

TOWN OF EAGAR



FISCAL POLICY & PROCEDURES

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1. INTRODUCTION

A. The purpose of this policy is to establish and outline the financial, procurement, investment, asset control, and budget policies and operating procedures for the Town of Eagar. These policies and procedures are designed not only to cover internal fiscal policy but also relate to program management and establish the internal control necessary to have sound financial, procurement and property management.

1. Internal Control

Internal controls are plans, policies, and procedures adopted by an organization to safeguard its assets and to check the accuracy and reliability of its accounting system. A sound system of internal control will protect the agency against misappropriation of assets and erroneous statements of accounts.

A system of internal control extends beyond policies and procedures. They are essential to the agency as a whole, and affect all employees. Internal controls include management policy which promotes operational efficiency. This manual presents management policy and fiscal procedures necessary to adhere to the Town's standards of financial responsibility.

The characteristics of a satisfactory system of internal control will include the following:

- a. Established managerial policies that are enforced.
- b. Establishment of responsibilities for each employee.
- c. Ample separation of related duties.
- d. A system for authorization of transactions.
- e. A system of proofs, checks, and balances.

2. PROCUREMENT

A. Procedures. The Town Manager or his/her designee, the department head or the designee of either party shall be the purchasing agent for the Town. No purchase or contract services of any kind or description, payment for which is to be made from funds of the Town, shall be made by the purchasing agent, or any officer, employee or agent of the Town, except in the manner set forth in this policy, and unless said purchase is in accordance with the adopted Town budget.

- B. All purchases estimated to exceed \$10,000 require Council approval prior to solicitation of bids/quotes. Preference may be given to businesses which have paid transaction privilege taxes to the Town of Eagar in the current fiscal year or within the preceding two fiscal years if the price is within 5% of the lowest rate.
1. **\$1,500 or less.** No bid is necessary. However, Town staff must use wise judgment in making these expenditure decisions. Expenditures must also be in accordance with the department's established budgets.
 2. **\$1,501 to \$5,000 inclusive.** Whenever any contemplated purchase or contract for services is for the sum of \$1,501 to \$5,000, the purchasing agent or designee shall solicit at least three (3) oral bids, which must be documented (ex. vendor name, contact name, phone number, date spoke with contact, amount quoted), for the item or service and award the purchase or contract of services to the lowest responsible bidder. Written bids will be accepted for these dollar thresholds as well, however, are not required.
 3. **\$5,001 to \$10,000 inclusive.** Whenever any contemplated purchase or contract for services is for the sum of \$5,001 to \$10,000 inclusive, the purchasing agent or designee shall solicit at least three (3) current written bids (via fax or mail on the vendor's letterhead), for the item or service and award the purchase or contract of services to the lowest responsible bidder.
 4. **\$10,001 to \$25,000 inclusive.** Subject to Council prior approval, whenever any contemplated purchase or contract for services is for the sum of \$10,001 to \$25,000, the purchasing agent or designee shall solicit at least three (3) current written bids (via fax or mail on the vendor's letterhead), for the item or service on bid forms. The purchasing agent or his/her designee shall then award the purchase or contract of services to the lowest responsible bidder.
 5. **\$25,001 or more.** Subject to Council prior approval, whenever any contemplated purchase or contract for services is for the sum of \$25,001 or more the purchasing agent or designee shall solicit three (3) or more sealed bids, when possible, and said bids shall be in writing. The purchasing agent or his/her designee shall then award the purchase or contract of services to the lowest responsible bidder.
- C. If a bid exceeds the amount approved by Council by more than 10%, it must be brought back before Council for consideration. At that time Council can elect to re-solicit bids, decline to purchase the item, or award the bid if the Department is able to afford the purchase within its adopted budget.
- D. Alternative Solicitation Process. For purchases of \$5,000 or less, the Town Manager may authorize the use of an alternative bid or quote solicitation process utilizing e-mail sent to all vendors who have previously registered for notification of e-mail solicitations. Vendors notified of a solicitation under this section shall be given a specified deadline to respond, which shall not be less than 72 hours.

E. Exceptions to Bid Procedures. (All purchase over \$10,000. require Council approval prior to the purchase.)

1. **Sole Source.** In the event that there is only one firm, company or individual capable of providing a particular service or commodity, and such services or commodities cannot be secured from other persons or companies, such services or commodities may be secured without bidding. The Town Manager shall report to the Council any such purchases.
2. **Professional Services.** Unless required by the Town Council, the provisions of this article should not apply to professional services. Such services shall include, but not be limited to, the following; physicians, attorney, engineers and similar professions. Procurement of said services shall conform to applicable State, Federal and local laws and regulations. However, the Town may require response to a request for proposal initiated by the Town. In addition, when considering retaining professional services the considerations itemized in subsection 2.D.2 of this manual shall be carefully reviewed and applied, except that the provisions of subsection 2.D.2 do not apply to professional services procured pursuant to A.R.S. Title 34 and/or A.R.S. Section 41-2578.
3. **Cooperative Purchasing.** In the event of a purchase made by, through or with the U.S. Government, State of Arizona or its political subdivisions, purchases or award of such contracts for services or materials may be made without the bidding process.
4. **Public Building or Structures.** When the Town constructs any building or structure or makes additions to or alterations of existing buildings or structures, and any purchase or contract falls within the definitions for limitations of A.R.S. 34-201 et seq., as amended, the provisions, requirements and specifications or relevant portions of the Arizona Revised Statutes shall supersede this article and control any such bidding procedures.

