

# **City of Glen Rose Financial Policy**

**Adopted 01-11-22**

## **I. Purpose of the Policy.**

The City, through its elected officials and employees, has an obligation to protect and provide good stewardship of the public resources entrusted to its care. This policy has been designed to ensure the City's financial practices conform to state law, reflect good stewardship, and provide adequate safeguards against fraud.

## **II. Expenditures Must Serve a Valid Public Purpose.**

- A. All expenditures must directly accomplish a valid public purpose. Clearly, expenditures for police protection and street paving satisfy this requirement. Where the public purpose is not as easily recognized, the City Council shall specifically identify the public benefit to be achieved by an expenditure prior to appropriating funds.
- B. Gifts to private entities are prohibited. The City may not "lend its credit or grant public money or thing of value in aid of, or to any individual, association or corporation..." (Texas Constitution, Art. III, §52 and Art. XI, §3).

## **III. Segregation of the General, Utility, CVB, Court Technology, and Court Security Funds.**

- A. The City's General, Utility, CVB, Court Technology, and Court Security Funds shall be kept segregated. Revenues and expenses shall be allocated to the appropriate fund.
- B. Compensation for services. The City's General Fund operations shall pay for all services received from the City's Utility.
- C. Inter-fund transfers are prohibited. No transfers shall be made between the General, Utility, CVB, Court Technology, and Court Security Funds except in the following instances:
  - 1. Payments from the General Fund to the Utility Fund for services received.
  - 2. Payments between the funds to correct misallocated revenues or expenses.
  - 3. Transfers from the General Fund to the Utility Fund for use in capital improvement projects if such transfers are included in a budget adopted by the City Council.

## **IV. Budgeting.**

- A. Budget Officer. The Mayor is the City's budget officer (Texas Local Government Code [TLGC] §102.001).
- B. Budget preparation.
  - 1. The Mayor, or the Mayor's designee, shall prepare a budget in accordance with the requirements of TLGC §102.003 for the Council's consideration.
  - 2. The proposed budget shall be presented on a spreadsheet beside at least the last two budgets and the current year-to-date budget to allow for comparisons.
  - 3. All of the budgeted expenditures shall be balanced by offsetting revenues or

transfers.

4. A preliminary budget shall be presented to the Council no later than the Regular June Council Meeting.

C. Budget Adoption Process.

The budget shall be adopted according to the procedures and timelines established by State Law.

D. Budget Management.

1. Budget manager. The City Administrator is the City's budget manager.
2. Adhering to the budget. The budget manager shall be responsible for insuring that the various city departments and operations adhere to the spending limits imposed by the budget. A single line item may be allowed to exceed the budgeted amount, but no departmental or operational budget may exceed the total amount of its budget. When authorized by Council action, a budget may be exceeded with the understanding that the budget will be amended at a future Council meeting to cover the exceedance.

- D. Budget Amendment. When deviations from the budget are observed or anticipated which would result in a total departmental or operational budget being exceeded, an amended budget shall be submitted for approval to the City Council at its next regular meeting.

- E. Budget Reporting. A monthly budget report shall be provided to the Council at its Regular Monthly Meeting.

**V. Purchasing.**

- A. The City Administrator shall be the City's purchasing agent.
- B. All purchases exceeding five thousand dollars (\$5,000) shall be approved by the purchasing agent prior to the purchase being made.
- C. Purchases exceeding five hundred dollars (\$500) shall be approved by a department head before being made.
- D. For purchases of more than fifty thousand dollars (\$50,000), the provisions of Chapter 252 of the TLGC shall be followed.
- E. For purchases of more than twenty thousand dollars (\$20,000), but less than fifty thousand dollars (\$50,000), either an approved buy board shall be used or two (2) or more written bids shall be obtained. The purchase shall be placed with whichever supplier or contractor provides the best value to the City. The benefits to the local economy of purchasing from a local vendor/contractor shall be weighed in deciding which bid represents the best value.
- F. For purchases of more than two thousand five hundred dollars (\$2,500), but less than twenty thousand dollars (\$20,000), either an approved buy board shall be used or two (2) or more verbal or written bids or competitive price listings from the internet shall be obtained. The purchase shall be made with whichever supplier or contractor provides the best value to the City. The benefits to the local

economy of purchasing from a local vendor/contractor shall be weighed in deciding which bid represents the best value.

- G. Pursuant to §252.0215 of the TLGC, a city must contact at least two historically underutilized businesses if the city makes an expenditure of between \$3,000 and \$50,000 (if any such businesses are located in Somervell County according to the State Comptroller's records), unless the item being purchased is included in the items listed under §252.022 of the TLGC.
- H. Receipts for all purchases shall be forwarded to the Deputy City Secretary.
- I. All bills shall be paid in a timely manner to avoid late charges.
- J. Except in the case of small occasional purchases of three hundred dollars (\$300) or less, the necessary paperwork must be filed with vendors and contractors to establish the City's tax exempt status.
- K. An accounts payable report shall be presented for approval at the monthly Regular Council Meeting. Copies of credit card statements shall be included in that report.

