

# **MOREHEAD-ROWAN COUNTY AIRPORT BOARD**

## **FINANCIAL MANUAL**

**JANUARY 2013**

### **GENERAL COMMENTS and ORGANIZATION**

The Morehead-Rowan County Airport Board recognizes that as a recipient of federal funds, the organization is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. The purpose of this manual is to set forth the accounting and financial management procedures employed by the Board in its general operations and specifically in regard to FAA grants. Among the topics discussed in this manual are: organization of the Board's financial process, internal controls, risk management, cash handling and disbursement procedures.

The agency will comply with all federal and state regulations, including but not limited to A-122 Cost Principles for Non-Profit Organizations and 45 Code of Federal Regulations Part 74, when applicable.

The Board of Directors shall approve selection of an independent financial auditor who shall review and report on accounting policies and practices to the governing body.

The finance and accounting function of the organization are the responsibility of the Treasurer. The Treasurer reports monthly to the Board. An Assistant Treasurer may be employed by the Board to assist the Treasurer.

The responsibilities of the Treasurer are to insure the following:

- Responsible for the daily financial operations of the organization.
- Assist in the preparation of the budget and monitors and oversees the organization's grants.
- Provides monthly reports of the status of the financial operation, cash flow, and overall financial condition.
- Recommends, implements and maintains sound financial procedures within applicable restrictions of federal, state and local regulations.
- Responsible for evaluating and making recommendations as to the training needs of fiscal staff.
- Keeps the Chair of the Board informed and advised on questionable expenditures and fiscal status of the programs and other areas of responsibility.
- Report any deviation from terms of contracts and regulations to the Chair.

- In addition, the Treasurer shall be expected to advise the Board in all financial matters relating to grant and contract applications. Further, the Treasurer shall remain alert to changes in the organization's programs and policies and revise the accounting and financial management control systems periodically to meet changing conditions.

## **OVERVIEW**

---

The Board of Directors sets policy. This manual describes the set of procedures designed to carry out that policy. No set of procedures can fully detail every necessary step in the system of financial management. Procedures can change due to computer software changes, personnel changes, grant requirements, or discovery of a more efficient and better method. Every attempt will be made to update this manual as procedures change.

This manual is part of the Board's 'Fiscal System', which includes applicable local, state, and federal regulations and procedures, and if necessary, written grant specific procedures.

- The Chair of the Board has responsibility of oversight of all operations and activities, including financial management.
- The Treasurer is responsible to the Chair for all financial operations.
- The lines of authority of the organization will be followed by any employee or agent of the Board.
- Current job descriptions will be maintained for any employees, indicating duties and responsibilities.
- Financial duties and responsibilities must be separated, to the extent feasible, so that no one individual has control over cash receipts, cash disbursements, payroll, bank account reconciliation, etc.
- The Board utilizes QuickBooks Pro to track and report on multiple funds. The Board's financial records are backed up on an external hard drive upon each update. The external hard drive is always in the possession of the Treasurer or Assistant Treasurer.
- The Treasurer generates all cash receipts and disbursements for the Board.
- Separate accounts and books are maintained as required by funding source regulations.
- The appropriate Board members and contractors are bonded.
- All forms pertaining to financial operation will be in type or ink form.

## **Security**

### *Access to Electronically Stored Accounting Data*

The Treasurer utilizes passwords to restrict access to accounting software and data. Only duly authorized personnel with data input or computer maintenance responsibilities will be assigned passwords that allow access to the system. Accounting personnel are expected to keep their passwords secret.

### *Storage of Back-Up Files*

The Treasurer maintains back-up copies of electronic data files off-site. Access to back-up files is limited to authorized individuals. Files shall be backed-up when updated. In the event of systems failure, the Treasurer will assess the situation to determine the appropriate and most effective course of action.

## **Petty Cash**

The Board does not maintain a Petty Cash Fund.

## **Journal Entries**

All general ledger entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, including an explanation of such entry. Examples of such journal entries are:

1. Recording of non cash transactions
2. Corrections of posting errors
3. Nonrecurring accruals of income and expense

## **REVENUE**

---

### **Sources of revenue**

The Board's primary sources of revenue are:

- Unrestricted local government grants.
- Reimbursement grants based on allowed, incurred expenses.
- Fee-for-service income – billed monthly according to contract requirements.

The Treasurer is responsible for the invoicing of funding sources and the collection of outstanding receivables.

The Treasurer strives to provide the Board, its agents and funding sources with timely and accurate financial reports applicable to their grants or reporting requirements.

## **Revenue Recognition**

The Board receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner.

