have the necessary approvals for payment and be accompanied by the appropriate documentation. Stamps to aid in the recording of the necessary approvals on invoices and check requests have been provided to the departments and divisions of the City of Superior.
2. All departments and divisions are required to take measures to ensure that each invoice or check request is properly approved and documented prior to entry into the City's accounts payable system and submitted to the Finance Department for payment. Failure to do so will necessitate a delay in payment.
3. All expenditures must be supported by an invoice or other appropriate documentation which has the date of receipt, whether the goods received represent the full or partial order and the initials of the individual who received the goods and/or services on behalf of the City. The initials of the individual with the authority to authorize the payment of the invoice and the date of authorization for payment are also required. In addition, all packing slips which accompany the goods received are to be attached to the corresponding invoice before forwarding to the Finance Department for payment.
4. Ideally, the individual approving the receipt of the goods is not the same person approving the payment of the invoice.
5. Individuals who initials or sign off that the goods and/or services have been received by the city will be held responsible, should it later be determined that the goods and/or services were in fact not received by the City.
6. Invoices shall be received by noon on Tuesday to be processed in the current week. Checks will be printed for all approved invoices and sealed by the Finance Department prior to mailing.
7. The Finance Committee shall be provided with a record of all checks that have been paid in the prior month for review and approval. They shall also be provided a copy of any invoice upon request.

PAYMENT DISCOUNTS

To the extent practical, City of Superior takes advantage of all prompt payment discounts offered by contractor. When such discounts are available and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

EMPLOYEE EXPENSE REPORTS

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form. (See further policies under the

TRAVEL section of this manual.) All required receipts must be attached, and a brief description of the business purpose of the trip or meeting must be noted on the form.

The Staff Accountant will periodically check expense reports against timesheets to ensure agreement of dates and activities.

RECONCILIATION OF A/P SUBSIDIARY LEDGER TO GENERAL LEDGER

At the end of each monthly accounting period, the total amount due to contractors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences will be investigated and adjustments made as necessary. The reconciliation and the results of the investigation of differences must be reviewed and approved by the Finance Director.

Also on a monthly basis, the Staff Accountant shall perform the following procedures:

1. Check all statements received for unprocessed invoices.

TRAVEL

This policy applies to any employee or non-employee who incurs travel, or business expenses on behalf of the City of Superior. The City of Superior will reimburse reasonable travel, meals, lodging, and out-of-pocket expenses incurred while conducting business on behalf of the City of Superior.

In order to reimburse business expenses on a tax-free basis, federal tax rules and Internal Revenue Service requirements must be followed. The City of Superior's Travel, and Business Expense Policy satisfies the IRS definition of an "Accountable Plan". Under IRS Accountable Plan rules, travel advances and reimbursement of expenses must meet the following three requirements:

1. Your expenses must have a business connection – that is, you must have paid or incurred reasonable expenses while performing services as an employee or representative of the City of Superior.
2. You must adequately account to the City of Superior for these expenses within 30 days of the end of your travel.
3. You must return any excess reimbursement or allowance within 30 days as well.

POLICY OVERVIEW

Purpose: These policies are intended as a guide to reimburse individuals for necessary travel, and business expenses related to City of Superior business. These policies are not intended to cover every possible situation. Items of an unusual nature should be discussed with a member of the Finance Department prior to the submission of expenses.

Scope: These policies apply to any employee or non-employee who incurs travel, and/or business expenses while conducting business on behalf of the City of Superior.

General: Expenses incurred while conducting official City business must be accomplished in a manner that meets business needs and minimizes costs. It is the traveler's responsibility to report travel expenses in a responsible and ethical manner. Employees are encouraged to support cost effective measures by evaluating the need to travel and exploring the potential of using other less expensive alternatives such as e-mail, webcasts, or telephone conferencing.

Reimbursement: The City of Superior does not reimburse travel and business expenses on a per diem basis. Travel and business expense reimbursement is based on actual expenses incurred. Original receipts must be submitted for all travel and business expenses. Lost receipts require a statement from the traveler explaining the expense, and must have approval from a Department Head.

Tax Considerations: Compliance with this policy is necessary to satisfy the Internal Revenue Service definition of an "Accountable Plan", whereby the reimbursements would not have to be recognized as income and reported on Form W-2. Under IRS Accountable Plan rules, travel advances and reimbursement of expenses must meet all three of the following requirements.

- Your expense must have a business connection – that is, you must have paid or incurred the expenses while performing services as an employee or representative of the City of Superior.
- You must provide a statement (Travel Expense Report) substantiating the amount, time, and business purpose of expenses within 30 days of the time you incurred the expense.
- You must return any excess reimbursement or allowance within 30 days of the time you incurred the expense.

In the event your expenditure does not meet all three of the requirements above, reimbursement will be considered as paid under a “nonaccountable plan” and will be treated as taxable income to the employee or recipient and will be subject to required payroll tax withholding, and reported on the employee’s Form W-2.

AUTHORIZATION TO TRAVEL

A Request for Travel Authorization (RTA) form is required for all seminars, meetings, training and appearances in which there is a cost to the City of Superior.

- Employees who frequently work within a 100 mile radius of Superior are not required to submit an RTA provided the travel is within the scope of their normal course of business and the travel will not result in any additional expenses beyond fuel and/or mileage reimbursement. (Example: Use of City or personal vehicles to attend meetings or visit satellite locations – Libraries, Parks...)

A RTA form must be completed by the traveler and approved by the Department Head or designee. Per diem rates may only be used to estimate the cost of the travel, but actual receipts are required for reimbursement. Per diem rates can be found on the internet at: www.gsa.gov. The Department Head is responsible for determining if budgeted funds are available prior to approving the travel.

The approved RTA should be delivered to the Mayor’s office where it will be assigned a travel order number and approved by the Mayor.

Once an employee’s RTA is approved, the employee may request a travel advance. The advance amount may not exceed the estimated out-of-pocket expenses for the trip. If actual costs are less than the amount advanced, the employee must return the excess allowance within 30 days of completion of travel.

An employee who engages in travel that is partially or wholly funded or reimbursed by a source other than the City must still complete a RTA. An employee who receives a reimbursement check from a source other than the City must immediately endorse and sign the check over to the City Treasurer.

TRAVEL EXPENSE REPORT (TER) FORM

A statement (Travel Expense Report) substantiating the amount, time, and business purpose of expenses must be submitted to the Finance Department within 30 days of the time you incurred the expense.

- An acceptable TER includes original receipts for all expenses claimed for reimbursement.
- The Finance Department is allowed to reimburse the full amount on the TER as long as the actual expenses do not exceed the original RTA by more than 10%. In the event actual travel expenses exceed the RTA by more than 10%, the Mayor and Department Head must approve the excess amount prior to reimbursement.

LODGING EXPENSE

The City of Superior will pay actual room costs as substantiated by the detailed hotel bill for each day that lodging away from home is required for business reasons. Itemized lodging receipts must separate lodging charges from other charges (meals, telephone, in-room services, etc.).

- Travelers should choose convenient, safe, and reasonably priced accommodations whenever practical.
- When making lodging reservations, the traveler should request the “government rate”, which is generally lower than the standard rate and is exempt from sales tax.
- Contact the Finance Department if a tax exemption certificate is requested by the hotel.
- Additional accommodation costs over and above the standard rates for personal or family reasons must be borne by the traveler.

MEAL EXPENSE

The City of Superior will reimburse travelers for reasonable meal expenses (breakfast, lunch, dinner) incurred while traveling away from home or while conducting City business.

- IRS regulations emphasize that reimbursement for meals when overnight travel is not required fails the “business connection” test as a travel expense and is subject to applicable payroll taxes. Reimbursement for meal expenses incurred during same-day travel/training will be processed through payroll as taxable wages. Actual meal receipts are required for reimbursement.
- A “reasonable” meal reimbursement amount cannot exceed the Federal per diem rate for the travel destination. Per diem rates can be reviewed at: www.gsa.gov.
- Reimbursement for meals is based on actual expenses and will require the traveler to submit original receipts. Lost receipts require a statement from the traveler explaining the expense, and must include Department Head approval.
- If expenses include the cost of meals for other persons, the receipt should list the names of individuals present, the business purpose, and the time and place of the expense.
- Tips included on meal receipts will be reimbursed only if they are reasonable (typically 15-20%). Any unusual amounts should be explained.
- Alcoholic beverages are not eligible for reimbursement.

TRANSPORTATION EXPENSE

Travelers are expected to make every effort to use the most economical mode of transportation.

Use of a City vehicle is the recommended mode of transportation. When a City vehicle is used, the traveler must submit actual fuel receipts showing the gallons and price per gallon for reimbursement.

If a City vehicle is not available and use of a personal vehicle is required, the traveler will be reimbursed at the IRS allowable rates as posted at www.irs.gov.

If a traveler chooses to drive his/her personal vehicle when a City vehicle is available, the traveler will only be reimbursed for fuel consumed while traveling. Actual fuel receipts showing the gallons and price per gallon are required for reimbursement.

Travelers who use a City owned vehicle must possess a valid driver's license. If a personal vehicle is used, the traveler must certify that he/she has a valid drivers license and vehicle insurance.

Rental Car: Use of a rental car shall be approved only when other local transportation is not available, or when a rental car is the most economical means of traveling to your destination.

- When a rental car is approved, travelers should be limited to a compact or mid-sized vehicle.
- The City of Superior is self-insured for vehicle liability. Therefore, additional insurance coverage should be waived when renting a vehicle. When completing the rental agency contract, it is important that the traveler sign for the City – not as an individual. For Example;
 - Signature: “For; City of Superior, WI by (your name)”
- Air Travel: When air travel is necessary, employees should seek the most cost-effective airline reservation method available. Local travel agents should be consulted for reservation options.
- Changes to flight schedules are allowable provided that they are made in the best interest of the traveler and City of Superior. Flight changes that result in additional fees will be reimbursed at the discretion of the Finance Director.
- The City will not reimburse for excess baggage fees if not related to City business.

INCIDENTAL EXPENSES

Travelers claiming incidental expenses must submit an itemized receipt showing the dates, and/or the business purpose of the expense.

Personal expenses such as travel upgrades, movies, snacks, toiletries, medicine, etc. are not reimbursable expenses.

Traffic fines, parking tickets and personal auto repairs are not reimbursable expenses.

Combining Personal Travel with Business Travel: When combining personal travel with business travel, reimbursement is limited to expenses for business travel only. The City of Superior will not pay for the additional costs of a spouse, family members, or friend who is accompanying the traveler.

Because it is not possible to anticipate all of the circumstances that individuals may encounter while conducting City of Superior business, it is expected that those requesting reimbursement or incurring business or travel expenses and individuals preparing and approving expenses for payment will follow this Policy in a manner that keeps expenses to a minimum. Any questions about the interpretation or restrictions of this policy should be directed to the City Finance Department.

CELL PHONES

ISSUANCE OF CITY CELL PHONES

City of Superior recognizes that certain job functions require that an employee be accessible when away from the office or during times outside scheduled working hours. For this reason, City of Superior will provide cell phones to select employees as a working condition fringe benefit. City of Superior will include language in employment contracts, job descriptions, and personnel manuals documenting the business reasons for providing employees with cell phones.

