

City of Statham

FINANCIAL POLICY

Purpose and Objective

The City of Statham has a responsibility to carefully account for public funds, to manage municipal finances wisely, and to plan for the provision of public services. Sound financial policies are necessary to carry out these objectives responsibly and efficiently.

The City of Statham's financial policies set forth below are the basic framework for its overall financial management. These policies incorporate long-standing principles and traditions that have served the City well in maintaining a sound and stable financial condition.

The broad purpose of the following financial policies is to enable the City of Statham to achieve and maintain a long-term positive financial condition. The key values of the City's financial management include fiscal integrity, prudence, planning, accountability, honesty, and openness. Specifically, the purpose is to provide guidelines for planning, directing, and maintaining day-to-day financial affairs. It is also the intent of this policy to create a process by which funds are set aside, when available, to create reserve funds that would be available for infrastructure maintenance, physical plant maintenance & repairs, and other unforeseen expenditures that would be difficult to plan for ahead of time.

Operating Budget

Preparation

Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. The "operating budget" is the City's annual financial operating plan. The annual budget includes the operating departments of the general fund, special revenue fund, debt service fund, capital project fund, enterprise funds, and other approved funds that may be established as needed. The budget encompasses a fiscal year that begins on July 1st and ends on June 30th. The budget is prepared by the City Administrator with the cooperation of all City departments, on a basis that is consistent with generally accepted accounting principles.

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- 1) Proposed Budget – A proposed budget shall be prepared annually by the City Administrator with participation of all City Departments consistent with provisions of the City Charter and state budget laws. Prior to release, the draft budget will be reviewed and approved by the Finance Committee.
 - a) The budget shall include (1) revenues, (2) personnel services and employee benefits, (3) purchased/contracted services (4) supplies, and (5) capital outlays.
 - b) The budget review process shall include public hearings. At the time the proposed budget is transmitted to the Mayor and members of the City Council by the City Administrator, a copy will be made available for public inspection at City Hall. No earlier than seven days after the proposed budget is transmitted to the City Council and at least seven days in advance of budget adoption, a public hearing will take place to give the public an opportunity to comment on the proposed budget. Notice of the public hearing must be advertised at least seven days in advance of the public hearing.
 - c) The City Council, prior to the first day of the fiscal year, will adopt an annual budget at a public meeting. The proposed budget is prepared by the City Administrator and transmitted to members of the City Council for its review with sufficient time given for the City Council to address policy and fiscal issues.
- 2) Adoption – The budget shall be adopted by the approval of a budget resolution that specifies the anticipated revenues by appropriate categories, the proposed expenditure totals for each department, each non-departmental expense, and each fund covered by the budget. Amendments to the budget must be approved by resolution. The budget shall be adopted at the fund/department level, which is the legal level of budgetary control. The current year’s budget may be adjusted to reflect changes in local economy, changes in priorities or services needs, receipt of unbudgeted revenues and for unanticipated expenditures.

Balanced Budget

The operating budget will be balanced with anticipated revenues, including appropriated unencumbered surplus, equal to proposed expenditures. All funds within the budget shall also be balanced.

Planning

All departments will be given an opportunity to participate in the budget process and submit funding requests to the City Administrator. All funding requests must be submitted to the City Administrator no later than February 15th of each calendar year.

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Reporting

Periodic financial reports will be prepared and distributed to the City Administrator and Department Heads. These reports allow Department Heads to manage their budgets and enable the City Administrator to monitor and control the budget. Summary financial and budgetary reports should be presented by the City Clerk to the Mayor and City Council monthly.

Control and Accountability

Each Department Head is responsible for ensuring that his/her department expenditures do not exceed budgeted funds. Departments cannot exceed appropriations described in the budget. Failure to achieve budgetary control will be evaluated and investigated by the City Administrator.

Budget Transfers

Contingent upon remaining within the confines of the total department budget, each Department Head has the authority to recommend budget transfers to the City Administrator. Funds within departmental budget line items can be transferred upon the recommendation of the Department Head and with approval of the City Administrator.

Capital Budget Policies and Capital Improvement Plan

Scope

A capital projects plan will be developed and updated annually by a finance committee appointed by the Mayor. A five-year Capital Improvement Program will assist in the planning, acquisition, and financing of capital projects. A major capital project is generally defined as a non-recurring capital expenditure that has an expected useful life of more than 5 years and an estimated total cost of \$10,000 or more. Examples include infrastructure, streetscapes, vehicles, heavy equipment, and expansion of facilities.

