



# FINANCIAL POLICIES

## Town of Glasgow

Updated January 29, 2020

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## **Chapter 1**

### **BUDGET**

#### **1-1. Purpose**

The Commonwealth of Virginia requires all localities to follow certain budget guidelines, as outlined in Sections 15.2-2500 to 15.2-2513 of the Code of Virginia.

- a. All localities within Virginia must have a fiscal year beginning on July 1 and ending on June 30.
- b. Approved fiscal year budgets must be balanced
- c. The Town Council must approve the operating budget and set the tax rate by July 1 of each year. The adoption of the operating budget and the tax rate requires the Council to hold a public hearing and to advertise this hearing no less than 7 days in advance.
- d. Although these are the minimum state requirements, the Town traditionally shall adopt its budget by May 30. The official appropriation of funds takes place prior to July 1 of each year.

#### **1-2. Scope**

This Budget Policy addresses the process by which the Town's operational and capital budgets are formulated, beginning with the departmental and staff requests through adoption by the Town Council. This Policy also addresses all other aspects of the budget, including the authorization levels for the approval of budget adjustments and amendments as well as review of the budget during the fiscal year.

#### **1-3. Budget Guidelines**

- a. The overall objective of the budget is to provide a balanced financial plan in total and by fund that adheres to the Town's mission statement, long range strategic plans and/or current initiatives from which the budgets shall be initially formulated.
- b. A balanced budget is a budget that has total expenditures equal to total revenues, including use of fund balance.
- c. Initiatives that are presented to the Town Council should also comply with the mission statement.
- d. Annual budget guidelines shall be focused in certain areas, with additional guidelines and/or objectives formulated, if applicable, by the Town Manager in the formulation of the proposed budget.

**1-4. Budget Form.**

The Town's operating budget will be developed on an annual basis, incorporating the Capital Improvements Program (CIP) budget, consistent with Generally Accepted Accounting Principles (GAAP) and guidelines set forth by the Governmental Accounting Standards Board.

**1-5. Basis of Budgeting.**

The basis of budgeting is the method used to determine when revenues and expenditures are recognized for budgetary purposes. In governmental funds, GAAP requires recognition of transactions or events on a modified accrual basis of accounting. This basis of accounting recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash. The Town's basis of accounting differs from GAAP used for preparing the Town's comprehensive annual financial reports.

- a. Encumbrances are considered the equivalent of expenditures rather than the GAAP required reservation of fund balance.
- b. Grant revenues are not budgeted and are accounted for on a modified cash basis rather than an accrual basis.

**1-6. Budget Calendar.**

The Town annually prepares a calendar which outlines all dates pertaining to the operational budget and capital improvements plan. No later than Sept. 30<sup>th</sup>, a date specific budget calendar is established for the subsequent fiscal year and submitted to the Town Council for approval.

**1-7. Budget Preparation.**

All staff will submit their requested budget to the Town Manager by a date and format established by the Town Manager, with the requested budget providing detail as to operating and capital requests, including five-year capital improvement program requests.

- a. Town Community and Other Organizations
  1. Community Organization shall submit requests by Dec 31<sup>st</sup> and present no later than Feb. 28<sup>th</sup>.
  2. Presentations are not contingent upon funding.
- b. The Town Manager will present to the Town Council no later than Feb. 28<sup>th</sup>, a proposed budget, which includes proposed expenditures and capital outlay, and a means of financing the expenditures, for the fiscal year commencing July 1, contingent upon adequate knowledge of anticipated state and federal funding levels.
- c. A series of budget work sessions will be scheduled with the Town Council to provide detailed information on budgetary issues.

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- d. Not later than Jan 31st of each year, the Planning Commission shall review the Proposed Five-Year Capital Improvements Program (CIP) and provide a recommendation on the subsequent year's CIP to the Town Council.
- e. A consolidated public hearing on the budget, tax rates, public utility rates, and CIP shall be held no later than seven days prior to budget adoption, unless the Town Council chooses to select an alternate date or timeline.
  1. In compliance with Virginia Code 15.2-2506 public hearing notices shall be advertised at least seven days prior to the public hearing date.
  2. If significant issues arise in which greater time is needed for the formulation of proposed budgets by the Town Council and Town Manager, the budget preparation calendar can be extended upon approval of the C subject to Virginia State Code 15.2-2503. "The governing body shall approve the budget and fix a tax rate for the budget year no later than the date on which the fiscal year begins."

### **1-8. Budget Adoption**

- a. Not less than one week following the public hearing, the Town Council shall adopt a balanced budget, tax rates, public utility rates, and five-year capital improvements program.
- b. The budget is legally enacted through adoption of an appropriations resolution for all governmental and proprietary fund types with the resolutions appropriating budget balances by fund.
- c. Although legal restrictions on expenditures are established at the fund level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.
- d. At all times the Town will maintain compliance with the Code of Virginia in appropriating, advertising public notices, ordinance changes, requests for bond referenda and any other legal restrictions imposed upon localities.

### **1-9. Budget Adjustments.**

Departments and enterprise funds are required to operate their budgets within the total dollars appropriated. Departments shall not overspend the bottom line total. It is understood that occasionally in the management of their departmental budget, staff will need to transfer funds within the respective department; stipulations for the transfers are noted below. Budget authorization levels are classified in three tiers for all non- education funds and are also described below.

- a. The Town Manager or designee is authorized to:
  1. Transfer within departmental budget categories of personnel, operating and capital.
  2. Transfer up to \$10,000 per month between departmental budget categories and/or

departments and related capital projects.

3. Transfer contingencies to departmental and/or capital budgets up to \$500 per topic or issue involving need for such reserve funding, with the exception of Town Council and Grant Contingencies, both of which require council action and approval.
- b. The Town Council approval is needed for:
  1. All transfers not otherwise addressed in this Policy.
  2. Any supplements that increase the total adopted budget.
  3. Transfer of unexpected appropriated personnel dollars for operational expenses.
  4. Per the Code of Virginia 15.2-2507, any additional appropriation(s) which increases the total budget by more than 1% of the total expenditure budget for that fiscal year is required to be advertised for a public hearing at least seven days prior to the Town Council' approval of such appropriation; with such advertisements authorized by the Town Manager, unless the Town Manager deems such request for advertisement should require Town Council approval.

#### **1-10. Re-appropriation of Balances (Carryovers)**

- a. Appropriations lapse on June 30, for all unencumbered budget items other than capital projects and grants.
- b. All outstanding encumbrances, both operating and capital, as of fiscal year-end shall be automatically re-appropriated to the subsequent fiscal year to the same department and account for which they were encumbered in the previous fiscal year.
- c. All capital reserve appropriations shall be automatically re-appropriated to the subsequent fiscal year to the same department and account for which they were originally appropriated.
- d. All unencumbered balances for capital projects shall remain appropriations until the completion of the capital project or until the Town Council, by appropriate resolution, changes or eliminates the appropriation.
- e. All supplemental appropriations approved within a fiscal year for a specific purpose or project shall be automatically re-appropriated to the subsequent fiscal year and utilized to complete original purpose or project as identified in the Council meeting minute's motion.
- f. Those amounts necessary for the continuation of unencumbered operating projects or services may be requested by departments, amended by the Town Manager and adopted, with any changes, by the Town Council to be re-appropriated to the budget of the next fiscal year. Such requests for re-appropriation shall be for specifically defined projects that could not reasonably be started prior to June 30.

