

MEMORANDUM

TO: Mayor Jones and Members of the Board

FROM: Karen Proctor, Town Administrator

DATE: September 20, 2018

RE: Financial Policies Revision

HISTORY:

On August 5, 2010 the Town of Foxfield Board approved Financial Management Policies and Procedures. The Board approved an Investment Policy at the August 16, 2018 meeting to be added to the Financial Management Policies.

DISCUSSION:

Staff inadvertently did not use the most updated Financial Management Policies when adding the Investment Policy. Attached is the August 5, 2010 Financial Polices updated with the Investment Policy.

RECOMMENDED MOTION:

"I move to approve the revisied Financial Management Policies and Procedures".

ATTACHMENTS:

Exhibit A – Revised Town of Foxfield Financial Management Policies and Procedures

Town of Foxfield
Financial Management Policies and Procedures
August 5, 2010
Revised August 16, 2018

Proper controls over revenue are important to ensure strong financial management practices. This policy applies to all revenue collected, except where state or federal laws supersede.

Internal Controls - All aspects of cash receipts and accounts receivable shall be subject to proper internal controls.

Internal controls shall include:

- Segregation of duties for authorization, recording, and custodian functions. In circumstances where this is not feasible, other mitigating procedures shall be established.
- Bi-weekly processing of cash receipts and accounts receivable transactions.
- Timely deposit of funds. If the total deposit exceeds \$1,000.00 the deposit shall be made on the same business day. If the total deposit is less than \$1,000.00 the deposit shall be made within three business days. Prior to the deposit, funds shall be kept in a locked drawer in the office of the Town Clerk.
- Timely reconciliation to the general ledger and other supporting accounting ledgers. This reconciliation applies to bank statements as well as internal adjusting journal entries. The reconciliation shall be completed by the Town Administrator or a member of the Board, as determined by the Board.
- Utilization of automated system resources for enhanced processing and reconciliation.
- Establishment of physical security procedures. These shall be reviewed periodically.
- Notification of Board upon any suspicion of fraud. The Board shall then notify the appropriate authorities (e.g., law enforcement, state agencies) in a timely manner for further investigation.
- Periodic review by a designee of the Board. If the Board member has a suspicion regarding non-compliance with internal control directives, the entire Board shall be notified.

Accounting Practices – All receipts and receivables shall be recorded in keeping with current authoritative standards and practices.

- Revenue shall be recorded in the proper general ledger account.
- Revenues shall be recorded in the proper fiscal accounting period.

Billing Practices - Accounts receivables shall be established for services provided in advance of payment. Currently, the Town creates escrow accounts for services

provided. The only receivables the Town has is when the escrow account becomes deficient.

- All initiated bills shall have a due date of 20 calendar days from the bill date, unless otherwise stated per ordinance or resolution.
- When services are provided by the Town prior to the receipt of funds for such services, an on-going accounts receivable record shall be maintained.

Depositing of Received Funds – The Town Clerk shall serve as primary recipient for all revenue collection sites. Controls shall include, at a minimum, the following:

- Numerically controlled (accounting system generated or paper) official receipts with the printed name of the Town for all revenue. The use of generic non-numbered receipts is strictly prohibited;
- The method of payment (e.g. cash, check or credit card) shall be indicated on the receipt;
- Identification of the individual receiving payment on receipt;
- Wherever possible, the receipt shall allow for immediate revenue account classification in conformance with the established chart of accounts. If not possible, the fund shall be indicated;
- Restrictive endorsement (stamped for deposit only) of checks at the point and time of collection;
- Reconciliation of collections by an individual, as determined by the Board, not involved in the receipting or posting process or establishment of mitigating controls;
- Recording of receipts in the financial accounting system on a timely basis;
- Timely posting of adjustments with the approval of an individual appointed by the Board is required;
- Timely reconciliation and deposit of funds received;
- Securing of un-deposited funds in a locked place, such as a safe or secure drawer;

Escrowed Funds - Funds received by the Town in advance of revenue recognition or funds anticipated to be remitted back to the payee shall be deposited into an interest earning escrow liability account.

- Escrowed funds shall only accrue interest back to the payee if explicitly stated in the escrow agreement; otherwise interest accrues to the associated fund.
- Upon the Town meeting the criteria for revenue recognition, such escrowed funds shall be transferred in a timely manner and recognized as revenue in the applicable fund.
- For performance guarantee escrows, funds shall be returned to the payee upon

compliance or transferred to the applicable fund for non-compliance.

Collection – The Town has established an adequate system of internal controls to ensure that receivables are collected in a timely manner.

- All accounts receivable shall be recorded by the Clerk to permit an analysis of the aging of such receivables (e.g., <30 days, 30-60 days, etc.).
 - For those accounts that become past due, proper delinquent notice shall be provided to the payee and continued service restricted, unless continuation of service is required by law or policy, until such accounts are current.
 - For those accounts that are greater than 60 days past due and over \$500.00, notice and supporting detail shall be provided to the appropriate party, as determined by the Board, for further collection efforts.
 - To facilitate collection efforts, the Town shall establish information criteria as part of the initial credit application process with the customer (e.g., bank account number, social security number or driver's license number, federal ID number, etc.).
 - Assignment to a collection agency shall be considered. When cost effective, the collection agency selected by the Town Board shall be utilized to assure maximum collections.

Returned Checks –

- Unless otherwise stated per ordinance or resolution, all checks returned due to insufficient funds shall be processed by the Clerk.
- Fees shall be charged for the returned check in accordance with applicable statutes or established practices. Returned checks shall be processed at least twice through the Town's financial institution.

Bad Debt –

- The amount of the allowance for doubtful accounts shall be based upon the percentage of receivable method.
 - The computation of the allowance for doubtful accounts shall be performed annually based upon the aging of the receivables and recent history of write-offs at fiscal year end, subject to concurrence by the external auditors.
- Write-offs:
- Non-tax balances:
 - For any balance more than 120 days delinquent, all such amounts shall be eligible for write-off with approval of the Town Board.

- For any account written-off, such customer information shall be retained for as long as practical in an automated system to have continued enforcement of service denied on credit until previously written-off balances have been satisfied.
- Write-offs to taxpayer's account for general property tax balances shall be performed in accordance with state regulations.

Budgetary Review Responsibility – revenue collections and accounts receivable shall be monitored in a timely manner.

- Revenue budget estimates shall be supported with documented variable assumptions (base, rate, etc.).
- Monitoring of revenue budget shall be performed in a timely manner throughout the fiscal year and shall include an analysis of actual vs. budgeted variances. Revised forecast shall be communicated to the budget division timely.
- Continued compliance of revenue with all laws and/or regulations shall be the responsibility of the Clerk.

Account Payable – invoices shall be coded to the appropriate account and paid in a timely manner.

- Invoices to the Town may be approved by the Mayor or Town Administrator in accordance with the duly adopted Budget of the Town. The Mayor or Administrator may refer any invoice to the Board. The Board shall have final authority over all referred invoices.
- Town checks shall be prepared by the Clerk and signed by two authorized signatories for amounts in excess of \$250.00. The total amount of charges requiring one signature (e.g. less than \$250.00) shall not exceed \$1,000.00 per month.
- The Town Treasurer shall present the Treasurer's Report which includes a list of expenditures to the Board on a monthly basis.

Investments - The State requirement as outlined in C.R.S . 24-75-601.1 as periodically amended, was adopted and established by the Board to maintain a uniform investment policy for the Town.