Major capital projects will be budgeted in the Capital Improvement Fund reflecting all available resources. With the involvement of responsible departments, the City Administrator will prepare the capital budget annually. The City's capital budget will be adopted with the operating budget.

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Control

All capital expenditures must be approved as part of each department budget or in the Capital Improvement Fund. Before committing to a capital improvement project, the City Administrator or his/her designee must verify fund availability.

Program Planning

The capital budget provides annual funding for long-term capital projects identified in the Capital Improvement Program (CIP). During the annual budget process, each department submits its budget request including operating and capital needs. Upon review of the requests, major capital projects are placed in the capital improvements fund. Other capital outlay is placed in the department's operating budget. Capital outlay is generally defined as an individual item in excess of \$2,000 with a life expectancy of more than two years but less than 10 years.

Citywide capital improvements are assessed and prioritized based on the City's objectives and goals.

Timing

At the beginning of the fiscal year, the City Administrator or his/her designee will work with Department Heads to schedule the appropriate timing of capital purchases to ensure the availability of funds.

Reporting

Periodic financial reports will be provided to enable the City Administrator to monitor and control the capital budget and to enable the Department Heads to manage their capital budgets.

Debt

Policy Statement

Debt results when one borrows from an individual or an institution. The borrower receives funds to acquire resources for current use with an obligation for repayment later. The debt from borrowing generally must be repaid with interest.

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The City of Statham recognizes that to maintain flexibility in responding to changing service priorities, revenue inflows, and cost structures, a debt management strategy is required. The City strives to balance service demands and the amount of debt incurred. The City realizes that failure to meet the demands of growth may inhibit its continued economic viability, but also realizes that too much debt may have detrimental effects as well.

The goal of the City's debt policy is to maintain a sound fiscal position and to protect the credit rating of the City. When the City of Statham utilizes debt financing, it will ensure the debt is financed soundly and conservatively.

Conditions for Using Debt

Debt financing of capital improvements and equipment will be done only when one or more of the following four conditions exist:

1. When non-continuous projects (those not requiring continuous annual appropriations) are desired;
2. When it can be determined that future users will receive a benefit from the improvement;
3. When it is necessary to provide basic services to residents and taxpayers;
4. When total debt, including that issued by overlapping government entities, does not constitute an unreasonable burden to residents and taxpayers.

Sound Financing of Debt

When the City utilizes debt financing, it will ensure that the debt is soundly financed by:

1. Taking a prudent and cautious stance toward debt, incurring debt only when necessary;
2. Conservatively projecting the revenue sources that will be used to pay the debt;
3. Insuring that the term of any long-term debt incurred by the City shall not exceed the expected useful life of the asset for which the debt is incurred and shall be limited to capital improvements only;

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4. Determining that the benefits of the improvement exceed the costs, including interest costs;
5. Maintaining a debt service coverage ratio which ensures that combined debt service requirements will not exceed revenues pledged for the payment of debt;
6. Analyzing the impact of debt service on total annual fixed costs before bonded long-term debt is issued; and,
7. Maintaining total debt service for general obligation debt that does not exceed 10 percent of the net operating revenues

Accounting, Audits, and Financial Reporting

The City shall maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objective are met.

Accounting Records and Reporting

The City will maintain its accounting records in accordance with state and federal laws and regulations and in a manner to facilitate an efficient audit process. The City will report its financial condition and results of operations in accordance with state regulations and Generally Accepted Accounting Principles (GAAP) described in Governmental Accounting, Auditing, and Financial Reporting (GAAFR). The City's accounts shall be kept in such a manner as to show fully the financial conditions of the City. In addition, the books shall be open to the public during business hours.

The City will maintain a Chart of Accounts that complies with requirements of the State of Georgia and is in accordance with generally accepted accounting principles.

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Auditing

An independent auditor or auditing firm will annually perform the City's financial audit. The auditor must be a Certified Public Accountant (CPA) that can demonstrate that s/he has the capability to conduct the City's audit in accordance with generally accepted auditing standards. A copy of the audit will be sent to the State Auditor who will respond with comments regarding compliance. Results of the annual audit shall be provided to the City Council in a timely manner.

Simplified Fund Structure

The City will attempt to minimize the number of funds. Funds will be categorized in accordance with generally accepted accounting principles (GAAP) for reporting purposes.

