Village / Town of Mount Kisco

Financial Goals & Policies

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Last Adopted/Amended: February 6, 2023

Section 1 Introduction

The Village/Town of Mount Kisco (hereinafter referred to as the "Village" or "Mount Kisco") has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan the adequate funding of services desired by the public, including the provision and maintenance of public facilities. The Village/Town currently utilizes the Modified Accrual basis of accounting.

The Financial Goals and Policies are intended to establish guidelines for the continued financial strength and stability of Mount Kisco. While some of the performance goals are specific and will limit certain types of financial activity, the goal statements are not intended to restrict the Board of Trustees' ability and responsibility to respond to emergencies or service delivery requirements above or beyond the limitations established by the Financial Goals and Policies. The financial goals and policy statements set forth herein were initially adopted as the Village's Financial Goals and Policies, as a whole, by the Board of Trustees on October 11, 2005.

Section 1.1 **Financial Goals**

Financial goals are broad financial positions the Village seeks to attain. The financial goals are:

(a) To deliver quality services efficiently and on a cost-effective basis providing value for each tax dollar.

(b) To maintain an adequate financial base to sustain an appropriate level of municipal services as determined by the Village Board of Trustees, thereby preserving the quality of life in Mount Kisco.

(c) To have the ability to withstand local and regional economic shocks and adjust to changes in service delivery requirements of Mount Kisco.

(d) To respond to mandated changes in Federal, State, and County priorities and funding as they affect the Village's residents.

(e) To maintain a good credit rating in the financial community to assure the Village's taxpayers that Village government is well managed and financially sound.

To insure that the Village's financial operating needs are properly provided for and that discretionary spending provides added value to the residents and a sufficient return on investment.

Section 1.2 **Financial Policies**

Financial policies support the financial goals and guide decision making in specific situations to ensure a decision will contribute to the attainment of the financial goals. Financial policies have been prepared for:

(a) Operating Position;

(b) Revenues;

(c) Expenditures;

(d) Debt Structure;

(e) Investments;

(f) Capital Plan;

(g) Budget;

(h) Reserves; and

(i) Financial Reporting.

Section 2 Operating Position

Operating Position refers to the Village's ability to:

(a) maintain a balanced budget throughout the fiscal year;

(b) maintain reserves for emergencies; and

(c) maintain sufficient cash to pay its bills on a timely basis (liquidity).

Section 2.1 **Operating Position Policies**

The Village shall:

(a) Pay all current operating expenditures with current operating revenues, and budgetary procedures that fund current expenditures at the expense of future needs shall be avoided.

(b) Establish, in the operating budget, a contingency expense reserve, of no less than two percent (2%) of the general operating budget or no less than one percent (1%) of the general operating budget if fund balance exceeds twenty percent (20%) of the general operating budget in order to:

(i) provide for non-recurring unforeseen expenditures of an emergency nature;

(ii) provide orderly budgetary adjustments when revenues do not meet projections;

(iii) provide the local match for public or private grants that may become available;

(iv) provide for settlement of pending labor contract negotiations;

(v) provide for expected payment of accrued vacation, sickness, and post-retirement health liabilities; and

(vi) meet unexpected small increases in service delivery costs.

(c) Strive to maintain the unreserved, undesignated fund balance of the General Fund at a level at least equal to fifteen percent (15%) of the total General Fund budget, measured at the end of the Village's fiscal year. Such reserves shall be set aside for significant unknown and unpredictable events, and shall not be used for predictable expenses such as back pay or accrued vacation or sickness liabilities.

(d) Use fund balances for one-time capital or emergency expenditures only if:

(i) there are surplus balances greater than ten percent (10%) in the General Fund budget remaining after all reserve and fund allocations are made, or

(ii) the Village has made a rational analysis with justifying evidence that it has an adequate level of short and long term resources.

(e) Prepare quarterly financial reports for review by the Board of Trustees summarizing budget versus actual operating revenues and operating expenditures, as well as major balance sheet items to the extent practical.

Section 3 Revenue

Section 3.1 **Revenue Policies**

The Village shall

(a) Strive to maintain a diversified and stable revenue base as protection from short-term fluctuations in any one revenue source.

(b) Project revenue for the General Fund and all operating funds each year as part of the budget process. Each existing and potential revenue source shall be re-examined each year. Revenue estimates shall be conservative and developed in an objective and reasonable manner. Additionally, an annual review of the fee schedules shall be performed and included in the budget.

(c) Strive to reduce reliance on the property tax by:

(i) seeking to develop alternative revenue sources; and

(ii) establishing and evaluating annually all user charges and fees for use of Village services, facilities, and equipment at a level related to the cost of providing the services.

(d) Strive to maintain the annual rate of property tax collections at 100 percent.

(e) Transfer to a Capital Projects, Open Space, or Tax Stabilization Fund revenue from onetime events (e.g., lawsuits, grants).

(f) Transfer to a Capital Projects or Open Space Fund proceeds from the sale or rental of Village surplus properties, when not otherwise earmarked or legally designated to another fund.

(g) With respect to recreational programs, establish a cash recovery policy that examines the recreational needs of the Community and the need to balance costs.

(h) Establish Water and Sewer Enterprise Funds (i.e., funds established by a regulation or law that requires costs to be recovered), so that the funds shall generate revenue sufficient to support the full direct and indirect costs of these entities.

Section 4 Expenditures

Section 4.1 **Expenditure Policies**

The Village shall:

(a) Pay for all current operating and maintenance expenses from current revenues.

(b) Determine the cost of all externally mandated services (e.g. services performed for developers by the Village engineer or building inspector), including overhead, and seek complete reimbursement of such services through fees and/or escrow balances.

(c) Provide in full for the contribution of all employee benefits in the fiscal year which they are due.

(d) Maintain a budgetary control system which will enable it to adhere to the adopted budget.

(e) Prepare and maintain a system of quarterly fiscal reports comparing actual revenues and expenditures to budgeted amounts.

(f) Provide in the annual budget for the adequate maintenance of capital assets and equipment.

(g) Maintain a payment review and approval process to ensure accuracy with special emphasis on large payments.

(h) Utilize technology and productivity advances that will help reduce or avoid increasing costs.

(i) Maintain an effective risk management program to minimize losses and reduce insurance costs.

(j) Seek arrangements to share services with other municipalities/jurisdictions and/or private organizations where cost reductions can be achieved and where the quality of service will not be jeopardized.

(k) Use revenues collected for the Water Fund, Sewer Fund, Library Fund, Endowment Funds, Trusts, and any special revenue or enterprise funds and any other special revenue only for expenditures by these funds, and only allowing a transfer of inter-fund monies for reimbursable expenditures incurred by another fund.

(l) All claims for goods and services must be submitted within thirty (30) days of the close of the fiscal year (June 30) to accommodate the scheduling of the annual audit and subsequent preparation of the Annual Update Document.

Section 5 Debt Management

Section 5.1 **Debt Management Policies**

The Village shall:

(a) Not use short-term borrowing to finance operating needs except in the case of extreme financial emergency. Short-term borrowings include budget, tax, and revenue anticipation notes. If used, all short-term debt shall be fully paid in the current or immediately following fiscal year and not rolled over. If short-term debt is used in two or more consecutive fiscal years, reserves for the next budget shall be increased by the amount of short-term borrowing.

(b) Use long-term debt for only those capital improvements that cannot be readily financed from current revenues.

(c) Ensure the final maturity date for any long-term debt will not exceed the expected life of the capital improvement so financed. Balloon payments and similar deferrals of debt repayment shall be avoided.

