



City of Jacksonville, Texas

FISCAL AND BUDGETARY POLICY

STATEMENTS

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STATEMENT OF PURPOSE

The intent of the following Fiscal and Budgetary Policy Statements is to enable the City to achieve and maintain a long-term stable and positive financial condition. The watchwords of the City's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The more specific purpose is to provide guidelines for planning and directing the City's day-to-day financial affairs and in developing recommendations to the City Manager and City Council.

The scope of these policies includes:

- Fund Balance and Reserves.
- Operating Budget.
- Capital Budgeting and Planning.
- Debt Management.
- Long-Range Financial Planning.
- Accounting and Financial Reporting.
- Revenues.
- Internal Controls.
- Expenditures; and
- Risk Management.

These policies are designed to benefit the City by:

- Ensuring the fair and full disclosure of the financial position and the results of financial operations in conformity with Generally Accepted Accounting Principles (GAAP), and
- Adhering to compliance with finance related legal and contractual issues in accordance with the provisions of the Texas Local Government Code, the City Charter, and other applicable legal mandates.

The City Council will annually review and approve the Fiscal and Budgetary Policy Statements as part of the budget process.

FUND BALANCE POLICY

Purpose

The City of Jacksonville is responsible to its citizens for the care and management of public funds; concurrently, the City must provide adequate funding for the services it is obligated to provide its citizens.

The purpose of this policy is to establish a key element of the financial stability of the City by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the City maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Advantages of a fund balance policy are as follows:

- Enhances the quality of decisions by imposing order and discipline.
- Promotes consistency and continuity in decision making; and
- Demonstrates a commitment to long term financial planning objectives.

Definitions

Fund Equity – A fund’s equity is generally the difference between its assets and its liabilities.

Fund Balance – An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. These are broken up into five categories:

1. **Nonspendable Fund Balance** – includes amounts that are not in spendable form or are required to be maintained intact.
2. **Restricted Fund Balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation.
3. **Committed Fund Balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
4. **Assigned Fund Balance** – comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
5. **Unassigned Fund Balance** – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Nonspendable Fund Balance	inherently nonspendable, examples are inventory or permanent funds	
Restricted Fund Balance	externally enforceable limitations on use, examples include grants and child safety fees	
Unrestricted	Committed Fund Balance	self-imposed limitation set in place prior to the end of the period
	Assigned Fund Balance	limitation resulting from intended use
	Unassigned Fund Balance	residual net resources (general fund only)

Policy

Committed Fund Balance

The City Council is the City’s highest level of decision making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance or resolution approved by the Council at the City’s Council meeting. The ordinance or resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance

The City Council has authorized the City Manager or Director of Finance as the officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned Fund Balance

The unassigned fund balance for the General Fund of the City of Jacksonville will be maintained at a level sufficient to provide the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from fluctuation of revenue sources.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. The categories, in order of level of restriction, are as follows:

- Nonspendable fund balance.
- Restricted fund balance.
- Committed fund balance.
- Assigned fund balance.
- Unassigned fund balance.

Funding Levels

The City establishes the following funding levels concerning fund balances in the various funds used by the City of Jacksonville:

General Fund

It is the goal of the City to achieve and maintain a fund balance in the General Fund that is equal to 20% of operating expenditures. The City considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances.

Debt Service Fund

The City's goal is to achieve and maintain an amount not to exceed 1/12th principal and interest paid from the fund during the prior fiscal year.

Utility (Water & Wastewater Operating) Fund

The City's goal is to achieve and maintain fund balance in the Utility Fund equal to 90 days of operating expenditures.

Fund	Target
General	20% of operating expenditures
Debt Service	1/12 of prior year P&I
Utility	90 days of operating expenditures

Replenishment of Minimum Fund Balance Reserves

If fund balance unintentionally falls below the funding level or if it is anticipated that at the completion of any fiscal year the projected fund balance will be less than the minimum requirement, the City Manager shall prepare and submit a plan to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such.

These steps may include, but are not limited to, identifying new, nonrecurring, or alternative sources of revenue; increasing existing revenues, charges and/or fees; use of year end surpluses; and/or enacting cost saving measures such as holding capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce. The replenishment of fund balance to the minimum level shall be accomplished within a three-year period. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the City of Jacksonville, then the Council shall establish an extended timeline for attaining the minimum balance.

Appropriation of Fund Balance Reserves in Excess of Minimum Levels

Fund balances, which exceed the minimum levels established for each of the funds, may be appropriated for non-recurring capital projects or programs. The Council recognizes that any such funds should be appropriated for non-recurring expenditures as they represent prior year surpluses that may or may not materialize in subsequent fiscal years.

The City of Jacksonville will exercise diligence in avoiding the appropriation of fund balance for recurring operating expenditures. In the event fund balance is appropriated for recurring operating expenditures to meet the needs of the community, the budget document shall include an explanation of the circumstances requiring the appropriation and the methods to be used to fund this operating expenditure in the future.

Monitoring and Reporting

The Director of Finance shall be responsible for monitoring and reporting the City's reserve balances. The City Manager is directed to make recommendations to the Council on the use of reserve funds both as an element of the annual operating budget submission and from time to time throughout the fiscal year as needs may arise.

Compliance with the provisions of the policy shall be reviewed as a part of the annual operating budget adoption process and subsequent review will be included in the annual audit and financial statement preparation procedures.

OPERATING BUDGET POLICY

City Charter

Article VII. The Budget

Sec. 1. Fiscal year.

The fiscal year of the City of Jacksonville shall begin on the first day of October and shall end on the last day of September of each calendar year. Such fiscal year shall also constitute the budget and accounting year.

Sec. 2. Preparation and submission of budget.

The City Manager shall submit to the Council a proposed budget not later than the first regularly scheduled Council meeting in August prior to the beginning of each fiscal year. The budget shall provide a complete plan for the fiscal year. Notwithstanding any other provision herein, the City Manager with the approval of the City Council may, in lieu of the budgeting methods specified herein, determine that the budget shall be prepared utilizing other budgeting methods, to the extent the same are permitted under state law and generally accepted accounting principles for governmental entities.

Sec. 3. Anticipated revenues compared with other years in budget.

In preparing the budget the city manager shall, in the form which he presents to the city council, place in parallel columns opposite the several items of revenue the actual amount of each item for the last completed fiscal year, the estimated amount for the current fiscal year, and the proposed amount for the ensuing fiscal year.

Sec. 4. Proposed expenditures compared with other years.

The city manager shall, in the preparation of the budget, place in parallel columns opposite the various items of expenditures the actual amount of such items of expenditures for the last completed fiscal year, the estimated amount for the current fiscal year, and the proposed amount for the ensuing fiscal year.

Sec. 5. Budget a public record.

The budget and all supporting schedules shall be filed with the city clerk when submitted to the city council and shall be a public record for inspection by anyone. The city manager shall cause copies to be made for distribution to all interested persons.

Sec. 6. Notice of public hearing on budget.

At the meeting at which the budget is submitted, the city council shall fix the time and place of a public hearing on the budget and shall cause to be published a notice of the hearing setting forth the time and place thereof at least five (5) days before the date of the hearing.

Sec. 7. Public hearing on budget.