Financial Reporting

Internal financial reports will be prepared by the City Clerk that are sufficient to plan, monitor, and control the City's financial affairs. Monthly accounting reports are meant to transmit information regarding the financial situation of the City. These regular reports are made available to the City Council, City Administrator, Department Heads, and other staff and citizens as necessary.

Revenues

Characteristics

The City shall strive for the following characteristics in its revenue structure:

1. **Simplicity** – The City shall strive to maintain a simple revenue structure in order to reduce compliance costs for the taxpayer and/or service recipient.
2. **Equity** – The City shall make every effort to maintain equity in its revenue system. The City shall seek to minimize subsidization between entities, funds, service, customer classes, and utilities.
3. **Adequacy** – The City shall require that a balance in the revenue system be

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achieved. The revenue structure's base shall have the characteristics of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.

4. Administration – The benefits of a revenue source shall exceed the cost of levying and collecting that revenue. The price of collection shall be reviewed periodically for effectiveness as a part of the indirect cost of service analysis.
5. Diversification and Stability – The City shall maintain a diversified and stable revenue structure to shelter it from short-term fluctuations in any single revenue source. The revenue mix shall combine elastic and inelastic revenue sources to minimize the effect of economic downturns.
6. Conservative Estimates – Revenues will be estimated realistically and prudently. Revenues of a volatile nature will be estimated conservatively. Conservative revenue estimates based on prior year collections may be used for revenue projections.
7. Aggressive Collection Policy – The City shall follow an aggressive policy of collecting revenues. As a last resort, real property will be sold to satisfy non-payment of property taxes.

Issues

The following considerations and issues will guide the City in its revenue policies concerning specific sources of funds:

1. Non-Recurring Revenues – One-time or non-recurring revenues shall not be used to finance current ongoing operations. Non-recurring revenues should be used only for non-recurring expenditures and will not be used for budget balancing purposes.
2. Property Tax Revenues – All real and business personal property located within the City shall be valued at 40% of the fair market value for any given year based on the current appraisal supplied to the City by the Barrow County Board of Tax Assessors.
3. User-Based Fees and Service Charges – For services associated with a user fee or charge, the direct and indirect costs of that service shall be offset by a fee where possible. There will be an annual review of fees and charges to ensure that the fees provide adequate coverage of cost. The City Council shall set schedules of fees and charges.

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4. Intergovernmental Revenues (Federal/State/Local) – These revenue sources will be expended only for the intended purpose of grant aid. It must be clearly understood that operational requirements set up as a result of a grant or aid could be discontinued once the term and conditions of the project have terminated.
5. Revenue Monitoring – Revenues received shall be compared to budgeted revenues. Significant variances will be investigated by the City Administrator or designee.

Purchasing

Intent

The purpose of this policy is to provide guidance for the procurement of goods and services in compliance with procurement provisions of the City and the State of Georgia. The goal of this policy is to establish, foster, and maintain the following principles:

1. To consider the best interests of the City in all transactions;
2. To purchase without prejudice, seeking to obtain the maximum value for each dollar expenditure with maximum quality standards;
3. To subscribe to and work for honesty and truth in buying.

Vendors

The City will make every effort to obtain high quality goods and services at the best possible price. All procurement procedures will be conducted in a fair and impartial manner with avoidance of any impropriety. All qualified vendors have access to City business. No bidder will be arbitrarily or capriciously excluded. It is the intent of the City that competition be sought to the greatest practical degree. The conditions of the contract shall be made clear in advance of the competition. Specifications shall reflect the needs of the City.

