

Accounting, Auditing, and Financial Reporting Policy & Procedures Town of West Fairlee (Revised 2/21/2011)

The purpose of this Accounting, Auditing and Financial Reporting Policy is to establish and maintain high standards for accounting practices in the Town of West Fairlee, thereby enabling voters, the selectboard, and the treasurer to make sound decisions in preparing and adopting the Town budget and managing Town finances.

Accounting:

The accounting practices of the Town will conform to Generally Accepted Accounting Principles for local governments as established by the Governmental Accounting Standards Board. The treasurer will establish and maintain a system of fund accounting and shall measure financial position and results of operations using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary and fiduciary funds.

Auditing:

Not less than every 3 years the selectboard will cause the Town financial statements to be audited by a qualified, properly licensed independent accounting firm. This audit will be conducted in addition to any audit performed by the Town's elected auditors under 24V.S.A. § 1681.

General Principles:

The Treasurer will keep all original invoices for all accounts payable. Reimbursement for product or services must be adequately recorded and filed with an original receipt and full description of reimbursement.

Monthly Financial Reporting:

The treasurer will prepare monthly financial reports for the selectboard's management purposes. These will consist of:

- **Budget Report** showing revenues collected and appropriations expended for the previous month with the variance from the budget amounts for each line item;
- **Statement of Revenue, Expenditures, and Changes in Fund Balance** showing revenues and expenditures and the difference between the two, the beginning fund balance for the period, the ending fund balance; and
- **Balance Sheet** showing Town assets less liabilities and the fund balance.

The Chair of the Selectboard will review all journal entries and supporting documentation with the Treasurer and report findings to the full Board when monthly financial reports are reviewed.

The Town Auditors will independently reconcile the banks statements to the General Ledger on a monthly basis.

Annual Financial Reporting:

The treasurer will also prepare an annual financial report. This report should include financial statements for each of the funds of the Town, as well as appropriate additional disclosures as

necessary for the complete understanding of the financial statements presented. In addition, the report should include a narrative discussion to explain how the Town's current financial position and results of financial activities compare with those of the prior year and with budgeted amounts. This report, together with the most recent independent auditor's report and any report prepared by the Town's elected auditors under 24 V.S.A. § 1682, will be reproduced in the Town's annual report each year.

Once year-end financial reports are available, the Selectboard will meet with the Treasurer to reconcile bank balances to the General Ledger, current and delinquent taxes, and payroll; and to audit petty cash and trash tickets. At that time, the Selectboard will also conduct a self-audit of its management practices and address any deficiencies; and review all insurance coverage(s) and appropriate surety and/or performance bonds.