At the time and place set for a public hearing on the budget, or at any time and place to which such public hearing shall from time to time be adjourned, the city council shall hold a public hearing on the budget submitted, and all interested persons shall be given an opportunity to be heard for or against any item or the amount of any item therein contained.

Sec. 8. Proceedings on budget after public hearing amending or supplementing budget.

At any time prior to or after the conclusion of such public hearing, and at any time prior to or subsequent to the adoption of the budget, the city council may insert new items or may increase or decrease the items of the budget, except items in proposed expenditures fixed by law. Before inserting any additional item or increasing any item of appropriation which will increase the total budget by ten (10) per cent or more, it must cause to be published a notice setting forth the nature of the proposed increases and fixing a place and time, not less than five (5) days after publication, at which the city council will hold a public hearing thereon.

Sec. 9. Proceedings on adoption of budget.

After such further hearing, the city council may insert the additional item or items, and make the increase or increases, to the amount in each case indicated by the published notice, or to a lesser amount; but where it shall increase the total proposed expenditures, it shall also provide for an increase in the total anticipated revenue to at least equal such total proposed expenditures.

Sec. 10. Vote required for adoption.

The budget shall be adopted by the favorable vote of a majority of the members of the entire city council.

Sec. 11. Date of final adoption; failure to adopt.

The budget shall be finally adopted not later than the thirtieth day of the last month of the fiscal year. Should the city council take no final action on or prior to such day, the budget as submitted by the city manager shall be deemed to have been finally adopted.

Sec. 12. Effective date of budget; certification; copies made available.

Upon final adoption, the budget shall be in effect for the fiscal year. A copy of the budget, as finally adopted, shall be filed with the city clerk. The final budget shall be printed, mimeographed, or otherwise reproduced, and a reasonable number of copies shall be made available for the use of all officers, departments and agencies, and for the use of interested persons and civic organizations.

Sec. 13. Budget establishes appropriations.

From the effective date of the budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several objects and purposes therein named.

Sec. 14. Budget establishes amount to be raised by property tax.

From the effective date of the budget, the amount stated therein as to the amount to be raised by property tax shall constitute a determination of the amount of the levy for the purposes of the city in the corresponding tax year.

Sec. 15. Contingent appropriation.

Provision shall be made in the annual budget and in the appropriation ordinance for a contingent appropriation in an amount not more than five percent (5%) of the total general fund expenditure, to be used in case of unforeseen items of expenditures. Such contingent appropriation shall be under the control of the city manager and distributed by him after approval by the city council. Expenditures from this appropriation shall be made only in case of established emergencies and a detailed account of such expenditures shall be recorded and reported.

Sec. 16. Estimated expenditures shall not exceed estimated resources.

The total estimated expenditures of the general fund and debt fund shall not exceed the total estimated resources of each fund. The classification of revenue and expenditure account shall conform as nearly as local conditions will permit to the uniform classification as promulgated by the National Committee on Municipal Accounting, or some other nationally accepted classifications. Sec. 17. Appropriations.

No funds of the city shall be expended nor shall any obligations for the expenditure of money be incurred, except in pursuance of the annual or interim period appropriation ordinance provided by this charter. At the close of each fiscal year any unencumbered balance of an appropriation shall revert to the fund from which appropriated and may be reappropriated by the city council. The council may transfer any unencumbered appropriation balance or portion thereof from one office, department, or agency to another. The city manager shall have authority without council approval, to transfer appropriation balances from one expenditure account to another within a single office, department, or agency of the city.

Sec. 17. Appropriations.

No funds of the city shall be expended nor shall any obligations for the expenditure of money be incurred, except in pursuance of the annual or interim period appropriation ordinance provided by this charter. At the close of each fiscal year any unencumbered balance of an appropriation shall revert to the fund from which appropriated and may be reappropriated by the city council. The council may transfer any unencumbered appropriation balance or portion thereof from one office, department, or agency to another. The city manager shall have authority without council approval, to transfer appropriation balances from one expenditure account to another within a single office, department, or agency of the city.

Sec. 18. Emergency appropriations.

The city budget may be amended, and appropriations altered in cases of grave public necessity after a public hearing upon the question of the necessity, notice of which public hearing shall be given either through the press, radio, or any other channels of communication available at the time.

Sec. 19. Flexibility of presentation.

The city council is hereby empowered to substitute for subsections (7), (8), and (9) of section 2, section 16, as to the second sentence thereof, any other classification or summary method that is currently used and accepted to the end that improvements and advancements in municipal budgeting might be utilized without the necessity of charter amendment to accomplish the purpose.

Structurally Balanced Budget Policy

Background

Most state and local governments are subject to a requirement to pass a balanced budget. However, a budget that may fit the statutory definition of a “balanced budget” may not, in fact, be financially sustainable. The City needs to make sure that it is aware of the distinction between satisfying the statutory definition and achieving a true structurally balanced budget.

Policy

Recurring revenues, which does not include the General Fund beginning balance, will either equal or exceed recurring expenditures in the adopted budget (defined as “structural balance”).

Reserves (unreserved fund balances) more than required shall normally be used to fund capital items in the operating and capital budget. However, if projected revenue in future years is not sufficient to support projected requirements, an unreserved ending balance may be budgeted to achieve structural balance.

Recurring revenues. The portion of the City's revenue that is highly likely to continue in the future. This is revenue that is predictable, stable and can be counted on in the future with a high degree of certainty. Examples include collections of ad-valorem taxes, sales taxes, and franchise fees.

Non-recurring revenues. The portion of the City's revenue that is of an infrequent or unique nature that is unlikely to occur again in the normal course of business. Examples of such income includes gain on sale of assets, insurance settlements, and one-time sales.

Recurring expenditures. The portion of the City's expenditures that are highly likely to continue in the future. This is expenditures that are predictable, stable and can be counted on in the future with a high degree of certainty. Examples include personnel services, supplies, repair and maintenance, and contractual obligations.

Non-recurring expenditures. The portion of the City's expenditures that are of an infrequent or unique nature that are unlikely to occur again in the normal course of business. Examples of such expense include public safety emergencies, natural disasters, and one-time capital purchases.

Reserves. Fund balances more than the minimum levels established for each of the funds (see Fund Balance Policy).

Presentation of the proposed budget shall include identification of how recurring revenues are aligned with, or not aligned with, recurring expenditures.

[Incorporating the Capital Project Budget in the Budget Process](#)

The capital budget shall be directly linked to, and flow from, the multi-year Capital Improvement Plan (CIP).

Prioritization of capital submittals will be presented in the proposed budget based upon the recommendation of the capital improvement program review committee.

The capital budget shall be prepared in compliance with all state and local legal requirements and will be adopted by formal action of the city council as a component of the operating budget.

Presentation of the capital project budget will include the following:

- Schedule for completion of the project.
- Specific phases of the project.
- Estimated funding requirements for the upcoming year.
- Planned timing for acquisition, design, and construction activities.
- Any analytical information deemed helpful for setting capital priorities.

Furthermore, periodic reports are to be issued routinely on all ongoing capital projects and will include the following:

- Comparison of actual expenditures to the original budget.

- Identification of the project’s level of completion.
- Enumeration of any changes in the scope of the project.
- Alert to management of any concerns with completion of the project on time or on schedule.

