



It is the policy of the City Council of the City of Kirksville to annually develop a budget that accurately reflects the revenue and expenditure goals and objectives of the City Council, and incorporate those goals, objectives, programs and projects which best serve the public good. The budget of the City of Kirksville will be constructed and managed in accordance with the policies set forth below. During the course of each fiscal year, the budget will be used to provide direction in the administration of City services.

I. OPERATING BUDGET

- A. The City will maintain a financial and budgetary control system to ensure adherence to the budget and awareness of the financial environment. Monthly financial reports will be prepared and submitted to the Mayor, City Council and City Manager.
- B. The City will attempt to avoid layoffs in actions to balance the budget. Necessary personnel reductions will be made through attrition, if possible.
- C. The City will focus cost reduction efforts by using the service classification system to determine priority.

Services provided by the City are categorized in order to set priorities for allocating available funds and are defined as follows:

1. *Basic or Core Services:* Includes (1) legally mandated commitments or services, (2) those most closely linked to the health and safety of the citizens of Kirksville, and (3) those providing a net revenue contribution, or reducing identifiable costs in the same fiscal year.
2. *Maintenance of Effort Services:* Services that (1) maintain control of City resources, (2) reduce identifiable costs in future years, and (3) are necessary to keep the public adequately informed of legislative matters.
3. *Quality of Life Services:* Activities which are provided for more specialized groups, or are more aesthetic or promotional in nature.

The above categories have been applied to the City services as follow:

Basic or Core Services
Debt Services
Police, Fire & E-911
Utility Services (Water & Sewer)
Street Construction & Maintenance

Maintenance of Effort Services
Council
Administration
Human Resources
Finance

Public Facilities
Community & Economic Development
Codes & Planning
Engineering
MREIC

Quality of Life Services
Parks & Recreation
Airport

4. Enterprise funds will be self-supporting, including direct and overhead costs. Enterprise operations will not be subsidized and rates will be established to provide coverage of cost of operations, capital replacement and debt service. Rates will be reviewed annually and set in accordance with the requirements for participation in the Missouri State Revolving Loan Fund program or other bond covenants.
5. Charges for Internal Services shall be set at the lowest level possible to maintain essential programs and fund balances will be reviewed during the budget process.
6. Increases in staff will be permitted only in cases where the service demands have been expanded.

II. BALANCED OPERATING BUDGET

The City shall adopt a balanced budget where operating revenues for each Fund are equal to, or exceed, operating expenditures (excluding capital, contingencies and debt service) for that particular Fund. Any increase in expenditures, decrease in revenues or combination of the two that would result in a budget imbalance will require a budget amendment rather than spending unappropriated surpluses or designated reserves to support ongoing operations. Any year-end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and the balance will be available for capital projects and/or "one-time only" General Fund expenditures.

This is in accordance with Missouri Statute Section 67.010.2., which prevents the total proposed expenditures from any Fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

III. BUDGET PROCESS

The annual budget is a fiscal plan which presents the services which will be provided to the community and the funds needed to perform the services. The City of Kirksville prepares its budget on a calendar year basis, January 1 through December 31.

The budget shall be presented as a legislative document that, together with the related appropriating ordinance, will represent City Council policy concerning the sources and uses of funds for the budget year.

The budget process will adhere to the following time lines:

- The City Manager will present policy recommendations and develop goals for the upcoming budget year to be submitted to the Council between 120 and 180 days prior to the beginning of each budget year.
- A budget calendar will be developed on an annual basis.
- The City Manager shall submit a budget for Council review at least 45 days prior to the beginning of each budget year.
- In December, the City Council shall hold a public hearing and two public readings on the budget as submitted. The budget will be available for public inspection at least ten days before the public hearing.
- The City Council shall adopt the budget, by majority vote, no later than the last Monday of December. If the City Council does not take final action by this date, the budget will be considered effective as it was submitted.
- The budget shall be on record in the Administration Department and available for public inspection. In addition, a copy of the budget is available online at the City of Kirksville's website www.kirksvillecity.com.

The budget document will be submitted to the Government Finance Officers Association (GFOA) within 90 days after adoption by ordinance to be considered for the Distinguished Budget Presentation Award.

IV. REPORTING POLICY

Amounts presented in the budget document shall be compared with actual revenues and expenditures for each month and year-to-date ended during the budget year. The monthly reports will be presented in such a form that will enable the City to maintain control over its financial resources and communicate adherence to the intent of the Council for the budget year. This process will provide information to monitor the performance of municipal services against the budget goals established by the Council.

