

# *Town of Readfield*

## *Financial Procedures*

### **Definitions**

#### **General Accounting System**

The General Accounting System is a computerized program devised by Harris-TRIO Software, and is called their "Budgetary" program. It provides for a fund-based general ledger with a chart of accounts, automatic posting of journal entries, reporting capability, accounts payable sub-program, and other features (not including payroll).

- Changes in the computerized data for the general accounting system and the Accounts Payable sub-program are made by the Financial Officer and/or the Town Manager. Such changes include additions to the chart of accounts, and changes in account names.

#### **Cash Receipts System**

The Cash Receipts system produces a receipt for each transaction, interfaces with and posts to the Tax Collections system, creates a journal entry crediting appropriate revenue and balance sheet accounts, and prepares detailed reports of each day's transactions.

- As changes are needed in the Cash Receipts Program, they are made by the Financial Officer and/or Town Manager. Such changes include adding and deleting accounts, which may be credited.

#### **Accounts Payable System**

The Accounts Payable system prepares the Vendor portion of the municipal disbursements warrant, prints checks, produces a check register, and calculates and makes a journal entry. It stores data pertaining to each vendor, including payments made, IRS information, insurance information, etc.

- Changes in the Accounts Payable data are made by the Financial Officer and/or the Town Manager. The most common change is adding a vendor. Other changes include modifying a mailing address or correcting a name.

#### **Payroll System**

The Payroll system contains data for each municipal employee. The system produces the Payroll portion of the municipal disbursements warrant, prints checks and a check register, prepares a journal entry, makes various payroll reports, etc.

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- Changes which are needed in the basic data contained in the computerized Payroll System are made by the Financial Officer and/or the Town Manager. Such changes may include adding an employee to the payroll, changing a pay rate, altering a voluntary deduction, changing the account to be charged, or changing the vacation calculation rate.

## **Procedures:**

### **Journal Entries**

Except for the automatic journal entry made in conjunction with processing the vendor payments for the bi-weekly warrant, all manual journal entries are made by the Financial Officer and/or the Town Manager.

Cash Receipts Entries. These entries are made in the computerized cash receipts system. The Financial Officer examines each proposed entry, corrects any obvious errors, and then processes the entry in the computerized accounting system. The proposed entry generated by the cash receipts system (called the Cash Receipts Summary) is filed with the actual entry in the journal entry file folder.

Payroll Entries. These entries are originated in the computerized payroll system. The Financial Officer examines each entry, corrects any obvious errors, and then processes the entry in the computerized accounting system. The proposed entry generated by the payroll system is filed with other payroll reports. The actual entry is filed in the journal entry file folder.

Other types of entries made by the Financial Officer include opening entries, correcting entries, budget and budget adjustment entries. The printed copy of each entry is filed (with supporting documents, if available) in the journal entry file folder.

### **Cash Receipts**

1. Payments to the Town are processed on the day they are received.
2. Money receipts, except for small amounts received for making copies, etc., are processed through the computerized cash receipts system.
3. Cash received at the Town Office is handled by the Collection Clerk, the Town Clerk, and/or the Financial Officer.

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4. At the start of each business day one of the employees listed above unlocks the vault, retrieves the two cash trays (each containing exactly \$200 cash at start-up), inserts them in the cash drawers, and turns on the Cash Receipts program on the computer.
5. One of the same employees listed above then uses the Cash Receipts System to enter pertinent information for each transaction, in accordance with the computerized program.
6. A separate entry is made and a separate receipt is prepared for each transaction. For "over the counter" transactions the original receipt is given to the customer. For mail and telephone transactions the original receipt will be mailed upon request, for a fee. The Town retains the duplicate receipts.
7. The employee who makes each entry records his/her initials as part of the transaction.
8. Other essential aspects of the transaction, such as payer, purpose, amount, account to be credited, etc. are then entered.
9. From time to time one of the employees may enter a "non-cash" transaction in the Cash Receipts System. This type of entry is usually to correct an error, or to credit abatements, or to credit any Town employee payroll deductions for property taxes to that employee's appropriate taxpayer accounts.
10. In addition to recording the transaction and issuing the receipt, the employee completes and issues licenses, documents, etc. for which the customer has paid.
11. At the end of each business day, and at other times on busy days, the Town Clerk, or the Financial Officer (in the Clerk's absence) prints day-end reports, and makes up a bank deposit. The cash trays are then counted by someone other than the user of that tray, confirming that \$200 remains in each tray. Said employee also adds the checks and compares the total to that shown on the Cash Receipts Report, and takes any corrective action which may be needed. The employee then places the cash trays in the vault, locks the door, and closes the cash receipts program on the computers. The proposed journal entry (the Cash Receipts Summary) is delivered to the Financial Officer. The other day-end reports are assembled, stapled, numbered with the journal entry number, dated, and filed.
12. The Town Manager, at his/her discretion, will count the cash trays to verify the cash amounts, on a random basis at least monthly.
13. There is no accounting for the "small amounts received" mentioned in item 2 above. This money amounts to less than \$100.00 a year and is used to make up cash shortages and to purchase small items for office use.

