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Documentation of Internal Financial Control Structure



Long Creek Watershed Management District
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This document consists of the Internal Financial Control Structure of the Long Creek Watershed Management District as of September 26, 2019.

Signed by Chair of
the Board:



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OVERVIEW

The Long Creek Watershed Management District’s (“District”) Documentation of Internal Financial Control Structure is comprised of policies and procedures established to provide reasonable assurance that the District is able to record, process, summarize, and report financial data consistent with the following financial statement representations.

- Existence or Occurrence: That assets or liabilities exist at a given date and recorded transactions have occurred during a given period.
- Completeness: That all accounts and transactions that should be presented in the financial statements are included.
- Rights and Obligations: That assets are the rights of the District and liabilities are the obligations of the District at a given date.
- Valuation or Allocation: That asset, liability, revenue, and expense components are included in the financial statements at appropriate amounts.
- Presentation and Disclosure: That particular components of the financial statements are properly classified, described, and disclosed.

The District’s Documentation of Internal Financial Control Structure contains these elements:

- The Control Environment
- The Accounting System
- The Control Procedures

THE CONTROL ENVIRONMENT

Description

The District’s control environment represents the collective effect of various factors on establishing, enhancing, or mitigating the effectiveness of specific policies and procedures. Such factors include the following:

- Management’s philosophy and operating style
- The District’s organizational structure
- The functioning of the District’s Board of Directors
- Methods of assigning authority and responsibility
- Management’s control methods for monitoring and following up on performance
- Personnel policies and practices
- External influences affecting the District’s operations and practices

This control environment reflects the overall attitude, awareness, and actions of the District’s Board of Directors and other District officials concerning the importance of controls and their emphasis by the District.

Management’s Organization, Philosophy, and Operating Style

The District was formed by Interlocal Agreement among the City of Portland, the City of South Portland, the City of Westbrook, and the Town of Scarborough pursuant to 30-A M.R.S.A., sections 2201–2208, for the purpose of establishing a quasi-municipal special purpose district named the Long Creek Watershed Management District as a separate legal entity and as a body

corporate and politic to implement the Long Creek Watershed Management Plan (the “Plan”). The Plan is intended to improve the Long Creek Watershed which encompasses portions of the four municipalities that are parties to the Interlocal Agreement. The Plan includes but is not limited to design, engineering, construction, reconstruction, installation, operation, modification, alteration, use, maintenance, repair, replacement, inspection and monitoring of public and private storm water management structures, facilities and improvements, including structural and non-structural Best Management Practices, in and along Long Creek and within the Long Creek Watershed; to monitor the effectiveness of the Plan and the condition of Long Creek and the Long Creek Watershed; to make any changes to that Plan; to identify, apply for, accept and spend State, federal and other available funding sources from year-to-year; and to assess fees upon Participating Landowners for implementation of the Plan in order to comply with the *General Permit – Post Construction Discharge of Stormwater in the Long Creek Watershed* issued by the Maine Department of Environmental Protection on November 6, 2009 and its renewal, reissuance, or replacement, as such may be modified from time-to-time (the “General Permit”). The District is authorized to take all actions necessary to implement the Interlocal Agreement and the Plan.

The District is organized exclusively for purposes described in Sections 170 and 501(c)(3) of the Internal Revenue Code (“Code”) and has no purpose or power which would disqualify the District from tax exempt charitable status under Sections 170 and 501(c)(3) of the Code and shall not carry on any activity which is prohibited by Sections 170 or 501(c)(3) of the Code. The Articles of Organization and Bylaws are consistent with those of a corporation qualified as an organization described in Sections 170(c), 501(c)(3), 2055(a), and 2522(a) of the Code which is exempt from taxation under Section 501(a) of the Code.

The District operates under a Board of Directors (“Board”) with up to 16 directors. Decision making is separated accordingly. Day-to-day management of the District is delegated to the District’s Executive Director. Major policies and budget adoption are functions of the Board.

Per the District’s By-Laws, the Board annually develops an Estimate of Expenditures and Anticipated Revenues for Participating Landowners for the following fiscal year. These estimates include Anticipated Revenues and Expenses for the following fiscal year, as well as Actual Expenses and Actual Revenues for the current fiscal year. The District allocates operational costs to Participating Landowners per its By-Laws for items such as capital expenses; operation and maintenance costs; monitoring costs; administrative costs; insurance; taxes; rentals; debt service; and necessary reserves for contingencies as determined by the Board.