City cell phone holders will be required to sign a statement acknowledging that the cell phone shall be used for legitimate City-related business purposes. The cell phone holder also agrees to take reasonable precautions to protect the cell phone from loss or theft by storing it in a secure location. Upon approval, a cell phone will be issued bearing the names of both the individual and City of Superior.

While City-issued cell phones are intended for City-related business use, City of Superior recognizes that occasional personal use may occur. City of Superior employees should make every effort to keep personal use of company cell phones to a minimum (less than 15 minutes per day). Because such employer-provided cell phones are considered to be a working condition fringe benefit, the City of Superior employees' use of the cell phone for personal reasons may be treated as excludable from the employees' income as a de minimis fringe benefit. That is, the value of personal use of a City-owned cell phone will not be taxable income to the employee.

CELL PHONE USE

Employees of City of Superior are prohibited from using a corporate-owned cell phone or similar device, hands-on or hands-free, while driving, whether the business conducted is personal or City-related for the purpose of text messaging, accessing the Internet or receiving or responding to email, checking for or listening to voice messages, or any other uses.

Similarly, employees of City of Superior are prohibited from using their personal cell phone or similar device for text messaging, accessing the internet, receiving or responding to email, hands-on or hands-free, while driving either a company vehicle or a personal vehicle while on company business.

CELL PHONE PLANS

All corporate-owned cell phones are to be acquired through preapproved contractors. Exceptions to this policy may be made due to cell phone area coverage. Any exceptions must be approved by the employee's supervisor. Employees issued a corporate cell phone will estimate their usage needs and identify a plan that best accommodates those needs with the pre-approved contractor.

Cell phone plan terms will initially be set based on the employee's anticipated needs.

The employee's supervisor will monitor usage and recommend adjustments to terms as needed to ensure that the employee is on the most efficient plan based on his or her needs. Initial cell phone plan terms and any subsequent changes in terms will be approved in advance by the Department Head.

City of Superior requires the following review and approval procedures:

- Supervisors shall review and sign the monthly statement for cell phone holders they supervise and forward it to the Finance Department.
- The Finance Director will approve cell phone statements for the Department Heads.
- Supervisor signatures indicate that the usage is approved and that the calls were made in accordance with City of Superior policies.
- Any fraudulent or other unauthorized usage shall be immediately pointed out to the Finance Director for further investigation with the cell phone provider.

Cell phone holders shall report the loss or theft of a corporate cell phone immediately by notifying the cell phone provider as well as the Finance Director and Information Services Director.

REVOCAION OF CITY CELL PHONES

Failure to comply with any of these policies associated with the use of City of Superior's corporate cell phones shall be subject to possible revocation of corporate cell phone privileges. The Finance Director, with the approval of the Department Heads, shall determine whether cell phones are to be revoked.

EMPLOYEE CELL PHONES

Use of personal cell phones during City paid time should be considered a privilege as long as there is no abuse by staff. Each department may restrict carrying or use of cell phones by staff as deemed appropriate for the department working conditions in the judgment of the Department Head with advance notice to staff. Excessive personal calls or abuse of cell phone privileges during working hours will subject an employee to discipline as well as restriction on carrying and use of personal cell phones.

Employees needing to make periodic legitimate City business calls when they are off-site may elect to utilize their personal cell phones for such calls. The City shall reimburse employees and officers for properly supported and documented business calls charged to personal cell phones within five business days of the proper completion of an expense report. Reimbursement will be calculated as a percentage of the total monthly usage. For example, if 10% of the minutes for the month were used for City-related calls, City of Superior will reimburse 10% of the bill. See the earlier policy on

TRAVEL for expense report preparation procedures.

CAMERA PHONES

Use of camera phones, whether City or Personal must be in compliance with the City Code of Ethics and respectful of client and staff privacy rights. Photographs should not be taken contrary to a person's wishes, or where a client or personal confidentiality or privacy may be violated. Absolutely no lewd or obscene photographs may be taken or displayed at work. Violations may result in confiscation of the camera cell phone in addition to discipline.

PERSONAL CELL PHONES OR SIMILAR DEVICES AT WORK

Employees of City of Superior are asked to minimize the use of personal cell phones in the workplace. In an emergency situation, employees may carry their personal cell phones in vibrate mode.

Carrying or use of personal cell phones on City of Superior premises is a privilege for employees, who are expected to abide by this policy regarding cell phone use. Violations of this policy may result in revocation of the permission to carry a cell phone on City premises in addition to discipline up to and including discharge depending on the violation.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

CHECK PREPARATION

City of Superior Finance Department prints contractor checks and expense reimbursement checks on a weekly basis. All contractor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all contractors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run are monitored in conjunction with available cash balance in the bank prior to the release of any checks.
5. Checks shall be utilized in numerical order and unused checks are stored in a locked room in the finance department.
6. Checks shall never be made payable to “bearer” or “cash.”
7. Checks shall never be signed prior to being prepared.

MANUAL CHECK SIGNING

The only manual check signing allowed relates to the City’s petty cash account for travel.

Checks shall be signed by an individual other than the one who approved the transaction for payment.

Check signers should examine all original supporting documentation to ensure that each item has been properly reviewed prior to signing a check. Checks should not be signed if supporting documentation is missing or there are any questions about a disbursement.

NON-MANUAL OR ELECTRONIC CHECK SIGNING

Only specific authorized Finance personnel have access to print vendor checks with electronic signatures on each check. Capability is limited to two printers within the Finance Dept. to print electronic signatures.

PROCEDURE FOR PRINTING, SEALING, AND DISBURSING CHECKS

1. Staff accountant prints an “Expense Approval Listing” and gives it to Assistant Finance Director for review and approval.
2. Staff accountant then prints the checks. Checks are signed using computer generated signatures. The signatures are the City Finance Director and the City Clerk.
3. Copies of the check are attached to the invoice and are scanned to an electronic file.
4. Staff accountant prints the check registers, Expense Approval Listing and check disbursement log and submits to Assistant Finance Director who compares the EAL and check disbursement log. Assistant Finance Director initials the reports and verifies the check numbers used.
5. After checks are printed, Staff accountant gives checks and check register to Planning Department Staff Assistant to prepare for mailing. Planning Department Staff returns copy of check register to Finance Department which indicates how each check was handled either mailed or delivered to other City staff for mailing.

VOIDED CHECKS AND STOP PAYMENTS

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as “VOID.” All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed online by finance personnel with this authority. A journal entry is made to record the stop payment and any related bank fees.

RECORDKEEPING ASSOCIATED WITH INDEPENDENT CONTRACTORS

City of Superior shall obtain a completed Form W-9 or equivalent substitute documentation from all contractors to whom payments are made (see the Accounts Payable Management policies). A record shall be maintained of all contractors to whom a Form 1099 is required to be issued at year-end. Payments to such contractors shall be accumulated over the course of a calendar year.

CREDIT CARDS/PURCHASING CARDS

ISSUANCE OF CITY CREDIT CARDS OR PURCHASING CARDS

City of Superior recognizes that there will be occasions when employees need to use a corporate credit card for travel or other City-approved purposes. Therefore, the City has credit cards that are issued to employees upon approval by the Finance Department. The cards will be retained by the employee who was assigned the card.

City issued credit cards are provided to approved staff in order to make purchases of goods and/or services on behalf of City of Superior. All City transactions shall be traceable to an authorized employee.

SALES TAX

Card users should remind contractors at the time of purchase that according to the tax laws in Wisconsin, City of Superior is exempt from sales tax. Cardholders should keep a copy of City of Superior's sales tax exemption form with them to present to the contractor at the time of purchase. If a cardholder is charged sales tax for a card purchase that should be tax exempt, the cardholder should contact the contractor directly to request a credit for the amount of the sales tax.

CREDIT CARD POLICY

It is the policy of the City of Superior to provide select employees with corporate credit cards for the purpose of conducting City of Superior business. Regular, full-time employees may apply for a Corporate Credit Card but must obtain prior, written approval from their supervisor using the attached support document. Final approval and credit limit is at the discretion of the Finance Director.

Cardholders and their supervisors are responsible for ensuring that they adhere to the Credit Card Policy, thereby ensuring adequate controls are exercised to minimize the risk that Corporate Credit Cards are used for fraudulent or corrupt purposes.

Corporate Credit Cards may only be used for City of Superior Business and cannot be used to obtain cash advances, bank checks, traveler's checks, or electronic cash transfers, or for personal expenses. Misuse of the card will result in cancellation of the card and withdrawal of Corporate Credit Card privileges. If the card is used for an employee's personal expenses, the employer reserves the right to recover these monies from the employee cardholder. Cardholders will be required to sign a declaration authorizing the company to recover, from their salary, any amount incorrectly claimed.

Corporate Credit Card expenditures must be reconciled and submitted with original receipts to the Finance Department within 10 business days of the statement date. Cardholders who have not reconciled and submitted their monthly expenditure within this period will be asked to reconcile and submit their monthly expenditures immediately. Continued or repeated non-conformance to this policy will result in cancellation of the card and such other actions as appropriate. If the card expenditures are not reconciled and submitted within a month of the statement date or a plausible explanation has not been received by the Finance Department, the employee's Corporate Credit Card will be cancelled.

Audits of Cardholder purchases will occur on a monthly basis by Accounts Payable/Finance personnel.

CARD USER RESPONSIBILITIES

- Cardholder is ultimately responsible for the safety and security of their card.
- Cardholder must retain transactional evidence to support all credit card charges. An original receipt and packing slip would be considered acceptable support for reimbursement of claimable business expenses on the Corporate Credit Card.
- Credit card purchases without receipts are ultimately the responsibility of the cardholder. Failure to provide receipts or a credible explanation for the unsupported expenditure could result in a deduction from the cardholder's salary.
- Reimbursement for return of goods and/or services must be credited directly to the credit card account. No cash should be received by the cardholder.
- Corporate Credit Card expenditures must be reconciled with Accounts Payable within 10 business days of the Statement Date. Continued or repeated non-conformance to this Policy can result in cancellation of the card and/or such other actions as appropriate.
- Disputed transactions must be resolved with the Supplier and the Bank by the Cardholder. The Cardholder must notify the Bank immediately for resolution and should inform Accounts Payable/Finance of the dispute.
- Lost or stolen credit cards must be reported immediately to the Bank and City Finance Director.

Application for a Corporate Credit Card

Employee Name: _____

Position: _____

Credit Card Limit Requested: \$_____

I am applying for a corporate credit card.

I have read the City of Superior credit card policy and I understand and agree that:

- I bear ultimate responsibility for the Corporate Credit Card.
- I will not use the Corporate Credit Card for personal expenses or to withdraw cash.
- I will only use the Corporate Credit Card for official business on behalf of the City of Superior.
- If I misuse the card (i.e., use it otherwise than in accordance with the instructions given to me in this agreement or related policies) or otherwise fail to reconcile my expenditures within the prescribed procedures and timeframe, I authorize the company to recover the funds through payroll deductions for any amounts incorrectly claimed or for reconciliations that are one month in arrears of the statement date.
- I understand that failure to abide by the corporate credit card policy can result in disciplinary action up to and including termination of employment.
- If the corporate credit card is lost or stolen, I will report it immediately to the Finance Director or Assistant Finance Director.
- If I resign from the company, I will return the card with a final reconciliation of all expenditures prior to departure.

