

INTRODUCED BY ALDERMAN BAUMANN

RESOLUTION NO. 19-0699

A RESOLUTION APPROVING AN INTERNAL CONTROL POLICY FOR THE CITY OF MANCHESTER.

WHEREAS, the City desires to approve a formal Internal Control Policy for the City of Manchester; and,

WHEREAS, the Director of Finance previously reviewed this policy on May 3, 2019 with Mollie Malone, Partner with Stopp and Vanhoy during the 2018 Audit process;

WHEREAS, the Director of Finance presented a Draft Internal Control Policy to the Audit and Finance Committee on August 1, 2019 for their review and consideration; and

WHEREAS, the Audit and Finance Committee after review and discussion directed the Director of Finance to seek formal approval by Resolution with the Board of Aldermen at a regularly scheduled Board meeting.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE CITY OF MANCHESTER, MISSOURI, AS FOLLOWS:

Section One: The Board of Aldermen hereby approves the Internal Control Policy attached hereto as **Exhibit A** and incorporated herein as the Internal Control Policy for the City of Manchester.

Section Two: This Resolution shall be in full force and effect from and after its passage and approval as provided by law.

PASSED AND APPROVED THIS 3RD DAY OF SEPTEMBER, 2019.

CITY OF MANCHESTER, MISSOURI

(SEAL)

ATTEST:



Mayor



City Clerk

APPROVED AS TO LEGAL FORM:



City Attorney



Exhibit A

City of Manchester, Missouri

Internal Control Policy

Dated: 09/03/2019

Internal Controls City of Manchester

Bank Accounts

Four cash accounts are maintained with Commerce Bank. First is the operating cash account. This account is a pooled cash account and is reconciled and accounted in the City's general ledger under Fund 98 and account number 98-100-1110.

Fund 98 was set up to accommodate our pooled cash management and the accounting system used to track the transactions. Our Pooled Cash (Bank) account is used to maintain cash for all the City's ongoing operations and as accounted in all of our various Funds. Cash transactions are recorded to this (G/L) account and the amounts attributable to each fund is recorded in a "Claim on Cash" (G/L) account. Accounts payable is handled in a similar manner as it crossed funds and is tied closely with cash transactions.

The operating account is reconciled periodically, by the Director of Finance, or by the Accountant if unavailable. The daily reconciliations are kept on file. Periodically the Director of Finance reconciles the individual Fund cash balances in object code 1111 with the Fund 98-100-1110 account and then to the bank statement balance as a final reconciliation.

The second bank account is a Court Bond Account. The transactions are controlled by the Court Administrator and reconciled by the Finance department. This account is controlled by a unique general ledger account and is not part of the pooled cash.

The third bank account is the Cash-Contingency Reserve account. This bank account is meant to accompany the Investment-Contingency Reserve account. Investment cash transactions (buying-selling, interest income) are recorded in this account. Transactions to this bank account are recorded and reconciled by the Finance department. This account is controlled by a unique general ledger account and is not part of the pooled cash.

The last two accounts are reconciled periodically throughout the month by the Accountant and a final reconciliation at the end of the month will be reviewed and signed off by the Director of Finance.

Petty Cash/ Cash Drawers

Petty cash is the total of all petty cash amounts and the cash drawer banks around the City's facilities. Cash drawers are counted each day as a part of the deposit preparation. Petty cash boxes are counted periodically and then finally at the end of the calendar year. Requests for petty cash are documented on a slip which documents approval and coding. As deemed necessary by the department head holding the petty cash, the outstanding slips are totaled and sent to the Finance Department with a check request, signed by the Department Head for replenishment funds. The check requests are processed as accounts payable. A check is made out to the department head who then cashes the check and replenishes the petty cash box.

Petty cash drawers normally run a balance of \$50 to \$100. The Finance Director (\$100) and the Public Works Director (\$50) have petty cash drawers,

Cash drawers are located at City Hall, Parks Administration, Pool when opened, Municipal Court, and Police Clerk.

Investments

1. A formal investment policy was reviewed with the new Audit and Finance Committee on May 13, 2019. The final Investment Policy was presented to the Board of Alderman for approval on June 17, 2019 by resolution R-19-0681.
2. The Director of Finance is authorized to purchase investment instruments for the City.
3. All securities purchased are held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.

