



Town of Gordonsville

Financial Policies

Financial policies approved by Town Council August 19, 2013
Revised by Town Council June 15, 2015 and May 16, 2016

These financial policies represent defined authorization levels, specific objectives, or other statements that are part of Council's adopted policies. Any modification to these policies shall require the approval of the Town Council.

The Town of Gordonsville Town Council shall develop and maintain, through the office of the Town Manager, assisted by the Town Treasurer, a financially prudent, effective, efficient and desired level of services to the citizens of Gordonsville. The Town of Gordonsville shall maintain a level of expenditure that shall provide for the public well-being and safety of the residents as the first level of priority. Additional services and programs shall be reviewed in an order of priority that shall reflect both, the financial capacity of the taxpayer base to sustain such services and the practical value of the offering to the community as a whole.

The Town Manager shall see that all ordinances, resolutions, directives and orders of the Town Council and all laws of the Commonwealth required to be enforced through the Town Council or officers subject to the control of the Town Council are faithfully executed; make reports to the Town Council from time to time as required or deemed advisable upon the affairs of the locality under his control and supervision; receive reports from, and give direction to, all heads of offices and departments of the locality under his control and supervision; submit to the Town Council a proposed annual budget, in accordance with law, with his recommendations; execute the budget as adopted by the Town Council; and, keep the Town Council fully advised on the locality's financial condition and its future financial needs.

The Town Treasurer is responsible for assisting the Town Manager with the financial management of the Town. This includes establishing and maintaining effective controls over the Town's financial activities, providing accurate financial information in a timely manner, and assisting the Town Manager with the annual budget and monitoring compliance after adoption.

TABLE OF CONTENTS

Accounting Policy.....	Page 3
Budget Policy.....	Page 6
Fund Balance	Page 9
Deposit and Investment Policy	Page 11
Revenue Policy	Page 13
Debt Policy.....	Page 16
Capital Assets Policy	Page 18
Travel and Business Expense Policy	Page 25
Purchasing Policy.....	Page 27
Audit Policy	Page 30

Accounting Policy

I. Background

- A. The accounting policy addresses the accounting methods utilized in the different fund types for revenues, expenditures, assets, liabilities and fund equity.
- B. The accounting policy also addresses the process through which revenues are collected and disbursements are made.

II. Standards

- A. Generally Accepted Accounting Principles (GAAP).
- B. Governmental Accounting Standards Board (GASB).
- C. Financial Accounting Standards Board (FASB).
- D. Accounting Principle Board opinions.
- E. Treasurers' Association of Virginia.
- F. Code of Virginia.
- G. Commonwealth of Virginia's Library and Archives Public Records Management.

III. Fund Accounting

- A. Accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity.
- B. Operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equities, revenues and expenditures, or expenses, as appropriate.
- C. Modified accrual basis of accounting will be followed by the governmental funds and agency funds with revenues recognized when measurable and available and expenditures recognized when incurred, with the exception of interest on long-term debt, which is recognized when due.
- D. Accrual basis of accounting will be followed by the proprietary fund types with revenues recognized when earned and expenses recognized when incurred.

- E. There shall be a separation of transaction authority from accounting and record keeping with all transaction activity promptly and properly documented by the Treasurer in the Town's centralized accounting system and reconciliations of general ledger balances to bank statements and other subsidiary ledgers performed monthly.

IV. Financial Statements

- A. An Annual Financial Report will be prepared and presented to Council at the regular November meeting each year, which report shall be independently audited in compliance with the Audit Policy.
- B. Council will receive a current revenue/expense report at each of their monthly meetings, with the exception of the month of August.
- C. A fiscal year-end projection report will be prepared for the Town's General, Enterprise and Pool funds and presented to Council by their January meeting.

V. Accounting System

- A. The Town shall maintain one centralized accounting system, whereby all payroll, general ledger, cash receipts, cash disbursements and other accounting transactions are properly recorded.

VI. Check Disbursements and Bank Transfers

- A. All checks and bank transfers generated by the Town Treasurer's Department will contain dual signatures representing a combination of the Mayor, Vice-Mayor or Town Treasurer for all disbursements.
- B. Manual checks with dual signatures will only be issued in circumstances that are deemed appropriate by the Town Treasurer. Whenever a manual check is produced the corresponding check list generated by the accounting software for that check must be presented to the Town Manager for approval within 2 business days of the date the check was produced.
- C. Invoices are to be turned in to the Town Treasurer's Department within one week of receipt to provide the proper audit trail to such disbursement.
 - a. All disbursements submitted for payment from all departments, including but not limited to Public Works, Police, Administration, Aquatics, and Visitor Center shall be signed off by the head of the department or their designee and accompanied by an invoice or other supporting documentation deemed necessary for an audit trail.
 - b. All invoices over \$500 submitted for payment must accompany a purchase order approved by the Town Manager.

