

ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICY

TOWN OF PROCTOR, VERMONT

PURPOSE. The purpose of this Accounting, Auditing and Financial Reporting Policy is to establish and maintain high standards for accounting practices in the Town of Proctor thereby enabling voters, the Selectboard, the Treasurer and the Town Manager to make sound decisions in preparing and adopting the Town budget and managing Town finances.

ACCOUNTING. The accounting practices of the Town will conform to Generally Accepted Accounting Principles for local governments as established by the Governmental Accounting Standards Board. The Treasurer and Town Manager will establish and maintain a system of fund accounting and shall measure financial position and results of operations using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary and fiduciary funds.

AUDITING. Annually the Selectboard will cause the Town financial statements to be audited by a qualified, properly licensed independent accounting firm. This audit will be conducted in addition to any audit performed by the Town's elected auditors under 24 V.S.A. § 1681.

MONTHLY AND ANNUAL FINANCIAL REPORTING. The Treasurer and/or the Town manager will prepare monthly financial reports for the Selectboard's management purposes. These will consist of:

- **Budget Report** showing revenues collected and appropriations expended for the previous month with the variance from the budget amounts for each line item;
- **Statement of Revenue, Expenditures, and Changes in Fund Balance** showing revenues and expenditures and the difference between the two, the beginning fund balance for the period, the ending fund balance; and
- **Balance Sheet** showing Town assets less liabilities and the fund balance.

The Treasurer and/or the Town Manager will also prepare an annual financial report. This report should include financial statements for each of the funds of the Town, as well as appropriate additional disclosures as necessary for the complete understanding of the financial statements presented. In addition, the report should include a narrative discussion to explain how the Town's current financial position and results of financial activities compare with those of the prior year and with budgeted amounts. This report, together with the most recent independent auditor's report will be reproduced in the Town's annual report or will be made available at the Town Office and posted on the Town's website each year.

ACCOUNTING AND PROCEDURES MANUAL An accounting, auditing and financial reporting manual has been prepared to describe the existing accounting and business policies and procedures that have been established as the norm for the Town of Proctor, VT. The manual is made a part of this policy by reference.

The foregoing Policy is hereby adopted by the Selectboard and the Treasurer of the Town of Proctor, Vermont, this 9th day of March, 2020 and is effective as of this date until amended or repealed.

Judy Hagen
Chairperson

Duce Baccari

Tom Hogan

Benjamin Clark

Anna DeGroot

Chiafisanti
Treasurer

TOWN OF PROCTOR ACCOUNTING AND PROCEDURES MANUAL

PURPOSE

The purpose of this manual is to establish and maintain high standards for accounting practices in the Town of Proctor thereby enabling voters, the Selectboard, the Treasurer and the Town Manager to make sound decisions in preparing and adopting the Town budget and managing Town finances. The manual describes the existing accounting and business policies and procedures that have been established as the norm at Town of Proctor, VT and to serve as a valuable reference guide for the entire community. These policies and procedures have been designed to help safeguard the Town's assets and to promote accuracy, efficiency and consistency in accounting and business operations throughout the Town. It is hoped that a written manual will both contribute to these objectives as well as to assist members of the community to comply with the prescribed accounting and business operations of the Town.

TREASURER'S OFFICE

The Town Treasurer supervises the office staff and is responsible for all accounting and financial reporting and related internal controls, financial services, cash assists in the management of the Town's endowment; has responsibility for the general ledger system (including monthly reports, journal entries, questions and corrections) and for processing all check requests. The Town Manager may assist in the day to day accounting clerical functions and the year end audit.

The Town Treasurers is responsible for all receivables, payables and interfund transfers. Cash and checks for tax or water and sewer payments, fees for copies and recordings etc. are received on a daily basis. All receivables and payables are run through the NEMRC fund accounting system. (This system is explained in the NEMRC accounting procedures.)

Deposits are made in a timely manner. When taxes and water and sewer payments come due deposits may be made on a daily basis. During the months of January, June, July and December when no large amount of revenue is received a deposit is usually made on a weekly basis. All reports relating to these deposits are kept for future reference

Invoices are directed to the Town Manager for approval and coding. Department heads provide delivery/packing slips with a description of the worked performed, purpose or product. Approved invoices are forwarded by the Town Manager to the Town Treasurer for processing. The warrant is printed and given to the Selectboard for approval. After approval by the board the checks are processed for payment, this is done within less than twenty-four hours of the approval. There are two individuals in the office who perform all aspects of the accounting so in the event one of them is out the process does not get held up.