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### **Bank Deposits**

Deposits into the checking account are prepared daily, using the cash receipts of the same business day. Deposits are prepared by the Town Clerk or the Finance Officer, and in their absence by the Collection Clerk.

1. Each deposit slip, the listed checks, and the appropriate amount of cash are placed in a bank bag and given to the Town Manager or another Town employee designated by the Town Manager.
2. The Town Manager or his/her designee transports the bank bag deposits to the bank daily.
3. The employee who transports the deposit obtains a teller's receipt for each deposit and delivers those receipts to the Financial Officer. If the night deposit is used, a teller's receipt is returned to the Town Office inside the returned bank bag.
4. The Financial Officer enters the amount of each teller's receipt into the Town's checking account record after comparing it to the amount credited to the Cash Account on the applicable Cash Receipts Journal Entry. The Financial Officer files the teller's receipts with the copy of the deposit slip.

### **Disbursement Warrants**

#### ***Municipal Warrant***

The Financial Officer prepares the municipal warrant bi-weekly.

1. The warrant is prepared on alternate Mondays, except for occasional Monday holidays when the warrant is then prepared either on the preceding or following regular business day.
2. The municipal warrant consists of two parts: the employee payroll and the payments to vendors or "accounts payable". Both parts are processed in the Town's computerized accounting system.
3. For specific procedures for these two parts of the warrant, see the separate sections herein on Payroll and Vendors.
4. After completing the two parts of the warrant, the Financial Officer completes a cover sheet with the warrant number, date, and amounts; and assembles the supporting documents.

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5. After preparing the warrant, the Financial Officer delivers it to the Town Manager for his/her review and for presentation to the Select Board for their consideration.
6. The Select Board reviews the warrant at a regular public meeting and decides whether to approve it with any necessary changes. Once approved, three members of the Select Board must then sign the warrant. (In special circumstances, a minimum of two Select Board members may sign the payroll section of the warrant.)
7. The Town Manager delivers the signed warrant to the Financial Officer with instructions regarding any needed changes.
8. The Financial Officer then separates the checks from each other, stamps the Town Manager's signature on each approved check, and distributes the checks.
9. Checks are hand-delivered, held for pickup, electronically transferred or mailed, in accordance with instructions from the recipients.
10. The Financial Officer arranges the warrant in a logical order, and files the warrant.

### ***Municipal Warrant - Payroll***

The payroll is prepared by the Financial Officer.

1. Each employee submits a bi-weekly written time sheet to their Supervisor indicating hours worked and hours to be charged to holiday pay, sick leave, vacation, compensatory time and Paid Time Off (PTO). The Supervisor initials each sheet then submits them to the Town Manager who also reviews and initials each time sheet.
2. The Financial Officer then uses the computerized Payroll System to enter and process the appropriate information for each employee, to print payroll checks, and to print payroll reports including a payroll check register.
3. The Financial Officer makes a copy of the check register and files it.
4. The Financial Officer prepares the Federal tax deposit form and the State income tax transmittal form in accordance with the amounts calculated by the computer, and makes a copy of each form.
5. The Financial Officer places the check register, the Federal tax deposit form, the State income tax transmittal form, and the employee time sheets into the warrant. The checks are filed.

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### ***Municipal Warrant - Vendors***

The Financial Officer prepares the vendor payments.

