

City of Steamboat Springs Financial Policies

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Section I - General Financial Policies

Accounting and Auditing Policies

The City Charter and the Revised Municipal Code of the City of Steamboat Springs, State of Colorado statutes, and federal laws and regulations will be followed wherever they apply to the financial activities of the City.

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

As stated in the City Charter the fiscal year for the City of Steamboat Springs commences on January 1st and ends on December 31st of each year.

The City maintains its accounting records and reports on its financial condition and results of operations in accordance with state and federal law and regulations and generally accepted accounting principles in the United States (GAAP). Accounting and financial reporting standards for U.S. state and local governments are set by the Governmental Accounting Standards Board (GASB).

Annually, an independent firm of certified public accountants performs a financial and compliance audit of the City's financial statements. Their opinions are included in the City's Annual Comprehensive Financial Report (ACFR) and the Report on Compliance within the Federal Awards Report in accordance with the Uniform Guidance.

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

1. **Cash Basis** – Transactions are recognized only when cash is received or disbursed. This method is used for fiduciary funds.
2. **Accrual Basis** – Transactions are recognized when the economic event occurs, regardless of whether or not cash is received or paid. Enterprise funds use the accrual basis of accounting. These funds have an income measurement/capital maintenance focus. The accrual basis of accounting is used by private enterprises as well.
3. **Modified Accrual Basis** – Expenditure transactions are recognized when incurred. Revenues are recognized when they are both measurable and available to finance the expenditures of the current period. Governmental funds, including general, special revenue, debt service, and capital projects, use the modified accrual basis of accounting.

For a revenue to be recognized in a governmental fund, it must be “measurable” (the amount must be known or be reasonably estimated), and it must be “available” to finance the expenditures of the same fiscal period for which the revenue is recorded. “Available,” in this case, means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. For purposes of consistency, that timeframe shall be sixty (60) days, which is the availability period for property tax revenues under GAAP. Note that reimbursement grant revenue may be recognized even if received outside the 60-day window, because under GASB Cod. Sec. N50 footnote 9, “Recognition of assets and revenues should not be delayed pending completion of purely routine requirements, such as the filing of claims for allowable costs under a reimbursement program”.

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

1. Budgetary Basis – The City’s interim statements of revenues and expenditures are reported during the fiscal year on what is informally called a “budget basis.” The City’s transactions are recorded throughout the year in accordance with the financial statement requirements as set forth within the Colorado Revised Statutes. By recording the transactions in general compliance with this law, the revenues and expenditures can be more easily monitored to ensure compliance with the legal requirements as set forth within the Colorado Revised Statutes.
2. GAAP – At the end of the fiscal year, adjustments are made to present the financial information in a format that is comparable to that used by other local government units around the country. The standards for this reporting are referred to as “generally accepted accounting principles” (or GAAP basis). The adjustments to convert the City’s financial records from “budget basis” to “GAAP basis” are made to ensure that the City’s financial statements are fairly and consistently presented in conformance with GAAP.

Annual Comprehensive Financial Report (ACFR) - An annual comprehensive financial report (ACFR) is prepared covering all activities of the primary government and providing an overview of its discretely presented component units. It contains the following sections:

1. Introductory section - The introductory section includes the table of contents and letter of transmittal.
2. Financial section - The financial section includes:
 - a. The independent auditor's report;
 - b. Management's discussion and analysis (MD&A).
 - c. Basic financial statements:
 - i. Government-wide financial statements.
 - ii. Fund financial statements.

- iii. Notes to the financial statements.
 - d. Required supplementary information (RSI), other than MD&A; and
 - e. Supplementary information (SI) including combining and individual fund statements and schedules.
3. Statistical section. The statistical section includes additional financial, economic, and demographic information.

Fund Accounting

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

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

There are three broad categories of Funds and multiple types of funds that fall under each category as prescribed by Generally Accepted Accounting Principles (GAAP).

1. Governmental funds are used to account for most typical government functions. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary and fiduciary funds), are accounted for through governmental funds. There are five types of governmental funds:
 - a. General Fund – To account for the administrative, public safety, parks, recreation, open space, community development, general services, transit, and public works functions of the City. Principal sources of revenue consist of sales taxes, use taxes, charges for services, intergovernmental revenue, and investment earnings.
 - b. Special Revenue Funds – To account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. One or more specific restricted or committed revenues should comprise a substantial portion of a special revenue fund's resources but it may also include other restricted, committed, and assigned resources.
 - c. Debt Service Funds - To account for the accumulation of resources that are restricted, committed or assigned for, and the payment of, general long-term debt principal and interest. The City does not currently have a debt service fund.
 - d. Capital Projects Funds – To account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay including

- the acquisition or construction of capital facilities and other capital assets. Outflows financed by proprietary funds and assets held in trust are excluded. Significant maintenance items such as annual street paving maintenance and parking lot maintenance may be reported in this fund.
- e. Permanent Funds - Used to account for resources that are restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The City does not currently have a permanent fund.
2. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis.
 - a. Enterprise Funds – To account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that the costs (including depreciation and overhead) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. An enterprise fund may also be used if the City has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
 - b. Internal Service Funds – used to account for the provisions of goods or services by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. Internal service funds should only be used if the City is the predominant participant in the activity.
 3. Fiduciary Funds – To account for resources received and held by the City in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust or other agreement for the particular source of funds. The City currently has a Custodial Fund, that is used to account for resources held in a purely custodial capacity for other governments, private organizations or individuals. Other types of fiduciary funds include Pension Trust Funds, Investment Trust Funds and Private-Purpose Trust Funds.

Internal Control Structure

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

1. Control Environment – a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. City Council and management shall establish a tone regarding the importance of internal control and expected standards of conduct.

2. Risk Assessment – a dynamic and iterative process for identifying and analyzing risks to achieving the entity’s objectives.
3. Control Activities – actions established by the policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out. These include but are not limited to proper authorization of transactions and activities, adequate segregation of duties, adequate documentation and records, adequate safeguards regarding access and use of assets and records, and independent checks on performance.
4. Information and Communication – Communication of information required for the entity to carry out internal control responsibilities in support of achievement of its objectives occurs both internally and externally.
5. Monitoring Activities – Ongoing evaluations are used to ascertain whether internal controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner, with serious matters reported to management and City Council.

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

Annual Audits

Audits are an important part of the Finance Department. Local governments are required by state law to obtain an annual audit of their financial statements, to be performed by an independent public accounting firm with the subsequent issuance of a financial report and opinion. The audit of the financial statements is a way for stakeholders such as City management, citizens of Steamboat Springs, investors, government agencies and City Council to receive reasonable assurance that the financial statements as a whole are free from material misstatement.