CAPITAL BUDGETING AND PLANNING POLICY

Purpose

The Capital Budgeting and Planning Policy is designed to guide capital planning and to help assure that the City’s needs are fully considered in the capital planning process. Development of this policy helps the City to assure the sustainability of its infrastructure by establishing a process for addressing maintenance, replacement, and proper fixed asset accounting over the full life of its capital assets. This policy was developed to demonstrate sound fiscal management and to show the City’s commitment to maximizing benefits to the public within the City’s resource constraints. Furthermore, the Capital Budgeting and Planning Policy establishes a framework in which stakeholders roles, responsibilities, and expectations for the process and a result are defined.

Policy

Capital Expenditures and Improvements

The City shall annually review and monitor the condition of the City’s capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives and availability of resources.

Capital Improvement Program

The City shall annually review the Capital Improvement Program (“CIP”), the status of the City’s infrastructure, replacement and renovation needs, and potential new projects and update the program as appropriate. All projects, ongoing and proposed, shall be prioritized based on an analysis of current needs and resource availability. The City will develop a multi-year plan for capital projects, which identifies all projects likely to be replaced/renovated/constructed within a five-year horizon. The multi-year plan will reflect, for each project, the likely source of funding and attempt to quantify the project's impact to future operating expenditures.

New capital projects will be constructed to:

- Protect or improve the community's quality of life.
- Protect or enhance the community's economic vitality.
- Support and service new development.

To minimize the issuance of debt, the City will attempt to support capital projects with appropriations from operating revenues or excess fund balances (i.e., "pay-as-you-go").

Utility capital expenditures. The City will design utility rates sufficient for funding a depreciation reserve which will accumulate resources to replace or rehabilitate aging infrastructure that no longer can be serviced by regular maintenance. Attempts should be made to fund the reserve at a level approximate to annual depreciation of assets as reported in the City’s annual financial report.

Definition of a Capital Asset

A capital asset is defined as tangible or intangible property that is used in operations and has a useful life extending beyond a single reporting period. Examples of capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and software. For constructed assets, the criteria apply to the completed project.

The purpose of capitalization is to defer the cost of an item that will be used in more than one reported period.

Capitalization Threshold. GASB 34 states that capital assets should be reported at historical cost. The cost of an asset should include any charges necessary to put the asset into place. The City of Jacksonville has a capitalization threshold of \$5,000. This is the minimum amount at which items are capitalized rather than charged off as an expense of the period in which they occurred.

****For information on proper fixed asset accounting treatment, refer to the City's Capital Assets Policies Manual.***

Establishment of a Capital Improvement Program Review Committee

A CIP review committee shall be established to evaluate, rank, and score submitted capital requests. Said committee shall consist of the City Manager, the Finance Director, the Chief of Police, the Fire Chief, the Director of Public & Community Services, the Library Director, and/or any other person(s) or department(s) the City Manager deems appropriate.

Identification of How Decisions will be made in the Capital Planning Process.

The CIP review committee will receive completed capital improvements program requests (form attached) from City departments. Each member of the CIP review committee will weight and score the completed capital improvements program requests according to the following criteria:

- Safety, Health & Welfare (30%)
- Impact on City Services (15%)
- Quality of Life (20%)
- Necessity (20%)
- Outside Financial Resources (10%)
- Budgetary Impact (5%)

Based upon the weighted score of the submitted capital requests, the CIP review committee will evaluate and rank the requests. This evaluation will then be summarized and presented to the Finance Committee for final review before being included in the proposed budget document.

Assessment of the City's Fiscal Capacity

This policy requires that the planning process includes an assessment of the City's fiscal capacity so that the final capital plan is based on what can realistically be funded by the City rather than being simply a wish list of unfunded needs. Operating budget impact will be considered when the CIP is reviewed and approved and before a project is under design. Recurring maintenance and operating costs are included in the CIP by dollar amount and are a part of the City's Long Range Financial Forecast. This is to identify the impact of new facilities and infrastructure on the City's operating budget.

Accumulating Necessary Capital Reserves

It shall be the intent of the City to make an annual contribution to the Capital Projects Funds. The purpose of these funds is to accumulate funding for capital projects that would otherwise be paid for through the issuance of debt. The balance in these funds will be evaluated annually to determine which if any capital projects may be funded through these reserves. To limit the amount of debt required to fund the capital improvement plan, current year revenues will be evaluated to determine the total funding available for the construction reserves from both the General and Utility Funds.

Capital Expenditure Financing

The City recognizes that there are several methods of financing capital requirements. It can budget the funds from current resources (i.e., Pay-As-You-Go); it can take the funds from fund balance as allowed by the Fund Balance Policy; it can utilize funds from grants and foundations; or it can borrow money through debt.

Debt financing includes Capital Leases, Short-term Notes, Tax Anticipation Notes, General Obligation Bonds, Certificates of Obligation, and Revenue Bonds. Guidelines for assuming debt are set forth in the Debt Management Policy.

Capital Improvement Program Adoption and Management

The capital budget shall be directly linked to, and flow from, the multi-year capital improvement plan. Prioritization of capital submittals will be presented in the proposed budget based upon the recommendation of the CIP review committee. The capital budget shall be prepared in compliance with all state and local legal requirements and will be adopted by formal action of the city council as a component of the operating budget.

Presentation of the capital project budget will include the following:

- Schedule for completion of the project.
- Specific phases of the project.
- Estimated funding requirements for the upcoming year.
- Planned timing for acquisition, design, and construction activities.
- Any analytical information deemed helpful for setting capital priorities.

Furthermore, periodic reports are to be issued routinely on all ongoing capital projects and will include the following:

- Comparison of actual expenditures to the original budget.
- Identification of the project's level of completion.
- Enumeration of any changes in the scope of the project.
- Alert to management of any concerns with completion of the project on time or on schedule.

DEBT MANAGEMENT POLICY

Background

The following policy provides the methods, procedures, policies, and practices which ensure the sound management of the City of Jacksonville's debt program. The City uses debt as a mechanism to equalize the costs of needed capital improvements for the benefit of both the present and future citizens.

Adherence to the policy is essential to ensure that the City maintain a sound debt position and protects the credit quality of its obligations while providing flexibility and preserving fiscal stability.

This policy applies to all long-term debt securities issued by the City. This may include General Obligation Bonds, Certificates of Obligation, Revenue Bonds, Capital Leases, Private Placements and Letters of Credit.

The City of Jacksonville will issue debt only for the purpose of acquiring or constructing capital assets for the general benefit of its citizens and to allow it to fulfill its various missions as a City. Debt may be issued for the purposes of purchasing land or rights-of-way and/or improvements to land, for construction projects, refinancing existing debt or to provide for the general good and for capital equipment.

The City's debt policies and procedures are designed to ensure compliance with all State and Federal Law governing debt, including but not limited to, State Law, Federal Law, Internal Revenue Service rules and regulations, Securities and Exchange Commission regulations, Municipal Securities Rulemaking Board regulations, court ruling, existing debt covenants and charter provisions.

Policy

Responsibility and Control

The ultimate responsibility and authority for issuing debt is approval by the City's governing body, the City Council. The Finance Director is charged with the responsibility for the appropriate management of the City's debt program.

Financial Advisor. The City's Finance Director provides recommendations for the selection of a financial advisor for the City's debt program. The financial advisor will provide the City with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing of debt, and preparing official statements of disclosure.

