

# **TOWN OF KERNERSVILLE**

Fiscal Operating Policies and Practices

Finance Department

Revised 07.10.24

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# **TOWN OF KERNERSVILLE**

## **Fiscal/Operating Policies and Practices**

### **I. BUDGET**

#### **A. DUTIES OF THE BOARD OF ALDERMEN.**

Not earlier than ten (10) days after the day a proposed Annual Budget is presented to the Board of Aldermen and not later than June 30, the Board of Aldermen shall adopt a Budget Ordinance allocating appropriations and reflecting the levying of taxes for the budget year in such amounts as the Board of Aldermen may consider sufficient and proper, regardless of whether greater, less, or the same as the amounts recommended in the proposed Budget. The Budget Ordinance shall reflect and authorize all financial transactions that are required to occur for the Town in accordance with NC General Statutes §159-13.

Before adopting any Annual Budget Ordinance, the Board of Aldermen shall first hold a Public Hearing at which time any person who wishes to be heard regarding the proposed Budget may appear.

#### **B. DUTIES OF THE TOWN MANAGER.**

The Town Manager is the Budget Officer of the Town, and, as such, shall prepare a proposed Annual Budget balanced for each fund, itemizing revenues and expenditures, and shall submit it to the Board of Aldermen no later than June 1 of each Fiscal Year. Additionally, the Budget Officer shall include in the budget a proposed financial plan for each intra-governmental service fund, as required by G.S. 159-13.1, and information concerning capital projects and grant projects authorized or to be authorized by project ordinances, as required by G.S. 159-13.2.

In each year in which a general reappraisal of real property has been conducted by Forsyth and/or Guilford County, the Budget Officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget. The revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. To calculate the revenue-neutral tax rate, the budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year. The budget officer shall further adjust the rate to account for any annexation, de-annexation, merger, or similar event that has occurred during the current Fiscal Year.

On the same day that he/she submits a proposed Annual Budget to the governing board, the Budget Officer shall file a copy of the same in the office of the Town Clerk where it shall remain available for public inspection until a Budget Ordinance is adopted.

### **C. DUTIES OF THE FINANCE DIRECTOR.**

The Finance Director shall carry out the duties of his/her office as prescribed by NC General Statutes §159, Subchapter III, BUDGETS AND FISCAL CONTROL, Article 3, Part III, Fiscal Control.

### **D. DUTIES OF THE TOWN CLERK.**

The Town Clerk shall make a copy of the proposed Budget available in his/her office for all news media and public. The Clerk shall also publish a statement that the Budget has been submitted to the governing board, and is available for public inspection in the office of the Town Clerk. The statement shall also give notice of the time and place of the Budget Hearing required by NC General Statutes §159-12(b).

### **E. DUTIES OF THE DEPARTMENT HEADS.**

By April 30 of each fiscal year (or an earlier date fixed by the budget officer), each department head shall transmit to the budget officer the budget requests and revenue estimates for his/her department for the budget year. The budget request shall be an estimate of the financial requirements of the department for the budget year, and shall be made in such form and detail, with such supporting information and justifications, as the budget officer may prescribe. The revenue estimate shall be an estimate of all revenues to be realized by department operations during the budget year. At the same time, the finance officer or department heads shall transmit to the budget officer a complete statement of the amount expended for each category of expenditure in the budget ordinance of the immediately preceding fiscal year, a complete statement of the amount estimated to be expended for each category of expenditure in the current year's budget ordinance by the end of the current fiscal year, the amount realized from each source of revenue during the immediately preceding fiscal year, and the amount estimated to be realized from each source of revenue by the end of the current fiscal year.

### **F. BUDGET AMENDMENTS AND TRANSFERS.**

The Town Manager is authorized to transfer amounts between line items within a department. Transfers between departments, and revisions of the revenue or expenditure totals, require Board of Aldermen approval by Budget Ordinance. The Board of Aldermen may amend the Budget Ordinance at any time after the Annual Budget Ordinance's adoption, so long as the Ordinance, as amended, continues to satisfy the requirements set forth in NC General Statutes Chapter §159.

The Board of Aldermen shall approve a Budget Amendment reflecting monetary changes in the Annual Budget Ordinance for any contract it approves or action it takes which does not have an appropriation of funds in the Annual Budget Ordinance. The Budget Amendment shall be presented to the Board of Aldermen at the same meeting in which the contract is approved, or action is taken, or at the next regularly scheduled Board of Aldermen meeting providing such meeting is held within the same fiscal year in order that the Town's Budget remains balanced at the close of the fiscal year as prescribed in NC General Statutes §159-8.