After initial assessments are made, the District issues annual assessments to each Participating Landowner on or by July 15th and January 15th of each year and each Participating Landowner is required to pay its annual assessments no later than the following August 15th and February 15th, respectively. The District may charge interest on any unpaid assessments, as well as on the balance of partially paid assessments.

The Board may impose other charges as it deems appropriate to fund special accounts.

Board members are not entitled to receive net earnings from the District either through its operations or upon its dissolution.

Per the District’s By-Laws, the Treasurer of the Board has charge and custody of all funds and is ultimately responsible for them along with the District’s securities, as well as receiving, depositing, and disbursing funds, keeping regular account books and submitting them together with all other

records to the Board for their examination and approval as often as the Board requires. The Treasurer may also perform other duties as assigned by the Board.

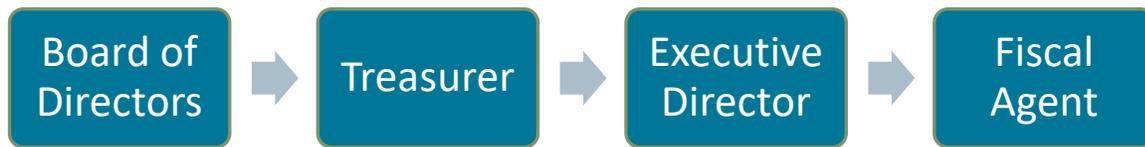
The District attempts to adopt clear policies delineating authority at each staff level. For instance, purchasing policies dictate whether competitive price solicitation or sealed bids will be required for specific purchases.

To the extent possible, the District attempts to schedule revenues and expenses to provide a stable cash flow throughout the year. Idle funds are invested to the maximum possible, through the use of a savings account and an Insured Cash Sweep (“ICS”) savings account. The District has strict savings policies. In savings accounts, the District places security of funds as its first priority, with rate of return as a secondary concern.

The District considers prompt, accurate, financial information to be necessary in making appropriate decisions. Through the use of computer-generated reports, this information is reviewed with the Treasurer by the 20th day of each month for the prior calendar month and distributed to the Board. Financial statements providing year-to-date information are reviewed by the Board at their regular meetings.

The District endeavors to provide quality services to its communities and landowners in a professional and businesslike manner. It is the District’s intent to encourage this philosophy among the levels of staff, whether they are employees or contracted through outside organizations. In carrying out District business, it is the District’s intent to stress professionalism in all cases. Training will be conducted both in-house and through outside seminars. Although duties are assigned to specific individuals within contracted organizations to encourage accountability, cross training is conducted. This allows flexibility during absence or turnover.

Organizational Chart



Accounting Structure

The primary roles having responsibility for the implementation of procedures and adherence to the policies outlined in this document are:

Board of Directors

Treasurer

Executive Director

Fiscal Agent

The Function of the Board of Directors

The Directors serve as governing officials of the District, and their duties are described in detail in the District’s By-Laws. Some of the primary responsibilities of the Directors include:

1. Exercising all executive powers of the District.
2. Oversight and approval of all District Investments.
3. Delegation, with oversight, of establishment of all new District Investments and Bank Depository Account(s) to the Executive Director.
4. Establishment and monitoring of all District administrative and fiscal policies and procedures.

Methods of Assigning Authority and Responsibility

The District's Bylaws authorize the Board of Directors to acquire goods and enter into contracts for services. The authorization for expenditures of any funds to purchase goods or services must be given by the Board of Directors either through budget approval, contract approval, grant agreement approval, or specific approval as provided for in the District's Rules and Regulations.

Management's Control Methods for Monitoring and Following up on Performance

The Board monitors and follows up on performance through the following methods:

1. Contact between Executive Director and Board Chair/President, as necessary.
2. Written and verbal performance evaluations.
3. Regular meetings between the Executive Director and the Board of Directors.

Personnel Policies and Practices

Personnel policies are adopted, amended, and referenced as a separate document.

External Influences

External influences consist of any outside sources which have a direct bearing on certain District decisions necessary to keep the District running smoothly and efficiently in both the operations and practices of the District. They include monitoring and compliance requirements imposed by legislative and regulatory bodies. External influences are ordinarily outside an entity's authority. Some examples are:

1. United States Government
2. State of Maine
3. The following municipalities
 - a. Scarborough, Maine
 - b. Westbrook, Maine
 - c. Portland, Maine
 - d. South Portland, Maine
4. Interlocal Agreement dated August 28, 2009

THE ACCOUNTING SYSTEM

Description

The District's accounting system consists of the methods and records established to identify, assemble, analyze, classify, record, and report the District's transactions and to maintain accountability for the related assets and liabilities. This effective accounting system gives appropriate consideration to establishing methods and records that will:

- Identify and record all valid transactions.
- Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting.
- Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements.
- Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.
- Present properly the transactions and related disclosures in the financial statements.