Signature of cardholder

Date

Signature of supervisor

Date

Signature of Finance Director

Date

PAYROLL AND RELATED POLICIES

CLASSIFICATION OF WORKERS AS INDEPENDENT CONTRACTORS OR EMPLOYEES

City of Superior considers all relevant facts and circumstances regarding the relationship between the City and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between City of Superior and the individual and is based on IRS regulations. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

The City's Finance Director in consultation with the Human Resources Director shall make the final determination.

WAGE COMPARABILITY STUDY

City of Superior will perform wage comparability studies every three (3) years to ensure the salary and wage structure is similar to other entities of like size and employee base in its area. Please see the City's Personnel policy manual for details on the City's compensation plan.

PAYROLL ADMINISTRATION

City of Superior operates on a biweekly payroll. A personnel file is established and maintained for all employees with current documentation, as described throughout this section and more fully described in City of Superior's Personnel Policy Manual.

The following forms, documents, and information shall be obtained and included in the personnel files of all new employees:

1. City of Superior Employment Application (and resume, if applicable)
2. Applicant references (work & personal)
3. Interview questions and notes
4. Form W-4 Employee Federal Withholding Certificate
5. Form WT-4 State Withholding Certificate
6. Form I-9 Employment Eligibility Verification
7. Copy of driver's license
8. Copy of Social Security card issued by the Social Security Administration
9. Starting date and scheduled hours
10. Job title and starting salary
11. Authorization for direct deposit of paycheck, along with a voided check or deposit slip
12. Job description

For employees without a current, valid driver's license or Social Security card, acceptable alternative documents include the unexpired acceptable documents allowable by the U.S. Citizenship and Immigration Services as listed on the Form I-9 in effect at the date of hire (<https://www.uscis.gov/i-9>).

Each employee payroll file shall also indicate whether the employee is exempt or non-exempt from the provisions of the Fair Labor Standards Act.

All new employees are required to have reference and credit checks.

CHANGES IN PAYROLL DATA

All of the following changes in payroll data must be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the Human Resources Director, as required by City policy.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Documentation of all changes in payroll data shall be maintained in each employee's personnel file.

PAYROLL TAXES

The Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Finance Department may utilize the services of an outside payroll service center for the processing of payroll, as determined by the Finance Director.

The Human Resources Department will request an updated Form W-4 from each employee in January of each year. If there are no changes from the prior year, employees are not required to provide a new W-4. Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

STANDARDS OF DOCUMENTATION FOR PERSONNEL EXPENSES

City of Superior follows the requirements in 2 CFR Part 200.430(i), Standards for Documentation of Personnel Expenses, as well as requirements in specific grants.

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into the official records of the City;
3. Reasonably reflect the total activity for which the employee is compensated;
4. Encompass both federally assisted and all other activities compensated by the City on an integrated basis;
5. Comply with the established accounting and financial policies and practices of City; and
6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect cost activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

PREPARATION OF TIME RECORDS

Each City of Superior employee must submit to the Finance Department an approved time record on the first day following the close of each pay period but no later than the 3rd day following the close of each pay period. Time records shall be prepared in accordance with the following guidelines:

1. Each time record shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Time records shall be prepared on paper.
3. Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e., employees shall not use white-out or correction tape).
4. Employees shall identify and record hours worked based on the nature of the work performed.
5. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such.
6. Time records shall be signed by the employee prior to submission.

After preparation, Department Heads or their designees shall approve timesheets prior to submission to the Finance Department. Corrections identified by an employee's supervisor Department Head shall be authorized by the employee by initialing next to the change.

An employee who is on leave, traveling, or is ill on the day that timesheets are due may telephone or email timesheet information (actual time worked and the appropriate classifications) to his or her supervisor (or designated alternate). The employee must initial a timesheet submitted in this manner immediately upon his or her return to the office. Timesheets submitted in this manner shall bear the notation, "Time reported by telephone or email by (employee) to (supervisor or designated alternate)." The timesheet shall be signed by the supervisor or the designated alternate.

PROCESSING OF TIMESHEETS

The Payroll Technician will process the timesheets by checking them for mathematical accuracy (not required if timesheets are electronic), then entering all timesheets into the payroll system.

The Payroll Technician may not change or correct timesheets. When errors are noted, corrections are made on the next payroll.

Tampering with, altering, or falsifying time records, recording time on another employee's time record, or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including discharge.

REVIEW OF PAYROLL

Upon production of all payroll reports and checks, the Finance Director reviews payroll prior to its distribution to employees. The Finance Director or Assistant Finance Director shall sign and date the payroll register indicating approval of the payroll.

These procedures are followed for conducting the payroll audit every period:

1. Process the Hours Proof component to the financial system
 - a. Print the report, Hours Proof Listing.
 - 1) Review reports generated in the Hours Proof component for verification of accuracy.
 - 2) Read with Human Resources to verify data entry and compliance with the handbook.
2. Process a report that will alert the Payroll Technician if there are employees with no hours entered for the current payroll.
3. Process the Calculations component to the financial system
 - a. Review reports generated in the Calculations component for verification of possible shortages of wages for employee portion of benefits, credit union payments, reimbursement, etc. as well as for accuracy.
 - b. When election employees are processed, a one-time amount report is printed and reviewed for data entry accuracy and to verify that no taxes were deducted.
 - c. Print Payroll Register.
 - 1) Verify changes that were processed (credit union deductions, terminations, HSA, ICMA, transfers to VantageCare, etc.).
 - 2) Give to Staff Accountant and Accountant to verify taxes, retirement accounts, etc. Payroll Technician is notified when their audits are complete before continuing to the next payroll component.

4. Process the Print Check component to the financial system.
 - a. A Payroll Register is printed to verify the number of checks distributed to each account number. This copy is given to the Human Resource Department for their review and records.
 - b. Two copies of an Accrual Register are printed. One copy given to the Human Resource Department for their review and records. The other copy is distributed to appropriate departments for supervisor review and records.
 - c. All other reports that are generated are reviewed and some printed for the continuation of the payroll process and verification of accuracy when the transfer of funds is made for payroll.

DISTRIBUTION OF PAYROLL

Payroll payments (or check stubs for electronic deposits) shall be distributed by individuals who do not approve timesheets, are not responsible for hiring and firing, and do not control the preparation of payroll.

INTERNAL AUDIT OF PAYROLL DATA

City of Superior will conduct an annual internal audit of certain payroll data. This internal audit shall be performed by the City's Internal Auditor. The purpose of this internal audit is to determine the integrity of the City's payroll records. The internal audit shall include the following procedures:

1. Tracing a sample of salaries, withholdings, deductions, and direct deposit information to supporting documentation in each selected employee's payroll and/or personnel file.
2. Tracing a sample of new hires and departures to personnel files, including verification of first and last pay dates.
3. Cross-checking the payroll master files for employees with identical addresses, social security numbers, or direct deposit bank account information.

Any unexplained deviations found as a result of these internal audit procedures shall be reported to the Finance Committee.

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

DEPOSIT AND INVESTMENT ACCOUNTS

CASH AND CASH EQUIVALENTS

The City maintains several cash and investment accounts, including pooled funds that are available for use by all funds. Cash and cash equivalents are recorded at cost. Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

- U.S. Treasury obligations and Government Agency Securities
- Certificates of Deposit
- General Obligation Bonds or Securities
- Repurchase agreements
- State of Wisconsin local government investment pool

FEDERAL GRANT FUNDS

All advances of federal funds shall be deposited in an interest-bearing account and interest earned in excess of \$500 shall be returned to the Federal Payment Management System (PMS). Interest earned on such funds will be allocated to federal awards based on the percentage of funds received during the month for each award.

AUTHORIZED SIGNERS

The City Council approves all authorized signers of accounts held in the City's name and to be used for City purposes, include all departments of the City. The Finance Department will retain a complete listing of all deposit and investment account authorized signers.

Finance Director will promptly notify the City's financial institutions of changes in authorized signatures upon the departure of any authorized signer. Refer to the Check Signing section of this manual for procedures.

BANK RECONCILIATIONS

Bank account statements are received each month by the Finance Department and a copy forwarded to the appropriate individual for reconciliation. The assigned individual shall review the statement contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. (This review must be performed in a timely manner so that reconciliation of the bank account is not delayed.) Unusual or unexplained items shall be reported immediately to the Finance Director for proper and timely resolution.

After this review is complete, a reconciliation between the bank balance and general ledger balance is completed. The bank reconciliation process will be completed within one week of receipt of each bank statement.

The reconciliation process shall involve an inspection of the fronts and backs of cancelled checks, check image, etc.. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual endorsements, or other signs of fraudulent activity. If the City's financial institution does not return original cancelled checks or paper copies thereof, the person preparing the monthly bank reconciliation shall view electronic copies of cancelled checks provided by the financial institution via CD-ROM or Internet access to the Institution's website.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed and approved by the Finance Director on a monthly basis. Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files.

CASH FLOW MANAGEMENT

The Finance Director monitors cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

City of Superior adheres to the requirements of its grants which prohibit loaning funds between programs; therefore, cash management and reporting is performed at the program level as well as for the City as a whole.

STALE CHECKS

City of Superior will write off checks of \$100 or less that are more than 12 months old that have not cleared the City's bank. For uncashed checks that are more than 12 months old and that exceed \$100, contact will be made with the payee to resolve the issue.

All stale checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written or the expenditure incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit shall be to miscellaneous income.

City of Superior will also comply with the Wisconsin statute 59.66 regarding unclaimed property and shall file all appropriate forms and remit unclaimed property to the Douglas County Treasurer.

PETTY CASH AND CHANGE FUND

City of Superior will provide imprest funds for valid, minor office expenditures, and will periodically replenish these funds up to its authorized balance of \$1,000. The Account Clerk is responsible for ensuring that the petty cash fund is locked at all times.

All disbursements from the petty cash fund must be accompanied by a completed and approved petty cash voucher. Receipts are required for all disbursements from petty cash.

STANDARD PROCEDURES

Department units that make purchases in circumstances, which do not permit usual City purchasing procedures, may request the approval for a petty cash fund. Before requesting establishment of a petty cash fund, the responsible Department Head ascertains that the goods to be purchased cannot be obtained by vendors using the existing standard purchasing procedures.

If a department collects cash and makes change, the responsible department head may request a change fund. A change fund shall consist of a fixed amount of cash solely for this purpose. A single fund shall not be used for both petty cash and change fund purposes. Each fund must remain physically separated from other department funds. The Department Head will need to obtain permission from their appointed committee and the Finance Committee to establish a petty cash or change fund. Full City Council approval must be obtained prior to receiving the start-up money for the petty cash or change funds.

FUND CUSTODIAN

The Department Head designates a fund custodian who is responsible for maintaining the petty cash and change funds. The Department Head then notifies the Finance Department of the designated fund custodian.

CHANGE OF CUSTODIAN

The responsible Department Head or Department Manager notifies the Finance Department by memorandum when a new individual becomes custodian of an existing petty cash or change fund, provided the person giving the notification is not the same person being named custodian. The fund custodian insures that the fund is replenished before it is turned over to the new fund custodian.