- c. All Town business-related expenses incurred by employees of the Town are reimbursable with proper supporting documentation, provided the expense is within budget guidelines and the financial policies, and is approved by the department head.

VII. Record Retention

- A. All records shall be retained in accordance with the Commonwealth of Virginia's Library and Archives Public Records Management policies.

VIII. General Ledger Entries

- A. All journal and budget entries must be reviewed and signed by the Town Manager.

IX. Internal Controls

- A. The Town shall maintain a system of internal controls which shall be reviewed with the independent auditors at least once a year and reported to Town Council upon completion, with modifications or recommendations of the auditors.
- B. These controls shall be designed to provide reasonable assurance to prevent losses of public funds due to fraud, error, misrepresentation, or imprudent actions.
- C. Upon any suspicion of fraud, an employee must immediately notify the Town Manager. The Town Manager in a timely manner will notify the Police Chief or State Police to conduct an investigation.

X. Automated Clearing House (ACH), and Direct Deposit Transfers

- A. The Town Treasurer's Department shall generate a report for each ACH transfer to show the amount and date to be paid. The ACH transfer report shall be approved by the Town Treasurer, or Town Manager in his absence, prior to processing.
- B. Direct Deposit transfers shall be entered by the Treasurer's Department per timesheets that are submitted and approved by the department heads. The Treasurer shall review the data before it is entered into the banking system for payment. The Town Treasurer shall reconcile payments issued with payroll reports within one week following the release of payment.

Budget Policy

I. Background

- A. This policy addresses procedures and requirements of the budget formulation process and the budget management process.

II. Budget Guidelines

- A. The Commonwealth of Virginia requires all localities to meet certain budget guidelines, as directed by Sections 15.2-2500 to 15.2-2513 of the Code of Virginia (1950), as amended. According to Virginia law, the Town must have a fiscal year budget beginning on July 1 and ending on June 30 and must approve a balanced budget. A balanced budget is one in which the available revenues and appropriated fund balances equal estimated expenditures for a fiscal year. The Town Council must approve the operating budget and set the tax rate by July 1 of each year. The adoption of the tax rate requires the Town Council to hold a public hearing and to advertise this hearing no less than 30 days in advance if the reassessment would result in an increase of one percent or more in the total real property tax levied compared to the prior year's tax levies.
- B. The overall objective of the budget is to provide a balanced financial plan in total and by fund.

III. Budget Calendar

- A. The following guidelines will be used in establishing the annual budget calendar:
 - a. January Town Council meeting: A proposed budget schedule shall be prepared by the Town Manager and presented to the Town Council.
 - b. March Town Council meeting: The Town Manager with input from department heads shall prepare a draft operating budget and present it to the Town Council.
 - c. March - April: The Town Council will hold budget work sessions between the March presentation of draft budget and adoption of the budget, with special meetings as the Town Council deems necessary.
 - d. April Town Council meeting: The public hearing will generally be held by the April Town Council meeting.
 - e. May Town Council meeting: The budget will generally be presented for adoption by the May Town Council meeting.

IV. Budget Adoption

- A. The adoption of the budget and appropriation resolution shall establish the approval for the re-appropriation of all encumbered balances and capital project unencumbered balances at fiscal year-end.
- B. All related ordinance changes and other budgetary issues requiring the Town Council's approval will be presented to Town Council for consideration with the proposed budget by the regular June Town Council meeting.

V. Budget Amendments

- A. The process by which the operating budget may be amended is governed by Section 15.2-2507 of the Code of Virginia, as amended. The budget may be amended to increase the aggregate amount to be appropriated during the current fiscal year, as shown in the currently adopted budget. Any amendment which exceeds one percent of the total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of a meeting and public hearing in a newspaper having general circulation in the Town seven days prior to the meeting date. The notice shall state the Town's intent to amend the budget and include a brief synopsis of the proposed budget amendment. The Town Council may adopt the amendment at the advertised meeting, following the public hearing during the meeting on the proposed amendment.
- B. Amendments of less than one percent of the total expenditures also must be approved by the Town Council, although no public hearing is required.
- C. No obligation shall be made for any purchase in excess of the amount appropriated for that purpose as reflected in the Town budget. Overages up to \$5,000 over the amount appropriated may be considered upon approval by the Town Manager only if such overage does not create an overage within the budget category. Overages in excess of \$5,000 of the amount appropriated must be approved by the Town Council through a budget amendment.
- D. The use of funds from contingency line items requires a budget amendment that must be approved by the Town Council.
- E. The Town Treasurer shall process the budget amendments in the accounting system prior to the next regularly scheduled Town Council meeting, or the following meeting under extenuating circumstances, as approved by the Town Manager.

VI. Re-appropriation of Balances

- A. Both unencumbered and encumbered funds for capital projects, and encumbered funds in departmental budgets, may be re-appropriated annually by the Town Council as the Town Council deems necessary.