At months end a balance sheet is run as well as a revenue and expense report to make sure all entries have been made and the accounts are in balance.

Checking accounts are reconciled each month by a town resident.

The Treasurer is also responsible for processing and maintaining all facets of the payroll and also processing invoices and check requests, and processing and mailing all disbursement checks.

PROCEDURES

Water and Wastewater Funds - Used to record budgeted revenues and expenditures including their departmental salaries, fringe benefits and operating expenses.

Special Revenue Funds - Used to record revenues and expenditures including departmental salaries, fringe benefits and operating expenses as they pertain to funds initiated by voter approval.

Ledger and Budget - All accounts are distributed to the appropriate department head and/or other individual responsible for the account. The General Ledger provides the current month's activity in detail. The Budget Status summarizes the previous activity for the current fiscal year, adding the current month's activity to get an ending balance. This ending balance is then compared to the allocated budget and an over/under budget is calculated. Informational reports are distributed by-monthly by the Town Manager to the Selectboard

Accounting Corrections - Occasionally, you may find some errors when reviewing your monthly printout. If you need to correct these errors or to make a transfer between accounts, please contact the Treasurer or Assistant Treasurer.

Sources of Revenues - The Town's revenues are derived from various sources including property taxes, water and wastewater user fees, federal and state grants and contracts, investment income and miscellaneous income. The Treasurer process cash receipts on a real time basis using the NEMRC Cash Receipts Module that affords direct input into the general ledger, and print and maintains records concerning licenses, fees and other charges for the use of Town property.

Property Taxes - The Lister's Office maintains all data pertaining to the Grand list, and the Treasurer cannot edit assessment amounts in any fashion. The grand list file is sent to NEMRC (the Town's software vendor), and the vendor transfers the data to the Treasurer's computer that has read only access.

Expenditures - All cash and checks received by departments must be transmitted to the Treasurer together with source documentation that indicates the description of the transaction and the account to be credited. Petty cash funds may be established by a department if the availability of cash is essential to the operation of the department. All purchases and expenditures of Town funds must meet the ordinary business standard of reasonable and necessary, with prudent consideration of the Town's limited financial resources. Routine and budgeted purchases of goods and services

on behalf of the Town may be authorized by a Department Head and should not exceed the department's budgeted amounts or, in the case of restricted accounts, should not exceed the restricted fund balance. Purchases over \$1,000 require the approval of the Town Manager. For larger non-routine purchases and contracts, competitive proposals should always be solicited and evaluated. Even for routine purchases, vendor prices should be checked periodically with those of reliable competitors.

Check Requests - Check requests are used to process disbursements not processed through usual purchasing procedures. These disbursements include personal reimbursement, subscriptions, professional fees, petty cash reimbursement and those purchases where a purchase order is not used. All check requests, including those for personal reimbursement, require original supporting documentation and the approval of the Town Manager. Check requests to individuals, partnerships and unincorporated businesses for professional services, contracting, honoraria, prizes and awards, etc. require the individual's social security or the business tax identification number and permanent address for tax reporting purposes. This should be reported to the Business Office using IRS Form W-9, which is available from the Treasurer's Office. Please note that the Town cannot release the check without this information. At the end of the calendar year, these individuals and businesses will receive IRS Form 1099 if payments to them exceed \$600.00.

Invoices - All invoices submitted to the Treasurer's Office for payment, including those resulting from a purchase order must include delivery and/or packing slips reviewed and accepted by a department head and approved and coded by the Town manager. This is necessary to ensure that the goods or services purchased have been received or delivered in good order. A department head may designate another individual to review and accept delivery/packing slips.

Computer checks are run on a biweekly basis date. Invoices and check requests received by the Friday before the second and fourth Monday of each month are processed that accounts payable run. Those received subsequently will be processed the following period. Manual checks are available only in emergency situations and require the approval of either the Treasurer's Office, as well as a check request or purchase order as appropriate. All checks require a single hand signature.

Payroll - The human resources and payroll policies are described in the Personnel Policy Handbook, and are incorporated herein by reference.

