

Accounts Payable Reconciliation

Responsible Party: Chief Administrative Officer & City Secretary

Policy Statement: The City of Johnson City (the “City”) reconciles Accounts Payable on no less than a monthly basis to ensure reported financials are accurately reflected and sufficiently documented.

Scope: This policy applies to any City Staff member responsible for the execution of Accounts Payable account reconciliations, including the processing of all associated adjusting journal entries to the general ledger. Any adjusting entries needed are to be made on no less than a monthly basis.

Definitions:

- Accounts Payable: Accounts payable (AP) is an account within the general ledger that represents the City’s obligation to pay off a short-term debt to its creditors or suppliers. Additionally, AP commonly refers to a department or division that is responsible for making payments owed by the City to suppliers and other creditors.
- General Ledger: A general ledger is an electronic application that contains all financial transactions for the City. Currently, the general ledger (system of record) is FundView. Information from the general ledger is used by City to analyze, report, and monitor the results of the government.
- Obligation: An obligation is a commitment to pay a third party based on an underlying contract, such as a purchase order or bond issuance.
- Short Term Debt: Short-term debt, also called current liabilities, is a government’s financial obligations that are expected to be paid off within a year.
- Reconciliation: Reconciliation is an accounting process that compares two sets of records to ensure that figures are correct and in agreement; it confirms that accounts in the general ledger are consistent, accurate, and complete. Reconciliation is particularly useful for explaining the difference between two financial records or account balances. Some differences may be acceptable because of the timing of payments and/or deposits.

Policy Steps:

1. Due to limited staffing and time constraints, the City does not currently input AP into the general ledger prior to processing. When received, AP is filed and processed on no less than a monthly basis to ensure reported financials are accurately reflected and sufficiently documented. AP is processed as follows:
 - a. The Chief Administrative Officer, City Secretary, and/or Department Heads complete a Direct Order for Check Preparation (DO) and attach the DO to the

approved invoice. Approved invoices are sent to the Chief Administrative Officer for review and approval.

- b. Once approved by the Chief Administrative Officer, approved invoices are sent to the City Secretary for processing and check preparation within FundView. Approved invoices are entered into a new invoice batch and, subsequently, posted to the general ledger and paid. ACH and bank wire transactions are recorded in the general ledger; however, no check is issued.
 - c. Issued checks are uploaded into the City's Bank Depository positive pay program and require two signatures prior to mailing.
2. AP balances on the general ledger, if any, are reconciled and cleared by the City Auditor on an annual basis.

Revenue Recognition

Policy Statement: The City of Johnson City (the “City”) will:

- A) Recognize revenue according to the service and period to which the revenue applies. Applicable estimated fees, if any, are included in revenue in the proportion that incurred costs bear to total estimated costs.
- B) Classify income from services provided as gross income generated directly from participants utilizing a service operated / administered by the City. If authorized by Federal, State, or local regulations or grant / loan terms, costs incidental to the generation of program / service income may be deducted from gross income to determine program / service income.
- C) Ad valorem (property) tax income will be classified appropriately when deposited via check monthly. Revenue based on the receipt of property taxes will be recognized once it is received.
- D) Acknowledge that, depending on the method provided in the grant / loan terms, income should be deducted from outlays, added to funds committed to the grant / loan terms, or used to meet cost sharing or matching requirements of the grant / loan terms.

Scope: This policy applies any and all monies received by the City.

Definitions:

- 1. Arrangement: Identification of a contract with a customer.
- 2. Performance Obligations: Service to be performed for the determined price.
- 3. Price Determination: The price to the buyer is fixed or determinable and the allocation of the transaction price is related to the performance of obligations.
- 4. Services Rendered: Delivery of promised services required for payment.