F. Competitive Sealed Bid Process

1. **Publication.** Whenever competitive sealed bidding is required under this policy, the purchasing agent or designee shall see that notice is published as required by law. The purchasing agent or designee shall insure that the date and time that the bids close is published in a newspaper of general circulation in the Town. The notice shall include a general description of the articles to be purchased or services to be performed and the time and place for opening bids.
 - a. In addition, the purchasing agent or designee may also mail a copy of the bid notice to any prospective suppliers who have requested to be included on a mailing list for any bids issued by the Town.
 - b. A notice of solicitation of bids, in addition to newspaper solicitation, may be placed on the Town's website.

2. **Procedure.** The purchasing agent and all parties contracting with the Town of Eagar shall follow the procedure set forth in this section in relation to all sealed bids required.
 - a. All notices and solicitation of bids shall state the date, time and place for the opening.
 - b. All bids shall be submitted sealed to the purchasing agent and shall be identified as bids on the envelope.
 - c. All bids shall be opened in public at the date, time and place stated in the public notice, unless such bids are required to be opened at a Council meeting in accordance with A.R.S. 34-201.
 - d. A tabulation of all bids received shall be posted at Town Hall or on the Town website for public inspection.
 - e. **Right of Rejection.** The purchasing agent under subsections 1, 2, and 3 of section 2.A, and with the prior authorization of the Council under subsection 4 and 5 of section 2.A, shall have the authority to reject any or and all bids and parts of all bids and re-advertise or re-solicit bids.
3. **Determination of Lowest Responsible Bidder.** Unless the Town Council and/or purchasing agent shall exercise the right of rejection as provided by subsection 2.C.2.e., the purchase or contract shall be made from and with the lowest responsible bidder for the entire purchase or contract for any part thereof.

G. Performance Bonds

For those solicitations of construction services to cost in excess of \$100,000, the following securities shall be required:

1. A bid guarantee in between the range of a minimum of ten percent (10-20%) and a maximum of twenty percent of the bid price may be required with the bid. This guarantee can be provided in the form of a bid bond, certified check, or other negotiable instrument.
2. A performance and payment Bond equal to one hundred percent (100%) of the bid price may be required by the purchasing agent prior to execution of an agreement between the Town and the commodity or service provider.
3. For those solicitations for construction services of a cost between \$25,000 and \$100,000 , the purchasing agent shall have the authority to require bid bonds, performance and payment bonds, in cash or otherwise, for such amount as he may deem sufficient to secure the execution of the contract for the best interest of the Town of Eagar.

H. Emergency Purchases

In case of an emergency which requires immediate purchases of supplies or services and when time is of the essence, the Mayor of Eagar shall be empowered to authorize the purchasing agent to purchase or secure services without complying with the procedures of this policy. A report in writing of the circumstances of any emergency purchase shall be filed by the purchasing agent with the Town Council at its next regular meeting.

I. Forms

The purchasing agent shall prescribe such forms as he shall find necessary for the operation of the provisions of this article. Upon the completion of bidding processes, all documentation will be turned over to the Finance Director to maintain as required.

J. Purchases Under ARS §38-503

The Town may purchase supplies, materials and equipment not exceeding three hundred dollars in cost in any single transaction, not to exceed a total of one thousand dollars annually, from a member of the Town Council without competitive bid. Any purchases in excess of the above amounts shall only be made if the procurement is made through a Competitive Sealed Bid Process.

3. **PAYROLL**

The Town's Payroll is prepared bi-weekly for the pay period ending the Friday prior to payday. The payroll is prepared on the Town computer and is based on employee time cards. Employees are paid on a salary or hourly basis depending on their FLSA status.

A. Time Cards

The time card is the source document for the Town payroll for all FLSA non-exempt employees. Time cards originate at the department level. Each pay period the employee's Department Head must approve the time card. After the cards are completed, they must be submitted to the Payroll Office by the Monday prior to payday. The following information is required on all time cards:

1. Employee's name.
2. Number of hours worked each day of the pay period.
3. The type of hours being charged must be identified (regular, paid time off, overtime, etc.).
4. Employee's signature and supervisor's signature.
5. Date of applicable pay period.

B. Payroll Checks/Direct Deposit Vouchers

All payroll checks are paid from monies in the Town's general account. Accounts are separated in the payroll journal and charges (gross wages and fringe benefits) are debited. The Finance Director, preferably not the same person preparing the payroll, reconciles the payroll journal to the bank statement. On a payroll basis the amount of funds for payroll must agree with the amount posted to the general ledger.

C. Procedures

As time cards are turned in they are checked for accuracy and given proper approval by the Department Head. All time cards are submitted to a designated Payroll Clerk, who inputs the data into the computer. The approved cards are then organized by department codes and prepared for the payroll run. A spreadsheet is compiled from all of the time cards. The payroll is run on the computer following authorized steps. The computer prints hard copies of reports to be filed, and all employee data for end of year reports is stored. The computer prints checks; direct deposit vouchers and prepares a payroll register. Data is then updated to the general ledger. The completed payroll checks require two signatures.