4. All investments and cash balances in excess of the financial institution's insurance are secured through eligible collateral and a monthly report of collateral is sent by Commerce Bank to the Director of Finance. The report is saved in the shared directory, Commerce Bank folder, Collateralization Reports.
5. Only one signature, Director of Finance, is necessary to authorize the release of a security from safekeeping.
6. All securities are held in the name of the City of Manchester.
7. Detailed records are kept by the City that include the date of acquisition and purchase cost, the physical location of the investment, interest/dividend/income rates and accrual/receipt dates, and ownership by fund.

All decisions to sell or buy investments are handled by the Director of Finance with approval of the City Administrator. The Board of Aldermen are not involved in these decisions.

The Audit and Finance Committee quarterly reviews an investment report prepared by the Director of Finance.

Revenue, Accounts Receivables, Cash Receipts

1. Mail is sorted and distributed to the appropriate department by the Administrative Secretary, who does not have access to cash receipts or accounts receivable. Mail with Accounts Payable invoices or cash receipts (checks) are routed to Finance. Court receipts are directed to the Municipal Court. All other mail is reviewed by the Accountant and then routed to the correct department and person.
2. Cash receipts (pre-numbered) – City Hall are prepared at the customer service center by the Administrative Assistant when payments are received for fees and permits. The customers' remittance data and other support are processed by the Administrative Assistant, all documents are attached when the day is closed after being balanced and prepares a deposit slip for the bank. Finance uses this info to update the General Ledger info in the accounting system, files the documents with the Journal Entry (JN) processed and the daily bank report.
3. Court fine remittances are entered in the NEW Court module Show ME Courts, totaled at the end of the day and a separate bank deposit is prepared with account summary totals provided to the Accountant for posting to the General Ledger. One court clerk balances all remittances and a second court clerk verifies. Police Clerk remittances are balanced and verified by a second person, a police officer.
4. Court and Police Clerk receipts are deposited intact during the week by a Police Officer and collection documentation totals are compared by the Accountant to bank deposits and to the provided cash receipts information.
5. Adequate physical controls exist over cash receipts from time of mail opening until time of bank deposit locked in the Accountants desk drawer.
6. The cashier function is segregated from the general ledger and subsidiary ledger functions. Finance employees with ledger access on very rare occasions work at the front desk (i.e. when more than one City Hall staffer is absent), however, this does not appear to be a reportable condition and could be difficult to eliminate this issue, due to the small size of the department staff.
7. A separate deposit is prepared and sent in its own bank bag with other City deposits to the depository bank via a police officer.
8. Deposits from City Hall are taken to the bank by the Director of Finance or Accountant.
9. Deposits from the Park are taken to the bank by the Park Administrative Assistant.
10. All deposit receipts are matched to the appropriate daily deposit report and entered into the General Ledger by the Accountant and matched with the daily bank reconciliation and the Journal Entry (JN) prepared is reviewed, printed, approved and updated by the Director of Finance in the Tyler Incode system. The Accountant reviews JN's prepared by the Director of Finance, approves and updates. In both cases the Accountant and Director of Finance initial and provide the date and time

Property and Equipment

Proper accounting for the cost of capital assets requires that a distinction be made between expenditures, which should be classified as maintenance expenses, and expenditures that should be capitalized (charged to the capital assets accounts). In order to facilitate this distinction, the following policies should be followed:

1. All capital assets should be valued at cost or estimated cost if actual cost is not available. Donated capital assets should be valued at their fair market value on the date donated.

2. Capital assets acquired under lease/purchase agreements should be capitalized.
3. Land held for development should be recorded at the lower of cost or net realizable value.
4. All capital assets are recorded in the Capital Improvement Fund or the Park and Stormwater Fund.

Only items of \$2,000 or greater should be included on the property records and accounted for as a capital asset item. Lots or groups of items should not be included when individual items cost less than \$2,000.

Any item of property that is readily separable, and separately useful from a larger assembly of which it forms a part, should be treated as a separate item.

The cost of replacing any property item smaller than \$2,000 should be accounted for, except for any substantial betterment involved, by charging such cost to maintenance expense.