PROHIBITED USES

Petty Cash - Only appropriate and legitimate City expenses are to be paid from a petty cash fund. Since cash purchases bypass Purchasing control over procurement, the Fund Custodian and the appropriate Department Head must carefully restrict and monitor petty cash funds. Petty cash funds **will not** be used for the following types of purchases:

- Employee travel expenses
- Entertainment expenses with the exception of client activities where no other payment method is practical
- Personal items or services
- Payment of City employees for services rendered
- Cashing of personal checks
- Employee advances

Change Funds - Change funds are established solely for the purpose of making change in departments that collect cash. The amount of cash in the change fund must always equal the original amount. Change funds **will not** be used for the following:

- Cashing of personal checks
- Purchase of goods or services
- Borrowing money from the fund for any reason

ESTABLISHING OR INCREASING PETTY CASH OR CHANGE FUNDS

The Finance Committee, and full City Council must approve all new petty cash or change funds or increases to existing funds. To request an increase or to establish a petty cash or change fund, the department head will initiate a requesting memorandum the Finance Committee. The memorandum should include the following:

- Name of the department, which will assume responsibility for the expenditures.
- Amount of money required – Normally a one-month supply
- Security procedures and facilities
- Specific location of the fund – Building, room number and location within room.
- Name of the custodian who will be responsible for safeguarding and dispensing fund cash.
- Approval signature of the department head.

If approval is granted, Finance Department personnel will prepare a check for the specified amount.

USING THE PETTY CASH & CHANGE FUNDS

Petty Cash - The individual who wishes to make a purchase describes the nature of the purchase to the Fund Custodian. If it is determined that the planned purchase is appropriate and that the purchase cannot be accomplished through the usual City purchase procedures, he or she provides the individual with the cash for the amount of the purchase.

The custodian prepares a brief note to be filed with the fund, which includes:

- Date
- Amount of cash outstanding
- Name of the purchaser
- Nature of the planned purchase, and
- Custodian's initials

At the time of purchase the individual will request that the vendor prepare a written receipt showing the total amount paid. A receipt must evidence all petty cash transactions. At any given time, receipts plus available cash must equal the original amount issued. Petty cash & change funds are subject to periodic audits.

REPLENISHING THE PETTY CASH FUND

Monthly - Petty cash funds should be replenished on a monthly basis, unless remaining funds on hand are sufficient to cover the next months anticipated petty cash expenditures.

End of Fiscal Year - Replenish petty cash funds at the end of the fiscal year (prior to [December 31]) in order to charge expenditures to the proper accounting period.

REQUESTING REIMBURSEMENT

To request reimbursement, submit a voucher summarizing all expenditure receipts. Arrange receipts in chronological order and attach them to the payment voucher.

- Indicate Fund Custodian's name or department name in invoice column and vendor # in column on voucher.
- Type "Reimburse petty cash fund" in purpose column on voucher.
- Add all expenditures and indicate the total.
- Indicate the account codes for the budgets which will assume the expenditures.
- The department head signs on Approved By line of voucher.

The Finance Department will process the voucher for payment after it is received and approved.

SAFEGUARDING THE PETTY CASH & CHANGE FUNDS

Petty Cash & Change Funds - Place petty cash funds, change funds and expenditure documents in a safe place, e.g., safe, vault, locked desk drawer.

Commingling Funds - Do not combine or commingle petty cash funds and associated documents with other funds. Change funds are not to be combined with cash used for other purposes.

Close-Out - When the fund is no longer needed:

- Notify the Finance Department.
- Process all outstanding receipts for reimbursement.
- Deliver the entire amount to the Finance Department to be deposited, along with an account form showing the account number to deposit the funds into.

Recall - The Finance Committee may request that the petty cash or change funds be recalled in the event of becoming inactive or being misused.

The Staff Accountant shall prepare a reconciliation of the petty cash account on a periodic basis. Petty cash reconciliations are subject to review by the, who may also perform periodic surprise cash counts and reconciliations.

WIRE TRANSFERS

The Finance Director, and the Assistant Finance Director and Accountant shall be the only City of Superior employees authorized to transact wire transfers from City of Superior bank accounts. To prevent anyone other than these individuals from transacting wire transfers, a system shall be employed that requires the use of pass codes and the calculation of a test-key for each wire transfer. Pass codes, issued only to these individuals, are assigned by the bank and are changed annually.

INVESTMENTS

OVERVIEW

The City's investments shall be operated in conformance with federal, state, and other legal requirements, including Wisconsin statute 66.04(2). The timely deposit and investment of public monies is an important and integral part of any cash management program.

City of Superior funds shall only be invested in eligible investments as described in a later section of this policy. Acceptance and approval of this statement is intended for the use and guidance of the designated official or officials with investment authority. The responsibility for conducting investment transactions rest with the Finance Director. The Finance Committee will provide any information and/or recommendations to the Treasurer to aid in investment decisions.

This investment policy shall be reviewed annually by the City of Superior Finance Director and the City of Superior Finance Committee. Any recommended changes shall be approved by the City of Superior Finance Committee and the necessary resolution to modify the existing policy shall be presented to the City Council for its action.

PURPOSE

The purpose of this policy is to establish guidelines for investments which are broad enough to allow the Finance Director to function properly within the parameters of responsibility and authority. It assures that the fundamental principles concerning any investment program involving public monies has four basic ingredients: legality, safety, liquidity and yield. It also establishes the City's cash investment objectives, delegation of authority, standards of prudence, reporting requirements and internal controls. This investment policy applies to all investment transactions/activities of the City.

The primary objectives of City investment activities shall be the following in order of importance:

1. To preserve capital in the overall portfolio and to protect investment principal, and
2. Maintenance of sufficient liquidity to meet cash flow needs, and,
3. Attainment of the maximum yield possible consistent with the first two objectives, and
4. Full investment of all available funds.
5. Any cost of or for investments shall be held to a minimum and considered in determining the maximum yield.

STANDARDS OF CARE

The standard of prudence to be used by the Finance Director shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. The Finance Director, acting in accordance with written procedures and the 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 expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The “prudent person” standard states that, “Investments shall be made with judgment and care, under circumstances then prevailing, which 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.”

Pursuant to Wisconsin statute 66.04(2), the authority to invest and re-invest money of the City, to sell or exchange securities so purchased and to provide the safekeeping of such securities is delegated to the Finance Director.

COLLATERALIZATION OF FUNDS

The City shall maintain all cash and investments, which includes authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by securities held by the City, in the City’s name. Collateralization shall cover those deposits in excess of \$650,000 on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit. Funds must be collateralized by U.S. Treasury Obligations and/or other general obligation bonds or securities that meet the eligible investment criteria set forth below. All collateralization is required to be formalized in a written collateral pledge agreement. (CDARS accounts are not collateralized but are FDIC insured up to \$50 million). The City currently holds a letter of credit (LOC) with FHLB (Federal Home Loan Bank) in the amount of \$10,000,000 that renews annually thru October 9, 2025. The LOC serves as collateral for any deposits exceeding the federal limits as previously noted.

ELIGIBLE INVESTMENTS

The investment activity of Wisconsin public funds is governed by Section 66.0603 and other sections of the Wisconsin Statute. The City’s funds will only be invested in the following types of securities:

U.S. TREASURY OBLIGATIONS AND GOVERNMENT AGENCY SECURITIES

Obligations of the United States of America, its agencies and instruments, provided that the payment of the principal and interest is fully guaranteed by the issuer.

CERTIFICATE OF DEPOSIT

Certificates of deposit and other evidences of deposits from the credit unions, banks, savings banks, trust companies or savings and loan associations which are authorized to transact business in the State, which time deposits mature in not more than one year. Any certificate of deposit invested over the FDIC (\$250,000) and State Deposit Guaranteed Fund (\$400,000) insured amounts over \$650,000 are to be fully collateralized.

GENERAL OBLIGATION BONDS OR SECURITIES

Except for obligations issued by tax districts within the State of Wisconsin, which do not have to be rated, all general obligation bonds or securities of any City, city, drainage district, V.T.A. education district, village, town or school district of any other State, if the bond or security is rated in one of the two highest rating categories assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency.

STATE OF WISCONSIN LOCAL GOVERNMENT INVESTMENT POOL

Serves as a valuable complementary investment program. If it has been designated as a public depository by the local governing body, it is fully insured under a Surety Bond issued by Financial Security Assurance, Inc. The State's Public Deposit Guarantee Fund, combined with private insurance, fully insures the principal of the Local Pool.

REPURCHASE AGREEMENTS

Investment agreements pursuant to which a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank, or national bank in the State of Wisconsin agrees to repay funds advanced to it by the issuer, plus interest. Repurchase Agreements are to be secured by investment securities fully guaranteed by the U.S. Government Obligations, and/or General Obligation Bonds or Securities.

OPERATING BANK ACCOUNT

Deposits shall be limited to the lesser of \$650,000 or amounts guaranteed by FDIC and the State Deposit Guarantee Fund unless funds in excess are fully collateralized as required in the Collateralization of Funds section of this policy. Invested overnight funds must meet the same collateralization policy.

ENDOWMENTS

Endowments can only be opened with non-City funds. These monies consist of donations from outside sources only.

ELIGIBLE AMOUNTS

The Finance Director shall ensure amounts on deposit do not exceed collateralized amounts guaranteed by the financial institution, consistent with this written policy.

AUTHORIZED FINANCIAL INSTITUTIONS

A list will be maintained of preferred and approved financial institutions and depositories in accordance with City Council Resolution and Chapter 34 of The Wisconsin Statutes governing Public Deposits to provide investment services. The Finance Director shall maintain this list and update it each year, prior to fiscal year-end.

FEDERAL AWARD FUNDS

Funds to be invested do not include those from federal awards. Such funds will be spent on program requirements as budgeted, or returned to the awarding agency. Any advances of federal funds will be maintained in an interest-bearing account. Interest earned on such funds, up to \$500 per year, will be allocated to federal grants based on a percentage of funds received during the month, and any additional interest will be returned to the Federal Payment Management System.

INVESTMENT ACCOUNTING TREATMENT

All purchased investments shall initially be recorded at cost. All investments acquired by donation to City of Superior shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded based on the existence or absence of such restrictions, as defined in the section on Contribution Accounting in this manual.

Subsequent to acquisition, City of Superior carries all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of City of Superior on a quarterly basis.

Changes in the fair value of investments will be included as a component of revenue with the increase or decrease in the fair value of the investments calculated using the aggregate method.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments (or from investments purchased with contributed funds) shall be classified based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier.

RECORDS AND RECONCILIATION OF INVESTMENT RECORDS

It shall be the responsibility of the City of Superior Finance Director in consultation with the City of Superior Finance Chairperson and/or staff, to establish sufficient records and accounts to provide a monthly reconciliation of all investment accounts to the general ledger. The reconciliation process described in the Deposit Accounts section of this manual shall be followed.

REPORTING REQUIREMENTS

The City Finance Director shall provide the City of Superior Finance Committee and the City of Superior Finance Chairman with a quarterly report of investments including, financial institution, account balances, average interest rate (if available) and interest earned. The Finance Director shall also provide the Finance Committee with copies of a portfolio performance report upon request.