(d) Ensure that the net (non-self-supporting) general obligation debt of the Village shall not exceed five percent (5%) of the total equalized market value of taxable property.

(e) Use special assessments, revenue bonds, and/or any other available self-liquidating debt instruments instead of general obligation bonds whenever possible and appropriate.

(f) Encourage and maintain good relations with financial and bond rating agencies, and will follow a policy of full and open disclosure on every financial report and bond prospectus.

(g) Maintain an accounting of vacation and sick time accruals, and report annually on the books and records as Compensated Absences.

(h) Use an independent actuary to calculate and include in the annual financial statements the Post-Retirement Health Benefit Liability.

(i) Require that the Trustees of the Length of Service Award Program for both fire and ambulance services, record the annual liability, and review investment performance on a bi-annual basis.

Section 6 Cash

The Village's investment policies shall be guided by four fundamental principles: legality, safety, liquidity, and yield.

Section 6.1 Cash Management Policies

The Village shall:

(a) Deposit its moneys only in banks or trust companies located and authorized to do business in New York State, and authorized as official Village depositories by the Board of Trustees in the Investment Policy.

(b) Invest its moneys only in those investment vehicles authorized by State statutes.

(c) Strive to achieve a favorable return on all cash investments, subject to the risk parameters as defined in the Village's Investment Policy.

(d) Collateralize all deposits and investments at one hundred two percent (102%) of the market value of such deposits and investments and verify all reporting on a monthly basis when applicable.

(e) Review cash flow needs as required, managing disbursements, collections, deposits, and investments to insure adequate cash availability for the conduct of Village business.

(f) Pool cash from its various funds to obtain the maximum possible return on its investments. Interest will be credited to the source of the invested moneys.

Section 7 Capital Assets

Most of the Village's wealth is invested in its physical assets or capital plant - streets, buildings, utility networks, and equipment. These assets shall be properly maintained and replaced over time to adequately provide public services.

Section 7.1 **Capital Assets Policies**

The Village shall:

(a) Prepare a five (5) year capital improvement program each year for all major facilities.

(b) Base all capital improvements and the quality of such improvements on the Village's long-term needs in order to balance initial costs with future maintenance and replacement cost.

(c) Coordinate the development of the capital improvements program with the annual operating budget in order to avoid excessive fluctuations in the total tax levy.

(d) Identify the funding source for each capital improvement prior to deciding to proceed with the project. Intergovernmental (e.g., federal, state and county funding) and private sources shall be sought out and used as available to assist in financing capital improvements.

(e) Project all equipment replacement and maintenance needs each year for at least the next three (3) years. A maintenance and replacement schedule based on this projection will be developed and followed.

Section 8 Budget Policy

A budget is a plan of financial operation embodying an estimate of proposed revenues and expenditures for a given period.

The Village's fiscal year shall be June 1 through May 31 and its budget calendar shall be as provided for in Article 5 of the Village Law as summarized below.

Budgets shall be adopted on a basis consistent with management and planning practices and generally accepted accounting principles. Annual appropriated budgets shall be adopted for the general, special revenue, library, enterprise, and debt service funds. Project-length financial plans shall be adopted for all capital projects.

Encumbrances represent commitments related to non-recurring costs for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at fiscal year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Reserves represent those portions of fund equity legally segregated for a specific future use, not available for general expenditures. Designated fund balances represent tentative plans for future use of financial resources.

On or before March 20 of each year, the Village Manager shall submit a tentative budget for the ensuing fiscal year to the Board of Trustees. The proposed budget shall be prepared in a manner to maximize its understanding by citizens and elected officials. As part of the Village tentative budget, the Village Manager shall submit to the Board of Trustees a capital program that lists the proposed capital improvements with appropriate supporting cost information.

After considering the tentative budget, but not later than April 15, the Board of Trustees shall hold a public hearing on the proposed budget. Additionally, the Board of Trustees shall solicit comments from the Village Finance Committee.

After the public hearing, the Board of Trustees may amend the proposed budget by adding, increasing, decreasing, or deleting programs and amounts, except expenditures required by law, or for debt service, or for an estimated cash deficit.

The Board of Trustees shall adopt the proposed budget and determine the tax rate for the ensuing year on or before May 1. The Village Manager may, at any time during the fiscal year, transfer no greater than $5,000 of an unencumbered appropriation balance among programs or accounts within a department, office, or agency under his or her supervision, except that no transfer may be made between personnel and non-personnel appropriations, and such transfers shall be reported to the Board of Trustees at or prior to the next publicly broadcast Board of Trustees meeting. The Board of Trustees may, by resolution, transfer part or all of any unencumbered appropriation balance among programs or accounts of a board or commission, department, office, or agency to another. No appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below any amount required by law to be appropriated or by more than the amount of the unencumbered balance thereof.

All appropriations shall lapse at the close of the fiscal year to the extent that they shall not have been expended or encumbered.

Critical Date Table:

The Village must complete the following tasks by the indicated dates:

1st Week January	Village Manager shall notify, in writing, the department heads of the necessity for, and form of, estimates of revenues and expenses for the ensuing fiscal year.
Last week January	Department heads shall submit budget estimates to the Village Manager.
1st Week February	Departmental reviews begin and Department heads work to finalize departmental budgets with the Village Manager, all departmental budgets to be completed by March 1.

March 20	Village Manager shall file the tentative budget with the Village Clerk
March 21-31	Review and amendments to tentative budget shall be made by Village Board
April 15	Notice of public hearing on tentative budget shall be published at least five days prior to public hearing
April 20	Public hearing
May 1	Adoption of budget

Section 9 Financial Reporting

The Village shall adhere to a policy of full and open public disclosure of all financial activity. Copies of financial documents shall be made available to all interested parties. Opportunities shall be provided at a public hearing for full citizen participation before final decisions on adopting the budget. Detailed budgetary information (e.g. specific sources of revenues and objects of expenditures) shall be available to the public and elected officials.

The Village Treasurer shall prepare regular periodic and annual financial reports presenting a quarterly summary of financial activity by major types of funds and programs.

The Village shall employ an independent public accounting firm to perform an annual audit of all funds and programs, and shall make the annual audited financial statements available to the Board of Trustees, general public, bond and financial consultants, and interested citizens. For each fiscal year that the Section 8 Fund exists, the Village shall have the annual audit conducted in compliance with the single audit concept as set forth by the Federal Office of Management and Budget. The audit shall be completed and the annual audited financial statements shall be completed and submitted to the Board of Trustees within 180 days of the close of the Village's fiscal year.

The Village's accounting system shall maintain records on a basis consistent with generally accepted governmental accounting standards. The Village Treasurer shall prepare the Annual Update Document, at the completion of the annual audit, in conformity with generally accepted accounting principles and financial reporting practices.

Appendix I

VILLAGE/TOWN OF MOUNT KISCO

INVESTMENT POLICY

I. SCOPE

This investment policy applies to all moneys and other financial resources available for investment on its own behalf.

II. OBJECTIVES

The objectives of the local government's investment activities are, in priority order,

-to conform with all applicable federal, state, and other legal requirements;

-to adequately safeguard principal

-to provide liquidity to meet all operating requirements; and

-obtain a reasonable rate of return

III. DELEGATION OF AUTHORITY

The Board of Trustees responsibility for administration of the investment program is delegated to the Treasurer, who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees. The opening or closing of any bank account will require approval of the Village Manager or in his/her absence, the Village Clerk. The opening or closing of any bank account shall only be in authorized depositories.