“Betterment” is defined as an addition made to, or change made in, a capital asset that is expected to prolong its life or to increase its efficiency over and above that arising from maintenance. Therefore, the cost of which should be added to the property records as a separate item. Betterments should have a cost of \$2,000 or greater to be included as a capital asset.

Minor items of property should include all parts or elements that make up a unit of property. If a minor item is retired and not replaced, no entry should be made until the retirement of the unit itself. If a minor item is replaced, the cost of replacement should be charged as maintenance expense, unless the entry should be made on the property record. Minor items may include building roofs, built-in air conditioning systems, or other elements that make up larger items.

“Equipment” is defined as all tangible property except land, structures, and improvements. If the fund constructs part of its own equipment, all the items in connection with the construction of equipment, including labor and materials, should be added in order to arrive at the cost of such equipment. If equipment is purchased, the cost includes, in addition to the purchase price, transportation expenses and cost of installation.

Tools are distinguished from equipment by being defined as having a relatively small unit value, less than \$2,000 each. Tools are expensed by the department that purchases them in the General Fund

In accordance with GASB Statement No. 34, general government infrastructure assets (streets, bridges, sidewalks, easements, right-of-way, etc.) are being capitalized prospectively beginning in the year 2005 at historical cost. The costs of normal maintenance and repairs that do not enhance infrastructure functionality or materially extend the life of an asset are not capitalized.

Capitalized assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
• Buildings	40
• Building Improvements	40
• Improvements, other than buildings	15
• Machinery and equipment	10
• Furniture and fixtures	7
• Vehicles	5
• Police Vehicles	5
• Computer/data handling equipment	3
• Land, easements, and right-of-way-	None
• Infrastructure:	
Culverts and bridges, concrete	20
Parking lots, concrete	20
Culverts and bridges, metal	20
Streets and sidewalks, concrete	20
Traffic signals, streetlights	20

Property and equipment are purchased only with proper authorization as described in the Purchasing policy. Detailed property and equipment ledgers are to be maintained and periodically reconciled to general ledger control accounts. Detailed ledgers are to be periodically reconciled to a physical inspection of property and equipment

For property and equipment readily susceptible to theft or damage, the following safeguarding measures may be followed:

- a. Locks changed periodically and keys signed for, with keys on hand and signed out reconciled to total
- b. Exposed property secured (bolted, chained, etc.) and weather protected
- c. Employees with access bonded
- d. Adequacy of insurance coverage regularly reviewed
- e. Pass system (approved written document) in use for physical movement of assets off premises, for books, digital cameras, etc.

Other Assets

The City does not maintain any other assets. The only other recorded assets are the sales, property and gross receipts tax receivables recorded after the beginning of the year. The receivables are recorded to adjust the financial statements to a modified accrual basis for government reporting. Through the year, the City operates on a cash basis and the receivables are left in place until the next year when the entries are reversed and current receivables are recorded.

Purchasing, Accounts Payable, Cash Disbursements, Payroll

1. All spending for any fiscal year is anticipated in the budget for that year, which is prepared by the City Administrator with the assistance of the Director of Finance. The Budget is enacted by the Board of Aldermen through the passing of an ordinance. This ordinance authorizes appropriations for the fiscal year.
2. Disbursements are primarily made by check.
 - Payroll-Staff has a Payroll Checklist
 - Payroll: All employees receive direct deposits for payroll without exception. The Automated Clearing House (ACH) transfers for employee deposits are prepared by the Accountant, HR Manager or Director of Finance by uploading the ACH file from payroll system to the bank after approval by the City Administrator and Director of Finance. The retirement plan contributions and other like payroll payables are made via ACH transfer prepared by the Accountant, HR Manager or Director of Finance and approved by the Director of Finance in the balancing and posting of payroll transactions. Tax Increment Financing payments to UMB Bank, Section 125 plan reimbursements, HRA deductible reimbursement are made via an ACH transfer prepared by the Accountant and approved by the Director of Finance.