Bond Counsel. The City's Finance Director provides recommendations for the selection of the bond counsel for any issue. Bond Counsel is responsible for affirming the City is authorized to issue the proposed debt. Bond counsel prepares or supervises the preparation of all bond documents necessary to execute the bond issuance.

Underwriter. An Underwriter(s) will be used for all debt issued except for the private placement sale method. Debt will be issued via competitive bid except where circumstances warrant. The Underwriter is responsible for purchasing negotiated debt and reselling the debt to investors.

Fiscal Agent. A paying agent/registrar will be used to provide accurate and timely securities processing and timely payment to bondholders.

Types of Debt

The Finance Director shall determine the method of sale best suited for each issue. The Finance Director will explore alternatives to the issuance of debt for major capital projects. These alternatives will include but are not limited to: 1) grants in aid, 2) use of fund balance, 3) use of current revenues, 4) contributions from developers and others, 5) leases, and 6) impact fees. The City will not use long-term debt to support current operations. Non-capital furnishing supplies and personnel will not be financed

from bond proceeds. All costs and fees related to debt issuance will typically be paid out of debt proceeds.

Capital projects are generally defined as costs to construct an asset or system improvement that exceeds \$5,000 and has a useful life of more than one year.

The City shall use the table below to reference allowable debt for various projects. Debt includes General Obligation Bonds, Certificates of Obligation, Revenue Bonds and Tax Notes.

Parameters	Cash	Capital Leases	Short-term Notes	Long-term Debt (Bonds)
Project life is less than 10 years	X	X	X	
Project life is 10 years or greater	X	X	X	X
Recommended temporary funding prior to a bond sale	X		X	
The amount borrowed is less than \$1,000,000	X	X	X	X
The amount borrowed is \$1,000,000 or larger	X		X	X

Cash or Pay-As-You-Go. Pay-As-You-Go is the use of current resources to purchase a capital asset. Projects utilizing this method can be adequately funded from available current revenue and fund balances and the project can be completed in an acceptable timeframe given the available resources.

Capital Leases. Lease purchase or financing contracts are payment obligations that represent principal and interest components which are general obligations of the City.

Short-term Notes. A short-term note is a current obligation made in writing to pay a specific amount within one year or the current accounting period. In other words, it's a written loan or promissory note between the lender and the borrower to pay the principal back plus interest on a specific date that is one year or less in the future.

Tax Anticipation Note (TAN's). A short-term debt security issued by the City to finance an immediate project that will be repaid with future tax collections. The City may use tax anticipation notes to borrow money, typically for one year or less and at a low interest rate, to finance a capital expenditure. The City will then use the following year's tax revenue to repay the TANs.

General Obligation Bonds (GO's). General obligation bonds will be issued to fund capital projects of the general government and are not to be used to fund operating needs of the City. GO's are backed by the full faith and credit of the City as well as the ad valorem taxing authority of the City as prescribed by law. The term of a bond issue will not exceed the useful life of the major capital projects funded by the bond issue and will generally be limited to no more than twenty (20) years. GO's must be authorized by a vote of the citizens of the City. Unless otherwise justified and deemed necessary, debt service should be structured on a level or declining repayment basis.

Certificates of Obligation (CO's). Certificates of obligation will be issued to fund major capital projects, which are not otherwise covered under either revenue bonds or general obligation bonds. The term of the obligation may not exceed the useful life of the capital project and must be appropriate to the life of the project and financing objectives. CO's may not require a vote of the citizens of the City. Unless otherwise justified and deemed necessary, debt service should be structured on a level or declining repayment basis.

Revenue Bonds (RB's). Revenue bonds will be issued to fund major capital projects necessary for the continuation or expansion of a service which produces a revenue sufficient to obtain investment grade ratings and credit enhancement and for which the major capital project may reasonably be expected to provide for a revenue stream to fund the annual debt service requirement. The term of a bond issue will not exceed the useful life of the major capital projects funded by the bond issue and will generally be limited to no more than twenty (20) or thirty (30) years. RB's do not need a vote of the citizens of the City. Unless otherwise justified and deemed necessary, debt service should be structured on a level or declining repayment basis.

The City will primarily issue fixed rate bonds to protect the City against interest rate risk. The City has the option to issue variable rate bonds and may if market conditions warrant consideration of such a structure.

Methods of Sale

The City will utilize a competitive bidding process in the sale of bonds unless the nature of the issue or market conditions warrants a negotiated sale. In situations where a competitive bidding process is not elected, the City will publicly present the reasons why and will participate with the financial advisor in the selection of the underwriter or direct purchaser.

Competitive Sale. Bonds are awarded in an auction style of sale to an underwriter or syndicate of underwriters that provides the lowest True Interest Cost (TIC) bid. TIC is defined as the rate, which will discount the aggregate amount of debt service payable over the life of the bond issue to its present value on the date of delivery.

Negotiated Sale. Bond terms are determined through negotiation between the issuer and the purchaser, typically an underwriter without competitive bidding.

Private Placement. Private Placement is the sale of debt securities to a limited number of investors without the use of traditional financing documents and the possibility of no credit rating.

Debt Limits and Debt Ratio

Debt Limit. There is no direct debt limitation in the City Charter or under State Law; the City operates under a Home Rule Charter that limits the maximum tax rate, for all City Purposes, to \$2.50 per \$100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service.

General Debt Limitation. Annual debt service paid from taxes will not exceed twenty (20) percent of budgeted expenditures.

Revenue Debt Limitation. The City utilizes a debt service coverage ratio that investors and financial analysts use when reviewing the City's creditworthiness. This ratio is calculated by dividing net available revenues (regular or recurring revenues minus operating expenses) by principal and interest requirements for the year. The City will maintain minimum net revenue no less than bond covenant but will target higher in a budgeting process.

Investment of Bond Proceeds, Arbitrage

Investment of Bond Proceeds. The City shall comply with all applicable Federal, State and contractual restrictions regarding the investment of bond proceeds including the City's Investment Policy. Interest on bond proceeds is restricted such that it may only be used to fund projects that have the same purpose as the purpose for which the bonds were originally issued or to pay debt service. Construction proceeds are typically invested in short-term securities so that they are liquid. Interest and sinking funds may be invested longer as they must be maintained for the life of the issue.

Arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. The City will follow a policy of full compliance with all arbitrage requirements of the federal tax code and Internal Revenue Service regulations. The City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract, or other documents to avoid arbitrage. If arbitrage occurs, the City will perform (by contracting consultants) arbitrage calculations for each issue subject to rebate. All necessary rebates will be filed and paid when due to preserve the tax-exempt status of the outstanding debt.

Refunding and Restructuring Options

The City will use refunding bonds, where appropriate, when restructuring its current outstanding debt. A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as a desire to remove or change a bond covenant, a debt refunding will not be pursued without a sufficient net present value benefit after expenses. When interest rate savings is the principal reason for advance refunding an issue, the City will have as a goal to, but not a requirement to include issues that contribute three (3) percent or more present value savings. Other factors may also affect the City's decision to advance refund an issue.

Disclosure

Full disclosure of operating costs along with capital costs will be made to the bond rating agencies and other users of financial information. The City staff, with the assistance of financial advisors and bond counsel, will prepare the necessary materials for presentation to the rating agencies, will aid in the production of the Official Statements, and will take responsibility for the accuracy of all financial information released.

