

CITY OF CHEYENNE, WYOMING

Accounting & Financial Policies and Procedures Manual

Updated July 1, 2022



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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 Cheyenne, which shall be referred to as “City” throughout this manual.

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.

The City Treasurer formulates finance and accounting policies and delegates administration of the financial policies to the finance staff.

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, 2021**. If a policy is added or modified after this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

Effective Date of Policy: January 1, 2021

Date Last Amended: July 1, 2022

Date of Next Review (if policy requires periodic review): July 1, 2023

Adoption of 2 CFR Part 200

The City adopted the regulations provided in 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), including the procurement standards.

Fiscal Year of City of Cheyenne

The City shall operate on a fiscal year that begins on July 1 and ends on June 30.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The City’s governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual-based accounting. Modified accrual is a combination of cash basis and full accrual basis.

Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except property taxes, to be available if they are collected within 90 days of the current fiscal period. Property taxes are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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.

The City's government-wide financial statements are designed to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the City's financial outlook. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The One Percent Sales Tax Fund accounts for the City's share of revenue received and expenditures made with the general-purpose optional one percent sales tax approved by the voters.
- The Capital Facilities Tax Fund accounts for the City's share of revenue received and expenditures made with the special purpose option sales tax approved by the voters for specific capital projects.
- The Federal Grants Fund accounts for all federal grants received by the City.

Software

Accounting transactions will be processed, and reports produced on, the Harris Innoprise Financial Accounting software, along with the modules Customer Information System (CIS) for accounts receivable and Centralized Cash Receipts (CCR) for cash receipting. The City also has contracted with Paycom payroll software (a cloud-based payroll application) to process the City's payroll.

GENERAL POLICIES

CITY STRUCTURE

The Role of the Governing Body

The City of Cheyenne is governed by its nine-member elected Council along with the elected Mayor. They are responsible for the overall governance and oversight of the City by:

1. Establishing broad policies, including financial and personnel policies and procedures.
2. Establishing programs and services for the City.
3. Enacting ordinances, rules and regulations for the City.
4. Reviewing and adopting the annual City budget.
5. Approving contracts and expenditures greater than \$35,000 with the exception of professional service contracts which must be approved by the Governing Body if they are over \$25,000.
6. Approving grant applications and other non-recurring revenue sources over \$35,000.
7. Reviewing the annual audit.
8. Reviewing financial information.
9. Authorizing all borrowings of funds.

The Mayor, through the Department Directors, shall be responsible for the day-to-day oversight and management of the City of Cheyenne.

CITY TREASURER DEPARTMENT OVERVIEW

Organization Structure

The City Treasurer Department consists of nine (9) staff positions that manage and process financial information for the City. The following positions comprise the City Treasurer Department:

1. City Treasurer
2. Deputy City Treasurer
3. Purchasing Manager
4. Budget and Accounting Analyst
5. Accounts Receivable Accountant
6. Payroll Accountant
7. Accounts Payable Accountant
8. Housing & Community Development Program Manager
9. Grants Manager

Department Responsibilities

The primary responsibilities of the Finance Division within the City Treasurer Department consist of:

- General ledger transactions and reconciliations;
- Budgeting;
- Cash and investment management;
- Asset management;
- Grant writing
- Grants and contracts administration;
- Purchasing;
- Accounts receivable and billing;
- Cash receipts;
- Accounts payable;
- Cash disbursements;
- Payroll;
- Financial statement preparation;
- 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; and
- 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, the City 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. The City will 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 the City. 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 the City's written procedures in the CASH DRAWDOWNS OF ADVANCES OF FEDERAL FUNDS 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 the City's written procedures in the CHARGING COSTS TO FEDERAL AWARDS section of this manual.

BUSINESS CONDUCT

Practice of Ethical Behavior

The City requires elected officials and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities and 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 the City depend to a very large extent on the following considerations.

Each employee 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 employee 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, employees should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with City 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 employee should be able to answer "yes" to all these questions before taking action.

Directors, managers, and supervisors are responsible for the ethical business behavior of her or his subordinates. Directors, managers, and supervisors 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 City Policies

The City 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 the City's 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. Employees will cooperate with management and authorities regarding any investigation into the violation of policies and statutes.

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 elected officials, appointed officials 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 one's direct supervisor, who shall then have the responsibility to disclose to his or her supervisor depending upon the nature of the conflict. In the event the Mayor has a conflict, disclosure shall occur to the City Council.
3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

What Constitutes a Conflict of Interest

All employees and elected officials of the City of Cheyenne owe a duty of loyalty to the City and its citizens. This duty necessitates that in serving the City they act solely in the interests of the City, not in their personal interests or in the interests of others.

The persons covered under this policy shall hereinafter be referred to as "interested persons." Interested persons include all elected officials and City employees, as well as persons with the following relationships to elected officials and decision making City employees:

1. Spouses or domestic partners;
2. Brothers and sisters;
3. Parents, children, grandchildren, and great-grandchildren;
4. Spouses of individuals listed in 2 and 3;
5. Corporations, partnerships, limited liability companies (LLCs), and other forms of businesses in which an employee or elected official, either individually or in combination with individuals listed in 1, 2, 3, or 4, collectively possess a 35% or more ownership or beneficial interest; and
6. City or business that employs, or is about to employ, any of the parties indicated here.

Conflicts of interest arise when the interests of an interested party may be seen as competing with those of the City. Conflicts of interest may be financial (where an interested party benefits financially directly or indirectly) or non-financial (e.g., seeking preferential treatment, using confidential information).

A conflict of interest arises when an elected official, appointed official or employee involved in making a decision is in the position to benefit, directly or indirectly, from his or her dealings with the City or person conducting business with the City.

Examples of conflicts of interest include, but are not limited to, situations in which an elected official, appointed official or employee:

1. Negotiates or approves a contract, purchase, or lease on behalf of the City and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services.
2. Negotiates or approves a contract, sale, or lease on behalf of the City and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services.
3. Employs or approves the employment of or supervises a person who is an immediate family member of the director or employee.
4. Sells products or services in competition with the City.
5. Uses the City's facilities, other assets, employees, or other resources for personal gain.
6. Receives a substantial gift from a contractor, if the elected official, appointed official or employee is responsible for initiating or approving purchases from that contractor.

City Conflicts of Interest

All City relationships shall be identified and disclosed to the City Treasurer on an annual basis or as they are made known. Persons authorized to purchase are responsible for performing a thorough analysis of potential proposal conflicts of interest to ensure impartiality and objectivity in performance of the contractual objectives.

Each individual contracting situation will be examined on the basis of its particular facts and the nature of the proposed work. The City will exercise common sense, good judgment, and sound discretion when evaluating the decision on whether a significant potential conflict exists and, if it does, the development of an appropriate means for resolving it. This evaluation will help prevent the existence of conflicting roles that might bias judgment; and help preventing unfair competitive advantage.

Disclosure Requirements

An elected official, appointed official or decision-making 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. Any potential conflict of interests will be reported to the appropriate Federal awarding agencies or pass-through entities.

Therefore, the City requires the following:

1. At the inception of employment or volunteer service to the City, and on an annual basis thereafter, the City Treasurer shall distribute a list of all vendors with whom the City has transacted business at any time during the preceding year. Using the prescribed form, these individuals shall inform, in writing and with a signature, to the City Treasurer of all potential reportable conflicts. (See Conflict of Interest Form at Appendix A)
2. During the year, these individuals shall submit a signed, updated disclosure form if any new potential conflict arises.
3. The City Treasurer shall review all forms completed by employees and determine appropriate resolution in accordance with the next section of this policy.
4. Prior to management action on a contract or transaction involving a conflict of interest, an elected official or staff member having a conflict of interest and who attends the meeting shall disclose all facts material to the conflict of interest. Such disclosure shall be included in the minutes of the meeting.
5. An elected official or staff member who plans not to 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 the City of Cheyenne has a conflict of interest when he or she stands for election as a Department Director or for re-election as a member of the City Council.
8. If required by federal awarding agencies or pass-through entities, the City will notify those agencies in writing of any *potential* conflict of interest. (2 CFR Part 200.112 Conflict of interest)
9. The City Treasurer will review and sign the Conflicts of Interest policies of the City every two years.

Resolution of Conflicts of Interest

All real or apparent conflicts of interest shall be disclosed as described in these Policies and Procedures.

Conflicts shall be resolved as follows:

- The Mayor shall be responsible for making all decisions concerning resolutions of conflicts involving the Department Directors and other members of senior management.
- The President of the Council shall be responsible for making all decisions concerning resolutions of the conflict involving the Mayor or the chair of the Finance Committee.

- The Department Directors shall be responsible for making all decisions concerning resolutions of conflicts involving employees below the senior management level, subject to the approval of the Mayor.

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 President 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 director, manager, or supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of 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, the City 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 and customers;
- 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 clients, contractors, bankers, and subcontractors; and,
- Litigation and related costs of investigations, etc.

The 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.

Definition of Misconduct

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

1. Actions that violate 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. Exception: unsolicited gifts valued at \$25 or less (also see the City's Purchasing Manual).

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:

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

The City prohibits each of the preceding acts of misconduct on the part of employees, elected officials and volunteers, and others responsible for carrying out the City's financial activities.

Reporting Responsibilities

All elected officials, employees and volunteers are responsible for immediately reporting suspected misconduct to their supervisor or directly to the City Treasurer. When supervisors have received a report of suspected misconduct, they must immediately report such acts to their manager or the City Treasurer.

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 this policy.

Reporting Individual Protections

A reporting individual may disclose suspected misconduct to a member of management or other employee of the City, who has investigative responsibilities. The reporting individual may not be discharged, demoted, or otherwise discriminated against for reporting misconduct the individual reasonably believes is suspected misconduct as described in the Definition of Misconduct section of this manual.

An employee who discovers or suspects fraudulent activity may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the City Attorney. No information concerning

the status of an investigation will be given out. The proper response to any inquiry is “I am not at liberty to discuss this matter.” Under no circumstances should any reference be made to “the allegation,” “the crime,” “the fraud,” “the forgery,” “the misappropriation,” or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the City Attorney.

See additional information in the City’s Human Resources Policies and Procedures manual.

Reporting Procedure

If an employee of the City 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.

Investigative Responsibilities

Due to the sensitive nature of suspected financial misconduct, supervisors and managers should not, under any circumstances, perform any investigative procedures.

The City Treasurer has the primary responsibility for investigating suspected financial misconduct involving employees or elected officials. The City Treasurer shall provide a summary of all investigative work to the City Attorney.

The City Attorney has the primary responsibility for investigating suspected misconduct involving the City Treasurer. In fulfilling its investigative responsibilities, the City Treasurer shall have the authority to seek the advice and/or contract for the services of outside firms, including but not limited to law firms, CPA firms, forensic accountants and investigators, etc.

Investigation into suspected misconduct will be performed without regard to the suspected individual’s position, length of service, or relationship with the City.

Members of the investigative team shall have free and unrestricted access to all City records and premises, whether owned or rented, at all times. They shall also have the authority to examine, copy, and remove all or any portion of the contents (in paper or electronic form) of filing cabinets, storage facilities, desks, credenzas and computers without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of an investigation into suspected misconduct or related follow-up procedures.

The existence, the status, or results of investigations into suspected misconduct shall not be disclosed or discussed with any individual other than those with a legitimate need to know in order to perform their duties and fulfill their responsibilities effectively.

Disciplinary Action

Based on the results of investigations into allegations of misconduct, disciplinary action may be taken against violators. Disciplinary action shall be coordinated with appropriate representatives from the Human Resources Department. The seriousness of misconduct will be considered in determining appropriate disciplinary action, which may include:

- Reprimand
- Probation
- Suspension
- Demotion
- Termination
- Reimbursement of losses or damages
- Referral for criminal prosecution or civil action

This listing of possible disciplinary actions is for information purposes only and does not bind the City to follow any particular policy or procedure.

Confidentiality

The City Treasurer and City Attorney treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the City Treasurer or City Attorney immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see Reporting Responsibilities section above).

Great care must be taken in the investigation of suspected improprieties or irregularities to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the City from potential civil liability.

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 City Treasurer or members of senior management, as well as all material frauds involving employees below the senior management level, shall be disclosed to the Governing Body and 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 45 Mandatory disclosures)*

SECURITY

City Treasurer Department's Finance Division

The Finance Division holds sensitive personal information and items with cash attributes. Therefore, it is critical that the contents of the Finance Division be kept secure, and both physical and electronic access restricted.

Internal controls include:

- City Treasurer is the accounting system administrator;
- Accounting system is adequate to restrict access to authorized personnel;
- Individual accounts on network to store electronic files;
- Network security prohibits access to individual accounts by unauthorized users;
- Firewalls and current virus protection to prevent and detect unauthorized intrusion attempts;
- Cash-like instruments are kept in locked file cabinets; and,
- Finance Division office doors remain locked 24 hours a day with a keypad code for entry.

