1 INVESTMENT OBJECTIVES

1.1 Maine state statutes authorize treasurers to deposit or invest municipal funds by direction of the municipal officers.

1.2 Pursuant to 30 M.R.S.A. Sec. 5051A, the Town of Harrison shall adopt the following investment objectives in the management and investment of municipal funds:

1.2.1 The primary objective of the Town's investment activities is the preservation of capital and the protection of investment principal.

1.2.2 In investing public funds, the Town staff will strive to maximize the return on the portfolio but will avoid assuming unreasonable investment risk.

1.2.3 The municipality's investment portfolio will remain sufficiently liquid to enable the municipality to meet operating requirements which might be reasonably anticipated.

1.2.4 The Town will diversify its investments to avoid incurring unreasonable and unavoidable risks regarding specific security types or individual financial institutions.

2 INVESTMENT PRINCIPLES

2.1 The municipal treasurer shall invest funds for which there is no immediate need, sell and exchange securities so purchased, and deposit such securities for safekeeping. All investment decisions shall be made considering the investment objectives contained in Section 1 and exercising judgment and care under the circumstances then prevailing.

2.2 The following investment principles shall guide the treasurer in the conduct of the municipality's investment program:

2.2.1 The municipality may purchase only legally authorized investments under 30 M.R.S.A sec. 5051A.

2.2.2 The maturity date of new investments shall not be further than the time the municipality anticipates that it will need the funds. To maintain liquidity, new investments shall have a maturity of one year or less for municipal operating funds.

2.2.3 Cash balances in all demand deposit accounts shall not exceed compensating balances whenever possible. The treasurer shall strive to invest at least 95% of all available funds on a day-to-day basis.
2.2.4 The Town will invest in financial institutions with significant Maine operations as much as possible and can only invest in out-of-state financial institutions where a significant interest rate differential exists.

2.2.5 Repurchase agreements can only be obtained from known and financially stable financial institutions. Repurchase agreements must be collateralized by U.S. Government securities with a market value equal to or greater than the Town’s investments and be perfected under Maine statutes.

2.2.6 The treasurer shall competitively bid all municipal investments in excess of $10,000 from qualified financial institutions to ensure that funds are invested at the best rate of return, subject to the limitation contained in 1.2.4.

3 REPORTING & CONTROL

3.1 The treasurer shall report monthly to the Town Manager for the purpose of monitoring the performance and structure of the municipal investments. In addition, the treasurer shall issue an annual investment report to the Board of Selectmen due no later than 60 days after the end of the fiscal year. The report shall include an evaluation of the performance of the investment program for the previous year and present an investment plan for the ensuring year.
UNDESIGNATED FUND BALANCE POLICY

1 PURPOSE

1.1 This policy establishes guidelines for preserving an adequate Undesignated Fund Balance in order to sustain financial stability for the Town and to provide for prudent management of the Town's financial reserves. The Town's Undesignated Fund Balance is a surplus of funds which have accrued from unexpended operating budgets and unanticipated excess revenues.

1.2 The Undesignated Fund Balance provides the Town with a “rainy day” fund for use in unforeseen, unbudgeted emergency situations, such as rapidly declining real estate values and tax collection rates; the loss of a major taxpayer; sudden changes in revenues or spending requirements imposed by the state or federal government; natural disasters or emergency infrastructure failures; or unplanned litigation. The Undesignated Fund Balance also provides proof of financial stability to bond holders and credit rating agencies, which offers the potential for lower interest costs on long-term financing.

1.3 The Town of Harrison therefore recognizes the importance of maintaining an appropriate level of Undesignated Fund Balance. After evaluating the Town's operating characteristics, diversity of tax base, reliability of non-property tax sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk and other contingent issues, the Town establishes the following goals regarding the Undesignated Fund Balance for the Town of Harrison, Maine:

1.3.1 The level of fund balance that the Town strives to maintain as undesignated is an amount equal to sixteen point five percent (16.5%) of the Town's General Fund Budget, i.e., an amount equal to two (2) months operating expenditures from the current operating budget. The calculation will be based on the Undesignated Fund Balance number as reported in the Town's audited June 30 fiscal year-end financial report. Additionally, the Town Manager shall report to the Board of Selectmen an estimated, unaudited Undesignated Fund Balance amount as of December 31 during each fiscal year.