Policy Steps:

- 1. A contract is initiated with a customer, which contains information regarding rates for services provided and when billing will occur.
- 2. Based on the arrangement determined within the contract, the City satisfies the performance obligations outlined in the contract.
- 3. If rates are predetermined and are expected to change, the customer must be notified of the rate change in a manner authorized by State and / or local law, regulation, or policy.
- 4. Services are rendered for a previously determined and agreed upon price, and revenue is received based on the use for a predetermined period of time.

Accounts Receivable

Responsible Party: Chief Administrative Officer & City Secretary

Policy Statement: The City of Johnson City (the “City”) accounting function ensures that invoices / billings for all goods or services provided are prepared and distributed in a timely manner to optimize cash flow.

Scope: This procedure applies to all Federal, State, County, and local funding / revenue sources for the City.

Definitions:

1. Invoice Types:
 - a. Water / Wastewater Utilities; and
 - b. Solid Waste.
2. Billing
 - a. Water Service;
 - b. Wastewater Service;
 - c. Solid Waste Service;
 - d. Vehicle Equipment and Replacement Program Fees;
 - e. Penalties & Interest; and
 - f. Connection & Transfer Fees.

Policy Steps:

1. An invoice is to be issued for goods or services rendered by the City.
2. Invoices are to be recorded by assigned City Staff members into the respective customer account/subsidiary ledger (i.e. FundView for utilities or solid waste). If the recording process is automated, a review should be performed to ensure the automated recording is complete and free of issue.
3. Collection of invoices is to be initiated per the date and terms originally stated on the invoice.
4. A listing of outstanding invoices for each subsidiary ledger is to be reviewed at the end of each month by the Chief Administrative Officer or designee.
 - a. Any outstanding amounts greater than 30 days old are to be handled in accordance with the Uncollectable Accounts & Write Offs Policy.
 - b. The delinquent account is recorded and retained until account re-activation is requested, at which point the balance past due must be caught up prior to service reconnection.
 - c. Delinquent accounts may be sent to a collection agency.

5. Returned checks due to insufficient funds, closed accounts, stop payments, incorrect bank account information, etc. will be recorded within the general ledger as insufficient funds (NSF), and a fee will be assessed.
6. Customer refunds should be disbursed by the Chief Administrative Officer or City Secretary and supported by appropriate documentation.
7. A reconciliation of accounts receivable is to be performed monthly as a part of the City Secretary's bank reconciliation process and is reviewed by the Chief Administrative Officer.

Uncollectable Accounts and Write-off of Bad Debt

Responsible Party: Chief Administrative Officer & City Secretary

Policy Statement: The City of Johnson City (the “City”) will utilize the direct write-off method to recognize all uncollectible accounts receivable.

Scope: This policy applies to any City Staff member responsible for the collectability of accounts receivable, including the processing of all associated adjusting journal entries to the general ledger. Any adjusting entries needed are to be made during the monthly close process.

Definitions:

- Aged Accounts Receivable - a report that lists unpaid customer invoices and unused credit memos by date ranges. The aging report is the primary tool used by collections personnel to determine which invoices are overdue for payment. Given its use as a collection tool, the report may also be configured to contain contact information for each customer. The report is also used by management to determine the effectiveness of the credit and collection functions. A typical aging report lists invoices in 30-day increments.

Policy Steps:

1. Age all accounts receivable balances and review such aging on a monthly basis.
2. Accounts receivable balances will be aged on a 0-30 / 31-60 / 61-90 / 91-120 / Greater than 120-day basis.
3. A schedule of aged accounts receivable will be prepared monthly and reviewed for collection by the Chief Administrative Officer.
4. Monthly account balances are due on or about the 15th of each month and are considered past due on or about the 16th of the same month.
5. A letter with notice of past due balance will be sent out at the end of each billing period, as well as the notice of service disruption if the balance is not paid by the specified date listed.
6. Accounts aging past 31 days will be:
 - i) Turned over to an agency for collections; or
 - ii) Be considered for write off by the City Council as uncollectable.
7. Annually, the Chief Administrative Officer will perform a historical collections analysis to determine the subsequent year’s allowance for uncollectable accounts.