Physical Security:

Entry to City Treasurer's Finance Division areas:

The Finance Division shall be locked to restrict entry. A four-digit code is required to gain entry to the offices. All guests without the code must ring the doorbell for entry. Entry to the Municipal Building is restricted and is only permitted by front desk staff in Human Resources.

Sensitive areas:

All Finance Division staff, as needed, shall have locking file cabinets within their offices that are locked nightly. Keys to these cabinets will be held by the employee with copies given to the City Treasurer. These cabinets are expected to hold, but not limited to holding, the following:

- Payroll reports;
- Employee payroll files;
- Documents with individual identifying information, such as driver's license or social security numbers;
- Customer checks;
- Blank check stock; and,
- Inventory that has characteristics of currency such as
 - Credit cards.

Access to Electronically Stored Accounting Data

The City 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. Information technology staff members are restricted from accessing accounting software except for to enter and approve requisitions and view only access.

The City Treasurer, as administrator of the accounting system, will establish authorized users of the accounting system. The authorized users are limited to the employees in the Finance Division as well as managers and support staff. A form that grants access must be completed by each Department/Division Director. An individual that enters requisitions cannot approve requisitions, and vice versa. All accounting system users shall have a unique login and password. The user shall not share this password with anyone.

Each employee of the Finance Division will have a unique logon to the network and individual folders on the server to store electronic files. Passwords to the network will expire every 90 days. The City Treasurer will have access to the electronic files of all finance office staff.

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, the City performs a review of accounting software users to ensure they have the appropriate access levels and approved approval forms. Unnecessary access will be rescinded.

Storage of Sensitive Data

In addition to accounting and financial data stored within the City Treasurer Department Finance Division, other sensitive data, including protected personally identifiable information (PPH), such as social security numbers of employees and/or clients other examples include bank account numbers, medical records, etc. may be stored in areas other than the Finance Division. Locations of sensitive data include, but are not limited to:

1. Other City departments such as Human Resources, City Attorney, etc.
2. Electronic or on-line storage

The City's policy is to minimize the storage of sensitive data outside the Finance Division by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Finance Division as soon as possible. Please see the City's records retention policy in this manual for retention periods.

Destruction of Records

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. The City 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.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is the collection of all asset, liability, revenue, expenditure and equity 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, revenue, expenditure and equity account.

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

1. Assets and Deferred Outflows of Resources
2. Liabilities and Deferred Inflow 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 five segments:

1. Fund – 3 digits (i.e. 001 is General Fund)
2. Department – 2 digits (i.e. 14 is Public Works)
3. Division – 4 digits (i.e. 1417 is Sanitation)
4. Activity – 2 digits (i.e. 41 is Public Safety)
5. Object Code – 5 digits (i.e. 32101 is Office Supplies)

Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cheyenne, like other state and local government, uses fund accounting to ensure and demonstrate compliance with applicable laws and accounting requirements. All funds of the City of Cheyenne can be divided into three categories; governmental funds, proprietary funds and fiduciary funds. All City funds are reconciled on a monthly basis.

Project Numbers

Project numbers can be set up for an additional tracking mechanism for capital projects and grants. In addition to the general ledger account, a project number can be included on all requisitions for payment of

expenditures. General ledger accounts can also be restricted to require a project number. Project reports can be run as needed.

Control of Chart of Accounts

The City of Cheyenne chart of accounts is monitored and controlled by the City Treasurer. Responsibilities include the handling of all account maintenance such as additions, deletions, changing names, and adding or removing users. Any additions or deletions of accounts should be approved by the City Treasurer who ensures that the chart of accounts is consistent with the organizational structure of the City and meets the needs of each Division and Department.

Accounting Estimates

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

1. Allowance for doubtful accounts;
2. Useful lives of property and equipment;
3. Fair market values of donated assets;
4. Landfill closure and post closure care costs
5. Values of contributed services; and
6. Cost allocation calculations.

The City Treasurer will reassess, review, and approve all estimates on a yearly basis. 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 external audit firm.

Journal Entries

All general ledger entries that do not originate from a subsidiary ledger shall be supported by corresponding documentation, including an explanation of each such entry. Journal Entries are typically entered and approved by the City Treasurer, Deputy City Treasurer and Budget and Accounting Analyst. The individual that enters the transaction does not post the transaction. Other staff are also allowed to enter journal entries but not approve those transactions. The journal entry process flows through a workflow within the City's financial software.

Example of journal entries made by the Finance Division include:

1. Transfers between bank and investment accounts (example: transfer from Operating to Payroll);
2. Noncash transactions;
3. Corrections of posting errors;
4. Post payroll transactions;

5. Cost allocations between funds;
6. Nonrecurring accruals of income and expenditures; and,
7. Intra-City charges such as postage, copy paper and other supply charges.

Supporting documentation will be attached to the journal entry when it is proposed. Journals without this documentation will not be approved.

Certain journal entries, called recurring journal entries, are posted at year-end. These entries may include, but are not limited to, the following:

1. Depreciation of capital assets;
2. Amortization of prepaid expenses;
3. Fair market value adjustment of investments;
4. Allowance for doubtful accounts;
5. Reclass of negative cash balances;
6. Accruals of expenses and revenues to the proper period; and,
7. Amortization of deferred, or 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.

Reconciliation of Accounts

To ensure the accuracy of the City's financial reporting, the City Treasurer's Department Finance Division 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, subsidiary ledgers).

Reconciliations will be reviewed by the City Treasurer or the Deputy City Treasurer 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:

1. **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.

2. **Analytical**- these spreadsheets are used to support the management decision-making process.
3. **Operational**- these spreadsheets are used to facilitate tracking and monitoring of workflow to support operational processes, such as listing of unpaid invoices, or other information.

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 City-owned 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. Certain 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. **Documentation or record control** - spreadsheets that are printed to comply with record retention policies or 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 Division will work with the Information Technology Division, and/or contracted Information Technology consultant to evaluate whether the calculation or information extraction can be completed by the financial system.

CELL PHONES

Issuance of City-Owned Cell Phones

The City 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, the City will provide cell phones to select employees as a working condition fringe benefit. Employees who believe they have a business need for a City cell phone may contact their Department Director. Use of a City cell phone must be approved by the Mayor. The City will include language in employee job descriptions 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 and shall not be used while driving. 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 the City.

While City-issued cell phones are intended for City-related business use, the City recognizes that occasional personal use may occur. City employees should make every effort to keep personal use of City-owned cell phones to a minimum (less than 10 minutes per day). Because such employer-provided cell phones are a working condition fringe benefit, City 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 the City are prohibited from using a City-owned cell phone or similar device, hands-on or hands-free, while driving, whether the business conducted is personal or City-related. This prohibition includes receiving or placing calls, text messaging, accessing the Internet, receiving or responding to email, checking for or listening to voice messages, or any other uses.

Similarly, employees of the City are prohibited from using their personal cell phone or similar device for any purpose, hands-on or hands-free, while driving either a City vehicle or a personal vehicle while on City business.

Cell Phone Plans

In the future the Finance Division will negotiate a master cell phone contract with a single contractor. All City-owned cell phones are to be acquired through the preapproved vendor. Exceptions to this policy may be made due to cell phone area coverage. Any exceptions must be approved by the Mayor. Upon receiving the cell phone, the employee is required to sign a statement of receipt and acceptance of responsibility for City cell phones.

Cell phone holders shall report the loss or theft of a City cell phone as soon as possible by notifying their Department Director.

Revocation of City Cell Phones

Failure to comply with any of these policies associated with the use of the City's cell phones shall be subject to possible revocation of City-issued cell phone privileges. The City Treasurer, with the approval of the Mayor, 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 Director 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.

Use of Cell Phones While Driving

For the safety of our staff and the public, use of either City or personal cell phones while operating a motor vehicle on City business is prohibited. The exception to this is the use of hands-free adapters which is allowed on cell phones used for official City business and emergencies. However, hands free equipment use should be suspended in heavy traffic or dangerous weather conditions. Unless using a hands-free adapter, if a call needs to be answered, the employee should stop his or her vehicle in a safe location and park while using the cell phone.

Camera Phones

Use of camera phones, whether City related or personal, must be 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 the City 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 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.

POLICIES ASSOCIATED WITH REVENUES & CASH RECEIPTS

REVENUE

Revenue Recognition Policies

The City 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:

Intergovernmental Revenues

Intergovernmental revenues are reported in the governmental fund financial statements 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 are credited. This entry is eliminated, and the appropriate revenue recognized for the government-wide financial statements.

Licenses and Permits

License and permit revenue is recognized when cash is collected (cash basis). However, depending on the nature of the revenue, certain 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.

Grant Revenue

Grant income is accrued monthly based on incurrence of allowable costs (for cost-reimbursement awards) against a fully executed grant agreement.

Gifts, Donations and 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 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 Fees 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 City Treasurer.

ACCOUNTS RECEIVABLE POLICIES

Overview

The City allows customers to charge for various services such as recreation activities, cemetery plots and extra sanitation services including landfill dump fees and roll-off rentals. Additionally, fees and fines are assessed and billed such as nuisance violations and burglar alarm false alarm fees.

Billing and Collection

Each City division is responsible for their own billing. The City Treasurer's Finance Division is responsible for running the monthly billing runs and the collection of outstanding receivables. (Note: Cash receipts, credit memos, and collection policies will be discussed in subsequent sections.)

Each division is responsible for completing the "new customer form" and submitting to the Finance Division. The Accounts Receivable Accountant will set up all new customers in the City's Innoprise Customer Information System (CIS) and email the division the new account number along with the updated new customer form.

Once an account is created, each division is responsible for entering their customer's invoices into CIS. On the last business day of the month, the Accounts Receivable Accountant runs a billing for the monthly invoices as well as the fixed charges invoices. The invoices are either printed and disseminated to each division to be mailed or emailed to those requesting electronic delivery. Special billing runs can also be done between monthly billing runs if an invoice is needed immediately.

Reconciliation

After the month is closed, the Deputy City Treasurer prepares a reconciliation between the general ledger and an aging report run in CIS. All differences are immediately investigated and resolved. The City Treasurer reviews and approves the accounts receivable reconciliation on a monthly basis.

Accounts Receivable General Ledger Posting

The City Treasurer and Deputy City Treasurer, both independent of the cash receipts function, shall post billings, credits and other adjustments to the general ledger. These items are automatically generated journals from the CIS system and then reviewed by City Treasurer or Deputy City Treasurer.

Grants Receivable Monitoring and Recognition

The City records grants receivable and income as it is earned and billed during the grant year. The Budget and Accounting Analyst and other department Office Managers are responsible for entering billings in CIS for all City grants.

Federal Award Billing and Financial Reporting

The City Treasurer strives to provide management, staff, and grantors with timely and accurate financial reports applicable to federal awards. These reports include monthly and cumulative expenditures, a project budget, and remaining balance.

The City 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 Grants Manager subject to review and approval by the City Treasurer.

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

1. The City will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. For advances of federal funds, the City will strive to minimize the time between receipt of advance and disbursement of grant funds by issuing payments typically 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 the City's year-end 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.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded in the accounting records of the City.

If a federal award authorizes the payment of cash advances to the City, the City Treasurer may require that a request for such an advance be made. Upon receipt of a cash advance from a federal agency, the City shall reflect a liability equal to the advance. As part of the year-end closeout and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

Collections

The CIS Collection Engine is automatically run each Friday.

Delinquent accounts refer to those accounts that are past due by 30 days. When the account is delinquent for over 60 days, the Accounts Receivable Accountant will mail a letter generated by CIS Collection Engine indicating that unless the office receives correspondence or other communication from to the customer within 10 days of the letter, the City will not allow any future charges to be assessed on the account. Accounts not paid within 60 days will have a late fee of \$35 assessed. When an account is over 90 days old, a letter will be mailed indicating that unless payment is received in full or other arrangements have been made for payment, accounts will be turned over to the City's Collection Agency within 14 days from the letter. For large delinquent balances over \$750.00, the City may use the City Attorney's office for alternative methods of collections such as filing a lien or small claims court.

Each Monday, the Deputy City Treasurer runs an updated Aging Report to determine if any account is more than 30 days delinquent, which is then provided to the Accounts Receivable Accountant for collection efforts. This information is used to create a weekly "Cash Only List" and is updated to include all accounts that are more than 30 days delinquent. Customers on this list must pay with cash or credit cards unless approved otherwise by the City Treasurer. This "Cash Only List" spreadsheet is emailed to all divisions that allow customers to charge on a weekly basis.

Returned Checks

When the bank returns a check as a result of a closed account, non-sufficient funds or stop payment, they will first send the City of Cheyenne a notice that it has been resubmitted for a second time payment. The bank runs returned checks through twice before actually returning them.

After the check has been returned for non-sufficient funds, non-conformance or stop payment, ANB Bank will send a notice to the city with the actual scanned returned check attached.

The check is scanned and saved. This scan is emailed to the department that originally received the check, if it can be determined. If not, it will be emailed to all cashiers in the City. An invoice will be created in CIS. The original check will be sent immediately to the City's collection agency. The collection agency starts the collection process immediately once they receive the check.