IV. PRUDENCE

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village/Town of Mount Kisco to govern effectively.

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 safety of the principal as well as the probable income to be derived.

All participants 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.

V. DIVERSIFICATION

It is the policy of the Village/Town of Mount Kisco to diversify its deposits and investment by financial institution, by investment instrument, and by maturity scheduling.

VI. INTERNAL CONTROLS

It is the policy of the Village/Town of Mount Kisco for all moneys collected to be deposited by the Treasurer within five (5) days, or within the time period specified by law, whichever is shorter.

The Treasurer is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

VII. DESIGNATION OF DEPOSITORIES

The banks and trust companies authorized for the deposit of moneys up to the maximum amounts are:

Depository	Maximum Amount
Sterling National Bank	**17,000,000**
NYCLASS	**17,000,000**
NY MuniTrust Cooperative Investment Pool	**17,000,000**
J.P. Morgan Chase	**13,000,000**
Signature Bank	**12,000,000**
TD Bank	**12,000,000**
Mahopac National Bank	**7,000,000**
Valley National Bank	**10,000,000**
UBS – (Fire Dept. LOSAP)	**7,000,000**
Glens Falls National Bank (Amb. LOSAP)	**650,000**

M & T Bank	**17,000,000**
The Bank of America	**7,000,000**
PCSB Bank	**7,000,000**
Citibank	**7,000,000**

VIII. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law (GML), Section 10, all deposits of the Village/Town of Mount Kisco including certificates of deposit and special time deposits, in excess of the amount under the provision of the Federal Deposit Insurance Act shall be secured:

A. By a pledge of “eligible securities" or “Letter of Credit” with an aggregate “market value” as provided by GML, Article 10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.

B. By an eligible surety bond payable to the government for an amount at least equal to one hundred percent (100%) of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.

IX. SAFEKEEPING AND COLLATERALIZATION.

Eligible securities used for collateralizing deposits shall be held by the designated depository and/or a party bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to local government deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted, or released and the events which will enable the local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Village/Town of Mount Kisco or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust, or agent of and custodian for, the local government, will be kept separate and apart from the general assets of the custodial bank or trust company, and will not, in any circumstances, be commingled with or become part of the backing for any other deposits or liabilities. The agreement shall provide for the frequency of revaluation of eligible securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

X. PERMITTED INVESTMENTS

As authorized by General Municipal Law (GML), Section 10 and 11, the Village/Town of Mount Kisco authorizes the Treasurer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments

-Time deposit accounts;

-Certificates of deposit;

-Obligations of the United States of America;

-Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;

-Obligations of the State of New York; or

-Obligations issued pursuant to Local Finance Law (LFL) 24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district, or district corporation other than the Village/Town of Kisco.

-Repurchase deposits held by banking institutions authorized in the United States of America, through cooperative investment programs (refer to sections XII and XIII.

All such investment obligations shall be payable or redeemable at the option of the Village/Town of Mount Kisco within such times as the moneys were provided, and in the case of obligations purchased with the proceeds of bonds or notes, shall be redeemable at the option of the Village/Town of Mount Kisco within two years of the date of purchase.

As authorized by General Municipal Law (GML), Section 217, the Village/Town of Mount Kisco authorizes the Treasurer to invest moneys of the Length of Service Award Program for Active Volunteer Firefighters not required for short-term cash flow needs in the following types of investments:

-Open-ended mutual funds that invest in publicly listed corporate common stock or investment grade fixed income securities, purchased and retained in the exercise of the degree of judgment and care, under the circumstances then prevailing, which persons of prudence and intelligence exercise in the management of their own affairs, provided that not more than 50% of all moneys invested for the Service Award Program, other than short-term cash flow needs, shall be invested in common stock, directly or through mutual funds or managed accounts;

-Investment-grade fixed or variable rate fixed income securities with guaranteed known principal redemption value at maturity date, purchased and retained in the exercise of the degree of judgment and care, under the circumstances then prevailing, which persons of prudence and intelligence exercise in the management of their own affairs.

XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Village/Town of Mount Kisco shall maintain a list of financial institutions and dealers approved for purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Village/Town of Mount Kisco. Security Dealers not affiliated with a bank shall be required to be classified as reporting dealers with the New York Federal Reserve Bank, as primary dealers. The Treasurer is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. Such listing shall be evaluated at least annually.

XII. PURCHASE OF INVESTMENTS

The Treasurer is authorized to contract for the purchase of investments:

A. Directly, including through a repurchase agreement, from an authorized trading partner.

B. By participation in a cooperative investment program with other authorized governmental entities pursuant to Article 3A and Article 5G, Sections 119-n and o, and Chapter 623 of the General Municipal Law (GML) where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the Board of Trustees.

C. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized be the Board of Trustees.

All purchased obligations, unless registered or inscribed in the name of the local government, shall be purchased through, delivered to, and held in the custody of a bank or trust company. Such obligation shall be purchased, sold or presented for redemption or payment by such bank or trust only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Village/Town of Mount Kisco by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law (GML), Section 10 and 11.

The custodial agreement shall provide that securities held by the bank or trust company, as agent or and custodian for, the local government, will be kept separate and apart from the general assets of the custodial bank or trust company, and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

XIII. REPURCHASE AGREEMENTS

Repurchase agreements are authorized subject to the following restrictions:

A. All repurchase agreements must be entered into subject to a Master Repurchase Agreement or included in a Municipal Cooperative Purchase.
B. Banking institutions, authorized in the United States of America, through cooperative purchases.
C. Trading partners are limited to banks, trust companies, or cooperative asset investment firms, authorized to do business in New York State.
D. Obligations shall be limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America, and obligations of banks authorized in the United States of America. E. No substitution of securities will be allowed.
F. The custodian shall be a party other than the trading partner.

Appendix A

Schedule of Eligible Securities

1. Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.
2. Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.
3. Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district, or district corporation of such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.

Last Adopted/Amended: February 6, 2023

Appendix II

VILLAGE/TOWN OF MOUNT KISCO

PURCHASE POLICY GUIDELINES

Objectives

The objectives of the Village/Town of Mount Kisco's Purchase Policy Guidelines are as follows:

1. To exercise timely and effective budgetary control, to prevent unauthorized purchases, and to properly plan and coordinate procurement of goods and services at the lowest cost.

2. To comply with applicable purchasing and procurement laws, regulations and guidelines of the State of New York.

3. To ensure that the purchases of all goods and services are properly authorized and documented for independent review and verification.

Authority

The authority and responsibility to make appropriate purchases and to obtain necessary services on behalf of the Village rests with the respective Village Department Heads. Department Heads are responsible for ensuring that all purchases are in compliance with the Village's Purchase Policy Guidelines; are within the budgetary control authorizations established by the Board of Trustees; and are properly documented. All purchases of goods and services in excess of $5,000 require the prior approval of the Village Manager. The Village will not be liable for any purchases made without appropriate authorizations.

Requirements to Issue a Purchase Order

The Village's purchase order policy applies to the purchase of all goods and services of $1,000 or more. Purchases of less than $1,000 can be processed directly under the Village's claim process, unless the vendor requests a purchase order. Purchases cannot be split to circumvent the required issuance of a purchase order. Department Heads should consider the annual aggregate purchases of similar types of items and/or services as the guide for ensuring compliance with the requirement to issue a purchase order.[1]

The following types of purchases are exempt from the purchase order requirements:

1. Employee personal services paid on a payroll.

[1] This may require considering the issuance of a "blanket purchase order" as described in a section below.