## **II. REVENUES**

### **A. REVIEW OF FEE SCHEDULES.**

Fee schedules and user charges are reviewed by the Board annually as part of the budget considerations. The Town Manager may adjust the fee schedule periodically to ensure that rates are equitable and that they cover the total cost of the service or that portion of the total cost deemed appropriate by the Town of Kernersville.

### **B. ANTICIPATED GRANTS.**

Grants or awards of similar revenue shall be budgeted only if they have been awarded or are reasonably anticipated to be awarded at the time of the recommended budget. Otherwise, separate appropriations will be made during the year as such grants are awarded or contracts entered.

The Town of Kernersville shall seek a fair share of available State and Federal financial support. Prior to accepting intergovernmental aid, the Town of Kernersville will examine the matching requirements so that the source and availability of these funds may be determined.

### **C. CAPITAL CONSTRUCTION FEES**

The Board may establish fees for capital construction as authorized by NC General Statutes.

### **D. ENTERPRISE/SPECIAL FUNDS.**

The Town of Kernersville will establish and maintain special revenue funds that shall be used to account for the proceeds of specific revenue sources to finance specified activities required by statute, ordinance, resolution, or executive order.

Enterprise Fund revenues in excess of expenditures at the end of a fiscal year should be used to meet the needs of that particular fund whether for major facility expansion(s) or to meet future needs of that Fund.

### **E. COST RECOVERY/USER FEES.**

The Town of Kernersville shall set user charges and fees for each enterprise fund [ex: Stormwater Fund] at a level that will support the direct/indirect costs of the activity. The Town of Kernersville shall establish, annually, user charges and fees at a level that recognizes the total cost of providing the services including the cost of capital assets and the indirect cost of depreciation.

### **F. PROPERTY TAX COLLECTION.**

Provided the Forsyth County and Guilford County Tax Collectors continue an aggressive collection policy, and for so long as it is financially sound to do so, the Town of Kernersville shall engage the Forsyth County and Guilford County Tax Collectors to collect on its behalf all ad valorem Property Tax Revenues, and other fees collected as are required.

### **III. EXPENDITURES**

#### **A. REVIEW OF OPERATIONS.**

The Town of Kernersville staff shall strive to minimize the financial burden on the Town's taxpayers through periodic review of all Town programs with an objective to improve the efficiency and effectiveness of Town operations. Operations will be monitored throughout the year by the Town Manager who shall make administrative adjustments and/or recommendations to the Board of Aldermen. This policy is to reasonably achieve the highest degree of output of all departments, at reasonable cost, while maintaining the quality of life expected by town citizens.

### **IV. DEBT**

#### **A. LONG-TERM DEBT.**

When considering the utilization of long-term debt financing, Staff and the Board of Aldermen shall:

1. Conservatively project the revenue source(s) that will be utilized to pay the debt;
2. Finance the improvement over a period that is not greater than the useful life of the improvement and shall;
3. Confine long-term borrowing to capital improvements that cannot be financed from revenues in a current fiscal year or short time period.

#### **B. DEBT LIMITATION.**

As required by NC General Statutes, the Town of Kernersville shall manage the issuance of debt obligation such that the net debt of the Town of Kernersville shall not exceed eight percent (8%) of the assessed value of its taxable property.

#### **C. CREDIT RATING.**

The Town of Kernersville shall endeavor to maintain and, if possible, improve its current bond ratings in order that its costs of borrowing of funds are minimized, and its access to credit is preserved.

#### **D. DISCLOSURE – FULL AND CONTINUING.**

Full disclosure of operations and finances shall be made to any bond rating agencies. The Town of Kernersville staff, with the assistance of any financial advisor(s), feasibility consultant(s) and bond counsel, shall prepare the necessary materials for presentation to any rating agency, shall aid in the production of Official Statements, and shall take responsibility for the accuracy of all financial information released.

#### **E. DEBT FINANCING MECHANISMS.**

The Town of Kernersville Staff and Board of Aldermen shall examine appropriate financial alternatives in addition to long-term debt financing including, but not limited to, pay-as-you-go, reserve funds, lease-purchase, special assessments, state and federal aid, certificates of participation, and tax increment financing.

## **V. CAPITAL IMPROVEMENTS**

### **A. DEVELOP CIP.**

The Board of Aldermen of the Town of Kernersville shall, annually, plan for capital improvements over the forthcoming five-year period of time. The Capital Improvements Program shall directly relate to the long-range plans and policies of the Town of Kernersville.

### **B. LEAST COST FINANCING METHOD.**

The Town Manager shall determine, and recommend to the Board of Aldermen, the most appropriate financing method for any capital project including taking into consideration the Town's current fund balance and the cash flow requirements of the Town.