V. FUND BALANCE REPORTING AND RESERVES

Effective with the City's implementation of GASB Statement No. 54 regarding the classification of fund balances, a City Council Fund Balance Policy provides the direction for the uses of fund reserves by the City's governmental funds. The General Fund, Special Revenue Funds, Capital Improvement Funds and Fiduciary Funds will follow the directives found in this policy.

In order to participate in State Revolving Loan Fund (SRF) financing, a separate operation and maintenance fund and a replacement fund are required to be maintained for both the clean water and drinking water financial operations. Operation and maintenance accounts are funded by a transfer from the operations revenue of the respective fund. The replacement fund has a specific annual dollar designation that is required to be transferred from operations revenue. The accumulation of the monies transferred in over the actual expenditures in the replacement fund will build up a future reserve designated for capital replacement.

After Utility Fund operating, capital and reserve needs have been met on an annual basis, any excess monies may be set aside to provide the funding necessary to implement a capital replacement program. The City Council has the option to approve an alternative capital reserve balance if the minimum fund balance cannot be met.

VI. BUDGETARY CONTROL POLICY

The adoption of annual operating budgets is used as a control device for all Funds of the City of Kirksville. Departmental directors are responsible and will be held accountable for the expenditures of their divisions and/or departments. Expenditures may not exceed appropriations for any division or department within each applicable Fund without authorization from the City Manager. Unexpended operating budget appropriations lapse at year end.

During the fiscal year, budgetary control is maintained by frequent review of departmental appropriation balances and through the use of a purchase order system and computerized financial administrative system. Purchase orders which would exceed appropriated balances are not released until further review and approval by the City Manager. An integral part of this control process assures that capital expenditures are for those items specifically approved in the budget, unless proper exceptions have been granted

A debt service reserve is to be funded from storm water utility charges to pay debt service on the Recovery Zone Economic Development bonds issued for the storm water management program. Excess of revenues over debt service is to be paid to a surplus account to fund operating expenses of the storm water utility.

VII. AMENDMENTS

Departmental appropriations that have not been expended by the end of the fiscal year lapse and will not be available in the ensuing fiscal year unless re-approved. The City Manager or Finance Director may transfer any unencumbered appropriation balance or any portion thereof, from one account or department, within the same fund, to another. The City Manager will notify the Council of any interdepartmental transfers. Any revisions that alter the total operating expenditures of any fund must be approved by the City Council. Such supplements or amendments shall be filed with the original budget. Expenditures for capital projects may be carried over from year to year when the total dollar amount of the project has previously been approved by Council action but must be re-appropriated in any succeeding year's budget.

Establishing appropriations for a new project or Fund will necessitate a budget amendment and City Council approval prior to expenditure. Budget amendments resulting from over-runs to existing appropriations or for release of monies to be made available for other previously approved projects will be presented for City Council approval in December prior to fiscal year end.

VIII. BASIS OF ACCOUNTING & BUDGETING

The budgets/accounts of the general government type funds (i.e., general fund, special revenue funds, capital improvement funds) are prepared on a modified accrual basis. This means that expenditures are recognized when liabilities are incurred, and revenues are recognized when received in cash, except for material revenues which are accrued when they become available and measurable.

The proprietary fund type (i.e., enterprise funds and the internal service fund) is budgeted/accounted for with revenues and expenses recognized as earned or incurred, respectively. Expenses are recognized when a commitment is made (e.g., through a purchase

order) and revenues are also recognized when they are obligated to the City (for example, water user fees are recognized as revenue when bills are produced).

Fiduciary funds and agency funds are budgeted/accounted for using a modified accrual basis for budgeting.

The City of Kirksville accounts for the financial transactions in each Fund and in the preparation of its interim financial reports under "generally accepted accounting principles" (GAAP). Usually this conforms to the way the City prepares its budget, with the following exceptions:

- Accrued compensated absences are not recognized as expenditures for governmental fund budgetary purposes.
- Capital outlays for proprietary funds are budgeted as expenditures.
- Debt service principal payments are budgeted as expenditures.
- Capital grants and bond/loan proceeds in proprietary funds are budgeted as revenue.
- Depreciation and amortization are not budgeted as expenditures.

The following fund types and account groups are used by the City:

A. **Governmental Fund Types**

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (other than those in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position. The following are the City's governmental fund types:

The **General Fund** is the principal fund of the City and accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges and capital improvement costs that are paid through other funds are financed through revenues received by the General Fund.