Accounts Receivable Reconciliation

Responsible Party: Chief Administrative Officer & City Secretary

Policy Statement: The City of Johnson City (the “City”) reconciles accounts receivable on a monthly basis to ensure reported financials are accurately reflected and sufficiently documented. To ensure that the amount of accounts receivable reported on the balance sheet is correct, the City Secretary verifies that the detailed total of all accounts receivable outstanding matches the receivables account balance stated on the general ledger.

Scope: This policy applies to any City Staff member responsible for the execution of accounts receivable account reconciliations, including the processing of all associated adjusting journal entries to the general ledger.

Definitions:

- **Accounts Receivable:** Accounts receivable (AR) is the balance of money due to the government for goods or services delivered or used, but not yet paid for by customers. Accounts receivable are listed on the balance sheet as a current asset.
- **Reconciliation:** Reconciliation is an accounting process that compares two sets of records to ensure that figures are correct and in agreement; reconciliation confirms that accounts in the general ledger are consistent, accurate, and complete. Reconciliation is particularly useful for explaining the difference between two financial records or account balances. Some differences may be acceptable due to the timing of payments and deposits.
- **Adjusting Entry:** Adjusting entries are usually made on the last day of an accounting period so that the government’s financial statements comply with the accrual method of accounting.
- **General Ledger:** A general ledger is an electronic application that contains all financial transactions for the City. Currently, the general ledger (system of record) is FundView. Information from the general ledger is used by the City to analyze, report, and monitor the results of the government.
- **Subsidiary Ledger:** A record of the details to support a general ledger account. The general ledger account is often referred to as the control account. For example, the accounts receivable subsidiary ledger provides the details to support the balance in the general ledger control account Accounts Receivable.

Policy Steps:

1. The Chief Administrative Officer / City Secretary will ensure that all transactions have been recorded for the period and that all subsidiary ledger balances have been posted to the general ledger. The resulting ending balance in the receivables account is the summary total to be verified through reconciliation.

2. The City Secretary will complete the bank reconciliation process in FundView to ensure that all increases / decreases are cleared.
3. The Chief Administrative Officer will review the AR reconciliation prior to the end of the period.
4. When the reconciliation is conducted, there may be differences between the two amounts for the following reasons:
 - a) A journal entry was made to the general ledger account that bypassed the subsidiary sales ledger.
 - b) A billing was accidentally posted to an account other than the account receivables account.
 - c) The aged receivables report was run as of a different date than the date used to obtain the general ledger balance.

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AR Recon & Revenue Recognition Policy	
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Cash Management

Purpose: The City of Johnson City (the “City”) has implemented a cash management function to fulfill the fiduciary responsibilities in handling, safeguarding, and investing the funds of the City. This Cash Management Policy provides guidance on internal controls to assure the safety of cash.

Scope: This policy applies any City Staff member responsible for the initiation, execution, and authorization of fiduciary responsibilities in handling, safeguarding, and investing the funds of the City.

Definitions:

- Internal Control: Internal controls are the mechanisms, rules, and procedures implemented by a government to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.
- Segregation of Duties: The separating of three main functions and having them conducted by different employees: 1) Having custody of assets. 2) Being able to authorize the use of assets. 3) Recordkeeping of assets.

Bank Account Administration

Responsible Party: Chief Administrative Officer & City Secretary

Policy Statement: The City will create and utilize bank accounts to manage financial operations. The Chief Administrative Officer / City Secretary is responsible for the usage of bank accounts.

Definitions:

- ACH Payment: An ACH payment is a form of electronic payment, occurring between two banks. ACH payments are not immediate since they process through a clearinghouse.
- Wire Transfer: A wire transfer is a form of electronic payment, occurring between two banks. Unlike ACH payments, however, wire transfers are immediate since they do not have to process through a clearinghouse.