### **C. ASSET MAINTENANCE.**

The Town of Kernersville shall maintain a current record of all of its fixed assets and shall depreciate the same according to an approved schedule. All equipment shall be maintained in order that its useful life will be maximized. Staff shall recommend, and the Board of Aldermen shall approve, timely replacement of equipment in order that Town services may be provided according to citizen expectations.

## **VI. CASH MANAGEMENT**

### **A. CASH FLOW FORECASTING.**

The Town of Kernersville shall calculate cash flow needs on a monthly basis. Disbursements, collections, and deposits of all funds shall be scheduled to ensure maximum cash availability and investment potential.

### **B. CASH AVAILABLE FOR INVESTMENT AND TIME PERIOD OF INVESTMENT.**

The Finance Director shall, on an ongoing basis, determine the amount of Town funds available for investment. The Finance Director shall determine the amount available for investment, and schedule the maturities of investments, in order that the Town of Kernersville will have sufficient available funds in demand deposits to ensure the prompt payment of all Town obligations.

### **C. FDIC INSURED DEPOSIT ACCOUNTS.**

The Town of Kernersville shall deposit daily operating revenues into financial institutions that are insured by the Federal Deposit Insurance Corporation or are otherwise fully collateralized.

## **VII. INVESTMENTS**

### **A. RETURN ON INVESTED CAPITAL.**

The Finance Director shall be responsible for investing Town of Kernersville funds in such a manner so as to best maximize the return on investment while protecting the Town's funds by minimizing investment risk.

When making investments, the Town of Kernersville shall follow State law, local investment guidelines, and the following criteria in priority:

1. Safety: Preservation of capital;
2. Liquidity: Maintenance of a liquid position; and
3. Yield: Maximization of yield.

#### **B. FUNDS AVAILABLE FOR INVESTMENT.**

Funds available for investment shall include the general fund, special revenue funds, capital projects funds, enterprise fund, reserve funds, trust and agency funds (to the extent not required by law or existing contract to be kept segregated and managed separately), debt service funds (including reserves and sinking funds and any new fund created by the Town of Kernersville unless specifically exempted from this policy by the Board of Aldermen or by law).

#### **C. REVIEW OF INVESTMENTS.**

The Town of Kernersville's investments shall be reviewed annually by the Town's auditor as part of the annual audit process. Any irregularities shall be reported directly to the Board of Aldermen through the audit report and/or verbally through attendance at a regular or special Board of Aldermen meeting.

#### **D. INVESTMENT INSTRUMENTS.**

All eligible investments of the Town of Kernersville funds shall be limited to obligations of the U.S. Government (such as Treasury Bills, Bonds and Notes), time deposits with any Bank or Savings and Loan with a North Carolina presence, North Carolina Capital Management Trust, and any other type of legal investments allowed by state law or state regulation. [For details on the current investment policy, see Appendix A]

### **VIII. ACCOUNTING**

#### **A. ACCOUNTING SYSTEMS AND GAAP.**

The Town of Kernersville shall maintain the highest level of accounting practices reasonably possible. Accounting systems shall be maintained in order to facilitate financial reporting in conformance with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board.

#### **B. ANNUAL AUDIT AND INDEPENDENT AUDITOR.**

An independent firm of certified public accountants shall perform an annual financial and compliance audit according to Generally Accepted Auditing Standards (GAAS) and will publicly issue an opinion that will be incorporated in the Comprehensive Annual Financial Report.

**C. FULL DISCLOSURE.**

Full disclosure shall be provided in both the annual audit report and in any bond presentation.

**D. INTERNAL ACCOUNTING CONTROLS.**

The use of internal accounting controls to the maximum extent feasible is encouraged. Internal accounting controls include both procedures and use of equipment.

**IX. PURCHASING**

**A. INCURRING OBLIGATIONS.**

No obligation may be incurred in a program, function, or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year. No obligation may be incurred for a capital project or a grant project authorized by a project ordinance unless that project ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay the sums obligated by the transaction. Nothing in this section shall require a contract to be reduced to writing.

**B. PRE-AUDIT REQUIREMENT.**

Any obligation reduced to a written contract or written agreement requiring the payment of money, or is evidenced by a written purchase order for supplies and materials, the written contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been pre-audited to assure compliance with the requirements of incurring obligations.

The certificate, which shall be signed by the finance officer, or any deputy finance officer approved for this purpose by the governing board, shall take substantially the following form:

*This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.*

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*Finance Director*

**C. EXEMPTIONS TO PRE-AUDIT REQUIREMENTS.**

The following items are exempt from pre-audit requirements:

1. An obligation or a document related to the obligation has been approved by the Local Government Commission.
2. Payroll expenditures, including all benefits for employees of the local government.
3. Electronic payments, as specified in rules adopted by the Local Government Commission.

