

**Policies**

**Accounting and Audit Policy – Adopted 02.13.12**

**Budget Development Policy – Adopted 08.27.12**

**Debt Management Policy – Adopted 10.10.11**

**Fund Balance Policy – Adopted 10.10.11**

**Investment Policy – Adopted 10.10.11**

**Policy on Capitalization of Fixed Assets – Adopted 02.13.12**

**Policy on Interfund Advances – Adopted 08.27.12**

**Procedure for Collection of Delinquent Personal Property Taxes and For the Write-off of Uncollectible Personal Property Taxes – Adopted 05.29.12**

**Purchasing Policies and Procedures – Adopted 04.22.13**

**Revenue Policy – Adopted 10.10.11**

**Policies in Draft form**

**Policy on Expenditure of Parks Capital Projects Fund Revenues – Draft 08.22.12**

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# **ACCOUNTING AND AUDIT POLICY**

## **POLICY PURPOSE**

The purpose of this policy is to set forth the accounting and audit procedures under which the Village will structure and operate its financial systems. Those financial systems will incorporate necessary internal controls to monitor revenues, expenditures, and program performance on an ongoing basis. The policy provisions herein shall apply to all fund types maintained by the Village, including the General fund, various Special Revenue funds, the Debt Service fund, Capital Projects fund, and Utility enterprise funds.

## **POLICY IMPLEMENTATION OBJECTIVES**

### **A. GENERAL PRINCIPLES**

1. The Village's accounting and financial reporting systems will be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and the standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).
2. An annual audit will be performed by an independent public accounting firm which will issue an official opinion on the annual financial statements, with a management letter detailing areas that need improvement. In addition, full disclosure will be provided in the financial statements and bond representations.
3. Financial systems will be maintained to monitor expenditures and revenues on a monthly basis and all revenue collections will be consolidated under the Administrator/Treasurer. A cash-flow analysis, including disbursements, collections, and investments, will be prepared on a regular basis indicating that sufficient cash is available for daily financial needs.
4. Encumbrances represent commitments related to unperformed contracts for goods or services, and will be recorded when incurred. Encumbrances outstanding at year-end will be reported as reservations of fund balance.
5. The Village will establish and maintain a depreciation schedule based on the straight-line method. The useful life of capital assets will be based on internal information, information on comparable assets from other governments, and general guidelines from professional or industry organizations.

## B. FUND ACCOUNTING

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the annual financial statements into five generic fund types as follows:

1. General Fund – The General fund is the primary operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Special Revenue Funds – Special revenue funds are used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include the Library Fund, Solid Waste Fund, Cable/Website Fund, and the Parks capital projects fund.
3. Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.
4. Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Tax incremental district funds are treated as capital projects funds.
5. Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. With these funds, the intent of the governing body is that the costs (expenses, including depreciation) of providing the goods or services to the public on a continuing basis be financed or recovered primarily through user charges. The Village has two enterprise funds, the Water and Sewer Utility and the Stormwater Utility.

## C. BASIS OF ACCOUNTING

1. The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village defines this period to be one year. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgements, compensated absences, and pension

expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

2. Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. In addition to property taxes for the Village, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as deferred revenues and due to other taxing units on the accompanying balance sheet. Taxes are levied in December on the assessed value as of the prior January 1.
3. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the Village is entitled to the aids.
4. Special assessments are recorded as revenues when collected. Annual installments due in future years are reflected as receivables and deferred revenues.
5. Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services and interest.
6. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.
7. The Village reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the Village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.
8. The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Adopted: February 13, 2012

# BUDGET DEVELOPMENT POLICY

## POLICY PURPOSE

The process for the publication and legislative consideration of the annual budget for the Village is stated in Wis. Stats. § 62.12 and § 65.90 and Chapter 23, Article II, Division 2 of the McFarland Code of Ordinances. Those legislative guidelines provide the overall framework and minimum legal requirements for the Village budget process. This policy outlines the process to be followed by Village staff and the Village Board in developing and presenting the annual operating and capital budgets for all Village operations, including utilities, for review and adoption.

## POLICY IMPLEMENTATION OBJECTIVES

### A. BASIS OF BUDGETING

1. The Village adopts annual budgets for the general, special revenue, debt service and capital project funds that are prepared on the modified accrual basis of accounting. The enterprise funds budgets are prepared on the accrual basis of accounting.
2. The adopted budget indicates the amount that can be expended by each fund based on detailed budget estimates for individual expenditure accounts. Management may make budget modifications within the department level. All budget revisions at the fund level must be authorized by the Village Board at the request of the Administrator/ Treasurer. The Board, under Wis. Stats. § 65.06, can modify or amend the budget if unappropriated funds are available. All supplemental appropriations are financed either by transfers from reserves or by revenues received in excess of the budgeted amounts.
3. All budget amounts lapse at the end of the year to the extent they have not been expended.
4. The basis of budgeting for the Village's funds is the same as the basis used for the fund statements in the Village's annual financial statements.

### B. GENERAL BUDGET PROCEDURES

1. The annual budget for the Village developed for consideration by the Village Board will include all operations of the Village, including utilities, and will include both the operating budget for the ensuing fiscal year and a capital budget based upon a five-year capital improvement plan.

2. Before commencement of the annual budget process, the Village Board and the Administrator/Treasurer will develop recommended budget parameters and the budget calendar. Budget parameters will include allowable increases/decreases in operating budgets, projected wage increases, targets for borrowing in accordance with the Village's debt management policy, anticipated changes in revenue sources or tax base growth, and other factors.
3. Certain elements of budgets that are common across departments will be calculated and/or monitored by the Administrator/Treasurer on a centralized basis to ensure comparability and budgetary control. These areas include:
  - a. Salaries and benefits
  - b. Liability, worker's compensation, and property insurance coverages
  - c. Fuel and utility cost assumptions
  - d. Public Fire Protection Charge

The Administrator/Treasurer is responsible for coordination and initial review of departmental budget submissions. As necessary, meetings will be held with departments to review their budget requests prior to finalizing the budget.

4. The budget, consisting of the Administrator/Treasurer's recommendations on department requests shall be submitted to the Village Board for its consideration. Along with the executive budget submission, the following information will be reported to the Village Board:
  - a. All budget requests by departments, whether recommended for funding or not in the budget
  - b. A report from the Administrator/Treasurer as to whether the budget falls within the initial parameters established by the Village Board and areas in which changes/adjustments could be considered
5. Village Board review and deliberation on the budget and municipal services will generally be done in consultation with department heads, as determined appropriate by the Board. The annual operating and capital budgets will be submitted to the Village Board for adoption by formal Resolution.

## C. OPERATING BUDGETS

1. The operating budgets will serve as the annual financial plans for the Village and as the policy documents for implementing Board goals and objectives. The budget will provide the staff the resources necessary to accomplish Village Board determined service levels. The Village's annual budget document will be presented by department, with a logical breakdown of programs and line-item detail. Separate summary budget information will also be presented for discussion and review by the Village Board and the public.