Policy Steps:

- The bank’s online system provides the ability to review posted transactions, current balances, and monthly statements per account.
- Accounts shall be titled in the name of the City, with additional secondary designations, where appropriate, within the bank account name to identify the purpose of the bank account.
- Accounts must be FDIC-insured, collateralized, or insured by another institution.
- Accounts must be able to partake in ACH / wire transactions.
- Accounts must be reconciled on a monthly basis to FundView; See “Reconciliations Guide” for details.

- Funds will be maintained in interest-bearing accounts, where possible and practical. Moreover, funds derived from a grant or contract where a separate bank account is required, shall be segregated into a separate bank account.

Check Issuance

Responsible Party: Chief Administrative Officer & City Secretary

Policy Statement: The City will utilize physical checks, ACHs, or wires as a method of paying for expenditures. All checks or initiated ACHs or wires are to be prepared by the Chief Administrative Officer and then presented to the City Secretary for Accounts Payable processing.

Scope: This policy applies to any City Staff member responsible for the preparation, review, approval, and signing authorization of checks, ACHs, or wires.

Definitions:

- Check payment: a negotiable instrument drawn against deposited funds, to pay the recipient a specific amount of funds on demand. A check has traditionally been physically routed from the payer to the payee, then to the payee's bank, which issues funds to the payee, and then by the payee's bank to the payer's bank.
- Expenditures: the act of expending funds; disbursement; consumption.

Policy Steps:

1. The Chief Administrative Officer, City Secretary, and/or Department Heads complete a Direct Order for Check Preparation (DO) and attach the DO to the approved invoice. Approved invoices are sent to the Chief Administrative Officer for review and approval.
2. Once approved by the Chief Administrative Officer, approved invoices are sent to the City Secretary for processing and check preparation within FundView. Approved invoices are entered into a new invoice batch and, subsequently, posted to the general ledger and paid. ACH and bank wire transactions are recorded in the general ledger; however, no check is issued.
3. Issued checks are uploaded into the City's Bank Depository positive pay program and require two signatures prior to mailing.
4. A report for all check, ACH, and/or wire expenditures is presented to the City Council on a monthly basis for approval.

Cash Receivables

Responsible Party: Chief Administrative Officer & City Secretary

Policy Statement: The City requires that all cash received be posted, counted, verified, and signed off by the City Secretary in the presence of an available City Staff member and deposited to the bank on no less than a weekly basis. Cash receipts are received by the City in the following ways: 1) via mail; 2) in-person; 3) after-hours drop box; 4) ACH; 5) wire; and 6) credit card.

Scope: This policy applies to all City Staff members responsible for any activity involved in receiving cash receipts.

Definitions:

- Cash Receipt: A cash receipt is the collection of money, typically from a customer, to offset a corresponding accounts receivable balance.
- Accounts Receivable: Accounts receivable is the balance of money due for goods or services delivered or used but not yet paid for by customers. Accounts receivable are listed on the balance sheet as a current asset.

Policy Steps:

1. When the City receives a cash receipt, it should immediately document the cash receipt in FundView. The receipt amount is automatically posted within the appropriate ledger in FundView.
2. The receipt amount is stored in the appropriate cash register drawer until counting and verification on Friday of each week or when cash drawer totals become significant.
3. The City Secretary, in the presence of an available City Staff member or within view of the security camera, counts all cash receipts received for the time period.
 - a. The total cash amount received is then compared to the total amount calculated on the FundView cash receipts register.
4. The City Secretary signs off on the receivables log that cash received for the period matches the log. The Chief Administrative Officer spot checks cash receipts registers and receivables logs on a frequent basis.
 - a. Log is filed for audit purposes.
5. City Secretary completes a deposit slip for the total amount.
6. The deposit is then made to the bank by the City Secretary on the current or following business day.
 - a. If the deposit is to be made the following business day, the cash is to be held in the vault overnight.