REPORTING PROCEDURES

The following reporting procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the program objectives of City of Superior and accurately reflect the current financial condition of the City:

1. The Finance Director shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
 - a. Date acquired
 - b. Method of acquisition (purchase or donation)
 - c. Cost or basis at acquisition
 - d. Description of investment
 - e. Interest rate (if applicable)
 - f. Date of maturity (if applicable)
 - g. Holder/issuer of security
 - h. Current market value
 - i. Unrealized gain or loss
 - j. Accrued interest receivable (if applicable)
 - k. Income received, year-to-date (i.e., interest, dividends, etc.)
 - l. Credit risk rating and source of rating for investments held in debt securities
 - m. Interest rate risk, including the method and any assumptions used to determine this risk
2. The Finance Director and Investment Advisor shall prepare a schedule of investments for presentation on a quarterly basis for the Finance Committee, and on an annual basis for the City Council.
3. The quarterly investment reports shall detail the portfolio's composition and performance for the quarter and year-to-date, along with a comparison to budget and to the prior year.
4. The annual investment report shall be presented to the City Council at the time the City of Superior audit is presented, outlining in detail the investment portfolio's composition and performance for the fiscal year, along with a comparison to appropriate market indices. The report will show results for the most recently-completed fiscal year and for the last three years.

DEPOSIT AND INVESTMENT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. This risk applies to all investments in securities that are in both paper and book entry form.

Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution
- Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either:

- The counterparty or
- The counterparty's trust department or agent but not in the government's name.

Deposits and investment securities at the end of the period that are exposed to custodial risk shall be disclosed. The City will disclose the following information for exposed deposits:

- Amount of the bank balances that are uninsured and manner of risk exposure (as described above) the funds are subject to.

The City will disclose the following information for exposed investment securities:

- Investment type
- Reported amount
- How the investments are held

Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements are not exposed to custodial credit risk because they are held by the buyer-lender. The term securities as used in this paragraph includes securities underlying repurchase agreements and investment securities.

CREDIT RISK

Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

The City will disclose the credit quality of investments in debt securities as described by nationally recognized rating agencies, such as Moody's Investors Service and Standard & Poor's. If a rating is not available, that fact will be disclosed.

CONCENTRATION OF CREDIT RISK

A concentration of credit risk may occur in the absence of adequately diversifying investments. The City will disclose a concentration of credit risk by amount and issuer, investments in any one issuer that represent five-percent (5%) or more of the total investments. This investment total does not include investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City's method to demonstrate interest rate risk is the segmented time distribution method. This method groups investment cash flows into sequential time periods in tabular form, which is the best method identified by the City to identify and manage interest rate risk.

FOREIGN CURRENCY RISK

The City does not hold investments dominated in a currency other than the U.S. dollar.

INVENTORY OF MATERIALS

DESCRIPTION OF INVENTORY

City of Superior maintains an inventory of fuel and postage.

ACCOUNTING FOR INVENTORY

City of Superior accounts for purchased inventory items at cost, using the first-in, first-out method of valuation. Unit cost shall be computed by adding freight, insurance, and other shipping costs to the actual cost of purchased inventory, dividing this total amount by the number of units purchased.

PHYSICAL COUNTS

A physical count of inventory will be performed on an annual basis by someone who does not have responsibility for ordering or approving purchases of such items. Any inventory items that appear damaged, obsolete, or otherwise unable to be sold shall be excluded from the counts. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets shall be extended by applying the most recent unit costs to the physical quantities of each item on hand. The general ledger balance shall be adjusted to reflect the total inventory on hand as determined by the physical count. Unusual discrepancies such as lost or damaged inventory will be investigated by the Finance Director.

CONTRIBUTED INVENTORY

Inventory items donated to City of Superior shall be recorded as assets of the City at the fair market value as of the date of the contribution. Contributed inventory items shall be subject to the same physical counting and other policies as purchased inventory items.

PREPAID EXPENSES

ACCOUNTING TREATMENT

City of Superior treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and amortizes these items over the corresponding time period. For purposes of this policy, payments of less than \$1,000 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as noncurrent assets.

PROCEDURES

As part of the account coding process performed during the processing of accounts payable, all incoming contractor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The Finance Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the annual amortization. This schedule shall be reconciled to the general ledger balance as part of the annual closeout process.

CAPITAL ASSETS

CAPITALIZATION POLICY

Capital assets include land and land improvements, buildings and building improvements, equipment, construction work in progress, infrastructure, and all other tangible or intangible assets that are used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure assets are generally long-lived capital assets that are stationary in nature.

The City will implement the following schedule of various costs in determining capitalization:

Cost Type	Accounting Treatment
Maintenance costs ^(a)	Expense
Preservation costs ^(b)	Capitalize
Additions	Capitalize
Improvements	Capitalize
Ancillary cost (freight, etc.)	Capitalize
Interest cost during construction	Expense
Infrastructure:	
Roads – new construction, partial reconstruction, full reconstruction, mill and overlay	Capitalize
Roads - crack filling, sweeping, patching, sealcoating	Expense
Bridges - partial reconstruction, full reconstruction	Capitalize
Bridges – crack filling, patching, painting	Expense
Sidewalks and Trails	Capitalize
Sidewalks and Trails – crack filling, patching	Expense

^(a) These costs **do not** increase the useful lives of the assets.

^(b) These costs **do** extend the lives of the assets.

CAPITALIZATION THRESHOLDS

Capital assets will be reported at historical cost. The cost of a capital asset includes the acquisition price plus the expenditures necessary to place the asset in its intended location and condition for use. Donated or contributed assets are recorded at fair market value as of the date the asset is acquired, or, for infrastructure, the estimated cost of construction.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the City’s financial statements, these assets will be capitalized and depreciated according to these policies. If a funding or awarding agency requires a lower amount for equipment, City of Superior will adhere to that dollar amount only for that program or contract.

Asset Class	Examples of Costs to be Capitalized	Threshold
General Capital Assets		
Machinery & Equipment Transportation Equipment	Purchase price, freight charges, assembly, installation	\$5,000 per individual items
Land Improvements	Purchase price or market value, closing costs, cost of preparing the land for use, demolition of existing building and improvements	Capitalize all land ^(c) , capitalize improvements greater than \$5,000
Buildings	Materials, labor, permits, design costs, site excavation, purchase price	\$5,000
Construction work-in-progress		(d)
Infrastructure Capital Assets		
All major infrastructure networks	(See Capitalization Policy section above.)	\$5,000

^(c) Land – The City capitalizes all land acquisitions, regardless of cost. This results in a complete inventory of land owned by the City and reduces the possibility of confusion about whether additional parcels should have been included in the capital asset records.

^(d) Construction work in progress is reported for assets that will ultimately be capitalized based on the capitalization policy for the particular asset.

ESTIMATED USEFUL LIVES

The City considers the following when determining the useful life of an asset:

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

The useful lives of the general capital assets and infrastructure capital assets will be reviewed annually and adjustments will be made to the capital asset records as necessary.

Asset Class	Governmental Activities	Business-type Activities
General Capital Assets	Years	
Land improvements (depreciable)	5 – 50	5 – 50
Buildings	5 – 50	5 – 50
Improvements other than buildings	5 – 50	5 – 50
Leasehold improvements	Term of lease	Term of lease
Equipment	3 – 40	3 – 40
Vehicles	3 – 15	3 – 15
Infrastructure	Years	
Roads (including signage and culverts)	10 – 50	

Asset Class and Type	Depreciable Life in Years
General Capital Assets – Specific Guidance	
Buildings and Building Improvements	
Electrical/plumbing	30
HVAC systems	10
New buildings	50
Roofing	20
Renovations	10-50
Land and Land Improvements	
Land	No depreciation
Landscaping	20
Parking lots	20
Structure land improvements	20
Machinery and Equipment	10
Communications equipment	3
Computer hardware	15
Construction equipment	15
Custodial equipment	25
Electoral equipment	10
Engineering, scientific equipment	10-20
Furniture, office equipment	10-20
Outdoor equipment	10-20
Outdoor recreation equipment	5-10
Police special equipment	5
Video equipment	
Vehicles	
Cars and light trucks	10
Heavy construction vehicles	15
Police vehicles	6

CHANGES IN ESTIMATED USEFUL LIVES

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life shall be made. All such changes in estimated useful lives of capitalized assets must be approved by the Finance Director.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change shall be reflected as depreciation expense in the City's government-wide financial statements.

DEPRECIATION METHOD

The straight-line depreciation method will be used for all general capital assets and infrastructure capital assets. Assets acquired during the year will be depreciated for ½ year the first and last year of useful life. Infrastructure capital assets will be depreciated on an individual segment basis.

For accounting and interim financial reporting purposes, depreciation expense will be recorded on an annual basis.

CONTRIBUTED ASSETS

Assets with fair market values in excess of \$5,000 (per unit) that are contributed to City of Superior shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later. The fair value of land and real estate investments shall be determined by an appraisal of the property.

EQUIPMENT AND FURNITURE PURCHASED WITH FEDERAL FUNDS

(2 CFR Part 200.313)

City of Superior may occasionally purchase equipment and furniture that will be used exclusively in a program funded by a federal agency. In addition to the other policies described in this section, equipment and furniture charged to federal awards will be subject to certain additional policies as described below.

For purposes of federal award accounting and administration, *equipment* shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by City of Superior, described elsewhere in this policy section.

All purchases of equipment and other capital assets with federal funds shall be approved, in advance and in writing, by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to federal awards.
2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award's period of performance, City of Superior shall retain the equipment without any requirement for notifying the federal agency.
3. If the remaining per unit fair market value is \$5,000 or more, City of Superior shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less \$500 or 10% of the proceeds, whichever is less, to the federal agency. *(2 CFR Part 200.313(e)(2))*
4. The Grant Manager shall determine whether a specific award with a federal agency includes additional equipment requirements or thresholds and requirements that differ from those described in this section.
5. A physical inventory of all equipment purchased with federal funds shall be performed annually by an employee who is not responsible for ordering or approving the purchase of these assets. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by City of Superior. All adjustments resulting from this reconciliation will be approved by the Finance Director.

ESTABLISHMENT AND MAINTENANCE OF A FIXED ASSET LISTING

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: *(2 CFR part 200.313(d)(1))*

1. Date of acquisition
2. Cost
3. Description
4. Depreciation method
5. Estimated useful life
6. Ultimate disposition data including the date of disposal and sale price

RECEIPT OF NEWLY PURCHASED EQUIPMENT AND FURNITURE

At the time of arrival, all newly purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the contractor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the contractor immediately.

REPAIRS OF PROPERTY AND EQUIPMENT

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

DISPOSITION OF CAPITAL ASSETS

If equipment is sold, scrapped, or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the amount received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value).

The City will obtain disposition instructions from the Federal awarding agency for the disposal of capital assets purchased in whole or in part with federal funds as detailed in the Equipment and Furniture Purchased with Federal Funds section.

WRITE-OFFS OF PROPERTY AND EQUIPMENT

The Finance Director approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Finance Director. If not located, this property will be written off the books with the proper notation specifying the reason.

CAPITAL ASSET ACCOUNTING SYSTEM

The general capital asset and infrastructure capital asset records will be maintained in an excel database in the City's fixed asset software is used to record capital assets for enterprise funds (business-type). Capital asset records will be updated at least annually for additions, deletions, and adjustments.