Credits and Other Adjustments to Accounts Receivable

From time to time, credits and other adjustments will be posted against an account. Examples of other credits include adjustments for billing errors. The Deputy City Treasurer and City Treasurer, both of whom are independent of the cash receipts function, will post credits and adjustments to the general ledger, and all adjustments must be documented and/or authorized by the City Treasurer.

Reserve for Uncollectible Accounts

The City will maintain a reserve for uncollectible accounts receivable. This reserve account is adjusted annually to bad debt expense and is used to write off those items that are past due more than 90 days as

of fiscal year-end. At the end of each fiscal year, the allowance for doubtful accounts is adjusted based on a review of accounts that are past due more than 90 days on the aging report and historical collection experience. Once approved by the Governing Body through resolution, the Accounts Receivable Accountant writes-off a receivable against the allowance for doubtful accounts general ledger account.

If accounts previously written off are collected, the payments are recorded as reductions in bad debt expense.

Uncollectible Account Write-Off Process

The City Treasurer creates an annual reporting of indebtedness and submits to the Governing Body on September 30th of each year. This list contains the name of the debtor, amount owed greater than 90 days, department with charges occurred, and balances outstanding as of June 30th of the preceding fiscal year.

In instances where collection efforts have been exhausted and the account is considered “uncollectible”, pursuant to Wyoming State Statute 16-4-502, the following accounts will be presented in resolution form to the Governing Body to write-off by November 30th of each year:

- Deceased and debtor has no estate
- Discharged in bankruptcy – the account has been discharged through bankruptcy court and the customer file has been noted with the date filed, number, court district and date of discharge
- Accounts that are deemed “uncollectible” that are more than four years old– no response for payment has been received either by the Collection Agency for accounts greater than \$50.

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. If an accounts 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	City Treasurer
\$100 and more	Governing Body (through resolution)

If write-off procedures have been initiated and approved, the receivable amount will be written off against the allowance account recorded to bad debt expense.

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.

CASH RECEIPTS

Overview

Cash is the most liquid asset the City has. Therefore, it is the objective of the City to establish and follow the strongest possible internal controls in this area.

The term “cash” applies to coin, currency, checks, cashier’s checks, money orders, debit/credit card payments, electronic funds transfers (ACH) and wire transfers. These funds are received throughout various City locations.

It is the policy of the City of Cheyenne that all cash received shall be collected, recorded, transported and deposited in a manner that assures the public that City funds are secure. This policy is intended to provide guidance on handling cash from the initial point of collection through the depositing and reconciliation process

Processing of Checks, Money Orders, Credit Cards and Cash Received

1. All City Departments and activities shall record all cash receipts at the time the funds are received. Divisions that receive cash, checks, money orders and credit cards, as part of their normal day-to-day operation, must enter the receipts in the City’s Innoprise Centralized Cash Receipts (CCR) system.
2. The City Clerk’s Department serves as the cash receipts clerks for all transactions not received by other departments, including ACH’s and wire transfers coded by the City Treasurer’s Department.
3. Documentation on each CCR receipt should minimally include the following information:
 - a. Payer’s name.
 - b. Form of payment (if check, check number should be included).
 - c. Amount paid.
 - d. Date of payment.
 - e. Service rendered/product received.
4. Mail Transactions
 - a. A designated person should be assigned to open all incoming mail and prepare a listing of cash and/or checks received
 - b. This designated person should be an individual other than those who post to accounts receivable and prepare the bank reconciliation.
5. At the end of the day each division cashier counts their cash, checks, money orders and credit cards and balances to the transactions in CCR through the “Balance Drawer” function. The first page of the “Cash Batch Report by Tender Type” should be printed and paperclipped to the paper cash, coin (in an envelope or plastic bag), checks, money orders and credit card receipts.
6. The following policies must be followed regarding checks and money orders:
 - a. All checks should be placed in a secure box or drawer until deposited with the City Treasurer.
 - b. Numeric dollar amounts must agree to the written dollar amount on checks. Written amount has priority over numeric amount.

- c. Temporary checks can only be accepted with identification. The name, address, phone number and identification number must be written on the face of the check and must be legible.
 - d. All checks must be signed.
 - e. No third party or postdated checks are allowed.
 - f. Checks must be deposited immediately to avoid becoming stale-dated.
 - g. Checks should be made payable to the City Treasurer.
7. Department Directors are responsible for ensuring that procedures exist for the safekeeping of all undeposited cash receipts held by the department and must ensure that such items are placed in a locked safe or adequately secured 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 receipts software and/or cash drawers
- a. 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.
 - b. All losses or thefts must be reported immediately to the City Treasurer. The City Treasurer shall notify law enforcement agencies if theft or fraud is suspected. All suspected thefts or fraud are to be treated confidentially.
8. All departments shall remit monies directly to the City Treasurer's safe by 10:00 a.m. daily unless prior approval is granted by the City Treasurer or Deputy City Treasurer.
9. 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.
10. The Accounts Receivable Accountant will count the checks and currency and compare that to what is entered in CCR and then post the batch from CCR when funds have been verified.
11. The City Treasurer and Deputy City Treasurer will verify each batch before posting to the general ledger.

Credit Card Receipts

City of Cheyenne accepts credit cards through several various credit card processors for processing payment transactions. Individual City departments may not use or negotiate individual contracts with these or other payment card companies or processors without the involvement of the City Treasurer.

When citizens or customers wish to make payment via credit card, this may be done on the phone with the division generating the charge, in person, or in some cases online.

Reconciliation of Deposits

Monthly, the Deputy City Treasurer, who does not prepare the initial cash receipts listing or bank deposits, shall reconcile the listings of receipts to bank deposits on the bank statement. Any discrepancies shall be immediately investigated. The City Treasurer is responsible for reviewing and approving the monthly bank reconciliations.

Control Grid - Revenue and Cash Receipts

The City strives to maintain adequate segregation of duties in its income and cash receipts functions. The following table illustrates how responsibilities have been assigned. In this table, personnel are identified as follows:

- A. City Treasurer
- B. Deputy City Treasurer
- C. Division Manager/Division Employee
- D. Accounts Receivable Accountant
- E. City Clerk

	A	B	C	D	E
Produces invoice to bill customer/funder				X	
Enters invoice into A/R system			X		
Prepares initial record of funds collected			X		X
Prepares deposit slip				X	
Processes credit card payments			X		X
Enters payments into A/R system					X
Reconciles log of collections w/ A/R posting				X	
Authorizes credits or other adjustments	X	X			
Posts credits/adjustments to A/R system				X	
Authorizes write-off of bad debts under \$100	X				
Posts bad debt write-offs to A/R system				X	
Prepares periodic customer statements				X	
Reconciles A/R with general ledger		X			
Reconciles bank accounts		X			
Reviews and approves bank reconciliation	X				
Reviews A/R aging		X		X	
Performs follow-up calls on old A/R				X	

ADMINISTRATION OF FEDERAL AND OTHER GRANT AWARDS

Overview

The City may receive federal or other 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. However, all proposals shall be entered into AmpliFund, the City's grants management software, with all supporting documentation and routed through the workflow to the City Treasurer to ensure the proposed budget includes all appropriate costs and that match requirements are met. Proposals are then routed to the Budget and Accounting Analyst and Grants Manager for further review.

Post-Award Procedures

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

1. All grant awards and contracts over \$35,000 must be approved by the Governing Body. All grant awards and contracts up to and including \$34,999 must be submitted to the Clerk's Office to be recorded.
2. Update the grant record in AmpliFund with post-award information and award documents. (Project Manager or Grants Manager)
3. Verify the specifications of the grant or contract. The Finance Division shall review the terms, time periods, award amounts, and expected expenditures associated with the award. If a grant is a federal award, an Assistance Listing number shall be determined for each award. Each Assistance Listing number given will be verified at <https://beta.sam.gov/search?index=cfd> All reporting requirements under the contract or award shall be summarized. (Budget and Accounting Analyst)
4. Create/assign new general ledger account numbers. (City Treasurer)
5. Gather documentation. See the DOCUMENT ADMINISTRATION section for details. (Project Manager or Grants Manager)

Compliance with Laws, Regulations, and Provisions of Awards

The City recognizes that as a recipient of federal funds, it 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 "project manager."
2. The project 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 *Assistance Listing* number applicable to the award.
 - d. The project manager will communicate grant requirements to those who will be responsible for carrying them out or are impacted by them.
3. The project manager and/or the Finance Division shall identify and communicate any special changes in policies and procedures necessitated by federal awards as a result of the review of each award.
4. The project 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.
5. The Grants Manager shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The Grants Manager shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Document Administration

For each grant/award received by the City from a federal, state, or local government agency, all documents applicable to the award shall be prepared and maintained in AmpliFund, the grants management software program. The responsibility for assembling each master file shall be assigned to Grants Manager.

The master file assembled for each government award shall include 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 fully executed 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 the City of any findings arising from such visits; and,
10. Correspondence and other documents resulting from the closeout process of the award.

Two master files exist in addition to the permanent grant record in AmpliFund, including Active Grants and Inactive Grants. Within each folder grants are organized by Department and then Grantor, then grant name. The preceding grant document file shall be organized into five sections as follows, and as applicable:

1. Accounting Documents
2. Grant Agreement Documents (post-award documents)
3. PO Documents
4. Reconciliations (prepared and reviewed monthly)
5. Reimbursement Requests

The grant document file is electronic and maintained on the City Treasurer's ACCT X: drive.

Cash Drawdowns of Advances of Federal Funds

The City has various reimbursement grants awarded directly from the federal government. This means that the funds must be expended for reimbursement to be requested. This allows the City time to calculate both payroll liability and accounts payable prior to cutting the checks, and to calculate the amount necessary to draw down from the federal agency for deposit on the day prior to check disbursement.

Cash drawdowns from federal agencies shall be made monthly. All federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual.

Internal Controls involved:

- Federal
 - Granting agency controls the amount in the repository.
 - Online requests for draws on a secure, password protected system.
 - Automatic deposit into a City-owned checking account is the only allowable way to receive funds.
 - Reporting requirements independently verified by grantors.
- The City
 - City Treasurer controls access to all federal and other grant drawdown accounts.
 - For amounts due to the City for expenditures made, a reimbursement request is prepared. For federal and state grants, drawdowns are prepared and submitted by either the Project Manager or the City Treasurer's Department
 - Depending on the type of grant, reimbursement requests may be made online or mailed to funding agencies.

- For requests done online, a separation of duties is ensured by having an individual responsible for reconciliation bank accounts not having access to draw down funds online.
- For requests done by mail, the person responsible for reconciling the fund/grant shall not sign the request. For example, requests to the State Loan and Investment Board (SLIB) are prepared by the Budget and Accounting Analyst and signed by the City Treasurer or Mayor.
- Once the draw is made, confirmation of the draw is saved in the Reimbursement Request folder of each applicable grant.
- Innoprise Financial software, through assigned project numbers, adequately identifies sources of federal funding.
- Bank accounts are balanced monthly by the Deputy City Treasurer and reviewed by the City Treasurer.
- On a monthly basis the Budget and Accounting Analyst reconciles grants and grant funds.
- Draws are randomly tested through the audit process annually.

Closeout of Federal Awards

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

The City 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) FOR GRANT AWARDS

Overview

Third party in-kind contributions are the value of non-cash contributions provided by non-federal third parties. They are property or services that benefit a grant supported project or program and are contributed by non-federal third parties without charge or at a discount to the grantee. In-kind contributions may consist of the value of the real property, equipment and the value of goods and services directly benefitting the grant program. The City 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. They must be received and used during the project/program period, along with the federal funds received, to satisfy the matching requirement for the grant.

The City 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 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; or
- Supplies.

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

Cash

- The City 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 certified real property 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 as 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.

The City 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; and
- Signature of volunteer

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.

CHARGING COSTS TO FEDERAL AWARDS

Overview

The City 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 cost 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 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 200.400 – 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)*). The City identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate general ledger account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate Project Manager, and others as outlined in the procurement policy, and reviewed by the City Treasurer.

Time records are kept electronically in the City's payroll software (Paycom), reflecting employees' work and which programs directly benefited from their effort. Time records shall serve as the basis for charging salaries directly to federal awards and nonfederal functions.

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).

The City will allocate indirect costs using its negotiated indirect cost rate.

Shared or Joint Costs

Shared or joint costs are those that have been incurred for some, but not all, programs or objectives and are not easily identifiable with a particular grant or programs but are necessary to the operation of these grants or programs. Indirect costs, but not shared or joint costs, may be allocated to benefiting objectives through the use of an indirect cost rate.

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 funds without restriction or other funds that may cover indirect or shared or joint costs after the allocation process is complete.

Indirect Costs

Indirect costs are those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular cost objective or that are necessary for the overall operation of the City (management and general costs).