- B. The Town Manager shall review unencumbered and encumbered funds for capital projects, and encumbered funds in departmental budgets at the fiscal year end to determine the necessity for re-appropriated funds. Proposed re-appropriations shall be presented to the Town Council by the September Town Council meeting.
- C. Funds not re-appropriated by the Town Council lapse on June 30.

Fund Balance Policy

I. Background

- A. This policy establishes guidelines to provide a stable financial base for the Town and to provide for prudent management of the Town's financial reserves. It is essential that the Town maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures resulting from emergency situations, and to provide cash flow liquidity for general operations.
- B. Fund Balance is the cumulative difference over time of all revenues and expenditures. It is also the *net assets* in the fund or the difference between assets and liabilities.

II. Fund Balances

- A. Non-spendable Fund Balance - Includes amounts that cannot be spent because they either are not spendable in form or legally or contractually required to be maintained intact.
- B. Restricted Fund Balance – Includes amounts that have constraints placed on their use by external sources. Such amounts cannot be changed by the Town.
- C. Assigned Fund Balance – Includes amounts constrained by the Town Council to fulfill a specific purpose.
- D. Unassigned Fund Balance – Consists of amounts not assigned to other funds, or restricted, committed or assigned within the same fund. The General Fund must maintain a positive unassigned balance. However, other governmental funds may have a negative unassigned fund balance.
 - a. An adequate unassigned fund balance should be preserved in order to sustain financial stability for the Town and to provide for prudent management of the Town's financial reserves. The Town's unassigned fund balance is a surplus of funds which have accrued from unexpended operating budgets and unanticipated excess revenues.
 - b. A portion of the unassigned fund balance should be designated as operational reserves for use in unforeseen, unbudgeted emergency situations.
 - i. Operational reserves for the General and Enterprise Fund should equal not less than 10% of the Town's budgeted expenditures for that fund plus an amount equal to the prior year's debt expense for that fund.

- ii. If unassigned fund balances are less than the above targeted amounts for operational reserves, this deficit must be eliminated within three years of creation, with one-third of the deficit balance being required to be funded in the current operating budget, until the operational reserve target is restored.
 - iii. Unassigned fund balances in excess of the operational reserves may be utilized for the current operating budget provided that the amount of unassigned fund balance has exceeded the targeted levels of operational reserves for at least two consecutive years.
- c. The use of unassigned fund balance requires Town Council approval.

III. Planning and Performance

- A. A year-end report will be prepared for all Town funds (e.g., General, Enterprise and Pool) and presented to the Town Council by the regular January meeting to demonstrate compliance with fund balance policy.
- B. All fund balances shall be invested in compliance with the Deposit and Investment Policy.
- C. No appropriation of fund balances for recurring operational expenditures shall be made unless a plan for permanent funding of such expenditures is also approved at the time of appropriation.

Deposit and Investment Policy

I. Background

- A. In recognition of its fiduciary role in the management of all public funds entrusted to its care, it shall be the Town Council's policy that all investable balances be invested with the same care, skill, prudence and diligence that a prudent and knowledgeable person would exercise when undertaking an enterprise of like character and aims under circumstances prevailing at that time.
- B. The deposit and investment policy recognizes that the Town Treasurer's responsibilities are delineated by the Code of Virginia and this policy is meant to illustrate strong fiscal management of the Town.
- C. The deposit and investment and policy will serve as the guideline from which all Town deposits and investments will be managed consistent with the Code of Virginia.

II. Financial Institutions

- A. All banks, financial institutions, and investment managers shall demonstrate an acceptable level of financial stability both before receiving and while managing Town funds. .
- B. Annual financial reports must be made available to the Town by its financial institutions.
- C. For all financial institutions with investments above FDIC requirements and/or above collateralization levels as required by the Public Deposits Act, documentation of the internal control environment can be requested by the Town Council.

III. Investment Objectives

- A. The safeguarding of principle shall be the foremost objective of the investment program by mitigating credit risk and interest rate risk, with all other objectives subordinated to this objective.
- B. Funds shall be invested in keeping with the seasonal pattern of the Town's cash balances, as well as any other special factors or needs, in order to assure the availability of funds in a timely and liquid manner.
- C. All Town officials involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, that could impair their ability to make impartial decisions, or that could create the appearance of a conflict of interest.

- D. The Treasurer shall update the Town Manager at least monthly on securities held, maturities, investment returns, unrealized gains (loses), and comparisons to established benchmarks.

IV. Allowable Investments

- A. All investments shall be made in compliance with the Code of Virginia.
- B. Investments shall be diversified so that exposure to market fluctuations is limited.
- C. No investment maturity or duration shall exceed five years.

V. Prohibited Securities

- A. The following securities shall be expressly prohibited, unless specifically presented to the Town Council and approved by a unanimous vote of the Town Council:
 - a. Derivative products that include any of the following characteristics: high price volatility, illiquid markets, products that are not market tested, highly leveraged products, products requiring a high degree of sophistication to manage, and products that are difficult to value.
 - b. Any other security not specifically authorized in this policy or related regulation. (see, e.g. Code of Virginia § 2.2-4501.)