1.3.2 Once the Town achieves its goal of an appropriate level of Undesignated Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, including, without limitation, additional capital improvement needs or debt reduction purposes.
1.3.3 In accordance with prudent budgeting practices, the Undesignated Fund Balance will not be used on a routine or one-time basis to lower taxes or to offset normal operating expenditures, unless done as part of a planned drawdown with a minimum drawdown period of five years.

1.4 This policy has been adopted by the Town to recognize the financial importance of a stable and sufficient level of Undesignated Fund Balance. However, the Town reserves the right to appropriate funds from the Undesignated Fund Balance for emergencies and other requirements the Board of Selectmen believes to be in the best interest of the Town.
CAPITAL & RESERVE FUND POLICY

1 PURPOSE

1.1 This policy establishes guidelines for preserving an adequate Capital and Reserve Designated Fund Balance in order to sustain a comprehensive capital and infrastructural plan for the Town and to provide for prudent management of the Town's financial reserves. The Town's Capital & Reserve Designated Fund Balance is a collection of funds which have accrued from taxation budgeted for the purpose, unexpended operating budgets and unanticipated excess revenues. Full funding of the undesignated fund balance takes precedence over funding the capital and reserve designated fund balance.

1.2 The Capital & Reserve Designated Fund Balance provides the Town with a managed fund for the purpose of purchasing of capital equipment, infrastructure improvements and unforeseen, unbudgeted emergency situations. The Capital & Reserve Designated Fund Balance also provides proof of financial stability to bond holders and credit rating agencies, which offers the potential for lower interest costs on long-term financing.

1.3 The Town of Harrison therefore recognizes the importance of maintaining an appropriate level of Capital and Reserve Designated Funds. After evaluating the Town's operating characteristics, diversity of tax base, reliability of non-property tax sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk and other contingent issues, the Town establishes the following goals regarding the Capital and Designated Fund for the Town of Harrison, Maine:

1.3.1 The level of funding the Town strives to provide from taxation as capital and reserve funds is an amount equal to six-point-four percent (6.4%) of the Town's General Fund Budget. Additionally, the Town Manager shall report to the Board of Selectmen an estimated, unaudited Capital and Reserve Designated Fund Balance amount as of December 31st during each fiscal year.

1.3.2 In accordance with prudent budgeting practices, the Capital and Reserve Designated Funds will not be used on a routine or one-time basis to lower taxes or to offset normal operating expenditures, unless done as part of a planned drawdown with a minimum drawdown period of five years.

1.4 This policy has been adopted by the Town to recognize the financial importance of a stable and sufficient level of Capital and Reserved Designated Funds. However, the Town reserves the right to appropriate funds from the Capital and Reserve Designated Fund Balance for emergencies and other requirements the Board of Selectmen believes to be in the best interests of the Town. For this reason, the Town shall maintain a minimum balance of $500,000 in the Capital and Reserve Designated Fund Balance.
1.5 Capital Assets Maintenance (CAM) – Those assets that the Town intends to hold or continue in use over a long period of time. Specifically, capital assets include land, improvements to land, easements, buildings and building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period.

1.5.1 The Board of Selectmen grant authority to the Town Manager to spend up to $10,000 from the capital asset maintenance account for the purpose implied. Any expenditure from this account will be reported to the Board of Selectmen at their next meeting.
ASSET CAPITALIZATION POLICY

2 SCOPE OF POLICY

2.1 This Asset Capitalization Policy applies to the capitalization of capital assets in all funds of the Town, specifically the “Comprehensive Capital & Reserve Account.”

3 GENERAL OBJECTIVES

3.1 This Asset Capitalization policy establishes guidelines for determining;

3.1.1 Which expenditures should be capitalized as a capital asset and which expenditures should be expensed.

3.1.2 How to value capital assets that are reported.

3.1.3 The estimated useful lives of capital assets.

4 CAPITAL ASSET TYPES

4.1 Capital assets are divided between assets that are not subject to depreciation and assets that are subject to depreciation.

4.2 Assets that are not subject to depreciation include:

4.2.1 Land

4.2.1.1 The amount that should be capitalized for land should include the cost of the land itself; professional fees used to acquire the land (legal, engineering, appraisal, survey fees); costs for excavation, fill, grading, or drainage; demolition of any existing buildings or other improvements; and any other costs that are incurred to acquire the land and make the land suitable for use by the Town. Land is characterized as having an unlimited life and is therefore not depreciated.