#### **D. THE ENCUMBRANCE SYSTEM.**

State law requires that an encumbrance system be used by all governments within the State of North Carolina with a population greater than 10,000 but does not provide detailed guidance for constructing such a system; therefore, the Town of Kernersville establishes the following encumbrance system.

#### **E. ENCUMBRANCE THRESHOLD.**

It is the policy of the Town of Kernersville that all purchases with an estimated cost of \$3,000 or more will require a requisition approved by a department head or their designee, the Town Manager, and the Finance Director with the following exceptions:

1. Payroll and Payroll Expenditures – payroll and expenditures directly related to employee deductions.
2. Refunds to businesses and citizens for current year collections.

#### **F. PROCESSING INVOICES.**

At a minimum, all Town payments must be approved by the appropriate Town official(s) before payment will be made. Approval is defined as:

1. An electronic approval and account number(s) for all invoices;
2. Documentation that identifies the item being purchased and from whom it is being purchased;
3. An active purchase order containing sufficient funds when the purchase threshold requiring one is reached.

Invoices presented to the Town over the purchase order threshold may be delayed for payment or not honored unless supported by a properly signed purchase order.

#### **G. CONTRACT ADMINISTRATION.**

The Town Manager is responsible for the approval of all contracts/agreements except purchase orders. All contracts/agreements must be approved as to form by the Town Attorney before execution and must be pre-audited by the Finance Director.

#### **H. ALTERNATIVE APPROVAL.**

In the event that the Town Manager is unavailable to approve requisitions, the Finance Director shall have authority to do so. In the event that both the Town Manager and Finance Director are unavailable, the Town Manager's designee shall have said authority.

Anyone having the responsibility for, and authority to approve, invoices for payment shall attend to all invoices, requisitions and purchase orders in a timely manner so as to avoid late payment penalties/fees and disruption of the normal accounts payable process. In the event an individual having the responsibility for, and authority to approve, invoices is out of town or is otherwise unable to attend to his/her accounts payables in a timely manner, he/she should arrange for processing and approval of

the invoices, requisitions and/or purchase orders by someone else who has been granted authority to approve such documents by the Town Manager.

#### **I. REIMBURSEMENTS FOR PURCHASES MADE ON A PERSONAL CREDIT CARD OR WITH PERSONAL FUNDS.**

Town employees are not expected to use their personal credit cards or funds in the process of purchasing item related to Town business-related expenses. If an employee has a Town-issued Procurement Card that is unable to be processed, they may use their personal card or funds as an alternative payment method in the event of an emergency. For employees who do not have a Town-issued Procurement Card, they may use their personal credit card or funds as a method of payment if first approved by their Supervisor. The Town will reimburse an employee for the use of their personal funds as described.

Reimbursement will be made only after the following are submitted to the Finance Department:

1. The written authorization by the employee's supervisor detailing why the employee had to use their personal funds in the performance of Town-related business or for a Town-related purchase;
2. A receipt showing the item purchased and the date it was purchased (a credit card statement will not be accepted);
3. A requisition signed by the Department Head and/or Town Manager approving the reimbursement request if the threshold requiring a purchase order (\$3,000) is reached;

In the event that Town money is advanced to an employee for the purchase of goods/services for a Town-related business expense, the employee must submit a balanced reconciliation, which is satisfactory to the Finance Director, which clearly identifies what was purchased, the date it was purchased, from whom it was purchased, the price paid, the money advanced and what is owed the Town or employee as settlement for any differences between the advance and the cost of the item(s) purchased.

Upon receipt of all required documentation, the Finance Department shall issue a check to reimburse an employee under this section within ten (10) business days.

#### **J. COMPETITIVE BIDDING PROCESS.**

In accordance with North Carolina General Statutes, the Town of Kernersville requires that formal bids be procured for all supplies, materials, or equipment with an estimated cost of \$90,000 or more and construction or repair work requiring an estimated cost of \$500,000 or more. The Department Head is responsible for administering all formal bids for the purchase of supplies, material, or equipment for his/her department.

It is the policy of the Town of Kernersville that informal bids be procured for all requests for supplies, materials, or equipment with a cost of \$10,000 or more. Informal bids for purchases may be obtained by documented verbal statements, electronic communications, or in writing. Excluding work which must be compensated on a unit price or time and materials basis, construction or repair work with an

estimated cost of \$30,000 or more but less than \$500,000 shall follow the informal bid process and shall be in writing.

Where informal bidding is required, Department Heads must submit with all requisitions a copy of informal bid documentation for the purchase of equipment, supplies and materials valued at \$10,000 and above and construction/repair work valued at \$30,000 and above.