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Purchasing of Goods

1. Each department head shall have the authority to purchase individual goods/services costing less than \$200 each as long as costs remain within the approved budget. Each department head is responsible to ensure that internal control procedures, including those issued by the City Administrator, are followed. Prior to any purchases over \$200 the Department Head will verify that funds are available for the purchase with the City Administrator.
2. Purchases for individual goods/services costing more than \$200 and less than \$5,000 each can be authorized by the City Administrator as long as costs remain within the approved budget. The department shall make every effort to solicit a minimum of three competitive prices. These purchases are considered small purchases and can be handled using telephone quotes.
3. Purchases for individual goods/services costing more than \$5,000 and less than \$25,000 are generally bid through an informal bid process. These purchases are handled by written quotes/bids. An invitation to bid is the solicitation of written offers and/or pricing based on specification of the required equipment, material, and/or general service. These are neither publicly advertised in the newspaper nor opened publicly, but must be approved by the Mayor and City Council.
4. Purchases for individual goods/services costing more than \$25,000 are considered as formal sealed bids. They are advertised for a minimum of two (2) weeks prior to bid opening and the contract award must be approved by the Mayor and City Council. Bids are advertised in the legal organ and posted on the City's web site. A public bid opening is required for formal sealed bids.
5. Construction services are processed under the competitive bid process described for purchases of \$25,000 or more. Construction bidders are required to post performance and payment bonds in an amount equal to the contract award unless the contract is under \$40,000. Construction bidders are also generally required to post a 5% bid bond at the time of bid submission. Evidence of liability and workmen's compensation insurance are also required prior to bid award. Any waiver of bonds will be noted clearly in the solicitation to bid.
6. Although authority may be delegated, the ultimate responsibility rests with

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the City Administrator. Purchases must be monitored to assure compliance with City policy.

7. No contract of the City involving the expenditure of public funds shall be in violation of the City's "Ethics Ordinance."
8. Bids are awarded to the lowest responsive and responsible bidder. A responsive bid is one that conforms in all material respects to the needs of the City. Responsible means a bidder who has the capability to perform the requirements.
9. The City of Statham will provide an equal opportunity for all businesses to participate in City contracts regardless of sex, race, color, religion, national origin, political affiliation, age, handicapped status, sexual orientation, sexual preference, or transgender status.
10. Ineligible Vendors – Any person, firm, or corporation who is in arrears to the City for taxes, or otherwise, will not be qualified to bid on any purchase until their debt to the City has been cleared. No purchase order will be approved for such vendors.
11. State Contracts – The City is authorized to use state contracts in lieu of issuing bids to vendors or buying locally when it is to the economic advantage of the City or deemed appropriate by the City Administrator. The state contract price may be used to establish the maximum price for a good or service.
12. Back-up Policy and Emergency Purchases – In cases of emergency, a contract may be awarded without competitive bidding, but the procurement shall be made with as much competition as the circumstances allow (i.e., informal quotes). An emergency is defined as a threat to life or property, or an unforeseen situation that curtails or greatly diminishes an essential service as determined by the City Administrator. In the event of an emergency, the City Administrator shall be contacted.

Purchase Order (PO)

A "Purchase Order" (PO) cannot be issued unless sufficient funds are available in the budget.

The following is the established City procedures for use of purchase orders:

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1. An item or service is required and sufficient funds exist in the approved budget to cover the cost of the item or service.
2. A PO is prepared by the department head or his/her designee. The City Clerk must certify that funds are available to cover the cost of the purchase.
3. The PO is approved/disapproved by the City Administrator. The approved item or service is then ordered by the department.
4. Once the item or service is received and verified by the department, the City is invoiced by the vendor for the required item or service.
5. The invoice and PO are reviewed by the City Clerk, and payment to the vendor is generated.
6. City checks will require two signatures to include either the City Administrator or City Clerk **plus** the Mayor or other member of the City Council.

Petty Cash

Petty cash is used to make small cash disbursements for those purchases that must be made quickly and without prior notice on a contingency basis. The following is the City's procedure for petty cash:

1. The petty cash request is approved by the department head.
2. Petty cash is then received by the requesting party from the City Clerk or his/her designee.
3. Once the purchase is made, a receipt must be obtained.
4. The receipt is then returned to the petty cash box.
5. On a regular basis, the cash box must be replenished and balanced by the City Clerk. The petty cash box shall not contain more than \$100.00.

Petty cash funds may NOT be used for the following:

1. Items/receipts in excess of \$100.00.
2. Payment of sales or excise taxes on any purchases within Georgia since the City of Statham is a tax exempt organization and does not reimburse Georgia sales

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- tax.
3. Cashing of personal checks or providing personal loans.
 4. Purchases which are required to be reported in a specific manner such as, but not limited to, personnel services, travel expenses, payroll advances, and business meals.
 5. Purchase of items which are prohibited under petty cash procedures:
 - a. Advertising
 - b. Alcoholic beverages and tobacco
 - c. Automotive repairs (accident related)
 - d. Chemicals
 - e. Clothing
 - f. Controlled substances
 - g. Cylinder gases and liquid nitrogen
 - h. Donations
 - i. Flowers
 - j. Hazardous materials
 - k. Leases and rentals
 - l. Maintenance agreements
 - m. Printing (letterhead, business cards, and envelopes)
 - n. Georgia sales tax
 - o. Personal items
 - p. Any items intended to be used or consumed by City Employees.
 - q. Professional services
 - r. Renovations or remodeling
 - s. Seminars and memberships
 - t. Telephones and cell phones
 - u. Weapons and ammunition
 - v. Hospitality expenses greater than \$5, such as meals or entertainment

The City Administrator has the authority to make exceptions to the above list when special or unusual circumstances apply. Approval for exceptions must be received prior to purchasing items listed above.