After direct and shared (or joint) costs have been determined and assigned directly to awards or other programs as appropriate, indirect costs are those remaining to be allocated to benefitting cost objectives. A cost may not be allocated to a federal award as an indirect cost if any other cost that was incurred for the same purpose, in like circumstances, has been assigned to a federal award as a direct cost.

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 costs will be allocated on the most meaningful measures. The following bases will be used:
 - a. Facilities and related costs will be allocated based on square footage occupied.
4. Program-related costs will be allocated based on relevant activity measures, such as number of meals served, and number of children or clients.

Indirect Cost Rate

Each year the City prepares a cost allocation plan and submits it to its cognizant agency for informational purposes. This plan is not required to be approved. The indirect cost rate is used to determine the indirect costs that may be charged to each federal award, major function, or cost objective.

POLICIES ASSOCIATED WITH CASH DISBURSEMENTS

ACCOUNTS PAYABLE MANAGEMENT

Overview

The City strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and bank account reconciliation. The accounts payable process includes all Department Directors/Division Managers, the City Treasurer, Deputy City Treasurer, Purchasing Manager, Budget and Accounting Analyst and the Accounts Payable Accountant for proper review and approvals in order to properly segregate the accounting functions. 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 vendor itemized invoice for the related goods or services.
- The vendor itemized invoice should be supported by appropriate documentation where required by City policy and should be reviewed and approved by a Department Director/Division Manager prior to being processed for payment.
- General ledger accounts are reviewed for accuracy by either the Accounts Payable Accountant and/or the Accounting and Budget Analyst through the Innoprise Financials software GL approval workflow. The Grants Manager reviews and approves general ledger accounts for federal grants.
- Invoices are reviewed by both the Purchasing Manager and the Accounts Payable Accountant 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.
- Vendor credit terms and operating cash are managed for maximum benefits.

Standard Accounts Payable Procedures:

1. **Mail** – is distributed by the Human Resources Division’s staff and opened by each Office Manager throughout all City Departments. Invoices are distributed to the correct individual.
2. **E-mail** – invoices received via email will be routed by the Accounts Payable Accountant to the proper division.
3. **Requisitions** – are created and coded at the division level and approved by appropriate management staff according to the City’s purchasing policies. Individuals who initial or sign the perjury statement 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.

4. **General Ledger Coding/Detail Review** – is performed by the Budget and Accounting Analyst or Accounts Payable Accountant to ensure proper coding. The Grants Manager must review and approve any expenditure using federal grant funds. The funds that include federal grant expenditures include Youth Alternatives Grants (012), Community Development Block Grant (018), Federal Grants Fund (025), Transportation Planning (026), and Transit (027).
5. **Budget Review** – Innoprise Financials checks for appropriate budget in general ledger account(s) entered on each requisition. The City Treasurer monitors the budgetary workflow and works with the Accounts Payable Accountant to request budget transfer forms for any requisition that is using a general ledger account that has inadequate budget. The Budgetary approval workflow is approved by the City Treasurer or Deputy City Treasurer.
6. **Support of Expenditure Documentation** - All expenditures must be supported by an itemized invoice or other appropriate documentation which has the date of receipt, whether the goods received represent the full or partial order and the perjury statement signed by the appropriate individual. No payments will be made from statements. All packing slips which accompany the goods received are to be attached to the corresponding invoice before forwarding the requisition to the Finance Division for payment.
7. **Purchase Orders** - Bid documents, quote or invoices are attached to requisitions in Innoprise Financials for review by the City's Purchasing Manager for compliance of the City's purchasing policies. All departments and divisions are required to take measures to ensure that each requisition is properly approved and documented prior to submitting the requisition for payment. Failure to do so will necessitate a delay in payment. The Purchasing Manager will create a purchase order if all purchasing policies are followed. Requisitions must be approved prior to the deadline as outlined in the City's Payables Schedule as published by the City Treasurer's Department.
8. **Invoices** - Once the requisition is ready to pay, hard copies of invoices are turned in to the Accounts Payable Accountant to signal that an invoice can be created in Innoprise Financials. Invoice hard copies must be received in accordance with the Payables Schedule as published by the City Treasurer's Department. Invoices shall not be created in Innoprise until the hard copy has been received by the Accounts Payable Accountant.
9. **Management Review** – This review is performed by City Treasurer and Deputy City Treasurer on an arbitrary selection of invoices in each check run.
10. **Check Run** – Once all invoices are created and posted, the City Treasurer, Deputy City Treasurer or the Housing & Community Development Program Manager processes and prints checks. A voucher check report is also created and provided to the Governing Body for review before each regular City Council Meeting.
11. **Mailing Control** – The Accounts Payable Accountant maintains control of the mailing of all checks to vendors. Checks are mailed on the check date.
12. **Stale Check Control** – All checks are marked "Void in 90 Days" to ensure they are cashed within time limits. The Deputy City Treasurer creates a listing of all outstanding checks and reviews with the City Treasurer monthly. All efforts will be made to encourage the check casher to cash the check. Letters will be mailed to payees of all checks not cashed within 90 days. If no response is received for checks not cashed, they will be voided and sent to the Wyoming Unclaimed Property Division as required by state law.

Electronic Funds Transfers (ACH's)

The City Treasurer and Deputy City Treasurer shall be the only City of Cheyenne employees authorized to initiate wire transfers or ACH transactions from the City of Cheyenne bank accounts. Any ACH of more than \$10,000 initiated by the Deputy City Treasurer must be approved by the City Treasurer and vice versa.

Confirmation of all wire transfers are printed and scanned and attached to the Purchase Order in the Innoprise system.

Payment Discounts

To the extent practical, the City takes advantage of all prompt payment discounts offered by vendors. 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 additional policies in the City's Purchasing Policies 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. Expense reports will be processed for payment in the next payable cycle if received by the payable deadline.

The Accounts Payable Accountant will periodically audit expense reports and credit card statements to ensure that travel authorization reimbursement requests exist for all employee travel.

Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly accounting period, the accounts payable and voucher's payable subsidiary ledger shall be reconciled to the total per the voucher's payable and accounts payable general ledger accounts (control accounts). 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 City Treasurer.

Review of Statements

On a monthly basis, the Purchasing Manager and Accounts Payable Accountant shall perform the following procedures:

1. Reconcile all statements received for unprocessed invoices. (Accounts Payable Accountant).
2. Check the purchase order file for open purchase orders more than 90 days old and follow up. (Purchasing Manager).

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

The City prints vendor and expense reimbursement checks on a schedule that follows the City Council Meetings which are held the second and fourth Monday of each month. Checks shall be prepared by persons independent of those who initiate or approve expenditures. All vendor 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 and the City's Purchasing Policy Manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all vendors 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. The Accounts Payable Accountant provides a total dollar amount for each check run, including those that need to be sent via ACH, to the individual that will be processing the check run. Checks are generated in Innoprise Financials software and printed on blank check paper stock. This check paper is stored in the Finance Division. Checks are signed using computer generated signatures. All operating checks are electronically signed by the Mayor, City Treasurer and City Clerk.
6. Checks shall never be made payable to "bearer" or "cash."

Checks Requiring Manual Check Signing

Two signatures are required for checks from the Municipal Court account. These checks are manually signed by both the Senior Municipal Court Judge and the Municipal Court Judge. The City Treasurer and City Clerk are also signers on this account and can manually sign checks when necessary.

Non-Manual or Electronic Check Signing

Only specific authorized Finance personnel have access to print vendor checks (City Treasurer, Deputy City Treasurer and the Housing & Community Development Program Manager) with electronic signatures on each check. Capability is limited to one printer within the Finance Division. Municipal Court has one printer for their relevant disbursements.

Mailing of Checks

After checks are printed, they are returned to the Accounts Payable Accountant. The Accounts Payable Accountant includes the appropriate remittance and mails the checks the morning after each City Council

Meeting. Checks shall not be mailed by or returned to the individuals or departments that authorized the expenditures.

Voided Checks and Stop Payments

Checks may be voided due to processing or payment 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 the City Treasurer or Deputy City Treasurer.

Recordkeeping Associated with Independent Contractors

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

Control Grid – Purchasing and Disbursements

The City strives to maintain adequate segregation of duties in its purchasing and disbursements functions. The following table illustrates assignment of responsibilities. In this table personnel are identified as follows:

- A. Accounts Payable Accountant
- B. Deputy City Treasurer
- C. City Treasurer
- D. Department/Division Staff
- E. Division Management
- F. Purchasing Manager
- G. Budget and Accounting Analyst
- H. Housing and Community Development Program Manager
- I. Grants Manager

Duty	A	B	C	D	E	F	G	H	I
Inputs data into vendor master file						X			
Obtains Form W-9 from new contractors						X			
Initiates purchases				X					
Authorizes purchases					X				

Duty	A	B	C	D	E	F	G	H	I
Receives vendor invoice and creates requisition				X					
Approves requisition and vendor invoice					X				
Assigns general ledger coding				X	X				
Approves general ledger coding	X	X	X				X		X
Creates purchase order in system						X			
Creates invoice in system	X								
Runs A/P checks		X	X					X	
Reviews checks		X	X						
Mails checks	X								
Maintains custody of unused check stock		X	X						
Reconciles A/P to general ledger	X	X	X						
Performs bank reconciliation		X							
Reviews voided checks			X						
Reviews/approves bank reconciliations			X						

CREDIT CARDS/PURCHASING CARDS

City-Issued Credit Cards or Purchasing Cards

The City recognizes that there will be occasions when employees need to use a City-issued credit card for travel or other City-approved purposes. The Department Director must provide a request in writing for a credit card for themselves or any of their staff. Purchasing cards will be issued only to authorized City employees and elected officials. In general, the charge limit for purchasing cards is \$2,500.00. This limit may be modified by written request of the Mayor or the Department Directors and must be approved by the City Treasurer.

Payment Process

Credit card payments go through the accounts payable process through the p-card module in Innoprise Financials software. The credit card statement is reconciled by each division and transactions are coded to the appropriate general ledger account. Division Managers approve each p-card transaction. The Purchasing Manager then reviews, through the p-card workflow, the purchases made to ensure they comply with the City's purchasing policies. The Budget and Accounting Analyst, Accounts Payable Accountant and Grants Manager (for federal grant charges) review p-card transactions for appropriate general ledger account coding. The Accounts Payable Accountant creates invoices for each credit card statement and ensures that all receipts are attached for each transaction.

Sales Tax

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

Card User Responsibilities

Card users are reminded that use of credit card does not relieve them from following the City's procurement policies and procedures. A credit card is a payment method, not a procurement procedure.

Upon issuance, card users will be required to sign an agreement acknowledging the following:

- The card shall be used exclusively for legitimate City-related business purposes.
- The card user will avoid splitting purchase or service costs over multiple transactions to circumvent the single transaction limit.
- Obtain an itemized receipt for each transaction.

- The card user agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location and understands the actions to take in case of theft or loss.
- The card user will follow all required procurement policies and procedures.
- The card user understands and agrees to disciplinary procedures for misuse of the card.

Any fraudulent or other unauthorized charges shall be immediately reported to the City Treasurer for further investigation with the card provider.

Personal use of City-issued credit cards is strictly prohibited. Any personal use will subject the employee to the City's disciplinary actions discussed in the City's Purchasing Policy.

Card users shall report the loss or theft of a City-issued credit card immediately by notifying Deputy City Treasurer and Accounts Payable Accountant.

All employees issued a City purchasing card must read the purchasing card policies and sign the agreement. This agreement will be scanned and saved on the City Treasurer's X: drive.

Revocation of City Credit Cards or Purchasing Cards

Failure to comply with any of these policies associated with the use of the City's issued credit cards or purchasing cards shall be subject to possible revocation of card privileges. The City Treasurer shall determine whether credit cards or purchasing cards are to be revoked.

City of Cheyenne Purchasing Card Policy

The City's Purchasing Card Policy is located in the City of Cheyenne Purchasing Policy.

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

The City 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 the City and the individual. 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 Treasurer, in consultation with the Human Resources Director, shall make the final determination.

Payroll Administration

The City operates on a monthly payroll system. Seasonal employees are paid twice monthly from May to September. An electronic personnel file is established and maintained for all employees with current documentation, as described throughout this section and more fully described in the City's Employee Handbook. This file is maintained in the Human Resources department.

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

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

If required by specific grants, the employee personnel file must also include a pre-employment background check.

Changes in Payroll Data

All of the following changes in payroll data must be initiated with either a Job Requisition or a Personnel Action Form (PAF) by Department Directors and/or Division Managers and authorized electronically in the payroll system by the HR Director and/or the City Treasurer:

1. New hires.
2. Terminations.
3. Changes in salaries and pay rates.

Department Directors and Division Managers may initiate the above payroll changes.

Voluntary payroll deductions, changes in income tax withholding status, and benefit changes shall be authorized electronically in writing by the individual employee. Court ordered payroll deductions are handled directly by the Finance Division and copies of documentation are retained in the employee file and the employee is given a copy.