2. The Village will annually adopt a balanced budget for the General Fund where operating revenues and other funding sources are equal to, or exceed, operating expenditures. Funding sources that can be considered in adhering to this provision include applying some portion of the general fund balance (reserves) that exceeds the minimum level required to be maintained per the Village's fund balance policy. Any increase in expenditures, decrease in revenues, or combination of the two that would result in a significant budget imbalance during the current fiscal year will be reported to the Finance Committee for consideration and recommendation to the Village Board of budget revisions or use of fund balance reserves to support ongoing operations. Any year-end operating surpluses will revert to unreserved fund balance for use in maintaining reserve levels set by policy.
3. Enterprise funds (e.g., the Water and Sewer Utility and Stormwater Utility) shall be supported by their own rates and specified revenue sources, including property taxes as deemed appropriate by the Village Board, and not be subsidized by the General Fund. Enterprise fund operating surpluses will not be used to subsidize other Village funds.
4. Enterprise funds and special revenue funds will pay their proportionate share of overhead services provided by General Fund departments.
5. The Village Board exercises legal budgetary control at the fund level, however reports are provided at functional and departmental levels as defined in the Village budget document. Budget accountability rests primarily with the operating departments of the Village, with general oversight by the Finance Committee and the Public Utilities Committee.

#### D. CAPITAL IMPROVEMENT BUDGETS

1. The Village will enact an annual capital improvement budget based upon a five-year capital improvement plan. Projects or future capital expenditures to be included in the capital improvement plan shall include those items resulting from changes in population, changes in real estate development, changes in economic base, or developments anticipated as part of the master and neighborhood planning process. The capital improvements plan will also include consideration of major equipment replacement needs. The five-year capital improvement plan will be updated annually.
2. The Village will coordinate development of the annual capital improvement budget and the vehicle/equipment replacement program with the development of the operating budget. Future operating costs or savings associated with new capital improvements or major equipment purchases will be projected and included in the operating budget. Approval of the annual capital improvement budget shall take place at the same time as approval of the annual operating budget.

3. As part of the annual capital improvement budget process, the Administrator/Treasurer will develop for consideration by the Village Board a projection of changes in the property tax levy necessary for debt service in subsequent budget years. Such target will be used to develop guidelines for the level of borrowing to be used in supporting the annual capital improvement budget. The projection will be based on a combination of factors including, but not limited to, expected growth in tax base, inflation rates, or similar factors.
4. Utility projects not funded via special assessments, grants, or similar funding sources other than utility rates will be analyzed for future rate impacts as part of the annual budget process. Utility projects will be coordinated with Village projects to minimize costs and inconvenience to residents.
5. Development-related projects for which tax incremental financing might be considered will be considered outside of the borrowing projections noted above due to the dedicated revenue stream (tax increments or other sources) used to pay the debt.
6. Each department head will develop the annual capital improvement budget for his or her respective department. These initial budgets should be reviewed by the appropriate board or committee which is responsible for overseeing the operations of each department. The final review of the annual capital improvement budget will then be completed by the Administrator/Treasurer prior to being presented to the Village Board for approval.
7. Capital improvement expenditures shall include any amounts expended for equipment or other assets with a useful life of more than five years and/or which involve amounts more than \$2,500. Expenditures not meeting these criteria, or which have a useful life of less than the payback period of the funds to be borrowed, shall be included in the Village's annual operating budget or equipment replacement program as applicable.
8. Requests for new or replacement vehicles and similar equipment will be analyzed in conjunction with the Village's equipment replacement program. Sinking funds will be established when feasible to fund future vehicle and equipment replacements.
9. Facility improvement projects to be included in the capital improvement budget should involve major renovations that change the floor plan, wall locations, modifications to the structure, or modifications to building mechanical systems. Items that do not meet these criteria should be included in department operating budgets.
10. The Village will make all capital improvements in accordance with the approved annual capital improvements budgets. Any variance from the approved budget that would require a supplemental appropriation, or to add, delete or substitute projects, requires approval by the Village Board.

11. Financing Considerations
  - a. The Village will utilize the least costly financing method for all new projects.
  - b. Each department will identify the estimated costs and potential alternate funding sources for each capital improvement project proposal.
  - c. The Village will utilize available grant funds and other intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and the Village's priorities.
12. Other Considerations
  - a. The Village will maintain all of its assets at a level adequate to protect the Village's capital investment and to minimize future maintenance or replacement costs.
  - b. The Village will maintain adequate equipment utilization and maintenance records to support its five-year capital improvement plan and to assure proper maintenance of equipment.

E. BUDGET DEVELOPMENT PROCESS (General)

1. The formal budget process begins in late June of each year when the Village Board determines the details of the budget calendar and budget review process to be used that year. Informally, aspects of upcoming budgets are discussed throughout the year with the Village Board and staff. [Refer to the attached Budget Schedule which describes the process and timetable for the current year.]
2. In July the Village Board is presented with pertinent background information for the upcoming budget and fiscal policy recommendations from the Finance Committee. The Board determines general budget parameters and guidelines to be followed by the departments when compiling their budget requests. As appropriate, the Administrator/Treasurer details alternative budget scenarios for the department heads to submit.
3. The Administrator/Treasurer provides each department with historical financial information and projected salary and benefit figures based on the authorized positions. Department heads are then responsible for completing budget requests in accordance with the guidelines provided by the Administrator/Treasurer and the Village Board. Capital budget requests and changes in staffing levels or significant service level/policy changes are reviewed with committees of jurisdiction in July and August. Departmental budget requests are returned to the Administrator/Treasurer in late August for compilation.
4. Simultaneously, the Administrator/Treasurer reviews current year revenue trends and completes revenue estimates for the budget year. The Administrator/Treasurer reviews the budget amounts requested and meets

with department heads individually to discuss potential cost savings measures and overall financial goals of the Village.

5. In late August each department reviews with the Village Board any significant budget problem areas or opportunities for the coming year and any requested changes in staffing. The Village board determines budget assumptions to be made regarding requested staffing changes and wages and benefits for non-represented and represented employees.
6. In mid-September the Village Board is given an overview of the compiled departmental budget requests. Budget policy issues are identified and discussed and final direction is provided to staff by the Board on tentative tax levy, revenue, expense, staffing, and service change assumptions to be incorporated in the proposed budget.
7. The recommended five-year capital improvement plan is typically distributed to the Village Board in mid-September and reviewed at a working session in late September or early October. The recommended operating budgets are typically distributed to the Village Board in mid-October and reviewed in multiple working sessions in late October or early November following the public hearing. The operating and capital budgets of the Water and Sewer Utility and the Stormwater Utility are typically reviewed by the Public Utilities Committee in November and forwarded to the Village Board for action in December.
8. In late October the Village Board holds a public hearing on the proposed budgets following publication of budget summaries in accordance with statutory requirements. Members of the public are encouraged to comment at the public hearing on the proposed budgets and their impact on municipal services.
9. For a one week period following the final budget review meeting Village Board members may submit requests for changes to the proposed budgets. Any proposed changes will be circulated to all other Board members and staff for proper evaluation and analysis of operational and service impacts prior to discussion and possible action at the subsequent Village Board meeting. Consideration of budget changes not submitted by the deadline will be determined by a majority of the Village Board.
10. The budget for each individual fund is adopted separately by the Village Board which also approves the overall tax levy for Village purposes and the composite tax levy to be collected for all taxing jurisdictions. The adoption of non-utility budgets typically occurs on the second Monday in November.

Adopted 08.27.12

# **DEBT MANAGEMENT POLICY**

## **POLICY PURPOSE**

The Village acknowledges that certain costs incurred on an annual basis reflect an investment in the future of the Village. These types of costs include development, acquisition, and replacement of assets that will be used by the residents of the Village over a long period of time. Financing of these long-term assets is often appropriately accomplished through the issuance of long-term debt instruments, special assessments, or any other combination of these.

It is the responsibility of the Village Board and Village administrative staff to monitor the financial health of the Village. A significant portion of the Village's financial health is determined by its ability to manage its debt, so the role of debt in the Village's total financial strategy must be carefully defined in order to avoid using debt in a way that weaken other parts of its financial structure. It is the responsibility of the Administrator/Treasurer to regularly monitor the Village's outstanding debt and to recommend issuance, replacement and retirement of outstanding debt to the Finance Committee and the Village Board.