Single Audit – Per Uniform Guidance, all non-federal entities that expend \$750,000 or more in a year on federal awards, either as the grantee or the sub-grantee, shall have a single audit conducted for that year in accordance with the provisions of the Uniform Guidance. The single audit encompasses both the entity’s financial statements and the federal awards received by the entity. The City contracts with an independent public accounting firm to conduct a single audit on an annual basis.

Transparency

The City of Steamboat Springs Finance Department strives for transparency in all ways appropriate. The Finance Department makes the following documentation available on the City’s website:

1. Financial Policies
2. Annual Budget Book
3. ACFR (Annual Comprehensive Financial Report)

Grant Policy

All City grants awarded will have a Grant Manager designated in the department that the grant is being spent from. The Grant Manager is responsible for administering the grant in accordance with these policies.

1. Conflict of Interest - No employee or official of the City shall have any interest, financial or otherwise, direct or indirect, or have any arrangement concerning prospective employment that will, or may be reasonably expected to, bias the design, conduct, or reporting of a grant funded project on which he or she is working. It shall be the responsibility of the Grant Manager for each particular grant-funded project to ensure that in the use of project funds, officials or employees of the City and nongovernmental recipients or sub-recipients shall avoid any action that might result in, or create the appearance of:
 - a. Using his or her official position for private gain;
 - b. Giving preferential treatment to any person or organization;
 - c. Losing complete independence or impartiality;
 - d. Making an official decision outside official channels, or;
 - e. Adversely affecting public confidence in the grant funded program in particular and the City in general.
2. Intergovernmental Services Division (IGS) – The City has a division that is involved in the grant process from beginning to end.
 - a. IGS is the only department that may apply for a grant.
 - b. Before applying for a grant, IGS must receive approval from the Finance Director and City Manager.
 - c. IGS must receive copies of all award letters, contracts, and reimbursement requests.
 - d. IGS must receive notice from the Grant Manager when a grant is completed.
 - e. IGS must be notified of submission of all reimbursement requests.
 - f. IGS will be the main contact with subrecipients and will work closely with Finance to monitor.
 - g. All subrecipient grant requests must be submitted through IGS. The subrecipient must comply and follow all City grant policies and procedures.
3. Accounting, Reporting and Requesting Funds
 - a. The accounting system will separate revenues and expenditures by funding source for all grants. A unique activity code is used to identify revenues and expenditures for each individual grant.
 - b. If the information in the accounting system is not sufficiently detailed to meet grant reporting requirements, additional detail will be stored in a spreadsheet for

the life of the grant and archived with all other grant supporting documentation (see section 4 below).

- c. Requests for funds will either be prepared or reviewed by Grant Managers. This is to ensure all revenues and expenditures are being appropriately coded to the correct grant. If the Grant Manager prepares the funds request, the Grant Accountant will review it and vice versa. The reviewer must sign the funds request to evidence their review.
 - d. Funds requests should be prepared timely in accordance with any deadlines. Interim funds requests should be prepared for larger grants, to allow available funds to be invested for the benefit of the City.
 - e. When applicable, any matching funds for a grant will be tracked by the department who is responsible for the grant and will only include items that directly correlate to an approved activity identified in the grant proposal.
 - f. Capital assets are tracked through the fixed asset system and, if a grant has purchased a capital asset, this will be noted in the fixed asset system.
 - g. City departments are responsible for all aspects of the grant process including planning for grant acquisition, preparation and submitting grant proposals, preparing resolution requests to accept funds if required by a granting agency, developing grant implementation plans, managing grant programs, preparing and submitting reports to grantors, ensuring only allowable costs that are reasonable and necessary are charged to the grant, requesting only on expenses spent for reimbursement and properly closing out grant projects. Department staff and Finance staff will maintain a close working relationship with respect to any grant activity to ensure a clear understanding of the project status.
4. Documentation - All grant expenses must comply with the terms set forth in the grant application, grant award letter, City procurement policies and in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. All federal grants are also subject to the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- a. Documentation for all expenditures must be retained for audit purposes and should include:
 - i. Timesheets electronically approved by the employee and/or approved by their supervisor for all payroll expenses;
 - ii. Purchasing documents for expenditures;
 - iii. City, state or federal governmental agreement number;
 - iv. Formal bids or proposals for all purchases over \$75,000;
 - v. Detailed receipts or invoices;
 - vi. General Ledger showing expenditure activity, and;
 - vii. Some grants may require the check number and payment date for payments issued through accounts payable.
 - viii. Spreadsheet backup if needed as a supplement to general ledger detail.

- b. The City's Finance Department, with the assistance of specific grantee City departments, shall:
 - i. Identify, through an activity code and account structure, all federal awards received and expended and the federal programs under which they were received. All awards should be identifiable by the Assistance Listing Number (ALN), award number, award year, name of federal agency, and the name of the pass-through agency (if applicable);
 - ii. Maintain internal control over federal programs that provides reasonable assurance that the grantee is managing the award in compliance with the laws, regulations, and the provisions of the contract or grant agreement;
 - iii. Comply with laws, regulations and the provisions of contract or grant agreements related to each grant award, and;
 - iv. Prepare a Schedule of Expenditures of Federal Awards (SEFA) for all federal grant expenditures as required for the Single Audit.
- c. Grant documents should be read carefully to ensure compliance with all grant requirements. Additional documentation may be required under the terms and conditions of the specific grant award to include, but not limited to, procurement justification, grant reconciliation frequency, cash match calculation and tracking, and records retention.

Section II - Budget Policies

The City of Steamboat Springs shall follow the budget policies set forth in this document along with Section 9.4-9.10 of the City Charter and State of Colorado statutes in relation to municipal budgeting.

Budget Calendar, Roles and Responsibilities:

The City's budget is developed on an annual basis. The City's fiscal year begins on January 1st and ends on the following December 31st. Key milestones are as follows:

1. Budget packages for annual preparation, which include forms and instructions, shall be distributed to City departments no later than June 15th.
2. The City Manager and the Finance Director will present the proposed sales tax budget amount to City Council during a Council meeting in July.
3. Departments must return their proposals no later than July 15th.
4. The City Manager and the Finance Director review the department budget proposals and meet with the Department Directors individually during the month of August.
5. A preliminary budget meeting with City Council will be held in September to discuss the Capital Improvement Program (6-Year CIP).
6. The recommended budget is submitted to City Council no later than the first Tuesday in October. An all-day public hearing will be held to discuss the budget in detail and allow for public comment.
7. Expenditure budget by fund must be adopted via ordinance prior to December 31st.

