


SUBJECT: Accounting Policy, Chart of Accounts	NUMBER: 17.01.070
RESPONSIBLE OFFICER: City Manager	EFFECTIVE DATE: 4/09/2018
POLICY OWNER: CFO, Administrative Services Department, City Treasurer	LAST UPDATED:
POLICY CONTACT: CFO, Administrative Services Department, City Treasurer	APPROVED:  Kurt O. Wilson

PURPOSE

- A. The City is responsible for safeguarding taxpayers' money and ensuring the prudent use of its financial resources. The City must comply with significant regulations on its use of public funds specified by external resource providers—such as grants—and embody the restrictions in the appropriated budget.
- B. This policy establishes guidelines for the policies and procedures to be followed in the general maintenance of City of Stockton accounting records and related account detail.

POLICY

A. Authority and Responsibility

In accordance with the Administrative Directive, *17.01 - Financial Management*, the Chief Financial Officer (CFO) has been delegated authority to implement financial policies, including Accounting. It is the responsibility of the CFO to maintain and distribute up-to-date financial policies that provide adequate guidance for financial activities. This guidance shall be provided in administrative directives, citywide policy, and the City's Accounting Manual.

B. Basis of Accounting

- I. Statements of revenue, expenditures, and changes in fund balances will be prepared on a modified accrual basis of accounting in accordance with GAAP for Governmental Funds. Governmental funds are used to account for most typical governmental operations and activities. There are five types of governmental funds.
 - a) **General Fund** - used to account for all financial resources of the City not required to be accounted for in some other fund. Includes the City's main operating fund reflecting transactions related to municipal governmental services supported by taxes,

intergovernmental revenues, charges for services and other governmental type revenues.

- b) **Special Revenue Funds** - used to account for specific governmental revenue sources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects.
 - c) **Debt Service Funds** - used to account for the accumulation of resources that are restricted, committed or assigned for, and the payment of, general long-term debt principal and interest.
 - d) **Capital Projects Funds** - used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition and construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).
 - e) **Permanent Funds** - used to account for resources that are restricted to the extent that only earnings, and not principal, can be spent. Permanent Fund resources help support designated arts, recreation, library and public safety programs.
- II. Statements of revenues, expenses and changes in net position will be prepared on an accrual basis of accounting for the Proprietary funds. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis. There are two types of proprietary funds:
- a) **Enterprise Funds** - used to account for activities for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds, in the context of the activity's *principal revenue sources*, if any one of the following criteria is met:
 - The activity is financed with debt that is secured solely by pledge of the net revenues from fees and charges of the activity,
 - Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or
 - The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).
 - b) **Internal Service Funds**- used to account for the provision of goods or services on a cost-reimbursement basis to other funds, departments or agencies of the primary government and its component units, or to other governments.
- III. Statements of changes in Fiduciary net position will be prepared on an accrual basis except for certain liabilities. Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government's own programs. The City maintains two types of fiduciary funds.

- a) **Private-Purpose Trust Funds** - used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments such as the Successor Agency to the Redevelopment Agency of the City of Stockton. The resources held under these arrangements are not available to support the government's own programs.
- b) **Agency Funds** - used to account for resources held in a purely custodial capacity for other governments, private organizations or individuals. Agency funds account for land-secured financing, developer area of benefit fees, pass-thru public fees on behalf of other entities, funds held in trust as security for development projects, and various community enhancement programs the City administers on behalf of other entities.

The accounts of the City will be organized by funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The funds maintained will be consistent with legal and managerial requirements.