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

Payroll Taxes

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

The City 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

The City 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

Pay dates: The City work week is from Monday 12:00 AM through Sunday 11:59 PM, but this workweek may vary by department. Each pay period is monthly. Seasonal employees are paid twice monthly from May to September of each year. City employees are paid monthly, on the last business day of the month. The City processes final paychecks the 10th of the month following the termination, unless a special request has been approved by the City Treasurer.

Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties).
2. Timesheets shall be prepared electronically.
3. Employees shall identify and record hours worked based on the nature of the work performed.
4. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such.

After preparation, Department Directors or their designees shall approve timesheets prior to submission to the Finance Division. Corrections identified by an employee's supervisor shall be acknowledged and corrected by the employee.

Processing of Electronic Timesheets

Time sheets are received electronically by the Payroll Accountant. The Payroll Accountant reviews all of the individual time sheets and notes any variances from what their typical pay structure would be, such as overtime and time reported more or less than the required hours in the pay period.

The Payroll Accountant may change or correct timesheets, after notifying the supervisor of errors. When errors are noted, and a supervisor cannot be notified prior to the payroll deadline, the correction will be made in the next pay period. 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

After payroll is calculated, the Payroll Accountant runs the “Check Register”, and notifies the Deputy City Treasurer that payroll is ready for review. The Deputy City Treasurer reviews the check register against various payroll reports such as the time sheets, PAF’s, accrual reports, and internal workpapers. The Deputy City Treasurer reviews items such as the employee deductions, the employer benefits, infrequently used earning codes, flagged accrual items, terminations, new hires, etc. to ensure that these items are being assessed consistently and accurately. The Deputy City Treasurer gives all changes back to the Payroll Accountant for correction. The Payroll Accountant then processes the payroll.

Distribution of Payroll

Payroll payments are direct deposited, and reporting is available for each employee electronically.

Control Grid – Payroll and Human Resources

The City strives to maintain adequate segregation of duties in its payroll and human resources functions. The following table illustrates how responsibilities have been assigned. In this table, personnel are identified as follows:

- A. Human Resources Director and Staff
- B. City Treasurer and/or Deputy City Treasurer.
- C. Payroll Accountant
- D. Department Directors or Division Managers
- E. Office Managers

Duty	A	B	C	D	E
Authorizes new hires	X	X			
Authorizes salary adjustments	X	X	X	X	
Authorizes terminations	X	X	X	X	
Sets up new employee in P/R system	X				
Enters salary adjustments to P/R system	X				
Enters direct deposit info in P/R system	X	X	X		
Terminates employees in P/R	X		X		
Reviews changes to payroll master file	X	X	X		
Approves timesheets				X	
Reviews input of timesheets		X	X	X	X
Reviews distribution of time		X	X		
Reviews check register		X	X		

Duty	A	B	C	D	E
Distributes paystubs (electronic)			X		
Reviews annual W-2 forms		X	X		
Distributes annual W-2 forms (electronic)			X		

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

CASH AND INVESTMENTS

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the end of the fiscal year. The City's funds in ANB Bank are considered cash and cash equivalents. The City sometimes has cash investments in the Wyoming Government Investment Fund (WGIF), Principal custodial account, Wyoming Bank and Trust Bond Reserve account and Multi-Bank Securities account, which are reported as cash equivalents due to the City's ability to withdraw funds at any time without restriction. Interest earned is allocated among the various funds based on the average monthly outstanding balance.

The City also uses consolidated bank accounts, which earn interest at variable interest rates. The City maintains the following cash and cash equivalent accounts:

ANB Bank:

- **Operating Checking** – Disbursement and deposit of all normal, ongoing City revenues and expenditures from operations. Authorized signers include the Mayor, City Treasurer and City Clerk.
- **Municipal Court Checking** – The Municipal Court Account is a checking account for the Municipal Court. Deposits are made daily from court fees and fines and checks are written to transfer funds to the City of Cheyenne's operating account for Municipal Court revenues. Refunds of court bonds are also written from this account. Authorized signers on this account include the Senior Municipal Court Judge, the Mayor, the City Treasurer and the City Clerk.
- **Public Funds Sweep Account** – The Public Funds "Sweep Account" transfers funds on a daily basis from the Operating, Payroll and Municipal Court accounts into a higher interest-bearing cash account and also transfers funds to those accounts as needed to clear any disbursements.

Investments

The City follows guidelines set forth in State Statute 9-4-831 as it relates to the investment of public funds. The City's investment policy requires investments to comply with State Statutes, which generally allow the City to invest in U.S. government securities and accounts of any bank which is federally insured or secured by a pledge of assets, including bonds, debentures, and other securities in which the City may by law invest. The City's investment policy shall be reviewed every two years by the City Treasurer and other members of the City's Investment Committee.

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 the FDIC limit. 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.

Investment Accounting Treatment

All purchased investments shall initially be recorded at cost.

After acquisition, the City 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 the City on an annual 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 previously defined.

Petty Cash and Change Funds

The City has various change funds and petty cash accounts.

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

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

Petty cash funds are established to enable departments to make small purchases when a purchasing card or in-store account cannot be used. The amount of the change fund and petty cash fund is established at the time the fund is authorized by the City Treasurer and a master list of all petty cash and change funds is reconciled at year-end. Periodic surprise audits will occur to citywide change funds and petty cash funds by City Treasurer staff.

Petty Cash Guidelines:

- Adequate receipts and documentation must be maintained to support all transactions made from a petty cash fund.
- Expenditures must adhere to the City's Purchasing Policy. The petty cash fund may not be used to circumvent City purchasing procedures.
- A petty cash fund or custodian may be revoked at the discretion of the City Treasurer.
- No one single item purchased with petty cash may exceed twenty-five (\$25).
- Incremental purchasing (splitting one large purchase into several small purchases) is not allowed.
- Employees using petty cash funds are responsible for providing tax exempt certificates to vendors who do not already have them. These tax-exempt certificates may be obtained from the City Treasurer's Department.

Establishing Petty Cash and Change Funds:

- A petty cash or change fund may be established by written request from the Department Director and approved by the City Treasurer. The request should specify the general purpose of the fund, the amount of the fund, physical location of the fund, how the fund will be secured during business and non-business hours, and the name and title of the fund custodian.
- Once the request has been reviewed and approved by the City Treasurer, a check will be issued to the custodian to establish the change or petty cash fund. The change or petty cash fund custodian will be notified when the check is available for pick-up.
- The size of the change or petty cash fund should be contingent on the nature of departmental needs, not to exceed \$500, unless specifically approved by the City Treasurer.

Fund Custodian:

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

Change of Custodian

The responsible Department Director notifies the Finance Division in writing 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 ensures that the fund is replenished before it is turned over to the new fund custodian.

Safeguarding the Petty Cash and Change Funds

- Place petty cash funds, change funds, and expenditure documents in a safe place (i.e. safe, vault, locked desk drawer).

- 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.
- When the fund is no longer needed, the City Treasurer should be notified. All outstanding receipts for reimbursement should be processed, and then the entire amount should be delivered to the Finance Division for processing.

Bank Reconciliations

The Deputy City Treasurer is responsible for preparing the reconciliation between the bank balance and general ledger balance.

The three ANB Bank account statements are downloaded by the City Treasurer on or around the first business day of the month. The pdfs statements are saved on the City Treasurer's X: drive.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed and approved by the City Treasurer on a monthly basis.

The total cash reconciliation, bank statements, individual bank account reconciliations and any backup are filed electronically in monthly "Bank Reconciliation" binder folders.

Cash Flow Management

The Deputy City Treasurer monitors cash flow needs on a daily basis to minimize the time elapsing between the receipt and disbursement of funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

Stale Checks

The City will comply with Wyoming state laws regarding unclaimed property. The State of Wyoming unclaimed property statutes requires all unclaimed property, regardless of the value, be reported and transferred to the state following the timeframe set for each type of property.

The Deputy City Treasurer and Payroll Accountant will send a letter to payees using their last known address of all checks that are more than three months old that have not cleared the City's bank. The letter will encourage the payee to either cash the check or sign and return the letter to receive a new check.

If no response is received from the letter sent the check will be voided and a stop payment issued with an entry crediting the Unclaimed Property liability account. Following the specific timeframe (one (1) year for uncashed payroll checks and five (5) years for uncashed vendor checks), funds will be reported and submitted to the state by November 1st of each year.

INVENTORY OF SMALL EQUIPMENT

Description of Inventory

Small equipment is all equipment purchased for a cost less than \$5,000 but more than \$500, and includes computers, electronics and other similar equipment. Small equipment is purchased regularly for use in the City's daily operations. Equipment is tracked either because the grant requires it, or it is a sensitive piece of equipment.

Accounting for Inventory

The City has a software program that tracks inventory. When a piece of small equipment is purchased, an inventory tag number is issued and placed on the device by either the Accounts Receivable Accountant (non-IT equipment) or IT Division (IT equipment). The device information such as description, serial and model number, date of purchase and location are added to the software. This inventory tag should be affixed to the equipment in an easy-to-access location.

Physical Counts

The Accounts Receivable Accountant and IT Division maintain a master listing of small equipment. At least once in every 24-month period, the Accounts Receivable Accountant will print and distribute the most current listing of small equipment to each program. Any small equipment 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.

Unusual discrepancies such as lost or damaged inventory will be investigated by the Deputy City Treasurer.

PREPAID EXPENSES

Accounting Treatment

The City 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 vendor invoices shall be reviewed by the Purchasing Manager 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 Division 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 monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the yearly closeout process.

CAPITAL ASSETS

Governmental Accounting Standards Board (GASB) Statement 34 requires that all capital assets be reported in the government-wide balance sheet net of accumulated depreciation if applicable. Each City department is responsible for reporting accurate, complete, and timely capital asset information to the City Treasurer's Department. The Treasurer's office is responsible for compiling the capital asset information from departments for inclusion in the City's financial statements.

Capital Asset Definitions and Guidelines

Capital assets are tangible and intangible assets acquired for use in operations that will benefit more than a single fiscal period and have a value equal to or greater than the capitalization threshold of the particular classification of the asset. Typical examples are land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and various intangible assets. Land associated with infrastructure should be reported as land rather than as part of the cost of the related infrastructure asset.

Equipment and Furniture Purchased with Federal Funds

(2 CFR Part 200.313)

The City may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. In addition to those policies as described earlier, 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 the City, described in this 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, the City 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, the City 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 Project 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, the City. All adjustments resulting from this reconciliation will be approved by the City Treasurer.

Capital Asset Acquisition Cost

Capital assets shall be recorded and reported at their historical costs. Historical cost includes the vendor's invoice (less the value of any trade-in), initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs, and professional fees.

The costs of capital assets for governmental activities do not include capitalized interest. Interest, however, is capitalized on assets that are constructed for an enterprise fund or otherwise produced for an enterprise fund's own use (including assets constructed or produced for the enterprise by others for which deposits or progress payments have been made).

PLEASE NOTE: The book value of assets recorded at historical costs should never be increased to reflect appraised value, insurance value, replacement cost, etc.

Contributed Assets

GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments, such as the federal government, a state, county, or municipality, or one party may be a nongovernmental entity, including an individual.

The timing of recognition of the asset and related revenue is outlined as follows:

1. When an asset has been received and the eligibility requirements to receive the asset have been met, capital assets are debited, and revenue is credited in the fund financial statements of an enterprise fund and the government wide financial statements for a governmental fund.
2. When an asset has been received but the eligibility requirements to receive the asset have not been met, capital assets are debited, and deferred revenue is credited in the fund financial statements of an enterprise fund and the government wide financial statements for a governmental fund.

Donated property must be recorded at its estimated fair market value on the date of acquisition, using a reasonable market study or other method of value determination. The method used to appraise the value computed for gifts and donations should be based on a reasonable assessment. This method must be fully documented and maintained on file to support the value.

Establishment and Maintenance of a Capital Asset Records

When an asset is constructed or purchased, City departments are required to complete a “Fixed Asset Addition Form” and submit it to the Finance Division.

All capitalized property and equipment shall be recorded in the City’s financial software Innoprise Financials. This 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 (including color, model, and serial number or other identification number);
4. Source of the funds used to purchase the equipment, including the federal award number, if applicable;
5. Whether the title vests in the City or the federal government;
6. Information to calculate the federal share of the cost of the equipment, if applicable;
7. Location, use, and condition of asset;
8. Depreciation method;
9. Estimated useful life; and,
10. Ultimate disposition data including the date of disposal and sale price.

A physical inventory of the property acquired will be taken and the results reconciled with property records, at least once every two years. *(2 CFR Part 200.313(d)(2))*

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 vendor 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. If the newly purchased equipment and furniture does not rise to the level of a capital asset, it will be treated as small equipment. (See policy on INVENTORY OF SMALL EQUIPMENT)

Capital Asset Categories

Land and Land Rights

Land is defined as the surface or crust of the earth, which may be used to support structures or grow crops, grass, shrubs, and trees. Land is characterized as having an inexhaustible life. All expenditures made to acquire land and ready it for its intended use should be considered as part of the land cost.