CAPITAL ASSET REPORTING

On the government-wide financial statements, capital assets are reported as assets on the Statement of Net Position for both governmental and business-type activities. On the fund statements, capital assets of governmental funds are not shown as assets, but as expenditures when purchased.

LEASES

CLASSIFICATION OF LEASES

City of Superior classifies all leases in which the City is a lessee as either capital or operating leases. City of Superior shall utilize the criteria described in Governmental Accounting Standards Board (GASB) No. 62, in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to the City at the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 75% or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion should not be used for purposes of classifying the lease.
4. The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair value of the leased property (using, as the interest rate, the lesser of the City's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

REASONABLENESS OF LEASES

City of Superior assesses the value of leases according to the requirements of 2 CFR Part 200.465, Rental Costs of Real Property and Equipment, considering the following factors;

- The rate is reasonable when compared to similar property in the same area;
- The rate of any alternatives; and
- The type, life expectancy, condition, and value of the property leased.

Rental arrangements will be reviewed every 5 years to determine if circumstances have changed and other options are available.

ACCOUNTING FOR LEASES

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that City of Superior shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, City of Superior shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the [straight-line] method of depreciation.

City of Superior shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

CHANGES IN LEASE TERMS

As described in earlier policies, leasehold improvements are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, City of Superior will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.

ASSET IMPAIRMENTS

POLICY

Long-lived assets of the City include personal property and equipment, land, buildings, intangible assets, and other noncurrent assets. In connection with long-lived assets, the City shall record an impairment loss when the carrying amount (book value, net of any accumulated depreciation or amortization) is both:

1. Not recoverable (through sale, etc.); and
2. In excess of the asset's fair value.

Long-lived assets shall be tested for impairment whenever events or changes in circumstances indicate that an asset's carrying value may be impaired. Examples of such events or circumstances that the City shall consider include:

1. A significant decrease in the market price of a long-lived asset.
2. A significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition.
3. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action by a regulator.
4. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset.
5. A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that indicates continuing losses associated with the use of a long-lived asset.
6. A current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

If the City records an impairment loss in connection with a long-lived asset subject to depreciation or amortization, the reduced basis resulting from recording the loss shall be used as a new basis for calculating future periods' depreciation or amortization.

FAIR VALUE ACCOUNTING

SCOPE

Throughout this manual, numerous references are made to fair value accounting issues. Examples include the valuation of publicly-traded securities held as investments, valuation of contributed services, other contributed noncash assets, recording of asset impairment losses based on fair value declining below book value.

For purposes of this manual, the term “fair value” shall be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value shall be performed by the individuals identified in this manual associated with each type of fair value accounting issues. All fair value determinations in excess of \$500 shall be reviewed and approved by the Finance Director.

DISCLOSURES

City of Superior shall comply with the disclosure requirements of Governmental Accounting Standards Board (GASB) for each material fair value measurement associated with the assets and liabilities of the City. Refer to the applicable section of this manual for further information.

For any asset impairment losses recorded as a result of policies described elsewhere in this manual, the City shall disclose the reason for recording the impairment, in addition to other required disclosures.

POLICIES PERTAINING TO LIABILITY AND EQUITY

ACCRUED LIABILITIES

IDENTIFICATION OF LIABILITIES

The Finance Department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by City of Superior at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Paid leave (see policy below)
- Rent
- Interest on notes payable

In addition, City of Superior shall record a liability for unearned revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to unearned revenue accounts shall be made monthly.

COMPENSATED ABSENCES

Personnel policies permit employees to accumulate earned, but unused, vacation and sick leave benefits in accordance with City policy (see the City's personnel policy). All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. Compensated absences expenditures and related fund liabilities are reported in the government funds only if they have matured (i.e. employee resignation, retirement).

Paid time off for employees is addressed in the Human Resources Non-Union Salary and Benefits policy as well as the agreement by and between City of Superior and Wisconsin Professional Police Association (Superior Local No. 27) and the agreement by and between City of Superior and the International Association of Firefighters (Superior Local No. 74).

In accordance with Governmental Accounting Standards Board (GASB) No. 16, Accordingly, City of Superior records a liability for accrued leave to which employees are entitled.

GENERAL PROCEDURES FOR ACCOUNTS PAYABLE

The Finance Department will determine the reasonableness and accuracy of the recorded accounts payable by reviewing the balance for the common accruals listed above. In addition, the Finance Department will review subsequent year vouchers for January and February to determine additional amounts that should be accrued as of the City's fiscal year end.

DUE TO/DUE FROM OTHER FUNDS (INTERFUND LOANS)

GENERAL POLICY

The City uses the Due to Other Funds and Due from Other Funds balance sheet accounts to record interfund receivables and payables, or interfund loans. Interfund loans can be made between the following funds:

- General Fund
- Capital Projects Fund
- Economic Development Fund
- Golf Course Fund*

These loans are a temporary borrowing of funds, are not available for appropriation, and are not considered revenue to the borrowing fund. These amounts are reported in the fund financial statements and are to be repaid within 12 months. Funds not repaid within 12 months will be reported as a transfer and proper disclosure will be made of any implications arising from use of restricted resources.

*The only exception to reporting as a transfer is the 1989 loan from the City's general fund to the golf course fund.

INTERFUND LOAN RESTRICTIONS AND APPROVAL

Interfund loans shall not be used to balance the budget of the borrowing fund, nor deter any function or project for which the loaning fund was established.

The City Council will adopt a resolution prior to any interfund loan transaction, interfund loans exceeding \$50,000 in aggregate takes place. Applicable legal, regulatory, and contractual requirements will be reviewed before an interfund loan is made.

INTERFUND LOAN RECONCILIATION

Due to Other Funds will be reconciled, balanced to, and equal the total amount reported in Due from Other Funds in accordance with the reconciliation policy indicated in the General Ledger and Chart of Accounts section of this manual.

DUE TO / DUE FROM OTHER GOVERNMENTS

The Due to / Due from Other Governments account is used to record amounts payable to or receivable from other governments (i.e. amounts due to/from the state, other counties, federal government) and is used primarily for grant or program purposes. Amounts payable to other governments for general operating purposes (i.e. utilities, maintenance) should remain in the Accounts Payable or Other Accrued Liability accounts.

PENSIONS

GENERAL POLICY

In accordance with Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, the City recognizes pension costs when employment services are provided, rather than when the pensions are funded.

PLAN DESCRIPTION

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

CONTRIBUTIONS

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, and Executives and Elected Officials. The City will not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

PENSION LIABILITY VALUATION

The City will obtain actuarial valuations of the total pension liability at least every two years. If a valuation is not performed as of the measurement date, the total pension liability will be based on update procedures to roll forward amounts from an earlier actuarial valuation. The earlier valuation will have been performed as of a date that is no more than 30 months and 1 day prior to the City's most recent fiscal year-end.

The assumptions underlying the determination of the total pension liability and related measures will be made in conformity with Actuarial Standards of Practice, issued by the Actuarial Standards Board and disclosed in the Notes to the Basic Financial Statements.

OTHER POSTEMPLOYMENT BENEFITS

GENERAL POLICY

The City offers participation in other postemployment benefits (OPEBs) as part of the total compensation package offered to employees. These OPEBs include postemployment healthcare, life insurance, dental, benefits described in the City's personnel handbook. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, OPEBs are reported in the government-wide and fiduciary fund financial statements as a liability and expense. The governmental funds will report OPEBs cost when paid.

The City's personnel handbook provides additional information on the plan.

ANNUAL OPEB COST

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

OPEB LIABILITY VALUATION

The annual required contribution is determined by actuarial valuation, using the projected unit credit method.

The City will obtain actuarial valuations of the OPEB liability at least every two years. If a valuation is not performed as of the measurement date, the total liability will be based on update procedures to roll forward amounts from an earlier actuarial valuation. The earlier valuation will have been performed as of a date that is no more than 30 months and 1 day prior to the City's most recent fiscal year-end.

The assumptions underlying the determination of the total OPEB liability and related measures will be made in conformity with Actuarial Standards of Practice, issued by the Actuarial Standards Board and disclosed in the Notes to the Basic Financial Statements.

GENERAL OBLIGATION BONDS

GENERAL POLICY

General obligation bonds are issued to provide funds for the acquisition or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. General obligation bonds are also issued to refund other general obligations bonds.

City of Superior requires that all bond issuances be approved by the City Council.

ACCOUNTING AND CLASSIFICATION

For governmental funds, the liability for general obligation bonds (GO bonds) outstanding at the end of the fiscal year will be reported on the government-wide statement of net position.

For proprietary funds, the liability relating to general obligation bonds that are to be repaid (principal and interest) from the proceeds/revenues generated by a specific proprietary fund, will be reported as a liability of that fund. The intended source for repayment (revenues generated from a proprietary fund rather than general resources of the City) is the factor determining when a liability for GO bonds will be classified as a fund-specific liability.

ISSUANCE COSTS

Bond issuance costs for a governmental fund will be reported as an expenditure when costs are first incurred and will be expensed in the government-wide financial statements, with the exception of prepaid insurance which will be the only cost reported as an asset and expensed over the life of the bond on the government-wide financial statements.

Bond issuance costs for a proprietary fund will be expensed when incurred, with the exception of prepaid insurance which will be the only cost reported as an asset and expensed over the life of the bond. The City will use the effective interest method to amortize these costs, unless the straight-line amortization method produces similar results.

BOND PREMIUM/DISCOUNT

Discounts on bonds payable in a proprietary fund are reported as a reduction of the face amount of the related bond liability. Premiums on bonds payable are reported as an addition to the face amount of the related bond liability. GO bonds will be reported in the government-wide financial statements net of premiums or discounts.

ACCRUED INTEREST PAYABLE

Governmental funds do not generally report an accrued interest liability until it is due and payable. The City will report the liability in the government-wide financial statements. Proprietary funds will report accrued interest payable.

COMMERCIAL PAPER NOTES

GENERAL POLICY

City of Superior requires that all commercial paper notes be approved by the City Council.

RECORDKEEPING

City of Superior maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other non-bond financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

NON-INTEREST-BEARING NOTES PAYABLE

City of Superior may, from time to time, receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, City of Superior will record contribution income for any unpaid interest.

For demand loans, interest expense and contribution income shall be recorded at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid. Determination of the appropriate interest rate shall be performed by the Finance Director.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate equal to the difference between a normal interest rate for that type of loan and the rate, if any, required to be paid. The difference between the cash proceeds of the note and the present value shall be recorded as temporarily restricted contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

EQUITY

GOVERNMENT-WIDE STATEMENT

The equity section (as previously defined in the Definitions section of this manual) of the government-wide statements is displayed in three components:

Net investment in capital assets- consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position- consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net position should be reported as restricted when constraints placed on net position use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
- Imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position- consists of the net amount of the net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

DETERMINING LEGAL ENFORCEABILITY

According to Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation*, legal enforceability means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary – to use resources created by enabling legislation only for the purposes specified by the legislation.

Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur.