Annual Budget Hearing:

The City Manager, not fewer than seventy-five (75) days prior to the beginning of the fiscal year, shall submit to the City Council the annual budget covering the next fiscal year (January 1-December 31). The budget including the General Fund, Capital Projects Funds, Special Revenue Funds, Enterprise Funds, Internal Service Funds and Component Units shall contain the following information:

1. A letter from the City Manager discussing the proposed financial plan for the next budget year.
2. Budget summaries for all funds that shall include a beginning fund balance, estimated revenues, operating expenditures, capital outlay and ending fund balance.
3. Proposed budgeted personnel expenditures, operating expenditures, capital projects and equipment, debt service expenditures, along with comparisons of estimated current year and prior year actual expenditures.
4. Proposed revenues by source, for the budget year, with comparisons to current year projected and prior year actual revenues.
5. 6-year Capital Improvement Plan that is reasonably attainable.

6. FTE (Full Time Equivalent) detail by department.
7. City fee schedule.

A public hearing on the proposed budget and proposed capital program shall be held by Council before the final adoption of the same. Notice of the time and place of such hearing shall be posted, and such notice shall be published at least one time at least seven days prior to the hearing and the notice shall state that the purposed budget and capital program are on file in the office of the City Clerk.

Basis of Budgeting

The modified accrual basis of accounting is used for budgeting revenues and expenditures for all funds.

Budget Control

The Finance Director is responsible for maintaining a budgetary control system to ensure adherence to the adopted budget. While the final test of a budgeted department is that it must not exceed its expenditure budget in total, department staff is expected to review line item budgets on a weekly basis and prepare a budget transfer form for any line item that exceeds the budget by more than \$1,000.

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

Budget transfers between Funds require an ordinance approving a supplemental budget appropriation.

If during the year the Finance Director determines that it is unlikely that the revenue projections will be met the following actions will be taken:

1. Equipment purchases that will not jeopardize the health and safety of the community will be delayed or eliminated.
2. Operating expenditures that will not jeopardize the health and safety of the community will be delayed or eliminated.
3. Personnel expenditures will be reviewed by management to determine any necessary spending cuts.

Revenue Budget

To maintain a stable level of services, the City shall use a conservative, objective, and analytical approach when preparing revenue estimates. The process shall include analysis of probable economic changes and their impacts on revenues, historical collection rates, and trends in

revenues. This approach should reduce the likelihood of actual revenues falling short of budget estimates during the year and should avoid mid-year service reductions.

1. Grant revenues and expenditures will only be budgeted if there is a reasonable expectation that the grant will be awarded.
 - a. If the grant is not awarded the budget for the project will be removed and placed in a “discontinued projects” account.
 - b. If new grants are awarded throughout the year the corresponding expenditures will be budgeted via a Supplemental Budget Ordinance.
2. Sales tax revenue will be budgeted by the Finance Director utilizing a conservative approach with a combination of the following mechanisms:
 - a. Prior year trends.
 - b. Economic outlook for global, national, and local markets.
 - c. Analyzing the split between local and tourist sales tax dollars and the factors influencing each.
3. Department revenues including user fees are budgeted by each department in conjunction with the Finance Department.
4. Other revenues are budgeted by the Finance Department.

Expenditure Budget

The City will use zero-based budgeting. Zero-based budgeting is an approach to planning and decision-making which reverses the working process of traditional budgeting. In traditional incremental budgeting, departmental managers justify only cost increases, based on the assumption that the "baseline" is automatically approved. By contrast, in zero-based budgeting, every line item in the budget must be approved, rather than only changes. Zero-based budgeting requires the budget request be re-evaluated thoroughly, starting from the zero-base. This process is independent of whether the total budget or specific line items are increasing or decreasing.

Balanced Budget

A balanced budget is defined as total anticipated revenues must equal or exceed the sum of budgeted expenditures for each fund. The City of Steamboat Springs is committed to achieving a balanced budget within the General Fund under normal circumstances and providing a disclosure when a deviation from a balanced General Fund budget is planned.

General Fund unassigned reserves will be utilized for transfers to the Capital Projects Fund to lessen the burden on general operating funds for capital needs.

Special Budget Policies

Community Support Coalition Funding:

The community support coalition funding will be budgeted at 1.46% of General Fund expenditures budget less General Fund debt service, General Fund capital outlay, and General Fund transfers out. This amount is estimated at the time of the budget meeting in October and adjusted based on changes in the General Fund budget prior to the first reading of the budget Ordinance. After the first reading of the budget ordinance the community support coalition budget will be considered final unless specifically adjusted by City Council.

General Fund Transfers:

In order to adhere to FAA regulations regarding local taxing, the General Fund transfer to the Airport Fund shall not be less than the amount of City sales tax collected at the Airport.

Section III - Revenue Policies

TABOR

In 1992, the electorate of the State of Colorado passed Amendment One, commonly referred to as the Taxpayer's Bill of Right's (TABOR). This amendment contains many constraints relative to revenue limitations (base spending limit); the issuance of long-term debt (multi-year obligations); establishing and maintaining emergency reserves (3%); and other limitations.

TABOR restricts the amount of revenue a government can collect based on the amount collected in the previous year. However, based on a vote of the citizens of Steamboat Springs the City has been exempted from the revenue limitations of TABOR. This is commonly referred to as being "de-bruced". While, the City is exempt from this portion of TABOR based on an election held by the City of Steamboat Springs, the City is not exempt from the other regulations within TABOR.

Revenue Diversification

The City will strive to attain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source to the best of its ability. However, the City of Steamboat Springs relies heavily on sales tax revenue as the primary revenue. Because it is highly influenced by economic conditions, sales tax tends to be much more volatile than property tax.

To address this inherent volatility, the City will pursue strategies to promote economic development and diversification to strengthen its overall economic base. To this end, the City Council adopted Economic Development Policies.

Fees and Charges

Fees and charges will be reviewed and updated on an ongoing basis and evaluated by City Council during the annual budget process. The Finance Department maintains a list of all City fees and charges (excluding municipal court fines) that is published in the annual budget book. Fees presented in the annual budget will be current; however, fees and charges may be changed at the direction of the City Manager during the budget year.

Enterprise Fund fees must be set at a rate with the goal of accomplishing cost recovery including operating expenses, overhead, and depreciation. This includes fees within the Airport fund, Utility fund, and Golf fund. Other funds are encouraged to do the same, however it is important to note that because of TABOR regulations fees cannot exceed the cost to provide the service.

Fee waivers, discounts and other similar items must follow policies and procedures approved by the City Manager. City fees are not waived unless authority is specifically granted via Steamboat Springs Charter or Steamboat Springs Revised Municipal Code.

Section IV - Expenditure Policies

The City will maintain a level of expenditures that will provide for the health, safety and welfare of the residents of the City of Steamboat Springs.