Examples of expenditures to be capitalized as land:

1. Purchase price or, if donated, fair market value at time of donation.
2. Commissions.
3. Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.).
4. Permanent landscaping such as land clearing, excavation, fill, grading, drainage (includes movement of earth in preparation for water impoundment).
5. Demolition of existing buildings and improvements (less salvage).
6. Removal, relocation, or reconstruction of property of others on the land so that the land may be used differently (railroad, telephone and power lines).
7. Interest on mortgages accrued at date of purchase.
8. Accrued and unpaid taxes at date of purchase.
9. Other costs incurred in acquiring the land.
10. Water wells (includes initial cost for drilling, the pump and its casing).
11. Rights-of-way.

Easements

An easement is defined as an interest in land owned by another that entitles its holder to a specific limited use or enjoyment (right to use the land). Easements are characterized as having inexhaustible life.

Land Improvements

Land improvements are defined as attachments to the land that have limited lives and therefore are recorded separately and are depreciable. Examples of expenditures to be capitalized as land improvements:

1. Fencing and gates.
2. Landscaping of temporary nature.
3. Parking lots/driveways/parking barriers/roadway.
4. Outside sprinkler systems.
5. Recreation areas and athletic fields (including bleachers).
6. Golf course.
7. Paths and trails.
8. Septic systems.
9. Swimming pools, tennis courts.
10. Fountains.

11. Plazas, pavilions.
12. Retaining walls.
13. Lighting systems.
14. Water impoundment structures or attachments (dam, liner, other water control structures).

Buildings and Building Improvements

A building is defined as a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be mobile.

Examples of expenditures to be capitalized as purchased buildings:

1. Original purchase price.
2. Expenses for remodeling, reconditioning, or altering a purchased building to make it ready to use for the purpose for which it was acquired.
3. Environmental compliance (i.e., asbestos abatement).
4. Professional fees (sales commission, legal, architect, inspection, appraisal, title search, etc.).
5. Payment of unpaid or accrued taxes on the building at the date of purchase.
6. Cancellation or buyout of existing leases on the building.
7. Other costs required to place or render the asset into operation.

Examples of expenditures to be capitalized as constructed buildings:

1. Completed project costs.
2. Interest accrued during construction for enterprise type activities.
3. Cost of excavation or grading or filling of land for a specific building.
4. Expenses incurred for the preparation of plans, specifications, blueprints, etc.
5. Cost of building permits.
6. Professional fees (architect, engineer, management fees for design and supervision, legal). Note architect fees are expensed if a decision is made to not proceed with the construction of the building.
7. Costs of temporary buildings used during and for the construction.
8. Unanticipated costs such as rock blasting, piling or relocation of the channel of an underground stream.

Building improvements are defined as capital events that increase the value of a building, materially extend the useful life of a building, or both. A building improvement should be capitalized as a sub-asset of the building and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold and the expenditure increases the life or value of the building by 25 percent of the original life period or cost.

Examples of expenditures to be capitalized as building improvements:

1. Conversion of attics, basements, etc., to usable office, or classroom space.
2. Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.

3. Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents.
4. Original installation/upgrade of wall or floor covering such as carpeting, tiles, paneling, or parquet.
5. Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing.
6. Installation or upgrade of windows or door frames, upgrading of windows or doors, built-in closets and cabinets.
7. Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
8. Exterior renovation, such as installation or replacement of siding, roofing, masonry, etc.
9. Installation or upgrade of plumbing and electrical wiring.
10. Installation or upgrade of phone or closed-circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building).
11. Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building.
12. Additions to buildings (expansions, extensions, or enlargements).
13. Repairs to bring up to code (including Americans with Disabilities Act).
14. Other costs associated with the above improvements.

Note: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project that increases the value and/or useful life of the building and meets the capitalization threshold. A replacement may also be capitalized if the new item or part is of significantly improved quality and higher value compared to the old item or part (such as replacement of an old shingle roof with a new fireproof tile roof). Replacement or restoration of an item to its original utility level is not capitalized. Determinations must be made on a case-by-case basis.

Machinery and Equipment

Machinery and equipment are defined as fixed or movable tangible assets to be used for operations. Improvements or additions to existing equipment that constitute a capital outlay or increase the value or life of the asset by 25 percent of the original cost or life should be capitalized and recorded as sub-asset of the existing asset.

Examples of expenditures to be capitalized as equipment include:

1. Original contract or invoice price.
2. Freight charges.
3. Import duties.
4. Handling and storage charges.
5. In-transit insurance charges.
6. Sales, use, and other taxes imposed on the acquisition.
7. Installation charges.
8. Charges for testing and preparation for use.
9. Costs of reconditioning used items when purchased.
10. Parts and labor associated with the construction of equipment.

Note: If incidental items, such as extended warranties or maintenance agreements, are included with the capital asset upon receipt and are not listed as a line item on the purchase order or on the invoice, then the incidental charges are considered a part of the capital asset.

Infrastructure

Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

Examples of expenditures to be capitalized as infrastructure include:

1. Roads, streets, curbs, gutters, sidewalks, and fire hydrants.
2. Bridges, railroads, and trestles.
3. Dam and drainage facilities.
4. Radio and television transmitting towers.
5. Electric, water, and gas (main lines and distribution lines, tunnels, etc.).
6. Fiber optic and telephone distribution systems (between buildings).
7. Light systems (traffic, outdoor, street, etc.).
8. Signage.

Intangible Assets

Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and local Governments.

Leasehold Improvements

Leasehold improvements are any changes made to a rental property in order to customize it for the particular needs of the tenant. This category relates to properties where the City is a lessee.

Miscellaneous Asset Issues

Maintenance agreements associated with technology hardware or software cannot be depreciated. Rather, such agreements are expensed over the period of benefit, and, if paid upfront, they are recorded as prepaid assets and amortized over the period of benefit, generally one or two years, as called for in the agreement.

Construction-in-Progress (CIP) Assets Under Construction

Construction-in-Progress (CIP) consists of construction projects subject to capitalization and can be either tangible or intangible in nature. When a capital asset is completed within one fiscal year, the related asset is added directly to Innoprise Financials and capitalized during that fiscal year. If a project is not completed within one fiscal year, the portion of accumulated costs which are capitalizable should be recorded as CIP at year end. Because an asset under construction is not complete or being used, depreciation shall not be recorded.

The asset should be capitalized to its appropriate capital asset category (land, land improvements, building, building improvements, equipment, infrastructure, intangible asset, etc.) upon the earlier occurrence of substantial completion, occupancy, or when the asset is placed into service.

Capitalization Policy

Physical assets acquired with minimum cost of \$5,000 are capitalized as property and equipment on the City's financial statements.

If a federal awarding agency requires a lower amount for equipment, the City will adhere to that dollar amount only for that program or contract.

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 in the Depreciation and Useful Lives section below.

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. Repairs maintain the asset in its original operating condition. Preventive maintenance, normal periodic repairs, replacement of parts, structural components, and other activities such as repainting, equipment adjustments, that are needed to maintain the asset so that it continues to provide normal services should not be capitalized but rather charged to an expense account.

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.

The following are examples of expenditures not to be capitalized as building improvements. Instead, these items should be recorded as repair and maintenance expense:

1. Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building.
2. Improvement projects of minimal or no added life expectancy and/or value to the building.
3. Plumbing or electrical repairs.
4. Cleaning, pest extermination, or other periodic maintenance.
5. Interior decoration, such as draperies, blinds, curtain rods, wallpaper.
6. Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.
7. Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.

8. Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections.
9. Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities.
10. Any other maintenance-related expenditure which does not increase the value of the building.

In some instances, implementation of this policy may be difficult due to the unique nature of the acquisition. In these cases, professional judgment should be exercised in determining whether the efforts outweigh the benefits derived from applying capitalization criteria.

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
Roads – new construction, partial reconstruction, full reconstruction	Capitalize
Roads – crack filling, sweeping, patching, sealcoating, mill and overlay	Expense
Bridges – partial reconstruction, full reconstruction	Capitalize
Bridges – crack filling, patching, painting	Expense
Sidewalks and Trails – new construction, partial reconstruction, full reconstruction	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.

Capital Asset Classification, Depreciation and Useful Lives/Capitalization Thresholds

All capitalized assets (except for land and land rights) are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (example: an asset purchased on the 15th day of the 5th month shall have 8 full months of depreciation {8/12 of one year} recorded for that year).

Estimated useful lives of capitalized assets shall be determined by the City Treasurer. 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.

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.

The following is a list of the capital asset category, useful lives and capitalization thresholds:

Category	Type	Estimated Life (years)	Threshold
Land and Land Rights	Not Depreciated	n/a	No minimum
Land Improvements	Structure	30	\$50,000
Land Improvements	Groundwork	20	\$25,000
Buildings	Buildings	40	\$50,000
Building Improvements	Building Additions and Improvement	30	\$50,000
Building Improvements	HVAC Systems	10	\$25,000
Building Improvements	Roofing	20	\$25,000
Building Improvements	Flooring	7	\$25,000
Building Improvements	Electrical/Plumbing	30	\$25,000
Infrastructure	All	40	\$100,000
Machinery and Equipment	Heavy Construction Equipment	20	\$5,000
Machinery and Equipment	Radio, Communications Equipment	10	\$5,000
Machinery and Equipment	Recreational, Athletic Equipment	10	\$5,000
Machinery and Equipment	Tools, Shop, Garage Equipment and Machinery	10	\$5,000
Machinery and Equipment	Roll-off containers	5	\$5,000
Motorized Equipment	Autos, trucks, vans, motorcycles	5	\$5,000
Motorized Equipment	Buses	7	\$5,000
Motorized Equipment	Heavy Equipment	10	\$5,000
Motorized Equipment	Fire motorized equipment	20	\$5,000
Office Equipment and Furniture	General office equipment and furniture	5	\$5,000
Office Equipment and Furniture	Computer equipment	5	\$5,000
Office Equipment and Furniture	Telephone and Telecommunications Equipment	5	\$5,000

Intangible Assets	Software	5	\$5,000
Intangible Assets	Website development costs	5	\$5,000
Leasehold Improvements	All	10 or remaining lease term, whichever is shorter	\$5,000

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

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 City Treasurer.

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 statement of activities.

For example, if in the fourth year of an asset's life, it is determined that the asset will last five (5) years instead of the original estimate of seven years, depreciation expense for that year shall be equal to the difference between 4/5 of the asset's basis (accumulated depreciation at the end of year four) and 3/7 of the asset's basis (accumulated depreciation at the beginning of the year).

Dispositions of Property and Equipment

City departments must complete and forward to the Finance Division a "Fixed Asset Disposal" form for any capital asset that is sold, scrapped, or stolen. Documentation must be provided to justify the disposal. For example, if an asset is stolen, a police report should accompany the "Fixed Asset Disposal" form. If an asset is scrapped, a statement should be written and signed by the appropriate Department Director or Division Head.

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

Once the form is received the Deputy City Treasurer will dispose of the asset in Innoprise Financials software.

When capital assets are sold, or otherwise disposed of, the historical cost of such assets and any accumulated depreciation are removed from asset accounts and any gain or loss on disposal is recognized in the government wide statements for the governmental funds and at both the fund level and government wide level for enterprise funds. The gain or loss on disposal is calculated taking the carrying value (historical cost less accumulated depreciation) and subtracting any proceeds from the sale.

A gain or loss must be recognized in the financial report when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset.
- Cash is not exchanged, and the asset is not fully depreciated or has a residual value.

A gain or loss is not reported when:

- Cash exchanged equals the net book value and the asset does not have a residual value
- Cash is not exchanged, and the asset is fully depreciated.

LEASES

GASB Statement No. 87

The City shall utilize the criteria described in the GASB Statement No. 87 - Leases, which creates a single model for lease accounting based on the concept that leases are a means to finance the right to use an asset.

Definition of a Lease

A lease is a contract that conveys control of the right to use a non-financial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction. Right to use includes both the right to obtain the present service capacity and the right to determine the nature and manner of use.

Lease Term

The lease term is defined as a period in which a lessee has a non-cancelable right to use the asset plus periods covered by an option to extend if it is reasonably certain the option will be exercised and periods covered by an option to terminate if it is reasonably certain the option will not be exercised. Note that cancelable periods, including those where either party can terminate without permission or both parties have to agree to extend, are not included.

Exceptions or types of contracts that do not qualify for lease accounting under GASB 87. These include contracts for intangible assets, biological assets, inventory, service concession arrangements, supply contracts and leases with a maximum possible term of 12 months or less.

Accounting for Leases

The City, as the lessee, should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rationale manner over the shorter of the lease term, or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Reasonableness of Leases

The City 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 three (3) years to determine if circumstances have changed and other options are available.

List of Leases

The City shall also maintain a control list of all leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations, and will be reconciled to the general ledger on an annual basis.

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, the City 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. A capital asset is considered to be impaired if both:

1. The service utility has declined significantly and unexpectedly; and,
2. The event or change in circumstance was outside the normal life cycle of the asset.

