

RESOLUTION NO. R-11-2023

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FULTON APPROVING AND ADOPTING FINANCIAL POLICIES

WHEREAS, the Town Council of the Town of Fulton finds it is desirable and required to establish guidelines and procedures for accounting and auditing, financial planning, budgeting and budget transfers, long term financial planning, reserves, personnel, purchasing, contracting and fixed assets, debt management, investments, prompt payment and cash management and internal controls; and

WHEREAS, such policies shall be reviewed by the Town Council on an annual basis.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FULTON, TEXAS:

Section 1. The Town Council approves and adopts the Financial Policies attached hereto as Exhibit A and made a part hereof by this reference.

Section 2. The Financial Policies become effective upon approval of this Resolution.

Section 3. The City Secretary shall disseminate the Financial Policies to all Town of Fulton employees and agents as necessary.

Section 4. The Mayor, or presiding officer, is hereby authorized to affix his/her signature to this Resolution signifying its adoption by the Town of Fulton and the City Secretary is directed to attest thereto.

PASSED AND APPROVED this the _____ day of _____, 2023.

TOWN OF FULTON

Kelli Cole, Mayor

ATTEST:

Stephanie Garcia, City Secretary

TOWN OF FULTON

Financial policies

PURPOSE:

To establish guidelines and procedures for accounting and auditing; financial planning; budgeting and budget transfers; revenues; operating and debt reserves; personnel; purchasing and fixed assets; debt management and investment and cash management.

A. GENERAL

1. The Town will operate on a fiscal year which begins on October 1 and ends on September 30.
2. The Town will conduct its financial affairs in conformity with state and federal laws. These Financial Policies shall be approved by Town Council and reviewed on an annual basis as a part of the budget development process.

B. ACCOUNTING, AUDITING AND FINANCIAL PLANNING

1. The Finance Department maintains records on a basis consistent with generally accepted accounting principles (GAAP) including standards for local government accounting, as determined by GASB and GFOA.
2. Regular monthly and annual financial reports are issued providing financial activity detail. The monthly financial reports are provided to the Town Council and departments. The Comptroller includes the monthly financial reports on the regular Town Council agenda. The monthly financial reports include a check register and bank reconciliation for each fund.
3. A financial audit is performed annually by an independent public accounting firm, and an official opinion and annual financial report is published and issued.
 - a. Annually, the Town Council will accept the audited Annual Financial Report for the prior fiscal year.
4. Full disclosure is provided in the annual financial and budget reports and bond representations.

C. BUDGETING

1. The Town budgets resources on a fiscal year which begins October 1 and ends the

following September 30.

2. The Finance Department develops an internal budget calendar and provides all pertinent resources to the department and Mayor necessary to develop the proposed budget.
3. A structurally balanced proposed budget will be prepared and distributed to Town Council in accordance with the Texas statute and the fund balance requirement set forth in these financial policies.
4. The Town Council will adopt the tax rate and budget by ordinance in accordance with the Texas statute and to allow sufficient time to send out property tax statements.
5. Appropriations as approved by the Town Council are incorporated into the Town's financial software by the Finance Department.
 - a. The following general expenditure categories are used to appropriate funds annually:
 - i. Personnel expenditures
 - ii. Operations expenditures
 - iii. Capital expenditures
 - iv. Debt Service expenditures
 - v. Contingencies
 - vi. Interfund Transfers
 - b. Detailed expenditures by line item and by department (divisions where appropriate) are maintained by the Finance Department.
 - c. Annually, the budget will be developed for each department at the division level to better represent their organization structures. However, the budget approved by the Town Council will appropriate funds at the department level and fiscal control shall occur at their level.
 - d. Appropriations for Capital Projects are made on a project basis across multiple fiscal years rather than on a single fiscal year basis and are carried forward until the projects are completed.
6. Except for capital projects, grants, and federal entitlement programs (CDBG), unused appropriations, including any encumbrances lapse at the end of each fiscal year.
7. Departments are accountable for not exceeding their annual budgetary appropriations.
8. Budget Transfer and Amendment Process
 - a. In the Adopted Budget document, appropriations are approved by the Town Council at the Department and/or fund level within a certain expenditure category.
 - b. Throughout the fiscal year, departments and or funds may have a business need to transfer allocation from one category to the other. The Mayor has the discretion to approve budget transfers between expenditure allocation(s), as long as the