## **Chapter 2**

### **ACCOUNTING & FINANCIAL REPORTING**

#### **2-1. Purpose**

- a. The Town of Glasgow and its governing body, the Town Council, is responsible to the Town's citizens to carefully account for all public funds, to manage Town finances wisely and to plan for the adequate funding of services desired by the public, including the provisions and maintenance of facilities.
- b. This policy will establish clear and consistent guidelines to ensure financial stability, enhance short-term and long-term financial creditability to achieve high credit and bond ratings, and address the accounting methods utilized in the different fund types for revenues, expenditures, assets, liabilities and net assets (fund equity).

#### **2-2. Standards**

The Town will adhere to and maintain a high standard of accounting practices in conformance with:

- Generally Accepted Accounting Principles (GAAP)
- Government Accounting Standards Council (GASB)
- Financial Accounting Standards Council (FASB)
- Code of Virginia

#### **2-3. Reporting**

- a. The Town will engage an independent firm of Certified Public Accountants (CPA) to perform an annual financial and compliance audit according to Generally Accepted Auditing Standards (GAAS).
- b. All activities for which the Town exercises oversight responsibility are incorporated into the financial statements to form the reporting entity.
- c. Year-end financial statements shall be formulated based upon accrual basis of accounting standards.

#### **2-4. Fund Accounting**

- a. Accounts are organized on the basis of funds, each of which is considered to be a Town of Glasgow Financial Policies Manual separate accounting entity.

*A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. (National Council on Governmental Accounting, Statement 1)*

- b. Governmental funds use the modified accrual basis of accounting. Modified accrual basis of accounting and current financial resources measurement focus defines when revenues and expenditure are recognized in the financial statements.
  1. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The criteria to identify availability is collectible within the current period or soon enough thereafter (usually 60 days after fiscal year ends) to pay liabilities.
  2. Expenditures are recognized for goods and services when the liability is incurred.
  3. In applying this general principal, there are several important distinctions for governmental funds:
    - i. Depreciation and amortization are not recorded as expenditures, nor are long- term liabilities.
    - ii. Accrued interest expense is not recorded on debt service up to the date of the fiscal year-end.
    - iii. Inventory including materials and supplies are expenditure at the time of purchase.
    - iv. Expenditures extending over more than fiscal year are expense in the period during which they were acquired. They do not have to be allocated between the fiscal years to which they relate.

- c. Accrual basis of accounting will be followed by the Proprietary Fund types (Enterprise Funds). Revenues recognized when earned and expenses recognized when incurred.
- d. Fund types and accounts groups are used by the Town
  - 1. General Fund – The general fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other taxes, state and federal distributions, licenses, permits, charges for services and other income. A significant part of the General Fund’s revenues is used principally to finance the operations of the Town such as the Farmer’s Market, Trash Pick-Up, Parks & Recreation, Public Safety, and Administration.
  - 2. Capital Fund – Capital improvement fund are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment, other than those financed by Proprietary (Enterprise) Funds. Capital improvement fund consist of the General Government projects.
  - 3. Enterprise Fund – Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The measurement focus is upon the determination of net income. The Town’s proprietary fund type includes the Enterprise Funds, which are used to account for the acquisition, operation, and maintenance of governmental facilities and services which are primarily supported by user charges. The Water & Sewer Funds (public utilities), and are accounted for and reported as Enterprise Funds.

## 2.5. General Ledger Entries

- a. Journal Entries
  - 1. Journal entries (JE) are designated in the Town’s Accounting software as source type JE.
  - 2. JEs are manual entries into the system with Town Manager written approval.
  - 3. They are entered throughout the fiscal year for reclassifying revenue, correcting an automatic posting for revenue or expenditures, or entering financial information not posted through payroll, accounts payable, tax, or utilities modules for example

proceeds for indebtedness or stop payment fee.

4. All JEs are posted or reviewed by the Town Manager. JEs may be posted by staff to correct or reclassify an item. Documentation generated and kept for record of the JE is required by staff. The Town's current financial system and supporting documentation for the creation of the entry and explanation for entry is maintained by month and fiscal year. A list of JEs is printed by query on a monthly basis as documentation.

b. Adjusting Entries

1. Adjusting Entries (AE) are designated as source type AE.
2. AEs are manual entries into the financial system.
3. They are entered after the general ledger has been closed for the fiscal year. An example of AEs would be auditor's adjusting entries. An AE will be manually entered for closed fiscal year; the system will recognize the entry and apply it into current fiscal year, if there's an impact.
4. All AEs are posted by the Town Manager. Any AE proposed by the auditors must be reviewed and approved by the Town Manager before entry.

**2.6. Disbursements**

- a. Void Checks
  1. Checks are voided with Town Manager approval in order to maintain control and processing.
  2. If it is determined that a check needs to be voided, it is sent directly to an Administrative Assistant on staff with an explanation.
  3. The Administrative Assistant assigned accounts payable will void checks in the Town's Financial System.
  4. Void checks are forward to the Town Manager each month around the 28th.

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### b. Stop Payments

1. The Administrative Assistant (AP) Notify the Town Manager to place a stop payment on check. Verification will be made that the check has not cleared the bank.
2. Town Manager is responsible for placing stop payments on checks with the bank.
3. A stop payment fee or budget transfer will be charged to the department placing the stop payment order by journal entry.

### c. Wire Transfers

1. Electronic fund transfers (EFT) will be the preferred method of payment for debt service to ensure timely payment by due date in order for the Town to retain use of their funds until that date. The use of electronic fund transfers standardizes payment streams, reduces credit and liquidity risk, provides a complete audit trail, improves efficiency, and reduces loss of the use of funds.
2. Wire transfers will be initiated by a Wire Transfer form and signed by the Town Manager and Mayor.
3. Town Manager is responsible for issuing the wire transfer with the bank. A signed copy of the Wire Transfer form is presented at the next Finance Committee meeting.
4. Administrative Assistant enters the disbursement into Accounts Payable as a JE.

### d. Vendor Refunds

1. Cash refunded from a vendor because of returned goods; services paid for, but not used; or for overpayments for goods or services.
2. Departments should request cash refund via check, if they do not expect any further business with a vendor.
3. Cash refunds are recorded in:
  - General Fund – Local Revenue - Miscellaneous Revenue – Misc. Income

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- Using the code of RFD for Expenditure Refunds.