1. Grant Income – Recognized when received.
2. Refunds/Qualifying Credits/Reimbursements – Recognized as a reduction in expenditures in the period in which it is received
3. Contract Income – Recognized when received

## **Invoicing policies**

The following policies shall apply to the preparation and submission of billings to Federal, State or Local agencies under awards to the Board.

1. The Board will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. The Board will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 72 hours of receipt of such funds.
3. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts (unless contract mandates different procedure).

## **Cash-Draw down procedures**

Cash draw-downs through electronic transfer from Federal, State or Local agencies shall be made based on need. All federal funds shall be deposited into a Board restricted cash account under the cash receipts policies and procedures described in this manual. The Board strives to disburse federal fund supported expenses within 72 hours of receipt using the following process:

1. Upon receipt of the funds in the restricted cash account, the Treasurer will have prepared a check or checks to the appropriate vendor(s).
2. The Treasurer and one other Board officer shall sign the check if \$500 or greater and the check(s) distributed within 72 hours.
3. All documentation related to the draw-down shall be maintained by the Treasurer.

(Holidays, employee illness, emergencies may require occasional deviation from this schedule.)

## **CASH RECEIPTS**

---

Cash receipts may be received at the Airport by the FBO or mailed directly to the Board's post office box. Upon receipt, the amount is duly recorded, and deposited within 24 hours.

1. All cash and checks are deposited by the Treasurer or Assistant Treasurer but may

also be deposited by any Board Officer.

2. A deposit slip will be completed in duplicate by the depositor. The deposit slip will include the bank account number, amount of receipt, and source.
3. All cash receipts will be duly noted.

## **PURCHASING**

The Board follows state and local purchasing procedures in order to maintain a general, coherent set of controls governing purchasing. The system of purchasing however shall comply with applicable grant requirements, state law and regulation, and federal requirements including 45 CFR Part 74 and OMB Circular A-122 when applicable. All procurement transactions, whether negotiated or advertised, and regardless of dollar value must be conducted in a manner providing maximum open and free competition.

The Board shall avoid purchasing items that are not necessary for the performance of the activities required by applicable award.

### **Free and Open Competition**

In order to promote open and free competition, purchasers will:

- Be alert to any internal potential conflicts of interest.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate or restrain trade.
- Award contracts to bidders whose product/service is the most advantageous in terms of price, quality, and other factors.
- Reserve the right to reject any and all bids when it is in the Board's best interest.

### **Affirmative Action (Minority, Small Business, & Women-Owned Businesses)**

Positive efforts shall be made by the Board and its agents to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. Therefore, the following steps shall be taken:

1. Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.
2. Make information on forthcoming opportunities available and arrange time frames for purchase and contracts to encourage and facilitate participation by small business, minority-owned firms and women's business enterprises.

### **Purchase Orders**

3. Purchase orders may be used to procure goods and services for the agency except in cases of rents, utilities, contracts, and certain services.
4. Purchase orders will be prepared in duplicate for all purchases and approved by the Treasurer or other Board Officer (see also Purchase Order Process).
5. An electronic communication between the Treasurer, Assistant Treasurer or other

Board Officer may be the basis of a purchase authorization and documentation of authority to the vendor.

**Small Purchases (items costing < \$,1000 each)**

6. Single item purchases of less than \$1000 may be made at the discretion of the Board.

**Large Purchases (single items >\$1,000 and <\$5000)**

7. Single item purchases greater than \$1,000 shall be approved by the Board. Three competitive quotations shall be obtained. The quotations must contain a clear and accurate description of the technical requirements of items being acquired.
8. If three (3) quotations cannot be obtained the reason shall be noted by the Treasurer or the Board committee or task group conducting the purchase along with the quotations received and date received. Should special circumstances require the selection of a vendor who does not quote the lowest price, the reason shall be noted by the Treasurer.

**Equipment Purchases >\$5,000 and Construction contracts**

9. All equipment purchases and construction contracts will be secured via request for proposal and approved by the Board. The RFP will contain a clear and accurate description of the technical requirements of items being acquired or construction requirements, the minimum acceptable standards (if any), and any other details pertinent to the items or construction needed.
10. If the funding source has a stricter interpretation of procurement, that program will abide by their guidelines.
11. All purchases in excess of \$5,000 shall be considered ‘major’ purchases and shall be approved by the Board of Directors.

All purchases may be secured via a city, county, state or federal bid list, thus superseding the above requirements

**Purchase Process**

The individual signing or approving the purchase must:

- a. Determine if vendor is on the approved bid list, if applicable.
- b. Determine if funds are available for the expenditure.
- c. Determine, if applicable, if the expenditure is allowable under the terms of a Grant.
- d. Determine if the expenditure is necessary to the program and if the cost is reasonable.