VI. Deposits Objectives

- A. All cash balance accounts established shall be in interest earning accounts with the following exceptions:
 - a. The primary bank account.
 - b. Banks utilized as clearing accounts because of a desirable and convenient location to the taxpayer.
- B. All depositories will meet the standards for collateralization as set forth in the Virginia Security for Public Deposits Act or will be covered by Federal Depository Insurance (FDIC).

Revenue Policy

I. Background

- A. The Town seeks to implement a diversified taxing policy that will ensure reasonable stability for operation at continuous service levels. Revenue management includes an ongoing process for reviewing and analyzing each revenue source to ensure that proceeds from each source are at an optimum level. Every attempt will be made to project revenues within 10% of final actual results, and the projections will be based on historical trends, growth patterns, and prevailing economic conditions.
- B. The Town will aggressively pursue revenue collection and auditing to assure that moneys due to the Town are received accurately and in a timely manner. The Town Treasurer shall be prohibited from obtaining personal income information from the Department of Taxation.
- C. The Town will identify all inter-governmental aid funding programs. However, before accepting either state or federal funding, the Town will assess the merits of the program as if it were to be funded with local dollars. Any grant agreements require Town Council approval.

II. Depositing of Received Funds for Services

- A. The Treasurer's Department serves as the Town's primary recipient of all payments.
- B. Remote cash and check collection points will be established only upon approval of the Town Council, when the customer service benefits are evident and internal controls are established.

III. Depositing of Received Funds from Grants, Developers, Partners and Other Entities

- A. As many governmental projects and services have a portion of their cost recovered from non-local government sources, the proper accounting for such recoveries is necessary to ensure that local funding is not adversely impacted.
- B. Receivable balances will be formally established in the Town's financial system at fiscal year-end, but such on-going balances and their subsequent receipts will be monitored by the initiating department throughout the fiscal year.

IV. Returned Checks

- A. Unless otherwise stated per Town ordinance or Town Council resolution, all checks returned due to insufficient funds being in the customer's account will be processed by the Treasurer's Department, and fees, set by Town Council, shall be charged for the returned check.
- B. All returned checks must be made good with a cash payment.
- C. For those checks and associated fees that are not paid, the Town Treasurer shall ensure proper notice is provided to the customer and continued service is restricted, unless continuation of service is required by law, until such accounts are current.

V. Billing Practices (Non-Treasurer initiated)

- A. Unless otherwise stated per Town ordinance, resolution, contract, or agreement all initiated bills will have terms of thirty days from bill date.
- B. Unless otherwise stated per Town Council action, all bills will be generated within forty-five days of initial service provision.

VI. Accounts Receivable Collection

- A. All accounts receivable will be recorded by the Town to permit an analysis of the aging of such receivables (e.g., less than 30 days, 30-60 days, etc.).
- B. For those accounts that are greater than twenty-nine days delinquent and over five dollars, the Town Treasurer shall ensure proper delinquent notice is provided to the customer and continued service is restricted, unless continuation of service is required by law, until such accounts are current.
- C. The computation of an allowance for doubtful accounts will be performed annually based upon the aging of such receivables and recent history of write-offs at the end of the fiscal year, subject to review by the Town Manager and concurrence by the external auditors, with any material changes reported to the Town Council.
 - a. Write-offs
 - 1.) Any account with an accumulative balance of five dollars or less and are delinquent for more than thirty days will be eligible for write off.
 - 2.) For accumulated balances for personal property taxes and utilities, greater than five dollars that are more than sixty months delinquent, all such amounts will be eligible for write-off. Write-offs must not violate the Code of Virginia. Write-offs must be approved by the Town Council prior to being processed.

- 3.) For balances greater than five dollars, collection efforts will be performed for a period equivalent to the statute of limitations, the bankruptcy has been discharged, the account business no longer exists, or the individual is deceased, whichever comes first, at which point such amounts will be written-off.
- 4.) For any account written-off, such customer information will be retained for as long as practically feasible in Town records, in order to have continued enforcement of service denied on credit until the previously written-off balances have been paid.

VII. Internal Controls

- A. All aspects of revenue recordation and cash receipt shall be subject to proper internal controls, as addressed in the Town Treasurer's procedural manuals.
- B. Reconciliation to the general ledger and other supporting accounting ledgers shall be performed in a timely manner for receivable balances, subsidiary ledgers and revenue collection.
- C. The Treasurer, or any employee or agent in control of funds, shall ensure that such funds are secured and in a locked container during work hours and non-working hours.
- D. Overpayments.
 - b. No overpayments will be accepted for which the intention is to provide a cash refund back to the customer.
 - c. For other instances of overpayments, the standard practice will be to apply such overpayment as a credit to the next bill.

Debt Policy

I. Background

- A. The Town debt policy addresses the level of indebtedness the Town can reasonably expect to incur to ensure the efficient and effective operation of the Town and without jeopardizing its existing financial position.
- B. The Town debt policy addresses the purposes for the types of debt that will be issued.

