

Town of Amherst
Bookkeeping Procedures Manual
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1.0 Purpose and Overview

It is the goal of the Town of Amherst to maintain an efficient and effective bookkeeping and financial reporting system that prevents misstatements and protects the Town against fraud. It is recognized that measures that would fully prevent all fraud are impractical to implement. However, procedures to reduce the risk of theft and increase the chance of detection can be followed. Through this document the Town of Amherst intends to create an environment of accountability and has implemented internal controls to the extent practical.

This document outlines the Town of Amherst's primary accounting practices, articulates Town financial policies and documents procedures that would implement these with the goal of describing for an internal control system that will promote:

- Protection of Town resources against waste, fraud and inefficiency
- Ensuring accuracy and reliability in accounting and operating data
- Securing compliance with appropriate state and federal laws and regulations, accounting standards, and Town policies
- Establishing standards by which Town officers and operating units can be evaluated.

2.0 Cash Procedures

2.1 Handling Funds - Individuals authorized to physically "handle" Town funds after initial delivery to the Town, including cash and checks, (except for minor issues such as petty cash, filling in at the front desk, etc.) are the Town Manager, the Office Manager, and Town employees directly supervised by the Office Manager.

2.2 Authorized Signatures - The Town Council will authorize signatories at the first Town Council meeting after the biennial Town Council election.

2.3 Cash Receipts – Customer payments are received via mail or in the office. For mail receipts, the Fiscal Assistant or Office Assistant will open the mail and enter cash receipts. For office receipts, the Office Manager, Fiscal Assistant or Office Assistant will accept the payment, enter the cash receipt, and the system automatically prints a pre-numbered receipt for the customer. At the end of each day, the Fiscal Assistant or Office Assistant will print the "balancing report" from the system and balance the total with the cash and checks in the drawer. The Office Manager will balance and close out the batch and make the deposit. When the batch is closed, the Office Manager will go into the bookkeeping software and enable the cash receipts to be posted to the subsidiary ledger. For cash receipts for utility bills, the receipts are posted the general ledger by batch via a general ledger interface. For cash receipts for personal property and real estate tax bills, when the batch closes the Office Manager will go into the property tax software and enable the cash receipts to be posted to the subsidiary ledger and manually post cash receipts to the general ledger. The Office Manager will maintain a spreadsheet for cash receipts for personal property and real estate tax bills detailing who was paid and how much was paid. The Office Manager will use the property tax billing program to determine to what general ledger accounts the amount paid need to be applied. At the end of the month, the Office Manager will make a general journal entry to record the cash receipts for personal property and real estate tax bills.

Checks will not be cashed out of cash receipts. The Town will not "hold" checks for deposit at a delayed date.

2.4 Cash Disbursements – A check requisition will be completed for each invoice before a check will be issued. The check requisition contains the following information that will need to be

completed: vendor, invoice number, description of expenditure, general ledger account numbers, and approval signature. The Police Chief will approve the check requisition for police department expenditures and the Town Manager will approve all other check requisitions. Checks should be printed via the accounts payable software; handwritten checks are to be used only in unusual circumstances. The Fiscal Assistant prepares and prints the checks and the Office Manager normally signs all checks. All check requisitions will also be reviewed and approved by a member of Town Council.

2.5 Vendors – New vendors shall be reported to the Town Council via inclusion on the Office Manager’s monthly report. The vendor list will be reviewed and, if deemed appropriate, audited by the Finance Committee in December of each year.

2.6 Petty Cash – The Office Manager will maintain and reconcile all petty cash accounts via a spreadsheet that is rolled forward on an ongoing basis (as opposed to when it is replenished). A petty cash voucher will be completed for all disbursements and will be reviewed by either the Police Chief or Town Manager. The petty cash voucher will be supported by receipts/invoices. Checks will not be cashed out of petty cash.

2.7 Banking - The Town operates a cash pool that is comprised of all cash in the general, water, sewer and capital funds. All monies in the cash pool, except for petty cash and invested funds, are to be held at a local bank. Local bank is defined as a recognized bank with a physical branch located inside the corporate limits of the Town of Amherst or one that owns outstanding Town debt. All banks that hold Town funds are to provide regular statements documenting activity on a timely basis. The Town will utilize banks as best suits the then-current interests of the Town and will endeavor to maintain accounts only in a bank or banks that do not charge fees; maintenance of accounts in all local banks is not required.

2.8 Reconciliation – The Office Manager will reconcile the bank accounts on a monthly basis. The Town Manager and the chairman of the Finance Committee will review and approve the bank reconciliations on a monthly basis.