## **POLICY IMPLEMENTATION OBJECTIVES**

### **A. FINANCING CONSIDERATIONS**

1. The Village will confine long-term borrowing to capital improvements, equipment, or other long-term projects which cannot and, appropriately should not, be financed from current revenues.
2. The Village will not use long-term debt to finance current operations, nor will long-term debt be used to finance the cost of short-lived (less than five years) depreciable assets (for example, vehicles).
3. In general, the final maturity of bonds and notes issued by the Village should not exceed the expected useful life of the underlying project for which it is being issued.
4. The Village will issue general obligation debt by borrowing from the State Trust Fund or through a competitive bidding process or negotiated sale, depending upon which approach is deemed most advantageous to the Village.
5. Periodic reviews of outstanding debt will be undertaken by the Administrator/Treasurer at least every two years to determine refinancing opportunities. Refinancing will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding.

## B. DEBT LIMITS AND STRUCTURE

1. Section 67.03 of Wisconsin Statutes requires that general obligation debt outstanding not exceed 5% of the equalized valuation of the taxable property within the Village. Revenue bonds and notes are not considered debt for purposes of determining compliance with constitutional debt limitations. The Village intends to keep total outstanding general obligations debt within 50% of the limit prescribed by law and non-utility and non-TIF related general obligation debt within 40% of the statutory limit. Debt levels should further be consistent with the Village's credit objectives and long-term financial plan.
2. The Village will keep the maturity of all outstanding general obligation bonds at or below 15 years.
3. The total annual debt service for general obligation debt (exclusive of that funded by proprietary operations) should not exceed 25% of the Village's total tax levy, with an effort to maintain the levy at a proportionately even level for tax rate stabilization.

## C. FINANCIAL ADVISORS

1. The Village will utilize the services of a qualified financial advisor that meets all current certification requirements in the monitoring of its debt and debt service.
2. The Village should strive to maintain a long-term relationship with a financial advisor to allow for continuity and consistency in services provided by the advisor. However, the arrangement between the financial advisor and the Village should be examined every five (5) years or as deemed necessary by Village administrative staff and the Village Board.
3. All feasible alternatives (for example, State Trust Fund loans, Clean Water Fund loans, and private placements with local financial institutions) for borrowing funds should be considered by the Village and the financial advisor depending on the uniqueness of the items or projects being financed by long-term debt.
4. All costs of issuing long-term debt, including fees for professional services, underwriting fees, and the interest costs over the term of the debt issue, must be considered and carefully evaluated for each borrowing.
5. The Village will work with the financial advisor to ensure that long-term debt issues are structured to protect the interest of the Village for the present and in the future (for example, the inclusion of call provisions to protect the Village against future interest rate fluctuations or other circumstances).

D. OTHER CONSIDERATIONS

1. The maintenance of the best possible credit rating shall be a significant factor in all financial decisions.
2. The Village will maintain good communications with bond rating agencies regarding its financial condition.
3. The Village will follow a policy of full disclosure in all financial reporting including bond prospectuses and continuing disclosure agreements required under SEC Rule 15c2-12(b)(5).

Adopted: October 10, 2011

# **FUND BALANCE POLICY**

## **POLICY PURPOSE**

The maintenance of adequate fund balances is important to provide working capital for the Village to meet cash flow needs during the year (while avoiding the need to cash flow borrow) and to preserve the credit worthiness of the Village for borrowing monies at favorable interest rates.

## **POLICY IMPLEMENTATION OBJECTIVES**

### **A. BUDGET CONSIDERATIONS**

1. As part of the annual budget process, the Administrator/Treasurer will estimate the surplus or deficit for the current year and prepare a projection of the year-end fund balance at the time the proposed operating budget is presented to the Village Board. Such projection will include an analysis of trends in fund balance levels on an historical and future projection basis.
2. Withdrawal of any amount of the fund balance in excess of the targeted maximum of the amount budgeted under (1) above, for the sole purpose of reducing the ensuing year's property tax levy, may be made only upon a simple majority vote of the Village Board.
3. The Village Board, by a simple majority vote, can declare a fiscal emergency and withdraw any amount of general fund balances for purposes of addressing the fiscal emergency. Any such action must also provide for necessary appropriations to restore the general fund balance to the minimum balance within a five-year period.
4. In the absence of other policy direction from the Village Board, the flow of funds requirements of GASB 54 will govern from what source the fund balance will be withdrawn. Accordingly, fund balance would be drawn from available accounts related to the need in the following order:
  - a. restricted
  - b. assigned
  - c. unassigned

## B. FUND BALANCE REQUIREMENTS

1. General Fund
  - a. The unassigned fund balance will be maintained as of December 31 of each year equal to a minimum of 20% of the ensuing year's budgeted General Fund expenditures, with a targeted maximum of 25%. For this purposes of this calculation, it will be assumed that the outstanding balance of any internal advances to other funds has been repaid.
  - b. As part of the total fund balance the General Fund will maintain a working capital amount equal to 10% of the ensuing year's budgeted expenditures.
2. Library Fund
  - a. The committed fund balance will be maintained as of December 31 of each year equal to a minimum of 10% of the ensuing year's budgeted Library Fund expenditures.
3. Solid Waste Fund
  - a. The committed fund balance shall be maintained as of December 31 of each year equal to a minimum of 15% of the ensuing year's budgeted Solid Waste Fund expenditures.
4. Cable/Website Fund
  - a. The committed fund balance shall be maintained as of December 31 of each year equal to a minimum of 10% of the ensuing year's budgeted Cable/Website Fund expenditures.
5. Capital Projects Fund
  - a. The Capital Projects Fund shall maintain reserves as of December 31 of each year sufficient to pay the cost of projects under construction but not yet finished.

Adopted: October 10, 2011

# INVESTMENT POLICY

## POLICY PURPOSE

It is the Village's policy to invest public funds in a legal and safe manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all State of Wisconsin statutes and local ordinances governing the investment of public funds.

This policy shall apply to all cash and investments of the Village, including all funds. For the purposes of financial statements, all cash and investments with an original maturity of three months or less will be considered cash and cash equivalents. Investments will be reported at fair values, based on quoted market values.

## POLICY IMPLEMENTATION OBJECTIVES

### A. PROPER PRUDENCE

The standard of prudence to be used by Village investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

### B. AUTHORITY

Authority to manage the Village's investment program is derived from State of Wisconsin Statutes and Village ordinances. The Administrator/Treasurer or Deputy Treasurer is the investment officer and is responsible for investment decisions and activities. The Administrator/Treasurer shall be responsible for all transactions undertaken, and shall establish investment procedures consistent with this policy, and a system of controls to regulate the activities of subordinate officials and employees.

C. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Village President any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the Village, or particularly with regard to the time of purchases and sales.

D. INVESTMENT OBJECTIVES

The primary objectives, in order of priority, of the Village's cash and investment activities are as follows:

1. Safety: Investments shall be undertaken in a manner that seeks to preserve capital. To achieve this objective, this policy outlines allowable investments and maximum investment amounts by issuer and financial institution.
2. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).
3. Return: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

E. SAFETY

1. The investment of Village funds shall be restricted in accordance with Wis. Stats. § 66.0603 as defined below:
  - a. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this state if the time deposits mature in not more than 3 years.