After the above conditions are satisfied, a purchase may be authorized by the Treasurer. The Treasurer and/or Chair have approval authority over all purchases and contractual commitments, and shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

## **Special Purchasing Conditions**

### *Emergencies:*

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff or agents and protection of Board property is involved.

In the absence of the Treasurer, another Board Office may approve purchases on a need be basis.

### *Sole Source*

Sole source purchases will be made only when solicitation of multiple vendors is not feasible and/or the item is only available from one source and/or competition is deemed inadequate (insufficient bidders). (If mandated, prior approval will be obtained from funding source to purchase from a sole source).

### *State Bid List*

By virtue of Kentucky Law, the Board is a 'special district', therefore is considered 'quasi-governmental'. This classification enables the Board to utilize State resources, including the state bid list. For vendors/materials on the state bid list, no further comparison will be conducted by the Board.

## **CASH DISBURSEMENTS**

The Treasurer prepares checks as needed. The Assistant Treasurer shall be directed by the Treasurer to prepare a check and obtain the authorized signatures.

### **Check Authorization**

1. Original invoices will be immediately forwarded to the Assistant Treasurer for review and processing. The Assistant Treasurer will record the invoice in accounting software and will attach all backup (invoice, purchase order, other supporting documentation).
2. Once all approvals are in place, the Assistant Treasurer will prepare the check. The invoice, purchase order, check stub, and other supporting documentation will be maintained by the Assistant Treasurer.

### **Checks**

3. The Treasurer will be responsible for all blank checks, which will be secured at all times.
4. The Assistant Treasurer will prepare the check and stub based on the check authorization and supporting documentation. Each stub will detail information such as the vendor name, date, amount, check number, and a brief description.

5. Two signatures are required on all checks \$500 or greater. Board Officers are authorized signees. One officer may sign checks less than \$500.

### **Disbursement/Mailing Checks**

After signature, checks are to be mail or delivered by any Board Officers or the Assistant Treasurer.

6. Supporting documentation must always be attached to each disbursement or the invoice number noted on the check.

### **Outstanding and Unclaimed Checks (VOID)**

7. Voided checks will have "VOID" boldly written across the face of the check and the signature portion of the check will be perforated or cut out. The original or duplicate of the voided check with backup will be placed in the invoices paid file numerically.
8. In no event will:
  - a. Checks be prepared unless these procedures are followed.
  - b. Checks be prepared from monthly statements
  - c. Checks be prepared or signed in advance.
  - d. Checks be made out to "CASH", "BEARER", etc.

### **Bank Reconciliations**

- Bank statements will be received directly, unopened, by the Treasurer, or Assistant Treasurer.
- Bank reconciliations are performed monthly by the Assistant Treasurer for review and approval of the Treasurer.
- The Treasurer will initial the bank statements upon completion of the reconciliation.
- The reconciled bank balance will be compared to the Cash in Bank Account in the General Ledger.

### **Quarterly Review**

- On a quarterly basis, both the detailed general ledger and check reports will be reviewed to ensure accuracy, to strengthen internal control, and to reveal any questionable journal entries.
- The Treasurer is responsible for investigating any findings and take follow up action if necessary.

## **TRAVEL**

---

Mileage to and from residence will not be paid by the Board.

### **Authorized Travel**

1. Travel must be approved in advance by the Chair.
2. Board Members will be reimbursed for allowable expenses related to agency functions applicable to their positions.
3. Each employee or agent traveling on official business will complete a mileage reimbursement form to the Treasurer.
4. Per Diem is provided to an employee, director or agent who is in travel status. Reimbursement requests shall include a copy of the agenda.
5. Payment will be based upon actual mileage and approved rates.

## **CONSULTANTS AND CONTRACT SERVICES**

---

Consideration will be made of in-house capabilities to accomplish services before contracting for them.

- Written contracts clearly defining work to be performed will be maintained for all consultant and contract services.
- The qualifications of the consultant and reasonableness of fees will be considered in hiring consultants.
- Consultant and professional services will be approved by Board and paid for, as work is performed.
- All significant contracts and auditing agencies will be signed by the Chair and approved by the Board of Directors.

### **Provisions Included in All Contracts**

The Board shall include all of the following provisions, as applicable, in all contracts charged to Federal awards with vendors:

1. *Equal Employment Opportunity*: All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of

Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.”