Special Revenue Funds are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are designated to finance particular functions or activities of the City.

Capital Improvement Funds are established to account for resources designated to acquire capital facilities, except for minor acquisitions financed from regular operating funds

B. **Proprietary Fund Types**

Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the City's proprietary fund types:

Enterprise Funds account for operations that provide a service to citizens, financed primarily by a user charge for the provision of that service, and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

C. **Fiduciary Fund/Agency Types**

Fiduciary Funds are used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

Agency Funds. The City acts in a custodial role for these Funds; they account for the temporary receipt of funds that are passed through to other entities. All receipts are offset by payments made on behalf of the entity.

The following are additional City Council financial policies that are separately stated and adhered to in order to make the budget a good financial document and to provide direction in the administration of the budget document.

- Purchasing Policy
- Investment Policy
- Revenue Policy
- Cash Management Policy
- Debt Management Policy
- Fund Balance Policy

IX. **PERSONNEL POLICY**

Control of expenditures in the area of personnel costs is provided through position control. No new regular full-time or regular part-time positions may be created without the approval of the City Council. The City will seek volunteers and federal or state employment assistance programs whenever possible.

X. **CAPITAL IMPROVEMENT PLAN POLICY**

The City's Capital Improvement Plan (CIP) provides a detail of capital expenditures proposed for the next five fiscal years for rolling stock, building maintenance, computers, radios, parks, streets, Airport, utilities and for any anticipated ongoing capital replacement program. This plan shows the means of funding for each capital item and the service delivery and operating impact of each capital project, including personnel, operating and maintenance and debt service. The CIP is presented to the City Council on an annual basis and the capital items will be integrated into the appropriate budget upon City Council approval.

Financing of capital expenditures from available funds is the least costly and most desirable method and every effort will be made in the CIP to use this method prior to incurrence of debt. Those capital expenditures that cannot be internally funded will follow financing options and methods outlined in the City's Debt Management Policy.

Utility capital projects will be primarily funded by user fees and operational needs as resources allow.

Grant-funded capital items will be evaluated for service delivery impact prior to replacement.

Capital acquisitions through the Capital Improvement Sales Tax Fund will be in accordance with its annual Allocation Plan.

XI. PERFORMANCE MEASUREMENT POLICY

The City will develop and use program and service performance measurements as an integral part of long-term strategic planning and managerial decision-making processes. These measures will be linked to budgetary goals and objectives and be a tool to assist the citizens assess departmental efforts in managing resources efficiently and effectively. Measurements will consist of a mix of the following:

- Workload-which measures the quantity of activity for a reporting unit.
- Demand-which measures the amount of service opportunities.
- Efficiency-which measures the relationship between output and service cost.
- Effectiveness-which measures the impact of an activity.

Performance measurements reported are meaningful to the department's performance and are monitored over the long-term to establish a benchmark or trend. Established benchmarks will then be integrated into the performance measurement process for variance monitoring.

Performance management allows for the budget process to focus on the value of a service or project in addition to the cost of providing or implementing.

XII. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to local governments. The following represents the more significant accounting and reporting policies and practices of the City:

Reporting Entity. In determining the agencies or entities which comprise the City for financial reporting purposes, the criteria of oversight responsibility over such agencies or entities, special financing relationships and scope of public service provided by the agencies or entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. The City's budget includes E911 Central Dispatch, which is a discretely-presented component unit for financial reporting purposes.

Independent Audit. An independent audit shall be made of all accounts including special and trust funds of the City at least annually. This audit shall be made as soon after the close of the fiscal year as possible. The annual audit will be conducted by certified public accountants who are selected by the City Council. The City Manager shall make available copies of such audit for public inspection at the office of the City Clerk.

A Comprehensive Annual Financial Report (CAFR), prepared under the provision of GASB 34, shall be issued within six months of the close of the previous fiscal year. It will be reviewed by City management and the City Council and presented to the City Council at a public meeting.

The City shall attempt to maintain accounting records in such a manner to receive an unqualified audit opinion and to qualify for a Certificate of Achievement for Excellence in Financial Reporting from the GFOA.

Internal Control. The City utilizes a computerized financial accounting system, which incorporates a system of internal accounting controls. Such controls have been designed to ensure that the financial and physical assets of the City are effectively safeguarded and that accurate accounting data is available for collection, compilation and reporting purposes in conformity with generally accepted accounting principles. The City's internal control system is designed to promote operational efficiency and adherence to policy. The cost of internal controls should not outweigh their benefits. The City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.