II. Standards

- A. Government Accounting Standards Board.
- B. Government Finance Officers Association.
- C. Financial Accounting Standards Board.

III. Planning and Performance

- A. Debt shall not constitute an unreasonable burden to residents and taxpayers. .
- B. Debt issuances will be pooled together when feasible to minimize issuance costs.
- C. All issuances subject to arbitrage constraints shall be monitored by the Town Treasurer who shall have arbitrage liability calculations performed in a timely manner.
- D. Long-term borrowing shall be confined to specific capital improvements that cannot reasonably be funded from annualized tax allocations. The term structure of debt shall not exceed the anticipated useful life of the asset acquired.

IV. Issuance Guidelines

- A. The Town will not use short-term borrowing to finance operating needs, except in special circumstances with unanimous approval of the Town Council.
- B. Debt ratios for general governmental debt:
 - a. Debt as a percentage of Assessed Value will not exceed 2.5%.
 - b. Debt Service as a percentage of General Governmental Expenditures will not exceed 10%.

- C. The Town Treasurer shall calculate debt ratios and present to the Town Manger each fiscal year in conjunction with the budget process. This information will be transmitted to the Town Council with the proposed budget.

CAPITAL ASSET POLICY

I. Background

- A. This policy identifies, classifies and capitalizes qualified capital assets owned by the Town of Gordonsville. Capitalization is the process of matching the cost of an item over its estimated useful life, which covers several accounting periods. This process has several objectives.
 - a. The identification of these items will assist in the operations and maintenance of the asset.
 - b. Properly identifying depreciable assets allows for the required disclosure in the financial reports.
 - c. To ensure the responsible management of all of the assets of the Town.
 - d. It will provide a list required for insurance purposes.

II. Capital Asset Guidelines

- A. Capital assets are intended to be held or used for an extended period of time in the operation of the Town. There are two major types:
 - a. Real Property, such as land, land improvements (excavation, filling, utilities, removal, retaining walls, fencing, etc.), buildings and building improvements.
 - b. Personal Property, such as vehicles, machinery, equipment, furniture and fixtures.
- B. Items meeting the above criteria are classified into one of the following major categories:
 - a. Land
 - b. Land improvements
 - c. Buildings and building improvements
 - d. Vehicles
 - e. Machinery, equipment, furnishings
 - f. Infrastructure
 - g. Construction in progress (CIP)

- C. For reporting in the financial statements, a capital asset must meet all of the following criteria:
 - a. It is tangible in nature;
 - b. It has a useful life of five years or longer;
 - c. It has an individual value equal to or greater than \$5,000.
 - d. Land, land improvements and buildings are always capital assets.
- D. Assets having a value under \$5,000, regardless of their useful life, will not be reported as capital on the Financial Reports of the Town as they do not meet the reporting threshold.
- E. Nominal values are assets that would be a capital asset, but have an aggregate value of less than \$500. Nominal values will not be tracked or reported. Capital assets that are of greater value than nominal values and a lesser value than the reporting threshold may be entered in the capital asset inventory system for control purposes only. Assets of value less than the reporting threshold are insurable assets and may be accounted for (e.g., listed, tagged, or otherwise able to be located).
- F. Capital asset records will include usual location, use, department assets are located in, and identifying descriptions (e.g., make, model, vehicle identification number.)

III. Adding an Asset

- A. An asset should be classified and recorded within thirty days of acquisition.
- B. Purchases made from the general account group for the use of business type activities shall be recorded in the fund which will be utilizing the asset. It will be recognized as a capital contribution to that fund.

IV. Valuing Capital Assets

- A. Capital assets shall be reported at historical costs.
- B. When the Town acquires used equipment, the acquisition cost, as noted on the invoice, will determine original cost value.
- C. Donations of assets can occur as part of a proffer for development or as gifts from individuals or organizations. Valuation of these assets will be established based on the fair market value on the date of the gift. All cash donations valued more than \$5,000 should be submitted to the Town Council for acceptance and appropriation into the current fiscal year budget.

V. Property Accounting Principles

A. Accounting principles apply to various properties according to the relevant category as set out below. The Town Treasurer may create subcategories as needed.

a. Land

- 1.) This category includes land currently in public use, being held for public use or available for sale.
- 2.) Land costs include not only the original contract price but also such related costs as liens assumed, legal and title fees, and surveying. Salvage receipts on demolition of an old building or a similar circumstance reduce the cost of the land. Land acquired through forfeiture is capitalized at the total amount of all tax liens and other claims surrendered (such as acquiring ownership and perfecting title). Land acquired through donation is valued at the appraised fair market value at the date of acquisition. The cost of the appraisal itself however, should not be capitalized. The purchaser of land sometimes assumes certain obligations related to the land, such as liens on the property. In such situations, the cost of the land is the cash paid, plus the liens or other liabilities. In addition, if an improvement is permanent in nature, such as landscaping, then the item is properly chargeable to the land account.
- 3.) Land records should include the assessor's parcel number and/or lot, block and tract, as well as identification of use and location. Land that is acquired in parts adjacent to each other and having the same use shall be treated as one larger parcel for reporting of capital assets.