C. Chart of Accounts

The City will define a classification and chart of accounts system to account for financial activities on a basis consistent with the municipal budget along with other City proprietary and fiduciary activities. The system will be designed to provide information necessary for other purposes, such as financial reporting, compliance with funding agencies, and to support organizational accountability of the City. The accounts in the chart will provide structure to the general ledger and will define assets, liabilities, fund balances/net position, the purpose of expenditures, and source and nature of revenues.

a) **Number System**

- The CFO or designee will be responsible for determining the account structure such that the accounts listed in the chart will be sufficient to meet the needs of most municipalities and the operations of the City.

a) **Period Close and Reconciliation**

- The Accounting Division shall maintain the general ledger of the City and shall close accounting periods on a regular basis as outlined in the Accounting Manual.
- The City shall perform regular reconciliation of the general ledger. The reconciliations shall generally be prepared monthly or quarterly depending on the risk nature of the account/fund and the activity. These reconciliations will include all bank accounts owned by the City. All reconciliations will be reviewed by separate individuals for appropriate accountability. Materiality, compliance risk, transaction detail volume, knowledge, and experience of personnel performing analyses will be considered in the design and implementation of account reconciliations and the subsequent review process.

b) **Procurement (Purchasing)**

- The City shall maintain purchasing policies and procedures using proper internal controls to segregate duties between recording keeping, ordering, and receiving.
- The Procurement Division shall perform adequate ongoing monitoring and oversight to reasonably ensure compliance with Procurement policies and procedures.

c) **Accounts Payable**

- The Accounts Payable Division is responsible for establishing disbursement policies and procedures that guide all City departments in the timely and efficient processing of vendor payments. The primary objectives for accounts payable and cash disbursements are to ensure that:
 - Disbursements are properly authorized.
 - All the required documentation is verified.
 - Invoices are processed in a timely manner.
 - Vendor credit terms and operating cash are managed for maximum benefit.

d) **Payroll**

- The Payroll Division is responsible for establishing payroll and timekeeping policies and procedures that guide all City departments in the timely and efficient processing of employee payments. The primary objective for payroll division is to ensure that employee payments are made timely and in accordance with policies, procedures, bargaining unit memorandum of understanding, and Federal and State laws and regulations

e) **Accounts Receivable**

- Accounts Receivable is an asset account reflecting amounts owed to the City from people, firms, and other governmental units. The Revenue Services Division is responsible for establishing policies and procedures that guide all City department in the recording and collection of Accounts Receivables owed to the City. The Accounting Manual shall establish a consistent process for treating all accounts receivable in the general ledger.
- Cash Handling and Collections
 - The City will use proper internal controls in the handling of monies to ensure that proper principles regarding separation of duties are followed.
 - The City will properly and timely deposit all monies to the appropriate bank account.
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 - The City will record the various cash and receivables transactions in the general ledger in a timely manner to ensure that bank reconciliations to reduce deposits in transit reconciling items.
 - The City shall handle all outstanding charges in a manner consistent with Accounts Receivable policies and procedures.
 - The City will perform collection efforts to receive all possible resources for the City operation.
 - The City will maintain proper documentation of Accounts Receivable transactions.

- Taxes become delinquent on July 1 of the fiscal year in which they are levied. At that time, the City (or its agent) shall take appropriate action to collect delinquent tax accounts.
- Past Due Utility Bills will be collected in accordance with Stockton Municipal Code (SMC) and related policies and procedures.

f) **Cost Allocation**

- The City will develop a plan to determine whether or not certain costs should be allocated among specific funds for the financing of traditional governmental services. Costs will be determined on a reasonable and allocable basis, and will be in compliance with any applicable regulations and grant agreements.

RESPONSIBILITIES

All Departments: Ensure and demonstrate compliance with all legal restrictions in using taxpayers' money and financial resources.

Chief Financial Officer: Implement and maintain accounting policies to provide adequate guidance to ensure reasonable and appropriate accounting practices are performed throughout the City.

All Employees: Adhere to the City's guidance regarding accounting practices including the administrative directive, policy, and Accounting Manual.

RELATED CITY POLICIES

Operating Budget Policy <CW.17.01.080>

Uncollectible Accounts <CW.17.01.090>

Financial Reporting <CW.17.02.030>

Purchasing and Procurement <17.05.010

RELATED FORMS, DOCUMENTS, OR LINKS

N/A

FREQUENTLY ASKED QUESTIONS

N/A

UPDATE HISTORY

N/A