The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

If resources are used for a purpose other than those stipulated in the enabling legislation or if there is other case for reconsideration, governments should reevaluate the legal enforceability of the restrictions to determine if the resources should continue to be reported as restricted. If reevaluation results in a determination that a particular restriction is no longer legally enforceable, then from the beginning of that period forward the resource should be reported as unrestricted.

ENABLING LEGISLATION

Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

FUND STATEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. It does not impact the reporting of proprietary and fiduciary fund balances.

The equity section (as previously defined in the Definitions section of this manual) of the fund statements is displayed in the following components:

Nonspendable fund balance- includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Amounts not in spendable form includes items that are not expected to be converted to cash (e.g. inventories, prepaid amounts). It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted fund balance- amounts that should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed fund balance- amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (e.g. legislation, resolution, ordinance) it employed to previously commit those amounts. Committed fund balance should also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance- amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by

- Governing body itself; or
- A body (e.g. budget committee, finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance- represents amounts that have not been assigned to other funds and that are not restricted, committed, or assigned to specific purposes within the general fund.

Fund balances that are committed would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balance will be determined before classifying amounts in restricted, committed, and assigned fund balance classifications. For governmental funds, other than the general fund, in which expenditures incurred for a specific purpose that exceed the amounts in the fund that are restricted, committed, or assigned to that purpose results in a negative residual balance, amounts assigned to other purposes in that fund will be reduced to eliminate the deficit. If the remaining deficit eliminates all other assigned amounts in the fund, or there are no amounts assigned to other purposes, the negative residual amount will be classified as Unassigned Fund Balance. A negative residual amount will not be reported for restricted, committed, or assigned fund balance in any fund.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

MINIMUM FUND BALANCE POLICY

To avoid service disruption due to revenue short falls, the City Council has set a cash fund balance target of a minimum of 32% of the total annual City operating budget, excluding refundable prepayments and GAAP defined nonspendable, restricted, committed, and assigned account balances.

If the cash fund balance drops below the 32% value, the City Council will develop an action plan to restore the fund balance to the desired level.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

STANDARD FINANCIAL STATEMENTS OF THE CITY

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the City. Financial statements may reflect year-to-year historical comparisons or current year budget-to-actual comparisons.

The basic financial statements and required supplementary information (RSI) for the City includes:

1. **Management's Discussion and Analysis (MD&A)** – The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.
2. **Basic Financial Statements** – include:
 - Government-wide financial statements- consists of a statement of net position and a statement of activities, prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the City.
 - Fund financial statements- consist of a series of statements that focus on information about the City's major governmental and enterprise funds, including blended component units, and are prepared using the economic resources measurement focus and the accrual basis of accounting. These include the governmental fund financial statements and proprietary fund financial statements.
3. **Notes to the Financial Statements** – Provides information that is essential to the user's understanding of the basic financial statements.
4. **Required Supplementary Information (RSI)** – Provides required budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted annual budget.
5. **Supplementary Financial Information** – Provides information regarding Federal and State awards along with the applicable notes.

FREQUENCY OF PREPARATION

The objective of the Finance Department is to prepare accurate financial statements and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

1. A standard set of financial statements described in the preceding section shall be produced on a monthly basis by the 10th of each month.
2. The following financial reports will be prepared and provided each month to the Finance Committee and City Council:
 - Balance Sheet and Income Statements for:
 - General Fund
 - Capital Improvement Fund
 - Economic Development Fund
 - Environmental Services Funds
 - Landfill Fund
 - Golf Course Fund
3. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts is available to Department Heads through authorized access to the reporting module in the accounting system.

GRANT REPORTING

All grant financial reports and supporting schedules shall be reviewed and approved by the Finance Director prior to being issued by the Finance Department.

Grant financial reports will be based on financial data reported in the City's accounting system. Financial statements may include an additional supplemental schedule prepared or compiled by the Department Head.

ANNUAL FINANCIAL STATEMENTS

On an annual basis, the City shall prepare, under the direction of the Finance Director, a complete set of financial statements, including the MD&A, and footnotes addressing all disclosures. These financial statements shall be presented to City of Superior's independent auditors at the beginning of their annual audit as the draft statements from which they will conduct their audit.

A formal presentation of the City's annual audited financial statements shall be provided by the independent auditor to the full City Council at the City's Annual Meeting. See separate policies regarding the annual audit under "Financial Management Policies."

GOVERNMENT RETURNS

OVERVIEW

Filing requirements of City of Superior include, but are not limited to, filing annual information returns with IRS, sales tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns.

FILING OF RETURNS

The Finance Director shall be responsible for identifying all filing requirements and ensuring that City of Superior is in compliance with all such requirements. The City will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Filings made by City of Superior include, but are not limited to, the following returns:

1. **Form 5500** – Annual return for City of Superior's employee benefit plans. Form 5500 is due on the last day of the seventh month after the end of the plan year, but a 2½-month extension of time to file may be requested using Form 5558.
2. **W-2s and 1099s** – Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to the federal government by January 31st. Form 1099-MISC is required only if the City has provided more than \$600 in compensation to an independent contractor during the calendar year.
3. **Form 941** – Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.
4. **720 PCORT** – Annually
5. **State Unemployment** – Quarterly
6. **State Return WT-7** – Annually

City of Superior's fiscal and tax year-end is December 31. All annual tax and information returns of City of Superior are filed on the cash basis of reporting.

Federal and all applicable state payroll tax returns are prepared by the City's Accountant.

City of Superior complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each City of Superior employee.

FINANCIAL MANAGEMENT POLICIES

BUDGETARY PRESENTATION

OVERVIEW

The City adopts an annual appropriated budget for all of its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements are prepared to demonstrate compliance with the budget.

PREPARATION AND ADOPTION

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Under direction from the Mayor, the Finance Department gathers proposed City-wide budget information from all Department Heads and others with budgetary responsibilities in July and prepares the first draft of the budget. Budgets proposed and submitted by each department are accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.
2. The Finance Department adds the employee wages and related benefits to the department budgets. After appropriate revisions and a compilation of all department budgets by the Finance Director, a draft of the budget, as well as individual department budgets, is presented to the Mayor for discussion, revision, and initial approval.
3. On or before the first regularly scheduled Council meeting in September, the proposed operating budget approved by the Mayor is submitted to the City Council for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States for the general, special revenue, debt service and capital projects funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
5. During the year, formal budgetary integration is employed as a management control device for the general, special revenue, debt service and capital projects funds.
6. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.

MONITORING PERFORMANCE

City of Superior monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier in this manual.

BUDGET MODIFICATIONS

Reclassifications that increase or decrease both revenue and expenditures due to new grants, changes in grant funds, transfers from sources in the City outside the Department's original budget, or other reason shall be made only with approval of the City Council.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the City will report the original budget, in addition to the revised budget.

The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year.

The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year.

BUDGET LINE ITEM TRANSFER PROCEDURES

In the event a department has insufficient line item budgeted funds available to cover the balance of proposed transactions, a transfer of budget funds from another department's budget to cover those transactions may be initiated, with prior approval.

All transactions shall be charged to the appropriate revenue/expenditure account, not arbitrarily charged to accounts where unused budget funds are available.

To transfer budgeted expense and revenue amounts from one department to another within the same budget period that does not exceed the adopted budget of the City, the following procedures will be followed:

1. To initiate the transfer process, the Department Head shall review, discuss, approve, and sign the Request for Budget Transfer form and send the approved and completed form to the Finance Director.
2. If the Request for Line Item Transfer is approved by the Finance Director, and the request is for an amount of \$500 or less, the signed copy of the form shall be forwarded to the Department Head.

3. If the Request for Line Item Transfer is approved by the Finance Director, and the request is for an amount of \$500 or more, the signed copy of this form shall be forwarded to the Finance Committee for review, discussion and action.

BUDGET MODIFICATIONS PROCEDURES

To initiate a budget adjustment, the Department Head shall notice the review, discussion and action of this completed and signed Notice of Budgetary Adjustment form on the next monthly meeting agenda of their committee of jurisdiction. If the Budgetary Adjustment is approved by the committee of jurisdiction the signed copy of the form along with a copy of the meeting minutes shall be forward to the City Clerk to be noticed on the Finance Committee agenda for review, discussion and action.

Upon Finance Committee approval, the signed Budgetary Adjustment form shall be forwarded to the City Clerk to be listed on the City Council agenda for review, discussion and action.

A department representative must be available at each meeting to address any questions or concerns that may arise during review and discussion.

FEDERAL GRANT BUDGET AND PROGRAM REVISIONS

Budgets for federal grant-funded programs, whose grant years are different from the City's fiscal year, will be prepared in accordance with awarding agency requirements, and will also be included in the City-wide budget.

Each Grant Manager must be aware of budget modification requirements of each funder. Awarding agencies may or may not require approval for changes in line items. City of Superior will document and follow all such requirements.

City of Superior will request prior approval from federal awarding agencies for any of the following grant-funded program or budget revisions: *(2 CFR Part 200.308)*

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person Program Director, etc. specified in the application or award document.
3. Disengagement for more than three months, or a 25% reduction in time devoted to the project, by the approved Program Director or Grants Manager.
4. The need for additional federal funding.
5. The inclusion, unless waived by the federal awarding agency, of costs that require prior approval in accordance with 2 CFR Part 200.407, Prior written approval.
6. The transfer of funds allotted for participant support costs to other categories of expense.

7. Unless described in the application and funded in the approved awards, the subaward, transfer, or contracting out of any work under an award. (However, this provision does not apply to purchases of supplies, materials, equipment, or general support services.)
8. Changes in the amount of the approved cost-sharing or matching provided by the City.

ANNUAL AUDIT

ARRANGING FOR THE ANNUAL AUDIT

City of Superior will arrange for an annual audit of the City's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the City Council will be required to communicate directly with the City's Finance Committee upon the completion of their audit. In addition, members of the Finance Committee are authorized to initiate communication directly with the independent accounting firm. Once approved by the Finance Committee, copies of the annual audit are given to the City Council.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the City Council at the applicable City Council meeting, after the financial statements have been reviewed and approved by the Finance Committee.

AUDITOR INDEPENDENCE

City of Superior may from time to time request the independent auditor to provide services outside the scope of the annual audit. In connection with these non-audit services, it is imperative that the independent auditor remain independent in fact and in appearance in order to continue serving the City as its auditor.

Generally, in order to remain independent with respect to the audit, the City's auditors should not provide non-audit services that involve performing management functions or making management decisions nor should they provide non-audit services in situations where the non-audit services are significant/material to the subject matter of the audits (or where they would be auditing their own work in connection with the annual audit).

Therefore, it is the City's policy to evaluate any non-audit service requested from the independent auditor for possible impairments to the firm's independence, and to not permit the performance of any services that would impair independence. This evaluation shall be performed by the Finance Director, who may consult the independent auditor or other external sources in making this determination.

In addition, for each non-audit service that is to be provided by the City's independent auditor, the City shall:

1. Designate a management level individual to be responsible and accountable for overseeing the non-audit service (to be determined by the Finance Committee).
2. Establish and monitor performance of the non-audit service to ensure that it meets management's objectives (to be performed by the person designated in step 1).
3. Make any decisions that involve management functions related to the non-audit service and accept full responsibility for such decisions.
4. Evaluate the adequacy of the services performed and findings that result.