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Cash Management

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Asset Management Policy

Purpose: The City of Johnson City (the “City”) has implemented an Asset Management Policy that provides guidelines for accounting, safeguarding, and managing assets throughout the City. The policy establishes rules that ensures compliance, accountability, responsibility, safekeeping, and adequate control of assets.

Scope: This policy applies any City Staff member responsible for recording, custody, and authorization of fiduciary responsibilities in handling and safeguarding the fixed assets of the City.

Definitions:

- Capital Asset: As defined by GASB 34, capital assets are assets that exceed a certain cost threshold and have a useful life in excess of one year. The City’s cost threshold is \$5,000. The term capital asset includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, construction in progress, leasehold improvements, and all other tangible or intangible assets, plus any ancillary cost necessary to place the asset into service at its intended location.
- Fund: A sum of money saved or made available for a particular purpose.

Fixed Assets

Responsible Party: Chief Administrative Officer & City Auditor

Policy Statement: Management responsibility for the Fixed Asset Management Program is hereby delegated to the Chief Administrative Officer and City Auditor, or, in their absence, such other person specifically designated by the Chief Administrative Officer. Day-to-day asset management will be performed in coordination with the Chief Administrative Officer. To ensure internal control and integrity of each asset acquired or disposed of under this policy, the City Auditor shall review the acquisition and disposal activity annually during the annual audit and the Chief Administrative Officer, in concert with the City’s fixed asset subcontractor, shall review the acquisition and disposal activity biennially.

Asset Categories

Land: Refers to the crust of the Earth that is used to support various structures, such as infrastructure and buildings. Land should always be capitalized separately, regardless of its close association with another asset, as it has indefinite useful life and, therefore, it is not subject to depreciation. Costs that can be capitalized along with the acquisition of land include commissions, professional fees, such title searches, architect, legal, engineering, appraisal, surveying, and environmental assessments that are directly associated with the land being acquired, land clearing, excavation, fill, grading, drainage, and the cost of removing, relocating, or reconstructing the property of others (i.e. railroad, telephone, and power lines).

Land that is acquired for use as toxic waste disposal, source of gravel or ore, or for farming in which fertility dissipates very quickly should be capitalized, depreciated, and reported separately from other land assets.

Land Improvements: Refers to attachments to the land that are not movable and add value to the land. Examples of improvements are fences, retaining walls, parking lots, landscaping, outside sprinkler systems, paths and trails, swimming pools, tennis courts, gates, fountains, recreation areas, and athletic fields.

Buildings and Building Improvements: Refers to the cost of acquisition or construction of permanent structures that are attached to the land and are used to house persons and property. Building improvements are additions to the original building that add value to the building and/or extend its useful life beyond the original life. Permanent installed fixtures to or within these structures are considered part of the building. Expenditures that can be capitalized as a part of the building depend on whether the government is purchasing or constructing the building. If purchasing the building, capitalizable expenditures include: the original acquisition price, expenses related to remodeling or reconditioning the building to make it ready for use; environmental compliance; professional fees (i.e. sales commission, appraisal, title, and legal); and any other cost required to place the asset in operation. If the government is constructing the building, capitalizable costs include: the completed project cost (i.e. labor, materials, overhead, engineering charges, architect, permits, blueprints, etc.) and capitalized interest for enterprise type activities.

Infrastructure: Refers to assets that are stationary in nature and that can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are normally reported as networks or subsystems, rather than as individual assets in their own right. Examples of infrastructure assets are: roads, streets, curbs, gutters, sidewalks, fire hydrants, bridges, railroads, trestles, canals, waterways, dams, drainages, water and sewer systems, tunnels, fiber optic and telephone distribution lines, light systems (traffic, outdoor, streets etc.), signage, and airport runways, strips, and taxiways.