The District maintains its accounts in conformity with generally accepted accounting principles as applied to government units as established by the Governmental Accounting Standards Board ("GASB"). The accounts of the District are organized on the basis of landowner agreements and vendors each identified with unique numbers and each of which is considered a separate accounting entity. The District utilizes fund-based management and budgeting. 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 expenditures, or expenses, as appropriate. District resources are allocated to and accounted for in an individual fund 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 financial statements into generic fund types and broad fund categories, as follows:

The District displays net assets in each of the following two classes:

1. Net Investment in Capital Assets
2. Unrestricted Net Position

All funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they become earned as current net assets.

Expenses are recognized under the accrual basis of accounting when the related fund liability is incurred.

Budgets and Budgetary Accounting

On or before February 1st of each year, the Board prepares and submits to the Participating Landowners an itemized estimate of the expenditures and the anticipated revenues for the following Fiscal Year, which shall be from July 1st through June 30th of each year. A notice of the Estimate of Expenditures and Anticipated Revenues is provided to Participating Landowners and assessments are estimated using the rate determined by the Board and allocated among Participating Landowners.

Such estimates shall include the following:

1. Anticipated Revenues. An itemized estimate of anticipated revenues for the ensuing fiscal year from each source.
2. Estimate of Expenditures. An itemized estimate of expenditures for each classification for the ensuing fiscal year.
3. Actual Receipts. An itemized statement of all actual receipts from all sources to and including July 31st of the current fiscal year, with estimated receipts from such sources shown for the balance of such year.
4. Actual Expenditures. An itemized statement of all actual expenditures to and including July 31st of the current fiscal year, with estimated expenditures shown for the balance of such year.

As per the District's By-Laws, on or before July 1st of each year, the Board adopts a final budget for the ensuing Fiscal Year which is itemized in the same manner as the estimate of expenditures and revenues. Once adopted, notice of the budget is provided to the Participating Landowners.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

Fixed Assets

The District includes all fixed assets in its balance sheet. This practice is in conformity with Generally Accepted Accounting Principles. All purchases of general fixed assets are capitalized and depreciated over their estimated useful lives.

Capitalization Policy

The cost of a fixed asset includes all charges necessary to prepare it for service. Thus, the cost of a piece of equipment will be the sum of the entries to recognize the invoice price, transportation costs, installation charges, and any other costs incurred before the equipment is ready for use.

Repair and maintenance cost will occur during the life of the asset. These costs are required to maintain the service level anticipated from the asset and are treated as expenses of the period. Once an asset is in service, certain costs may be incurred to improve the asset and should be capitalized or added to its cost. Improvements are defined as those costs that extended the life of the asset, increase the asset's output, or reduce the cost of operating the asset. It is often difficult to decide whether a particular expenditure is a repair to be treated as a period expense or is an improvement to be treated as an asset. The line between maintaining service and improving or extending is not a distinct one. Some expenditures seem to meet the criteria to be either a repair expense or an improvement cost. There is frequent disagreement between Internal Revenue Service and taxpayers, as well as among accountants, over this question in specific situations.

In order to alleviate some of confusion and be consistent in the application, the District will capitalize individual items equal to or greater than \$5,000 only. These items will then be depreciated over their useful lives.

Most depreciable assets can be kept in usable operating condition for more than one year except for land, eventually they must be retired from service. The central purpose of the depreciation accounting process is to allocate the cost of these assets to the periods of their use in a reasonable and orderly fashion.

Transactions

Transactions must be clearly identifiable in journals or original entry and must be accumulated throughout the system using references and identifying codes so that all elements of financial statements and reports can be followed to source transactions. A summary of the levels of accumulation follows:

- Financial Statements
- Ledgers
- Journals
- Source Documents

The Financial Statements

Monthly financial statements of the District are computer generated and provided to the Executive Director and the Board of Directors by the 20th day of each month for the prior calendar month by the Fiscal Agent.

These financial statements consist of:

1. Balance Sheet
2. Profit and Loss
3. Checks and Credit Card Charges by Date
4. Deposits Listed by Date
5. Accounts Receivable Aging Summary
6. Accounts Payable Aging Summary
7. Profit and Loss — Budget Vs. Actual

A yearly audit is performed on the general-purpose financial statements of the District. These financial statements, which are the responsibility of the District's management, are then provided to governing and funding agencies of the District, as required, and presented to the Board for review.