\*\*Cash refunds should be recorded as revenue regardless when the expenditure was made.

### e. Credit Memos

1. Credit memo will be applied to current invoice due to the vendor.
2. If no invoice is currently due to the vendor, the credit memo will remain in the department until a future invoice is paid to the vendor.
3. Credit memos should be properly documented and attached to invoice for payment.

# Wire Request Form



**Date of Wire:**

**Vendor:**

**Amount of Wire: \$**

**Wire Instructions:** Bank

ABA#

Credit A/C

Ref:

Acct#

**Internal Accounting Coding:**

**Signed:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
Town Manager

## TOWN OF GLASGOW

## Chapter 3

### ACCOUNTS PAYABLE

#### 3-1. Purpose.

This policy describes the responsibilities and guidelines for processing expenditures incurred and disbursed for Glasgow. Accounts payable are invoices for goods and services rendered to the Town for payment. The term, *invoice*, refers to the original vendor prepared bill that must be submitted for payment. By paying invoices in a timely and accurate manner, the Town maintains good relationships with the business community. The accounts payable process ensures that expenditures by the Town are for the intended purposes as authorized in the budget by the Town Council and accurately posted to the general ledger.

#### 3-2. Responsibilities

##### a. Purchasing Staff

1. Approving invoices for payment.
2. Coding invoices to the appropriate budget line item that corresponds to the expenditures.
3. Submitting invoices to the appropriate staff in a timely and accurate manner along with any supporting documentation.
4. Requesting new expenditure categories as needed for proper coding.

##### b. Processing Staff

1. Receiving invoices from purchasing staff.
2. Reviewing invoices for proper coding and compliance with budget.
3. Processing invoices for payment.
4. Assigning expenditure codes to newly requested line items.
5. Disbursing payments to vendors.

b. Town Manager. Responsible for authorizing payment of the accounts payable registers.

c. Mayor. Responsible for providing a 2<sup>nd</sup> signature on authorized checks.

**3-3. Prompt Payment Act**

- a. The prompt payment act through the Virginia Public Procurement Act (§ 2.2-4347 through § 2.2-4356) requires that payments be remitted to vendors within 30 days of the receipt of the:
  1. Vendor's invoice, or
  2. Purchased goods or services, whichever is later.
- b. Most payments to outside vendors are covered by the Act. However, some vendor payments including subscriptions, honorariums, memberships, and postal supplies are not covered by the Act. Departments should allow 5 working days (one week) before the payment due date for the Finance Department to process transactions.
  1. For vendor payments made by check, the postmark date shall be deemed the payment date.
  2. For vendor payments made using electronic wire, the bank settlement date is deemed the payment date. This is the date the funds are deposited in the vendor's bank account.
- c. The State Corporation Commission (SCC) rules for utility payments supersede the prompt payment guidelines. The SCC rules require payment of utility invoices within 20 days from the date the invoice is prepared. This rule conflicts with the prompt pay rule for making payments 30 days after the receipt of the invoice. In some cases, the SCC rule reduces the time available for making payment by as many as 18 days. If payments are not received by the due dates, the utility company automatically adds the late charges to the account.
  1. When paying a utility invoice, code and approve the bill immediately upon receipt of invoice and submit to Finance Department.
- d. Sometimes disputes occur concerning the purchase of goods and services. When a dispute occurs, the 30-day time period does not start until the dispute is resolved. The disputes can be either:
  1. A disagreement concerning the quality or appropriateness of the received goods or services; or
  2. Damaged or inoperative goods.
- e. When a dispute occurs, the actions should be documented on the invoice or supporting documentation for audit review.

**3-4. Internal Control.**

The policy and procedures should be adhered to in order to ensure the segregation of duties between the preparation and entry of accounts payable transactions and the

approval and release of payments.

### **3-5. Records Retention.**

- a. Original expenditure documents are to be maintained on file for 7 years.

### **3-6. Receipt of Invoices**

- a. Invoices are received by purchasing staff that initiated the transaction for coding. If the invoice is received by the processing staff, the invoice is forwarded to the purchaser.
- b. Payments are made only from original invoices.
- c. *A department receiving an invoice that does not have an invoice number must generate an invoice number identifying the date of purchase, in order to maintain a tracking system to avoid submitting duplicate invoices for payment.*
- d. Statements are listings of outstanding invoices and are never used to process payments. Statements are a tool to determine if there are discrepancies between our records and the vendor's records.

### **3-7. Department Responsibilities for Invoices**

- a. Each department is responsible for verifying the calculations and accuracy of invoices for payment.
  1. Comparison of quantities billed on the invoice with quantities listed on the purchase order or price quote form and shown on packing slips (receiving documents).
  2. Comparison of prices, discounts, and terms with those specified on the purchase order or price quote form.
  3. Proof of clerical accuracy of the invoice with respect to extensions, footings, and deductions of discounts.
- b. Submission of Invoices
  1. Purchasing staff must code all invoices to before submission.
    - Manually code the account line item to be charged with the Fund #, Major #, Object #, and amount for data entry.
    - Sign and date.

- c. If the initiating department is purchasing services or goods of a vendor not previously paid, the initiating department must have vendor/contractor complete and submit an IRS form W-9, Request for Taxpayer Identification Number to the processing staff with the invoice. The IRS form W-9 obtains the vendor's correct taxpayer identification number, name, and address, and certify the type of business entity. Departments who fail to obtain or vendors who fail to provide a W-9 will delay payment pending receipt of form. Federal and State statutes require the Town to obtain vendors taxpayer identification number, Code of Virginia, Section 2.2-4354 and IRS Code, Section 3406(a).
- d. Reimbursement requests for travel expenses should be submitted on a Travel Expense Form to the Finance Department no later than five (5) working days after returning from a job-related trip.
  1. Staff and Council are allowed up to \$50 per day for meal & travel reimbursement for, professional development meetings, conferences, and other related activities when breakfast and lunch are not provided. \$50 could be used for dinner as well when staying for overnight conferences where dinner is not provided.

### **3-8. Processing Staff Responsibilities for Accounts Payable**

- a. Reviews the package, including invoice or voucher supporting documentation, coding, and compliance with budget lines and Town policies, for completeness.
- b. Checks for vendor number. If the vendor is new, a vendor account will be set up per the W-9 and number assigned as appropriate.
- c. Verifies that the required approvals have been obtained
- d. If the package is deemed not complete in accordance with this policy, the Finance Department will take the following steps.
  1. Communicate by telephone or email to resolve the problem in the case of a minor problem such as an incomplete or misspelled name, incomplete address, invoice number, purchase order number or account number discrepancy.
  2. If required approvals have not been obtained, return the package to the Department with an explanation of the problem and proposed corrective action.
  3. If budget funds are not available or the budget has not been completed, return the package to the Department with an explanation of the problem.
  4. If funds have not been encumbered by purchase order, budget transfer has not been issued to cover expenditure, or problem cannot be resolved by telephone or email in time of deadline to process payment, return package to Department.