If a Town check has not been cashed within 6 months after being issued, the Office Manager will send a letter to the payee informing him of the outstanding check and asking him the status of the check. If a replacement check is needed the Office Manager will void the check and have a new check reissued. If the check was issued in error or not warranted the Office Manager will void the check. If no response is received within 30 days, the Office Manager will send another letter to the payee. If the matter remains unresolved after another 30 day period, then the funds will be held in accordance to the Virginia Unclaimed Property guidelines and remitted to the state after the 1-year dormancy period. The Office Manager will complete the unclaimed property report and send the funds by the November 1st deadline each year.

2.9 Purchasing Cards – Town-sponsored purchasing cards are to be used only for the purchase of goods sold or services rendered to the Town Amherst. Use of purchasing cards for the procurement of personal goods or services is strictly forbidden. The Office Manager will maintain a file of certificates for all individuals who carry a Town-sponsored purchasing card to the effect that the individual employee understands the above and acknowledging that use of Town-sponsored purchasing cards for any reason other than official and bona fide Town business is cause for immediate disciplinary action, including the possibility of dismissal without further cause.

Receipts fully describing what has been purchased shall accompany the check requisition for the monthly purchasing card invoice.

Town purchasing cards shall not have more than a \$5,000 limit with the aggregate “credit line” of \$20,000. Cardholders shall be approved by the Town Manager or Police Chief and confirmed by the Finance Committee.

2.10 Investment Program

2.10.1 Liquid Fund- It is the Town’s policy to maintain a Liquid Fund of cash to cover all anticipated cash outflows for the next 60 days in a same day-available bank account or accounts. Liquid funds may include deposits in the Town’s Local Government Investment Pool account.

2.10.2 Permanent Fund - Cash in an amount approximately equal to Permanent Fund amounts (per the fund balance policy) is invested in up to five-year certificates of deposit. The Permanent Fund cash is to be invested so that an approximately equal amount is “rolled over” for investment from year to year.

2.10.3 – Working Fund - A Working Fund composed of all cash not required for the Liquid Fund or the Permanent Fund monies are invested in the Local Government Investment Pool account or one-year certificates of deposit. The Working Fund cash invested in certificate of deposits is to be coordinated with the Town’s projected cash flow needs.

2.10.4 Diversification – Monies will be distributed between banks with physical branches located inside the corporate limits of the Town of Amherst, a bank which has purchased bonded debt from the Town and the Local Government Investment Pool. Understanding that minimum deposit requirements, penalties for withdrawing monies on current certificates of deposit and other factors may justify deviation from this goal, to provide diversification in holdings the Treasurer will move money between accounts so that no more than a total of \$500,000 in Town cash is on deposit in any bank. This limit does not apply to the Local Government Investment Pool.

2.10.5 Responsibility - The Treasurer is responsible for managing the investment program for the maximum benefit of the Town, including estimation of funds available for investment, obtaining bids, and placing the monies in accounts. The Treasurer may redeem certificates of deposit for immediate needs or to take advantage of more favorable terms as the needs of the Town and investments offered change. All significant banking activity shall be reported to the Town Council.

3.0 Billing Procedures

3.1 Utility (Water/Sewer/Trash) Billing – Town Council approves the utility rates. When the Town Council approves a change in the rates, the Office Manager will enter the updated rates in the billing program. A member of Town Council will review the updated rates entered by the Office Manager for accuracy. Utility billing will be executed once a month for all accounts.. The Fiscal Assistant will print the “meter reading list” and download the information to the hand-held device used for collecting meter readings. The meter readers will collect the readings and enter them into the hand-held device. The Fiscal Assistant will upload the information in the hand-held device into the billing program. The Fiscal Assistant will print the “exceptions report” and review the exceptions in order to determine if any meters need to be reread. The Fiscal Assistant will print the “reread list” and the meter readers will collect new readings. The Office Manager will review the new and old readings and the previous period readings and determine if any changes are needed. If

a change is needed, the Office Manager will enter the change directly into the billing program. The Office Manager will enable the system to calculate the bills and will print a report and review the current charges for obvious errors. The Office Manager will print the bills and the Fiscal Assistant or Office Assistant will control the mailing of the bills.

Inactive utility accounts will be reviewed quarterly by the Office Manager. If the Office Manager determines that collection is not expected within the next quarter, the account will be placed in a dormant account file and the Town's books will be adjusted in the amount associated with the uncollectable account. Any amount in excess of \$200 will be forwarded to the Town Attorney for collection. The Office Manager shall provide a report of accounts written off to the Town Council.

3.2 Personal Property/Real Estate Tax Billing – Personal property and real estate tax billing will be executed once a year. The Office Manager will receive a file from Amherst County that contains the information regarding who to bill, assessed values, and who is eligible for personal property tax relief. The Office Manager will forward the information to the outside software vendor who will convert the information and upload it into the Town's billing program. The Office Manager will review the information and work with the outside software vendor to resolve any issues prior to the printing and mailing of bills. After the Office Manager's review is completed, the Town Manager or a member of town council will perform a final review. Once both reviews are completed, the Office Manager will print the bills and the Fiscal Assistant will control the mailing of the bills. Any property owners that have delinquent taxes shall also be notified of these with the current tax billing.