Personnel

The City of Steamboat Springs provides a vast variety of services to the citizens of the town. It takes dedicated personnel to carry out the services provided. Knowing that personnel is a key asset of the City we:

1. Commit to maintaining a pay plan where employees are compensated appropriately, and;
2. Have a goal of maintaining a stable workforce.

Capital Improvement Plan

The Capital Improvement Plan (CIP) of the City is a long-term planning tool intended to allow for prioritization, financing coordination including grant opportunities, and timely design of projects and programs to better serve the citizens of Steamboat Springs.

1. The City's Capital Improvement Plan shall be a six-year plan that is updated annually.
2. This 6-year plan will consist only of projects that have a reasonable expectation of being completed.
3. A supplemental list of projects that have been identified as future needs without funding in the current matrix will be maintained and presented with the 6-year CIP.

Section V - Fund Balance

GENERAL FUND: Categories of Fund Balance as prescribed by GASB 54:

Restricted Fund Balance

- **Non-spendable:** e.g inventory, prepayments and lease security deposits.
- **Restricted Fund Balance:**
 - **TABOR Restricted Reserve:** Article X, Section 20 of the State Constitution requires a reserve of three percent (3%) of fiscal year spending excluding bonded debt service for emergencies. This reserve can only be used for declared emergencies.
 - **Other Restricted:** This includes amounts that are restricted by external parties or laws. Generally, this is restricted cash required for outstanding bond issuances, and developer contributions.

Unrestricted Fund Balance

- **Committed:** This classification is comprised of amounts that are constrained by formal action of the City Council for a specific purpose.
- **Assigned:** This classification is comprised of amounts that are intended for a specific purpose. In practice this is mostly open POs that are carried forward to the next fiscal year.
- **Unassigned:** This classification is comprised of residual net resources, in excess of the amounts in the foregoing categories.
 - **Stabilization Reserve:** It is the goal of City Council to maintain a Stabilization Reserve in the amount of 25% of the prior year's General Fund expenditures.

Use of Unassigned Fund Balance

The Stabilization Reserve is designed for budget stabilization during revenue downturns. It can be used for this purpose as directed by City Council. Unassigned Fund Balance can also be used for one-time expenditures where an ongoing obligation is not created. These one-time payments may include items such as:

- Debt defeasance
- Capital expenditures
- Unexpected one-time expenditures

CAPITAL PROJECTS FUND:

The fund balance in the Capital Projects Fund is expected to fluctuate depending on projects completed. The City will maintain a 6-year capital improvement plan to be paid from the capital projects fund with reasonable expectation of completing it.

ENTERPRISE FUNDS:

Enterprise funds must simply cover expenses with revenue, but they also have a goal of maintaining fifteen percent (15%) of the previous year's operating expenditures as a fund balance.

Section VI - Investment Policy

The purpose of this Policy is to set specific policy requirements and guidelines for the investment of City funds in a manner that maximizes safety of principal while ensuring that funds are available to meet operating needs of the City and to meet unanticipated cash demands while earning the highest possible return within the parameters established by the Colorado State Statutes.

Scope

This Policy applies to all financial assets over which the City has direct control including component unit financial assets, as well as funds for which the City is responsible as a custodian or trustee.

Objectives

The City shall manage and invest all cash and assets with three major objectives. These are listed in order of priority:

1. **Safety**: The primary objective of the City's investment activity is the preservation of principal. Each investment transaction shall be conducted in a manner to avoid capital losses, whether from security defaults, safekeeping or erosion of market value. The objective will be to mitigate credit risk and interest rate risk.
2. **Liquidity**: The City's investment portfolio shall be structured to meet all expected obligations in a timely manner. This shall be achieved by matching investment maturities with forecasted cash flow liabilities while maintaining additional liquidity for unexpected liabilities.
3. **Yield**: The City shall earn a competitive market rate of return on available funds throughout budgetary and economic cycles. In meeting this objective, the Finance Department will take into account the City's investment risk constraints and cash flow needs.

All investments shall be managed in a manner responsive to the public trust and consistent with state and local law.

Delegation of Authority

Per the City Charter the City Manager appoints a City Treasurer who is the Finance Director for the City of Steamboat Springs. The Finance Director shall be the "Investment Officer" responsible for investment decisions and transactions. The Finance Director may consult with outside professionals or financial advisors. The Finance Director may appoint the City Controller to assist in performing investment activities.

Investment Strategy

The City may maintain one commingled portfolio for investment purposes which incorporates the specific investment strategy considerations and the unique characteristics of the fund groups represented in the portfolio.

Section VII - Debt Management Policy

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation, and reporting on all debt obligations issued by the City. The City will work within the State Statutory requirements related to debt along with the City Charter.

The City of Steamboat Springs has a goal of maintaining a minimum rating of “AA” from at least one nationally recognized rating agency.

Use of Long-term Debt Financing

Long-term debt financing is appropriate for the acquisition of property or other long-term assets, and for the acquisition, development, construction or renovation of capital facilities, capital projects, capital equipment and infrastructure. Funding recurring operating expenditures is not an appropriate use for long-term debt financing.

The City of Steamboat Springs is prohibited by TABOR to enter into any multi-year fiscal obligations without the prior approval of the majority of qualified electors.

Types of Debt

1. General Obligation (GO) Bonds
 - a. GO Bonds must be approved by a majority vote of qualified electors.
 - b. GO Bonds should be used only for projects clearly benefiting the broad public interest.
 - c. Refunding GO Bonds for a lower interest rate does not require a vote.
2. Certificates of Participations (COPs)
 - a. A lease-financing mechanism where the City enters into an agreement to make regular lease payments for the use of an asset over a specific period, after which the title for the asset transfers to the City.
 - b. The lease payments are dependent on an annual appropriation which can be withheld and the lease voided; therefore this financing method does not require voter approval.
 - c. While the lease can be terminated, such an action would have a significant negative impact on the City’s general credit rating.
3. Revenue Bonds
 - a. New Money non-enterprise fund (as defined by TABOR) Revenue Bonds must be approved by a majority vote of qualified electors.

- b. TABOR defined enterprise funds may issue Revenue Bonds without an election. The Golf Fund and the Utility Fund are the only funds that are TABOR enterprise funds for the City of Steamboat Springs.
- c. Refunding Revenue Bonds for a lower interest rate does not require an election under TABOR.

Delegation of Authority

Prior to any debt issuance it will be requested that the City Council delegate authority to finalize documents related to the debt issuance to the City Manager. Due to timing issues it is imperative that the authority be delegated in these matters. This will be presented to City Council in the form of an ordinance prior to each issuance of debt.

Continuing Disclosure

The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City's outstanding securities and will abide by the provisions of Securities and Exchange Commission (SEC) concerning primary and secondary market disclosure.

Full disclosure of operations and open lines of communication shall be made to the rating agencies. The Finance Department shall prepare the necessary materials and presentation to the rating agencies.