- f. The data is entered into the computer system for generation of the checks, after review and correction or clarification of any information.
- g. Town Manager reviews edit reports and invoices for accounts payable prior to posting to the general ledger and printing of checks.

**3-9. Manual Checks.**

When absolutely necessary, a manual check may be written. A request must be made in writing with the reason for a manual check to the Town Manager for approval.

**3-10. Check Writing Schedule.**

Invoices are generally paid every Friday, except on weeks with holidays.

**3-11. Reclassification of Accounts Payable after Payment.**

If a Department determines that a paid invoice has been incorrectly coded and/or posted to a budget line item, the Department must prepare a *Cost Transfer* form to reclassify the cost and submit it to the Town Manager for approval. After approval, they will submit it to the appropriate processing staff within two (2) months of the date posted in the general ledger.

## **Chapter 3 Form**

### **Cost Transfer Form**

## Chapter 4 PROCUREMENT

### 4-1. Purpose

This section covers the purchase of supplies, materials, equipment and/or services costing \$3,500.00 and over. All other purchases for less than \$3,500.00 require no documentation, but departments are urged to be as cost conscience as possible and try to always obtain the best price for items purchased, without sacrificing value.

### 4-2. Methods of Procurement

The two standard methods of procurement used are:

a. **Purchases equal to \$3,500.00, but less than \$25,000.00**

1. For purchases of this type, a description of the item/service to be purchased shall be faxed or e-mailed to at least three (3) possible vendors. Staff must make a recommendation to be presented and approved by Council.

b. **Purchases equal to \$25,000.00 and over**

1. Purchases of this type shall be accomplished by the use of formal sealed bids/proposals either Requests for Proposal or Invitation for Bids, unless Council approved the purchase of a capital item with a corresponding state contract.
2. The Town Manager shall complete the bid process: add general terms and conditions, advertise in the local newspaper(s), prepare and mail the bid packages, receive bids, open bids. The Town Manager, shall thoroughly review all bids/proposals in order to make the bid award to the best responsive and responsible bidder.

### 4-3. Purchase Order

The purpose of this policy is to establish:

- A chronological numbering system for tracking purposes;
  - Define when P.O.s are to be used; and
  - Establish a documentation procedure for P.Os.
- a. P.O.s are to be numbered as:
- TOG – Indicating Town of Glasgow
  - 000 – Chronologically numbering the P.O. for that fiscal year
  - PO## - Indicating its Fiscal Year

Example: TOG001PO20

## Chapter 5 CHECK SIGNING

### 5-1. Procedures

- a. Checks are processed by the Town staff and forwarded to the Town Manager for signature. All checks must have 2 signatures.
- b. Checks are required to have all the proper documentation attached to the checks to be signed, including a sheet showing the check number, payee and dollar amount. The sheet that shows the batch and the amounts that will affect the general ledger must also be attached.
- c. The Town Manager will total the checks to be sure that the total on the warrant control sheet and the checks issued are the same.
- d. Town Manager's signature must be included on the documentation indicating approval of the checks.
  1. Checks presented with changes/corrections to the name or amount will not be signed.
- e. The Town Manager has the authority to refuse to sign checks without the proper signatures or documentation.
- f. All voided checks must be delivered to the Town Manager to be properly identified in the general ledger as a voided check. It is important that this procedure is followed in the same month the checks are voided. Town staff will process these voided checks.
- g. The Town Manager is responsible for placing all stop payments on checks through the bank.
- i. Payment for vouchers/bills will not be remitted by phone, giving the Town's account number or check number. ALL VOUCHERS/BILLS MUST BE PAID BY A TOWN CHECK WITH PROPER SIGNATURES. NO ONE EXCEPT THE TOWN MANAGER HAS THE AUTHORITY TO GIVE OUT THE TOWN BANK ACCOUNT NUMBER TO A VENDOR OR APPROVE A VOUCHER/BILL BY PHONE OR WIRE.
- j. The Mayor only has the authority to be the primary check signer if there is no Town Manager or Interim Town Manager presently employed with the Town, unless the Town Manager or Interim Town Manager provides written authorization identifying the Mayor as the designee, in which case Council must be notified immediately. The Mayor must also have a 2<sup>nd</sup> signature on the check from a Councilmember who is appointed to the Finance Committee.
- k. Checks signed by the Mayor without the Town Manager's approval will have a stop order placed on the payment, and will notify Council and be removed as an authorized signer for the account effective immediately.

## Chapter 6 FUND BALANCE

### 6-1. Purpose.

The purpose of this policy is to establish:

- The components of General Fund Balance;
- A minimum for unreserved-undesignated fund balance;
- The fund balance of other funds and the impact on the General Fund; and
- Compliance with this policy.

### 6-2. Background

- a. Town of Glasgow desires to maintain the financial operations of the Town in a manner consistent with sound financial management principles which require that sufficient funds be retained by the Town to provide a stable financial base at all times.
- b. An adequate fund balance level is an essential element in both short-term and long-term financial planning, and serves to mitigate current and future risks (revenue shortfalls and unanticipated expenditures), sustain operations during economic downturns, and enhance creditworthiness.
- c. Through the maintenance of sufficient levels of fund balance, the Town can help stabilize funding for operations, stabilize taxes and, and realize cost savings in issuing debt.

### 6-3. Fund Balance Components

- a. General Fund – This fund is the Town’s general operating fund, which accounts for all governmental activities unless required to be accounted for in another fund.
- b. Fund Balance – The difference between assets and liabilities reported in governmental funds. It serves as a measure of financial resources available for current operations. It is divided into two elements:
  1. Reserved Fund Balance – This is the portion of financial resources that have been restricted for specific uses such as legal or grants. Reservations are often set by those outside the government such as State and federal agencies and can only be spent for those established purposes.
  2. Unreserved Fund Balance – This is the portion of the fund balance that is available for spending. Unreserved fund balance is divided into two components: designated and undesignated.
    - Unreserved-Designated Fund Balance – These funds represent intended uses of financial resources including those specifically reserved by the Town Council for a future need, revenues recognized in advance of matching expenditure, funding of subsequent budget, and re-appropriation of prior year balances. Designations are tentative and the Town Council can change the designation of these funds for other uses.