Exceptions to the above bidding requirements shall be allowed for “sole-source” purchases and for professional services as outlined in Section L. below, emergencies, and work which is to be compensated on a unit price or time and materials basis.

#### **K. PURCHASES FUNDED WITH FEDERAL GRANTS OR LOAN FUNDS**

Contracts funded with federal grant or loan funds must be procured in a manner that conforms with all applicable Federal laws, policies, and standards, including those under the Uniform Guidance (2 C.F.R. Part 200).

#### **L. PROFESSIONAL SERVICE CONTRACTS.**

Town Resolution R-2016-08 addresses the Mini-Brooks Act and details requirements relating to the solicitation and engagement of certain services including architectural, engineering, surveying, construction management at risk services, design-build services, and public-private partnership construction services. The exception to these requirements is special emergencies involving the health and safety of people or their property.

The selection of firms qualified to provide such services are to be based on demonstrated competence and qualification for the type of professional services required without regard to fee other than unit price. However, these requirements can be waived upon a finding and written exemption of the project by the Town Manager for which the estimated professional fees are less than \$50,000.

All written service contracts of \$50,000 or more shall be submitted to the Board of Aldermen for approval.

#### **M. RECYCLED MATERIALS PROCUREMENT.**

The Town of Kernersville shall seek to buy and use products needed for Town services that are made with recycled materials if the recycled items are reasonably cost competitive with non-recycled products and provided they meet or exceed specifications and user quality levels set forth by the Town.

#### **N. ACCESS TO THE FINANCE DEPARTMENT.**

No employee shall enter the Finance Department after regular business hours, other than Finance Department employees, the Town Manager, Information Technology Department employees or General Services employees. Should unscheduled access to the Finance Department be required after regular business hours, the Finance Director should be notified within a reasonable period.

Exceptions to this entry prohibition may be made for certain employees, on a case by case basis, by either the Town Manager or Finance Director.

## **O. CREDIT/PROCUREMENT CARDS (P-CARDS).**

Town Credit Cards shall be retained by the Finance Director and utilized for Town-related purchases as deemed necessary by the Town Manager.

Individual employees may be issued a Procurement Card (P-Card) upon approval by the department head, Town Manager, and Finance Director. Policies and procedures regarding P-card usage are detailed in the Town's Procurement Card Policy Manual.

## **P. APPLICATIONS FOR CREDIT.**

1. To provide for the maximum controls possible regarding the credit of the Town, the Finance Director shall be the sole individual who shall apply to establish any line of credit with any person, business or institution.
2. Any application for credit desired by any employee of the Town shall be submitted to the Finance Director fully completed and ready for the Finance Director's signature. The Finance Director shall determine whether the application is necessary for Town related business before granting approval. The Finance Director shall have authority to open or close any credit account at any time if the Finance Director deems the action to be in the Town's best interest.
3. Account cards required by vendors may be used to conduct Town business provided a North Carolina Driver's License is required to prove the identity of the Town employee purchaser at the time of purchase. The Town employee's name and department must appear on all invoices submitted to the Finance Department in order to provide efficient processing. If a vendor routinely fails to provide documentation as required by the Finance Department in accordance with this Policy, the Finance Director shall have the authority to close the account.

## **Q. INVOICE REQUIREMENTS.**

1. At the time of purchase, employees shall provide their name, department and purchase order number (if applicable) to the vendor and ask the vendor to note that information on the invoice to be submitted to the Town Finance Department for payment.
2. If an invoice, or other payment document, is delivered directly to the purchaser at the time of purchase, that Town employee shall submit it to the Finance Department within three (3) business days with his/her name and department clearly indicated on the invoice.
3. No employee shall direct any vendor to mail or email an invoice for Town related purchases to an address other than: Accounts Payable, Town of Kernersville, P.O. Box 728, Kernersville, NC 27285, or [invoices@toknc.com](mailto:invoices@toknc.com), respectively.
4. All Town Departments shall provide a Vendor Registration form to any new vendor with whom that Department desires to do business. Vendor registration forms should be returned by the vendors directly to the Finance Department by mail, fax, or email with an original signature intact and completed TIN/EIN number.
5. Invoices emailed to the Town must be emailed in Adobe pdf format which includes the vendor's business name, contact information, invoice number, purchase order number (if applicable) and

other pertinent purchasing and payment information which may be required by the Finance Department.

## **X. TRAVEL AND EXPENSE REIMBURSEMENT**

### **A. POLICY AND PURPOSE.**

It is the policy of the Town to pay reasonable costs of travel when conducting the business of the Town or receiving training away from the normal job location. The purpose of this policy is to establish guidelines and uniform procedures for the authorization and payment of certain business travel, lodging, and meal expenses incurred by the Town of Kernersville's employees.