Section VIII - Arbitrage Compliance Policy

PURPOSE:

The purpose of this post-issuance compliance policy and procedure manual is to adopt policies and procedures to guide the City of Steamboat Springs in meeting the requirements of the Internal Revenue Code of 1986, as amended, and Treasury Regulations (the “Tax Code”) concerning tax-exempt and tax-advantaged debt (“debt issuances”). Non-compliance with the Tax Code may result in fines and/or loss of the preferential status of the debt issuances.

COMPLIANCE OFFICER:

The City Controller shall be the person primarily responsible for ensuring that the City of Steamboat Springs successfully carries out its post-issuance compliance requirements under applicable provisions of the Tax Code with regard to all debt issuances of the City of Steamboat Springs. The Controller shall be assisted by other City of Steamboat Springs staff and officials when appropriate. The Controller will also be assisted in carrying out post-issuance compliance requirements by contracted entities including Bond Counsel, Financial Advisor, Paying Agent, Trustee, Arbitrage Consultant, and/or other consultants deemed necessary.

The Controller shall be responsible for assigning post-issuance compliance responsibilities to other City of Steamboat Springs staff, Bond Counsel, the Financial Advisor, the Paying Agent, the Trustee and the Arbitrage Consultant. The Controller shall utilize such other professional service organizations as are necessary to ensure compliance with the post-issuance compliance requirements of the City of Steamboat Springs.

I. GENERAL OVERVIEW OF ARBITRAGE, YIELD RESTRICTION AND REBATE REQUIREMENTS

A. Overview

The purpose of this section is to introduce the concept of arbitrage and its requirements. There are exceptions to many of the arbitrage rules. Advice from the City of Steamboat Springs Arbitrage Consultant and/or Bond Counsel is strongly recommended before any action is taken.

B. Definition

Arbitrage is the price differential, or profit made, from investing inherently lower yielding debt issuance proceeds in higher yielding taxable investments. In other words, arbitrage is the difference between the yield on an issuer's debt issuance and the investment income earned on the proceeds invested in taxable instruments. Arbitrage rebate refers to the amount that must be paid (rebated) to the federal government.

C. Areas of arbitrage compliance that must be addressed:

1. The arbitrage rebate requirements identify what must be done with any arbitrage (profits or earnings) above the debt issuance's yield earned on the investment of the gross proceeds of the debt issuance. Arbitrage on gross proceeds must be rebated to the federal government every five years after the date of issuance (or earlier if elected) through and including the final maturity ("filing date").
2. The yield restriction requirements set forth various investment yield limitation conditions for different categories of gross proceeds from a debt issuance (e.g. construction, refunding escrow, debt service, and reserve funds). The issuer should meet these various yield restriction conditions to avoid compromising the tax-exempt or tax-advantaged status of the debt issuance. Since the yield restriction requirements are specific to a debt issuance it is recommended that the City of Steamboat Springs consult with the Arbitrage Consultant and/or Bond Counsel to determine the specific yield restriction requirements on a per debt issuance basis.

Construction Fund Yield Restriction: The most common yield restriction constraint for an issuer is related to construction funds. Generally, if there are unexpended project/construction proceeds at the end of the initial 3-year temporary period in excess of the **minor portion** (the lesser of \$100,000 or 5% of the sale proceeds of the debt issuance), an issuer may no longer invest the remaining proceeds above the **materially higher yield** (debt issuance yield + .125%) without taking corrective actions to remedy interest earnings above the materially higher yield. The issuer must yield restrict the proceeds below the materially higher yield, or a yield reduction payment report will be required. Any yield reduction payment under the yield restriction requirements must be paid per the same deadlines as the arbitrage rebate requirements: every five years after the date of issuance (or earlier if elected) through and including the final maturity.

D. Purpose of the Tax Code regarding arbitrage:

The Tax Code was put into place to minimize the benefits of investing tax-exempt or tax-advantaged debt proceeds, thus encouraging expenditures for the governmental purpose of the debt issuance and to remove the incentive to:

1. Issue debt earlier than needed,
2. Leave debt outstanding longer than necessary, and/or
3. Issue more debt than necessary for a governmental purpose.

E. Type of funds subject to arbitrage compliance:

The following funds and proceeds of a debt issuance are defined as **Gross Proceeds** of a debt issuance:

- a. Project funds
- b. Debt service funds

- c. Costs of issuance funds
- d. Refunding escrow funds
- e. Reserve funds
- f. Disposition proceeds
- g. Replacement proceeds (other than debt service funds)
- h. Transferred proceeds (if an old debt issuance has been refunded by a new debt issuance and the old debt issuance has unspent funds, such funds may transfer to the new debt issuance)

F. Exceptions to the rebate requirements:

The Tax Code sets forth general arbitrage and rebate requirements for debt issuances. The general rule is that any arbitrage earned must be determined and reported to the federal government every fifth anniversary date after the date of issuance of the debt issuance and on the final maturity, or as elected. Arbitrage rebate is essentially 100% of investment earnings in excess of the debt issuance's yield. There are several exceptions to the arbitrage and rebate requirements, and if any one of these exceptions are met, all or a portion of the debt issuance's proceeds are not subject to the arbitrage and rebate requirements. Consult with the City of Steamboat Springs's Arbitrage Consultant and/or Bond Counsel to determine if the debt issuance is eligible for a particular exception, to establish the appropriate investment plan for the debt issuance proceeds, and to assess whether the exception requirements were met.

The purpose of this section is to introduce the concept of spending exceptions and their requirements. There may be special elections and circumstances for a debt issuance that can affect how the exceptions are tested. Advice from the City of Steamboat Springs's Arbitrage Consultant and/or Bond Counsel is strongly recommended before any action is taken. Below are descriptions of the various exceptions:

1. **6-month spending exception:** If all gross proceeds and actual interest earnings are spent within 6-months after issuance, the interest earned during that period is not subject to the rebate requirements.

If there are unspent proceeds remaining at the end of the 6-month period, an issuer may still qualify for the spending exception under the following condition:

- a. If the remaining amount is 5% or less and is spent within 6 months from the end of the 6-month spending date.
2. **18-month spending exception:** If a debt issuance *does not* qualify as a construction issuance (75% of the debt issuance actually spent on construction) then the debt issuance is eligible for the 18-month spending exception, but *not* the 2-year spending exception. If all gross proceeds and expected interest earnings for

the 6-month and 12-month period and actual interest for the 18-month period is spent within 18-months according to a strict timetable, the interest earned during that period is not subject to the rebate requirements. Intermediate expenditure requirements apply (15% by 6 months, 60% by 12 months, 100% by 18 months).