4. **CASH RECEIPTING**

To establish the concepts and procedures to be followed in processing Cash Receipts Transactions.

A. Cash Receipt Items

Cash receipt items for the Town of Eagar include the following:

1. All federal, state, and local proceeds.
2. Other miscellaneous receipts of checks, money orders, currency, and coin.
3. Other departments' collection/receipt of checks, money orders, currency, and coin.
4. Utility billing receipts.

B. Cash Receipting Procedure

The following sequence of events takes place in processing cash receipts:

1. When cash receipts are received, the cash and check amount is confirmed. The confirmed amount is then applied to the appropriate account codes by entering the information into the computer receipting system.
2. If requested, an original copy of receipt is printed and provided to the customer. If needed a copy of the check may be made and attached to a duplicate copy of the receipt and kept on file. If technical difficulties arise, a manual "hand receipt" may be given in place of a computer generated receipt.

3. All necessary reports are printed and reviewed. The Cash Receipts Register is checked against the daily cash receipts. Once confirmed the cash receipts are updated to the general ledger. All necessary reports are printed out and maintained.

C. Deposit Procedures

1. Designated staff member(s) will:
 - a. As checks and money orders are received, stamp the back "For Deposit Only".
 - b. At the end of the day, complete the deposit slip.
 - c. Place the deposit and the original completed slip inside the deposit bag.
 - d. The Community Development Department or Town Clerk Department may deposit all cash receipts intact and, if possible, on a daily basis. Daily receipt totals in excess of \$5,000 should be deposited the same day. If amount is below \$5,000, place the sealed bag in drawer and lock it.
 - e. Bank receipts will be returned as deposit is completed and returned to the Finance Office. The deposit slip will be matched and attached to the specific daily register.
 - f. Finance Director will print and check Cash Receipts Journal.

5. UTILITY BILLING/PAYMENT PROCEDURES

In most cases, Town Code, Title 13 will be followed, but the following is provided for further explanation. In the event of a conflict with this section, Town Code, Title 13 will control.

A. Billing & Payment

All billings shall be sent to customers on a monthly basis on or before the 1st of the month and are due by the 15th of the month unless other payment arrangements have been made with the Town.

B. Late Fees

All payments received after the 25th of the month will be assessed a late fee approved by Town Council.

1. Exceptions
 - a. Accounts that have made prior arrangements for payments to be made in installments prior to the 12th of the month shall not be charged a late payment fee. Installment arrangements can be made because of a leak, transferred balance, etc.

C. Payment Arrangements

Payment arrangements made on a utility account will be done by signing an agreement that sets the amount to pay per payment and the frequency of the payments. The account holder shall sign the agreement. If the customer does not comply with the agreement, late fees and shut off of service could follow.

D. Closed Accounts Left Unpaid

1. Accounts should be paid in full.
2. If customer has another open utility account, the balance left at the closed account will be transferred over.

E. Uncollectible Accounts

Service will not be turned on until full payment of uncollectible account is paid in full.

6. IDENTITY THEFT PREVENTION PROGRAM

A. Program Adoption

The Eagar Municipal Water and Wastewater Utility ("Utility") developed this Identity Theft Prevention Program ("Program") pursuant to the Federal Trade Commission's Red Flags Rule ("Rule"), which implements Section 114 of the Fair and Accurate Credit Transactions Act of 2003. 16 C. F. R. § 681.2. After consideration of the size and complexity of the Utility's operations and accounting systems, and the nature and scope of the Utility's activities, the Town Council determined that this Program was appropriate for the Eagar Municipal Water and Wastewater Utility.

B. Program Purpose and Definitions

1. Fulfilling requirements of the Red Flags Rule.

Under the Red Flags Rule, every financial institution and creditor is required to establish an "Identity Theft Prevention Program" tailored to its size, complexity and the nature of its operation. Each program must contain reasonable policies and procedures to:

- a. Identify relevant Red Flags for new and existing covered accounts and incorporate those Red Flags into the Program;
- b. Detect Red Flags that have been incorporated into the Program;
- c. Respond appropriately to any Red Flags that are detected to prevent and mitigate Identity Theft; and

- d. Ensure the Program is updated at least annually, to reflect changes in risks to customers or to the safety and soundness of the creditor from Identity Theft.

2. Red Flags Rule definitions used in this Program

The Red Flags Rule defines "Identity Theft" as "fraud committed using the identifying information of another person" and a "Red Flag" as a pattern, practice, or specific activity that indicates the possible existence of Identity Theft.

According to the Rule, a municipal utility is a creditor subject to the Rule requirements. The Rule defines creditors "to include finance companies, automobile dealers, mortgage brokers, utility companies, and telecommunications companies. Where non-profit and government entities defer payment for goods or services, they, too, are to be considered creditors."

All the Utility's accounts that are individual utility service accounts held by customers of the utility whether residential, commercial or industrial are covered by the Rule. Under the Rule, a "covered account" is:

- a. Any account the Utility offers or maintains primarily for personal, family or household purposes, that involves multiple payments or transactions; and
- b. Any other account the Utility offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of the Utility from Identity Theft.

"Identifying information" is defined under the Rule as "any name or number that may be used, alone or in conjunction with any other information, to identify a specific person," including: name, address, telephone number, social security number, date of birth, government issued driver's license or identification number, alien registration number, government passport number, employer or taxpayer identification number, unique electronic identification number, computer's Internet Protocol address, or routing code.