Accounts Payable (A/P) Clerk has a procedure for Accounts Payable

- A/P-Payable Register: The A/P Clerk receives all approved invoices from Departments and any received through the mail are routed to the appropriate department. The A/P Clerk makes certain that the invoices are properly approved by the Department with a General Ledger (GL) account number. The invoices are entered and a Payable Register is processed that is reviewed by the Accountant and Director of Finance for accuracy of vendor and GL accounts. Once the review is completed, the Accountant approves that the Payable Register process in Tyler Incode.
- A/P-Payment Register: When a check run is to be processed for invoices, the A/P Clerk generates a Payment Register that is reviewed by the Accountant and Director of Finance. The Director of Finance or designee approves the Payment Register in Tyler Incode and initials and dates the register. The printed report is brought to the City Administrator,

reviewed, signed and dated. The City Administrator or designee approves the Payment Register in Tyler Incode and initials and dates the register.

- AP-Check Printing: After the Payment Register is approved, the AP Clerk prints checks, processes for mailing through the postage meter and places in the outgoing mail bin or delivers to the Department if requested. Invoices are attached to the checks in check order and the Director of Finance reviews each check prior to filing by the AP Clerk.
 - AP-Board of Alderman: A list of Bills is provided at each Board of Aldermen Agenda and presented by the City Administrator. No formal action is taken.
3. All checks must be signed by two check signers. The signatures of the Director of Finance, and the City Administrator, are generated electronically when the checks are run, after they approve the Payment Register expenses (invoices).
 4. Accounts payable checks have system generated numbers. Checks are printed out of the Tyler Incode software system. The signatures are printed as part of the check processing. There are accounting controls that restrict access to the system and the printing of check signatures. All check stock is pre-numbered and the system matches the check numbers to the check stock. Account number and routing number are preprinted. The check amount, payee and signatures are printed when the checks are run. The check signature is password protected. The Director of Finance, and the City Administrator have the password. The ability to approve and sign the checks can be assigned to a designee by the Director of Finance in case of absence.
 5. Purchase orders are prepared for purchases in excess of \$5,000. If the purchase exceeds \$5,000, the purchase will be approved (in the computer system) by the Director of Finance and purchases exceeding \$10,000 will be approved by a resolution of the Board of Aldermen. After the goods or services are received, the department approves the shipping document, which functions as a payment authorization and forwards same to the Accountant and after October 2018 to the part-time AP Clerk. The Accountant and after October 2018 the part-time AP Clerk performs a three way match --- purchase order, invoice and receiving ticket --- then enters the package into the AP system in preparation for payment and check printing. There is a weekly check run, typically on Thursday. The Accountant and Director of Finance reviews the payment package (PO, Invoice, receiver, etc.) and approves by initialing the package, effectively canceling the invoice to help prevent it from being presented for payment twice. Also, the software will not allow duplicate payments on the same invoice number to the same vendor. The Accountant does not have any approval authority. The Accountant reviews the checks for accuracy as does the Director of Finance when they review the final package (consisting of a copy of the check, the invoice, the receiving ticket and the purchase order).
 6. The general ledger system is automatically updated as checks are prepared for both payroll and A/P once the checks are approved and processed in the system.
 7. The Accountant is responsible for issuing a stop payment if needed. The Accountant maintains the voided checks.
 8. Disbursements are regularly compared to budgeted amounts. The Department Head is responsible for their specific budget control area and the Director of Finance sends a Revenue and Expense report (called Income Statement Report in Tyler Incode) for the month to date within the first ten business days of the next month. Purchase orders which are entered against an account group which is already over budget or the purchase order causes the account group to be over budget, requires an over budget approval from the Director of Finance which is usually verbal and documented in the payment approval. The Accountant upon entering the purchase order and determines the over budget condition notifies their department head who requests over budget approval.
 9. The ACH transfer process with Commerce Bank is a two person approval process. Final approval of the ACH in Commerce Connections cannot be made by the initiator. Commerce has an additional security level when the ACH is submitted for final approval. An automated call from Commerce Banks enhance security system is made to the final approval submitter to confirm that an ACH has been submitted and then enters his Commerce Bank enhanced security pin. Once confirmed, the ACH's are approved for delivery on the date selected.
 10. All ACH's outside of payroll are initiated in the Commerce Bank on-line Commerce Connections system by the City Administrator, Accountant, Director of Finance or HR Manager. If they are not the initiator,

the Director of Finance, City Administrator, Accountant or HR Manager may approve the transaction(s). The largest ACH transfer is made to the UMB Trustee for Tax Increment Finance related activity and General Obligation Bond remittances. Any one time ACH transfer over \$500,000 needs special approval by Commerce Bank.