2. Employee benefits required by law or authorized by a collective bargaining agreement or employment contract, as well as medical examination fees.

3. Employee expenses, such as conference expenses, mileage and other reimbursable expenses occurred in the performance of day-to-day duties.
4. Reasonable costs for prisoner meals.
5. Utility bills (Con Edison, New York Power Authority, monthly telephone charges).
6. Fuel and heating oil purchased under state contract and subject to a set delivery schedule.
7. Postage and freight charges.
8. Reimbursement of petty cash funds. Payments to employees from the petty cash fund shall be limited to $25.00. Any employee reimbursements in excess of $25.00 shall be paid on a claim voucher.
9. Interdepartmental charges, such as rental charges included in the budget.
10. Debt service principal and interest payments.
11. Service contracts for legal services authorized by the Village Manager.
12. Fire, ambulance and paramedic contracts, provided that the budgetary accounts are used exclusively for such contract payments.
13. Recurring monthly equipment lease and rental charges, and annual service maintenance agreements. However, the initial acquisition of the equipment is subject to issuance of a purchase order.
14. Emergency or urgent purchases for which it is not possible to issue a purchase order beforehand. Under such circumstances, purchase orders should be issued after the fact with an explanation attached.[2]

Although purchase orders may not be required in these instances, it is still the responsibility of the Department Head to ensure that only those purchases of goods and services necessary to carry out the mission and functions of the Village are made, and that the best possible price is obtained.

Preparation and Approval of Purchase Order

All purchase orders must be prepared at the time of purchase by the Department Head or his/her designee, and signed by the Department Head. By signing a purchase order, the Department Head certifies that the purchase was made in compliance with the Village Purchase Policy Guidelines (exceptions or non-compliance must be noted on, or attached to, the purchase order), and that sufficient budgetary appropriations are available for the purchase. If sufficient budgetary appropriations are not available for the purchase, a memorandum requesting a budgetary modification must be prepared and submitted along with the purchase order. Additionally, all purchases of goods and services in excess of $5,000 require prior approval of the Village Manager.

[2] Additional guidance is provided below under the section Exceptions to the Procurement Requirements.

Blanket Purchase Orders

Blanket purchase orders may be prepared by the Department Head. The purpose of a blanket purchase order is to eliminate the issuance of separate purchase orders for groups of items, which are purchased frequently from the same vendor (examples: automotive supplies, hardware supplies). Use of blanket purchase orders allows the department to purchase such items on an as-needed basis when there is no provision to maintain an inventory.

Verbal Orders

A verbal order, subject to confirmation by a written purchase order, may be given directly to a vendor in cases where necessity for immediate action exists. Such deviation from the normal process should be limited in use. The Department Head placing such order shall explain the need for his/her action; lack of proper planning shall not be considered a valid reason for this purpose. A written confirmation purchase order should be issued as soon as possible, and should be clearly marked “confirmation”.

Purchase Order Document

All purchase orders must contain, at a minimum, the following information: vendor name and address, vendor number, date of order, detailed description, number units ordered (if applicable), prices, budgetary appropriation code, and authorized signature(s). Required price quote documentation or state contract information, if any, must be attached to the purchase order. The completed purchase order package, including budget modification request (if needed), shall be submitted to the Finance Department for review and approval. If the purchase order package is in compliance with the Village’s Purchase Policy Guidelines, the Treasurer or Deputy Treasurer shall assign a purchase order number. Under certain circumstances, the Finance Department may assign a purchase order number over the phone in advance of receipt of the purchase order documents. Department Heads are responsible for ensuring that the supporting purchase order documentation is subsequently provided in a timely manner.

The original (white) copy of completed purchase orders shall be returned to the Department Head for release to the vendor. The yellow copy of completed purchase orders shall be returned to the Department Head for his/her files. The pink copy of completed purchase orders, along with supporting documentation, shall be retained by the Finance Department. The Finance Department shall encumber the amount of the purchase order on the accounting records. If there is a cancellation or change in the purchase order, the Department Head should notify the Finance Department of these changes. Prior to the close of the fiscal year, Department Heads shall review and verify the status of all outstanding purchase orders issued so that the encumbered funds may be carried over to the next fiscal year.

Completion and Audit of Claims

Upon receipt of the purchased item or completion of the purchased service, as applicable, a completed and approved claim form with attached invoice shall be submitted to the Finance Department for inclusion on the Warrant of Claims submitted to the Board of Trustees for audit and approval for payment. Any individual claim may be input into the Purchasing System by the respective department, with the original source documentation submitted to the Finance Department for audit.

A claim shall be considered complete when the following conditions are met:

1. The claim shall be itemized in sufficient detail to permit a proper audit. The claim form prescribed by the Treasurer shall be used. The claim form shall contain the vendor name and number, remittance address, invoice date, invoice number, short description of purchase,[3] and budget appropriation code.
2. An original vendor invoice shall be attached to the claim voucher. Signed receiving copies should be attached, where applicable.
3. The assigned purchase order number, if any, shall be written on the claim form in the upper right corner.
4. Any claim for employee reimbursement (e.g., mileage reimbursement, uniform/boot allowance, tuition reimbursement, conference/training reimbursement, vision allowance), or any claim from an individual without an invoice (e.g., election worker or handyman) shall be signed by the individual claimant (vendor) on the certification line.
5. The Department Head shall approve all claims with his/her original signature certifying that the goods/services purchased were received/provided and that the amounts charged are correct.[4]
6. All claims shall be pre-audited by the Treasurer or Deputy Treasurer prior to submission to the Board of Trustees for audit and approval.

Payments Not Requiring Board of Trustees Audit and Approval

In accordance with the exceptions provided by law, the following types of payments are not required to be submitted to the Board of Trustees for audit and approval:

1. Employee personal services paid on a payroll.
2. Payment of employee benefits required by law or authorized by a collective bargaining agreement or employment contract.
3. Debt service principal and interest payments.
4. Payments due which are held by the Treasurer in a custodial or trust capacity, such as remittance of payroll deductions and School/County real property tax collections.

[3] Vendor product trade names shall not be used; generic product descriptions are to be reported.

[4] Department Heads may delegate signature authority to a departmental staff person. Any delegation of signing authority should be on a temporary basis (e.g., vacation or sick). This person should sign his/her name noting that it is "for" and the Department Head's name (i.e., John Smith for Jane Jones). Any delegation of signing authority to a subordinate should be communicated to the Finance Department in writing.

5. Payment of Housing Assistance Payments under the Village's Section 8 HousingProgram.
6. Interfund transfers and reimbursements made pursuant to the adopted budget.

Prior to payment of unaudited bills, the Treasurer shall ensure that all such payments are sufficiently itemized, documented and approved. The Village Manager may require periodic reviews of such payments.

Procurements Requiring Competitive Bids

Competitive bidding laws are designed to guard against favoritism, improvidence, extravagance, fraud and corruption and to foster honest competition in order that the best goods and services are obtained at the lowest possible price. Section 103 of the General Municipal Law provides that all purchase contracts for materials, equipment and supplies involving an estimated annual expenditure of over $20,000 and all public work contracts of over $35,000 are subject to competitive bidding requirements.[5]

Contract awards are required to be made to the "lowest responsible bidder furnishing the required security" after public advertising requesting submission of sealed bids. In determining the necessity for competitive bidding, the aggregate amount to be expended for an item or commodity to be purchased in a fiscal year period must be considered. In other words, the anticipated purchase of similar items or services throughout the fiscal year should be aggregated to determine whether the $20,000 or $35,000 threshold criteria apply. At a minimum, advertisements for bids must be published in the Village's official newspaper. Direct solicitation using bidders' lists can also be used, however, great care needs to be taken to assure that all known prospective bidders are included and that bidders are not arbitrarily excluded from the list. Since the primary objective of the competitive bidding process is to promote competition, it is recommended that additional appropriate advertising media is utilized to attract qualified bidders.