C. Identification of Red Flags

In order to identify relevant Red Flags, the Utility considers the types of accounts that it offers and maintains, the methods it provides to open its accounts, the methods it provides to access its accounts, and its previous experiences with Identity Theft. The Utility identifies the following Red Flags, in each of the listed categories:

1. Notifications and Warnings From Credit Reporting Agencies

- a. Report of fraud accompanying a credit report;
- b. Notice or report from a credit agency of a credit freeze on a customer or applicant;

- c. Notice or report from a credit agency of an active duty alert for an applicant; and
 - d. Indication from a credit report of activity that is inconsistent with a customer's usual pattern or activity.
2. Suspicious Documents
- a. Identification document or card that appears to be forged, altered or inauthentic;
 - b. Identification document or card on which a person's photograph or physical description is not consistent with the person presenting the document;
 - c. Other document with information that is not consistent with existing customer information (such as if a person's signature on a check appears forged); and
 - d. Application for service that appears to have been altered or forged.
3. Suspicious Personal Identifying Information
- a. Identifying information presented that is inconsistent with other information the customer provides (example: inconsistent birth dates);
 - b. Identifying information presented that is inconsistent with other sources of information (for instance, an address not matching an address on a credit report);
 - c. Identifying information presented that is the same as information shown on other applications that were found to be fraudulent;
 - d. Identifying information presented that is consistent with fraudulent activity (such as an invalid phone number or fictitious billing address);
 - e. Social security number presented that is the same as one given by another customer;
 - f. An address or phone number presented that is the same as that of another person;
 - g. A person fails to provide complete personal identifying information on an application when reminded to do so (however, by law social security numbers must not be required); and
 - h. A person's identifying information is not consistent with the information that is on file for the customer.
4. Suspicious Account Activity or Unusual Use of Account

- a. Change of address for an account followed by a request to change the account holder's name;
 - b. Payments stop on an otherwise consistently up-to-date account;
 - c. Account used in a way that is not consistent with prior use (example: very high activity);
 - d. Mail sent to the account holder is repeatedly returned as undeliverable;
 - e. Notice to the Utility that a customer is not receiving mail sent by the Utility;
 - f. Notice to the Utility that an account has unauthorized activity;
 - g. Breach in the Utility's computer system security; and
 - h. Unauthorized access to or use of customer account information.
5. Alerts from Others
- a. Notice to the Utility from a customer, identity theft victim, law enforcement or other person that it has opened or is maintaining a fraudulent account for a person engaged in Identity Theft.

D. Detecting Red Flags

1. New Accounts

In order to detect any of the Red Flags identified above associated with the opening of a **new account**, Utility personnel will take the following steps to obtain and verify the identity of the person opening the account:

- a. Require certain identifying information such as name, date of birth, residential or business address, principal place of business for an entity, driver's license or other identification;
- b. Verify the customer's identity (for instance, review a driver's license or other identification card);
- c. Review documentation showing the existence of a business entity; and
- d. Independently contact the customer.

2. Existing Accounts

In order to detect any of the Red Flags identified above for an **existing account**, Utility personnel will take the following steps to monitor transactions with an account:

- a. Verify the identification of customers if they request information (in

person, via telephone, via facsimile, via e-mail);

- b. Verify the validity of requests to change billing addresses; and
- c. Verify changes in banking information given for billing and payment purposes.

E. Preventing and Mitigating Identity Theft

In the event Utility personnel detect any identified Red Flags, such personnel shall take one or more of the following steps, depending on the degree of risk posed by the Red Flag:

1. Prevent and Mitigate

- a. Continue to monitor an account for evidence of Identity Theft;
- b. Contact the customer;
- c. Change any passwords or other security devices that permit access to accounts;
- d. Not open a new account;
- e. Close an existing account;
- f. Reopen an account with a new number;
- g. Notify the Program Administrator (Finance Manager) for determination of the appropriate step(s) to take;
- h. Notify law enforcement; or
- i. Determine that no response is warranted under the particular circumstances.

2. Protect customer-identifying information

In order to further prevent the likelihood of identity theft occurring with respect to Utility accounts, the Utility will take the following steps with respect to its internal operating procedures to protect customer-identifying information:

- a. Ensure that its website is secure or provide clear notice that the website is not secure;
- b. Ensure complete and secure destruction of paper documents and computer files containing customer information;
- c. Ensure that office computers are password protected and that computer screens lock after a set period of time;

- d. Keep offices clear of papers containing customer information;
- e. Request only the last 4 digits of social security numbers (if any);
- f. Ensure computer virus protection is up to date; and
- g. Require and keep only the kinds of customer information that are necessary for utility purposes.

F. Program Updates

This Program will be at least annually reviewed and updated to reflect changes in risks to customers and the soundness of the Utility from Identity Theft. At least once a year, the Program Administrator (Finance Manager) will consider the Utility's experiences with Identity Theft situation, changes in Identity Theft methods, changes in Identity Theft detection and prevention methods, changes in types of accounts the Utility maintains and changes in the Utility's business arrangements with other entities. After considering these factors, the Program Administrator will determine whether changes to the Program, including the listing of Red Flags, are warranted. If warranted, the Program Administrator will update the Program or present the Town Council with his or her recommended changes and the Town Council will make a determination of whether to accept, modify or reject those changes to the Program.