City Credit Cards

The City Administrator will be issued a city credit card. The credit cards are to be used for **City business only** to purchase goods, services, or for specific expenditures incurred under approved conditions.

The credit card holder is responsible for documentation and safekeeping of the credit card during the employee's issuance. A receipt for each transaction must be obtained

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by the employee when a purchase is made using the City credit card. This receipt shall be dated and a description of the service or item purchased and account codes shall be written on the back of every receipt. Each month, the credit card holder must submit on a timely basis documentation of credit card purchases with the credit card bill.

City Accounts/Procurement Cards

The City Administrator or his/her designee can authorize the use of a City account or procurement card to be used for City business only to purchase incidentals of less than \$100.00 each.

Investments

Scope

This investment policy applies to all funds under the City of Statham's control.

Objectives

The following investment objectives shall be met with this policy:

1. Safety – Preservation of principal shall always be the foremost objective in any investment transaction involving City funds. Those investing funds on the City's behalf must first ensure that capital losses are avoided by limiting credit and interest risk. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest risk is the risk that market value portfolios will fall due to an increase in general interest rates.
2. Liquidity – The second objective shall be the maintenance of sufficient liquidity within the investment portfolio. The City's investment portfolio shall be structured such that securities mature at the time when cash is

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needed to meet anticipated demands (static liquidity). Additionally, since all possible cash demands cannot be anticipated, the portfolio should maintain some securities with active secondary or resale markets (dynamic liquidity).

3. Return on Investment – The third objective shall be the realization of competitive investment rates, relative to the risk being assumed. However, yield on the City’s investment portfolio is of secondary importance compared to the safety and liquidity objectives described above.

Delegation of Authority

The overall management of the investment program is the responsibility of the City Administrator. Responsibility for the daily investment activities will be assigned by the City Administrator. The City Administrator may designate an employee or employees to assist with the management and implementation of the City’s investment program.

Responsibilities to fulfill this authority include: opening accounts with banks, brokers, and dealers; arranging for the safekeeping of securities; and executing necessary documents. A system of internal controls over investments is established and approved by the City’s independent auditors. The controls are designed to prevent losses of public funds arising from fraud, error, misrepresentation by third parties, unanticipated changes in financial markets, and/or imprudent action by staff and City officials. No person may engage in an investment transaction except as provided for under the terms of the policy.

Authorized Investments

All investment activity is required to be in compliance with Chapter 83 of Title 36 of the *Official Code of Georgia*, which establishes guidelines for local government investment procedures.

The City of Statham may invest funds subject to its control and jurisdiction in only such investment instruments permitted by State of Georgia law for local governments including the following:

1. Certificates of Deposit (CD’s) issued by banks insured by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC coverage must be collateralized by securities with a market value equal to at least 110% of the deposit. Only those securities described in Georgia Code 50-17-59 can be pledged as collateral;

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2. Certificates of Deposit (CD's) issued by savings and loans associations issued by the Federal Savings and Loan Insurance Corporation (FSLIC). Deposits in excess of the FSLIC coverage must be collateralized by securities equal to at least 110% of the deposit. Only those securities described in Georgia Code 50-17-59 can be pledged as collateral;
3. Obligations issued by the United States government;
4. Obligations fully insured or guaranteed by the United States government or a United States government agency;
5. Obligation of any corporation of the United States government;
6. Obligation of the State of Georgia or of other states;
7. Obligation of other political subdivision of the State of Georgia;
8. The Local Government Investment Pool of the State of Georgia managed by the State Department of Administrative Services, Fiscal Division;

Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Under the "prudent person" standard, investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable revenue to be gained.