b. Land Improvements

- 1.) This category includes all improvements outside a building or improvements to a parcel of land with a cost in excess of nominal values.
- 2.) Land improvements consist of land attachments with limited lives.
- 3.) Land improvements are recorded separately from land in order to track their useful lives.
- 4.) This category does not include buildings.

c. Buildings

- 1.) Buildings consist of structures erected above or below the ground for the purpose of sheltering of persons or property.
- 2.) Building costs include construction and purchase cost and the cost of all fixtures permanently attached and made part of the building. For constructed buildings, costs include contractor payments, in-house labor costs, attorney fees, and insurance during construction, architectural and engineering fees, interest charges incurred during construction and related expenses.
- 3.) Capitalization of Interest Cost requires the capitalization of material interest charges incurred when constructing a capital asset or preparing it for its intended use.
- 4.) Generally, the Town contracts to have Town buildings constructed. All costs incurred, from excavation to completion of the buildings, are generally considered part of the building cost.

d. Building Improvements

- 1.) Building improvements consist of additions, improvements and replacements made to existing buildings.
- 2.) Building improvement costs include construction cost, contractor payments, labor (including in-house labor), equipment, materials and supplies and other costs required to place the improvement in its finished state.
- 3.) Building improvements are capitalized and their useful life shall be tracked separately from buildings.

e. Furniture, Fixtures and Equipment

- 1.) Furniture, fixtures and equipment are defined as personal property that remains movable, and is not permanently attached to land, buildings or improvements.

f. Equipment Under Capital Lease

- 1.) Any lease agreement, which meets at least one of the following criteria, should be capitalized:
 - i. The lease transfers ownership of the property to the Town at the end of the term of the lease.
 - ii. The lease term is equal to seventy-five percent or more of the estimated economic life of the leased asset.

- 2.) When none of the criteria for a capital lease are met, the lease is an operating lease.
- 3.) If a capital asset is acquired under a capital lease arrangement, the capitalized asset must be identified in the same manner as purchased assets.

g. Vehicles

- 1.) Vehicles are personal property that remain movable and do not lose their identity when moved nor change their materiality when used.

h. Infrastructure

- 1.) Infrastructure assets are long-lived capital assets that can normally be preserved for a significantly greater number of years than most capital assets and that are normally stationary in nature. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and street lighting systems.
- 2.) Where an item of infrastructure meets the test for capital assets other than cost, and is an addition, update or upgrade to an existing capital asset that meets the test for cost, then this item may be treated as a capital asset.

VI. Grant Property

- A. Operating units receiving federal program property or property purchased subject to a grant agreement must place in inventory all items acquired, consistent with the program capitalization requirements.

VII. Exchange or Trade-Ins

- A. Exchange or trade-ins of capital assets sometime take place in the course of asset acquisitions. When this occurs, the capital asset property records are updated to reflect the capital assets exchanged or traded-in for new assets. The value of the new asset is calculated as the trade-in or exchange value allowed for the new asset, plus any cash paid.

VIII. Cash Discounts

- A. Assets should be recorded net of any quantity or trade discounts received. The asset is recorded at a cost equal to the amount of cash paid, not the gross amount of the invoice. When a capital asset is purchased subject to a cash discount and the

discount is taken, it should be considered a reduction in the purchase price of the asset.

IX. Depreciation Policy

- A. Depreciation represents the decrease in the value or the using up of property over time.
- B. Construction in progress is the unfinished work on a project such as a building or a waterline. When the project is completed this cost will be rolled into the value of the completed project and depreciation may begin.

X. Useful Life

- A. Applicable depreciation expensing will begin the year that the asset is purchased. There will be partial year depreciation based on the actual date of purchase. Costing the asset over the estimated useful life is accomplished by using the following depreciation schedules:
 - a. Vehicles.....5 - 7 years
 - b. Machinery10 years
 - c. Building.....10 - 50 years
 - d. Improvements other than buildings5 - 50 years
 - e. Infrastructure.....25 - 50 years

XI. Improvements vs. Maintenance

- A. An Improvement of a capital asset significantly increases its value, life or capacity to serve and it should be capitalized. Maintenance restores the asset to its original level of service. The cost of maintenance should not be capitalized.

XII. Disposal

- A. Town capital assets are retired through several means, including sale, trade-in, and loss by theft. All disposals by any means must be reported to the Town Manager.

- B. The Town Manager shall be informed of all proposed auctions to be arranged for the disposal of any asset (or shall help to coordinate and conduct them). A full report and accounting of all assets disposed of shall be provided to the Town Treasurer within thirty days of the disposal date. The Town Council shall approve all auctions that are done outside of GovDeals and shall be advised by report of the assets disposed and auction proceeds, if any.