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. Evidence of significant physical damage or change in physical condition of the asset.
2. Technological changes or evidence of obsolescence of the asset.
3. Significant decrease in the market price of a long-lived asset.
4. Significant adverse change in the extent or manner in which a long-lived asset is being used.
5. 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.
6. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset.
7. 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.
8. 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.

In the event a reportable capital asset is impaired, there are two options for reporting the impairment

1. If the asset will no longer be used, the asset should be written down to the lower of carrying value or fair market value.
2. If the asset will continue to be used, the asset should be written down by the estimated impairment loss, as defined in GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

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.

INVENTORY OF MATERIALS

Description of Inventory

The City maintains inventory of parts and fuel within its Fleet Maintenance Internal Service Fund.

Accounting for Inventory

The City 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 City Treasurer.

POLICIES PERTAINING TO LIABILITY ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

The Deputy City Treasurer and City Treasurer are responsible for recording, through a journal entry, all accruals to adjust the financial statements modified accrual basis of accounting. Accrual entries are most typical at fiscal year-end.

Types of accruals that can occur at both grant year end and fiscal year end include:

- Compensated absences;
- Salary/Benefits payable;
- Flexible Spending Account; and
- Accrued expense.

At fiscal year-end, the City's books will be held open for the entire month of July and August in order to capture every possible invoice through the normal accounts payable cycle. Compensated absences payable and salary and benefits payable will be calculated agency-wide to ensure that all the increases or decreases to these accounts are recorded in the proper fiscal year.

Flexible spending account year-end balance will be adjusted to reflect the maximum rollover allowed by the Internal Revenue Service plus any disbursements for closing fiscal year-end that were paid in the following fiscal year (typically July or August).

In addition, the City 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 annually at year-end.

Accrued Leave

Personnel policies allow all full-time employees to accumulate earned, unused, vacation and sick leave benefits in accordance with City policy. The City allows 240 hours of unused vacation leave to be carried over from year to year (January 21 to January 20). The amount of sick leave that is allowed to carry over varies based on hire date. Such unused vacation leave is payable to an employee upon termination of employment. A maximum of up to 240 hours of sick leave may be payable to an employee upon termination of employment.

Accordingly, the City records a liability for accrued leave to which employees are entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave, up to the maximum of hours stated above, multiplied by each employee's current hourly pay rate.

Leave that does not “vest” with employees (i.e., leave that is not paid to employees if unused at the time of termination of employment), such as sick leave, shall not be accrued as a liability.

NOTES PAYABLE

General Policy

The City requires notes payable be approved by the Governing Body.

Recordkeeping

The City maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other 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; and
10. Contact person at lender.

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due within the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as a long-term/noncurrent liability in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities. Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

At least annually, at fiscal year-end, the City Treasurer makes journal entries to adjust each loan payable balance to either the statement sent by the lender or the amortization schedule on file. The City Treasurer will prepare a loans payable schedule for the auditors which will include a five-year maturity schedule.

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
- Recreation Fund
- 5th Penny (1% Fund)
- 6th Penny (SPOT Fund)
- Real Property Revolving Fund
- Golf Improvements Fund
- Loan Annexation Improvements 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 twelve (12) months. Funds not repaid within twelve (12) months will be reported as a transfer and proper disclosure will be made of any implications arising from use of restricted resources

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 Governing Body will adopt a resolution prior to any interfund loan transaction. 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 AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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.

The Wyoming State Retirement System (WRS) is a cost-sharing, multiple-employer defined benefit pension plan administered by the WRS Board. Substantially all City full-time employees are eligible to participate.

Public Employee Pension Plan

Description

Participants who retire with four years of credited service are entitled to a retirement benefit according to predetermined formulas and can select one of seven optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50 but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The WRS also provides death and disability benefits. Benefits are established by Wyoming State Statutes.

Benefits Provided

The determination of retirement benefits is dependent upon the employee's initial employment date.

- **Service Retirement Tier 1:** If an employee made a contribution prior to September 1, 2012, the employee is in Tier 1. Full retirement is permitted at age 60 or if the employee qualifies for the Rule of 85 (age plus years of service). Early retirement is permitted at age 50, or 25 years of service. The formula for retirement equals 2.125% times the number of years of service times the three-year highest average salary for the first 15 years and 2.25% times the number of years of service times the three-year highest average salary over 15 years.
- **Service Retirement Tier 2:** If an employee made his or her first contribution after September 1, 2012, the employee is in Tier 2. Full retirement is permitted at age 65, or if the employee qualifies for the Rule of 85. Early retirement is permitted at age 55, or 25 years of service. The formula for retirement equals 2% times the number of years of service times the five-year highest average salary.
- **Disability Benefits:** Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his or her duties. To qualify, the member must have at least 10 years of service and must be "in service" at the time of application for disability retirement. Upon retirement for a partial disability, the member receives a monthly disability retirement benefit for the period of his or her disability equal to 50% of the normal benefit payable to the member, as if the member was eligible for normal retirement benefits.

Upon retirement for a total disability, the member receives a monthly disability benefit equal to 100% of his or her service retirement benefit as if the member was eligible for normal retirement benefits. Disability benefits are payable for the life of the member or until death.

- **Survivor's Benefits:** Certain surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased, as well as the benefit option selected by the member at the date of retirement.

Contributions

Per Title 9-3-412 and 413 of Wyoming State Statutes, for the year ended June 30, 2022, member contributions were required to be 9.25% of compensation and employer contributions were required to be 9.37% of compensation for the City . In accordance with Title 9-3-412(c)(ii) of Wyoming State Statutes, the City has elected to pay 5.25%, in addition to the employer's contribution.

Paid Fireman's Pension Plan A

Description

The City formerly participated in the Wyoming Paid Firemen's Plan A ("Plan A"), a statewide cost-sharing, multiple-employer defined benefit contributory retirement plan covering paid firemen who were employed prior to July 1, 1981 and who elected to participate.

Benefits Provided

Plan A statutorily provides retirement, disability, and death benefits according to a percentage of a Fireman First Class salary.

- **Disability Benefits:** Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his or her duties from an individual and specific act incurred while employed. To qualify for benefit, there is no age or service requirement. The member receives a monthly disability retirement benefit for the period based on maximum salary and years of service.
- **Survivor's Benefit:** Certain surviving beneficiaries receive benefits based on the maximum salary and years of service. Upon death, 100% of the benefit continues to be paid to the beneficiary.

Contributions

Plan A statutorily required participants to contribute 8% of their salary to a maximum not to exceed the salary of a Fireman First Class. Employers were required to contribute 21% of the salary. Effective April 1, 1997, required contributions were suspended as Plan A had been determined to be actuarially overfunded. Senate File 0039 (Fire A Solution) was approved by the Wyoming Legislature in 2022 that provides for a \$75 million cash infusion to the Fire A Reserve account which includes a \$20 million, no interest loan to be repaid to the State Treasurer by the nine legacy employers, in which the City of Cheyenne is one.

Paid Fireman's Pension Plan B

Description

The City participates in the Wyoming Paid Firemen's Retirement Fund (the "Fund"), a statewide cost-sharing, multiple-employer defined benefit pension plan administered by the WRS Board. Substantially all paid City firemen hired after July 1, 1981 are eligible to participate. The Fund provides retirement, disability, and death benefits according to predetermined formulas. Benefits are established by Wyoming State Statutes.

Benefits Provided

The members of the Fund qualify for a retirement allowance if they are 50 years old and have a least 48 months of credited service. The basic monthly benefit for participants is based on a formula involving years of service, highest average salary, and age at retirement. The current benefit formula equals 2.8% times the three-year final average compensation for the first 25 years of service. The benefit is capped at 70% of the highest average salary. The highest average salary is calculated by averaging the 36 highest continuous months of acceptable salary as defined in the rules of the WRS Board.

- **Disability Benefits:** Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his or her duties from an individual and specific act incurred while employed. To qualify for benefits, there is no age or service requirement. The member receives a monthly disability retirement benefit equal to 50% of the final average salary.
- **Survivor's Benefit:** The surviving spouse or other qualified dependents receive benefits based on 50% of the member's final actual salary. On the death of a member, inactive member, retired member, or survivor, the excess of the accumulated member contributions over all pension payments made are payable as a death benefit to the next qualified beneficiary.

Contributions

Individual members participating under this Fund are required to contribute 11.245% of their compensation and the City is required to contribute 16% of the compensation of covered members. Legislation enacted in 1979 allows the employer to pay any or all of the members' contribution. The City currently pays 1.5% of the required members' contribution of 11.245%.

Law Enforcement Pension Plan

Description

The City participates in the Wyoming Law Enforcement Pension Plan (the "Police Plan"), a statewide cost-sharing, multiple-employer defined benefit pension plan administered by the WRS Board. Employees who

are sworn law enforcement officers are eligible for full retirement benefits after they either reach age 60 with at least 48 months of contributions to the Police Plan or at any age with 20 years of service. These same employees are eligible for early retirement with a reduced benefit after they reach age 50 with 48 months of contributions. Benefits are established by Wyoming State Statutes.

Benefits Provided

Benefits are based on a formula involving years of service, highest average salary, and age at retirement. Currently, the benefit formula entitles retirees to 2.5% of the highest average salary for each year of service with a ceiling on the benefit at 75% of the highest average salary.

- **Disability Benefits:** Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his or her duties from an individual and specific act incurred while employed. To qualify for duty disability retirement, there is no age or service requirement, and the member receives a monthly disability retirement benefit for the period of his or her disability equal to 62.5% of final salary. To qualify for non-duty disability retirement, the member must have a least 10 years of service, and the member receives a monthly disability benefit for the period of his or her disability equal to 50% of final salary.
- **Survivor’s Benefit:** The surviving spouse receives benefits dependent on if the member was on duty at time of death. Additional benefits are available for additional qualified dependents.

Contributions

The Law Enforcement Plan is funded by amounts withheld from participating members’ salaries and by contributions from the City. These contributions are determined by Wyoming State Statutes, and as of June 30, 2022, the percentages to be contributed on compensation were 8.6% by the members and 8.6% by the City.

Pension Liability Valuation

The City receives the audit entry from MHP LLC each year which calculates the total pension liability.

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 and life insurance 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.

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. The City will obtain actuarial valuations of the OPEB liability every year.

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.

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 of the fund statements is displayed in the following components:

- **Non-spendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** Resources that are constrained to specific purposes by a formal action of the City Council such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

- **Assigned:** Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed.
- **Unassigned:** Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as non-spendable, restricted, or committed.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

This policy delegates to the City Treasurer the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these items in the annual financial statements.

Minimum Fund Balance Policy

The Government Finance Officers Association (GFOA) is the premier authority on governmental finance in the United States. The GFOA Financial Policies recommends a minimum of two months, or 60 days, of general fund reserves. The GFOA also recognizes each municipality's risk factors should be taken into consideration when establishing the reserves policy to allow for revenue volatility, expenditure stability, leverage, liquidity, and extreme events. The City of Cheyenne has identified the following risks and economic indicators to be considered when making recommendations on fund balance minimum levels:

- Sales and use tax volatility;
- State funding uncertainty;
- State pension liabilities;
- Health care costs;
- Inflation/deflation or other national trends;
- Building permit activity;
- State and local employment statistics;
- CREG Report; and,
- Economic indexes.

The City has established a General Fund minimum fund balance policy through Resolution No. 5605. This resolution mandates that the City of Cheyenne will maintain an unrestricted fund balance in the General Fund in the amount equal to or exceeding sixty (60) days. Any use below that amount is limited to emergencies and other unforeseen expenditures that must be approved by the Governing Body through a re-appropriation of the General Fund Budget. This target amount has been established in order to provide

a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures.

An annual reassessment of the risks related to fund balance levels will be done by the City Treasurer. If changes are to be made, a resolution will be drafted and presented to the Governing Body for consideration.

This policy has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

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.

Monthly Reporting

The City publishes monthly financial reports as follows:

1. A financial report described shall be produced by the 25th of each month.
2. The following financial reports will be prepared monthly:
 - a. Narrative describing both positive and negative trends in General Fund revenues, expenditures and fund balance.
 - b. Comparisons of General Fund actual year-to-date revenues and expenses with fiscal year total budgeted amounts as well as the prior two fiscal years.
 - c. General Fund Reserves (Fund Balance) calculation and number of days of reserves available.
 - d. Sales tax comparison overview (analyzing the current month with the same month one year prior).
 - e. Narrative describing the financial condition of the City's three enterprise funds (Civic Center, Ice and Events Center and Solid Waste Fund) along with actual year-to-date revenues and expenditures with fiscal year total budgeted amounts as well as the two prior fiscal years. The Net position is also described for the current fiscal year-to-date and the two prior fiscal years.
 - f. A listing of all city funds and their balances as of the month reported.
3. The monthly financial report shall be distributed as follows:
 - a. Governing Body (all nine City Council Members and the Mayor).
 - b. Department Directors and Division Heads.
 - c. Posted to the City of Cheyenne City Treasurer website.

