

TOWN OF BEDFORD
OPERATING POLICY MANUAL

Chapter: Finance

Issue (Effective) Date: July 1, 2017

Approval Date: June 13, 2017

Approved By: Town Council

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

Section 1. PURPOSE

This policy is to document the Accounting, Auditing, and Financial Reporting process of the Town of Bedford (“Town”). The purpose of this policy is to establish organizational standards in which the Town will maintain a system of accounting procedures, financial control, and reporting for all operations and funds in order to provide an effective means of ensuring that financial integrity is not compromised and to ensure that the Town’s finances are well managed and fiscally sound.

Section 2. POLICY

- A. The **ACCOUNTING PRACTICES** of the Town shall conform to Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB) and of the recommended standards as set forth by the Government Finance Officers Association (GFOA) to provide for and enhance the financial stability of the Town.
 1. **BASIS OF ACCOUNTING:** The Director of Finance 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.
 2. **ACCOUNTS RECEIVABLE:** Generally, the Town is able to collect receivables during the normal course of operations, most of which relate to taxes and utility payments. Procedures are established to address any potential material outstanding receivables in order to ensure that the Town takes all necessary and possible steps for collection of receipts owed to the locality.
 3. **INVENTORY REPORTING:** The Town uses the purchase method of inventory reporting on a “first-in, first-out” (FIFO) basis.
 4. **MANAGEMENT DECISION ON ACCOUNTING ISSUES:** The Director of Finance shall have authority to make procedural decisions with respect to specific accounting treatments, such as interpretation of accounting principles, design of the general ledger and chart of accounts, and items of similar nature. However, in certain special or unique situations, review by the Town Council may be necessary. Council will be made aware of any issue that:
 - i. Involves identified weaknesses in separation of duties.
 - ii. Creates controversy among those responsible for audit oversight, or between said individuals and the independent auditors.
 - iii. Is or will be material to the financial statements.
 - iv. Involves significant uncertainty or volatility that could materially affect an estimate.
 - v. Is or will be a matter of public interest or exposure.
 - vi. Must be reported to an external body, and those responsible for audit oversight are unclear or undecided on its presentation.
 - vii. Applies a new accounting standard for the first time.

TOWN OF BEDFORD
OPERATING POLICY MANUAL

Chapter: Finance

Issue (Effective) Date: July 1, 2017

Approval Date: June 13, 2017

Approved By: Town Council

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- viii. Relates to the application of a standard in a way that is not consistent with general practice or in a way that is different from how it has been applied in past years.
- ix. Relates to key controls over financial information that are being designed or redesigned, or that may have failed or are otherwise being addressed by the Town.

B. The annual **AUDIT** shall be conducted by an independent auditor in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specification for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia and as directed in the Code of Virginia §15.2-2511.

C. The Finance Division shall develop and maintain an ongoing system of **FINANCIAL REPORTING** to meet the information needs of the government, authorities, and regulatory agencies. In addition, the Town Council, Town Manager, Department Heads, and the public shall have access to reports to allow them to monitor, regulate, and to use as a basis for future financial decisions.

- 1. **COMPREHENSIVE ANNUAL FINANCIAL REPORT:** In conjunction with the annual independent audit, the Town shall prepare and publish a Comprehensive Annual Financial Report (CAFR). The Town shall prepare the CAFR in conformity with GAAP and the Government Finance Officers Association (GFOA) program requirements. Annually, the Town shall submit its CAFR to the GFOA to determine its eligibility to receive the GFOA's "Certificate of Achievement for Excellence in Financial Reporting".
- 2. **ANNUAL BUDGET DOCUMENT:** The Town shall prepare and publish an annual budget document in accordance with the policies contained within this document. This budget shall measure the annual funding and forecast the financial position of the Town annually. This document shall be prepared in conformity to the GFOA program requirements. Annually, the Town shall submit this budget to the GFOA to determine its eligibility to receive the GFOA's "Distinguished Budget Presentation Award".
- 3. **FINANCIAL REPORTING TO TOWN COUNCIL:** On a monthly basis, the Finance Division shall prepare and present financial reports to the Town Council for all Town operating funds. Such reports will enable Town Council to be constantly informed of the financial status of the Town.
- 4. **EXTERNAL FINANCIAL REPORTING:** The Town shall adhere to all requirements of reporting to the Virginia Auditor of Public Accounts within the time-frame specified. Additionally, all external reports as required by regulatory agencies shall be completed and filed as prescribed by state and federal law.

Section 3. OBJECTIVES

A. The primary objectives of the Accounting, Auditing, and Financial Reporting Policy shall be as follows:

TOWN OF BEDFORD
OPERATING POLICY MANUAL

Chapter: Finance

Issue (Effective) Date: July 1, 2017

Approval Date: June 13, 2017

Approved By: Town Council

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

1. To establish a system of financial monitoring and control for all operations and funds in order to maintain legal compliance and sound financial administration.
2. To ensure that the Town maintains regulatory compliance with all internal and external reporting requirements.
3. To provide Town officials with the necessary resources to make well-informed and prudent financial decisions.

Section 4. PROCEDURES

A. Town Council:

1. Approve Accounting, Auditing, and Financial Reporting Policy.
2. Regularly review deliverables that are generated in compliance with this policy.

B. Town Staff:

1. Ensure the Town maintains compliance with the Accounting, Auditing, and Financial Reporting Policy.
2. Monitor the accuracy and reliability of: accounting controls, financial functions, assets (capital and controlled equipment), operational protocols, and compliance with applicable laws and regulations.
3. Assist independent auditors in conducting the annual financial audit by providing required documentation.
4. The Town Manager is authorized to adjust this policy in response to evolving governmental practices where necessary.

Section 5. REVISIONS

A. This policy was approved and adopted by the Town Council on June 13, 2017.

Revisions

Original-June, 2017