General Municipal Law also requires that at least five days must elapse between the first publication of the advertisement and the date specified for the opening and reading of bids. As authorized by the Board of Trustees, the Village Manager shall receive and open all sealed bids. After careful review and analysis of such bids, the Village Manager shall report all bids received to the Board of Trustees along with his/her recommendation for awarding the contract or for not awarding a contract at this time. Then, the Board of Trustees shall by resolution make the final contract award determination.[6]

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[5] The New York State Office of State Comptroller provides further guidance defining "purchase contracts" as the procurement of commodities (e.g., equipment, materials, supplies) and "public work contracts" as encompassing contracts for services, labor or construction.

[6] Additional guidance for complying with New York State's competitive bidding requirements can be found in Article 5-A of the General Municipal Law.

Procurements Requiring Price Quotes

For goods and services, which are not subject to competitive bidding or purchased under state or county contract, the following methods of purchase will be used to assure the prudent and economical use of Village funds:

Estimated Annual Purchase Contract Amount	Price Quote Requirement
$1,000 - $2,999	2 written/fax quotations
$3,000 - $20,000	3 written/fax quotations or request for proposals (RFPs)

Estimated Annual Public Works Contract Amount	Price Quote Requirement
$1,000 - $4,999	2 written/fax quotations
$5,000 - $35,000	3 written/fax quotations or request for proposals (RFPs)

The Village policy requires that a good faith effort shall be made in all instances to obtain the required number of proposals or quotations. If the required number and/or form of quotations cannot be obtained, a written explanation from the Department Head documenting the attempts made is then required.

As with competitive bids, documentation and an explanation is further required whenever a contract is awarded to other than the lowest responsible price quote. This documentation will include an explanation of how the award will achieve savings or how the rejected bidder was not responsible. With the advice and approval of the Village Manager, the Department Head shall make a determination that the bidder is not responsible.

Exceptions to the Procurement Requirements

1. **Purchases made under Emergency Conditions**

   In the case of emergencies, as defined below, compliance with the competitive bidding statutes and procurement policy (price quotes) may be waived under certain circumstances. However, an attempt should be made to comply with the purchase order policy, acknowledging that the documentation may have to be prepared after the fact.

   As provided by the General Municipal Law, all three of the following criteria must be met in order to qualify as an emergency:

- The situation must arise out of an accident or unforeseen occurrence or condition; and
- The circumstances must affect public buildings or property or the life, health and safety or property of Village residents, employers, employees and visitors; and,
- The situation must require immediate action which cannot await competitive bidding or obtaining price quotes.

To meet these criteria, there generally must be a present, immediate and existing condition which is creating an imminent danger to public or private property, or the life, health and safety of the residents, employees of Village businesses, and/or visitors in the Village, and which makes further delay to comply with competitive bidding and procurement requirements unwarranted. Generally, only the Village Manager, Mayor, or Chief of Police (or their designees), in this order, shall determine if an emergency situation exists which precludes compliance with the competitive bidding and procurement requirements.

Note that, even in an emergency situation, it is in the public interest that purchases are made at the lowest possible cost. Thus, Village officials and Department Heads should seek competition by informal solicitation of quotes, to the extent practicable under the circumstances.

2. **Purchases made under State, County, or Federal Contract**

Competitive bidding is not required for purchases made through New York State's Office of General Services contract program. This program affords the opportunity for the Village to purchase numerous items at the same prices and under the same terms and conditions as the State. This exemption is further extended to purchases made under county or federal contracts. In all cases, it is critical to ensure that the vendor is currently listed with the state, county, or federal agencies and that the contract terms are extended to the Village. Even if a price can be obtained that is at or below the state, county, or federal specified contract price, this does not preclude compliance with the Village's Purchase Policy Guidelines.

3. **Purchases of Professional and Legal Services**

The procurement of professional services, as defined below, are not subject to the competitive bidding requirements as it is not considered as a "purchase contract" or "contract for public work." Professional services involve a specialized skill, training and expertise, use of professional judgment or discretion, and/or a high degree of creativity. Some services exempt from competitive bidding under this exception include: engineering, architectural, land surveying, insurance, legal, accounting and medical. As with any Village purchase, cost should also be considered in selecting the best provider of the service.

4. **Sole Source Purchases**

Sole source procurements are exempt from the competitive bidding process in certain circumstances when there is no other substantial equivalent source for the required good or service. In other words, a Department Head, acting in good faith and without intent to arbitrarily inhibit or restrict competition, may determine that a particular item is required and that such item is available only from one supplier. Department Heads shall seek the advice and approval of the Village Manager when making a sole source purchase.

Last Adopted/Amended: December 5, 2022

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Appendix III

CAPITAL ASSETS POLICY

For the Village/Town of Mount Kisco (Westchester County, New York)

Section I. Capital Asset Definitions and Guidelines

I. (1) Overview

The Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, will require that governments depreciate their exhaustible capital assets, including infrastructure.

Capital assets are tangible and intangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. They include land, land improvements, easements, buildings and improvements, equipment, and works of art and historical treasures.

Capital assets include infrastructure assets which are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. A government with the primary responsibility for managing infrastructure assets reports that asset, even if a third part maintains it under contract.

Capital assets are reported in the statement of net assets at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges (i.e., freight and transportation charges) necessary to place the assets into use. Donated capital assets should be reported at their estimated fair market value at the time of donation, plus ancillary charges, if any.

Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible (assets in which service potential is used up so slowly that the estimated useful life is extraordinary long, such as land and land improvements) or are infrastructure assets reported using the modified approach.

Depreciable assets are reported net of accumulated depreciation in the Statement of Net Assets. Accumulated depreciation may be reported on the face of the statement or disclosed in the Notes to Financial Statements. Capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach, should be reported separately.

I. (2) Capital Asset Classifications

Capital assets are assets purchased or constructed by the Village/Town of Mount Kisco (the "Village") that have a useful life of three (3) or more years and that have a value equal to or greater than the established capitalization threshold. The following class of asset categories, capitalization thresholds and useful lives are used for the Village:

Class of Asset Categories, Capitalization Thresholds and Useful Lives

Class of Asset	Capitalization Threshold	Useful Life
Land	$5,000	Note 1
Land Improvements	$5,000	20 years
Buildings	$5,000	40 years
Building Improvements	$5,000	20 years
Machinery and Equipment: (Note 4)		
Office Equipment	$5,000	5 years
Furniture	$5,000	10 years
Computers	$1,000	4 years
Vehicles	$5,000	5 years
Heavy Equipment	$5,000	10 - 20 years
Small Equipment and Tools	$5,000	3 - 10 years
Other	$5,000	3 - 10 years
Infrastructure:		
Bridges (including culverts)	$5,000	30 years
Roads	$5,000	20 years
Traffic Control Systems	$5,000	40 years
Dams and Drainage Systems	$5,000	50 years
Sewer Systems	$5,000	40 years
Water Systems	$5,000	40 years
Works of Art, Historical Treasures, and Library Books	$5,000	Note 2
Construction Work in Progress		Note 3

Note 1 – Not Depreciated
Note 2 – Depreciation is not required for Works of Art and Historical Treasures that are inexhaustible. If collection/items are exhaustible, then depreciate over estimated useful life. Due to the constantly changing nature of the Village Library's book collection, and small cost of individual books, it was decided to not capitalize the cost of such book collection.
Note 3 – Depreciation is not required on Construction Work in Progress. Upon completion, the asset will be recorded in appropriate asset classification and depreciation will begin in accordance with the threshold.
Note 4 – For control and accountability purposes, capital assets costing less than $5,000 may be recorded in the capital assets inventory.