If there are unspent proceeds remaining at the end of the 18-month period an issuer may still qualify for the spending exception under the following conditions:

- a. A reasonable retainage amount of 5% or less is allowed for business purposes and the retainage is spent within 12 months from the end of the 18-month spending date, **or**;
 - b. If the remaining amount does not exceed the lessor of \$250,000 or 3% of the issue price and due diligence is exercised to complete the project and spend the remaining project/construction proceeds.
3. **2-year spending exception:** If a debt issuance qualifies as a construction issuance (75% of the debt issuance is actually spent on construction) and all gross proceeds and expected interest earnings for the 6-month, 12-month, and 18-month period and actual interest for the 24-month period are spent within 2 years according to a strict timetable, then interest earned during that period is not subject to the rebate requirements. Intermediate expenditure requirements are necessary (10% by 6 months, 45% by 12 months, 75% by 18 months and 100% by 2-years).

If there are unspent project/construction proceeds remaining at the end of the 2-year period, an issuer may still qualify for the spending exception under the following conditions:

- a. A reasonable retainage amount of 5% or less is allowed for business purposes and the retainage is spent within 12 months from the end of the 2-year spending date, **or**;
 - b. If the remaining amount does not exceed the lessor of \$250,000 or 3% of the issue price and due diligence is exercised to complete the project and spend the remaining project/construction proceeds.
4. **Small issuer exception:** General taxing authorities reasonably expecting to issue \$5M or less in tax-exempt or tax-advantaged debt during each calendar year (cumulative for all debt issuances) may qualify for the small issuer exception to the rebate requirements, *but must still satisfy the yield restriction requirements*.
- a. General requirements:
 - i. The issuer must have general taxing powers.
 - ii. The debt issuances must be governmental debt issuances.

- iii. At least 95% of the proceeds must be used for local governmental activities of the issuer or by governmental units located within the issuer's boundaries.
 - iv. All tax-exempt or tax-advantaged debt issued in a calendar year cannot exceed \$5,000,000.
- b. Additional requirements for refunding debt issuances:
- i. The debt being refunded (old debt issuance) must have qualified for the small issuer exception.
 - ii. The weighted average maturity of the refunding debt issuance (new debt issuance) must not exceed the weighted average maturity of the refunded debt (old debt issuance). Current refunding debt issuances that have a three year or less weighted average maturity are exempt from the weighted average maturity test.
 - iii. The refunding debt (new debt issuance) must not mature more than thirty years after the issuance of the original refunded debt (old debt issuance).

Note – Historically 1/3 of refunding debt issuances (new debt issuances) will fail one of the three rules listed above and become subject to the rebate requirements.

II. DUE DILIGENCE REVIEW AT REGULAR INTERVALS

This policy and its related procedures start with a review of the due diligence measures that will take place at regular intervals, as well as each filing date to ensure that each debt issuance is compliant with the requirements of the Tax Code. The City of Steamboat Springs will complete the annual due diligence review every May on all debt issuances.

III. CONTROLLER RESPONSIBLE FOR REVIEW

The Finance department is primarily responsible for the administration of this policy. Within the Finance department the Controller will be responsible for the due diligence review. The due diligence review will apply to all debt issuances.

IV. TRAINING OF CONTROLLER

The Controller has and will continue to take all necessary steps to maintain an adequate understanding of post-issuance compliance requirements relating to the debt issuances for which he/she will review. These steps include, but are not limited to:

- Continued annual training offered by GFOA and CGFOA.

- The City of Steamboat Springs will keep up on future compliance procedures.
- Arbitrage calculations are done by a third-party contractor.

V. RETENTION OF ADEQUATE RECORDS TO SUBSTANTIATE COMPLIANCE

A. General overview

1. **Debt not refunded:** Currently the IRS record retention requirements are to keep all records, data and documents associated with non-refunded debt issuances for three years past the final maturity date for the debt issuance (or longer if required by local or state law.)
 2. **Refunded debt:** Since the refunding debt issuance (new debt issuance) is dependent on the tax-exempt or tax-advantaged status of the refunded debt issuance (old debt issuance), all records are required to be maintained for three years past the final maturity of both debt issuances (or longer if required by local or state law).
 3. **Electronic data storage requirements:** Electronic records may be stored in an electronic format in lieu of hard copies if certain requirements are satisfied, for example:
 - a. The system must ensure an accurate and complete transfer of the hard copy books and records to the electronic storage system and contain a retrieval system that indexes, stores, preserves, retrieves and reproduces all transferred information.
 - b. The system must include reasonable controls and quality assurance programs.
 - c. The information maintained in the system must be cross-referenced with the books and records in a manner that provides an audit trail to the source documents.
 - d. Upon request by the IRS, a complete description of the electronic storage system, including all procedures relating to its use and the indexing system must be provided.
 - e. Upon request by the IRS, the issuer must retrieve and reproduce hard copies of all electronically stored records.
 - f. The system must not be subject to any agreement that would limit the IRS' access to the use of the system.
- B. Electronic file storage and backup:** Financial/accounting transactions will be retained in a designated computer file folder labeled as X:\Internal\Debt\Arbitrage Rebate Info and will be backed up by the City of Steamboat Springs IT department. Access to this folder will be restricted as authorized by the Controller.
- C. Storage of hard copies:** A folder jacket, box or other media storage container displaying the debt issuance description will be set up for each debt issuance. The storage container will contain the documents mentioned in Section E on the next page. Access will be restricted to persons authorized by the Controller.

D. Destruction of records: A log will be kept of all debt issuances whose records are destroyed after the IRS mandated retention period detailing the debt issuance description, allowable destruction date, date records were destroyed, the Controller's signature authorizing the record destruction, and witness signature. Access to this information will be restricted as authorized by the Controller and stored at City Hall.

E. Required information to be stored for each debt issuance

1. **Documents:** Bond Counsel shall send a Transcript for the debt issuance to the Controller. If a Transcript was not compiled, then copies of the following documents will be forwarded or made available to the Controller's office:
 - a. Bond Counsel Opinion
 - b. Final Official Statement or Private Placement Memorandum
 - c. Insurance Documents
 - d. Council Certificate for Ordinance
 - e. Copy of Ordinance Authorizing Debt Issuance
 - f. IRS Form 8038-G, Form 8038-GC, Form 8038, Form 8308-TC or Form 8038-B
 - g. CPA Verification Report (for refunding debt issuances only)
 - h. Non-Arbitrage Tax Certificate or similar document
 - i. All Debt Service Schedules not included in the Official Statement
 - j. Letter of Credit Agreement (generally for variable rate debt issuances only)
 - k. Swap Agreement (generally for variable rate debt issuances only)
 - l. Winning Bid Forms
 - m. Trust Indenture
 - n. Investment Banker's Closing Memorandum
 - o. Investment Banker's Notice of Delivery Memorandum
 - p. Investment Banker's Sources and Uses of Funds Memorandum