4.2.2 Construction in progress

4.2.2.1 The costs of assets that the Town is constructing, where expenses are incurred over more than one fiscal year, are accumulated as construction in progress until the asset is placed in service. At that time, the total costs are then transferred to the appropriate asset type and depreciated.
4.3 Assets that are subject to depreciation include:

4.3.1 Land improvements

4.3.1.1 Land improvements are those improvements, other than ordinary and regular site preparation, which ready the land for its intended use. Such improvements can include parking lots, athletic fields, fencing, paths and trails, and landscaping.

4.3.2 Buildings and Building Improvements

4.3.2.1 Buildings are permanent structures that are intended for shelter of persons, materials or equipment. Building improvements are capital events that extend the useful life of a building or increase the value of a building, or both. Repairs that simply maintain the existing life or restore a building to its original condition do not constitute an improvement.

4.3.3 Equipment

4.3.3.1 Equipment is an item of tangible, nonexpendable personal property with a useful life of more than one year, and includes machinery and vehicles.

4.3.4 Infrastructure

4.3.4.1 Infrastructure assets are long-lived capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Such assets can include streets and roadways, bridges, sidewalks, water mains and distribution lines, sewer mains and collection lines, and treatment plants.

4.4 Collections (works of art or historical artifacts) meet the definition of capital assets and ordinarily would be reported in the financial statements. However, the requirement for capitalization of these assets is waived if the collection is held for reasons other than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the collection is subject to a policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

5 EXPENDITURE TYPES

5.1 Repairs are the costs necessary for the upkeep of the property that neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition. These costs should not be capitalized.
6 CAPITAL ASSET VALUATION

6.1 Capital assets should be reported at their historical cost. In the absence of historical cost information, the assets estimated historical cost may be used. Assets donated by parties outside of Harrison should be reported at their fair value on the date the donation is made. If capital assets are moved from one fund or activity to another, the recipient fund or activity should continue to report those assets at their historical cost as of the date they were originally acquired.

6.2 The historical cost of a capital asset should include ancillary charges necessary to place the asset in its intended location (freight charges, for example); ancillary charges necessary to place the asset in its intended condition for use (installation or site preparation charges, for example); and capitalized interest (only for those assets that are utilized in enterprise funds and internal service funds that are reported as a part of business-type activities).

6.3 Estimating the historical cost of capital assets for which invoices or similar documentation of historical cost are not available can use either standard costing or normal costing. Standard costing involves using historical sources, such as old vendor catalogs, to establish the average cost of obtaining the same or a similar asset at the time of acquisition. Normal costing involves establishing the current cost of the same or similar asset and deflating that cost using an appropriate price index.

7 CAPITALIZATION THRESHOLDS

7.1 By definition, any asset that benefits more than one fiscal period potentially could be classified as a capital asset. As a practical matter, however, governments capitalize only their higher cost assets. Capitalization thresholds are established to determine which assets are capitalized and which assets are expensed when purchased.

7.2 The Town must maintain adequate control over all assets, including lower-cost capital assets. Capitalization is designed to focus on the Town’s financial reporting needs, and is not designed for or particularly suited for the purposes of ensuring control over lower-cost assets. Capitalizing numerous small cost items will actually overburden the overall capital asset management system. Capitalization thresholds are established based on financial reporting needs, and other policies will determine how the Town controls lower-cost assets.
The Town establishes the following Capitalization Thresholds for the following groups of assets:

<table>
<thead>
<tr>
<th>Category</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land improvements</td>
<td>$10,000</td>
</tr>
<tr>
<td>Buildings and building improvements</td>
<td>$20,000</td>
</tr>
<tr>
<td>Equipment and vehicles</td>
<td>$10,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

7 DEPRECIATION

7.3 Assets that are capitalized will be depreciated over their estimated useful lives. Depreciation will be calculated on the straight-line basis, using estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land improvements</td>
<td>10 – 50 years</td>
</tr>
<tr>
<td>Buildings and building improvements</td>
<td>10 – 75 years</td>
</tr>
<tr>
<td>Equipment and vehicles</td>
<td>3 – 25 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>20 – 75 years</td>
</tr>
</tbody>
</table>

7.4 Because depreciation is intended to allocate the cost of a capital asset over its entire useful life, it normally is not appropriate to report assets still in service as fully depreciated. Instead, the annual amounts of depreciation expense should be reduced prospectively as soon as it becomes clear that an asset’s useful life will be longer than originally estimated.
TREASURER’S DISBURSEMENT OF WARRANTS

PURPOSE: This policy allows designated municipal officers (Selectmen), acting on behalf of the full Board of Municipal Officers, to review, approve, and sign municipal treasurer’s disbursement warrants for State Fees, Employee wages & benefits only.

