

VI. Accounting and Financial Reporting

A. Policy

The City will conform to Generally Accepted Accounting Principles as promulgated by the Governmental Account Standards Board (GASB). Reporting will include the following:

1. Interim Financial Reports: Staff will prepare monthly reports for the City Council that analyze and evaluate financial performance.
2. Red Flag Exceptions: The City Manager shall advise the City Council of troubling and/or positive financial information including an assessment of the impact of the City Budget and financial condition. Thresholds for this reporting include:
 - a. Whenever a major expenditure exception occurs that will impact a fund's expenditure budget by one percent or totals over \$500,000; and
 - b. Whenever a major revenue exception occurs that will impact a fund's revenue budget by one percent or totals over \$500,000.

B. Purpose

To keep the City Council apprised of the financial condition of the various City funds. This includes an early alert on major exceptions that can have a positive or negative impact on the City Budget.

C. Definitions and Details

1. Monthly financial reports (interim financial reports) will be prepared and submitted to the City Manager, and transmitted to the City Council off agenda.
2. At a minimum, a formal presentation on the City's financial condition will be made quarterly to the City Council. During times of high or unusual activity, the City Manager may elect to increase the frequency of formal presentations.
3. Anomalies that occur will be called out in the body of the report or will be explained in footnotes in the financial report.
4. In general, a red flag exception occurs whenever a major expenditure or revenue exception impacts a fund's total expenditure budget by one percent or totals over \$500,000. However, it is not the intent to report every fluctuation that occurs in the annual budget. The following criteria should be used by staff as guidance for identifying red flag exceptions.

- a. The exception is significant and not part of a normal pattern.
 - b. The exception will most likely negatively or positively impact the ending balance in the department or fund at the end of the fiscal year.
5. Red flag exceptions can be communicated to the City Council in two manners. Most red flag exceptions will be communicated in the next monthly financial report. However, if the issue is critical and time sensitive, it will be communicated by a separate communication.