The Ledgers

The ledgers represent stored information about a particular asset, liability, revenue, or expense broken down by cost center. The District's ledger system is comprised of the following:

1. Accounts Receivable Aging — A computer-generated ledger. This ledger shows every debtor with an unpaid balance for District business. A report is run for each month and reconciled by the 20th day of each month for the prior calendar month by the Fiscal Agent.
2. Accounts Payable Aging — A computer-generated ledger. This ledger shows every vendor with an outstanding balance. A report is run for each month and reconciled by the 20th day of each month for the prior calendar month by the Fiscal Agent.

The Journals

The journals are a detailed listing of transactions and events of the District which are organized chronologically. The journalizing process produces a summary of items of debits and credits to all ledger accounts. The District's journals are comprised of the following:

1. Deposit Detail — This report consists of a detailed listing of all deposits made.

2. Check Detail — This report lists all checks written by check number sequence.
3. Unpaid Bills Detail — This report lists all invoices entered into the system, listed by date.
4. General Journal Entry Report — Used to record all transactions and events that do not involve regular activity processed in other special journals, such as adjusting, reversing, and correcting entries. This information is recorded and maintained in QuickBooks and can be accessed as needed.
5. Journal Report — This journal lists all transactions created within the system. This information is recorded and maintained in QuickBooks and can be accessed as needed.

The Source Documents

1. Purchase Orders — These are comprised of numbered purchase orders.
2. Employee Files — All District employees will have an employee file to be maintained in the fireproof safe. All files shall contain:
 - a. Rate of pay authorization;
 - b. W-4 signed by employee;
 - c. Authorization for deductions;
 - d. Form I-9 (maintained in a separate file location); and
 - e. Employer-employee correspondence.
3. Timesheets — This is the record of each employee's hours worked during each pay period, detailing time spent on the District's projects, administrative tasks and administrative time such as holiday or vacation time.
4. Invoices to Participating Landowners — This is comprised of invoices of annual assessments and other items as necessary.
5. Impervious Surface Calculations — This is comprised of reports from a database detailing the amount of impervious surface attributable to each permittee. These calculations are used to determine each annual assessment.
6. Vouchers — All purchases require a voucher for payment processing.
7. Contracts and Grants — A file with details of all contracts for work to be performed and grants received.

THE CONTROL PROCEDURES

Description

The District's control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to provide reasonable assurance that specific entity objectives will be achieved. Control procedures have various objectives and are applied at various organizational and data processing levels. They may also be integrated into specific components of the control environment and the accounting system. Generally, they may be categorized as procedures that pertain to:

- Proper authorization of transactions and activities.
- Segregation of duties that reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of his/her

duties — ensuring that different people are involved in the process of authorizing transactions, recording transactions, and maintaining custody of assets.

- Design and use of adequate documents and records to help ensure the proper recording of transactions and events, such as monitoring the use of pre-numbered purchase orders.
- Adequate safeguards over access to and use of assets and records, such as secured facilities and authorization for access to the computer programs and data files.
- Independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances (for example, an aged trial balance of accounts receivable), and user review of computer-generated reports.

Controls Over Cash

Checking and Savings

The general fund will have one checking account and two interest bearing savings accounts. Descriptions are as follows:

1. General Checking Account — Used to pay all invoices of the District. The general fund checking account will be reconciled every month. A reconciliation will take place by the 20th day of each month for the prior calendar month and be performed by the Fiscal Agent and reviewed by the Executive Director.
2. Savings Account — Used to hold excess District cash with a maximum limit of \$200,000. A reconciliation will take place by the 20th day of each month for the prior calendar month and be performed by the Fiscal Agent and reviewed by the Executive Director.
3. ICS Savings Account — Used to hold excess funds that exceed the Savings Account limit of \$200,000. The purpose of this account is to ensure that excess funds are collateralized and insured. A reconciliation will take place by the 20th day of each month for the prior calendar month and be performed by the Fiscal agent and reviewed by the Executive Director.

The Fiscal Agent will receive bank statements from Online Banking or via mail and the Fiscal Agent will reconcile the accounts. The Executive Director will review the monthly reconciliation reports for consistency of balances with the monthly bank statements.

All unreconciled monthly variances over \$50.00 on bank accounts will be given to the Executive Director with explanations for review.