Debt/Bonds

The City will limit long-term debt to only those capital improvements or projects that cannot be financed from current revenues. The maturity date for any debt will not exceed the reasonably expected useful life of the project to be financed. Except where determined by specific redevelopment projects, debt repayment will be structured based on the projected available funds to retire the debt.

As a general approach, the City will use debt financing for construction of capital improvements and acquisition of capital equipment too large to be financed from current revenues. Proceeds from long term debt should only be used for construction project costs, acquisition of other fixed assets, bond issuance costs, debt service reserve requirements and refunding of outstanding bond issues. The City will not use debt for the financing of current, ongoing operations

General Obligation, property tax-supported bonding should be used to finance only those capital improvements and long term assets which have been determined to be essential to the maintenance or development of the City.

The City shall maintain a General Debt and Interest Fund balance which is at least 40% of the next calendar year's debt service.

The Finance Department should continually monitor outstanding debt issues to verify compliance with debt covenants and a third party may be contracted to file annual debt compliance reports.

The City may prepay debt obligations when the Director of Finance, after receiving advice from the City's financial advisor, determines it is advantageous for the City to do so. Prepaying an indebtedness requires Board of Aldermen approval to proceed, the City's Director of Finance shall report the determination to prepay the indebtedness to the Board of Aldermen and obtain formal Board of Aldermen approval.

The City may accumulate funds in its debt service fund to legally defease outstanding obligations. Any action to defease debt will be based on an analysis of the comparative benefits and costs of such action, including the capacity to repay other future obligation.

Other Liabilities

Accrued compensated absences are reconciled and adjusted at the end of every year for financial accounting purposes. The court bond payable is reconciled monthly. Accrued payroll accounts are typically zero-balance accounts. Payment flows through with recorded payroll. The balances recorded at year end are calculated and reconciled at year-end to reflect mid-pay period expenses that match the reporting year.

Net Assets/Fund Balance

In government-wide financial statements net assets are reported in three categories: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents amounts restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. All remaining net position is considered unrestricted.

When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted first, then unrestricted resources as they are needed.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable** - Resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- **Restricted** - Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** - Resources which are subject to limitations the government imposes upon itself passing a resolution, and that remain binding unless removed in the same manner.
- **Assigned** - Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Aldermen or an official to which the Board of Aldermen has delegated the authority to assign amounts for specific purposes.
- **Unassigned** - Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The City would typically use Restricted fund balances first, followed by Committed resources and Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first.

It is the City's policy to maintain a Committed fund balance in the General Fund. The Commitment is adjusted annually with the adoption of the annual budget and is calculated as 20% of the General Fund appropriation (not including transfers to other Funds).

Human Resources Processes

Hiring process

- Work directly with Department Directors to determine open positions and creating corresponding job descriptions
- Post open positions to company website as well as external websites i.e.: Indeed, college job boards, etc.
- Develop interview questions for specific jobs
- Review all applications for all open positions
- Discuss salary information with City Administrator and Department Directors
- Fill out Personnel Action Form for any changes to salary, benefit information, new hire, termination

Termination process

- Establish date of last day of employment with Department Head and employee
- Send an Acceptance Letter to employee verifying last day of employment
- Schedule exit interview or send exit interview questionnaire to employee to fill out and return to HR

Other processes

- Revising Personnel Manual in cooperation with City Administrator and City Attorney
- Created new Personnel Action Form to reflect any change to employee information
- Updating Excel sheets for health, dental, and life insurance enrollees
- Coordinating with consulting firms to bid for health, dental, and life insurance
- Partner with consultants for supplemental insurance and protection – Aflac and Legal Shield

Payroll Processing

Most of the City's employees work a 40-hour 5-day work week. The Police Department has employees on varying shifts: five 8-hour days, four 10-hour days or a 12-hour shift, four days on, four days off. The Police department is fully scheduled in advance and the payroll is based on that schedule. All part-time and seasonal employees are scheduled.