SCOPE: This policy is additional to, not in lieu of, majority power. Nothing in this policy is intended to replace the authority of the full Board of Municipal Officers, acting by majority vote, to act on any Treasurer’s warrant, including warrants for payment of State Fees, Employee wages & benefits.

DELEGATION OF AUTHORITY: Pursuant to MRSA 30-A §5603.2A.1-3, the following authority is granted with respect to Treasurer’s disbursement warrants for payment of State Fees, Education Fees, Employee wages & benefits.

EFFECTIVE DATE: This policy becomes effective on the date it is signed. This policy shall stay in place until further action from the Board is taken. This policy lapses one year after its effective date, if not sooner amended or cancelled.
Upon notification from a bank that a check has been written to the Town of Harrison in payment for any fee(s) for registrations pertaining to the Bureau of Motor Vehicles has been returned for insufficient funds the following procedure shall apply.

1.1 The Bookkeeper will send the first courtesy letter to the person who wrote the check, informing them of this oversight.

1.2 If the check has not been honored within 7-10 days, a second letter will be sent by the Bookkeeper. This letter will give the offending party 14 days to respond and honor the check. It will also notify the person involved that immediate attention is requested and no response will result in notification to the State and possible suspension of the registration. This second letter should be sent by regular mail and certified, return receipt, in order to satisfy us that every attempt has been made to give notice, in an attempt to rectify this situation.

1.3 If at the end of the notification process by the bookkeeper, there is still no resolution, The Deputy Clerk will send a letter to the Bureau of Motor Vehicles regarding this matter for final disposition.

1.4 Note:

1.4.3 It should be noted that once the BMV has been informed of our attempts at collection, we can no longer accept any funds from the person involved. Further transactions by the offending party will have to be done through the Bureau of Motor Vehicles in Augusta.)
TOWN OF HARRISON INTERNAL CONTROL POLICY

Objective: To maintain and ensure Operational Effectiveness and Efficiency, Financial Reporting Reliability, and Applicable Laws and Regulations Compliance. Through the implementation of the following internal control system components:

   A. Organizational structure.
   B. Ethical values.
   C. Commitment to competence.
   D. Assignment of authority and responsibility.
   E. Utilization of HR Policies and Procedures.

2. Risk Assessment: Identification and analysis of relevant risks associated with achieving the Town’s goals and objectives.
   A. Public Image.
   B. Excellent Customer Service.

3. Control Activities: Policies and procedures that help ensure management directives are carried out and necessary actions are taken to address risks.
   A. Segregation of duties. Management authorization so that no individual will initiate a transaction and then approve it, record the information in accounting records and control the proceeds that result.
   B. Financial reviews. Documentation of transaction; creating an audit trail.
   C. Reconciliation of the Town of Harrison’s assets and property; accounting data, Town records, cash, and other assets.
   D. Physical security barriers. Keys and codes.
   E. System access restrictions. Computer logins.

4. Information and Communication: Provides data that is relative to objectives, accurate, and detailed.
   A. Identifying, capturing, and communication of accurate, detailed, and relevant information.
   B. Communication down, up, and across organizational lines.

5. Monitoring: Assessment of internal control system to assure the quality of performance over time.
   A. Management.
      1. Review of actual expenditures vs. budgeted.
      2. Comparison of various reports and assets.
   B. Separate evaluations.
      1. Assessment of internal controls by internal audits.
      2. External auditors’ review
PETTY CASH PROCEDURE

Petty cash money is located in the Clerk’s office. This money is used for minor purchases and postage. The clerk's are the only employee’s with access to the petty cash. The cash box is secured in the vault.

Procedure for petty cash:
1. Money is removed for purchase
2. Receipt is signed by the person requesting the petty cash and account number for which it should be applied is listed
3. Receipt and change are confirmed and returned to the box
4. The box is balanced weekly
5. A warrant is generated as needed to replace the money used in the box
6. Receipts are attached to the warrant and delivered to finance