I. (3) Capital Asset Acquisition Cost

Capital assets shall be recorded at their historical costs, or estimated historical cost if the actual historical cost is unknown. The cost of a capital asset shall include any ancillary costs that are necessary to place the asset in its intended condition for use. These include the vendor's invoice (plus the value of any trade-in, if reflected on the invoice), initial installation cost (excluding inhouse Village labor costs), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs include charges such as freight and transportation costs, site preparation costs and professional fees. The costs of capital assets for governmental activities shall not include capitalized interest.

I. (4) Capital Asset Donations

Donations are defined as voluntary contributions of resources to a governmental entity by a nongovernmental entity. Donated capital assets shall be reported at fair market value at the time of acquisition plus ancillary charges, if any. Fair market value is the amount at which an asset could be exchanged in a current transaction between willing parties.

Governmental funds will have to meet the standards of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Donations must be recorded and reported at fair market value on the date of acquisition. Recipients of donated capital assets will recognize the donation and related revenue when the transaction is complete and the assets are received, providing all eligibility requirements have been met. Promises of capital asset donations should be recognized as receivables and revenues (net of estimated uncollectible amounts) when all applicable eligibility requirements have been met, providing that the promise is verifiable and the resources are measurable and probable of collection.

In some cases, donated capital assets are given with the stipulation (time requirement) that the assets cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. For such cases, the capital asset should be reported in the Statement of Net Assets as “Net Assets – Restricted” as long as the restrictions or time requirements remain in effect.

Modified Accrual Basis of Accounting – Do not report revenue from the donation of a capital asset when using the modified accrual basis of accounting, except in the following situation: If the Village receives a donation of a capital asset and intends to sell the asset immediately, revenue shall be recognized in the period the asset is donated, and the capital asset shall be reported in the same fund used to report the revenue as “Assets Held for Sale”. Intent to sell should be evidenced by a sale of or contract to sell the capital asset before the financial statements are issued. Revenue shall be measured at the amount at which the capital asset is sold or its contract price. If the Village does not intend to sell the donated capital asset immediately or does not meet the criteria to sell as stated above, the donation shall not be reported in the operations of the governmental funds. Revenue from donations of financial resources such as cash, securities or capital assets shall be recognized when the Village has an enforceable legal claim to the donation and when it is probable the donation will be received, regardless of when the financial resources are actually received. Revenue shall be measured at the fair value of the financial resource donated.

Full Accrual Basis of Accounting – In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, entities currently using proprietary fund accounting (i.e., water and sewer enterprise funds) must recognize capital asset donations as revenues and not as contributed capital.

I. (5) Leased Equipment

Equipment shall be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair market value of the leased property.

Leases that do not meet any of the above requirements shall be recorded as an operating lease and reported in the Notes to Financial Statements, if material.

I. (6) Depreciating Capital Assets

Capital assets shall be depreciated over their estimated useful lives in accordance with this policy, unless they are inexhaustible.

The straight-line depreciation method (historical cost less estimated residual value, divided by useful life) is the method that shall be used by the Village for depreciating capital assets. Depreciation shall be calculated on an annual basis. A full year of depreciation shall be included in the year of completion or acquisition of the asset. Depreciation expense shall <u>not</u> be included in the year of disposition. Exception: Due to the material amount involved, depreciation expense for depreciable capital assets costing more than $1 million dollars shall be recorded in the first and last years based on number of months such asset was in service. Accumulated depreciation will be summarized and posted to the accounting general ledger for both the utility enterprise funds and the entity-wide financial statements.

Depreciation need not be calculated for individual assets. Instead, depreciation may be calculated for classes of assets, networks of assets and subsystems of network assets. A network of assets is defined as all assets that provide a particular type of service for a government. A subsystem of network assets is composed of all assets that make up a similar portion or segment of a network of assets. For example, a water distribution system of the Village could be a network of assets. Pumping stations, storage facilities and distribution networks could be considered subsystems of that network. Similarly, the Village's storm sewer system could be a network, with catch basins, storm drains and inlets considered a subsystem.

I. (7) <u>Useful Lives of Capital Assets</u>

To estimate the useful lives of its capital assets, the Village shall consider an asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service and technology requirements. Sources of useful life information include internal information (i.e. historical records and replacement schedules), general guidelines obtained from professional or industry organizations, information for comparable assets of other governments, and use of period of probable usefulness as prescribed by the Local Finance Law.

The Village shall use as its policy guidelines for useful lives of its capital assets the information contained in the table in Section I. (2), entitled *Capital Asset Classifications*, above.

I. (8) <u>Residual Value</u>

Residual value is the estimated fair market value of a capital asset or infrastructure remaining at the end of its useful life. In order to calculate depreciation for an asset, the estimated residual value must be established before depreciation can be calculated. The use of historical sales information is a valuable method for determining the estimated residual value. Proceeds from sale of assets shall be netted against residual value in computing net gain or loss from sale.

The Village generally purchases assets with the intent to use such assets until its usefulness is exhausted. Therefore, the Village policy shall generally be to estimate residual value as zero for all capital assets.

I. (9) <u>Sale of Capital Assets</u>

When an asset is sold, a gain or loss shall be recognized when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset.
- Cash is not exchanged and the asset is fully depreciated or has as residual value.

When an asset is sold, a gain or loss shall <u>not</u> be reported when:

- Cash exchanged equals the net book value, and the asset does not have a residual value.
- Cash is not exchanged and the asset is fully depreciated and has as no residual value.

To compute a gain or loss from sale of capital assets, proceeds received shall be subtracted from the asset's net book value. Examples:

	Gain	Loss
Asset's historical cost	$10,000	$10,000
Less: Accumulated Depreciation	7,000	7,000
Net Book Value	$ 3,000	$ 3,000
Less: Proceeds Received	5,000	2,000
Gain/Loss from Sale of Asset	Gain $ 2,000	Loss $ 1,000

Section II. <u>Capital Asset Categories</u>

II. (1) <u>Land</u>

<u>Land Definition</u>:
Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs and trees. Land is characterized as having an unlimited life (indefinite).

<u>Depreciation Methodology</u>:
Land is an inexhaustible asset and, therefore, is not depreciated.

<u>Capitalization Threshold</u>:
The capitalization threshold for land is $5,000.

<u>Examples of Expenditures to be Capitalized as Land</u>:

- Purchase price or fair market value at time of acquisition
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessment, etc.)
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Right-of-way

II. (2) Land Improvements

Land Improvements Definition:
Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use. Land improvements include such items as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fences, and outdoor lighting. They can be exhaustible or non-exhaustible.

Non-Exhaustible Land Improvements:
Expenditures for improvements that do not require maintenance or replacement. Expenditures to bring land into condition to commence erection of structures, and expenditures for land improvements that do not deteriorate with use or over the passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciated.

Exhaustible Land Improvements:
Expenditures for improvements that are part of the site, such as parking lots, landscaping and fencing, are usually exhaustible and are depreciated.