G. Program Administration

1. Oversight

The Program Administrator (Finance Manager) will be responsible for the program administration, for ensuring appropriate training of Utility staff on the Program, for reviewing any staff reports regarding the detection of Red Flags and the steps for preventing and mitigating Identity Theft, determining which steps of prevention and mitigation should be taken in particular circumstances and considering periodic changes to the Program.

2. Staff Training and Reports

Utility staff responsible for implementing the Program shall be trained either by or under the direction of the Program Administrator in the detection of Red Flags, and the responsive steps to be taken when a Red Flag is detected.

a. Training frequency:

- 1. At the inception of the program, general training will be coordinated with all Utility Billing staff.
- 2. Subsequent training will occur any time the Program is amended or once a year, which ever comes first.

b. Reporting:

1. Utility staff is required to report any incident of Identity Theft to the Program Administrator.
2. The Program Administrator shall compile all incidents of Identity Theft and recommend necessary changes to the Identity Theft Committee for their approval.

3. Service Provider Arrangements

In the event the Utility engages a service provider to perform an activity in connection with one or more accounts, the Utility will take the following steps to ensure the service provider performs its activity in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of Identity Theft.

- a. Require, by contract, that service providers have such policies and procedures in place; and
- b. Require, by contract, that service providers review the Utility's Program and report any Red Flags to the Program Administrator.

4. Specific Program Elements and Confidentiality

For the effectiveness of Identity Theft prevention Programs, the Red Flag Rule envisions a degree of confidentiality regarding the Utility's specific practices relating to Identity Theft detection, prevention and mitigation. Therefore, under this Program, knowledge of such specific practices are limited to the Town Manager, Program Administrator, and those employees who need to know them for purposes of preventing Identity Theft. Because this Program is to be adopted by a public body and thus publicly available, it would be counterproductive to list these specific practices here. Therefore, only the Program's general red flag detection, implementation and prevention practices are listed in this document.

7. PETTY CASH

A. Establishment

The fund is established to provide a readily available source of funds for the payment of small, incidental, miscellaneous expenses, or to provide cash for making change, etc. The goal of such funds is to avoid the need for writing checks for small items (under \$50), to facilitate quick minor disbursements, and to make small disbursements at the lowest possible operating level. The Petty Cash Fund is authorized by the Town Manager and issued by the Finance Director. Certain departments are authorized a petty cash fund. The amount of each fund will vary depending on need. The fund is cash kept on hand.

B. Procedures

1. Each department shall appoint a petty cash custodian and he/she will be totally responsible for safeguarding the fund.
 - a. Petty Cash Custodian Duties:
 1. Disburse cash from fund for authorized purposes.
 2. Prepare a petty cash voucher for each disbursement of funds. The voucher must include the date, amount of disbursement, payee, purpose of disbursement, general ledger account to be charged, signature of payee, approval of custodian.
 3. Attach all supporting documents for the purchase, such as receipts, cash register tapes, etc., to the petty cash voucher. *No disbursements are to be made without supporting documentation.*
 4. File a Reimbursement Request, with the petty cash vouchers and supporting documents attached, with the Finance when replenishment is required.
2. All petty cash purchase requests will originate at the department level and will be approved by the department head or his/her designee.
3. The petty cash fund must always be kept in balance since the Finance Director will periodically perform spot checks.
4. There are no strict guidelines as to what can or cannot be purchased through the petty cash fund but care must be exercised in the final determination by the department head. The fund should be considered a privilege and can be forfeited at any time if abused.
5. Additional petty cash funds may be established for programs within departments by approval of the Town Manager or, if designated, the Finance Director.

C. Restrictions and Control

The Finance Director, or his/her designee, conducts periodic and unannounced audits of the petty cash fund. Such audits include a counting of cash, an explanation of unredeemed cash vouchers, and a reconciliation of the petty cash fund with the bank statement.

The following restrictions are to be observed regarding petty cash funds:

1. The amount to be disbursed per transaction may not exceed \$50.00.
2. Only the persons to whom the fund was assigned may have access to the cash.
3. No other monies may be mixed with the petty cash fund.
4. No personal checks are to be cashed from the petty cash fund.
5. No loans or advances are to be made from the petty cash fund.
6. The maximum amount for petty cash is to be determined based on need.

7. Under no circumstances is the petty cash fund to be used to circumvent the established purchasing policies or procedures.

8. **BANK RECONCILIATION**

A. Procedure

The reconciliation is to be done monthly and must be completed before the second monthly regular Town Council meeting. Preferably, another person not controlling the receipts and disbursements into that account will perform the reconciliation, but at minimum the Finance Director will approve all reconciliations.

1. Once the bank reconciliations are completed, a hard copy of the reconciliations are printed out and maintained with the copy of the bank statements.
2. Confirm the ending cash balance from the reconciliation equals the ending balance of the cash general ledger account (01-10600) and/or (01-10700).
3. Cancelled and voided checks are filed in chronological order.

9. **CASH DISBURSEMENTS**

In general, the accountings procedures set forth below are designed to ensure satisfactory controls over cash disbursements. These controls include, but are not limited to, adequate separation of duties, proper support by source documentation of all disbursements, no signing of blank checks, and the keeping of all non-issued checks in a secure place.