- Unreserved-Undesignated Fund Balance – These funds represent the remainder of the Town’s equity in the General Fund. This is the portion of fund balance that has not been reserved or designated for other uses; therefore, it is available to spend in future periods. This is also known as unassigned fund balance or free cash.
- c. Enterprise Funds – These funds (Water & Sewer) operate the Town’s public utility systems based on charges for services, operating independently in their own fund(s), separate from the general fund whose revenue is collected through taxing authority.
- d. Net Position – This is the enterprise equivalent to operational difference from its revenue generated through charges for service and expenditures made in a fiscal year. ***These same principals of Reserved Fund Balance and Unreserved Fund Balance can be applied to Net Position.***

#### 6-4. Fund Balance Requirements – General Fund

a. Unreserved-Undesignated

1. The unreserved-undesignated fund balance shall be at least 55% of Governmental General Fund Revenues or less than \$300K, whichever is lower of the two at the end of each fiscal year.
2. Fifty-five percent (55%) is identified as the minimum amount needed to safeguard the Town’s financial stability, and as one component in maintaining a high bond rating.
3. This would be the minimum fund balance to meet ongoing expenditure obligations for Town services for 6 months.

b. Contingency

1. The Town will maintain a Council contingency line in the general fund to pay for needs caused by unforeseen emergencies, including unanticipated expenditures of a nonrecurring nature, or to meet unexpected small increases in service delivery cost.
2. Contingency lines shall be budgeted at least 1% of governmental general fund revenues.

#### 6-5. Fund Balances – Other Funds

- a. In the event of a surplus at the end of the fiscal year not accounted for in the Council adopted revenue budget for the General Fund, the surplus will automatically be transfer to the General Fund’s Capital or Capital Reserve Maintenance Fund.

i.e. If the General Fund was projected to have a \$5,000 surplus in the adopted budget, but the end of the year’s actual surplus was \$12,000, the difference (\$7,000) in revenue between the Council adopted and actual will automatically be transferred.

b. Capital Projects Fund

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1. Designation shall be made for projects made with issuance of bond proceeds.
2. Any balances for unreserved-designated capital projects are held in the General Fund until funds are used, unless they are enterprise fund projects which will use net position. Cash transfers are made from the supporting operating fund for projects when funds are expended.

c. Enterprise Funds

1. The Town currently has two Enterprise Funds:
  - Sanitary Distribution System (Water)
  - Waste Water Treatment (Sewer)
2. These operations are intended to be self-supporting. As such, the charges for services should be adjusted to cover any deficits.
3. In the event of deficits, the Town Council may approve a loan or gift to cover the deficit from the General Fund. The preferred method for providing supplemental funding shall be that of a loan accompanied by an appropriate repayment schedule. However, particular circumstances may warrant supplemental funding in the manner of a gift from the General Fund. The unreserved-undesignated fund balance requirement established for the General Fund takes this liability into account.
4. In the event of a surplus at the end of the fiscal year not accounted for in the Council adopted revenue budget for that fund, the surplus will automatically be transfer to the enterprise fund's capital or capital reserve maintenance fund.

i.e. If the Sewer Fund was projected to have a \$5,000 surplus in the adopted budget, but the end of the year's actual surplus was \$12,000, the difference (\$7,000) in revenue between the Council adopted and actual will automatically be transferred.

### 6-6. Policy Compliance

- a. Fund balances shall be evaluated during the annual budget process. It shall be the goal of the Town Council to adopt a budget that maintains the requirements established herein.
- b. Fund balance policy will be reviewed and reported to Town Council at least annually in conjunction with the development of the operating budget and upon any significant amendments made to the budget throughout the fiscal year.
- c. No appropriation from Unreserved-Undesignated Fund Balance for recurring operational expenditures of more than 1.5% shall be made unless a plan for permanent funding of such expenditures is also approved at the time of appropriation.
- d. In the event Unreserved-Undesignated Fund Balance is required to be drawn below the parameters outlined in 6-4.a due to an emergency, such as natural disaster or due to severe

## TOWN OF GLASOW FINANCIAL POLICIES MANUAL

economic circumstances, the Town Manager will present to the Town Council a plan and timeline to restore the Unreserved-Undesignated Fund Balance to its minimum level established herein.

- e. All fund balances shall be invested in such instruments as deemed appropriate by the Town Manager, Finance Committee (if applicable), and unless otherwise specified, investment revenue shall accrue to the General Fund.

## Chapter 7 INVESTMENT PROGRAM

### 7-1. Purpose.

To define the parameters and guidelines for investment of Town of Glasgow funds that typically reside in one or more of the primary accounts for Town of Glasgow. The objectives for these three accounts and the manner in which funds in them are invested shall at all times be in compliance with the Code of Virginia, specifically Title 2.2, Chapter 45 – Investment of Public Funds Act.

### 7-2. General Fund Investments

- a. Purpose. The funds held in the General Fund are used for the regular operations of the Town. Funds held in the General Fund shall be invested in a manner to provide for the daily liquidity required to manage these operations.
- b. Objectives. The investment of funds in the General Fund shall be executed in order to achieve the following objectives:
  - Preserve capital.
  - Maintain sufficient liquidity to ensure daily cash availability for withdrawals.
  - Maximize return on investment while maintaining an acceptable level of investment risk.
- c. Investment Guidelines. All investments made in the General Fund shall adhere to the following permissible investments and constraints:
  1. All investments must be permissible under the Code of Virginia, Chapter 45 - Investment of Public Funds Act.
  2. To achieve the objectives of this policy the list of investments permissible under the Code of Virginia are further constrained by the following:
    - No mortgage related assets. This includes asset-backed securities that are collateralized by mortgages.
    - All securities must have an average life of less than 5 years.
    - The minimum credit rating on any security must be Aa3 by Moody's or AA- by S&P. Split ratings where either Moody's or S&P is less than Aa3 or AA- are not permitted.
    - No equity investments of any kind.

### 7-3. Capital Projects Fund Investments

- a. Purpose. The purpose of the Capital Projects Fund is to segregate funds that are designated for specific capital projects. Funds for capital projects may also be held in the General Fund. Funds held in the Capital Projects Fund may have different liquidity requirements than the funds held in the General Fund, and therefore may be invested in a different manner.
- b. Objectives. The investment of funds in the Capital Projects Fund shall be executed in order to achieve the following objectives:
  - Preserve capital.
  - Cash flows of investments shall be optimized to match the cash flow needs of designated capital projects.
  - Maximize return on investment while maintaining an acceptable level of investment risk.
- c. Investment Guidelines. All investments made in the Capital Projects Fund shall adhere to the following permissible investments and constraints:
  1. All investments must be permissible under the Code of Virginia, Chapter 45 Investment of Public Funds Act.
  2. To achieve the objectives of this policy the list of investments permissible under the Code of Virginia are further constrained by the following:
    - No mortgage related assets. This includes asset-backed securities that are collateralized by mortgages.
    - The minimum credit rating on any security must be Aa3 by Moody's or AA- by S&P. Split ratings where either Moody's or S&P is less than Aa3 or AA- are not permitted.
    - No equity investments of any kind.