Furnishing and Equipment: Refers to movable tangible assets that are used for operations. Capitalizable costs of equipment and furnishings should include ancillary charges that are necessary to place the asset into its intended location and condition for use. Examples include: rolling stock, construction and maintenance equipment, office equipment and furnishings, IT equipment, and public use equipment, such playgrounds that are above the capitalization threshold set by the City.

Vehicles should be recorded as vehicles, rather than as equipment, because they are different in nature, as they are assets that can move themselves under their own power.

Easements: Defined as an interest in land owned by another party that entitles its holder to a specific use or enjoyment. Easements are not depreciable assets, as they are characterized as having an inexhaustible life. However, in the event an easement is subject to a constraint in time, the City should depreciate this asset using the useful life that it represents.

Leasehold Improvements: Defined as improvements made to leased property that will revert to the lessor at the expiration of the lease.

Construction in Progress: Refers to costs incurred to construct or develop a tangible or intangible capital asset before it is substantially ready to be placed into service. Once the project is completed, the capital asset should be capitalized to its appropriate capital asset category (land, building, equipment, infrastructure, etc.). Projects are capitalized as completed assets upon the earlier occurrence of substantial completion, occupancy, or when the asset is placed into service.

Accounting for Depreciation: The City's fixed assets will be depreciated on a straight-line basis over the expected useful life of the assets.

Definitions:

- Depreciation: A reduction in the value of an asset with the passage of time, due, in particular, to wear and tear, a provision typically made for depreciation of a fixed asset.

Policy Steps:

1. Annually, the City Auditor reviews a list of purchased assets, as defined within the categories within this Policy, and determines the ideal useful lives of the assets. The assets are recorded on the balance sheet, along with the straight-line depreciation to be carried out over time and the salvage values of the assets.
2. Biennially, the Chief Administrative Officer, in concert with the City's fixed asset subcontractor, shall review and record the acquisition and disposal activity of fixed assets. The fixed asset report is provided to the City Auditor for the purposes stated in Item No. 1 above.
3. Annually, the City Auditor records an entry for accumulated depreciation against the asset in order ensure that the asset is recorded at the appropriate value on the balance sheet.
4. Upon the disposal of an asset, the City Auditor records the entry to reflect the manner of disposal, whether it was sold at salvage value or scrapped (disposed of without receipt of funds).

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Fixed Asset Policy	
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IT Access & Recovery

Responsible Party: Chief Administrative Officer, FundView & IT Subcontractor

Policy Statement: The City of Johnson City (the “City”) utilizes a cloud-based version of FundView to manage the City’s ledger. Ledger data is backed up daily to an offsite server located at 8600 Harry Hines Boulevard, Dallas, TX 75235 to mitigate the risk of data loss. The City and FundView retains documentation pertaining to IT. The Chief Administrative Officer is responsible for maintaining any and all IT policies/procedures and documentation and performing a review of documentation on a periodic basis to ensure documentation is up-to-date.

Scope: This policy applies to any City Staff member or subcontractor responsible for the initiation, execution, and authorization of disbursement transactions.

Definitions:

IT (Information Technology): The use of systems, especially computers and telecommunications, for storing, retrieving, and sending information.

Data Backup: An additional copy of data from within a system maintained somewhere other than the system of record.

Data Recovery: The process of restoring data that has been lost, accidentally deleted, corrupted, or made inaccessible.

Policy Steps:

1. The City utilizes a billing tool called FundView to manage water and sewer operations and related accounting. FundView is cloud-based and backed up no less than daily.
2. Passwords are changed every 90 calendar days and should meet complexity requirements, generally 12 to 14 characters, including a combination of uppercase letters, lowercase letters, and symbols. Furthermore, passwords should not to be shared. If another individual is required to log into the application, they are to have their own login and password as a back-up.
3. FundView’s cloud-based platform alleviates the risk of data loss, frequent backups, data accessibility, and constraints on user access.
4. In instances where City Hall is compromised, City Staff members can access FundView from other locations with internet access so that business can resume.