2. *Copeland “Anti-Kickback” Act* (18 U.S.C. 874 and 40 U.S.C. 276c): All contracts and sub grants in excess of \$2,000 for construction or repair awarded by Board and its sub recipients shall contain a provision for compliance with the Copeland “Anti-Kickback” Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States.” This Act provides that each contractor or sub recipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. Board will report all suspected or reported violations to the Federal awarding agency.
3. *Davis-Bacon Act, as amended* (40 U.S.C. 276a to a-7): If included in the Federal agency’s grant program legislation, all construction contracts of more than \$2,000 awarded by The Board and its sub recipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. The Board will place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. Example GFP shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. The Board shall report all suspected or reported violations to the Federal awarding agency.
4. *Contract Work Hours and Safety Standards Act* (40 U.S.C. 327-333): [Where applicable] All contracts awarded by The Board in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

## **EQUIPMENT**

---

Equipment shall be defined as all items (purchased, government excess, or donated) with a unit cost of \$ 2,000 or more (or any lesser amount as specified by the funding source). Prior approval must be obtained from funding source if required by contract.

The Treasurer, or designee, will prepare a property inventory list for all equipment. All new equipment may be properly marked with the agency name, the program purchasing the equipment if applicable, and the identifying number. The purchase of equipment will comply with purchasing procedures previously outlined in this manual.

### **Physical Inventory**

- The Treasurer, or designee, will prepare a property inventory listing of all equipment in excess of \$500.
- The Treasurer, or designee, will take a physical inventory of all equipment 30 days prior to the end of the fiscal year. The inventory list will include a description, manufacturer serial number, model and stock number, the name of the title holder, source of equipment, number, acquisition date, physical location and condition, acquisition cost, ultimate disposition data and all other applicable program required information.
- The Treasurer, or designee, will reconcile the physical inventory with the property record and the prior year's inventory. All discrepancies must be properly explained.

### **Loss, Damage or Destruction**

- The Chair will be immediately notified of all cases of loss, damage, or destruction of equipment.

## **LEASES**

---

The Board will assess the value of leases according to all applicable financial requirements. All Hangar and Tie Leases must be approved by the Secretary/Treasurer. All other leases related to land or facilities must be approved by the Board.

- All leases will correspond to the Board's fiscal year program when possible.
- Copies of all leases will be immediately forwarded to the Treasurer and maintained by the Treasurer.

## **GRANTS/CONTRACTS**

---

1. The Chair must present all new and continuous grants to the Board of Directors for approval.
2. The Board will rely primarily on its Engineering Consultants to gather project specific grant information, to include, but not limited to project estimates, potential

fund sources, validation of bids and bidder qualifications and the validation of all information prior to submission to the grant sponsor.

3. The Board will rely on its Engineering Consultants to provide timely information to the Board and the project sponsor regarding project development.
4. The Board may establish a committee to work with the Engineering Consultant and/or grant sponsor to insure the timely start-up and completion of a project and close out of the grant.
5. The Treasurer will insure that all requests for the draw-down of grant funds and project disbursements are performed in accordance with its internal procedures and in accord with grant guidelines.
6. Original of all grants and contracts, after acceptance or approval will be maintained by the Treasurer.
7. The Treasurer will record the budget for each grant.
8. The Treasurer will carefully review each grant proposal to insure that all financial provisions can be complied with.

## **OTHER**

---

### **Minutes of Meetings**

- Adequate minutes of all meetings of the Board of Directors will be prepared by the Secretary. The Chair will review the minutes. The minutes will then be presented at the next board meeting for review and approval by the Board of Directors.

### **Financial Procedures Revisions**

- Financial procedures will be reviewed annually by the Treasurer. Changes to the financial procedure manual will be approved by the Board of Directors.

### **Governing Bodies**

- Financial reports will be submitted monthly to the Board of Directors.

### **Reports to Funding Sources**

- The Treasurer will prepare and submit financial reports as required by the Funding Sources.
- It will be the responsibility of the Treasurer and Chair to insure that all reports are submitted on a timely basis.

## **Reports to Public**

- The Secretary/Treasurer shall insure that the monthly meeting minutes and the monthly financial report are posted to the Board's web site for the public's review.

## **BUDGET PLANNING**

---

### **Budget Planning**

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. Budgets are also prepared for funding sources.

The budget planning process is performed by the Board. The budgets reflect the values of the governing elements and form a guide for carrying out efficient and cost-effective delivery of services. Budgets are designed to form a framework for the expense of services and material acquisitions. As a monitoring tool, it allows for oversight by the Board of Directors, restricts spending to acceptable levels, prevents overspending, and maintains the highest possible level of service delivery.

### **Annual Budget**

The Board shall approve the annual budget and shall be presented within a timeframe to allow the Treasurer to comply with local and state reporting requirements.

### **Budget Modifications**

After a budget has been approved by the Board of Directors, reclassifications of budgeted expense amounts may be made by the Treasurer with approval or ratification by the Board.

### **Budget Monitoring**

The Treasurer will monitor each line item of the budget to insure adequate funds are available to cover necessary program expenses.