### 7-4 Reporting

- a. To monitor the investments and investment managers of the Town, the following information will be provided to the Finance committee on a quarterly basis:

## TOWN OF GLASOW FINANCIAL POLICIES MANUAL

- b. Detailed list of holdings, broken down by each investment, which includes the following pieces of information for each security held (if applicable):
- Amount made on investments last quarter
  - APR %
  - Security Description
  - Par Amount
  - Market Value
  - Percent of Total Portfolio Market Value
  - Price
  - Coupon

## **Chapter 8**

### **DEBT MANAGEMENT**

#### **8-1 Purpose**

To establish parameters and provide guidance governing the issuance, management, continuing evaluation of, and reporting on all debt obligations issued by the Town of Glasgow, and to provide for the preparation and implementation necessary to assure compliance and conformity with this policy.

#### **8-2. Objectives**

A debt policy addresses the level of indebtedness the Town can reasonably expect to incur without jeopardizing its existing financial position and to ensure the efficient and effective operations of the Town and to address capital infrastructure requirements to meet the increasing needs of its citizens. The costs of these requirements will be met through the issuance of various types of debt instruments.

#### **8-3. Delegation of Duties**

The Town Manager will be responsible for policy implementation and oversight. This individual will monitor and enforce Town of Glasgow's compliance with this policy.

#### **8-4. Purposes and Uses of Debt**

Bond proceeds should be limited to financing the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and movable pieces of equipment, or other costs as permitted by law.

#### **8-5. Types of Debt**

The laws of the Commonwealth of Virginia authorize the issuance of debt by the Town. Identified below are various types of debt instruments the Town may issue.

a. Bond Anticipation Notes

The Town may issue Bond Anticipation Notes (BANs) in expectation of General Obligation Bonds or Revenue Bonds when cash is required in order for the financed capital project to be initiated or continue or when long-term markets do not appear appropriate on a given date, but have a clear potential for improvement within 12 months.

1. The Town will issue BANs for a period not to exceed three years.
2. BANs should not be rolled over more than 1 additional two-year period.

b. Revenue Anticipation Notes

## TOWN OF GLASOW FINANCIAL POLICIES MANUAL

1. The Town's Fund Balance is designed to provide adequate cash flow to avoid the need for Revenue Anticipation Notes (RANs) through the establishment of designated and undesignated fund balances sufficient to maintain required cash flows and provide reserves for unanticipated expenditures, revenue shortfalls and other specific uses.
2. The Town may issue RANs in an extreme emergency beyond the Town's control or ability to forecast when the revenue source will be received subsequent to the timing of funds needed.
3. The Town will issue RANs for a period not to exceed the one-year period permitted under the Constitution of Virginia, Article VII Section 10.

### c. General Obligation Bonds

1. The Constitution of Virginia, Article VII Section 10, and the Public Finance Act provide the authority for a Town to issue General Obligation (GO) Debt with no limit on the amount of GO Debt that a Town may issue.
2. The Town may issue GO Debt for capital projects or other properly approved projects.
3. All debt secured by the general obligation of the Town must be approved by the Town Council and a public referendum.

### d. Revenue Bonds

1. The Town may issue Revenue Bonds to fund enterprise activities, such as water and sewer utilities, or for general government including capital projects which will generate a revenue stream.
2. The bonds will include written covenants which will require that the revenue sources are sufficient to fund the debt service requirements.
3. Costs of issuance, debt service reserve funds and capitalized interest may be included in the capital project costs and thus are fully eligible for reimbursement from bond proceeds.

### e. Capital Acquisition Notes and Leases

1. The Town may issue short-term notes or capital leases to purchase buildings, machinery, equipment, furniture and fixtures.
2. The applicability of capital leases, as opposed to operating leases, for assets planned to be acquired will initially be determined during the budget process with further reviews performed during the bid process and awarding of contract.
3. For purposes of establishing a threshold for Town Council approval, the final maturity of the capital lease should not exceed the estimated useful life for capital assets in the Capital Improvements Program.

f. Moral Obligation Debt

1. The Town may accept a moral obligation for the payment of debt incurred by other agencies and agree to pay debt service when revenues of agencies may prove insufficient to cover debt service.
2. Payment of moral obligation debt service will be done when the best interest of the Town is clearly demonstrated.
3. While such moral obligation support does not affect the debt limit of the Town, the amount of bonds issued with the Town's moral obligation should be controlled in order to limit potential demands on the Town.
4. There is no legal obligation, but the Town is placing its good name and reputation on the line and there is every expectation that the Town would make good any deficiencies when a default exists.

**8-6. Project Life**

Debt financing will be used for major, non-recurring items with an economic value lasting at a minimum of five years.

**8-7. Refunding and Refinancing Bonds**

- a. Refunding is a procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds. The advantages to refunding are 1) to reduce the issuer's interest costs, or 2) to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced.
- b. Annually, and more frequent, if market conditions dictate, a review of all outstanding debt issuances will be performed by the Town and financial advisor to determine possible refunding opportunities available.
- c. As a general guideline, the issuance of refunding bonds shall occur if the present value of debt service savings (net of all issuance costs and any cash contribution to the refunding) exceeds three (3) percent of the debt service amount of the refunded bonds and/or the net present value of future savings warrants such refunding.
- d. If there is not a net present value savings, bonds can be refunded to remove burdensome bond covenants or restructure the stream of debt service payments.

**8-8. Restrictions on Debt Issuance**

- a. Prohibited Uses. The Town will not fund current operations from proceeds of borrowed funds. The Town will confine long-term borrowing and capital leases to capital improvements, projects, or equipment that cannot be financed from current financial

resources.

- b. Limitations on Maturity. The maximum maturity of any debt will not exceed the expected useful life of the project for which the debt is issued.
- c. Statutory Limitations. All debt/obligations require approval and appropriation of the proceeds by the Town Council.

#### **8-9. Debt Service Limitations - General Fund Revenue**

- a. The ratio of governmental fund debt service expenditures as a percent of total governmental fund operating revenues should not exceed 1%.
- b. This ratio shall include debt and capital lease obligations of the general government, and other debt for which the primary source of payment is revenue of the general fund.
- c. This ratio will be measured annually.

#### **8-10. Outstanding Debt Limitations - Assessed Value**

- a. Debt as a percentage of assessed value will not exceed 3.5 percentage.
- b. This ratio measures the relationship between Town's tax-supported debt to the taxable value of property in the Town.
- c. It is an important indicator of the Town's ability to repay debt, because property taxes are the source of the Town's revenue used to repay debt.
- d. The smaller the ratio indicates that the Town is better able to withstand possible future economic downturns and continue to meet its debt obligations.

#### **8-11. Characteristics of Debt Structure**

- a. Repayment Provisions. To the extent possible, the Town will design the repayment of its overall debt so as to recapture rapidly its credit capacity for future use. The Town will strive to structure a financing schedule and repayment of debt on a level payment plan after initial wrap up and/or construction period.
- b. Maturity Guidelines. Bond maturities shall not exceed the useful life of assets purchased with the proceeds.
- c. Debt Service Fund. Debt service reserves funds and other funds as required by bond covenants shall be established and monitored annually to ensure continued compliance with bond covenants, Town policies, and Federal and State regulations.
- d. Investment of Bond Proceeds. Investment of bond proceeds shall at all times be in compliance with Town's Deposits and Investment Policy and meet all requirements of bond proceed covenants. All issuances subject to arbitrage constraints shall be monitored by the Director of Finance and have arbitrage

liability calculations performed in a timely manner.