Employees earn vacation time which is accrued monthly. The accrual is calculated in the finance system, based on the employee's length of service and time is added to the employee's accrual balance. Sick time is accrued based on hours worked (to a maximum of 40 hours per week). This time is calculated and applied to the employee's accrual balance with the calculation of payroll for the pay period. Compensatory time is recorded as earned, up to 24 hours accrued. All time off is scheduled in advance (except sick time) and approved by the department head.

Payroll is processed bi-weekly. Employees maintain their own timesheet and turn them in to their supervisors who approve with their signature, turn into the Department Head who reviews, submits and brings the time sheets to the Finance. Employees time is either entered individually or by a designated person in a department into the Tyler ESS on-line time sheet program, submits for approval and is reviewed and approved by the Department Head except for the Police Department and the Public Works Department. The Police time gets entered in ESS by the Police Administrative Clerk after the approval of the Lieutenant and Chief. The Public Works Department time is entered into ESS by the Supervisor, then goes to the Department head for approval.

The Accountant, HR Manager or the Director of Finance checks the time sheets for accuracy, any exception forms, employee signature, and supervisor approval. The payroll register is reviewed by the Director of Finance and if no errors are found, approves it and gives it to the Accountant to transfer the payment to the bank for disbursement to direct deposit employee accounts after approval by the City Administrator. The Tyler Software updates attendance records, & comp time. A bi-weekly report is reviewed and retained by finance department. Payment advice is sent to each employee for their records by email.

The Director of Finance reviews all general ledger (GL) entries. The payroll entries are reviewed to posting. Payroll accruals are produced and recorded with the payroll processing. Payroll taxes are recorded in the general ledger as bank drafts. Retirement plan contributions are also recorded as bank drafts. Garnishments,

supplemental insurance, Legal Shield, VSP Plan, and AFLAC contributions are recorded as payables. Payroll taxes are paid on-line to the IRS through EFTPS system, and to the MODOR through Collector Solutions, Inc. Starting in 2019, the Director of Finance reviews the receipt copy of the payment transfers to the IRS and MODOR, initials, dates and places in the quarterly payroll file. Retirement contributions are recorded in the ICMA-RC EZ Link website and an ACH transfer is prepared. An ACH transfer is also prepared for the employee Health Savings Account (HSA) and Paylocity Flex Benefit deposits. Those liabilities recorded as payables are paid with an ACH payment. Starting in 2019, the Accountant reconciles the ACH payments for ICMA, HSA and flex benefit to the GL right after the ACH is processed.

Employees are not required to take mandatory vacations; however, restrictions are in place on how much vacation can be carried forward into each calendar year. Only half of the hours earned during the year can be carried forward to the next year unless pre-approved by the City Administrator. All employees are encouraged to use their vacation.

Financial Reporting

The City applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The City presently has no component units included within its reporting entity.

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net position and the statement of revenues, expenses, changes in net position and report information on all of the activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges that would distort direct costs and program revenues reported for the various functions concerned.

The statement of revenues, expenses and changes in net position demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, the Parks and Storm Water Projects Fund, the Capital Projects Fund, the Debt Service Fund, and the TIF Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or

soon enough thereafter to pay liabilities of the current period. The City considers revenues available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental fund financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The City reports the following major governmental funds:

The General Fund - The City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The Parks and Storm Water Projects Fund - The City uses this fund to account for sales tax revenue designated for parks and storm water projects.

The Capital Projects Fund - The City uses this fund to account for sales tax revenue and proceeds from the issuance of debt designated for capital improvements.

The Debt Service Fund - The City uses this fund to account for the resources accumulated and payments made for the principal and interest on long-term general obligation debt of governmental funds.

The TIF Fund - The City uses this fund to account for the activity from the Tax Increment Financing Commission for the Manchester Highlands.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for specific revenue sources that are legally restricted to expenditures for specific purposes.

IT-Access Controls

All employees have unique login passwords and usernames.

IT-Application Controls

All employees with access the accounting system which is cloud based have unique login passwords and usernames.

IT-Backup

The accounting systems is cloud based on Tyler INCODE's servers.