### **B. OVERVIEW**

Employees assigned a Procurement Card (P-Card) are required to use them for all allowable business, travel, training, and meal expenses. Refer to Town's Procurement Card Policy for guidance on proper P-Card usage. All expenses must have been incurred in the course of performing duties as an employee of the Town on official Town business.

Employees without P-Cards can either receive an estimated travel advance, or be reimbursed for allowable out-of-pocket expenses upon return.

In an instance of a travel advance, the employee shall request necessary funds via a check order that has received appropriate departmental approval, and has been submitted to the Finance Department a minimum of ten (10) days prior to the travel event. A completed and approved Travel Expense Voucher (TEV), along with proper documentary evidence, must be submitted to the Finance Department no later than ten (10) days after the end of the travel event. Blank TEVs and check orders are available in the Finance Department. Blank TEVs are also available on the Town's intranet.

If an employee needs to be reimbursed for out-of-pocket expenses, a completed and approved TEV, along with proper documentary evidence, must be submitted to the Finance Department within ten (10) days of the employee's return to work. The employee will receive reimbursement, via check, within seven (7) days of the TEV's submission.

Regardless of whether payment is made with currency or a P-Card, all expenses must have the proper documentary evidence, which includes a copy of the conference or meeting agenda with matching travel dates and original, itemized receipts, to adequately account for their validity.

Employees must make restitution to the Town for any expenses that are not authorized, inadequately documented, or more than originally approved. Any advances in excess of allowable expenses must be returned to the Town.

Any required restitution must be repaid within ten (10) days after the end of the travel event or will be included as additional income on the employee's Form W-2 and subject to all applicable taxes.

## **C. TRANSPORTATION**

Travelers are expected to use the most reasonable and economical means of transportation available.

1. Actual mileage is reimbursable for use of a personal vehicle for Town-related travel. Mileage is measured from the closer of duty station or point of departure to destination (and return). Mileage reimbursements must have the proper documentary evidence included, such as detailed web mapping or driving route, with calculated mileage to adequately account for their validity. The business standard mileage rate set by the Internal Revenue Service will be paid. Parking fees and tolls are reimbursable when the required receipts are obtained.
2. Once at the employee's destination, mileage reimbursement of actual reasonable expenses will be paid for transportation such as bus, rail, rental car, or taxi services (Uber, Lyft, etc.) from the airport to the hotel, to/from the place of business, and to/from restaurants within a reasonable distance.

## **D. LODGING**

Lodging expenses will be reimbursed at the actual cost of the room provided the employee seeks reasonably priced lodging. Employees should take full advantage of special convention or conference negotiated rates. The Town will only reimburse the employee for single occupancy rate unless accompanied by another Town employee; in such cases, the Town will reimburse the double occupancy rate.

No reimbursement will be made for in-room movies, mini-bar, laundry services, or other nonessential needs.

## **E. MEALS DURING OVERNIGHT TRAVEL**

The Town will reimburse the actual cost of meals, including tips, for those attending programs or functions on authorized overnight trips.

To be eligible for meals on the day of departure, you must leave your home before 6:00 a.m. for breakfast, 11:00 a.m. for lunch, and 5:00 p.m. for dinner. On the day of your return, you may claim expenses for lunch if you return to the Town after 2:00 p.m. and dinner if your return is after 7:00 p.m.

The current standard daily rate of \$85 per day includes the following: \$20 for breakfast, \$25 for lunch, and \$40 for dinner. Each meal rate includes taxes and tips, and is considered separate from the others with no carryover of unspent portions. Tips are capped at 15% of the total bill including taxes. Up to \$5 daily is allowable for incidental expenses including tips given to baggage carriers, taxi driver, and hotel staff.

## **F. MEALS FOR TRADE OR PROFESSIONAL MEETINGS**

Reimbursements for meal expenses are allowable if directly related to, and necessary for, attending Town-related business meetings, conventions, or professional association meetings. These

organizations include chambers of commerce, business leagues and trade or professional associations.

## **G. MEAL GRATUITY**

Gratuity for meals is capped at 15% of the total bill unless automatically levied by the restaurant. Any amounts above 15% will be the responsibility of the employee, subject to repayment or taxable reporting. The employee will reimburse the Town any amount above 15% within ten (10) days after the end of the travel event or the excess will be included as additional income on the employee's Form W-2 and subject to all applicable taxes.