1. The Financial Officer receives mailed, faxed, emailed or delivered invoices and other requests for payment, or prepares payments for existing contracts. The Financial Officer refers each payment request to the approving authority (Town Manager, Fire Chief, Public Works Director and others with fiduciary responsibilities or oversight.) for proper coding. The Financial Officer reviews the coding and the Town Manager reviews and/or approves all requests for presentation to the Select Board.
2. The Financial Officer receives and collects the approved payment requests and routine requests not requiring prior approval.
3. According to his/her schedule, the Financial Officer enters each payment request into the computerized Accounts Payable system during the week prior to and/or on the warrant preparation day.
4. After entering all the vendor payment requests for a particular warrant into the computer, the Financial Officer processes them and prints a warrant preview. The Financial Officer then prints vendor checks and a check register, makes the General Journal entry, prints the Vendor Warrant and a Vendor Warrant "Recap", and then files the checks.
5. The Financial Officer makes a copy of the Vendor Check Register and files it.
6. The Financial Officer makes seven copies of the Vendor Warrant Recap for distribution to the Select Board, Town Manager and Town Clerk.
7. The Financial Officer then assembles and places the invoices, other payment requests, the check register, and the printed vendor warrant along with the payroll documents into a complete warrant file folder.

### **Trust Funds**

1. Receipts for and expenditures from the Trust Funds are initially made to and from the General Fund. Receipts are credited to "Due to Trust Fund". Expenditures are debited to "Due from Trust Fund".

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2. From time to time, depending on the inter-fund balance, the Financial Officer will move money into or out of a Trust Fund. If money is moved from the General Fund, the Financial Officer will process a check through the warrant system and send it to the Town's financial advisor for investment. If money is moved from a Trust Fund, the Financial Officer will direct the financial advisor to make a payment to the Town from the invested funds.
3. Whenever a cemetery plot is purchased, the Financial Officer credits 75% of the sales receipt to the "Perpetual Care Principal" account and the remaining 25% to the "Cemetery Expansion" account. The Financial Officer then makes a journal entry in the Trust Funds, debiting the "Due from General Fund" account and crediting the other aforementioned accounts.
4. Whenever a transaction occurs for a specific Trust Fund, the Financial Officer takes note of any other receipts and expenditures attributable to that Trust Fund, and makes a journal entry in the Trust Fund debiting the "Due from General Fund" account and crediting the "Due to General Fund" account, as may be appropriate.
5. After completing steps 3 and 4 above, the Financial Officer checks that the amount in the "Due to Trust Fund" equals the amount in the "Due from General Fund"; and that the amount in the "Due from Trust Fund" equals the amount in the "Due to General Fund".
6. The Financial Officer monitors the Trust Funds investments monthly by examining the monthly reports from the Town's financial advisor.
7. According to the Select Board's Investment Policy, the Town Manager, with advice from the financial advisor and the Financial Officer, decides when to sell investments or to make new investments.
8. Monthly, the Financial Officer distributes the net earnings of the investments (adjusted by gains or losses on the sale of investments) to the various trust fund accounts. The basis for this distribution is the amounts at the beginning of the period apportioned to each Trust Fund purpose or activity (i.e., the principal plus the available interest for expenditure). The result of the distribution is a General Journal entry, made by the Financial Officer.
9. Annually, the Financial Officer reconciles the amount in the Trust Fund Investment Account with the list of securities provided by the financial advisor (each valued at cost).

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### **Transfer Station**

#### **Overview**

The Financial Officer performs certain financial tasks related to the Transfer Station. These tasks result in a monthly invoice to the Town of Wayne for its share of costs (including 4 hours per month for the Financial Officer), and a monthly financial report for the Transfer Station Manager and the Town of Wayne.