The City shall provide annual disclosure information to established national information repositories and maintain compliance with disclosure statements required by national regulatory bodies. Disclosure shall take the form of the City's Annual Financial Report unless information is required by a particular bond issue that is not necessarily contained within the City's Annual Financial Report.

LONG-RANGE FINANCIAL PLANNING POLICY

Purpose

The objective of the long-range financial planning process is to plan for and monitor the financial resources that will enable the City to achieve its mission. The plan links the community needs, staffing, facilities planning, and capital improvements programs with the mission, direction, and strategic priorities of the City Council to determine the financial impact of these programmatic needs for the future.

Long-range Plan Overview

The long-range plan tracks and projects financial and operational data of key operational aspects of the City such as: taxable assessed value, sales tax, franchise fees, charges for services, salaries, fringe benefits, staffing needs, utility costs, depreciation expenses, other revenues and expenses by classification, capital expense cash flows, long-term investments, and debt service. The plan also tracks and projects data on key strategic initiatives to ensure the financial feasibility of such initiatives. This detailed information is linked to a summarized pro forma income statement and balance sheet to enable the financial management of the City to review the impact of ongoing and future changes on the City's operating cash, other assets, liabilities, and fund balances. The long-range financial plan also monitors the impact of changes in future financial plans on the key financial ratios that the City is required to maintain for debt covenant and current debt-rating purposes.

Policy

The City Manager, in consultation with the City Council, sets the broad-based planning parameters for the Long-Range Financial Planning model. The long-range financial plan (also known as the "Five-year financial model") is maintained and updated by the Finance Director. However, every major department within the City contributes towards the maintenance and update of this model, with information and ideas flowing in both directions between the City Manager's Office and individual departmental/divisional managers, and the City Council.

Updates are continually made to the model to reflect changes in existing assumptions and outlook. The long-range planning, annual operating and capital budgeting, and projection process are interrelated and form a single planning and budgeting system. During each fiscal year, as the City undertakes a projection of its year-end revenues and expenditures, it requests certain departments to provide updates to the model for the current and the outgoing years. The Finance Department staff also periodically meets with certain departmental/divisional managers to obtain clarifications and updates on the outlook for future periods. The Long-range planning model is also tied to historical financial reporting. The model has a "look-back" feature, which tracks past financial and operational data. This enables the City to review and examine past trends to compare against current budgets and projections, and to develop future planning parameters and assumptions.

The availability of funds required to finance the capital construction, facilities renovations, and information technology acquisitions of the City is tracked through the model. Departmental/divisional managers provide periodic updates to the Finance Director on the costs and scheduling of current and future capital projects. Since such capital plans typically span across a longer time horizon, the existence of a five-year plan enables the City to plan out the financing needs for such capital expenditures and determine the ability of the City to fund them through internal fund-balance reserves or the issuance of debt.

ACCOUNTING AND FINANCIAL REPORTING POLICY

Basis of Accounting

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles applicable to state and local governments. The City's accounting and reporting policies conform to these GAAP. The following represent the more significant accounting and reporting policies and practices used by the City.

Governmental Funds

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues available if they are collected within sixty (60) days after year end. Expenditures are recorded when the related fund liability is incurred.

The City reports the following major governmental funds:

- **General Fund** is used to account for the general operations of the City.
- **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- **Capital Projects Fund** is used to account for bond proceeds restricted for certain projects and the expenditure of these funds as well as capital expenditures greater than \$25,000.
- **Grants Fund** is used to account for grant funds received from federal and state agencies.

Proprietary Funds

Proprietary Funds are used to account for activities which are like those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations (e.g., water bill payments). The City has one (1) proprietary fund which is classified as an enterprise fund. The City reports the following major enterprise fund:

- **Water and Wastewater Fund** accounts for the operation of the City’s water and wastewater utility.

Fiduciary Funds

Fiduciary funds are used to report assets that are held in a trustee capacity, rather than for use by City government. The City of Jacksonville maintains one fiduciary fund. The Beautification Fund is a custodial fund that accounts for contributions collected by the City and disbursed at the direction of and for the committee of Keep Jacksonville Beautiful.

External Audit

Auditor Responsibilities to the City Council

City Charter Article 2 Section 17: “Not less than thirty (30) nor more than ninety (90) days prior to the end of each fiscal year the Council shall designate a qualified certified public accountant who, as of the end of the fiscal year, shall make an independent audit of accounts and other evidence of financial transactions of the city government and shall submit a report to the Council and to the City Manager. The original reports shall be kept among the permanent records of the city, a copy of which shall be accessible for inspection by the public at the City Hall, and additional copies shall be filed with the (1) City Clerk within the time required by law, (2) Jacksonville Public Library and made available on the City’s website. Such accountant shall have no personal interest, direct or indirect, in the fiscal affairs of the city

government or of any of its officers. He or she shall not maintain any accounts or records of the city business, but within specifications approved by the Council, shall post-audit the books and documents kept by the Department of Finance and any separate or subordinate accounts kept by any other office, department, or agency of the city government. Special audits shall be made when deemed necessary by the Council.”

Auditors are accountable to the City Council and will have access to direct communication with the City Council if the City staff is unresponsive to auditor recommendations or if the auditors consider such communication necessary to fulfill their legal and professional responsibilities.

Auditor Rotation

Every three to five years, the City will issue requests for proposal to choose an auditor for a period not to exceed five (5) years.

The audit engagement shall be for three (3) years, with two (2) optional one (1) year extensions, subject to annual review and approval by the City Council, the satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), and the annual availability of an appropriation.

Auditor Selection Criteria

The Auditor shall be selected based on professional competence and experience using the following criteria:

- The Auditor shall be a certified public accountant licensed to practice within the State of Texas.
- The Auditor shall understand the City’s needs and its plans for the future.
- The Auditor’s approach shall be thorough, comprehensive, and tailored to the City’s needs.
- The Auditor’s staff to be assigned to the audit shall have specialized government auditing training and should have experience in auditing municipal governments.
- The audit firm shall have a demonstrated commitment to a state and local government audit practice. The firm shall have the appropriate resources available to apply to the audit engagement.
- The fees proposed by the audit firm shall be reasonable in view of the type and quality of services the firm will be providing. An auditor shall not be selected solely based on a fee. Auditing is a professional service that should not be purchased strictly based on the lowest cost.

Financial Reporting

Reporting Entity

The financial statements of the City shall include all activities for which the City exercises oversight responsibility. The criteria considered in determining oversight responsibility includes the ability to significantly influence operations, selection of management, accountability for fiscal matters and financial interdependency. This generally includes all the funds established to conduct City business and boards or commissions appointed by City Council unless specifically excluded.

Furthermore, for financial reporting purposes and based upon standards established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the financial statements will present the City (the primary

government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government appoints the voting majority of its board, and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The Jacksonville Economic Development Corporation (JEDCO) is included in the City's reporting entity because the primary government appoints a voting majority of the organization's governing body, and it can impose its will on that organization.

Jacksonville Economic Development Corporation (JEDCO) – Established in 1995, the Corporation is a nonprofit industrial development corporation specifically governed by the Development Corporation Act. The purpose of the Corporation is to promote, assist, and enhance economic development. The Corporation is governed by a board of directors appointed by the City Council.