A. Check Safeguards

1. All blank checks are to be kept in the locked accounting office storage area or safe at all times.
2. Checks are to be maintained and utilized in sequential numerical order only.
3. All voided checks are to be filed numerically along with the returned cancelled checks.
 - a. All voided checks must be defaced sufficiently to guard against their potential use. The word "void" shall be stamped or written on the check in sufficient size to be easily noticed.

B. Requisitions/Purchase Orders

The purpose for Requisitions and Purchase Orders is to provide a better budgetary measure of each department's expenditures. Requisitions or "requests" for purchases must be approved by the authorized Department Head before a Purchase Order will be issued. Purchase Orders are not required to be obtained for vendors providing a regular monthly service, such as electricity, water, telephone, propane, etc., or for purchases under \$100.00. The amount shown on a requisition or purchase order is based upon an estimate given by the requester. This estimate allows for the accounts payable clerk to ensure only what was requested to purchase was actually purchased and to ensure that the vendor did not over charge.

1. No checks will be issued using just the Requisition or Purchase Order amount.
2. No invoice will be paid without a Purchase Order, unless one is not required, as stated above.
3. Purchase Orders over \$10,000 require the applicable Department Head approval as well as the approval of either the Finance Director or Assistant Finance Director. Approvals must be obtained prior to the purchase being made.
4. Requisition/Purchase Order Process and Procedures.
 - a. A requisition is only required if the Department Head deems it necessary for their department.
 - b. Once a requisition has been input into the computer; a requisition number is created within the department.
 - c. Each Department Head will select the employees that are authorized to obtain a Requisition and/or Purchase Order, and will notify the accounts payable clerk of those employees.
 - d. The Department Head or other authorized personnel can then review the department requisitions, approve, cancel or make any changes they deem necessary and submit the approved requisitions to the accounts payable clerk.
 - e. Once the Requisition has been approved, the accounts payable clerk will create a Purchase Order and the item may then be purchased.
 - f. Any items that are shipped will require the department to compare the items shipped to the packing ticket. The packing ticket should reflect a confirmation of items received, should be initialed and dated by the person completing the inventory, and should be submitted to the accounts payable clerk.
 - g. When the invoice is received, the accounts payable clerk will match the requisition, purchase order, and packing ticket to the invoice, reviewing each for any discrepancies.
 - h. The accounts payable clerk will input each invoice into the Accounts Payable software system and print out an Unpaid Invoice Report for the Finance Director and/or the Town Manager to review and approve payment.

C. Check Register

1. A check register and single line payroll register for computer checks and cash disbursement journal printout for hand checks shall be maintained showing each and every check.
2. The registers and journal shall balance to the General Ledger and monthly bank reconciliation.

D. Credit Cards

1. The Town Manager and Department Heads are provided a credit card for special purchases and for travel expenses. Detailed receipts must be turned into the accounts payable clerk on a weekly basis. If the card gets lost or stolen the administrative offices must be notified as soon as possible and/or the department head must call and notify the credit card company to cancel the card.
2. A credit card is maintained in the Finance office safe. If a staff member needs to use it, the person will complete the sign out sheet. When they return the card they will sign the card back in and turn in the detailed receipts to the accounts payable clerk. If the card gets lost or stolen the administrative offices must be notified immediately so the credit card company can be notified to cancel the card.
3. Credit card purchases are subject to required procurement procedures.
4. Credit card purchases made over the phone must have detailed receipts submitted to the Accounts Payable Clerk by the purchaser as soon as possible.
5. When the Accounts Payable Clerk reconciles the monthly credit card statement, any receipts that are missing must be provided. If a receipt is lost, a written explanation or other form of back up documentation must be provided.
6. No personal charges are allowed on the Town Credit Card.
7. Any misuse of the Town Credit Card is subject to disciplinary action.

11. FISCAL AUTHORITY

- A. The Mayor, Vice-Mayor, Town Manager, Finance Manager, Town Clerk and, subject to written delegation by the Town Manager, up to two additional department heads, are authorized signors on the Town accounts. All checks require two signors.

- B. Any contractual fiscal commitments, regardless of the amount, may be signed by any two persons listed above; however, the Town Manager or Finance Manager must be one of the authorizing signatures. Funds in all Town savings accounts may be withdrawn and expended within approved budgets. Any two persons listed above can make all withdrawals; however, the Finance Manager must be one of the authorizing signatures. Any withdrawals from these accounts must be reported to the Town Council.

12. INVESTMENT POLICY

- A. It is the policy of the Town of Eagar to invest public funds in a manner that, in conformance with applicable state statutes, will provide the highest reasonable investment return with the maximum security while meeting the daily cash flow demands of the entity.
- B. This policy applies to all financial assets and funds held by the Town, including the following:
 - 1. General Fund
 - 2. Special Revenue Funds
 - 3. Capital Projects Funds
 - 4. Enterprise Funds
 - 5. Debt Service Funds
 - 6. Internal Service Funds
 - 7. Trust and Agency Funds
 - 8. Permanent Funds
 - 9. Any new funds created by Town Council unless specifically exempted from this policy
- C. Investments shall be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used shall be the “prudent person” or “prudent investor” standard, and shall be applied in the context of the overall portfolio of investments.
- D. The primary objectives, in priority order, of the Town’s investment activities shall be the safety of principal, liquidity, and yield.
- E. The authority to manage the Town’s investment program is derived from ARS §9-240. The Town Manager is designated as the Investment Officer for the Town, and is responsible for investment decisions and activities. The Finance Manager is designated as Deputy Investment Officer.