3.3 Customer Work Billing - The Office Manager issues bills for customer work (*Reference July 1, 2007 Customer Work Policy*) items and maintains a file copy of all customer work bills. When payment is received for a customer work bill, the receivables clerk will mark it paid and return a copy to the office manager for reconciliation purposes. At the first of every month the Fiscal Assistant will review all outstanding customer work bills and send past due notices to all outstanding accounts. After 30 days past due, the Fiscal Assistant will call the customer for collection of the debt. After 60 days past due, the Fiscal Assistant will send a certified letter to the customer warning that if the debt is not paid it will be referred to the Town Attorney for collection. After 90 days the Office Manager will turn all bills that are still outstanding over to the Town Attorney for collection.

The only exception to this process is the DMV grant billings. These are only turned in by the Police department to DMV (State) quarterly. There could be up to a 5-6 month lag in the payment of these invoices.

3.4 Business License Tax Billing - Business license billing will be executed once a year. Businesses that have operated previously and are renewing their license shall provide proof of gross receipts via delivery of a copy of a federal "Schedule C", corporate income tax return, or equivalent to the Office Manager. The Fiscal Assistant will review previous years' business license file and prepare a list of potential accounts for business license billing. The Office Manager will review and approve the list. Sixty days prior to the due date the Fiscal Assistant will mail application forms to the appropriate accounts. When accounts are 30 days past due, the Fiscal Assistant will send a past due notice to all accounts that are delinquent. When accounts are 60 days past due, the Fiscal Assistant will call all delinquent accounts to encourage application for business licenses and payment of the billing. When accounts are 70 days past due, the Fiscal Assistant will send a certified letter with an assessment giving the account 10 days from receipt of letter to comply. When accounts are 90 days past due, the Fiscal Assistant will provide a list of delinquent accounts

to the Office Manager. The Office Manager with a police escort, will visit the business to attempt to collect. If the Office Manager is unsuccessful, the account will be immediately turned over to the Town Attorney for collection. Business licenses will not be issued to any business that owes personal property taxes or have not provided the required proof of gross receipts.

3.5 Food and Beverage/Transient Occupancy Tax Billing – Food and Beverage and Transient Occupancy taxes are to be remitted monthly by the respective businesses. At the first of every month the Fiscal Assistant will review the list of Food and Beverage and Transient Occupancy tax payers and send past due notices to all outstanding accounts. When accounts are 30 days past due, the Fiscal Assistant will send a certified letter with an assessment giving the account 10 days from receipt of letter to comply. When accounts are 45 days past due, the Fiscal Assistant will provide a list of delinquent accounts to the Office Manager. The Office Manager with a police escort, will visit the business to attempt to collect. If the Office Manager is unsuccessful, the account will be immediately turned over to the Town Attorney for collection.

4.0 Payroll Procedures

4.1 Pay Rates – Salaries and hourly wages for part-time employees will be determined and approved by town council once a year (approved as part of the budget). The Office Manager will input new pay rates into the payroll software. The chairman of the Finance will review the updated pay rates for accuracy.

4.2 Timesheets – Part-time utilities department employees will complete a timesheet and turn it in to the director of public utilities, who will approve the timesheet and submit to the Office Manager. Police officers who work overtime and part-time police department employees will complete a timesheet and turn it in to the police chief, who will approve the timesheet and submit to the Office Manager. Part-time office employees will complete a timesheet and submit it to the Office Manager, who approves the timesheet. The police chief and the director of public utilities will submit a pay authorization to the Office Manager for any police officer or plant employee that is entitled to holiday pay.

4.3 Processing – The Office Manager will input any information from timesheets and pay authorizations into the payroll software and enable it to calculate the paychecks. The Fiscal Assistant will print the check register and the payroll checks and review for accuracy. The Town Manager will sign the payroll checks. The Fiscal Assistant will put them in envelopes for distribution. The Fiscal Assistant will compute and pay the payroll taxes to the appropriate agencies.

4.4 Quarterly Payroll Reports – The Office Manager will prepare the necessary quarterly payroll reports.

5.0 General Procedures

5.1 Monthly Review – The Office Manager will oversee the monthly closing process and perform reconciliations and review of financial statement. The Office Manager will provide the Town Manager, other employees and town council with monthly financial statements and comparison to budget. The Town Manager and Finance Committee will review the monthly financial statements in comparison to budget in an effort to identify possible misstatements/unusual items.

5.2 Computer Use – The Office Manager is responsible for the maintenance and operation of the financial software and associated computer hardware. As such, the Office Manager will establish protocols for the proper operation of computers – i.e. backup routines, passwords, protection of passwords, etc.

Note: This policy supplants the policies approved on December 12, 2007 and March 10, 2010.