Reporting Frequency

- Annual Comprehensive Financial Report (ACFR) shall be submitted annually to present the results, financial position, and operations of the City for the prior fiscal year. The report shall be prepared in accordance with GAAP and shall include a report from an independent certified public accountant designated by the City Council. The report shall be made available for public inspection and shall become a part of the records of the City. The results of the audit will be presented to the City Council no later than March 31 of the following year.
- Monthly Financial Reports will be presented to the City Council after the close of each month. Such reports will enable the City Council to be constantly informed of the financial status of the City.

REVENUES POLICY

Purpose

The City collects revenues from many sources, the largest of which is from property taxes, to provide services and meet operational needs. The structure, fluctuation, and collection of revenues are examined by rating agencies to determine the City's credit quality.

Policy

Diversified and Stable Base

The City will seek to maintain a diversified and stable revenue base to reduce the effects of short-term fluctuations in any one revenue source.

Current Revenues for Current Uses

The City will fund current expenditures with current revenues, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.

Property Tax Revenues

All real and business personal property located within the City shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the City by the Appraisal District. Reappraisal and reassessment shall be done regularly as required by State law.

When comparing the adopted property tax rate for the City to surrounding cities, the total rate should fall within a reasonable range of comparable cities and should be adequate to produce the revenues needed to pay for approved City services.

The adopted tax rate should not exceed the voter-approval tax rate as computed by Truth in Taxation laws. Property tax revenues will be estimated based on the actual percentage of collections for the prior year, net of any unusual or non-recurring activity.

Sales Tax

Sales tax revenue projections shall be conservative due to the volatile nature of this economically sensitive revenue source.

Interfund Transfers and Loans

To achieve important public policy goals, the City has established various special revenue, capital project, debt service, and enterprise funds to account for revenues whose use should be restricted to certain activities. Accordingly, each fund exists as a separate financing entity from other funds, with its own revenue sources, expenditures, and fund equity.

Any transfers between funds for operating purposes are clearly set forth in the annual budget. These operating transfers, under which financial resources are transferred from one fund to another, are distinctly different from interfund borrowings, which are usually made for temporary cash flow reasons, and are not intended to result in a transfer of financial resources by the end of the fiscal year. In summary, interfund transfers result in a change in fund equity; interfund borrowings do not, as the intent is to repay the loan in the near term.

Fees and Charges

The general policy of the City regarding fees and charges is based upon the following considerations:

- Tax dollars should support essential City services that benefit and are available to everyone in the community (such as parks, police, and fire protection).
- For services that largely or solely benefit individuals, the City should recover full or partial costs of service delivery through user fees.
- A fee should not be imposed on services where the cost to collect the fee exceeds the cost of the service.
- User fees must not exceed the full cost of providing the service.
- Fee increases must be approved and implemented prior to including the revenue increase in the proposed budget.
- User fee pricing policies should take into consideration:
 - Whether the service benefits the community in general or only the individual or group receiving the service.
 - Whether the service is provided only by the public sector, or also by the private sector.
 - Whether imposing the full cost fee would pose a hardship on specific service users.
 - Whether imposing the full cost fee would place the City at an economic disadvantage.
 - Whether NOT imposing a full cost fee would cause an unrealistic demand on the service.

The full costs of providing a service shall include at least the following:

- Direct costs associated with providing the service, including:

- The cost of the time all employees spend on the service, including fringe benefits.
- Other direct costs, such as supplies and materials, contractual services, or internal service fund charges associated with the service.
- Building and equipment depreciation.
- Unit, section, division supervision, or clerical support, etc.
- Departmental indirect costs.
- City-wide indirect costs.

Utility Rates

The City will review and adopt utility rates periodically that will generate revenues required to fully cover operating expenditures, meet the legal restrictions of all applicable bond covenants, and provide for an adequate level of working capital needs. This policy does not preclude drawing down cash balances to finance current operations; however, it is best that any extra cash balance be used instead to finance capital projects.

Components of the Utility Rates will include a transfer to the General Fund for an administrative fee for services of general overhead, such as administration, finance, personnel, and data processing.

Use of One-time Revenues

One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Non-recurring revenues may be allocated to a specific fund(s) with the approval of the City Council.

Cost/Benefit of Abatement

The City will use due caution in the analysis of any tax or fee incentives that are used to encourage development. Ideally, a cost/benefit (fiscal impact) analysis will be performed as a part of such caution.

INTERNAL CONTROLS POLICY

The City shall maintain an environment conducive to good internal control.

Definitions

Internal Control comprises the plan or organization and all the coordinated methods and measures adopted within the City to safeguard its assets, check the accuracy and reliability of its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. (This is the broad definition, recognizing that a “system” of internal control extends beyond those matters which relate directly to the accounting and finance functions.

Source: AICPA SAS).

This broad definition can be subdivided into two components; accounting and administrative, as follows:

- **Accounting controls** comprise the plan of organization and all the methods and procedures that are concerned mainly with, and relate directly to, the safeguarding of assets and the reliability of the financial records.
- **Administrative controls** comprise the plan of organization and all the methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records.

This policy is concerned primarily with the “Accounting Controls” and when the terms “internal controls” or “controls” are used, it is meant as Accounting Controls.

Responsibilities

The Finance Department is responsible for designing appropriate controls for the departments and the departments are responsible for implementation. Inherent in these responsibilities is the recognition that the cost of internal control should not exceed the benefits expected to be derived. Also, internal controls may become inadequate as conditions change, thus requiring review and modification.

Objectives

To provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles.

Basic Elements of Internal Control

Personnel

Objectives are dependent on competence and integrity of personnel, independence of assigned functions, and their understanding of prescribed procedures.

Computer Data Processing

Control over development, modification, and maintenance of computer programs; control over use and changes to data maintained on computer files; application controls, for example, edits that verify invoice, departmental approval, and vendor information before check writing.

Segregation of Duties

Procedures designed to detect errors and irregularities should be performed by persons other than those who are able to perpetrate them.

Execution of Transactions

There is reasonable assurance that transactions are executed as authorized.

Recording of Transactions

To permit preparation of financial statements, transactions are recorded in the proper period, amounts, and classification.

Access to Assets

Both direct physical access and indirect access through preparation/processing of documents that authorize the use or disposition of assets be limited to authorized personnel.

Comparison of Recorded Accountability with Assets.

Comparison of actual assets with the recorded accountability, such as bank reconciliations and physical inventories.

The Finance Department will utilize these basic elements of internal control in formulating departmental plans suitable to each department’s needs. An annual review of the plans will be performed, and modifications made as required (or as a result of internal or external audits).

EXPENDITURES POLICY

General Expenditure Policies

High priority is given to expenditures that will reduce future operating costs, such as increased utilization of technology and equipment and proven business methods.

An appropriate balance will be maintained between budget dollars provided for direct public services and dollars provided to assure good management and legal compliance.

All department heads share in the responsibility of looking at and understanding the City's long-term financial viability, its general spending trends, its projected incomes, and educating themselves, division heads, and employees on the necessary short and long-term balance between revenues and expenditures.

Before the City undertakes any agreements that would create fixed ongoing expenses, the cost implications of such agreements will be estimated for current and future years with the aid of our strategic financial planning models.

Organizations that are not part of the City, but which receive funding from the City, shall not have their appropriation carried forward from year to year automatically, but rather be re-evaluated and authorized by the City Council as part of the annual budget process.