New Service Policy Water, Wastewater & Solid Waste Services

Responsible Party: Chief Administrative Officer & City Secretary

Policy Statement: The City of Johnson City (the “City”) ensures that only authorized customers who have signed a City service contract and paid the requisite deposit will be serviced in accordance with the City service contract and Federal, State, and local laws and regulations.

Scope: This policy applies to City Staff members that are responsible for the initiation, execution, and authorization of water, wastewater, and solid waste services and customer account set up.

Definitions:

- Contract: A written or spoken agreement, especially one concerning employment, sales, or tenancy, which is intended to be enforceable by law.
- Deposit: A sum payable as a first installment on the purchase of something or as a pledge for a contract, the balance being payable later.
- Delinquent: An expression used to describe a payable that is in arrears and still owed over a period of time.

Policy Steps:

1. Customer makes contact with the City and requests service for a specified address.
2. A completed contract will be signed and submitted, along with Federal or State identification, and will be retained within City records for the account creation.
3. Customers are required to pay a deposit, in accordance with the most recently approved Municipal Fee Schedule, to commence service at the address specified on the contract.
4. A receipt is provided to the customer and attached to the customer contract.
5. Once City Staff obtains both the signed contract and deposit, the customer is entered into FundView.
6. Once the account is created in FundView, a Utility Department employee takes an initial meter reading at the property.
 - a. Generally, meters are read 5-10 days before the end of the billing cycle.
 - b. Billings are produced based on actual meter data.
 - c. Documentation supporting the billing should be recorded within FundView.
7. Delinquent customer accounts are automatically mailed notices of payments due through FundView.
8. If a customer account is delinquent, or is in arrears, the balance should be paid in full within 10 calendar days of the overdue balance date in order to ensure continual service.
9. If an account becomes more than 10 days overdue, the service is discontinued and a reconnection fee, in accordance with the most recently approved Municipal Fee Schedule, will be charged to the account.

10. If an account remains overdue for 3 consecutive billing cycles, a final bill for services will be sent to the customer, and, if reconnection is requested by the customer, the payment of a new deposit will be required.

See below for a sample contract for new service setup.

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Notes Payable (Loans) Reconciliation

Responsible Party: Chief Administrative Officer, City Auditor & City Secretary

Policy Statement: The City of Johnson City (the “City”) reconciles Notes Payable on an annual basis to ensure reported financials are accurately reflected and sufficiently documented. Any concerns or variances are to be discussed with the Chief Administrative Officer or City Auditor as a part of the annual audit process.

Scope: This policy applies to any City Staff member responsible for the initiation, execution, and authorization of Notes Payable reconciliations, including the processing of all associated adjusting journal entries to the general ledger. Any adjusting entries needed are to be made during the annual audit process.

Definitions:

- Notes Payable: Notes payable is a general ledger liability account in which a government records the value amounts of the promissory notes that it has issued. The balance in Notes Payable represents the amounts that remain to be paid. Typically a “note” is a long-term debt obligation.
- Promissory Note: A promissory note is a financial instrument that contains a written promise by one party (the note's issuer or maker) to pay another party (the note's payee) a definite sum of money, either on demand or at a specified future date.
- Long-Term Debt: Long-term debt is any amount of outstanding debt a government holds that has a maturity of 12 months or longer. It is classified as a non-current liability on the City's balance sheet.

Policy Steps:

1. Ensure that all note payments are recorded in the general ledger.
2. The City Auditor acquires the most recent balance statement for the note(s) outstanding, and:
 - a. Reconciles the outstanding balance and any interest payable from the balance statement to the general ledger.
 - b. Confirms the current portion of the note payable from the balance statement to the general ledger.
3. For outstanding balances, verify that said balances match the internal payment ledger for the bank accounts where the outstanding loan(s) is/are withdrawn.
4. The note payable reconciliation should be presented to the City Council during the annual audit process.
5. Notes payable should be reconciled to the general ledger at least annually.

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