- b. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government.
- c. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of this state.
- d. Bonds issued by a local exposition district under subch. II of ch. 229.
- e. Bonds issued by a local professional baseball park district created under subch. III of ch. 229.
- f. Bonds issued by a local professional football stadium district created under subch. IV of ch. 229.
- g. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.
- h. Bonds issued by a local cultural arts district under subch. V of ch. 229.
- i. Bonds issued by the Wisconsin Aerospace Authority.
- j. Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- k. Securities of an open-end management investment company or investment trust, if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following:
  - (1) Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
  - (2) Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
  - (3) Repurchase agreements that are fully collateralized by bonds or securities under subd. 5. a. or b.
- l. Local government pooled-investment fund.
- m. May engage in financial transactions in which a public depository, as defined in Wis. Stats. § 34.01 (5), agrees to repay funds advanced to it by the local government plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.

2. To ensure the safety of Village funds, cash and investment balances are further restricted as follows:
  - a. Checking and saving accounts.
  - b. Short term investment pools such as Wisconsin Local Government Pooled Investment Fund, MBIA Wisconsin Class and Wisconsin Investment Trust.
  - c. Certificates of deposit.
  - d. United States treasury securities.
  - e. United States agency securities.
  - f. Commercial paper or municipal bonds (as allowed above) having the highest or 2nd highest rating category assigned by Standard & Poor's Corporation, Moody's Investor Service or other similar nationally recognized rating agency.
  - g. Money market and overnight sweep/repurchase accounts investing in other allowable investments as listed above.
3. Additional restrictions on custodial credit risks:
  - a. All checking, savings, certificates of deposit, money markets and overnight sweeps shall be either limited in amount so as to be covered by FDIC, State guarantee fund, other insurance agreements or are fully collateralized.
  - b. All U.S. treasuries, agencies and commercial paper purchased shall be registered in the Village's name. Financial institutions holding these investments on behalf of the Village will also provide collateralization or other insurance coverage for the entire balance of investments.
4. Additional restrictions on concentration of credit risks:
  - a. As practicable, the Village will not hold more than 60% of all cash and investment balances at one financial institution, except for the Wisconsin Local Government Pooled Investment Fund.
  - b. No more than 10% of all cash and investments will be allocated to the same issuer of U.S. agencies or commercial paper.

## F. LIQUIDITY

The Administrator/Treasurer shall monitor the Village's cash and investment balances as needed to ensure adequate funds are on hand for operating cash flow needs as well as significant dollar payments such as debt principal and interest and capital projects.

The Village wishes to restrict the maturity of all investments to less than five (5) years.

G. FEES

The Administrator/Treasurer shall periodically review fee arrangements with authorized financial institutions to ensure fees paid by the Village are reasonable.

H. AUTHORIZED FINANCIAL

The Village designates the following institutions as public depositories for the funds of the Village of McFarland as follows:

Associated Bank  
First Horizon Bank  
First National Bank of Stoughton  
M & I Bank  
McFarland State Bank  
Oak Bank  
Park Bank  
Town Bank  
Wisconsin Investment Trust  
Wisconsin Local Government Pooled Investment Fund as organized under  
Wis. Stats. §25.50

I. INVESTMENT POLICY CONSIDERATIONS

The investment policy will be reviewed at least every three years by the Finance Committee or sooner at the discretion of the Village Board.

Adopted: October 10, 2011

# POLICY ON CAPITALIZATION OF FIXED ASSETS

## POLICY PURPOSE

To establish a general policy for the capitalization of fixed assets, including standards for determining the valuation and depreciation of fixed assets. For the purposes of this policy, a general fixed asset is minimally defined as a non-infrastructure item with an individual cost of \$10,000 or more and an expected useful life greater than one year. Infrastructure assets are items that are immovable and of value only to Village government (e.g. buildings, streets, water mains, sewers).

## POLICY IMPLEMENTATION OBJECTIVES

### A. SCHEDULE OF CAPITAL ASSETS

1. The Village's Schedule of Capital Assets will include most general fixed assets having an expected useful life greater than one year and a purchase, donated, or assessed value greater than \$10,000.
2. The Schedule of Capital Assets will establish for each fixed asset an initial value, expected useful life, and basis for depreciation.

### B. REPAIRS

1. Generally speaking, repairs made to a fixed asset will not change the initial capitalized value. Exceptions would include major replacements of components and/or additions which increase significantly the initial capitalized value or extend significantly the expected useful life of the capitalized asset. In those instances, the value of the capitalized asset will be reviewed to determine if adequate substantiation exists for modifying in the subsequent year the value of that asset in the Schedule of Capital Assets.

### C. VALUATION OF ASSETS

Departments will record long-term assets at historic cost or, if the cost cannot be readily determined, at estimated historic cost. The cost will include applicable ancillary costs. All costs will be documented, including a description of the methods and sources used to establish any estimated costs.

1. *Purchased Assets* – The recording of purchased assets will be made on the basis of actual costs, including all ancillary costs, based on vendor invoice or other supporting documentation.
2. *Salvage Value* - The recording of purchased assets that are expected to be sold at retirement will be recorded with the historical estimated sale value if in excess of \$10,000. If sale value is less than \$10,000, normal depreciation for the useful life will be used.

3. *Self-Constructed Assets* – All direct costs (including labor) associated with the construction project will be included in establishing a self-constructed asset valuation. If a department is unable to specifically identify all direct costs, an estimate of the direct cost is acceptable, but the estimated value must be supported by a reasonable methodology.
4. *Donated Assets* – Fixed assets acquired by gift, donation or payment of a nominal sum not reflective of the asset's market value will be assigned a cost equal to the fair market value at the time of acquisition.
5. *Leased Property* – Capital lease property will be recorded as an asset and depreciated as though it had been purchased.
6. *Dedicated Assets* – Required installation by a Developer of public improvements, including but not limited to sanitary sewer mains, manholes, laterals and all appurtenances, water mains, laterals, hydrants, valves and all appurtenances, storm sewers, storm water management measures, streets, curb and gutter, street lights, street signs and sidewalks will be dedicated to the Village upon completion. Recording of infrastructure assets will be made on the basis of actual costs, including all ancillary costs, based on vendor invoice or other supporting documentation provided by the Developer and the opinion of the Village engineer.

#### D. INTANGIBLE ASSETS

##### 1. Characteristics of Intangible Assets

- a. Lack of physical substance – Intangible assets may be associated with another item that does have physical substance, such as land in the case of an easement. However, the associated items should not be considered when determining the physical substance of an intangible asset.
- b. Nonfinancial nature – Intangible assets are not in monetary or related forms, such as cash, investments, receivables, prepaid, etc.
- c. Intangible assets must have an initial useful life of greater than one year.

Excluded from the definition of intangible assets are assets acquired or created primarily for the purpose of directly obtaining income or profit, assets resulting from capital lease transactions, or goodwill.

##### 2. Recognition of Intangible Assets

An intangible asset will only be recognized if it is identifiable, meaning either:

- a. The asset is separable from the Village (capable of being sold, transferred, licensed, etc) or
- b. The asset arises from contractual or other legal rights, regardless of whether such rights are separable from the Village.

Intangible assets that are purchased or developed will be recorded using historical cost, whether purchased from a third-party or internally generated. Intangible assets that are donated will be recorded at fair value.

### 3. Internally Generated Intangible Assets

Intangible assets are considered to be internally generated if they are created or produced by the Village, or an entity contracted by the Village, or if they are acquired from a third-party but require more than a minimal incremental effort on the part of the Village to begin to achieve their expected level of service capacity.

Outlays will only be capitalized after the following conditions have been met:

- a. Determination of the specific objective of the project and nature of the service capacity that is expected to be provided.
- b. Demonstration of the technological feasibility for the project.
- c. Demonstration of the current intention, ability, and presence of effort to complete.