New Employees - Procedures for hiring new employees are described in detail in materials available from the Treasurer's Office. These procedures vary according to job classification. Administrative and professional positions are approved in the annual budget process and are confirmed by the Town Manager and the Selectboard. Salary levels are determined by the Town Manager and approved by the Selectboard. All new employees must complete form W4 (Employee's Withholding Allowance Certificate) for federal tax purposes and have form 1-9 (Employment Eligibility Verification) completed and verified as required by the U.S. Department of Justice before they will be put on the

payroll. Eligibility for employee benefits requires an application or enrollment form completed by the employee before enrollment is complete. These include medical insurance, clinical medical and dental plans, retirement plans, flexible benefits plan, life insurance and long-term disability. Please see the Treasurer's Office to discuss benefit plans and to obtain the appropriate forms.

Timesheets, Processing of Payroll and Distribution of the Payroll - All exempt employees and non-exempt employees are paid on a biweekly basis. In order to be paid, non-exempt employees must submit timesheets for all hours worked and approved by a supervisor to the Treasurer's Office as described in the Staff Handbook. Exempt employees who perform work for the Town outside their customary duties and receive additional pay will have that pay and applicable taxes included in their regular monthly paycheck.

Payroll Corrections and Transfers - All corrections to individual paychecks and transfers of payroll amounts between accounts must be communicated immediately to the Treasurer's Office.

Outside Contractors vs. Employee Status - Outside contractors are individuals or firms (such as lawyers, architects, consultants, speakers, service contractors, and construction contractors) who follow an independent trade, business or profession in which they offer their services regularly to the public. They are generally not considered employees, and require a W-9 Form in order to be paid, unless they are an incorporated business. All other individuals who perform services for the Town are generally considered employees of the Town, even if the duration of their employment for the Town is of a temporary nature. Accordingly, payments made to such individuals (except amounts totaling under \$100) must be processed through payroll and the appropriate forms, time sheets, etc. must be completed.

Resignations and Terminations - When an employee resigns or otherwise leaves the Town, it is imperative that the appropriate supervisor immediately notify the Town Clerk's Office. It is the supervisor's responsibility to ensure that all Town property (e.g. keys, uniforms, equipment) are collected from the employee.

Fixed Assets - The term fixed assets refer to the Town's tangible properties that have useful lives that benefit the Town over a period of years. These properties include land and land improvements, buildings and building improvements, all types of equipment, furniture, vehicles, library books as well as art and other historical treasures. Fixed assets are distinguished from other tangible items such as office supplies and consumable supplies (e.g. paper, light bulbs and supplies) that are used within a relatively short period of time.

Purchases of fixed assets should be made in accordance with the purchasing procedures. The Town Manager must approve all purchases of fixed assets that exceed budgeted amounts. Purchases of fixed assets that may affect the physical plant of the Town should be reviewed and approved by the Selectboard.

Capitalization Policy - It is the policy of the Town to capitalize (i.e., record as an asset in our plant fund) fixed assets with a cost of \$2,500.00 (\$5,000.00 for computer equipment) or more and with a useful life benefiting the Town of two years or more.

Insurance Records and Reporting of Thefts and Damage - Most fixed assets purchased through regular purchasing procedures need not be reported separately to the Treasurer's Office for insurance purposes. However, fixed assets donated to the Town should be separately reported. Also, the Treasurer's Office keeps separate insurance schedules for vehicles and heavy equipment, and these purchases should also be reported to the Treasurer's Office. All thefts, damage or destruction of Town assets should be reported promptly to the Town Manager as well as to The Treasurer's Office. The Town Manager or the Town Treasurer will report the loss to the insurance company if it is considered an insurable loss.

Disposal or Trade-In of Fixed Assets - No Town assets of value should be sold, traded-in or otherwise disposed of without the approval of the Town Manager. All such disposals should be reported to the Treasurer's Office describing the asset involved, and the nature of the transaction. For office equipment and similar assets not sold or traded-in, the department head should contact the Town manager to determine if the asset should be stored for future use. If not and the asset is considered worthless, (e.g. surplus or obsolete) the department head may proceed with the disposal of the item.

Budgeting - Planning for the annual operating budget of one fiscal year begins in the fall of the prior year. The Town Manager working with Department Heads will review such major budget parameters as spending, employee compensation, departmental operating expenses, utilities, debt service, insurance, and other expenditures. Department Head will receive budget requests in October for submission in November. The Town Manager will submit by December a draft budget for review by the Selectboard. The final budget for the following fiscal year is normally approved by the Selectboard at a January meeting for final approval by the voters.

