

**FINANCIAL MANAGEMENT POLICY
TOWN OF WATERBURY**

Section 1: Title, Authority and Purpose

This policy shall be known as the "Town of Waterbury Financial Management Policy." It has been adopted by the Town of Waterbury Select Board pursuant to 24 VSA section 872.

The purpose of this Policy is to provide guidance for the financial management system of the Town of Waterbury in compliance with best practices and standards of the Government Accounting Standards Board (GASB) as well the appropriate provisions of Title 2, Part 200 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Grant Guidance").

Section 2: Authority for Financial Oversight

The Town of Waterbury, by its adoption of the Town Manager form of government delegates financial and budget authority to the Municipal Manager who oversees the day-to-day financial management activities of the Town's funds, ensuring that the accounting records are accurate, internal controls are in place and adhered to, financial reports are prepared and communicated to the Municipal Manager in a timely fashion. The Finance Department is responsible for the preparation and maintenance of the accounting software's chart of accounts, maintenance of the general ledger, reconciliation of subsidiary system accounts such as cash management, accounts payable, accounts receivable, job costing, payroll, journal entries, and responsibility of preparing required reports for compliance with the Internal Revenue Service (IRS), State and Federal grant reporting requirements.

Section 3: Accounting Methods and Control Standards

Accounting methods and procedures employed by the Town of Waterbury shall, at a minimum, satisfy such requirements as may be prescribed by current federal or state laws, regulations or guidelines as well as the current accounting standards promulgated by the Governmental Accounting Standards Board (GASB).

Revenue shall be recognized in the accounting period in which they are earned and measurable (see GASB Statement 34 through the most current updates). Federal, state, and local grant revenues are recognized in accordance with the legal and contractual requirements of the specific programs. Grant revenues are recognized based on expenditures recorded.

Expenses are generally recognized in the accounting period in which they are incurred, when measurable. Exceptions to this general rule include: prepaid expenses which are recognized as they are used or consumed; and capital assets which are recorded at historical cost and expensed through depreciation over the useful life of the assets.

The Town shall follow best practices for internal controls including those used in non-federally funded operations as well as federally funded operations. In both cases, the Town will follow COSO guidelines for internal controls as outlined in the Town of Waterbury Controls Guidance document which covers the requirements for those operations that are funded by federal grants, as promulgated in the provisions of Title 2, Part 200.302, Part 200.303, Part 200.305, Part 200.313, and Part 200.335 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Grant Guidance").

Section 4: Account Records and Source Documents

In the administration of all funds, the Town's financial management system must be set up so that it can provide a complete audit trail, maintaining both accuracy and transparency. The Town must maintain adequate accounting records that are supported by source documents which are the basis for all accounting transactions that are entered into the accounting system. Examples include checks, invoices, warrants, copies of checks and receipts, timesheets, etc.

The Town must maintain records which adequately identify the source and application of funds provided, including separate funds that comply with GASB required fund types as well as those required by grantor agencies.

Federal Awards. All Federal awards received and expended by the Town must be properly identified and accounted for and must include, as applicable, the Catalog of Federal Domestic Assistance (CDFA) title and number, grant identification number and year, name of the federal agency, and the name of the pass-through entity, if any.

State and Local Awards. All State and Local awards received and expended by the Town must be properly identified and accounted for and must include, as applicable, the title and name of the grant award, the award number and the year, and the name of the pass-through entity, if any. The Town must maintain source documents that adequately support the grant award, authorizations, obligations, unobligated balances, assets, expenditures, income and interest.

Section 5: Records and Information Management

The Town shall apply uniform rules for the Town's records (including financial) and information which meet legal standards and best practices for effective records and information management for existing records and yet to be created records, and shall apply to all employees and contractors who generate information for the Town. The Town shall ensure:

- 1) Control of all information, regardless of media form;
- 2) Records are retained in accordance with legal, business and federal, state, and local government program requirements;
- 3) Records are maintained and stored in a manner that is secure and accessible through the retention period;
- 4) Appropriate safeguards are in place against illegal access, removal, loss, or destruction of the Town's records and information;
- 5) Disposal of records and information is performed in accordance with an approved records retention schedule as required by the Vermont Secretary of State.