### 4. Amortization of Intangible Assets

Intangible assets that have a limited useful life will be amortized over the useful life of the asset. The useful life should not exceed the period to which the service capacity of the asset is established by contractual or legal provisions.

Intangible assets will be considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset. A permanent right of way easement is an example of an intangible asset that should be considered to have an indefinite useful life. Intangible assets with indefinite useful lives will not be amortized.

## E. CAPITALIZATION THRESHOLDS

The following cost and useful expected life thresholds are intended to illustrate whether certain types of fixed assets will be capitalized.

FIXED ASSET CATEGORY	ILLUSTRATIVE ITEMS AND CAPITALIZATION THRESHOLD
Furniture	Chairs, tables, bookcases, file cabinets or other furniture items which individually cost \$10,000 or more with an expected useful life of greater than one year.
Office Equipment	Postage machine, copiers, printers or other office equipment items that individually cost \$10,000 or more with an expected useful life of greater than one year.
Computer Equipment	Computer networks or computer systems that cost \$10,000 or more with an expected useful life of greater than one year.
Specialized Equipment	Equipment items or systems that individually cost \$10,000 or more with an expected useful life of greater than one year.
Infrastructure	Streets, curb & gutter, public right-of-way, street light systems, bridges, storm sewers, sewer laterals, culverts, and water mains that individually cost \$25,000 or more with an expected useful life of greater than one year.
Building and Improvements	Permanent structures, building mechanical equipment, parking lots and lighting that individually cost \$10,000 or more with an expected useful life of greater than one year.
Library Collection	The aggregate value of all books, CD's, DVD's, VHS tapes, periodicals, and other collection materials having an expected useful life of greater than one year.
Vehicles or Road Equipment (cars, trucks or ambulances)	All vehicles and on-road equipment that individually cost \$10,000 or more with an expected useful life of greater than one year. All permanent or semi-permanent attachments to the vehicle shall be included in the value (e.g. snow plows, salt spreaders, ect.)
Motorized non-road construction equipment	All equipment that individually cost \$10,000 or more with an expected useful life of greater than one year.
Other non-motorized equipment not attached to or associated with motorized equipment	All equipment that individually cost \$10,000 or more with an expected useful life of greater than one year.
Intangible Assets	Assets such as easements, land use rights, copyrights, and computer software. The capitalization threshold for all intangible assets having an initial useful life of greater than one year is \$50,000.

Adopted: February 13, 2012

# **POLICY ON INTERFUND ADVANCES**

## **POLICY PURPOSE**

The Village Board may at its discretion elect to advance funds from one internal fund to another in order to cover a deficiency in revenues over expenses or for other financing uses.

## **POLICY IMPLEMENTATION OBJECTIVES**

1. The duration of an interfund advance may be short term or long term in nature depending upon the circumstances. If the advance extends beyond the current fiscal year, the details and outstanding balance (principal and interest) shall be noted by the auditors in the financial statements.
2. In the event that such an interfund advance is found to be necessary and appropriate, a determination must be made that the lending fund will not be financially harmed by making the advance.
3. If possible, interfund advances should be made between similar types of funds. Examples of these types of advances would include one utility lending to another, one TID lending to another, or the General Fund lending to a special revenue fund or a capital projects fund.
4. Interest on the interfund advance shall be charged based on the average outstanding balance of the advance during the year at a floating interest rate equivalent to the average rate of interest paid during the year by the State of Wisconsin Local Government Investment Pool.
5. For financial planning purposes, a projected repayment schedule should be prepared at the time of the interfund advance and a plan developed to insure repayment in accordance with the schedule.

Adopted 08.27.12

**PROCEDURE FOR COLLECTION OF DELINQUENT  
PERSONAL PROPERTY TAXES AND FOR THE WRITE-OFF  
OF UNCOLLECTIBLE PERSONAL PROPERTY TAXES**

1. Personal property taxes must be paid in full by January 31<sup>st</sup> of the year due or they become delinquent. The Village is solely responsible for the collection of delinquent personal property taxes.
2. In accordance with Wis. Stats § 74.47, delinquent personal property taxes are subject to additional interest charges of 1% per month or fraction thereof and to an additional penalty charge of 0.5% per month or fraction thereof.
3. A written notice of any unpaid personal property tax amount, with interest and penalties added, will be mailed to each delinquent taxpayer the first week of February, March, and April.
4. If the personal property taxes remain unpaid by May 1<sup>st</sup> the account will be evaluated for possible collection action under Wis. Stats § 74.55. Among the factors to be considered in this evaluation shall include the amount of outstanding taxes owed, the age of the account, the current status of the business, the likelihood of receiving payment without resorting to collection action and the projected cost of collection. Businesses that have declared bankruptcy without tangible assets or that have closed and for which no current information is available would likely be poor candidates for collection.
5. If a delinquent tax account is deemed by staff to be a suitable candidate for collection, Village staff will initiate appropriate recovery procedures, including the potential filing of small claims court action, withholding Village licenses which the business may require to operate (as allowed by law), or using the tax intercept program. If necessary the account will be referred to the Village Attorney for legal action. Any civil action must be brought within six years after the January 1<sup>st</sup> of the year in which the taxes are required to be paid.
6. Any personal property tax amounts that are still delinquent by March 1<sup>st</sup> of the following year will be charged back to the overlying taxing jurisdictions in accordance with Wis. Stats. § 74.42. Any delinquent tax amounts subsequently collected, minus the cost of collection, shall be proportionately distributed to each taxing jurisdiction to which the previous charge back applied. An annual report of the charge backs will be provided to the Finance Committee.
7. Any delinquent personal property tax amounts that are still unpaid by January 1<sup>st</sup> of the third year after the taxes were due (EXAMPLE – payable 1-31-09 but still delinquent 1-1-12) will be reviewed by staff and the Village Attorney (if appropriate) for possible consideration of write-off by the Finance Committee. The Finance Committee will receive and consider by June of each year a summary report of all delinquent personal property accounts with sufficient explanation of why the account is deemed uncollectible and then forward a recommendation to the Village Board specifying all delinquent tax amounts to be written off. Action by the Village Board approving any tax write-offs shall be by formal motion.

Adopted: May 29, 2012

# REVENUE POLICY

## POLICY PURPOSE

The Village needs to maintain a diversified and stable revenue base to shelter it from unanticipated fluctuations and to minimize reliance on the property tax. Similar sources and uses of revenues should be matched to the extent possible to ensure adequate and equitable funding for various Village services and programs over the long term.

## POLICY IMPLEMENTATION OBJECTIVES

### A. GENERAL CONSIDERATIONS

1. Each year and whenever appropriate, existing revenues will be re-examined by the Administrator/Treasurer and staff and possible new sources of revenues will be explored to ensure that the Village is optimizing its revenue potential.
2. The Village will establish all user charges and fees at a level related to the actual cost of providing the service. Each year the Village will recalculate the direct and indirect cost of services supported by user fees to identify the impacts of inflation and other cost increases.
3. Legally restricted revenues will be avoided when they adversely affect the short or long-term financial health of the Village. One-time revenues will be used for capital improvements or as legally restricted to a specific purpose.
4. Each year and whenever appropriate, intergovernmental revenues will be reviewed to determine their short and long-term stability, to minimize the impact of any adverse changes. Intergovernmental revenues shall be used as legally prescribed or otherwise set forth by policy.
5. Any amounts due to the Village will be carefully and routinely monitored. An aggressive policy of collection will be followed for all receivables, including property taxes. In addition, proprietary funds will generate revenue sufficient to support the full direct and indirect costs of these funds.
6. All potential grants and other aid shall be carefully examined for matching requirements and restrictive covenants, to ensure that Village participation in such grants will be beneficial and cost-effective.