## 8-12. Debt Issuance Process

- a. Sale Process. The Town will generally conduct financings on a competitive basis. However, negotiated financings may be used due to market volatility or the use of an unusual or complex financing or security structure.
- b. Professional Services. The Town employs outside financial specialists to assist it in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors. The key players in the Town's financing transactions include its financial advisor and bond counsel, the underwriter (on a negotiated sale), and Town representatives (the Director of Finance and the Town Manager, among others). Other outside firms, such as those providing paying agent/registrars, trustee, auditing, or printing services, are retained as required. The financing team meets at least annually to review the overall financing strategy of the Town and make recommendations to the Town Council.
  1. Financial Advisors. The Town shall procure the services of a financial advisor through a request for proposal (RFP) every five years. These services shall be utilized throughout the year to monitor existing debt for refunding opportunities, assist in selection of underwriting services, monitoring compliance with debt policy, providing oversight during a debt issuance process, and providing other financial advisory services, as needed.
  2. Underwriting Services. The Town shall procure underwriting services either through a competitive or negotiated sales method, based upon the nature of the bond sale and input of the financial advisor.
  3. Bond Counsel. The Town shall procure bond counsel either through a competitive or negotiated sales method, based upon the nature of the bond sale and input of the financial advisor.
- c. Bond Rating Goals. The Town will strive to obtain a bond rating in the future in order to minimize borrowing costs and preserve access to credit. A bond rating will influence the cost of debt issuance and reduce interest costs to the Town's taxpayers.
- d. Disclosure. The Town shall adhere to a policy of full disclosure in every annual financial report and financing official statement/offering document.
  1. The Town will disclose an estimate of the subsequent five fiscal year's debt ratios in the Adopted Budget with an analysis of the impact.
  2. The Town will annually prepare and adopt a multi-year Capital Improvements Program to identify and establish an orderly plan to meet the Town's infrastructure needs with all debt-related projects and the corresponding debt service impact upon the General Funds of the Town identified.

**8-13. Debt Service Payment Settlement Procedures**

- a. Principal and interest for the fiscal year according to the financing schedule will be budgeted separately like a department, within that debt service respective fund. The general fund will transfer revenue to cover the debt service expenditures, unless debt is for enterprise fund purposes. Principal and interest will be paid in a timely manner in accordance to due date and posted to the general ledger.
- b. Whenever possible, the trustees/fiscal agents/paying agents invoice the Town for debt service payments a minimum of 30 days prior to the due date.
  - Electronic fund transfers (EFT) or Wire will be the preferred method of payment to ensure timely payment on payment due dates in order for the Town to retain use of their funds until that date. The use of electronic fund transfers standardizes payment streams, reduces credit and liquidity risk, provides a complete audit trail, improves efficiency, and reduces loss of the use of funds. Maturity
  - Yield to Maturity (or Average Life if no maturity)
  - Effective Duration
  - Credit Rating (both Moody's and S&P ratings)

## Chapter 9

### FIXED ASSETS

#### 9-1. Capital Assets

- a. Classification Criteria. Capital assets shall be capitalized for cost greater than \$5,000 and a useful life of five years or more.
- b. Capital Asset Expenditures
  - Land or rights to land;
  - Buildings;
  - Additions to or renovations of buildings that add value to the building, improve it, or extend its useful life;
  - Improvements to land other than buildings that add value to the land or improve its utility;
  - Equipment, vehicles, and furnishings, as well as additions to or refurbishing of capital equipment;
  - Intangibles;
  - Construction in progress; and
  - Infrastructure.
- c. Capital Asset Valuation
  1. Actual cost of the item itself and any ancillary costs incurred that are necessary to place the asset in its intended location and condition ready for use.
  2. Examples of ancillary costs are freight and transportation charges, site preparation, professional fees, and legal claims.

#### 9-2. Non-Capitalized Assets

- a. Items of small value may have a relatively long life such as shovels, tool boxes, scissors, etc. should be classified as supplies.
- b. Routine maintenance or repair, anything normal or necessary, does not add value to capital asset or materially extend the life of the capital asset should be charged to departmental budget maintenance or supply line item.

#### 9-3. Approval Requirements.

Capital assets are subject to the Town's CIP policy and guidelines except for purchases of technology or related equipment.

**9-4. Depreciation**

- a. Capital assets shall be depreciated over the estimated useful life of the asset using the straight-line method as follows:

<u>Assets</u>	<u>Years</u>
Buildings and infrastructure	40 to 50
Building improvements	30 to 40
Water and Sewer system	20 to 50
Large Public works equipment, trucks and vehicles	10 to 15
Vehicles, office and computer equipment	5 to 10

- b. Capital assets acquired during the fiscal year will be depreciated in the fiscal year of acquisition.
- c. Capitalization of interest costs, in the enterprise funds, will be performed when the interest costs are material in relation to total enterprise fund expenses and fixed assets.

## Chapter 10 CAPITAL IMPROVEMENTS PROGRAM (CIP)

### 10-1. Purpose

The Capital Improvements Program (CIP) is a five-year plan that prioritizes and provides a funding mechanism for large-scale capital infrastructure improvements for Town of Glasgow. The CIP is an integral part of the Town's overall budget. See Virginia Code Sec. 15.2-2239.

### 10-2. Policy

- a. Capital Projects. A capital project is one that requires a minimum expenditure of \$3,500 (see Fleet Vehicle exception in 12-2b below), has a useful life span of ten years or more, and meets one or more of the following criteria:
  1. Provides for the acquisition or construction of any physical facility, including both real and personal property, for the community, to include consultant or professional services related to acquisition or construction;
  2. Provides for the acquisition of equipment for any physical facility when first constructed or acquired;
  3. Provides for the ongoing acquisition of major capital equipment or systems, e.g., computer technology, radio systems;
  4. Provides for the acquisition of land or an interest in land;
  5. Provides for the acquisition of facilities for town-owned public utilities.;
  6. Funds expenditures, including additions to existing facilities, that increase the square footage or value of a facility; or
  7. Fund expenditures for major maintenance or replacement projects on existing facilities.
- b. Fleet Vehicles. Funding for individual fleet vehicle replacements below the normal \$3,500 threshold shall also be included in the CIP.
- c. Other Capital Outlays
  1. Individual maintenance, repair and replacement (MRR) projects not meeting the Capital Projects criteria above are not presented as separate CIP projects. Such MRR projects are approved and funded individually through the Capital Reserve Maintenance Fund (CRMF) program.