- F. The Investment Officer shall establish written administrative policies and procedures for the operation of the Town's investment program. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided by these procedures.
- G. The Town shall maintain a list of financial institutions authorized to provide investment and banking services. The list shall be established through a competitive bid process. The list shall be valid for three years from the date of initial issuance. All financial institutions and banks that wish to qualify for Town investments shall supply the following:
1. Most recent annual audited financial statements
 2. Proof of State of Arizona registration
 3. Proof of Federal Deposit Insurance Corporation (FDIC) or National Association of Security Dealers certification
- H. An annual review of the financial condition and registration of qualified bidders will be conducted by the Town.
- I. Cash Reserve Account. The Town Council hereby directs that an amount approximately equivalent to three months budgeted operating expenses shall be retained as an operating cash reserve. This amount shall be invested solely in an Interest bearing savings account deposited at banking institutions doing business within Arizona and located within the Town of Eagar whose accounts are insured by the FDIC). If the cash reserve account drops below the required amount, the Town Manager and Finance Manager shall report the fact to the Council at its first business meeting of the month.
- J. Suitable Investments. The Town may invest all of funds in the following types of accounts or securities:
1. Obligations of the United States or its agencies or instrumentalities
 2. Obligations of the State of Arizona, or any of its counties, incorporated cities or towns, or school districts
 3. Fully insured or collateralized certificates of deposit issued by nationally or state chartered banking institutions
 4. Negotiable or brokered certificates of deposit issued by nationally or state chartered banking institutions
 5. Interest bearing savings account deposits at banking institutions doing business within Arizona whose accounts are insured by the FDIC)
 6. The State of Arizona's Local Government Investment Pool (LGIP)

- K. Internal Controls. The Town shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with Town policies and procedures. The controls shall be designed to prevent the loss of public funds due to fraud, employee error, misappropriation or misrepresentation by third parties, unanticipated market changes, or imprudent actions of employees or investment counterparts.
- L. Performance Standards. The Town is not in the investment business as a primary means of earning revenue and shall have a passive investment strategy. A benchmark shall be established by the Investment Officer against which portfolio performance is measured on an annual basis as compared to prior period performance.
- M. Reporting. The Investment Officer shall report at least quarterly to the Town Council on investments that have been made and total portfolio returns. The report shall include comments on markets and economic conditions that may be affecting portfolio performance.
- N. The Investment Officer may convene an advisory committee to assist in the review of competitive bids, the development of investment strategies, and review of portfolio performance.

13. ASSET INVENTORY

- A. Authority and Purpose. The purpose of this policy is to obtain control and accountability over the Town's assets, provide centralized documentation for insurance purposes, meet financial reporting needs, and generate asset management information.
- B. Definitions. The following definitions shall apply under this policy:
 - 1. "Capital asset" means any tangible asset used in operations with an initial useful life extending beyond one year with an initial value in excess of \$5,000.
 - 2. "Department supervisor" means the person authorized as head of the operating department utilizing the tangible asset.
 - 3. "Historic cost" means the original cost to acquire, construct, develop or better a tangible asset and includes all costs directly attributable to its acquisition.
- C. Depreciation. Depreciation is not recorded for the Town's assets but may be used for asset replacement planning.
- D. Asset Inventory System.
 - 1. An asset inventory system shall be maintained by the Finance Department for tracking fixed assets of the Town.

2. The department supervisor shall be responsible for completing an asset control form for each asset covered by this policy, and shall send the forms to the Finance Department for entry into the asset inventory system.
3. Whenever a grant requires special considerations regarding use or disposition, the asset shall be tagged or marked with a unique inventory identification number issued by the Finance Department. The assigned number will follow the asset throughout its life in the Town's asset inventory system. Such tags/markings shall be removed or obliterated only when the item is sold, scrapped, or otherwise disposed of. If the identification number is removed or defaced, the item shall be marked again with the original number as recorded in the asset inventory system.
4. If an item is purchased with grant funding, the asset record shall reference the grant with an identifying project code.
5. For purpose of this policy, assets shall be valued at historic cost or estimated historic cost.

E. Financial Accountability.

1. Duties of the Finance Department:
 - a. Maintain the asset inventory system as directed by the Town Manager.
 - b. Submit periodic asset information in the designated format to the Town Council.
 - c. Ensure that accounting for assets is being exercised by updating the asset inventory to reflect additions, deletions, modifications and transfers.
 - d. Ensure that department supervisors complete an annual physical count on all assets and reconcile the physical inventory to the asset inventory system.
2. When the Town receives grants, loans or assistance for the acquisition, construction or development of a capital asset, the amount of the contribution shall be recorded as revenues and not as a reduction in the costs of the capital asset.