### B. BUDGET CONSIDERATIONS

1. Annual revenue will be estimated using an objective, analytical process.
2. Revenues are to be budgeted for debt service amounts relating to general obligation debt before they are allotted for any other type of expenditure.

3. Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees and cost sharing with other governmental units and other Village funds such as utilities. User fees and cost allocation formulas will be reviewed annually by the Village Board as part of the budget process, and revised as necessary to reflect inflation and other cost increases.
4. Payments in lieu of taxes from municipal utilities will be budgeted and based on utility estimates.
5. Commercial revenue sources will be budgeted conservatively.
6. Proceeds from the sale of equipment or excess property will not be budgeted as operating revenue unless such amounts can be accurately projected. Any such proceeds received shall be recorded in the appropriate fund (for example, proceeds from equipment sales should be recorded in the fund the equipment was replaced from)
7. Revenue estimates for the annual budget will take into consideration the statistical ten-year analysis of revenue trends, property tax levies and property value growth percentages and the current year projected financial results.

#### C. REVENUE MONITORING

1. A comparison of actual revenues to budgeted amounts will be made by the Administrator/Treasurer on a monthly basis. A report will be made to the Finance Committee and Village Board at mid-year or anytime the likelihood of a significant revenue shortfall is identified. If the shortfall is anticipated to be other than temporary, the Administrator/Treasurer will coordinate the development of a plan to maintain a balanced budget.

#### D. OTHER CONSIDERATIONS

1. New sources of non-property tax based revenue should be actively explored and discussed throughout the year.
2. Intergovernmental grant requests shall be reviewed by the Administrator/Treasurer and the Village Board prior to the application being submitted, whenever possible. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the Village relating to the grant's purpose and to provide an overall budgetary review of grant proposals. Grants requiring Village matching funds should be reported to the appropriate committee or commission and Village Board prior to submission of the grant application. The Village Board shall approve all matching funds grant awards prior to the final acceptance of a grant. Grant reimbursement requests should be submitted to the Administration Department for tracking of grant activity and proper recording of grant revenues.

Adopted: October 10, 2011

# **PURCHASING POLICIES AND PROCEDURES**

## **POLICY PURPOSE**

The purposes of this policy are to provide uniform guidelines to Village employees involved in the procurement of supplies, equipment, services, and property and to insure that the expenditure of public funds by all Village departments is consistent with the policies set by the Village Board. Consistent with Chapter 23, Article II, Division 4 "Purchases and Contracts" of the McFarland Municipal Code, The goals of the policy are to:

- Create the maximum feasible free and open competition in all procurements.
- Prevent potential waste, fraud, abuse, and conflicts of interest in the procurement process.
- Prevent the issuance of exclusionary or discriminatory specifications.
- Insure fair and equal treatment of all vendors.
- Establish standard procedures to be followed in making purchases.
- Achieve the optimum price for the item(s) being purchased. Optimum price does not necessarily mean the lowest price.

## **POLICY IMPLEMENTATION OBJECTIVES**

### **A. ETHICAL STANDARDS**

1. All procurements will comply with applicable Federal, State, and local laws, regulations, policies, and procedures.
2. In general, employees shall not to engage in any procurement related activity that would actually or potentially create a conflict of interest, which might reasonably be expected to contribute to the appearance of such a conflict, or which would violate the Village ethics code.
3. No employee shall participate in the selection, award, or administration of a contract if a conflict of interest would be involved. Such a conflict would arise when the employee, any member of the employee's immediate family, the employee's business partner, or any organization that employs, or is about to employ, any of the above has a financial or other interest in the firm selected for award.

4. No employee shall solicit nor accept favors, gratuities, or gifts of monetary value from actual or potential vendors.
5. The structure, scope, and specific activities to be performed in contracts shall be carefully reviewed by procurement officials to prevent real and apparent organizational conflicts of interest. An organizational conflict of interest would exist when the nature of the work to be performed under a proposed contract may, without some restriction of future activities, result in an unfair competitive advantage to the contractor or impair the contractor's objectivity in performing the contract work.
6. To promote free and open competition, technical specifications shall be prepared to meet the minimum legitimate needs of the Village, and, to the extent possible, shall not exclude or discriminate against any qualified contractors.
7. Employees shall maintain strict confidentiality in the procurement process and shall not impart privileged information to any contractors that would give them an advantage over other potential contractors.
8. It is the intent of the Village that its name or the name or position of anyone it employs not be used to endorse or support a product or vendor, except that references for professional services may be given in response to a request made by another government agency.

## B. GUIDELINES

1. To the extent allowed by law and allowed by this policy, the Village reserves the right to accept the bid or quote it deems to be most beneficial to the Village, as well as the right to reject all bids or quotes.
2. Internal purchasing procedures require some degree of centralized review of proposed procurements to avoid the purchase of unnecessary or duplicative items. The procedures also require that different employees execute payments than those who do the ordering to avoid potential fraud or abuse in procurements.
3. Prudent short and long term planning for purchases will help to minimize the amount of administrative and clerical time spent documenting purchases. Each department shall purchase within the foreseeable needs of the department, to maximize available discounts, and to coordinate purchases with other departments or agencies when possible.
4. Quality and service are just as important as price. Quality buying is the buying of goods and services at the lowest price point that will meet, but not exceed the requirements for which they are intended. In some instances the primary consideration may be durability. In other instances it may be a question of immediate availability, ease of installation, frequency of repair or efficiency of operation. It is

the responsibility of each Department Head to become familiar with available equipment to determine the appropriate quality required.

5. Appropriate procedures shall be maintained to ensure that awards are made only to contractors who possess the ability to perform successfully under the terms and conditions of a given procurement. Project-specific contract administration arrangements shall be made to see that the contractor performs in accordance with the terms, conditions, and specifications of the contract or purchase order.
6. Adequate records shall be maintained to detail the history of significant procurements. In addition, a current inventory of all fixed assets shall be maintained to ensure proper continuing control.
7. The Village may participate, when legally permissible and feasible, in Federal, State, and local intergovernmental contracts for the procurement or use of common goods and services if such joint purchases are cost effective.
8. When feasible, the Village may use Federal or State excess/surplus property or used equipment instead of purchasing new equipment.
9. All contracts or agreements for services shall be reviewed and, if necessary, renegotiated or resubmitted to new vendors at least every three years. No contract may be extended automatically or renewed without appropriate review.

#### C. ORGANIZATIONAL RESPONSIBILITIES

1. The Administrator is the designated purchasing agent for the Village and he/she (or designee) shall generally oversee and coordinate purchases made by Village departments. The Administrator shall review at least annually the purchasing needs and practices of the departments and determine the purchasing limit to be delegated to each Department Head.
2. The Department Heads possess the authority and responsibility of managing purchases within their delegated purchasing limits. All purchases shall be reviewed and approved by the Department Head or his/her designee.
3. Each Department Head may delegate to an employee(s) of that department authority to make and approve purchases not exceeding \$5,000. The Department Head shall sign off on accounts payable vouchers prior to payment, however, and is ultimately responsible for all purchases made by employees of the department.
4. As a check and balance measure, payments for goods and services shall be executed by employees who were not involved in the ordering process.