1. The Transfer Station issues consecutive numbered receipts for any monies received from residents. A Transfer Station employee delivers a duplicate copy of each receipt and the money received on a daily basis to the Town Office. The Collections Clerk enters all numbered receipts into the cash receipt system the following day verifying that consecutive numbered receipts are being used and the correct amount of money is being received.
2. At the end of each month, the Financial Officer prints out the Transfer Station income and expenditures as recorded in the ledger.
3. Using the expenditure entries, the Financial Officer prepares the monthly invoice for the Town of Wayne, the format for which is stored in the computer.
4. Using the income and expenditure accounts, the Financial Officer prepares the financial report, which is also stored in the computer.
5. Monthly, the Financial Officer makes one or more general journal entries charging the Transfer Station accounts for certain administrative costs, property and liability insurance, unemployment insurance, retirement plan costs, and Workers' Compensation Insurance.
6. The Financial Officer mails or faxes the Wayne Town Office copies of each monthly invoice and the monthly financial report showing the crediting of revenues received from all fees, all sales, and payments from Wayne.

### **Investments**

#### **General**

Town funds are invested in accordance with an Investment Policy initially adopted by the Select Board on April 28, 2003 and updated on March 1, 2010.

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### ***General Operating Funds***

The Town Treasurer (Town Manager) may invest excess General Fund money in one or more Certificates of Deposit in financial institutions of his/her choosing with places of business in Central Maine. No more than \$250,000 (or the current FDIC limit) may be invested in any such financial institution, and no such Certificate shall exceed one year in duration.

The financial institutions may be commercial banks, savings banks, credit unions, savings and loan associations, etc., as long as the investments, individually or collectively are fully covered by the FDIC.

Except for said Certificates of Deposit, all of the Town's General Fund money shall be placed in a Cash Management Sweep Account in a financial institution with a place of business in Central Maine. The daily amounts not needed to cover checks presented to the institution for payment shall be invested by said institution for the Town's credit in collateralized Repurchase Agreements, per the Town's contract with the financial institution.

### ***Trust Fund Portfolio***

The Town's Trust Funds shall be invested by the Town Treasurer (Town Manager) in securities (stocks, bonds, money market accounts, etc.) according to the Select Board's Investment Policy for Trust Portfolio, as initially approved on May 27, 2003 with updates on July 21, 2003 and March 1, 2010.

### **Reports**

The Financial Officer prepares the following financial reports at the indicated frequencies:

- a. Revenue and Expenditure Budgetary Reports -- monthly.
- b. Unemployment Compensation Reports -- quarterly.
- c. Federal and State tax reports for the Internal Revenue Service & Maine Revenue Service -- quarterly. (No detail provided for State reports.)
- d. Employee's tax reports -- annually.
- e. Vendor's 1099s -- annually.
- f. Year-end reports for the auditor -- annually. (No detail provided.)
- g. Special reports -- as needed. (No detail provided.)

Daily cash receiving reports generated by the Town Clerk are outlined previously in the *Cash Receipts* section.

### ***Revenue and Expenditure Budgetary Reports***

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The Financial Officer prints out and copies Budgetary Reports for Revenues and for Expenditures at the end of each month for distribution to the Town Manager and Select Board.

The Revenue Report is a listing of each separate revenue account, with estimated annual income, actual receipts to date, and the uncollected balance expected by fiscal year end.

The Expenditure Report is a listing of every separate expenditure account with the amount budgeted, expenditures to date, and the unexpended (or over-expended) balance.

### *Unemployment Compensation Report*

The Financial Officer prepares the quarterly Unemployment Compensation Report on forms provided by the Maine Municipal Association (MMA), and consistent with instructions provided by MMA, using the payroll system's Unemployment Compensation Report and the Retirement Benefit Report for the quarter for eligible employees.

The Financial Officer enters the appropriate amounts on each employee's line on the MMA form, enters the names and related information for each employee not pre-printed on the form, deletes employees not paid during the quarter, enters page totals and report totals. The Financial Officer cross-checks the completed Unemployment Compensation Report against the quarterly Pay Summary Report to assure that only eligible employees are listed on the Unemployment Compensation Report. The Financial Officer mails the completed Unemployment Compensation Report form to MMA prior to the applicable deadline.

### *Federal Tax Report*

To prepare the quarterly Federal Tax Report (Form 941), the Financial Officer uses the quarterly Payroll Tax Summary.