- departmental budget or Fund budget does not increase/decrease.
- c. Budget transfer forms will be made available to departments that will circulate through the Comptroller prior to being submitted to the Mayor for consideration and approval.
 - d. If the departmental and/or fund budget(s) need to be increased/decreased (amended), Town Council approval will be required.

D. LONG TERM FINANCIAL PLANNING

1. The Town of Fulton shall maintain a comprehensive long-term financial forecast for a minimum of five years. This forecast will: a) Update reserve levels and expenditure projections for the forecast period; b) Project debt service requirements and assess potential capacity, including operating costs associated with capital projects; c) Provide annual projections of revenues and expenses; d) Address strategic issues offering both challenges and opportunities to the Town's financial health; and e) Include policies on the acceptable uses of reserves, ensuring they are utilized in a manner that supports the Town's long-term financial stability and strategic objectives.

E. RESERVES

1. The Town of Fulton is committed to maintaining a strong financial position, which includes holding an adequate operating reserve to address unanticipated, extraordinary expenditures and/or the loss of a major revenue source. Specifically: a) The General Fund will maintain an operating reserve equivalent to a minimum of one hundred eighty (180) days of General Fund revenues. The Town Council may, during the budget development process, opt to establish a higher reserve target as deemed beneficial; and b) Special Revenue Funds and Enterprise Funds will aim to reserve a minimum of one hundred eighty (180) days of budgeted annual expenditures for operational stability and capital needs.
2. For Enterprise Funds, the "fund balance or reserve" shall be defined as the Unrestricted Net Position, which should be adequate to cover capital expenditures, emergency repairs, and disaster-related costs. This reserve acknowledges the difference from Governmental Funds, where an unassigned fund balance is utilized. The Unrestricted Net Position reflects the total net position available for any purpose of the fund, including contingencies and future capital needs.
3. Capital project funds will have reserves established on a project-by-project basis, with contingencies tailored to the specific requirements of each project.
4. The Debt Service Fund will maintain a fund balance equivalent to a minimum of one hundred eighty (180) days of the principal and interest payments on outstanding debt, safeguarding against unforeseen fiscal fluctuations.

5. The acceptable uses of reserves include: a) Capital expenditures that are unforeseen or that can be deferred to mitigate the need for additional debt; b) One-time expenditures that do not require an ongoing financial commitment; c) Bridging significant revenue shortfalls and ensuring the continuity of service delivery; and d) Funding for unexpected emergencies or disasters.

F. PERSONNEL

1. At no time shall the number of regular employees on the payroll in each department exceed the total number of positions authorized by the Town Council. All personnel actions shall always be in strict conformance with applicable federal, state and Town policies.
2. The Mayor may institute a freeze during the fiscal year on hiring, promotions and transfers.
3. The Town Council shall annually approve all authorized regular (full time, part time and seasonal) positions through the annual budget adoption process. Any subsequent additions or deletions to the total number of positions requires Town Council approval. The Mayor approves reclassifications of positions.
4. The Mayor is authorized to adjust compensation, of any Town employee, including appointees, when in their discretion an adjustment needs to be made to hire or retain qualified personnel. In addition, the Mayor is authorized to hire temporary employees when needed and if sufficient funds are available within the adopted budget. The intent of this section is to provide the ability to hire and retain qualified personnel.
5. The Town maintains written Personnel Policies.