All bonds, notes, contracts, accounts payable, and other monetary liabilities will be paid when due and shall have the most superior lien position during the allocation of resources in budget planning.

Personnel

Regular Staffing

- The budget will fully appropriate the resources needed for authorized regular staffing and will limit programs to the regular staffing authorized.
- Regular employees will be the core work force and the preferred means of staffing ongoing, year-round program activities that should be performed by full-time City employees rather than independent contractors. The City will strive to provide competitive compensation and benefit schedules for its authorized regular work force. Each regular employee will:
 - Fill an authorized regular position.
 - Receive salary and benefits consistent with the employment agreement or other compensation plans.
- To manage the growth of the regular work force and overall staffing costs, the City will follow these procedures:
 - The Council will authorize all regular positions as part of the annual budget process.
 - The Human Resources Department will coordinate and approve the hiring of all regular and temporary employees.
 - All requests for additional regular positions will include evaluations of:
 - The necessity, term and expected results of the proposed activity.
 - Staffing and materials costs including salary, benefits, equipment, uniforms, clerical support, and facilities.
 - The ability of private industry to provide the proposed service (outsourcing).
 - Additional revenues or cost savings, which may be realized.

- Periodically, and before any request for additional regular positions, programs will be evaluated to determine if they can be accomplished with fewer regular employees.
- Staffing and contract service cost ceilings will limit total expenditures for regular employees, temporary employees, and independent contractors hired to provide operating and maintenance services.

Temporary Staffing

- The hiring of temporary employees will not be used as an incremental method for expanding the City's regular work force.
- Temporary employees include all employees other than regular employees, elected officials and volunteers. Temporary employees will generally augment regular City staffing as extra-help employees, seasonal employees, and contract employees.
- The City Human Resources Director and Department Heads will encourage the use of temporary rather than regular employees to meet peak workload requirements, fill interim vacancies, and accomplish tasks where less than full-time, year-round staffing is required.
 - Under this guideline, temporary employee hours will generally not exceed 50% of a regular, full-time position (1,000 hours annually). There may be limited circumstances where the use of temporary employees on an ongoing basis more than this target may be appropriate due to unique programming or staffing requirements. However, any such exceptions must be approved by the Human Resources Director.
- Contract employees are defined as temporary employees with written contracts approved by the City Manager who may receive approved benefits depending on hourly requirements and the length of their contract. Contract employees will generally be used for medium-term (generally between six months and two years) projects, programs or activities requiring specialized or augmented levels of staffing for a specific period.

The services of contract employees will be discontinued upon completion of the assigned project, program, or activity. Accordingly, contract employees will not be used for services that are anticipated to be delivered on an ongoing basis.

Independent Contractors

Independent contractors are not City employees. They may be used in two situations:

- Short-term, peak workload assignments to be accomplished using personnel contracted through an outside temporary employment agency. In this situation, it is anticipated that City staff will closely monitor the work of the employees and minimal training will be required. However, they will always be considered the employees of the outside temporary employment agency and not the City. All placements through an outside temporary employment agency will be coordinated through the Human Resources Department and subject to the approval of the Human Resources Director.
- Construction of public works projects and delivery of operating, maintenance or specialized professional services not routinely performed by City employees. Such services will be provided without close supervision by City staff, and the required methods, skills and equipment will generally be determined and provided by the contractor. Contract awards will be guided by the City's purchasing policies and procedures.

Contracting for Services

General Policy Guidelines

Contracting with the private sector for the delivery of services provides the City with a significant opportunity for cost containment and productivity enhancements. As such, the City is committed to using private sector resources in delivering municipal services as a key element in our continuing efforts to provide cost-effective programs.

Private sector contracting approaches under this policy include construction projects, professional services, outside employment agencies and ongoing operating and maintenance services.

In evaluating the costs of private sector contracts compared with in-house performance of the service, indirect, direct, and contract administration costs of the City will be identified and considered.

Whenever private sector providers are available and can meet established service levels, they will be seriously considered as viable service delivery alternatives using the evaluation criteria outlined below.

For programs and activities currently provided by City employees, conversions to contract services will generally be made through attrition, reassignment, or absorption by the contractor.

Evaluation Criteria

Within the general policy guidelines stated above, the cost-effectiveness of contract services in meeting established service levels will be determined on a case-by-case basis using the following criteria:

- Is a sufficient private sector market available to competitively deliver this service and assure a reasonable range of alternative service providers?
- Can the contract be effectively and efficiently administered?
- What are the consequences if the contractor fails to perform, and can the contract reasonably be written to compensate the City for any such damages?
- Can a private sector contractor better respond to expansions, contractions, or special requirements of the service?
- Can the work scope be sufficiently defined to ensure that competing proposals can be fairly and fully evaluated, as well as the contractor's performance after bid award?
- Does the use of contract services provide us with an opportunity to redefine service levels?
- Will the contract limit our ability to deliver emergency or other high priority services?
- Overall, can the City successfully delegate the performance of the service but still retain accountability and responsibility for its delivery?

Maintenance and Replacement

The City conducts inventories and assesses the condition of its buildings, equipment, and vehicles annually. The budget process includes a multi-year projection of facilities and vehicle replacement requirements. The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment. Future maintenance needs for all new capital facilities will be costed out and included as decision criteria.

Capital Improvements

The City will maintain a multi-year CIP and update it annually. The CIP will be developed in conjunction with the operating budget to ensure that all operation and maintenance costs associated with new

capital improvements are adequately addressed. All capital improvements will be made in accordance with the adopted plan.

The City will maintain all its assets at a level adequate to protect the capital investment and minimize future maintenance and replacement costs.

Library Books

The City of Jacksonville is dedicated to providing the community with timely and accessible materials and information at the Jacksonville Public Library. The “Library Book” budget includes books, serials, electronic databases, audiobooks, e-books, CDs, and DVDs. The combined effects of inflation and the ever-increasing needs of a growing population make this commitment a continuing challenge. The City will make an effort to maintain the library’s collection at an effective level that is tied to both rising book prices and patrons served.

Operating/Capital Expenditure Accountability

It is the City’s policy to compare actual expenditures to budget, generally monthly. If necessary, actions are taken to bring the budget into balance.

RISK MANAGEMENT

The City will aggressively pursue every opportunity to provide for the Public’s and City employees safety and to minimize the risk of loss of resources through liability claims with an emphasis on safety programs. All reasonable options will be investigated to finance risks.

APPENDICES

APPENDIX 1. Capital Assets Policies Manual

APPENDIX 2. Property Disposition Report

CAPITAL ASSETS POLICIES MANUAL

Definition of Capital Asset

A capital asset is defined as tangible or intangible property that is used in operations and has a useful life extending beyond a single reporting period. Examples of capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and software. For constructed assets, the criteria apply to the completed project.

The purpose of capitalization is to defer the cost of an item that will be used in more than one reported period.

Capitalization Threshold

GASB 34 states that capital assets should be reported at historical cost. The cost of an asset should include any charges necessary to put the asset into place. The City of Jacksonville has a capitalization threshold of \$5,000. This is the minimum amount at which items are capitalized rather than charged off as an expense of the period in which they occurred.

Function

Expenditure Accounts

The City of Jacksonville utilizes a 16-digit account number for its expenditure accounts. The first three numbers in the series are the fund, the next three numbers in the series are the department, the next two numbers in the series are the activity, followed by the five digit object code, and finally the last three numbers represent the project, if applicable. The expenditure accounts in the Operating Funds that have an object code beginning with a fifty eight (58) shall be used exclusively for the purchase of capital assets as defined in this policy. No other items shall be charged to these accounts.