Each department will request funds for operating expenditures (supplies, duplicating, postage, printing, travel, food services, etc.) for the following fiscal year. As guidelines for the request, information is provided on the current year's budget and amounts actually spent for the two prior fiscal years. Requests that exceed a targeted level of increase must be accompanied by an explanation of the need for the larger increase.

Staffing (Personnel) - Information on the staffing of exempt and non-exempt positions for the current fiscal year is provided to each office and department. Any proposed changes from the current staffing must be discussed with department heads and the need for the position explained in detail for consideration by the Town Manager and approved by the Selectboard. Increases in compensation are established on a pooled basis as part of this budget process; individual salaries and wages for each employee are determined later in the spring.

Capital Equipment - A few department budget funds for purchases of major capital equipment, but most needs are met by centralized equipment budgets handled by the Town Manager and approved the Selectboard.

Budgetary Controls - The Town Manager provides monthly reports which describe spending in individual line items within each budget. Each department is expected to limit its spending to those amounts agreed to during the budgeting process. A proposal to spend amounts that exceed the budget must receive prior approval from the Town Manager.

Fiscal Year Closing Procedures - The Town's fiscal year ends on June 30. This means that all revenues earned and all expenditures incurred after June 30 are recorded in the next fiscal year. Conversely, a purchase made and received June 29, for example, would have to be recorded in the current fiscal year even if the invoice is received after June 30. Therefore, it is recommended that purchases of equipment and supplies and other purchases of a material (sizable) nature be well into process by June 1 to ensure that the goods and related invoice are received in the Treasurer's Office by June 30. Specific cutoff instructions are as follows:

Invoices and Check Requests - All invoices and check requests pertaining to the current fiscal year should be submitted to the Treasurer's office by June 30 or as soon as possible thereafter. All departments should review their open purchase orders and other expenditures at June 30 and inform the Treasurer's Office if an accrual is necessary to reflect the expenditure in the proper fiscal year. An accrual means that the item has been charged to the department in the current fiscal year and recorded as a liability at June 30 since the item was received and actual payment of the invoice will not be possible until after June 30.

Outside Audit - The annual audit of the Town's books and records generally takes place in August and September of the following year. While most of the auditors' time is spent in the Treasurer's Office, the scope of the audit may require the auditors to visit with the Town Manager as well. The Treasurer and the Town Manager should provide the auditors with any information or documentation that they might request.

Travel Expenses - All necessary and reasonable expenses for authorized Town travel will be paid or reimbursed in accordance with the following guidelines. Exceptions will be necessary from time to time, and should be cleared, in advance if possible, with the Town Manager. Unreasonable costs (e.g., very expensive restaurants or exclusive hotels) and travel expenses incurred by a companion cannot be paid by the Town and are not reimbursable. Upon completion of a trip, a travel reimbursement request must be submitted to Town Manager along with the required vouchers and receipts to document business related expenses, and must be approved by the.

Miscellaneous Expenses - Reimbursement is provided for such items as customary gratuities, parking, business telephone calls, and registration fees at conferences and conventions. If such expenses exceed \$xx, they must be supported by receipts. Personal entertainment (e.g. movies, concerts and athletic events) and other personal expenses are not eligible for reimbursement. Costs of alcoholic beverages is not allowed. Entertainment expenses for employees are generally not allowed, except for the occasional event such as a holiday luncheon or retirement party.

Conflict of Interest Policy for Employees - Employees have a duty to carry out their responsibilities in good faith with due regard for the best interests of the Town. A conflict of interest or possible conflict of interest may arise between an employee's personal and/or business interests and his/her responsibilities to the Town. A conflict may exist if it adversely influences the employee's judgment with respect to his or her job responsibilities, or leads to some financial gain or potential financial gain to the employee or a member of his/her family.

Employees are encouraged to avoid any conflict between their interests and the interests of the Town. However, when a conflict or possible conflict of interest exists, the employee shall promptly make full disclosure to the employee's department head and/or the Town Manager. With any conflict of interest, the employee shall not initiate any related contract or transaction to which the Town is a party, and shall otherwise refrain from acting, until written approval is received from the Town Manager. Employees may not accept gifts or any payments from vendors or potential vendors to the Town, except for the occasional nominal gift such as a meal, ticket to a sporting event, or book. Unauthorized use of Town's resources or property is also unacceptable. Conflict of interest policies regarding outside employment and consensual relations are described in other sections of the various Handbooks.