## **XI. FIXED ASSETS**

Fixed assets shall be defined as property valued at \$5,000 or more with a useful life of at least 3 years. The Department Heads shall be responsible for placing a fixed asset tag, issued by the Finance Department, onto each piece of property for which that Department is responsible and a fixed asset tag has been created by the Finance Department. Further, the Department Head is accountable for all property assigned to that department until that property is disposed of in accordance with this policy or the property is transferred to another department using one of the procedures outlined in Section XI below.

Capitalization thresholds – the capitalization threshold levels shall be \$5,000 for equipment, \$20,000 for buildings and \$100,000 for infrastructure. For the purposes of calculating “useful life” and determining proper depreciation, the following standards will be used:

Buildings	50 years
Improvements	25 years
Furnishings and Fixtures	10 years
Heavy Equipment (Backhoes, Fire engines, etc.)	10 years
Automobiles	6 years
Equipment (non-computer)	5 years
Computer Equipment	5 years
Software	5 years

## **XI. ASSET DISPOSALS**

### **A. GENERAL**

Disposal is defined as the sale, trade/exchange or discarding of Town property. No Town property shall be disposed of without the prior approval of the Town Manager except for items described in section XI.A.3 below. Before the disposal of Town property, the department head shall prepare and submit all documentation the Finance Director requires to ensure that the disposal is properly recorded on the financial records of the Town. Disposal of any property during such time the property is financed must be approved by the Town Manager and Finance Director, and go through a process to obtain the appropriate lender release.

1. Disposal of Property – any Town property disposed of under this policy must first be approved by the Town Manager with written notification given to the Finance Director before the disposal occurs. If the item being considered for disposal is a fixed asset, notification to the Finance Director will be in the form of a Fixed Asset Disposal Form which may be obtained from the Finance Director.
2. Trading in/Exchange – any Town property traded/exchanged with a vendor must first be approved by the Town Manager with written notification given to the Finance Director before the trade/exchange occurs. Property valued over \$5,000 may be traded and/or exchanged only with Board of Aldermen approval. If the item being considered for disposal is a fixed asset, notification of a trade and/or exchange shall be given to the Finance Director in the form of a Fixed Asset Trade-in Form or a Non-Fixed Asset Trade-in Form, whichever is deemed appropriate by the Finance Director. These forms may be obtained from the Finance Director.
3. Town property considered worthless, irreparable, or not feasible to repair may be discarded with department head approval only if the property is not a fixed asset and is not currently under a financing contract. A Department Head shall notify the Town Manager and the Finance Director, in writing, prior to disposing of any Town property that had an original purchase price of \$5,000 or more when that property has not reached the end of its “useful life” as defined in Section X. above.
4. Through express directive and resolution from the Board of Aldermen, the Town Manager may exercise the Town’s right to dispose of real property through means authorized in NC General Statute Article 12.

Transfers between departments are permitted; provided, any Town property transferred among Town of Kernersville departments must first be approved by the Finance Director before the transfer is made. Notification will be in the form of an Asset Transfer Form, which may be obtained from the Finance Director. The department transferring the asset is responsible for completing the transfer form.

## **B. METHODS OF DISPOSAL**

The following methods of disposal are authorized:

1. Surplus property sale – In accordance with NC General Statute 160A-270<sup>2</sup>
2. A surplus and disposal declaration of the Town Manager:

The Town Manager is authorized to dispose of any item or group of items of surplus personal property owned by the Town of Kernersville when he determines (a) that the item or group of items has a fair market value less than \$5,000, (b) that the property is no longer needed by the Town, and (c) that the sale would be economic and efficient and designed to produce fair market value for the Town. Such property may be disposed of by sale or exchange, may be public or private, with or without notice. The Town Manager is authorized to sign any documents necessary to convey title to property sold pursuant to this authorization.

The Town Manager shall keep a record of all property sold pursuant to the authority granted herein. That record shall generally describe the property sold or exchanged, to whom it was

sold or with whom it was exchanged, and shall list the amount of money or other consideration received for such sale or exchange. Further, the Finance Director shall be notified of the disposal of any Town asset before disposal occurs so that financial records can be properly adjusted.

3. Electronic Auctions – Excluding real property, the Finance Department may sell Town property through an electronic auction provided all of the following criteria are met:

- a) The Town Manager and Finance Director approves the sale and sale process
- b) The property to be sold is not encumbered under lease or a financing contract
- c) The property to be sold is not shown as an active fixed asset

4. Any and all methods authorized under NC General Statute Article 12.

## **XII. RECEIPTS**

All personnel collecting any monies on behalf of the Town must follow the Revenue Collection Policy (see Appendix B). Each department head will be responsible for the safe collection and deposit of monies collected by personnel under his control in accordance with the Revenue Collection Policy.

## **XIII. ADMINISTRATION**

This policy and procedures shall be administered by the Town Manager and may be amended, from time to time, by the Town Manager to reflect good operating practices of the Town.