HOW OFTEN TO REVIEW THE SELECTION OF THE AUDITOR

City of Superior shall review the selection of its independent auditor in the following circumstances:

1. Any time there is dissatisfaction with the service of the current firm;
2. When a fresh perspective and new ideas are desired; or
3. Every 5 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years, but simply to reevaluate the selection).

SELECTING AN AUDITOR

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by City of Superior in selecting an accounting firm:

1. The firm's reputation in the governmental community.
2. The depth of the firm's understanding of and experience with federally grant-funded entities and federal reporting requirements under 2 CFR Part 200, and GASB requirements.
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with City personnel in a professional and congenial manner.

The following information should be included in the written Request for Proposal (RFP) to be sent to prospective audit firms:

1. Period of services required
2. Complete description of the services requested (audit, management letter, tax returns, etc.)
3. Identification of meetings requiring their attendance, such as staff or Council meetings
4. Chart of account information
5. Financial information about the City
6. Copy of prior year reports (financial statements, management letters, etc.)
7. Identification of need to perform audit in accordance with 2 CFR Part 200.500 – 521, and the appropriate OMB Compliance Supplements.
8. Other information considered appropriate
9. Description of proposal and format requirements
10. Due date of proposals
11. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
12. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm members who will serve City of Superior
3. Client references
4. Information about the firm's capabilities
5. Firm's approach to performing an audit

6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available from the firm
8. Expected timing and completion of the audit
9. Expected timing of delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

In order to narrow down the proposals to the top selections, the Finance Director shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the Finance Committee. After the Finance Director narrows down the field of prospective auditors to three firms, final interviews of each firm are conducted by the Finance Department, who makes the final recommendation to the City Council for approval.

PREPARATION FOR THE ANNUAL AUDIT

City of Superior shall be actively involved in planning for and assisting with the City's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Finance Department shall provide assistance to the independent auditors in the following areas:

PLANNING

The Finance Director is responsible for delegating the assignments and responsibilities to finance staff in preparation for the audit. The Finance Director shall review the list of information requested by the auditors and assign responsibility for each item to the appropriate staff. The Finance Director shall then schedule and direct status meetings in the weeks leading up to the audit in order to review the progress of staff in preparing for the audit.

The Finance Director shall arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with City of Superior Council members, Audit or Finance Committee members, or employees to facilitate the auditor's work. Prior to any such meetings or discussions, the Finance Director shall inform each City participant of the nature of the discussion or meeting and what, if any, preparations they should do prior to the meeting. The Finance Director shall communicate to each City of Superior participant in such meetings or discussions the importance of being open, honest, and frank with the auditors with respect to all questions posed by the auditors.

INVOLVEMENT

City staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

INTERIM PROCEDURES

To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the City's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. City staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, City of Superior will make every effort to provide schedules, documents, and information requested by the auditors in a timely manner.

CONCLUDING THE AUDIT

Upon receipt of a draft of the audited financial statements from its independent auditor, the Finance Director shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of City of Superior.
3. Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Finance Director.

It shall also be the responsibility of the Finance Director to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Finance Committee.

AUDIT ADJUSTMENTS

It is the policy of City of Superior to review all adjustments prepared by the independent auditor in connection with the annual audit, and, if in concurrence, record them in the general ledger.

The City may also receive a list of unadjusted differences (or passed audit adjustments) from the independent auditor in connection with the audit. If the City receives such a list, it shall be the responsibility of the Finance Director to review them and determine whether or not to record them in the current year.

INTERNAL CONTROL DEFICIENCIES NOTED DURING THE AUDIT

In accordance with generally accepted auditing standards, at the conclusion of the audit the City's independent auditors may provide a written communication of internal control deficiencies noted in connection with their audit. Not all deficiencies in internal control are required to be reported by the auditor. Only the following two types of deficiencies are required to be communicated:

1. **Material weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
2. **Significant deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The City's independent auditors are required to provide written communication to the Finance Committee of all significant deficiencies and material weaknesses (i.e., only those control deficiencies that rise to the level of materiality at which they qualify under the definitions provided above, in the opinion of the auditor).

It is the City's policy that all internal control deficiencies that are communicated by the auditor in writing shall be formally addressed by the Finance Committee, the Department Heads, and the Finance Director. The Department Heads and the Finance Director shall prepare a written response, which shall include a corrective action plan, to each internal control finding and such response shall be presented to the Finance Committee for its review and approval.

COUNCIL OR FINANCE COMMITTEE COMMUNICATIONS WITH THE AUDITORS

In accordance with generally accepted auditing standards, in connection with and at the conclusion of each annual audit, the auditors are required to make certain communications directly to the Finance Committee. The Finance Director shall facilitate all of these communications, arranging for face-to-face meetings, telephone or conference calls, or delivery of electronic or paper documents between auditor and Finance Committee members.

Some of the communications that City of Superior's auditors may have with the City's Finance Committee include:

1. Planning discussions prior to commencing the audit, such as by inquiring of audit committee members their perception of where the risk of material misstatements in the City's financial statements may be greatest, the various risks of fraud, and other inquiries.
2. Planning stage communications informing the Finance Committee of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the Finance Committee members having a thorough understanding of the audit.

3. Internal control deficiencies noted during the audit, communicated in writing at the conclusion of the audit.
4. Any material fraud detected by the auditor, or any fraud, regardless of materiality, involving senior management, noted at any time during the audit.
5. Significant problems or other issues that arose during the audit (e.g., disagreements with management and certain other items that the auditors may be required to report to the audit committee).
6. Audit adjustments made by the auditors as a result of their audit.
7. Certain audit differences noted by the auditors that they deemed not material enough to warrant making an adjustment for.

Finance Committee members should be aware of these communications and engage in active discussions with the auditors whenever it is considered appropriate in the fulfillment of these or their other duties.

INSURANCE

OVERVIEW

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of City of Superior.

City of Superior maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, equipment, machinery, and other items of value.

COVERAGE

As a guideline, City of Superior will arrange for the following types and levels of insurance as a minimum:

Line of Coverage	Carrier	Policy #	Policy Limits
Liability Insurance Coverage	Cities and Village Mutual Insurance Company	PEL117	\$5,000,000 per occurrence
Worker's Compensation Coverage	Cities and Village Mutual Insurance Company	CWC-20-017	Coverage A- Statutory
Auto Physical Damage Coverage	Cities and Village Mutual Insurance Company	CAP-11-038	\$15,000,000 per occurrence \$1,500,000 per vehicle
Boiler & Machinery Coverage	Indian Harbor Insurance Company (XL America Group)	US00074147PR16A	\$250,000,000 per occurrence
Crime Coverage	Hanover Insurance Company	1041122	\$3,000,000 Limits - Employee Theft incl Faithful 3rd Party Coverage - \$500,000
Excess Liability Coverage	Berkley Insurance Company	TBD	\$5,000,000 excess of \$5,000,000 over the CVMIC coverage
Employment Practices Liability Insurance Coverage	Ironshore Specialty Insurance Company	002590600	\$1,000,000 per occurrence
Privacy Protection & Network Liability Insurance Policy	ACE INA Excess & Surplus Insurance Services, Inc	EON G23686077002	\$2,000,000 each member
Volunteer Insurance Coverage	AXIS Insurance Company	TBD	\$25,000 AD&D each \$250,000 AD&D Aggregate \$100,000 Medical Expense

City of Superior shall maintain a detailed listing of all insurance policies in effect. This listing shall include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts and frequency of payment
5. Policy effective dates
6. Date(s) premiums paid and check numbers

INSURANCE DEFINITIONS

FIDELITY BOND

For all personnel handling cash or preparing or signing checks, City of Superior shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the City will determine the dollar limit of this coverage.

COMPREHENSIVE LIABILITY

This type of coverage may include supervisors, managers, and employee general liability insurance, buildings, contents, computers, boilers, and machinery.

SELF-INSURED WORKERS' COMPENSATION

City of Superior deems it appropriate to be self-insured for workers compensation coverage and the City shall administer the program to preserve the safety of reserves and equitably allocate expenses.

PROCEDURES FOR SELF-INSURED WORKERS' COMPENSATION

1. Charge each department equitably through updated rates provided by the Cities and Villages Mutual Insurance Company (CVMIC) website each year when budgeting. Each employment position will be charged a rate times gross wages during the bi-weekly payroll process based on workers compensation class rates.
2. These fees that are charged to each department will be transferred to a separate workers compensation reserve account for future allocations.

RECORD RETENTION

RECORD RETENTION POLICY

City of Superior retains records as required by law and destroys them when appropriate. All files, both hard copy and electronic, shall be labeled with topic, year (if applicable), and destruction date. Electronic copies shall be saved in appropriate folders on the network storage device. Hard copies should be stored in file cabinets or archived in the storage area. Archived hard copy files shall be stored in water and animal proof containers.

The destruction of records must be approved by the Finance Director. Review and purging of files may take place on an ongoing basis, but must occur at least once per year, and must follow the minimum retention requirements outlined below.

The destruction of any documents containing social security numbers or any other “consumer data” as defined under federal laws and regulations shall be done via shredding in house or using an approved shredding service provider.

The formal records retention policy of City of Superior is as follows:

Record	Retention
Audit reports	Permanent
Correspondence – Legal and important matters	Permanent
Deeds, mortgages, and bills of sales	Permanent
Financial statements – Year-end	Permanent
General ledgers/year-end trial balance	Permanent
Minute books of supervisors, bylaws, and charters	Permanent
Retirement and pension records	Permanent
Tax returns and worksheets, examination reports and other documents relating to tax filings	Permanent
Trademark registrations and copyrights	Permanent
Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Contracts, mortgages, notes, and leases – expired	7 Years
Garnishments	7 Years
Insurance claims	7 years
Inventories of products, materials, and supplies	7 Years
Invoices (to customers, from contractors)	7 Years
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Property records (incl. depreciation schedules)	7 years
Purchase orders	7 Years

Record	Retention
Sales records	7 Years
Subsidiary ledgers	7 Years
Timesheets/cards	7 Years
Withholding tax statements	7 Years
Bank statement & reconciliations	3 Years
Chart of accounts	3 years
Employment applications	3 Years
Insurance policies (expired)	3 Years
Internal audit reports	3 Years
Internal reports	3 Years
Petty cash vouchers	3 Years
Correspondence – General	2 Years
Grant reports or grant related records	4 Years

EXCEPTION FOR INVESTIGATIONS

In connection with any ongoing or anticipated investigation into allegations of violations of federal laws or regulations, provisions of government awards, or violations of the City’s Code of Conduct, the following exceptions are made to the preceding scheduled retention and/or destruction of records:

1. All records related to the subject of the investigation or allegation shall be exempt from any scheduled record destruction.
2. The term “records” shall also apply to any electronically stored record (e.g., documents stored on computers, email messages, etc.), which shall also be protected from destruction.

PROTECTION OF RECORDS – FEDERAL MATTERS

City of Superior prohibits the knowing destruction, alteration, mutilation, or concealment of any record, document, or tangible object with the intent to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States government, or in relation to or contemplation of any such matter or case.

Violations of this policy will be considered violations of the City’s Code of Ethics and subject to the investigative, reporting, and disclosure procedures described earlier in this Policy on Suspected Misconduct.