Travel and Business Expense Policy

I. Background

- A. This Policy establishes authority for payment and reimbursement of certain travel and business expenses incurred for Town purposes by officials, employees, officers and volunteers. Oversight of the department travel budgets is vested in the department heads.
- B. Town business for the purpose of this policy includes conferences, seminars, workshops, hearings, educational programs, conventions, meetings and other activities which are directly related to or associated with the business of the Town, and which provides a benefit to the Town.

II. General Provisions

- A. The department head shall ensure that all travel related expenses are consistent with the amount of the adopted appropriation and that all expenses are reasonable and in accordance with the policy. Overages up to \$1,000 over the amount appropriated may be considered upon approval by the Town Manager only if such overage does not create an overage within the budget category. Overages in excess of \$1,000 of the amount appropriated must be approved by the Town Council through a budget transfer.
- B. Receipts generated by the vendor are required for all expense reimbursement requests.
- C. Expenses incurred from the cancellation of reservation for an unattended Town-related function shall be the responsibility of the individual who requested the reservation, unless approved by the Town Council due to extenuating circumstances.

III. Allowable Expenses

- A. Expenses incurred for travel and business by employees, officials or volunteers for Town purposes, may be paid or reimbursed in accordance with requirements established by the Internal Revenue Service.
- B. Meals and incidental per diem expenses for travel shall not exceed the federal per diem rate established for the destination locality by the Internal Revenue Service.
- C. The mileage reimbursement rate shall equal that established by the Internal Revenue Service.
- D. Allowable expenses for lodging and business expenses shall be the actual costs provided they are reasonable.

- E. Documentation for travel reimbursement shall be given to the Town Treasurer's Department for processing within three months of the date of travel.

IV. Credit Cards and Other Methods of Payment

Expenses paid by use of the Town credit cards and other methods shall be subject to the same limits and standards of documentation as reimbursed expenses.

V. Travel Advances

- A. Travel advances shall be issued only upon the approval of the Town Manager for those travel costs projected to be greater than \$100 and shall be paid no sooner than the business day prior to the beginning of the trip.
 - a. Within one business day of the conclusion of travel the recipient of the advance shall remit receipts to document how funds were spent and shall return any excess funds to the Town.

VI. Non-Reimbursable Travel Expenses

- A. The following are non-reimbursable travel expenses:
 - a. Loss of money or personal belongings.
 - b. Personal expenses incurred during travel.
 - c. Expenses of other persons not associated directly with the Town.
 - d. Fines for traffic and parking violations.
 - e. Alcoholic beverages or movies.

VII. Business Meals

- A. Business meals are those meals which are not at a Town work site and are directly related to Town business and purposes. The meal period must be planned for the purpose of and include substantive and bona fide business discussions or other business activities which directly and specifically benefit the Town.
- B. Meals attended only by Town staff may be paid or reimbursed in accordance with requirements established by the Internal Revenue Service and approved by Council.
- C. If meals are provided by the event the Town attendee may not request a reimbursement if meals are incurred outside what is provided, unless approved by Town Manager due to extenuating circumstances.

PURCHASING POLICY

I. Background

- A. This Policy shall serve as a guide for consistent purchasing practices.
- B. This purchasing policy shall assist the Town in obtaining high quality goods and services at reasonable cost, in conducting all procurement procedures in a fair and impartial manner with avoidance of any appearance of impropriety, in providing access to the Town's public business for all qualified vendors, and in promoting efficient procurement practices across all Town departments.
- C. This policy establishes means of purchasing materials, supplies, equipment and services by the Town. Unless specifically exempted in this policy is applicable to all departments of the Town and for obligations paid through the Town Treasurer's Department.

II. Governing Procurement Functions

- A. The Town reserves the right to accept, reject or cancel any or all solicitations or parts thereof, to waive informalities, and to reissue solicitations. The Town also reserves the right to award the contract as it deems will best serve its interests. It further reserves the right to award the contract on a lump sum basis, individual item basis, or such combination as shall best serve the interests of the Town. This may include multiple awards if provided for in the solicitation.
- B. No contracts may be awarded or purchases authorized at any level unless adequate funds have been appropriated by the Town Council.
- C. The Town Manager shall have authority to sign all contracts which have been properly awarded, upon authorization by Town Council.
- D. For purposes of this policy, the procedure for award of term contracts shall be determined by the estimated value of the contract for the initial term of the contract. The Town Council shall establish the length of these contracts and the number of renewal terms.

III. Delegation of Authority

- A. The Town of Gordonsville delegates the overall responsibility for ensuring compliance with the purchasing policy to the Town Manager. Town department heads shall be responsible for the purchase of all goods and services for their departments in accordance with this policy.
- B. Any purchase not made in accordance with the applicable laws and this policy shall be deemed an unauthorized purchase for which the Town shall not be obligated.