Depreciation Methodology:
Land improvements that are inexhaustible assets are not depreciated. Exhaustible land improvements are depreciated on a straight-line basis over 20 years. The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for exhaustible land improvements.

Capitalization Threshold:
The capitalization threshold for land improvements is $5,000.

Examples of Expenditures to be Capitalized as Land Improvements:

- Site improvements such as excavation, fill, grading and utility installation
- Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines)
- Fencing
- Landscaping
- Parking lots
- Skating rinks, basketball courts, tennis courts, etc.
- Retaining walls

II. (3) Buildings

Building Definition:
A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable.

Depreciation Methodology:
The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for buildings.

Capitalization Threshold:
The capitalization threshold for buildings is $5,000.

Examples of Expenditures to be Capitalized as Buildings:
Purchased Buildings:

- Original purchase price
- Expenses for modeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance (i.e., asbestos or lead abatement)
- Professional fees (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place the asset into operation

Constructed Buildings:

- Completed project costs
- Interest accrued during construction
- Cost of excavation, grading or filling of land *for a specific building*
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Professional fees (architect, engineer, management fees for design and supervision, legal)
- Costs of temporary buildings used during construction
- Unanticipated costs, such as rock blasting, piling, or relocation of an underground stream channel
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings (expansions, extensions, or enlargements)

II. (4) Building Improvements

Building Improvements Definition:
Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold, or the expenditure increases the useful life or value of the building.

Depreciation Methodology:

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for building improvements and their components.

Capitalization Threshold:
The capitalization threshold for building improvements is $5,000.

Examples of Expenditures to be Capitalized as Building Improvements:

- Conversion of attics, basements, etc. to useable office, clinic, research or classroom space
- Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling or parquet
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Swimming pools
- Installation or upgrade of window or door frame, upgrading of windows or doors, built-in closet and cabinets
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)

Note: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part such as replacement of an old shingle roof with a new fireproof tile roof. Replacement or restoration to original utility level would not. Determinations must be made on a case-by-case basis.

Other Costs Associated with the Above Improvements Not to Capitalize:
The following are examples of expenditures not to capitalize as improvements to buildings. Instead, these items should be recorded as maintenance expenditures:

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance

- Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities
- Any other maintenance-related expenditure which does not increase the value of the building

II. (5) Machinery and Equipment

Machinery and Equipment Definition:
Machinery and equipment are fixed or movable tangible assets to be used for operations, the benefits of which extend three or more years from the date acquired and rendered into service. Improvements or additions to existing personal property that constitute a capital outlay or increase the value or life of the asset should be capitalized as a betterment and recorded as an addition of value to the existing asset. Note: Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.

Categories of Machinery and Equipment:

- Office equipment
- Furniture
- Computers
- Vehicles
- Heavy Equipment
- Small Equipment and Tools
- Other

Note: Due to the low cost and value of individual furniture pieces (which may be material in the aggregate), it will be assumed that historical cost of this class of asset is 75% of insurance appraisal value, if the historical cost is unknown.

Depreciation Methodology:
The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for machinery and equipment.

Capitalization Threshold:
The capitalization threshold for machinery and equipment is $5,000. However, for control and accountability purposes, capital assets costing less than $5,000 may be recorded in the capital assets inventory.

Examples of Expenditures to be Capitalized as Machinery and Equipment:

- Original contract or invoice price, including freight charges, handling and storage charges, in-transit insurance charges, charges for testing and preparation for use, and costs of reconditioning used items when purchases
- Parts and labor associated with the construction of equipment
- Dump trucks and passenger cars
- Heavy construction equipment such as front-end loaders and backhoes
- Lawn maintenance equipment, compressors and tool kits
- Computer hardware and software

II. (6) Infrastructure

Infrastructure Definition:
Infrastructure are assets that are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature.

Infrastructure Classifications:

- Bridges, including culverts
- Roads
- Traffic control systems
- Dams and drainage systems
- Water systems
- Sewer systems

Prospective Reporting Policy Guidelines:
Prospective recording and reporting of general infrastructure assets in the Village's accounting records and Statements of Net Assets is required beginning at the effective date of GASB 34 implementation (i.e., as of June 1, 2003 for the Village). The Village, as a "phase two (2)" government, is allowed four additional years to implement the required retroactive capitalization of major infrastructure assets that were acquired (or significantly reconstructed, or that received significant improvements) in fiscal years ending after June 30, 1980. However, it shall be the policy of the Village to implement the required retroactive capitalization as of June 1, 2003, the effective date of GASB 34 implementation. Moreover, Village policy shall be to limit its accounting for infrastructure to that acquired (or significantly reconstructed, or that received significant improvements) in fiscal years ending after June 30, 1980, as is allowed. Analysis found that the net undepreciated cost of infrastructure acquired prior to June 30, 1980 was not significant to the Village's Statement of Net Assets.

Infrastructure Improvements:
Infrastructure improvements are capital events that materially extend the useful life or increase the value of the infrastructure, or both. Infrastructure improvements should be capitalized as a

betterment and recorded as an addition of value to the infrastructure if the improvement or addition of value is at the capitalization threshold or increases the life or value of the asset.

Jointly Funded Infrastructure:
Infrastructure paid for jointly by multiple governmental entities should be capitalized by the entity responsible for future maintenance.

Maintenance Costs:
Maintenance costs are recurring costs that allow an asset to continue to be used during its originally established useful life. Maintenance costs are expensed in the period incurred.

Preservation Costs:
Preservation costs are generally considered to be those outlays that extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset. Preservation costs should be capitalized under the depreciation approach.

Additions and Improvements:
Additions and improvements are those capital outlays that generally increase the capacity or efficiency of the asset. A change in capacity increases the level of service provided by an asset. For example, additional lanes can be added to a highway or the weight capacity of a bridge could be increased. A change in efficiency maintains the same service level, but at a reduced cost. The cost of additions and improvements should be capitalized.

Depreciation Methodology:
The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for infrastructure assets.

Capitalization Threshold:
The capitalization threshold for infrastructure assets is $5,000.

Examples of Expenditures to be Capitalized as Infrastructure:

- Roads, streets, curbs, gutters, sidewalks, fire hydrants
- Bridges, culverts, trestles
- Dams, drainage facilities
- Water mains and distribution lines
- Fiber optic and telephone distribution systems (between buildings)
- Light system (traffic, outdoor, street, etc.)
- Signage
- Sewer systems
- Water systems, including reservoirs

II. (7) <u>Works of Art, Historical Treasures and Library Books</u>

<u>Works of Art, Historical Treasures and Library Books Definition</u>:
Works of art and historical treasures are collections or individual items of significance that are owned which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service. Also, public library book collections. Collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

<u>Exhaustible Collections or Items</u>:
Exhaustible collections or items are those whose useful lives are diminished by display or educational or research applications. Also, public library book collections.

<u>Inexhaustible Collections or Items</u>:
Inexhaustible collections or items are those whose economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinary long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

<u>Depreciation Methodology</u>:
The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for exhaustible collections or items. Inexhaustible collections or items are not depreciated.

<u>Capitalization Threshold</u>:
Works of art and historical treasures acquired or donated will be capitalized at a threshold of $5,000.

If a collection is held for financial gain and not capitalized, disclosures must be made in the Notes to Financial Statements that provide a description of the collection and the reasons these assets are not capitalized. When donated collection items are added to noncapitalized collections, program expense equal to the amount of revenues should be recognized.