The City Administrator and all designees acting in accordance with 1) written procedures, 2) this investment policy, and 3) exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

Maturities

To achieve the aforementioned objective of adequate liquidity within City's portfolio,

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the City shall attempt to match investment maturities with anticipated cash flow requirements. Unless matched to a specific cash flow, the maximum maturity of any instrument in the City's portfolio may not exceed two years from the date of acquisition by the City. In order to preserve liquidity and to lessen market risk, not more than 25% of the total portfolio may mature more than one year beyond the date of calculation. The maturity of non-negotiable time deposits may not exceed one year.

Safekeeping and Custody

All investment securities purchased by the City of Statham shall be delivered against payment and shall be held in a third-party safekeeping account by the trust department of a bank insured by the Federal Deposit Insurance Corporation. The City Administrator, or his/her designee, shall be responsible for the selection of a financial institution for this purpose, as well as the execution of a written safekeeping agreement with the trustee.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process will refrain from personal business activity that would conflict with proper execution of the investment program, or which would impair their ability to make impartial investment decisions. Employees and investment officials will disclose to the City Administrator any material financial interests in financial institutions that conduct business with the City, and they will further disclose any large personal financial/investment positions that would be related to the performance of the City's portfolio. Employees and investment officials will subordinate their personal investment transactions to those of the City particularly with regard to the time of purchases and sales.

Relationships with Banks and Brokers

The City of Statham will select depositories through the City's banking services procurement process – including formal requests for proposals issued as needed. The City shall seek competitive investment rates within its safety criteria. Maximum opportunity shall be provided to all local financial institutions to bid and compete for City investments due to the importance of the financial institutions to the local economy.

Performance Evaluation

The City Administrator, or his/her designees, will seek to achieve a market average rate

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of return on the City's portfolio. Given the special safety and liquidity needs of the City, the basis used to determine whether market yields are being achieved shall be the six-month Treasury Bill.

Grants

Scope

The purpose of this policy is to provide direction in the application, acceptance and administration of funds awarded through grants to the City from other local governments, the state or federal government, non-profit agencies, philanthropic organizations and the private sector.

Application and Acceptance of Grants.

1. The City Administrator must seek approval from the Mayor and City Council to make application for and accept grants that:
 - (a) are expected to be \$200,000 or less on an annual basis with no required City match; or,
 - (b) are expected to be \$100,000 or less on an annual basis with a required match of 20% or less; or,
 - (c) are expected to be \$50,000 or less on an annual basis with a required match of over 40%.
2. The City Council must approve the application of and acceptance of any grants

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in excess of the limits established in Section 1 of this policy.

3. The City will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits as a budgetary increment. Therefore, no grant will be accepted that will incur management and reporting costs greater than the grant amount.

Grant Administration

1. Each department must notify the City Clerk upon acceptance of any grant. Prior to the receipt or expenditure of grant revenues, the City Clerk must be provided with the following information prior to receiving grant revenues or making purchases against the grant:
 - (a) Copy of grant application
 - (b) Notification of grant award
 - (c) Financial reporting and accounting requirements including separate account codes and/or bank accounts.
 - (d) Schedule of grant payments
2. The City Clerk is responsible for the management of its grant funds and periodic reporting.

Fixed Assets

Fixed Asset Criteria

A fixed asset is defined as a financial resource meeting all of the following criteria:

1. It is tangible in nature.
2. It has a useful life of greater than one year.
3. It is not a repair part or supply item.
4. It has a value equal to, or greater than, the capitalization threshold of \$2,000.

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Keeping an accurate record of the City's fixed assets is important for a myriad of reasons. Some of the most important reasons that the City needs to keep a good record of fixed assets are: for financial statement information, for insurable values, for control and accountability, for maintenance scheduling and cost analysis, for estimating and accounting for depreciation, for preparation of capital and operating budgets, and for debt management.

General Policy

1. Each Department Head is ultimately responsible for the proper recording, acquisition, transfer, and disposal of all assets within their Department. *City property may not be acquired, transferred, or disposed of without first providing proper documentation.* A fixed asset information form must accompany each step.
2. Recording of Fixed Assets

Unless otherwise approved by the City Clerk, all recordable fixed assets must be recorded within 30 calendar days after receipt and acceptance of the asset.

A fixed asset form must be attached to the purchase order before submitting request for payment.

Assets will be capitalized at acquisition cost, including expenses incurred in preparing the asset for use.

Donated assets shall be recorded at fair market value as determined by the Department Head. Fair market value may be defined as, but is not limited to, an average of documented prices for equivalent items from three separate vendors.