Section 6: Financial Reports

The Town must be able to produce accurate, current, and complete disclosure of the financial results of all funds in accordance with generally accepted accounting principles as defined by GASB, as well as each of the financially assisted activities made in accordance with the financial reporting requirements of the appropriate grants or subgrants. The Town shall use the financial reports as tools to manage, control, ensure compliance, monitor, and inform the Town on its financial activities.

Management and Board Reports: The Finance Department shall prepare and make available to management and the Board on a monthly basis, financial reports to include a Fund Balance Sheet and Budget to Actual reports detailing significant variances of sources and uses of funds.

Department Heads receive the Budget to Actual reports for review and will notify the Finance Department of any line items transactions that may need to be corrected. The Municipal Manager completes a final review prior to preparation of the reports. The final statements are provided to the Select Board at the Select Board's regularly scheduled monthly meetings, no less often than once a quarter.

Reports to Grant Agencies. The Town shall complete and submit all reports to Federal, State, and Local grant agencies in accordance with, and in the format and timelines required by the agency. The Finance Department shall be responsible for the oversight of all such administrative and financial reports, before the due dates required by the agency contracts.

Section 7: Cash Management

The Finance Department shall be responsible for monitoring the daily cash flow and balances of all cash funds. The Town Treasurer and Municipal Manager shall be responsible for monitoring the cash flow and

balances of all investments. On a monthly basis, the cash and investment balances will be reconciled with bank and investment statements and provided to the Municipal Manager for review and approval. Reconciliations of both cash and investments as well as collections and disbursement processes shall be done in accordance with the provisions of the Town of Waterbury Cash Management Policy.

If at any time, the Finance Department finds the Town in a potential cash deficiency situation, the Municipal Manager must be notified immediately. Any cost allocable to a particular Federal award may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons.

Section 8: Budget Administration

Budget Development. The Town's annual budget represents a financial plan for management to carry out the objectives of the Town's municipal activities. The Municipal Manager is responsible for preparing the annual budget, and presenting the annual budget to the Select Board for final approval. Total projected revenues or sources and estimated expenditures or uses of funds are identified and included in the annual budget, allowing for inclusion of all funding sources and all funding outlays during the budget period. Grant funded programs that have been approved prior to budget development should be included in the appropriate fund budget. Once the budget has been approved, the Finance Department shall input the approved budget in the accounting system for the new fiscal year.

Budget Management. Department Heads shall be responsible for preparing the initial department budget draft and for managing transactions that are charged against their approved department budgets. They shall be accountable for ensuring their department revenues and expenses posted against their department budgets are accurate and shall be responsible for providing justification for any budget variances. All purchases made against the budget appropriations must follow the Town of Waterbury Purchasing Policy.

The Municipal Manager shall be responsible for compiling department budget drafts and completing a final review prior to presentation of a preliminary budget to the Select Board for approval. The Municipal Manager shall also be responsible for monitoring, managing, and reporting to the Select Board at each monthly meeting the Town's budget performance during the course of the fiscal year, making necessary adjustments to ensure compliance with the final Town approved appropriations.

The Select Board shall be responsible for receiving, reviewing and approving the preliminary budget to be submitted to the voters at Town meeting annually.

Grant Budget Management. The budget for specific grant awards provides a spending plan against which fiscal and program performance can be measured. Therefore, the Town's accounting system must be set up in a manner that allows the Town to produce financial reports that compare expenditures with budget amounts in compliance with the Federal award agreement.

Grant program managers are responsible for monitoring these reports and ensuring compliance. The Finance Department and Municipal Manager shall provide oversight for budget performance in accordance with the provisions set forth above. All purchases made against the budget appropriations, including grant budgets, must follow the Town of Waterbury Purchasing Policy.