- C. Any employee who engages in purchasing goods or services in a manner inconsistent with the applicable laws and this policy shall be subject to disciplinary measures to include termination and criminal prosecution.
- D. No obligation shall be made for any purchase in excess of the amount appropriated for that purpose as reflected in the Town budget. Overages up to \$5,000 over the amount appropriated may be considered upon approval by the Town Manager only if such overage does not create an overage within the budget category. Overages in excess of \$5,000 of the amount appropriated must be approved by the Town Council through a budget amendment.
- E. No purchases may be made with funds from contingency or reserves without approval of the Town Council.
- F. Contracts or purchases valued at \$500.00 or more may not be awarded until a Purchase Order has been issued by the Town Manager. Purchase orders shall be submitted to and approved by the Town Manager **prior** to the ordering and purchase of goods and materials in this regard. Purchase orders are not required for payments associated with professional service contracts, utility payments, or for the payment of professional dues.

IV. Purchase Procedures

- A. Small purchases of goods or services that range from \$5,000.00 to \$29,999.99 shall include an informal request for at least three quotes. Such quotes may be solicited by telephone, mail or email and shall be provided by the respondent in writing by mail or email. Responses to the request for quotes should be documented by the department head and made available for inspection by the Town Manager. Documentation of each quote received shall include date of the contact, company name, point of contact, quote amount, and quote expiration date. It will be the practice to attach all quote information to the winning vendor's invoice for audit purposes.
- B. For the purchase of goods or services valued at \$30,000 or greater, the Town shall endeavor to follow the spirit of Virginia Code Sections 2.2-4300, et seq., pertaining to the process for competitive bidding and negotiation, as appropriate.
- C. The Town shall comply with the provisions cited in Virginia Code Section 2.2-4343(A) (9).

V. Security, Insurance and Indemnification

- A. An indemnification provision, bid bond, performance bond, and labor and material payment bond are generally required for contracts expected to exceed \$10,000. Security may be in the form of cash escrow, letter of credit or bond from a surety company authorized to do business in Virginia and in a form acceptable to the Town Attorney.

VI. Review of Contracts by Town Attorney

All contracts shall be subject, at the discretion of the Town Council, to review by the Town Attorney, whose duty it shall be to determine if the contract complies with federal and state law and is in such form as will properly safeguard the rights and interests of the Town.

VII. Ethics

- A. The Town of Gordonsville officials, management, and staff engaged in procurement activities are subject to, should be familiar with, and shall adhere to the provisions of the Virginia Conflict of Interest Act Code of Virginia §2.2-3100.
- B. No official or employee shall have a personal interest in a transaction or contract with the Town, except if the transaction or contract falls within the official's or employee's off-duty regular course of business. The Town Council shall consult with the Town Attorney, who shall issue a written opinion upon request.

VIII. Nondiscrimination

- A. The Town does not discriminate in the solicitation or award of contracts because of race, religion, color, gender, sex, age, disability, status as a veteran, genetic information, or national origin of the bidder. It is the responsibility of Town employees, particularly those employees directly involved in procurement, to ensure that all vendors are permitted equal opportunity and access to participate in the Town procurement opportunities.

Audit Policy

I. Background

- A. The Audit Policy provides guidance on the selection of an independent accounting firm to provide opinions and reports on the Town's financial statements and internal controls in compliance with federal and state standards.

II. Standards

- A. Generally Accepted Auditing Standards (GAAS).
- B. Government Auditing Standards issued by the Comptroller General of the United States.
- C. Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia.
- D. Office of Management and Budget (OMB) Circular A-133 and Compliance Supplement for Single Audits of State and Local Governments.
- E. Code of Virginia §15.2-2511.

III. Selection of External Auditors

- A. Auditors will be selected to perform annual audits through a request for proposal process every five years.

III. Internal Control and Compliance Reports

- A. Internal control and compliance reports will be issued by the external auditors in conjunction with the fiscal year-end audit.
 - a. The Town Treasurer, in conjunction with the Town Manager, is responsible for establishing and maintaining an internal control structure in compliance with laws, regulations, contracts and grants.

V. Management Letters Issued in Conjunction with the Fiscal-Year End Audit

- A. Matters involving internal control structure and its operation shall be identified by the auditor with related recommendations in a management letter to the Town Council with a copy sent to the Town Manager and the Town Treasurer.
- B. Town officials will provide a response to the Town Council for all management letters issued by the auditors describing disposition of comment and, if applicable, status of plan to implement recommendation.

VI. Audit Schedule

- A. July 31st: The engagement letter will be signed by the Town Mayor; returned to the auditing firm.
- B. September: Audit field work will begin.
- C. October 31st: Entries from auditors if applicable shall be given to the Town Treasurer.
- D. November 30th: The Town Treasurer shall have all entries in the accounting system.
- E. November: The Town Council will have the final audit and supporting documents by their monthly meeting.
- F. December 31st: Year-end adjusting entries shall be entered by the Town Treasurer.