F. Asset Tracking.

1. The day-to-day stewardship of Town property is the responsibility of the head of the department utilizing the property. All Town property, regardless of cost, shall be safeguarded from loss or theft. To obtain control and accountability for town assets, all assets shall be recorded in the fixed asset system, including certain minor assets.
2. For inventory purposes, the following assets shall be included in the fixed asset system:

- a. All Town owned real property, buildings, and other infrastructure permanently affixed to Town owned real property.
 - b. All capital assets.
 - c. All vehicles, machinery and equipment with a historic cost of \$500.00 or more, as described in Section 3.05.03.
 - d. All computer software purchased by the town.
 - e. All computer-related and other electronic equipment.
 - f. All Minor assets with a historic cost more than \$100.00 and a useful life of more than one year including weapons, radios, computer peripherals, printers, recording devices, chain saws, GPS devices, specialized public safety equipment, small motor equipment and power tools. These minor but sensitive items shall be included in the asset inventory system and reported on the asset control form.
3. The department supervisor or designee shall complete asset control forms for all assets used by and assigned to the operating department. For maintenance of the fixed asset system, the head of each operating department is responsible for reporting additions, deletions, modifications, and transfers, in detail to the Finance Department.
 4. It is the responsibility of the department supervisor to ensure that the equipment allocated to that department is tagged and to keep track of the location of all the assets on the departmental list of fixed assets.
 5. The Town Manager is authorized to grant exceptions to specific provisions of this policy on a case-by-case basis within the intent of the overall policy.
- G. Donated Assets. Upon acceptance, a donated asset shall be recorded in the fixed asset system at its estimated fair market value.
- H. Annual Physical Inventory. All departments shall take a complete physical inventory of all assets each year. Inventories shall be updated on an annual basis and submitted to the Finance Department by March 1 of each year.
- I. Internal Controls. All departments shall have procedures in place so that assets are adequately safeguarded from loss or theft, that adequate documentation is maintained to support the cost of the assets, and proper approvals are obtained for all acquisitions in accordance with the financial policies adopted by the Town Council.
- J. Lost or Stolen Assets. Whenever an item in the fixed asset system has disappeared and all efforts to recover it have failed, the department supervisor shall notify the

Police Department and the Finance Department. Sixty days after notification, if the item has not been found, the department shall send an asset control form to the Finance Department to remove the asset from the asset inventory and, where applicable, submit a claim for insurance coverage. Copies of the report shall be sent to the Town Manager.

K. Surplus Property.

1. "Surplus property" includes fixed assets that are obsolete, broken, no longer needed or unusable by the Town, but shall not include land or buildings. "Surplus property" shall also include fixtures and such salvage as may be taken from a building without structural damage when such fixtures and salvage are not part of a demolition contract.
2. The department supervisor shall report surplus property items to the Town Manager and request approval for disposing of the property. The Town Manager shall examine the property and estimate its value. If the estimated value of the property exceeds \$10,000, the Town Manager shall make a recommendation regarding disposition to the Town Council. The Town Council shall then determine whether or not the item is surplus property, and determine the method for disposing of any item declared to be surplus property.
3. The Town Council may dispose of the surplus items by one of the following methods:
 - a. Transfer of the item to another Town department;
 - b. Donation to a nonprofit organization within the Town or to a governmental agency;
 - c. Public auction;
 - d. Sale by sealed bid; or
 - e. Destruction and/or disposal of the item if the item has no market value.
4. When sold by auction or bid, the item will be sold in "as is" condition to the person submitting the highest bid. If the item is not removed within the time designated by the Town, the item shall revert to the Town. If no bids are received, the item shall be disposed of as directed by the Town Council.
5. Public notice shall be given for a public auction or sale by sealed bids of surplus property. The Town Council shall specify the method of notice required.
6. Surplus property shall not be given to any official, employee, volunteer, or contractor of the Town, but may be sold through a competitive auction or bid process.

7. Upon sale of surplus property, any proceeds shall be returned to the Town's general fund unless federal or state law precludes this and requires a specific use of the money.
8. An asset control form for each item disposed of shall be sent to the Finance Department to remove the item from the fixed asset inventory.

14. BUDGET PREPARATION AND ADMINISTRATION

- A. The annual tentative budget shall be prepared and presented by the Town Manager and Finance Manager to the Town Council no later than the third Tuesday in May of each year. The proposed tentative budget shall be based on documented estimate of revenues from all sources for the upcoming fiscal year. Absent a clear demonstration of need and the availability of funds in reserve that exceed the amount required to be retained in the cash reserve account, budgeted expenses shall not exceed the amount of estimated revenues for the fiscal year.
- B. The tentative budget shall be prepared on a line item basis in sufficient detail to inform the Town Council of the sources of revenues and types of expenditures that are anticipated to be made in the upcoming fiscal year. The tentative budget shall set the maximum allowed total appropriation for the upcoming fiscal year.
- C. The annual final budget shall be prepared and presented to the Town Council no later than the second Tuesday in July. Once approved, the budget shall be administered during the fiscal year on a lump sum basis. Any expenditure in excess of a department or fund's appropriation for the fiscal year shall require presentation of a request for additional appropriation to the Town Council. Any such request must be within the maximum total appropriation established by the tentative budget.
- D. The Finance Manager shall provide a monthly report to Town Council on revenues and expenditures to date and submit such reports to the state Department of Administration as may be required to comply with ARS §41-725.

Revised: May 7, 2013