D. ORGANIZATIONAL APPROVALS

1. The following purchases, contracts and agreements for services shall ordinarily be referred to the committee or jurisdiction for review and recommendation prior to submission for approval to the Village Board.
  - a. All public works construction contracts in excess of \$25,000.
  - b. Any other contracts and agreements for services in excess of \$25,000.
2. If the purchase of a vehicle or equipment item(s) is specifically approved in the operating or capital budget, the purchase does not require separate approval by the committee or the Village Board prior to ordering unless there is a significant change in the product specifications or the actual purchase price exceeds the budget appropriation.
3. Bond payments and other debt obligations, payroll and benefits, fuel, road salt, street maintenance, annual service agreements, vehicle/equipment parts and repairs, and all other recurring expenses incurred in the usual and ordinary operation of Village government are authorized in a sum not to exceed the budgeted amount.
4. No account or claim against the Village, except for payment of regular wages or salaries, shall be paid until it has been approved by the Village Board.

E. METHODS OF PROCUREMENT

Depending upon the type and cost of the item or service being procured, one of the following procurement methods will be used.

1. Petty Cash
  - a. Purchases of under \$30 may be made from petty cash; purchases under \$10 should be made from petty cash whenever practical.
2. Competitive Quotation
  - a. Purchases in an amount less than \$2,000 may be made using whatever responsible procedure the Department Head deems appropriate.
  - b. Purchases in an amount of \$2,000 - \$4,999 require verbal or written quotations from at least two (2) qualified sources. The results of the verbal quotations shall be recorded on a "Memorandum of Quotation" form and signed by the person receiving the quotations.

3. Quotation

- a. Purchases in an amount from \$5,000 - \$25,000 require solicitation of a minimum of three (3) written quotations from qualified sources. A summary of the quotations received shall be retained for the longer of the purchase transaction or one year. If departments are unable to secure three (3) written quotations, the Department Head shall explain to the Village Board the reason why additional written quotations were not forthcoming, in the opinion of the Department Head.
- b. The Village shall give a class 1 legal public notice of the proposed construction before the contract for the construction is executed.

4. Formal Bids

- a. Purchases in an amount of more than \$25,000 shall require the submission of formal sealed bids. Such bids may be formally advertised by publication of a class 1 notice and other appropriate methods should be used to make potential bidders aware of the opportunity. The resulting contract will generally be awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lowest in price.

Unsuccessful bids shall be kept on file for two (2) years; the comparative tabulation summary of all bids and the accepted bid shall be maintained for seven (7) years after completion of the project.

- b. All qualifying public works construction contracts as defined in Wisconsin Statutes § 61.54 require the submission of sealed bids for contracts in excess of \$25,000. If the estimated cost is \$5,000 - \$25,000, bids shall be solicited by publication of a class 1 notice. The bids will be opened and read aloud in public and then referred to the appropriate department for review and tabulation. The bids and the departmental recommendation will be submitted to the committee of jurisdiction and then to the Village Board for approval. The Village shall give a Class 1 legal public notice of the proposed construction before the contract for the construction may be executed. The award for public works construction contracts in excess of \$25,000 will be made to the lowest responsible bidder meeting the specifications as required by statute. If the low bid is not recommended for acceptance, the department will be expected to thoroughly document the reasons for not selecting the low bid.
- c. *Bidding Procedures.* When a formal bid is required or deemed to be in the best interests of the Village, the bidding procedure shall comply with formal bid solicitation standards identified in the Village's Purchasing Policies and Procedures and contain at least the following information:
  - (1) A bid solicitation identifier.

- (2) A detailed description of the goods and services as described further in Section G of this Policy, including enough information about the items or services required so that more than one vendor can meet the specifications.
- (3) The time, date and place the bids will be opened.
- (4) The address to which the bids shall be mailed or delivered. Instructions to bidders shall include such information as delivery dates, transportation charges, proposal prices, conditions for guaranteeing the proposal, payment terms, right of rejection of proposals, right to reject merchandise, insurance requirements, alternative proposal consideration, tax information, and other appropriate information regarding the awarding and execution of the contract and contract considerations.
- (5) The bid solicitation shall also include a section on special provisions including guarantees and service considerations, trade-in considerations, and other information relating to special conditions.

## 5. Qualifications Based Procurement

Normal competitive procedures cannot be utilized in securing professional services from attorneys, engineers, accountants, planners, and other professional people who, in keeping with the standards of their profession, may not enter into a competitive bidding process. A Request for Proposal (RFP) may be made upon the direction and at the discretion of the Administrator or the Village Board for professional services costing less than \$25,000. A formal RFP process using a qualifications based method of evaluation shall generally be used for procuring professional services costing more than \$25,000. If the Village has an ongoing working relationship with a firm (e.g. engineering or legal services), however, it may elect to solicit and evaluate a proposal from just that firm if deemed to be in the best interests of the Village. In securing professional services it is the primary goal of the Village to obtain the services at a fair price of a professional(s) who has a proven track record of providing similar services. Efforts will be made to first negotiate a fair contract with the professional deemed to best meet the Village's needs.

## 6. Noncompetitive Negotiation

- a. This method of procurement may be used only in special circumstances when a purchase or award of a contract is not feasible under the procurement methods described above. A common reason for using this type of procurement would be an emergency situation as described in Section 6 below. Noncompetitive, or sole source, procurement involves the solicitation or acceptance of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate. Sufficient cost analysis shall be done for noncompetitive

procurements costing more than \$5,000 to show that the price is fair and reasonable.

7. Emergency Purchases

- a. The procedures in this policy may be waived under emergency conditions when a delay may threaten the basic mission of a department. In those instances, the purchasing procedures outlined in the Emergency Response Plan would normally be utilized. Emergency conditions are generally unforeseen circumstances, e.g., natural disasters or major mechanical equipment failures, wherein prompt corrective action is absolutely necessary. Occasionally equipment will require emergency repairs or other circumstances will necessitate emergency corrective action which cannot wait for compliance with this policy. In any emergency situation, Department Heads are required to notify the Administrator as quickly as possible.

F. PURCHASING PROCEDURES

The commitment to purchase goods and services may be made using one of the following instruments: petty cash; standing purchase order; purchase order; contract or credit card. The following procedures shall apply to the use of each of these purchasing instruments.

1. Village-Issued Credit Card

- a. Making purchases using a credit card issued by the Village shall be the preferred method of purchasing and payment under the following circumstances:
  - (1) The vendor accepts payment by credit card;
  - (2) There is no additional cost associated with use of a credit card;
  - (3) It is advantageous to the Village to purchase by credit card.
- b. The Village shall use just one type of national credit card, with the choice of card and financial institution to be determined on the basis of the most advantageous terms to the Village. One or more credit cards may be issued in the name of each specific Village department.
- c. The Administrator shall determine the maximum credit limit that will apply to the credit card(s) of each department.
- d. Each Department Head may determine which employee(s) will have access to the departmental credit card(s) and the credit limit to which they are authorized to charge. Access shall be restricted as much as possible.

- e. To the extent possible, purchases made by credit card should be authorized in advance by the Department Head or a designee. If this is not possible, the purchase shall be reported as soon as practicable.

## 2. Petty Cash

- a. Petty cash purchases are limited to a maximum of \$30 and may be made by either having the authorized purchaser sign and draw money from the fund in advance or using the purchaser's own money and then being reimbursed later from the fund.
- b. All petty cash purchases shall be approved in advance by the Department Head (or designee).
- c. A proper receipt, signed by the purchaser, shall be provided for all purchases made from the petty cash. If an advance was drawn from the fund and the actual purchase amount is less, the difference shall be returned as soon as practical.
- d. One designated individual shall be responsible for making all deposits to and withdrawals from the petty cash fund. The fund shall be reconciled on a weekly basis.
- e. The detail of purchases made from the petty cash fund shall be included in the regular financial reports provided to the Village Board.