Controls on Investments

Funds may be put in Certificate of Deposit, money market, or ICS savings accounts to best utilize funds and ensure safety as a top priority.

Petty Cash

The District will not maintain a petty cash fund.

Cash Receipts

The cash in the drawer must be equal to the total of the amount in Undeposited Funds Account.

The Fiscal Agent makes daily deposits when amounts exceed \$500. The reconciliation process is standard for all cash receipts.

Mail Receipts

All mail, including cash receipts mail, is opened by the Fiscal Agent who records all checks received. The cash receipts are then entered into the computer system by the Fiscal Agent. Any money received directly or through the mail is so noted when posted. All cash receipts are entered into the computer system and maintained in the Fiscal Agent's drawer.

Over-the-Counter Receipts

All over-the-counter receipts such as donations, educational fees, *etc.* are collected by the appropriate person and provided to the Fiscal Agent for processing. The receipts are recorded into the accounting system by the Fiscal Agent.

Cash Disbursements

All cash disbursements must be approved by the Executive Director. Notwithstanding the above, cash disbursements to the Executive Director must be approved by the Treasurer. In the event that the Executive Director is unavailable to approve disbursements the Board Chair or Treasurer is authorized to approve disbursements.

All checks are prenumbered.

All checks will maintain on their face void after 90 days

Signing checks in advance is prohibited.

The District forbids making checks payable to:

- Cash
- Bearer

Checks are signed by the Executive Director or the Treasurer, as provided for herein. If checks are \$2,500 or under for budgeted or non-budgeted items that are not in contracts approved by the Board, checks may be signed by the Executive Director. If checks are over \$2,500 for budgeted or non-budgeted items that are not in contracts approved by the Board, checks must be signed by the Treasurer. The Executive Director may sign checks of any amount for items that are in contracts approved by the Board or are for annually recurring expenses previously authorized by the Board such as insurance premiums that are no more than an additional ten percent of the amount from the prior year.

Notwithstanding the above, any checks payable to the Executive Director must be signed by the Treasurer. Notwithstanding the above, checks over \$250,000 shall require two signatures of either the Executive Director, Board Chair, or Treasurer. In the event that the Executive Director is unavailable to sign checks the Board Chair or Treasurer is authorized to sign checks.

Controls Over Charge Accounts and Credit

The Executive Director is the only individual who may possess a credit card at the District.

Procedures and Rules

1. Authorization — The Board Chair or Treasurer must provide written authorization prior to the use of a charge account or issuance or use of a District credit card to the Executive Director. All credit cards will be maintained by the Executive Director.
2. Use Agreement — The Executive Director and Fiscal Agent must sign the agreement, included as Appendix A to this document, acknowledging that he has read and understands the policies and procedures governing the use of a District credit card or other charge account.

Restricted Use — The use of a District credit card or other charge account is subject to the following restrictions:

- a. No personal or private expenditure shall be charged to a District account.
 - b. No regular operating expense (*e.g.* monthly telephone bills, internet agreement, etc.) may be charged to a District credit card account unless it is not practicable or not possible to pay by check.
 - c. Each expense charged must be accompanied by the actual itemized receipt and brief explanation. (For example, if the expense is for meals or food, note on the receipt if it was for a luncheon meeting and how many meals were included on the bill). In other words, each expense should have the same type of documentation that you would include on a request for reimbursement.
 - d. An expense in excess of \$2,500 must be pre-approved by the Treasurer, unless previously approved by the Board. Capital purchases, as defined in the Capitalization Policy section, should never be charged to a credit card, unless is not practicable or not possible to pay by check.
 - e. Travel expenses (*e.g.* airfare, hotel rooms, conference registrations) for conferences and related travel expenses must be approved in accordance with the Controls Over Purchases provided for herein.
 - f. Documentation of each expense shall be submitted to the Fiscal Agent when incurred.
 - g. Each purchase must be included as a budgeted item.
 - h. No cash advances will be permitted on a District credit card.
 - i. Each credit card issued will have a maximum monthly balance of \$5,000.
3. Card Payments — All statements shall be submitted with required documentation in a timely manner. Expenses without proper documentation shall be the responsibility of the cardholder.
 4. Violations of the District's credit policy shall result in disciplinary action, including termination of employment and/or prosecution.

Controls Over Accounts Receivable

The District issues annual assessments to each Participating Landowner on or by July 15th and January 15th of each fiscal year and each Participating Landowner must pay its annual assessments no later than the following August 15th and February 15th, respectively.