2. Overall funding for the Town CRMF programs is provided through the annual CIP process.

### **10-3. Benefits of Capital Improvement Programming.**

- a. The CIP is a means of implementing the recommendations of the Town's Comprehensive Plan and Comprehensive Capital Asset List, but proposed projects are not limited to those listed in the plan. Projects pertaining to the renovation, maintenance and/or construction of public facilities, equipment purchases and land acquisition for public use are included in the capital improvement program. All projects included in the CIP are classified in five categories: General Government Administration, Public Works, Public Safety, Water Services, and Sewer Services. Administration, Public Works, and Public Safety are paid out of the general fund CIP and water and sewer services are paid out of their respective CIP.
- b. The current budget year of the Capital Improvements Program is called the Capital Budget, and funds are appropriated on an annual basis for projects in the CIP in the same manner as funds are appropriated in the Town's annual operating budget. Those projects scheduled in the CIP for subsequent years are approved for planning purposes only and do not receive expenditure authority until they become part of the capital budget.
- c. The CIP serves as a planning and implementation tool for the acquisition, development, construction, maintenance, and renovation of public facilities, infrastructure, capital equipment, and vehicles. Benefits of Capital Improvement Programming include:
  - Fostering a sound and stable financial program over a five-year period given a set of revenue and expenditure assumptions based on current economic trends;
  - Coordinating various Town improvements so that informed decisions can be made and joint programs initiated among Town departments in an effort to avoid duplication;
  - Enabling private businesses and citizens to know when certain public improvements will be undertaken so they can plan more efficiently and effectively;
  - Focusing on the goals and needs of the community through the provision of new facilities and infrastructure improvements;
  - Evaluating annually the infrastructure needs of the Town to provide for the public health and safety of the citizens of the Town; and
  - Providing a logical process for assigning priorities to the various projects based on their overall importance to the Town.

## **Chapter 11**

### **CAPITAL RESERVE MAINTENANCE FUND**

#### **11-1. Purpose.**

To provide funding support for ongoing, special, and unexpected maintenance and repair of Town of Glasgow government and buildings, supporting infrastructure, and equipment.

#### **11-2. Policy.**

Funds accumulated in the capital reserves are designated for planned and unplanned maintenance, repair, and renovation (MRR) projects. In addition, capital reserve expenses are for projects:

- a. Costing between \$500 - \$3,500; higher cost projects meeting other CRM funding criteria may also be submitted for Council consideration;
- b. Not funded in the adopted Capital Improvements Program (CIP) or in the requesting department's current operating budget; and
- c. That meet one or more of the following criteria:
  - Ongoing facility or equipment maintenance requirements
  - Repairs required due to weather-related events
  - Unexpected facility repairs or replacements
  - Failure of equipment after warranty expiration but before expected lifecycle
  - Non-recurring projects
  - Projects that require initiation prior to the completion of the annual budget cycle
  - Insurance deductible costs for a capital asset that has been damaged
  - Other one-time, minor capital projects

#### **11-3. Procedure**

- a. CRM funding requests will be submitted using the "Capital Reserve Maintenance Fund Request" form to the Town Manager.
- b. The Town Manager will review requests and make recommendations to council for approval/disapproval based on this policy.
- c. The Town Manager shall forward CRM requests, with his recommendations, to the Town Council for their review and action at an appropriate business meeting.

**Chapter 11**  
**Capital Reserve Maintenance Fund Request Form**

Capital Reserve Maintenance Fund Request

## Chapter 12 PETTY CASH

### 12-1 Petty Cash Procedures

The goal of this section is to provide the governance framework for a standard and consistent process for establishing, maintaining, and closing petty cash and transfer of cash across funds.

### 12-2 Scope

This policy applies to all Glasgow employees, elected officials, volunteers, and other related personnel responsible for the initiation, execution, and authorization of petty cash including the processing of all associated adjusting journal entries to the General Ledger.

### 12-3 Definitions

Change Fund – An amount of cash (cash register) held by a department or office and used to give change to customers when they are paying for goods or services. *No purchases can be made from these funds.*

1. Change Fund shall always consist of \$150 in varying bills.

Custodian – The financial unit requesting a petty cash or change fund must appoint a custodian or designee who is responsible for safeguarding and maintaining the petty cash fund. Maintaining the fund consists of disbursing funds, obtaining receipts, reconciling, and replenishing the fund. When the petty cash or change fund is no longer necessary, the Custodian or designee is responsible for ensuring that it is reconciled and closed. The Custodian for the Town is the Town Manager and the designee is the Senior Administrative Assistant.

Petty Cash – A petty cash fund is cash loaned for the purpose of making small purchases where it is not sensible to make a disbursement by check and purchases are impractical or unavailable through Procurement and Disbursements (One Card or expense reimbursement). Glasgow establishes petty cash funds for a fixed amount.

### 12-4 Policy

- a. Establishing petty cash/change fund
  - Request for a Petty Cash / Change Fund must be completed via a completed Petty Cash/Change Fund Application Form (Appendix A).
  - The application fund must be signed by the Custodian accepting responsibility for the fund as well as the Town Manager indicating their approval for the requested Petty Cash/Change Fund.

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- The Town Manager must approve all Petty Cash Fund requests unless they have assigned a designee in their place.
- b. Responsibilities of Custodian
- Safeguarding the funds - The fund should be the responsibility of one person, the Custodian, and secured in a locked location at all times. At no time should the Custodian keep the fund in their personal possession, deposit in their personal bank account, or take to their home for safekeeping. In case of theft, please notify either the Town Manager or Police Chief immediately.
  - Accounting for transactions – Custodians must support all disbursements with proper documentation, i.e. an original invoice or register receipt, with a written notation clearly indicating the business purpose of the purchase. Petty cash expenditures are subject to all Town policies and procedures related to proper expenses, authorization, accounting, and documentation.
  - Reconciling the funds – The Custodian must reconcile the petty cash or change fund utilizing the Reconciliation Worksheet (Appendix B) before replenishing, changing the Custodian or amount, and closing the fund.
  - Replenishing the funds - When cash in the fund is low, the Custodian shall request to replenish the fund via another completed respective application.
- c. Revision of existing fund or change in custodian –Revise the existing Petty Cash/Change Drawer Fund (Appendix A) to the Town Manager for review and approval. *Funds must be completely reconciled and accounted for before the Town Manager will approve any changes. A violation of this policy may cause suspension without pay, termination, expulsion, and other disciplinary methods in the personnel policy. Violations may lead to legal action as well.*
- d. Review of Petty cash or Change Funds
- Revocation of Funds - Misuse or improper accounting of the fund will, at a minimum, result in closing the fund.
- e. Closing the Petty Cash or Change Fund
- If it no longer requires a petty cash or change fund, funds must be deposited at the bank after reconciliation. A completed Reconciliation Worksheet must be submitted by the Custodian, and needs approval by the Town Manager before making a deposit at the bank. A copy of the external cash spreadsheet reflecting accounting for the deposit of funds is required to be attached with the completed Reconciliation Worksheet once the deposit is made.