2. **Reports completed after issuance**
 - a. Rebate calculation reports
 - b. Yield restriction reports
 - c. Spending exception reports
 - d. Penalty in lieu of rebate reports
 - e. CPA verification report for restructuring of escrow
 - f. Payment documentation to include:
 - i. Form 8038-T
 - ii. Cancelled check
 - iii. Proof of mailing
 - g. Refund claims
 - h. Other reports related to the Debt Issuance

3. **Correspondence**
 - a. Bond Counsel

- b. Board Meetings
 - c. Financial Advisor
 - d. Arbitrage Consultant
 - e. Underwriter
 - f. Investment Firms
 - g. Other correspondence concerning any other aspect of the debt issuance to include but not limited to expenditures, investments, allowable projects, etc.
4. **Investment activity:** Trust statements (or equivalent) with detailed investment activity for the entire computation period for each fund/account in which gross proceeds of the debt issuance were held. Investment information must be recorded on a daily transactional level. This information is required to compute the yield on the investments and to comply with archive requirements. Investment activity details should include such items as:
- a. General ledgers
 - b. Subsidiary ledgers
 - c. Investment statements (state pools, bank statements, etc.)
 - d. Type of investment
 - e. Date of purchase and purchase price
 - f. Interest rate
 - g. Interest payment amounts
 - h. Maturity date
 - i. Interest payment dates
 - j. Interest calculation methodology
 - k. Date of sale and sales price
 - l. Investment contract information to include:
 - i. Evidence of the purchase price paid for investment contract
 - ii. Detailed documentation of the investment contract bid process
 - iii. Certification by the investment contract provider of fees paid for contract
 - iv. All bid solicitation forms (3 bid minimum)
 - v. Administrative costs
5. **Expenditure information:** The finance department will capture expenditure information. The following expenditure information must be captured and stored in accordance with the above-mentioned record retention requirements to include:
- a. Description of expenditure
 - b. Date of expenditure
 - c. Amount of expenditure
 - d. Invoices
 - e. Proof of payment (canceled check, wire information, etc.)
6. **Initial letter of credit information to include:**
- a. Payment amounts
 - b. Date of payment
 - c. Terms

7. **Actual letter of credit information to include:**
 - a. Actual amount paid
 - b. Actual date payment is made
 - c. Invoices
 - d. Statements

8. **Initial swap/hedge agreement information to include:**
 - a. Payment amounts
 - b. Date of payment
 - c. Terms

9. **Final swap/hedge agreement information to include:**
 - a. Actual date payment is made
 - b. Actual amount paid
 - c. Invoices
 - d. Statements

10. **Allocation of gross proceeds to expenditures:** Any allocation of gross proceeds to expenditures must involve a current outlay of cash for the governmental purpose of the debt issuance. A current outlay of cash is an outlay reasonably expected to occur within five banking days after the date of an allocation. If expenditure is paid by check, the outlay is the date the check is mailed, provided that it is expected to be cashed in five days.
 - a. **Allocation:** Reasonable allocation methods for allocating funds from different sources to expenditures for the **same** governmental purpose include any of the following methods if consistently applied:
 - i. The first in, first out/FIFO method permits the City of Steamboat Springs to put the proceeds of more than one debt issuance into a single account (commingle) and treat all expenditures as coming from proceeds of the first debt issuance until they are fully spent.
 - ii. The gross proceeds spent first method is used where available funds include, tax revenues, private contributions, etc., in addition to debt issuance proceeds. The debt issuance proceeds are treated as spent first.
 - iii. The specific tracing method permits the City of Steamboat Springs to keep proceeds from different debt issuances in separate accounts. Costs may be charged to any debt issuance/checking account at the City of Steamboat Springs's discretion.
 - iv. The ratable allocation method permits the City of Steamboat Springs to place proceeds of more than one debt issuance into a single account (commingle) and treat expenditures as coming from proceeds of each debt issuance that contributed proceeds to that account. The expenditures are allocated to each debt issuance ratably based on each debt issuance's proportion of ownership of the account.

- b. **Timing:** An issuer must account for the allocation of proceeds to expenditures not more than 18 months after the later of: the date the expenditure is paid or the date the project, if any, that is financed by the debt issuance is placed in service.

This allocation must be made in any event by the date 60 days after the fifth anniversary of the issuance date or the date 60 days after the retirement of the debt issuance, if earlier. This paragraph applies to debt issuances issued on or after May 16, 1997.

- 11. **Allocation of investments in a commingled fund:** The Tax Code requires that all payments and receipts on investments held in a commingled fund must be allocated to the different sources/investments in the fund not less frequently than the close of a consistently used fiscal period (not in excess of three months); this allocation must be based on a consistently applied, reasonable ratable allocation. Treasury Reg. Section 1.148-6(e). Currently, the City of Steamboat Springs allocates all payments and receipts monthly.
- 12. **Qualified use of proceeds, financed property, private business use:** The qualified use of proceeds, property financed, and private business use limitations by the debt issuance should be identified and continually monitored to ensure compliance with the limitations as defined in the debt issuance documents or if more restrictive, state law or the Tax Code's limitations. Supporting documentation is required to support qualified use of proceeds, property financed, and private business use. The Controller will ensure such limitations are in compliance with debt issuance documents or if more restrictive, state law or the Tax Code's limitations.
- 13. **Issuance price and volume cap allocation:** The issuance price and volume cap allocation activity limitations should be identified and monitored to ensure compliance with the limitations as defined in the debt issuance documents or if more restrictive, state law or the Tax Code's limitations. Supporting documentation is required for issuance price determination and volume cap allocation limitations of the debt issuance. The Controller will ensure such limitations are in compliance with the debt issuance documents or if more restrictive, state law or the Tax Code's limitations.
- 14. **Fair market value of investments:** The City of Steamboat Springs is to provide information to support that the investments were purchased or sold at a fair value. The City of Steamboat Springs may not purchase an investment at a price in excess of fair market value with gross proceeds of the debt issuance. Nor may the City of Steamboat Springs sell an investment purchased with gross proceeds at a price lower than fair market value. Treasury Regulations Section 1.148-6(c). In dealing

with fair market value requirements, the Tax Code specifically provides three safe harbor categories of investments:

- a. Securities traded on an established market from a willing seller in a bona fide arm's-length transaction.
 - b. Certificates of deposit purchased using a safe harbor under the applicable Tax Code. The safe harbor is available only for certificates that have a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal.
 - c. Guaranteed investment contracts purchased used a three-bid safe harbor under the Tax Code.
15. **Continuing disclosure:** The City of Steamboat Springs is to provide continuing disclosure, such as annual financial information and material event notices in accordance with SEC rule 15c2-12. The Controller is primarily responsible for undertaking such continuing disclosure obligations and to monitor compliance with such obligations.