The Board may from time to time impose other charges, such as surcharges or other fees, as it deems appropriate, to fund special accounts. The District may also receive grants or enter into other contracts with the State of Maine, the Federal Government, or other entity.

All payments will be made to Long Creek Watershed Management District.

Receivables reports are generated and reviewed monthly by the Fiscal Agent, the report will be furnished by the 20th day of each month for the prior calendar month to the Board of Directors for their review.

Controls Over Uncollectibles

Each month, the Fiscal Agent will review the outstanding accounts receivable listing and prepare a list of accounts doubtful for collection. The accounts doubtful for collection will be handled in accordance with the Participating Landowner Agreement, Section 9. Upon resolution, the account balances will be written off. The Fiscal Agent will make the necessary entry into the computer from a standard District's General Journal Entry Form as provided for in Appendix B of this document.

Controls Over Accounts Payable

The Fiscal Agent receives and sorts all mail. The sorted mail is then provided to the Executive Director. All invoices for services to the District by outside vendors are provided to the Fiscal Agent.

Steps to Entering Accounts Payable into the System

Invoices must include a paper voucher or voucher stamp. The voucher documents that proper processes and controls were observed, and should include the following information:

1. The date of the invoice;
2. The invoice was matched with the proper contract or purchase order;
3. The invoice was reviewed and the date reviewed;
4. Account number for debit account posting; and
5. Approval for payment and the date approved.

Payments on Accounts Payable

Payments are made for payables according to invoice due dates.

All invoices received must be approved by the Executive Director and input by the Fiscal Agent in the District's accounts payable system. In the event that the Executive Director is unavailable to approve invoices the Board Chair or Treasurer is authorized to approve invoices.

All payments are made with computer-generated checks, unless otherwise provided for herein.

It is the District's policy to take advantage of all vendor discounts.

Payments may only be made from approved vouchers. Payments from vendor statements without the voucher are forbidden.

Checks are printed by the Fiscal Agent and signed by the Executive Director, Treasurer, or Board Chair as provided for herein.

Month End

At month end, an accounts payable register is to be run. An accounts payable report of unpaid vendors with amounts will be provided to the Executive Director by the 20th day of each month for the prior calendar month.

Periodically

Periodically, vendor statements are compared with the recorded liability. A file of these reconciliations is to be maintained.

Controls Over Net Position

Each separate Net Position account will remain untouched throughout the entire year. No adjustments or transfers will be made to this account. The Board of Directors has authority for the utilization of unrestricted funds through articles voted at monthly or special meetings. The Executive Director will be responsible in carrying out the actions approved by the Board of Directors.

Controls Over Grants by Outside Agencies

The District may receive grants from outside agencies, such as:

1. United States Government
2. State of Maine
3. Private foundations

Grant funds shall be deposited into the appropriate accounts and applied to unique budget line items labeled in revenues. These funds are designated to be spent according to the corresponding agreement between the outside agency and the District. It is the responsibility of the Fiscal Agent to see that these procedures are carried out.

Controls Over Miscellaneous Revenues

The Fiscal Agent receives money from other departments that are outside of the accounting department. They are:

1. Donations
2. Other Fundraising Activities

All monies received by the above-mentioned programs will be turned over the same, or if necessary the next, business day to the Fiscal Agent's business office.

Controls Over General Journal Entries

All general journal entries are to be manually documented on the standard District's General Journal Entry Form as provided for in Appendix B of this document.

Appropriate documentation supporting the journal entry is to be attached to the General Journal Entry Form.

The Treasurer must approve each General Journal Entry Form. The Treasurer's approval can be either by signing each form or providing approval through e-mail correspondence to the Fiscal Agent.

It is then the responsibility of the Fiscal Agent to input these entries into the computer system.

Controls Over Budget Journal Entries

After the annual budget has been approved by the Board of Directors, the Fiscal Agent will enter into the computer the entries needed for each corresponding line item to each fund. These entries

will be entered into the computer within 15 days of approval of the annual budget and will remain untouched throughout the course of the year unless approval by the Board allows the Executive Director to adjust a specific line item accordingly. Upon approval, the Fiscal Agent will enter the necessary adjustment.

Controls Over Electronic Transfer of Funds

The transfer of funds between the District's General Checking Account, Savings Account, and ICS Savings Account may be made electronically. The Fiscal Agent initiates and carries out electronic transfers of funds between the General Checking Account, Savings Account, or ICS Savings Account. The Fiscal Agent must document these transfers by retaining printouts of the transfer requests from the bank's website.