Town Manager



Date

# APPENDIX A

## TOWN OF KERNERSVILLE INVESTMENT POLICY

**GOALS AND OBJECTIVES:** The major goals and objectives of the Town's investment program are the preservation of capital, maintenance of adequate liquidity, and maximization of interest earnings.

- 1. SAFETY.** The primary consideration of the Town's investment program shall be safety. The Town shall, in the case of each investment, assess and consider the risks, both in terms of the nature of the investment as well as where and how it is held.
- 2. LIQUIDITY.** Funds shall be available to meet all required disbursements of the Town of Kernersville.
- 3. YIELD.** The Town shall seek the highest competitive rates on securities which mature in accordance with the Town's anticipated cash flow needs and/or investment strategy.

**DELEGATION AND AUTHORITY:** NC General Statutes §159-30 places responsibility for the Town's investment program with the Finance Director who shall be responsible for the execution, supervision and daily operation of all investment activity with authority to purchase, sell and exchange securities on behalf of the Town.

**QUALIFIED INVESTMENTS:** Town funds that are available for investment may be invested:

- 1.** By a pooling method collateralized and permitted by Chapter 159 of the North Carolina General Statutes such as the North Carolina Management Trust and/or
- 2.** By placement of funds in individual financial institutions, such as commercial banks and savings and loans. Except as provided within this Investment Policy, all funds so invested shall be insured by the Federal Deposit Insurance Corporation (FDIC). If this method is utilized, at least three (3) such individual institutions shall be solicited to insure greater return on investment of Town funds.

**MATURITIES:** Investment maturities shall be made to accommodate the Town's cash flow needs and, secondarily, to take advantage of prevailing market conditions. As a general rule, the Finance Director will not allow investments in securities with terms of 180 days or greater to exceed twenty-five percent (25%) of the portfolio balance, at the time of purchase.

**SAFEKEEPING AND CUSTODY:** The Finance Director shall be responsible for insuring that all provisions of North Carolina General Statutes §159-31 are met, including the securing of investments. All securities purchased, except Certificates of Deposit (CD's), shall be delivered to a safekeeping agent before payment is made (delivery vs. payment). Certificates of Deposit may be held by the issuer with a copy of the Certificate of Deposit to be filed with the Finance Director.

**COLLATERALIZATION:** Certificates of Deposit in excess of \$100,000 and demand deposit arrangements shall be limited to institutions participating in “Option 1 or Option 2” collateralization methods as established by the North Carolina State Treasurer. No Certificate of Deposit or demand deposit shall be placed with an institution unless it is a member of the FDIC.

**DIVERSIFICATION:** When amounts of money that may be invested allow for diversification, the Finance Director shall seek to balance the elements of safety, liquidity, and yield when purchasing any new security.

The Finance Director shall also seek to diversify the portfolio among several different financial institutions. At no time should all long-term securities be invested at a single institution.

**INTERNAL CONTROLS:** The Finance Director shall be responsible for establishing a system of internal controls designed to prevent any losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by Town employees.

## APPENDIX B

### TOWN OF KERNERSVILLE REVENUE COLLECTION POLICY

As per internal controls, this Revenue Collection Policy shall be used by all departments that generate and collect revenue on location whether in person, by telephone, or by mail. Revenue consists of all monetary types including, but not limited to, cash, checks, credit cards, and money orders.

All employees collecting funds shall receive training and authorization from Finance Department staff before accepting any revenue from customers. In cases when an electronic cash receipting system is unavailable, employees shall use a pre-numbered receipt pad to record transactions.

All checks shall be endorsed immediately upon processing. Each Department shall maintain and secure a manual check endorser stamp, to be shared among employees collecting revenue. The manual endorsing stamp shall only be utilized if the electronic revenue collection system endorsement printer is non-functional or non-existent.

Credit card account information shall not be stored in any Town location. If an employee takes a credit card payment over the phone, any document with the card number, CV number, or expiration date must be shredded immediately after processing. Any breach in credit card security shall be immediately reported to the Finance Department.

A receipt shall be generated for all transactions, including the use of checks and credit cards, since receipts must balance to collections at the end of each day. These receipts shall accompany the deposit paperwork turned in to Finance each day that revenue is collected.

All funds (cash, checks, credit card receipts, etc.) shall be immediately placed into the employee's cash drawer or another, equally secure, location. Funds shall not remain on a desk, countertop, or anywhere other than inside an employee's cash drawer, except when balancing. Each person shall balance their drawer at the end of each day in which funds of any kind are collected.

All received funds shall be balanced and delivered to the Finance Department each day revenue is collected.