The City will recognize acquisition costs based on individual unit prices. Assets should not be grouped. For example, in acquiring equipment, if three personal computers (PC) were acquired simultaneously at \$2,000 each, this would not be an asset of \$6,000 consisting of 3 PCs. Instead, it would be 3 separate acquisitions of \$2,000. Each PC would be recorded as a separate controllable item.

For equipment purchases, title is considered to pass at the date the equipment is received. Similarly, for donated assets, title is considered to pass when the asset is available for the agency's use and when the agency assumes responsibility for maintaining the asset.

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Constructed assets are transferred from the construction in progress account to the related building, improvements other than buildings, or equipment accounts when they become operational. Constructed buildings, for example, are assumed to be operational when an authorization to occupy the building is issued, regardless of whether or not final payments have been made on all the construction contracts.

3. Acquisition of Fixed Assets

There are various methods by which assets can be acquired. The asset acquisition method determines the basis for valuing the asset. Fixed assets may be acquired in the following ways:

- New purchases
- Donations
- Transfers from other City/County departments or State agencies
- City surplus
- Internal/external construction
- Lease purchases
- Trade-in
- Forfeiture or condemnation

4. Lease Purchases

Assets may be lease-purchased through installment purchases or through lease financing arrangements (an agreement in which title may or may not pass).

5. Transfer of Fixed Assets

An asset transfer between departments usually represents the sale of an item by one department to another and may be treated as a new purchase. A transfer between related departments under the same control may, if desired, be treated as a transfer rather than sale. That is, the asset is recorded under the new Department with original acquired date and funding amount.

6. Sale of Fixed Assets

Sale of fixed assets by a department must be to the highest, responsible bidder and must be conducted by sealed bid or by auction. The sale must be publicized

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in accordance with state laws.

7. Disposal of Fixed Assets

When an asset is disposed of, its value is removed from the financial balances reported and from inventory reports; however, the asset record, including disposal information, remains on the master file for three years, in the City Clerk's Office, after which time it is purged from the system according to general accepted accounting principles. This preserves an audit trail for disposed items, and facilitates departmental comparisons between actual or historical useful life information with useful life guidelines. Such comparisons permit a more precise definition of an asset's useful life than those provided by the Internal Revenue Service (IRS) or other guidelines initially used.

A disposal action is appropriate only when certain conditions occur resulting in an asset no longer being in the possession of the agency. Assets no longer in use, which remain in the possession of the department, are considered surplus property and not a disposal.

Fixed assets may be disposed of in any one of six ways:

- a. Sale or trade-in
- b. Abandonment/Retirement
- c. Lost or stolen
- d. Transfer
- e. Cannibalization (taking parts and employing them for like uses within the department, such as is often the practice in computer or vehicle maintenance).
- f. Casualty loss

Only when the asset is no longer in possession of the department, due to one of the six reasons listed above, is disposal action appropriate.

Assets are "abandoned" or "retired" when there is no longer any use for them in the Department, they are of no use to any other City department, they cannot be

repaired, transferred, cannibalized, sold, or traded-in. Thus meaning that, there is no safe and appropriate use for the abandoned goods to the City or for others.

Stolen items must be reported to Statham Police and a police report filed. A copy of this report must accompany the disposal record.

Casualty losses must be documented within 24 hours of loss and reported to the City Administrator immediately for follow-up with the City's insurance carrier.

Cannibalized items are considered surplus and are disposed of by noting cannibalization on the disposal record. Ideally, this method will allow departments to look at cannibalized items on the disposal report and assess what surplus parts may be available. Departments will send documentation of items cannibalized to the City Clerk's Office, and all remaining costs and accumulated depreciation will be removed from appropriate asset accounts in the general fixed asset fund.

All assets no longer in the possession of the department, due to one of these six qualifying conditions and after submission of all appropriate documentation to the City Clerk's Office, will be removed from the master departmental asset file and considered disposed.

Department management is responsible for reviewing disposal reports, evaluating causes and trends leading to disposals, and implementing procedures to more effectively manage and control disposals when the dispositions represent problems, inefficiencies, and/or the incurrence of unnecessary cost.

8. Physical Inventory

An annual physical inventory of all fixed assets will be performed by the City Administrator. The inventory will be conducted with the least amount of interruption possible to the department's daily operation. A full report of the results of the inventory will be sent, within 30 days of completion, to all

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departments for verification and acceptance.