Annual Financial Statements

On an annual basis, a complete set of financial statements, including the Management's Discussion & Analysis (MD&A), and footnotes addressing all disclosures shall be prepared by the City's independent auditors.

The basic financial statements that are prepared annually on a City-wide basis shall include:

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:
 - a. 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.
 - b. 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

A formal presentation of the City's annual audited financial statements shall be provided by the independent auditing firm to the full City Council at an annual work session.

GOVERNMENT RETURNS

Overview

Filing requirements of the City of Cheyenne include, but are not limited to, filing annual information returns with the Internal Revenue Service, monthly sales tax returns, information returns for the Wyoming Retirement System, unemployment insurance quarterly reporting of compensation paid to the Wyoming Department of Workforce Services, and monthly compensation reporting of Wyoming Worker's Compensation wages.

Filing of Returns

The City Treasurer shall be responsible for identifying all filing requirements and ensuring that the City follows 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 the City include, but are not limited to, the following returns:

1. **Sales and Use Tax Return** – The City collects sales tax from various customers who buy items from the City. This includes items sold by the Cheyenne Aquatics Center, the Ice and Events Center, the Cheyenne Civic Center, various recreation programs, and the Cheyenne Compost Facility. A report is filed with the State of Wyoming Department of Revenue to report any sales at retail or wholesale of tangible personal property, admissions or services which are subject to taxation. The report is due by the end of the month following the month of activity and is prepared by the Deputy City Treasurer.
1. **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 February 28. Various 1099 forms are required if the City has provided more than \$600 in compensation to an independent contractor during the calendar year. Annual W-2's are prepared by the City's outsourced payroll processor with review by the Payroll Accountant and Deputy City Treasurer. 1099's are prepared by the Accounts Payable Accountant and Deputy City Treasurer.
2. **Form 941** – Quarterly payroll tax returns are filed with the Internal Revenue Service (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. Form 941 is prepared by the City's outsourced payroll processor with the Payroll Accountant and Deputy City Treasurer.
3. **State Unemployment/Workers Compensation Report** - State unemployment tax returns are filed with the State of Wyoming quarterly. State Workers Compensation reporting are filed on a monthly basis. Both are prepared by the City's outsourced payroll processor with the Payroll Accountant and Deputy City Treasurer.

The City's fiscal is year-end is June 30 and tax year-end is December 31.

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

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Preparation and Adoption

The City follows the procedures listed below in establishing the annual fiscal year budget:

1. Per resolution, a budget narrative report is prepared by the Budget and Accounting Analyst and submitted to the City Council by January 31st of each year. This report includes each Department's mission, overview/major duties, strategic goals, objectives, and description of any anticipated budget increases for the preceding fiscal year budget.
2. The City Treasurer prepares revenue projections starting in February of each year.
3. Under the direction from the City Treasurer, the Department Directors provide budget requests in March of each year. The Budget and Accounting Analyst prepared budget request spreadsheets in January and provides to Department Directors for completion. Budgets proposed and submitted by each department are accompanied by a narrative explanation of all material fluctuations from budgeted amounts from the prior year.
4. The Deputy City Treasurer calculates all employee wages and related benefits in March.
5. All citywide utilities, fleet parts and fuel, and telecommunications costs are projected by the Budget and Accounting Analyst in March.
6. After appropriate revisions and a compilation of all department budgets by the City Treasurer, a draft of the budget is presented to the Mayor for discussion, revision, and initial approval.
7. After all Mayor's changes are made, the balanced budget is submitted to the City Council by May 1st of each year. After submission to the governing body, public hearings are held to provide detailed department budget presentations.
8. Following the public hearings, the proposed budget ordinance goes through three readings and two Committee of the Whole meetings. It is then legally enacted by City Council action.
9. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each department or fund of the City. Amendments to the budget during the fiscal year approval by the Governing Body.

Monitoring Performance

The City 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 Amendments

Amendments that increase or decrease both revenue and expenditures due to new grants, unanticipated increase in expenditures, or other reasons shall be made only with approval of the City Council.

Per Wyoming Statute 16-4-112 and 16-4-113, “at the request of the budget officer or upon its own motion after publication of notice, the governing body may by resolution transfer any unencumbered or unexpended appropriation balance, or part thereof, from one (1) fund, department or account to another”.

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 Transfers

In the event a division within a General Fund department or within any other of the City’s funds has insufficient line-item budgeted funds available to cover the balance of proposed transactions, a transfer of budget funds from another division’s budget within the same General Fund department or within the same fund to cover those transactions may be initiated, with prior approval. All transactions shall be charged to the appropriate expenditure account, not arbitrarily charged to accounts where unused budget funds are available.

To transfer budgeted expense and revenue amounts from one division to another within the same department or fund, or within the same division, the following procedures will be followed:

1. To initiate the transfer process, the Department Director or their representative shall complete and sign a Budget Transfer form and send the approved and completed form to the Accounts Payable Accountant with the City Treasurer and Deputy City Treasurer copied on the email.
2. The Accounts Payable Accountant enters the budget transfer in Innoprise Financials software. The budget adjustment journal is approved by either the City Treasurer or Deputy City Treasurer.

ANNUAL AUDIT

Arranging for the Annual Audit

The City Treasurer will arrange for an annual audit of the City's financial statements to be conducted by an independent CPA firm. The independent audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the City Council at an applicable City Council Meeting or work session upon completion of the audit in which all members are provided copies of the report. In addition, members of the Finance Committee are authorized to initiate communication directly with the independent CPA firm.

Auditor Independence

The City 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 City Treasurer, 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 City Treasurer).
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

The City 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 three (3) years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every three (3) years, but simply to reevaluate the selection).

Preparation for the Annual Audit

The City 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 Division shall provide assistance to the independent auditors in the following areas:

Planning

The City Treasurer and Deputy City Treasurer are expected to cooperate fully with the audit firm. This includes, but is not limited to:

- Preparing all requested audit work papers;
- Calculating annual depreciation;
- Preparing confirmations for banks/lenders;
- Ensuring all journal entries are prepared/posted prior to providing the trial balance;
- Answering all auditor questions openly and honestly; and,
- Providing all requested transaction documentation.

Providing audit assistance takes top priority over all accounting functions during the audit.

The City Treasurer is responsible for delegating the assignments and responsibilities to finance staff in preparation for the audit. The City Treasurer shall review the list of information requested by the auditors and assign responsibility for each item to the appropriate staff. The City Treasurer 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 City Treasurer shall arrange and coordinate meetings, interviews, telephone discussions, and conference calls requested by the auditor with the Mayor, Finance Committee members, or employees to facilitate the auditor's work. Prior to any such meetings or discussions, the City Treasurer 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 City Treasurer shall communicate to each City 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, the City 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 City Treasurer 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 the City.
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 City Treasurer.

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

In addition, the Federal Audit Clearinghouse form (data collection form) shall be completed by the auditor.

Audit Adjustments

It is the policy of the City 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 City Treasurer 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 City Council 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 Mayor and the City Treasurer. The City Treasurer 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 City Council or Finance Committee. The City Treasurer 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 City Council/Finance Committee members.

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

1. Planning discussions prior to commencing the audit, such as by inquiring of Finance 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.

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

The City of Cheyenne secures property and liability coverage through the Wyoming Association of Risk Management (WARM). WARM is a self-funded liability pool that provides risk financing and claims administration services to its members. WARM is not an insurance company.

WARM is governed by the Wyoming Governmental Claims Act which limits liability to \$250,000 per claimant and \$500,000 per occurrence for governmental entities. Therefore, these are the general limits provided by WARM to its members.

The WARM Liability Pool was formed as a joint powers board in 1986. The WARM Liability Pool provides coverage for the following:

- General Liability
- Auto Liability
- Employment Practices Liability
- Professional Liability
- Errors and Omissions

The WARM Property Pool was formed in 1995. The WARM Property Pool provides coverage for the following:

- Real and Personal Property
- Boiler and Machinery
- Vehicles
- Equipment
- Art
- Animals
- Crime and Fidelity

RECORD RETENTION

Record Retention Policy

The City retains records as required by state statute and provides them to the City Clerk's office for storage and destruction 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 City Treasurer. 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 using an approved shredding service provider.

The formal records retention policy of the City Treasurer's Department is as follows:

Record	Retention
Payroll Tax Records for Employees - W-4 employee withholding forms, remittances, W-2 filings and quarterly 941 federal tax returns	Retain 7 years after calendar year end, then destroy
Payroll Deductions and Garnishments - records related to deduction and garnishments from employee paychecks	Retain 5 years after expiration, then destroy
Payroll Reports - records related to monthly payroll processing	Retain 7 years after calendar year end, then destroy
Police Employee Retirement Fund Contribution – records related to employee contributions to older police pension funds	PERMANENT. Scan as a .pdf file and submit to online document imaging system, then shred.
Employee Retirement Fund Contributions – records related to employee contributions to pension funds	PERMANENT. Scan as a .pdf file and submit to online document imaging system, then shred.
Police Employee Retirement Member Files - records related to membership in pension funds	Retain 60 years after separation, then destroy
Employee Time Records – including reporting and approving employee attendance and time off requests	Retain 5 years after calendar year end, then destroy
Worker's Compensation and Unemployment Employee Reports	Retain 5 years after calendar year end, then destroy
Travel Authorization Request and Expense Reimbursement Forms	Retain 2 years after fiscal year end, then recycle
Vendor Invoices	Retain 5 years after fiscal year end (pull all public improvement project purchases for permanent retention and scanning), then recycle
Counter Check Purchase Orders	Retain 5 years after fiscal year end (pull all public improvement project purchases for permanent retention and scanning), then recycle
IRS Forms 1099 and W-9	Retain 4 years after calendar year end, then destroy
Cash Receipts	Retain 2 years, then recycle
Returned Checks (Non-Sufficient Funds, Stop Payments, Closed Accounts)	Retain 1 year, then destroy
Petty Cash Vouchers and Receipts	Retain 2 years after fiscal year end, then recycle
Accounts Receivable Records - records related to customers and invoices	Retain 7 years after fiscal year end, then recycle

Collections and Bankruptcy - records related to collection of past due accounts and bankruptcies	Retain 7 years after completion, then recycle
Write-Off Report-documentation related to accounts written off by the Governing Body	Retain 7 years after completion then recycle
Credit Card Receipts -Customer - merchant receipt copy with customer signature	Retain 1 year after transaction occurred then destroy
State Loan and Investment Board Grant Finance Records	Retain 5 years from date of final closeout then recycle
Homeland Security Grant Finance Records	Retain 5 years from date of final closeout then recycle
Wyoming Department of Transportation Grant Finance Records	Retain 5 years from date of final closeout then recycle
Wyoming Business Council Grant Finance Records	Retain 5 years from date of final closeout then recycle
Grant Fund Reconciliations	Retain 5 years then destroy
All Other Grant Records	Retain 5 years from date of final closeout then recycle
Annual Adopted Budget	Retain Permanently
Budget workpapers – records related to budget workpapers and supporting documentation	Retain 5 years after the fiscal year end then recycle
Budget Amendments – records related to re-appropriations and amendments	Retain 5 years after the fiscal year end then recycle
Bank Statements-records including reconciliation, bank statements, deposit slips and check copies	Retain 5 years after fiscal year end then destroy
Reconciliations and Balancing -records related to GL account reconciliations and balancing for financial reports	Retain 5 years after fiscal year end then recycle
Investment Statements and Reports	Retain 5 years after fiscal year end then recycle
Audited Annual Financial Reports and Statements	Retain permanently
Audit Workpapers	Retain 5 years after fiscal year end then recycle
Department of Audit F-66 Annual City and Town Financial Report	Retain 5 years after fiscal year end then recycle
Unclaimed Property -property lists and remittance records	Retain permanently
Capital Asset Records	Retain for the life of the asset then recycle

Capital Improvement Projects	Retain 4 years after the life of the asset then recycle
Construction, surety and municipal court bonds listing of outstanding bond liabilities	Retain 5 years then recycle
Bidding documents and contractor payment records relating to special improvement districts	Retain 7 years after completion of project, then destroy at discretion
Bids and specifications for minor/other projects, goods and services (includes any agreement, contracts, bid and maintenance/performance bonds, etc.)	Retain 2 years, evaluate for legal and administrative value, then destroy if no litigation is pending
Bids and specifications for major utilities/public works projects, buildings and major improvement projects (includes any agreement, contracts, bid and maintenance/performance bonds, etc.)	Permanent or microfilm and destroy at discretion

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

The City 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 subject to the investigative, reporting, and disclosure procedures described earlier in the POLICY ON SUSPECTED MISCONDUCT section of this manual.

APPENDICES

APPENDIX A – Conflict of Interest Certification

I have reviewed the current vendor list. I certify that I have no real or apparent conflict, as defined in the City of Cheyenne's Accounting Policies and Procedures with any listed Vendors.

Signature

Date

Printed Name

Position

I have the following real or apparent conflicts: (Please list the vendors)

Signature

Date

Printed Name

Position