The following pages contain items that are required to be verified for compliance. For all “no” responses, provide an explanation in Schedule A.

A. GENERAL OVERVIEW OF ARBITRAGE, YIELD RESTRICTION AND REBATE REQUIREMENTS	Yes/No	Responsibility
1. Debt Facts		
a. Has a debt listing been prepared identifying all debt issuances issued on and after August 31, 1986? Include the following facts: <ol style="list-style-type: none"> i. Debt issuance description ii. Date of issuance iii. Maturity date iv. Subjectivity to arbitrage rebate v. Subjectivity to project fund yield restriction 		
2. Debt Issuances that are Subject to Arbitrage Rebate		
a. Have arbitrage reports been completed for each filing date?		
3. Debt Issuances Subject to Project Fund Yield Restriction		
a. Have project proceeds been spent before the end of the temporary period for each debt issuance? If no, proceed with question 3.b. below.		
b. Have yield restriction calculations been completed for all filing dates until the project monies were spent below the minor portion? If no, provide the following information on Schedule A: <ol style="list-style-type: none"> i. End date of temporary period ii. Balance remaining on temporary period end date iii. Balance remaining as date of the review (if known) Explanation of compliance measures taken		

B. TRAINING OF CONTROLLER AND OTHER RESPONSIBLE PARTIES

Provide the following information for training sessions attended since the last due diligence review.

Name(s) of Attendees:	_____	_____	_____
Name of Program:			
Program Provider's Organization:			
Date of Training:			
Hours of Training:			

C. RETENTION OF ADEQUATE RECORDS	Yes/No	Responsibility
1. Retention of Adequate Records in Adherence to Policy Manual Guidelines		
a. Electronic data storage requirements met?		
b. Electronic file storage and backup requirements met?		
c. Storage of hard copy requirements met?		
d. Destruction of records requirements met?		
e. Document data storage requirements met?		
f. Report storage requirements met?		
g. Correspondence storage requirements met?		
2. Recording of Financial Transactions in Adherence to Policy Manual Guidelines		
a. Investment activity recording requirements met?		
b. Expenditure activity recording requirements met?		
c. Allocation of gross proceeds to expenditure requirements met?		
d. Allocation of investments in commingled fund requirements met?		
3. Qualified Use of Proceeds, Financed Property, Private Business Use		
a. Have proceeds been properly spent on allowable uses?		
b. Has the financed property been used in accordance with the allowable uses including Private Business Use limitations?		
4. Issuance Price, Volume Cap Allocation and Private Activity		

a. Has the issuance price been identified appropriately according to the requirements of the Tax Code and guidelines stated within the debt issuance documents?		
b. Have the volume cap allocation requirements been satisfied for applicable debt issuances as identified in the Tax Code and guidelines stated within the debt issuance documents?		
c. Have all qualified private activity debt issuances been identified appropriately according to the requirements of the Tax Code and guidelines stated within the debt issuance documents?		
5. Fair Market Value of Investments		
a. Have all investments purchased since the last due diligence review qualified under the safe harbor rules for purchasing investments at fair market value?		
6. Continuing Disclosure		
a. Have continuing disclosure requirements been met for each debt issuance?		

VII. PROCEDURES TO CORRECT NON-COMPLIANCE

If it is determined that the requirements of the policies and procedures set forth herein have been violated or if it is determined that the Tax Code related to each debt issuance has been violated, the City of Steamboat Springs will take the appropriate action described under the applicable Tax Code to remediate such non-compliance.

Such action may include, but is not limited to the following steps:

- A. Notify Controller.
- B. Notify Bond Counsel, Arbitrage Consultant, and/or Financial Advisors.
- C. Resolve non-compliance in a timely manner in order to reduce penalties and late interest. A 60 day resolution period is recommended.
- D. Take the appropriate remedial action as advised by Bond Counsel. Remedies may include, but are not limited to:
 1. Enter the Voluntary Closing Agreement Program (VCAP).
 2. Pay all past due arbitrage rebate or yield restriction liabilities to the IRS to include a letter of explanation for late payment, late interest and/or penalties.
 3. Correct non-compliance matter to ensure future compliance.

Section IX – Capital Asset Policy

Capital assets include tangible assets, such as equipment, real property, plant, and infrastructure as well as intangible assets, such as software and right-to-use lease assets. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 for equipment, \$20,000 for software, and more than \$25,000 for real property, plant and infrastructure, and an estimated life in excess of two years. Such assets are recorded at cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair-market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

In the case of intangible right-to-use lease assets, these are considered capital assets if the initial individual value is more than \$5,000 for equipment and more than \$25,000 for real property, plant and infrastructure. The initial individual value is determined in accordance with GASB 87.

Subscription assets under GASB 96 will be considered capital assets if the initial individual value is more than \$20,000. The initial individual value is determined in accordance with GASB 96.

Capitalizable costs include not just the cost to purchase or construct an asset, but also any ancillary costs necessary to place an asset into its intended location and condition for use. A physical inventory of capitalized furniture and equipment is completed each year.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the estimated useful lives as follows:

Land Improvements	30-40 years
Buildings and improvements	30-40 years
Public domain infrastructure	30-40 years
Sewer and water transmission and distribution lines	40 years
Furniture and equipment (including right to use leased equipment)	2-20 years

A range of estimated useful lives allows for the individual application and quality of the asset being acquired to be determined based upon the City's own experience with similar assets. If that information is not available, the City shall consider the experience of other governments to determine estimated useful life. The City shall periodically compare its actual experience and make adjustments to the estimated useful life schedule accordingly.

Every two years, Finance will assist departments in performing a capital asset inventory by providing a current listing of capitalized assets assigned to each department and doing a walk through with the department contact. The capital asset register will be updated for any discrepancies as appropriate.

Disposition of assets

Prior to disposal, the Department shall submit a written description of the surplus capital asset, including make, model, age, general condition, and serial number if applicable. Finance will determine whether the item(s) can be used by another City department, donated to a local non-profit or other government agency, and/or advertise the item(s) to all departments prior to disposal by auction or sealed bid. Any single item over \$5,000 purchased with Federal grant money requires permission from the Federal agency prior to disposal. Federally funded items must be at the end of their useful life, or the City must repay the granting agency based on the remaining value using straight-line depreciation.

Controlled capital-type items:

Individual items costing less than \$5,000 may require special attention in order to 1) avoid potential risk of theft for items that are both easily transportable and readily marketable 2) ensure legal or contractual provisions are being met, or 3) protect public safety. These items will be kept on individual department inventories but will not be capitalized in the City's financial statements.