Section 9: Capital Assets Administration

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year and a cost over \$5,000, capitalized in accordance with GASB guidance. Capital assets include: 1) Land, buildings (facilities), vehicles, equipment, infrastructure, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease purchase, exchange, or through capital leases; and 2) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

Capital asset acquisitions and disposals, and the accounting, safeguarding and reporting of such, shall follow the guidelines in the Town of Waterbury Capital Assets Policy. Grant funded equipment shall be administered following guidance provided by Title 2, Part 200.302, Part 200.303, Part 200.313, and Part 200.335 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Grant Guidance").

Section 10: Audit

The Town shall have a financial audit completed annually by a certified, external, independent accounting firm. The Municipal Manager and Finance Department shall have direct responsibility in overseeing the implementation of the audit. The Municipal Manager shall make available the completed audit report to the Select Board. The auditors shall present the audit to the Select Board for approval and acceptance.

The audit shall meet the Generally Accepted Government Auditing Standards (GAGAS) in accordance with the Government Accounting Standards Board (GASB). The Town's audit shall include an audit of any federal, state, and local government funded programs expended during the audit period and comply with the audit requirements under Title 2 Part 200.500 through Part 200.513 of the Uniform Grant Guidance.

Single Audit. If the Town expends \$750,000 or more of federal funds during the fiscal year, it is subject to a single audit and must comply with the scope of audit within the Uniform Grant Guidance where the auditor shall test for the Town's: 1) Compliance with the requirements of the federal program, and 2) Internal Control over the compliance of the program.

Audit Findings and Follow-up. The Town shall submit the audit findings to the appropriate grantor agencies if required by contract or as requested. The Town shall develop a plan to correct all deficiencies (if any) noted in the audit and shall implement sufficient and appropriate corrective actions in order to preclude repeat findings in subsequent audits. The Town shall be required to describe in the audit document reasons for the reoccurrence of the finding, planned corrective action, and any partial corrective action taken.

Report Submission. When a single audit is required, the audit shall be submitted by the audit firm to the Federal Audit Clearinghouse (FAC) within thirty (30) days after receipt of the auditor's report, or nine (9) months after the end of the audit period, whichever is earlier.

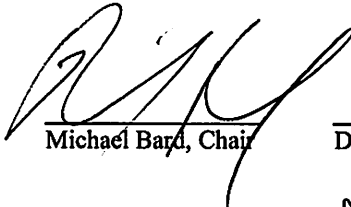
Section 11: Internal Controls and Segregation of Duties

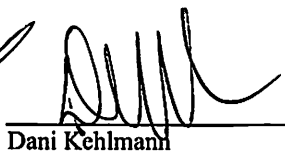
The Town shall establish written procedures to implement internal controls (based on the Town of Waterbury Control Guidelines document) over cash handling and requirements for payment methods that will:

- 1) Ensure there are sufficient funds to cover payments made for program and operations activities;
- 2) Ensure adequate internal controls are in place in the handling of cash receipts from the time of receipt to deposit in the appropriate depository or broker account;
- 3) Establish written procedures to ensure the amount and the timing of grant award advances drawn for the purpose of paying program expenses have not been drawn unreasonably in advance of when the funds are needed for program expenses;
- 4) Establish adequate internal controls and written procedures to ensure payments are made only for approved purposes;
- 5) Maintain adequate accounting records for cash receipts and payments.

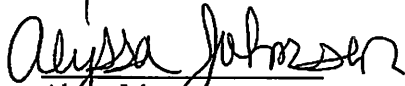
This Policy is based on the principle of separation of duties. Accordingly, no single person shall have the authority to authorize a transaction, execute a transaction, record a transaction, and have custody of any resulting assets.


The foregoing Policy is hereby adopted by the Select Board of the Town of Waterbury this 19th day of December, 2022 and shall be effective January 1, 2023 until amended or repealed.


Michael Bard, Chair


Dani Kehlmann


Roger Clapp


Alyssa Johnson


Christopher Viens