1. The first step is to prepare manually a summary of the items to be entered on the 941. The line items are Total Wages, Federal Income Tax Withheld, Social Security Wages, Social Security Taxes Paid, Medicare Wages, and Medicare Taxes Paid.
2. The Financial Officer then manually prepares a list of tax deposits made with dates, amounts and confirmation numbers.
3. Next, a draft Form 941 is prepared including the Tax Liability schedule.
4. If the total tax liability does not equal the amounts owed and/or deposited (subject to rounding differences), the Financial Officer determines the reasons for the discrepancies and initiates corrective action. Such action could be an additional payment with the Form 941, or a request for credit in the next quarter, or a correcting journal entry.

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5. The Financial Officer signs and mails the Form 941 (with any required additional payment) to the Federal Government prior to the applicable deadline.

***Employee's Tax Reports***

The Financial Officer prints out employee reports at the conclusion of the calendar year, as follows:

1. The Financial Officer prints out calendar year-end payroll reports using the Payroll System, including the W-2 Audit Report.
2. If the W-2 Audit Report appears, upon careful inspection, to be free of errors, the Financial Officer prints the W-2's and checks the totals for accuracy.
3. The Financial Officer then prepares the W-3 transmittal for the W-2's.
4. The Financial Officer prepares a Maine State Form W-3ME.
5. The Financial Officer mails the applicable copies of the W-2 and the W-3 to the Social Security Administration, transmits the W-3ME electronically to the State of Maine, and either delivers or mails the employee's copies to each employee.
6. The town's copies of W-2's and W-3 are filed with the quarterly 941's and other income tax documents for said calendar year.

***Vendor's 1099s***

1. The Financial Officer determines which vendors need to receive Form 1099s at calendar year-end, based upon the prior year's action and on knowledge of the current year's vendors.
2. The amounts paid to each such vendor are then obtained by the Financial Officer from the computer records (the first half of the calendar year from the prior fiscal year entries; and the last half of the calendar year from the current fiscal year entries). Said amounts are categorized as required on the 1099-Misc form.
3. The Financial Officer then enters in the computer the name, address and identification number of each such vendor. Information is obtained from W-9's.
4. The Financial Officer prints the 1099-Misc forms, using the information in the computer.
5. The Financial Officer obtains the totals needed for the 1096 transmittal form by adding the amounts on the 1099s and then types the 1096.

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6. The Financial Officer then mails the 1099s to the vendors and the 1096 to the Federal Government, making sure that the figures on the 1099s total the applicable figures on the 1096.
7. The State of Maine does not want a copy of each 1099 nor of the 1096.

**Reconciliations:**

***General***

1. The Financial Officer makes the reconciliations of financial balances.
2. Reconciliations are routinely done for these ledger accounts:
  - a. 'Cash' compared to bank statement balances.
  - b. All Property Tax Receivable accounts compared to the printouts of unpaid tax accounts.
  - c. Motor Vehicle Registration Fees payable (to the State) compared to the un-submitted registration forms.
  - d. Inland Fisheries and Wildlife payable (to the State) compared to the monthly report.
  - e. Dog License Fees payable (to the State) compared to the unreported dog license fees.
3. Records of reconciliations are maintained and retained with other detailed financial records.

***Checking Account***

1. Each month the Financial Officer reconciles the bank statements against the corresponding ledger account and against the manual checking record.
2. The Financial Officer adds the balance on the Cash Management Sweep statement to the balance on the Business Checking statement to obtain the balance.
3. The Financial Officer prints out the ledger account 'Cash in Checking' as of the end of the month.
4. The Financial Officer adjusts the bank balance by deducting the total amount of outstanding checks.

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5. The Financial Officer then determines the differences between the adjusted bank balance and the ledger account balance, and between the adjusted bank balance and the manual checking record.
6. The Financial Officer then identifies the individual items that comprise these differences, which are commonly:
  - a. Deposits in transit.
  - b. Outstanding checks.
  - c. Bad checks.
  - d. Deposit errors.
  - e. Unrecorded service charges.
  - f. Unrecorded interest earned.
7. The Financial Officer enters said items on the reconciliation document, achieving a total for the ledger account, and for the manual checking record which equals the adjusted bank balance.
8. The Town Manager reviews and signs the reconciliation document.
9. The Financial Officer files said document with the bank account reconciliations from prior months.