Due to the constantly changing nature of the Village Library's book collection, and small cost of individual books, it was decided to not capitalize the cost of such book collection, even though an appraisal of such books in 2003 aggregated $1.4 million net depreciated cost.

<u>Examples of Expenditures to be Capitalized as Works of Art, Historical Treasures and Library Books</u>:

- Collection of rare books, manuscripts
- Maps, documents and recordings
- Works of art such as paintings, sculptures and designs

- Artifacts, memorabilia, exhibits
- Unique or significant structures such as monuments or statutes (example: Chief Kisco statute)
- Cost of public library book collection

II. (8) Construction Work in Progress

Construction Work in Progress Definition:
Construction work in progress reflects the economic construction activity status of buildings and other structures, infrastructure (roads, water system, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs, which are substantially incomplete.

Depreciation Methodology:
Depreciation is not applicable while assets are accounted for as construction work in progress. Upon asset completion and placement into service, the value of such asset is removed from the construction work in progress account and transferred to the appropriate capital asset classification account. Depreciation then begins based upon depreciation life of the appropriate asset category. See appropriate capital asset category when asset is capitalized.

Capitalization Threshold:
Construction work in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service (generally $5,000).

Section III. Disposal of Capital Assets

III. (1) Disposing of Assets

Assets will eventually need to be removed from the asset listing for any one of a number of reasons. Authorization to dispose of a property item should be documented to include the type of disposition (i.e. sale, trade, scrapped, auctioned), the date of the disposition, the initial cost of the property and the estimated fair market value at the time of the disposition. Authorization documentation, including signed approvals and resolution by the Village Board of Trustees declaring such asset or property to be surplus, should be given to the Finance Department.

Any asset on the Village's fixed asset schedule or asset which has an original cost of $1,000.00 or greater is to be disposed of at auction; if no bids are received at auction for any item then it will be determined if the asset has any value as scrap; and if an asset receives no bid at auction and has no value as scrap it will be determined by the Village Manager to have no value and will be disposed. Any item with an original cost of less than $1,000.00 that has exceeded its useful life will either be auctioned, scrapped, or disposed of as determined by the Department Head and at the Department Head's discretion, only after confirmation of original cost of the asset by the Finance Department.

Each department should designate an individual to be responsible for preparing and maintaining a complete listing of assets within the department. The listing should be completed at least annually. Departments should send the asset listing each year to the Finance Department.

Last Adopted/Amended: December 5, 2022

<u>Appendix IV</u>

Village/Town of Mount Kisco

BANK RECONCILIATION POLICY

Purpose

It is the policy of the Village/Town of Mount Kisco that all incoming or outgoing funds to the Village/Town of Mount Kisco's bank accounts be recorded in the general ledger on a timely basis. Frequent bank reconciliation is essential to prevent fraud and to ensure the Village/Town of Mount Kisco funds are handled with fiscal and fiduciary responsibility.

Bank account reconciliation is a key component of internal control over cash and should be done in a timely manner. Reconciling the bank statement balance with the general ledger balance is necessary to ensure that (1) all receipts and disbursements are recorded; (2) checks are clearing the bank in a reasonable time; (3) reconciling items are appropriate and are being recorded accurately; and (4) the reconciled cash balance agrees to the general ledger cash balance.

Policy

- Each bank account will be reconciled on a monthly basis and within 20 business days of the end of the month.
- Bank discrepancies will be communicated to the Deputy Village Treasurer for resolution with the bank within 20 business days of reconciliation.
- Bank account reconciliations will be prepared by the Senior Account Clerk and reviewed by the Deputy Village Treasurer. Both the preparer and reviewer will date and sign the reconciliation upon completion. The signatures on the reconciliation will confirm that current procedures were followed and that the reconciliation accurately presents the status of the account at the bank as well as on the books.
- The original bank account reconciliation summary will be filed in a central file in in the Finance Department. Files will be maintained in accordance with the current Records Retention and Disposition Schedule MU-1 published and issued by the New York State Archives which is part of the Office of Cultural Education, an office of the New York State Education Department, and is utilized by the Village/Town of Mount Kisco as record retention guidelines.
- The Village Treasurer can act in lieu of the Deputy Village Treasurer.

Outstanding Checks

In addition to reconciling the bank accounts, outstanding checks should be reviewed on a monthly basis. The Finance Department should contact the vendor or payee for all checks which have been outstanding for at least 90 days. At that point the follow-up effort should begin using the following guidelines:

Amount of Check	Effort to Contact Payee/Vendor
$4.99 and under	Check will not be reissued unless otherwise required by law or requested by the vendor, with the exception of a payroll check.
$5 and over	One attempt will be made to contact the payee/vendor by first class mail after 30 days from the date of issuance and at least 90 days prior to being sent to the state unless the owners address is unknown.
$1,000 and over	One letter will be sent by first class mail after 30 days from the date of issuance. A second letter will be sent after 60 days from the date of original issuance by certified mail, return receipt requested unless a claim was initiated since the first class mailing was sent or, the first class mailing was returned as undeliverable. The second letter will also be sent at least 90 days prior to being sent to the state.

Note: the cost of the certified mailing may be charged against the check's value.

Once first class mailing has gone out the payee or vendor will have 60 days to respond requesting a reissued check. If there is no response the check will be voided and held as unclaimed funds to go to the state. Any check under $5.00 shall be voided.

Checks that remain unclaimed/uncashed and are considered abandoned property as so defined by New York State. The Village/Town of Mount Kisco shall comply with the requirements of Abandoned Property Law and the guidelines of the New York State Comptroller's Office and the checks will be paid to the State Comptroller for deposit in the abandoned property fund within the time frames set forth in New York State Abandoned Property Law and the guidelines of the New York State Comptroller's Office.

Notification must be given to the payee/vendor of such funds no less than 90 days before reporting such amounts as abandoned property to the Office of State Comptroller. Once abandoned funds are transferred to the Office of the State Comptroller, claims with respect to such abandoned funds must be directed to the New York State Comptroller.

Last Adopted/Amended: December 5, 2022

Appendix V

Village/Town of Mount Kisco
JOURNAL ENTRY POLICY

Purpose

To define procedures for the Village/Town of Mount Kisco for posting transactions to the general ledger through the journal entry process.

The Village/Town of Mount Kisco recognizes that manual entries are needed and made for various reasons including but not limited to: record revenues and expenditures, to transfer funds, or to record accruals. These procedures are being established in order to create proper segregation of duties (i.e. there should always be an approval by a person other than the preparer of the journal entry).

Policy

Based on the need for manual journal entries, the following policy is being established to documents procedures on how journal entries are expected to be processed:

- Journal entries for all funds/departments will be entered by the approved individuals, the Village Treasurer, Deputy Village Treasurer, Senior Account Clerk, or automatically generated by the financial software utilized by the Finance Department during operations such as payroll. The individual entering the journal entry should pay close attention that the correct posting date and fiscal period are used.
- Appropriate documentation/support shall be included with the journal entry.
- The Village Treasurer or Deputy Village Treasurer will review the journal entry based on individual circumstances. If a journal entry is determined to be appropriate, the Village Treasurer or Deputy Village Treasurer will ensure each entry is properly coded, in balance and entered for the correct period.
- Both the preparer and reviewer will date and initial the entry upon completion. The initials on the entry will confirm that current procedures were followed and that the entry is correct.
  - Every effort will be made to post entries in a timely manner.
- In the absence of the Village Treasurer or Deputy Village Treasurer, the Village Manager may initial and approve.

Last Adopted/Amended: December 5, 2022