## 3. Standing Purchase Order

- a. Standing purchase orders may be established with certain vendors from whom frequent, small dollar purchases are made. Such purchases shall be limited to a maximum \$100 unit cost.
- b. All standing purchase order transactions shall be approved in advance by the Department Head.
- c. A signed receiving slip shall be kept on file in the department until an invoice for the item(s) purchased is received and approved for payment.
- d. All standing purchase orders shall to be issued for a maximum of one year and shall expire each December 31. Prior to renewal for the coming year, all standing purchase orders shall be reviewed for continuing need and for the competitiveness of discounts offered.

#### 4. Purchase Orders

- a. All non-recurring purchases of items with a unit value in excess of \$100 may be procured by issuing a purchase order.
- b. The Department Head (or designee) shall sign the purchase order before any commitment to purchase is made. This provision may be waived, however, in cases of emergency involving the protection of property or persons or the provision of interrupted service.
- c. The original copy of the purchase order shall be sent or given to the vendor. A copy will also be forwarded to Accounting.
- d. A signed receiving slip shall be kept on file in the department until an invoice for the item(s) purchased is received and approved for payment.

#### 5. Contracts

- a. Ordinarily, written contracts shall be utilized when procuring services and some types of goods.
- b. Some goods and services may be purchased on an "implied contract" basis. Examples of such contracts include the routine and ongoing purchase of fuel products, various public utilities, and all payroll and fringe benefit related expenses.
- c. The Administrator and /or the proper Village officials, if appropriate, shall sign all written contracts that are issued.

#### 6. Sales Taxes

- a. The Village is exempt from paying all local and state sales taxes and Federal Excise taxes. The Village staff shall provide necessary exemption documents to vendors upon request.

### G. SPECIFICATIONS

1. When goods or services are purchased consistent with the competitive processes outlined in this policy, specifications (specs) must be prepared which will meet the following goals:
  - Identify minimum requirements;
  - Allow for a competitive bid or quote, when possible;

- Be capable of objective review; and
- Provide for an equitable award at the lowest possible cost.

a. General Guidelines

Specs should be kept as simple as possible while still maintaining the exactness required to keep bidders from utilizing loopholes to avoid providing the quality desired or to take advantage of their competitors. To promote competition, specs should be written in clear simple language, free of vague terms or those subject to variations of interpretation.

If the specs include optional goods or services, these options shall be separately identified so that the base cost may be clearly identified compared to the cost of the option(s). If options or alternates are included, the Bid Tabulation Report shall identify the different costs of those.

b. Types of Specifications

Specifications shall be structured to protect the integrity of the purchasing system and to insure that the needs of the Village are met. Methods of structuring specs include:

(1) Qualified Products or Acceptable Brands List

These lists are developed where it is not possible to write specs adequate to identify the quality and performance required, or when tests necessary to determine compliance with technical specs are lengthy, costly, or require complicated technical equipment.

(2) Specification by Brand or Trade Name

Brand or trade names should be used where brand name products have been found to be superior to others for the purpose intended or when their composition is secret, unknown or patented. The use of brand names establishes a quality standard, but is not intended to eliminate or limit competition. When this method is used the specs shall provide for bidding of competitive or equal grades. It is incumbent on a vendor who bids on goods of supposed equal quality to document that the goods and services are, in fact, of equal quality.

(3) Specifications by Blueprint or Dimension Sheet

Specs of construction projects shall be written to reference any blueprints or dimension sheets prepared by the engineer or architect.

(4) Specifications by Performance, Purpose or Use

Specs which include a set of performance criteria will provide flexibility for vendors to design products or programs specifically aimed at meeting the standards the Village has established. These types of specs usually generate a great deal of competition since they allow vendors to exercise some creativity in the process. Bottom line or minimum standards shall be included in the specs to insure that the Village's expectations are met.

(5) Specifications by Industry Standards

Specs will often refer to industry-wide standards or standards set by other public jurisdictions. Lumber grading, standards set by asphalt or concrete industries, or referencing standard specs of the State Department of Transportation or other State or Federal agencies are typical examples.

(6) Specifications by Samples

A sample is an appropriate method to clearly demonstrate the contract requirements. Printing bids, where artwork or existing forms would be utilized is an example. Departments utilizing samples shall insure that adequate supplies of the samples are made available so that originals can be sent with all bid invitations.

## H. BID PROTEST PROCEDURES

1. Any interested party who wishes to protest the award of a contract under these procurement procedures may do so. An "interested party" must, however, be an actual or prospective bidder or offer or whose direct economic interest would be affected by the award of the contract and by failure to award the contract.
2. Submission of Protest to Administrator
  - a. Protests will only be accepted for bid awards exceeding \$25,000 in cost.
  - b. All bid protests must be submitted in writing to the Administrator.
  - c. Protests shall be made as soon as possible but no later than three (3) working days following notification of the vendor by Village staff, posting on the Village website of the outcome of the purchasing decision, the recommendation by a committee of an award of contract, or approval by the Village Board of the award of contract.
  - d. The protest shall contain a detailed statement of the grounds for protest and any supporting documentation.

### 3. Administrator Response

- a. Upon receipt of a written protest, the Administrator and Department Head shall meet with the protestor and attempt to resolve the matter informally within five (5) working days. If the protestor is still not satisfied and indicates within three (3) working days an intention to appeal to the next step, the Administrator will delay the award of the contract or the purchasing action temporarily unless he/she determines that:
  - (1) The items to be procured are urgently required; or
  - (2) Delivery or performance will be unduly delayed by failure to make the awards promptly; or
  - (3) Failure to make prompt award will cause costs to increase significantly or otherwise cause undue harm to the Village.

### 4. Appeal to Village Board

- a. If the protestor wishes to appeal the Administrator's decision the matter will be forwarded within thirty (30) days to the Village Board for their review and ultimate disposition of the protest in accordance with Chapter 2, Article XI of the McFarland Municipal Code.

## I. PAYMENT PROCEDURES

Payment for goods and services shall be made by cash, check, or credit card. The following procedures shall apply to the use of each of these methods of payment.

### 1. Cash

- a. All cash payments, except C.O.D. shipments and travel advances, shall be made from the petty cash fund and accounted for in the manner described in the previous section.

### 2. Check

- a. The following information must be complete before a payment by check can be processed:
  - (1) Proper authorizing document (standing purchase order, purchase order, contract).
  - (2) Vendor name, address, and ID number.

- (3) Budget account code(s).
- (4) Detailed invoice describing the type and quantities or items delivered and the amount due.
- (5) Signature of Department Head (or designee) acknowledging receipt of the item in good condition and authorizing payment.
- (6) Comparison to budget to make sure that sufficient funding is available to pay the invoice.

### 3. Credit Card

- a. Proper documentation or receipts shall be obtained for all purchases made by credit card. This documentation shall be submitted to the Department Head as soon as possible who will review and retain it for later use. To ensure timely payment of credit card charges, proper documentation of all charges must be submitted no later than the end of each payroll period. If documentation is not readily available the employee may instead sign and submit a form confirming that the purchase was authorized by them and payment should be made.
- b. When the monthly credit card statement is received the Department Head shall compare the purchases itemized on the statement with the documentation of purchases submitted during the month and code the purchases to the proper budget accounts.
- c. Once approved for payment, the statement shall be submitted to Administration for payment at the next regular Village Board meeting. Payments shall be processed in a timely manner to avoid incurring finance charges.