### *Property Taxes*

1. The Financial Officer reconciles the Property Tax Receivable ledger accounts with the printouts of unpaid taxes generated by the computerized Tax Collections System.
2. This reconciliation is performed at the end of each month for prior year's taxes, and current year's taxes.
3. Reconciliations are made separately for each year for which there are unpaid taxes, and separately for Personal Property and Real Estate taxes.
4. The Financial Officer prints out lists of unpaid Personal Property and Real Estate taxes from the Tax Collections system.
5. If the ledger amount differs from the total of the applicable list of unpaid taxes, the Financial Officer examines each transaction to identify the discrepancies.
6. The Financial Officer makes adjustments in the ledger account and/or in the accounts of the individual taxpayers, to eliminate any discrepancies and achieve balance.
7. The Town Manager reviews and approves the reconciliation documents.

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8. The Financial Officer files each month's reconciliation documents in a separate file folder in the Unpaid Taxes section of the general files.

***Collections for the State***

1. The Town issues motor vehicle renewal registrations, hunting and fishing licenses, recreation vehicle (boat, ATV and snowmobile) registrations, plumbing permits and dog licenses, and collects sales taxes for certain transactions, all of which involve receipts that are paid periodically to the State of Maine.
2. As money for the State is received, it is recorded in the Cash Receipts system in the appropriate liability account.
3. When payments are made to the State, the liability accounts are debited.
4. At any time, the credit balance in each such liability account should be represented by the State's copies of applicable registration forms and licenses, which have not been transmitted to the State; or the amounts collected but not reported to the State (for dog licenses and sales tax).
5. The Financial Officer reconciles the credit balances in these liability accounts monthly.
6. The process involves adding the amounts due to the State from the unsubmitted documents (or unreported fees) in one category (i.e., boat registrations) and comparing that total to the credit balance in the applicable ledger account.
7. If the figures do not agree, the Financial Officer examines the individual transactions to identify the error(s) and then makes the necessary journal entry or takes other corrective action to achieve balance.
8. The Town Manager reviews and signs each reconciliation document.
9. Records of these reconciliations are retained in the files until the financial records for the fiscal year have been audited, and are then destroyed.

**Tax Billing**

1. Property tax information is entered into the Tax Billing System by the Assessors' Agent. This information includes names, addresses, valuations, map and lot numbers, exemptions, and related data.
2. When all entries have been made for a fiscal year (as of the prior April 1), the tax commitment book is printed from the computer system. The computer automatically

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posts each taxpayer's new tax amount to the proper account for the applicable year in the Tax Collection System. A file is created containing each property owner's tax bill information by the Financial Officer. The tax bills are outsourced to a vendor for printing and mailing.

3. The Financial Officer sends the Tax Club booklets by first class mail to the taxpayers in the Tax Club.
4. When supplemental taxes are assessed and approved by the Board of Assessors, they are entered into the Tax Billing System by the Assessors' Agent or Financial Officer.
5. When abatements are approved by the Board of Assessors and/or by the Select Board, they are entered into the computer system by the Assessors' Agent or Financial Officer.

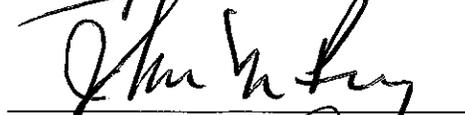
### Summary

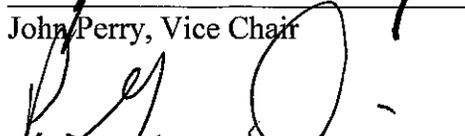
The above information is meant to provide guidance for the various processes that involve financial transactions for the Town. Detailed instructions for computer entry and processing are available through the specific program instructions and help manuals.

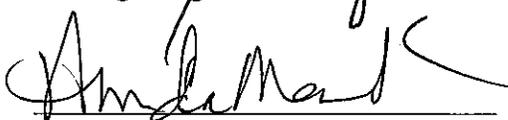
After due review and consideration, these Financial Procedures are adopted by majority vote of the Select Board on June 7, 2010.

Members:

  
Kathryn Mills Woodsum, Chair

  
John Perry, Vice Chair

  
P. Greg Durgin

  
Amanda Mank

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And:

  
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Teresa Shaw, Financial Officer

  
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Stefan Pakulski, Town Manager