Capital projects shall use the account structure that has been designed by the City. Theoretically, any charge to a Capital Project is a capital item.

Tagging

At this time the City does not have a program in place to tag fixed assets, but plans are to develop one in the near future.

Policies and Procedures

Individual Major Asset Classes

Land – Land usually includes all land purchased or otherwise acquired by the City. Land should be recorded at its actual (historical) cost. Land that has been donated to the City should be recorded at its fair value. Land that is purchased to build a structure or building on should be recorded separately from the cost of the structure or building. Land purchased to build a highway or road should not be capitalized as part of the cost of the highway.

The cost of the land should include not only its acquisition price, but also the cost of initially preparing the land for its intended use, provided these preparations have an indefinite useful life, like the land itself. Examples of items that might be capitalized as part of the cost of the land include basic site improvements (e.g., excavation, fill, and grading), as well as the cost of removing, relocating, or reconstructing the property of others (e.g., power lines).

When land and building are purchased together an appropriate portion of the cost must be assigned to each (land has an indefinite life and building life is limited).

Buildings – Buildings include all permanent structures. The cost of a building should include all charges applicable to the building, including broker or architect’s fees. For a donated building, appraised fair value as of the date the building was donated should be used. The cost of an improvement (or betterment) to the building normally is added to the cost of the related structure, rather than treated as a separate asset. The same is true for restoration costs following capital asset impairment.

The City can elect to report major components of the buildings as separate capital assets when those components have a significantly shorter estimated useful life than the structure to which they relate (e.g., AC units).

Improvements other than buildings – Permanent improvements, other than buildings, which add value to land, but do not have an indefinite useful life. Examples include fences, retaining walls, parking lots, and most landscaping.

Machinery, Equipment, and Furnishings – Property that does not lose its identity when removed from its location and is not changed materially or expended in use. The property should be recorded at cost. It shall include cost of installation, delivery and other charges required to place the asset into service. Common examples of Machinery and Equipment are vehicles, furnishings, heavy equipment, computers, and software. If an asset is acquired through donation, an appraised value should be established as of the date of the donation.

Infrastructure – Long-lived capital assets that normally are stationary in nature and usually can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Construction in Progress – Costs incurred to construct or develop a tangible or intangible capital asset before it is substantially ready to be placed into service (at which time the asset would be reclassified into the appropriate major class and capitalized).

Improvements vs. Repairs and maintenance

Improvements (betterments) - Provides additional value to an asset. Such added value is achieved either by 1) lengthening a capital asset’s original estimated useful life or 2) increasing a capital asset’s ability to provide service (i.e., greater effectiveness or efficiency). One example of an improvement would be the widening of a highway from two lanes to four lanes. The widened highway could bear more traffic at faster speeds, resulting in greater effectiveness or efficiency. That would be considered an improvement rather than a repair.

Repairs and maintenance – Retain value rather than provide additional value. The cost of repairs and maintenance should not be capitalized but should be reported as an expense of the period in which it was incurred. One example would be a roof replacement. The roof replacement maintains rather than extends the original estimated useful life of the building, and therefore should be treated as a repair (does not lengthen the life of the building, but simply avoids cutting it in half).

The Finance Department will review each item and/or project and determine the status.

Acquisition Costs

The City incurs various costs in the process of acquiring a capital asset. Common examples include legal and title fees, closing costs, appraisal and negotiation fees, surveying fees, land preparation costs, demolition costs, audit and accounting fees, and transportation charges.

A cost should be capitalized only if it is directly identifiable with a specific asset, and the acquisition of the related asset has come to be considered probable, or likely to occur. Thus, the cost of a study undertaken to determine the best location for new building would not be capitalized. (i.e., Feasibility study- When the cost was incurred, it could not be identified with a specific property).

General and administrative costs should not be capitalized.

Intangibles – Software that is developed in-house by the City’s personnel or by a third party contractor on behalf of the City should be capitalized. Commercially available software that is purchased or licensed by the City and modified using more than minimal incremental effort before being put into operation should be capitalized. The Preliminary project stage should not be capitalized (i.e., RFPs). Post-implementation/operations stage should not be capitalized (i.e., application training and software maintenance).

Bulk Item Purchases—When capitalizing groups of items in the aggregate the purchase must meet all the following criteria: Must be material to the overall financial statements, must be able to determine the disposal date or have a replacement schedule for the items so the City’s assets will not be overstated, the purchase must be practical or beneficial to the financial records.

Capitalizing items in the aggregate is at the City of Jacksonville’s discretion. Authoritative pronouncements do not address the way a capitalization policy should be established and applied.

Treatment of Costs Subsequent to Acquisition

Funds that are expended on a currently owned asset that extend the original estimated useful life of the asset may be eligible for capitalization. If the amounts expended are for items other than routine maintenance and they extend the original estimated useful life of the asset, then the costs should be added to the existing fixed asset as an addition.

Seized Vehicles

Seized vehicles are not considered capital assets, since they are not acquired by the City for use in operations.

Depreciating Capital Assets

The City of Jacksonville uses the Straight-line method of depreciation (historical cost divided by useful life). The useful life is the time span in which the asset will be in service. The Finance Department will handle all depreciation calculations.

Sale, Disposal, or Transfer of Capital Assets

It is the responsibility of each department to provide the Finance Department with all information required to properly record the sale, disposal, or transfer of an asset. A Property Disposition Report (PDR) is to be filled out by the department and signed by a manager or director of that department.

If transferring an asset from one department to another, the receiving department manager or director should also sign the PDR upon receipt of the asset.

Assets Acquired by Trade of Other Assets

When assets are exchanged and no monetary consideration is paid or received, the cost of the asset acquired is recorded at the book value of the asset surrendered.

When monetary consideration is given, the new asset must be recorded at the sum of the cash paid plus the book value of the asset surrendered.

Capital Assets Acquired Through Donation

Donated capital assets should be recorded at their estimated fair value at the time of acquisition plus any additional charges, if any. The appropriate fair value is what the government would have had to pay to acquire the asset on its own.

Inventory

It is the responsibility of each City department to keep a current record of inventory held within their department. The Finance Department will provide each department with a list of the assets that are recorded into the Fixed Asset System on a yearly basis. The department responsible for the asset will then physically verify that each asset on the list still exists and that they are all accounted for. If there are any assets that are in the department's care that are not on the inventory list a PDR should be filled out by the department and sent to the Purchasing department for input into the Fixed Asset System.

PROPERTY DISPOSITION REPORT

Asset ID: _____ Asset Description: _____

Model #: _____ Serial #: _____

Department: _____

Please indicate one of the following:

_____ Sale of Asset

_____ Disposal of Asset

_____ Transfer of Asset

SALE OF ASSET:

Date Sold: _____ Sales Price: _____ Purchaser: _____

Signature of Department Head: _____

DISPOSAL OF ASSET:

Date of Disposal: _____ Manner of Disposal: _____

Signature of Department Head: _____

TRANSFER OF ASSET:

Date of Transfer: _____ Department Transferred To: _____

Signature of Department Head (Transferring Department): _____

Signature of Department Head (Receiving Department): _____