If the payment of approved cash disbursements by paper check is not practicable or not possible, payment may be made by the electronic transfer of funds from either the District's General Checking Account or Savings Account to the account of a third party. The Fiscal Agent or Executive Director may initiate the electronic transfer of funds from the General Checking Account or Savings Account to the account of a third party. The Executive Director or Treasurer must preapprove payments by electronic transfer to the account of a third party. However, any electronic transfer made to the Executive Director, such as payroll, must be preapproved by the Treasurer. In the event that the Executive Director or Treasurer are unavailable to approve the electronic transfer of funds to the account of a third party, the Board Chair is authorized to approve the electronic transfer of funds to the account of a third party as provided for herein.

All electronic transfers of funds to third-party accounts must be preapproved using the District's Electronic Funds Transfer Form as provided for in Appendix C of this document. Upon receiving an approved Electronic Funds Transfer Form, the Fiscal Agent carries out the electronic transfer of funds to a third-party account.

Regularly recurring electronic transfers of equal or similar amounts for items, such as payroll, may be approved by the Treasurer for a set period of time not to exceed twelve months. One Electronic Funds Transfer Form may be used for a series of the same or similar transfers rather than using an Electronic Fund Transfer Form for each individual transfer in the series. In such cases, the Treasurer must indicate the period of time for which the recurring transfer may occur without being reauthorized, not to exceed twelve months.

The Fiscal Agent shall provide a Statement of Transfers to the Treasurer by the 20th day of each month for the prior calendar month for all electronic transfers occurring in the prior calendar month.

Controls Over Electronic Data Processing

The District's Fiscal Agent utilizes a multi-user computer system to perform electronic data processing. The computer system incorporates QuickBooks software to record and process all of the necessary financial information within its accounting system.

A password system is used as a control procedure to ensure that only authorized personnel are able to access the accounting records.

The only people having access to the computer accounting records are the Fiscal Agent, Executive Director, and Treasurer. The Executive Director and Treasurer have limited access to view

accounts and transactions only. All three individuals have a specific password to access certain applications.

The breakdown of applications of the multi-user system which requires passwords are as follows:

Application	Authorized Users
General Ledger/Main Menu	Fiscal Agent, Executive Director, Treasurer
Accounts Payable/Main Menu	Fiscal Agent, Executive Director, Treasurer
Payroll/Main Menu	Fiscal Agent, Executive Director, Treasurer
Accounts Receivable/Main Menu	Fiscal Agent, Executive Director, Treasurer
Cash Receipts/Main Menu	Fiscal Agent, Executive Director, Treasurer

Controls Over Purchases

Purchases for budgeted, non-contract expenses of \$2,500 or under may be made by the Executive Director.

Purchases for non-budgeted, non-contract expenses of \$500 or under may be made by the Executive Director. Purchases for non-budgeted, non-contract expenses over \$500 and up to \$2,500 may be initiated by the Fiscal Agent or Executive Director and a purchase order must be printed and submitted to the Treasurer for approval.

Purchases for non-contract expenses greater than \$2,500 are subject to the District’s procurement policy.

Upon receipt of an invoice, verification that the goods and/or services were received by the District will be submitted to the Fiscal Agent and recorded. The Fiscal Agent will then enter and schedule invoices for payment into the District’s software utilizing all available discounts to the District.

The Fiscal Agent will pay these invoices as scheduled.

All outstanding purchase orders will be reviewed monthly by the Fiscal Agent. If a purchase order is outstanding for more than 30 days, the Fiscal Agent will follow up with the Executive Director any applicable notes will be noted on the face of the purchase order.

Controls Over Offsite Backup

It is the policy of the District to make regular backups of the District’s electronic accounting information. At least one electronic copy of the District’s electronic accounting information must be maintained in a location separate from the location where the District’s primary electronic accounting information is stored. The electronic copy must be updated at least once per business day. The Fiscal Agent is responsible for ensuring that the electronic accounting information is backed up in accordance with this policy.

Controls Over Budgeting

The Executive Director, with cooperation from the Fiscal Agent, prepares all individual program budgets. These budgets are prepared around December of each year. It is the responsibility of the Treasurer and the Finance Committee to review all individual program budgets.

After review and approval of budgets by the Treasurer and the Finance Committee, they are submitted to the Board of Directors for final approval. This happens on or before July 1st of each year.

A copy of the approved budget is then given to the Fiscal Agent for input into the District's accounting software for reporting purposes.

All budget amendments, if necessary, are approved by the Board of Directors.