G. PURCHASING, CONTRACTING AND FIXED ASSETS

1. The Town maintains a procurement policy that ensures that purchasing is done in accordance with federal and state statute(s) and Local Government Code. Staff complies with additional state and federal statute(s) required by grants/alternative funding sources.
2. The Town maintains a Fixed Asset Methodology that is updated periodically, if necessary, by resolution and all purchases of fixed assets with a value of \$3,500 or more will be placed on the Town inventory.
3. The Town will maintain these assets at a level adequate to protect the Town's capital investments and to minimize future maintenance and replacement costs by:
 - a. Developing and maintaining strategies for the identification and financing of capital improvement projects; and
 - b. Providing adequate maintenance of capital plant and equipment replacement in

the annual operating budget.

- c. The Town shall strive to maintain reserves for vehicle replacement, computer replacement, facilities maintenance, and parks maintenance.
4. Where possible, items in good, safe, usable condition will be placed in surplus to be used to supplement expenditures for new budgeted capital purchases or to supply needed unbudgeted new and replacement equipment.
5. The Mayor has the authority to declare items with a combined value of no greater than \$5,000 in aggregate as surplus and/or salvage for auctioning purposes, to dispose of assets and/or transfer funds within departments.
6. Information Technology staff will review and approve all purchases of information and communication technology to ensure compatibility with the Town's existing voice and data infrastructure and to protect that infrastructure from viruses and other threats.
7. Any asset seized by forfeiture will be accepted by the Town Council and placed into the Town inventory, before any expenditure of Town budgeted funds is made for or in relation to the asset.
8. The Mayor and their designee(s), at the Mayor's direction, are authorized to sign or release permits, and change orders; to sign documents authorizing the payment of funds, and to expend public funds as authorized by state law unless otherwise authorized by the Town Council. The intent of their section is to provide the ability to conduct daily affairs of the Town, which involves numerous decisions of a routine nature.

H. DEBT MANAGEMENT

1. The Town will not use long-term debt for current operations.
2. The Town will adhere to the following when it finds it necessary to issue debt instruments:
 - a. Average weighted general obligation bond maturities will not exceed twenty (20) years.
 - b. The term of any debt issuance will not exceed the useful life of the capital project, facility, or equipment for which the borrowing is intended.
3. The Town does not have a debt limit from the perspective of the total amount that can be issued under current Texas law. However, the Texas Attorney General has an administrative policy that generally prohibits the issuance of debt by a municipality, such as the Town, if its issuance produces debt service requirements exceeding that which can be paid from a \$1.50 maximum tax rate calculated at 90 percent collection. Their \$1.50 is part of the overall \$2.50 limit.

4. The Town will consider opportunities to refund existing debt issuances if the savings on the current principal and interest payments over the remaining life of the debt.

I. INVESTMENTS

1. In accordance with the Public Funds Investment Act, the Town maintains a written Investment Policy adopted by Town Council, reviewed annually and updated periodically, if necessary, by resolution.
2. The Town's investment portfolio shall be managed in accordance with the Public Funds Investment Act and the Town's Investment Policy.

J. PROMPT PAYMENT

1. All invoices approved for payment by the Comptroller and Mayor and shall be paid by the Bookkeeper within thirty (30) calendar days of receipt in accordance with the provisions of Chapter 2252 of the Government Code.
2. The Comptroller shall establish and maintain procedures, which will enable the Town to take advantage of all purchase discounts, when possible, except in the instance where payments can be reasonably and legally delayed to maximize the Town's investable cash.

K. CASH MANAGEMENT AND INTERNAL CONTROLS

1. Written guidelines on cash handling, segregation of duties, and other financial matters shall be maintained by the Comptroller and approved by the Mayor.
 - a. The Town shall maintain internal control policies that demonstrate effective separation of duties.
 - b. The Town shall conduct periodic self-assessments of all internal control and cash handling procedures.
2. Each department supervisor shall ensure that departmental procedures are adequate to safeguard Town funds.
 - a. Federal Award programs such as the Community Development Block Program shall be administered in accordance with all 2 CFR part 200 requirement. Specifically, staff requires that any subrecipients of federal award dollars have financial systems in place for proper tracking.
3. Staffing and training shall be reviewed periodically to ensure adequacy.
4. Weekly deposits shall be performed unless amounts collected warrant less frequent deposits.