Controls Over the Safe

A fire-proof safe or fire-proof filing cabinet is used to store valuable documents making up the accounting system. Undeposited money is also stored in the safe along with other financial documents, to ensure their safety. The Fiscal Agent is responsible for seeing that the safe is so utilized and is properly maintained every day. Some of the primary responsibilities are:

1. Unlocking and opening the safe daily.
2. Establishing proper procedures on entering the safe and removing any documents of record from it.
3. Returning all documents and records removed from the safe that day along with any undeposited money.
4. Closing and locking the safe at the end of every business day.

The holder of the key to the safe is the Fiscal Agent.

Controls Over Funds

Individual funds for programs outside the scope of the activities required by the General Permit may not be created without the approval from the Board of Directors. When the Executive Director determines a new fund is necessary to allocate certain District revenue and expenditures, approval by the Board of Directors is mandatory.

Controls Over Disposition of Property

The Executive Director has the authority to sell, donate, or otherwise dispose of District property with a fair market value at the time of disposition of up to \$2,500 with the decision to sell, donate, or otherwise dispose of the property at the discretion of the Executive Director. Disposition of District property and with a fair market value at the time of disposition of over \$2,500 must be approved by the Board.

Controls Over Inter-Fund Transfers

After budgeted funds are journaled to a specific fund in the budget, the inter-fund transfer of funds from one budgeted fund to another budgeted fund requires prior approval by the Board. It is the responsibility of the Executive Director to carry out inter-fund transfers upon approval of the Board.

AREAS OF UNDERSTANDING

1. Due to prior commitments made in the Long Creek Watershed Management Plan original contracts with municipalities, the Cumberland County Soil & Water Conservation District will provide Fiscal and Administrative contracted services at the discretion of the Board.

2. After the expiration of the original General Permit, is the intention of the District to continue to contract for these services with an outside organization to maintain the day-to-day and operational affairs of the District.
3. The District may enter into contracts with an agency or agencies that will provide the services of Fiscal Agent and Executive Director. Any reference in this document to a Fiscal Agent or Executive Director refers to two separate individuals. If both services are provided by one organization, these functions will be performed by two different individuals. At no time will the function of both positions be filled by the same individual.
4. In the event these positions are contracted through an outside organization, the term of that contract will be for a period up to five years.

APPENDIX A

Acknowledgement of Charge Account Policy

The undersigned acknowledges that (s)he has read and understands the Charge Account Policy of the Long Creek Watershed Management District and agrees to abide by this policy:

Restricted Use — The use of a District credit card or other charge account is subject to the following restrictions:

- a. No personal or private expenditure shall be charged to a District account.
- b. No regular operating expense (*e.g.* monthly telephone bills, internet agreement, etc.) may be charged to a District credit card account unless is not practicable or not possible to pay by check.
- c. Each expense charged must be accompanied by the actual itemized receipt and brief explanation. (For example, if the expense is for meals or food, note on the receipt if it was for a luncheon meeting and how many meals were included on the bill). In other words, each expense should have the same type of documentation that you would include on a request for reimbursement.
- d. An expense in excess of \$2,500 must be pre-approved by the Treasurer, unless previously approved by the Board. Capital purchases, as defined in the Capitalization Policy section, should never be charged to a credit card.
- e. Travel expenses (*e.g.* airfare, hotel rooms, conference registrations) for conferences and related travel expense must be approved in accordance with the Controls Over Purchases provided for herein.
- f. Documentation of each expense shall be submitted to the Fiscal Agent when incurred.
- g. Each purchase must be included as a budgeted item.
- h. No cash advances will be permitted on a District credit card.
- i. Each credit card issued will have a maximum monthly balance of \$5,000.

Signature

Printed Name:

Date:

APPENDIX B

General Journal Entry Form

Trans #	Type	Date	Num	Name	Account	Class	Debit	Credit
							<hr/>	
TOTAL								

Explanation of Entry:

Prepared by: _____, Fiscal Agent on _____

Entered by: _____, Fiscal Agent on _____

Approved by: _____, Treasurer on _____

*NOTE: All journal entries must be accompanied by supporting documentation.

APPENDIX C

Electronic Funds Transfer Form

DATE:

AMOUNT:

TRANSFERRED FROM: Savings Checking Other _____

TRANSFERRED TO: Savings Checking Other _____

Name of Account and Explanation:

Approved by: _____(Executive Director/Treasurer)_____ Date

Entered by _____(Fiscal Agent) _____ Date