#### **VI. Issuing Checks.**

- A. Checks shall be issued by the Deputy City Secretary, or in her absence, by the City Secretary.
- B. When submitted for signature, checks shall be accompanied by back-up documentation in the form of receipts or statements.
- C. All checks and wire transfers issued by the City shall require two (2) signatures. One (1) of those signatures shall be that of the City Administrator, unless that officer is unavailable and the payment is time sensitive or unless in case of an extended absence that officer has specifically authorized someone else to sign checks. The second signature shall be that of the Mayor or any other elected City official authorized on the account. If timing is urgent and an elected official is not available to sign a check or checks, an authorized member of the City staff may provide the second signature.
- D. Paychecks shall be issued every two (2) weeks. And shall be issued on the Friday after the close of the pay period (if that Friday falls on a holiday, checks shall be issued on the last regular work day prior to the beginning of the holiday). Paychecks shall be accompanied by employee time sheets and both items shall be reviewed by the City Administrator and the Mayor or any other elected City official.

#### **VII. City Credit Cards.**

- A. Credit cards for use on the accounts opened by authorization of the City Council may be issued to and recalled from staff members at the discretion of the City Administrator.
- B. Credit cards shall only be used on behalf of the City for budgeted and properly approved expenditures.

## **VIII. Payments and Petty Cash.**

- A. City Hall. All payments to the City at City Hall shall be collected by the City Secretary or a member of her staff.
  - 1. Cash payments.
    - a. Customers shall be warned not to place cash payments in the mail or drop box.
    - b. Receipts shall be issued for all cash payments.
  - 2. All payments, petty cash, and signed but unissued City checks shall be secured in the vault when the office is closed.
  - 3. Daily, payments shall be deposited in the City Depository
  - 4. The tills shall be reconciled daily. The Utility Billing Clerk shall reconcile the Municipal Court till and the Municipal Court Clerk shall reconcile the Utility till. Four hundred dollars (\$400) shall be kept in the utility tills and two hundred dollars in the Municipal Court till.
  - 5. A general purpose petty cash fund not exceeding two hundred dollars (\$200) may be kept on hand for small purchases. The petty cash fund shall be reconciled by the first day of each month.
  - 6. The bank statements are to be reconciled by the 15<sup>th</sup> day of each month.
- B. CVB and Animal Control. Any funds collected by the CVB and/or Animal Control during a month shall be submitted to City Hall on at least a weekly basis and in all cases no later than the end of the business day on the first day of the following month. The funds shall be accompanied by paperwork designating which account(s) to apply the funds toward in the City's accounting system.
- C. Except for those collected at the CVB and Animal Control, any other funds collected by the City must be received and processed directly at City Hall.

## **IX. Contracts.**

- A. All contracts involving the expenditure of more than fifty thousand dollars (\$50,000) or obligating the City for a term of more than one (1) year without providing a mechanism for the City to exit the contract without any penalties or additional payments or obligating the City to perform in any way other than paying for goods and services identified in the adopted annual budget must be submitted to the City Council for approval.
- B. The Mayor shall have authority to sign and enter into contracts authorized by the City Council.
- C. The City Administrator shall have authority to enter into contracts satisfying all of the following criteria:
  - a. The contract must be for goods or services identified and included in the adopted annual budget;
  - b. The contract must be for a duration of no more than one (1) year, or there must be a mechanism allowing the City to exit said contract at least by the end of

- one (1) year without being subject to any penalties or additional payments;
- c. The contract may not involve goods or services exceeding fifty thousand dollars (\$50,000) in value; and,
- d. The contract must comply with the requirements of State Law.
- D. Department Heads shall have the authority to enter into contracts satisfying all of the following criteria:
  - a. The contract must be for goods or services identified and included in the adopted annual budget for the Department Head's department;
  - b. The contract must be for a duration of no more than one (1) year, or there must be a mechanism allowing the City to exit said contract at least by the end of one (1) year without being subject to any penalties or additional payments;
  - c. A single contract or the sum of multiple contracts may not involve the purchase of goods or services exceeding ten thousand dollars (\$10,000) in value from any one (1) vendor during any twelve (12) month period; and,
  - d. If the contract exceeds five thousand dollars (\$5,000) in value, the purchasing agent's approval must be secured prior to the contract being executed.
- E. The City Attorney shall review all contracts exceeding fifty thousand dollars (\$50,000) in value and may be asked to review other contracts at the discretion of the Mayor or City Administrator.
- F. Copies of all contracts shall be submitted to the City Secretary no later than by the end of the week in which they are signed.

**X. Fund Balances.**

- A. General Maintenance and Operations Fund.
  - 1. To secure and maintain investment grade credit ratings, meet seasonal shortfalls in cash flow, and reduce susceptibility to emergency or unanticipated expenditures or revenue shortfalls, the City Council shall adopt budgets that provide for an unreserved undesignated fund balance of not less than one hundred percent (100%) of total annual operating expenditures for the General Fund, fifty percent (50%) for the Utility Fund, and zero percent (0%) for the City's other funds. Expenditures related to grant or bond funded projects shall not be included when calculating total annual operating expenditures.
  - 2. Refunds contractually due from grants for payments to vendors and contractors for all intents and purposes shall be considered part of the fund balance.
  - 3. Should the fund balance fall below the percentages designated in section 1 above, the City Administrator shall prepare and submit a plan for the expenditure reductions and/or revenue increases needed to restore the fund balance to the percentages designated in section 1 above to the City Council. The City shall take action necessary to restore the unreserved, undesignated

fund balance to the designated levels within one (1) year.

- B. Utility Deposit Account. Customer utility deposits shall be segregated from the City's General Maintenance and Operations Funds.
  - C. Debt Service Accounts. Separate accounts shall be maintained with balances sufficient to cover the City's annual debt service payments.
  - D. Monthly, the Council shall be provided a Fund Balance Report covering all of the City's fund balances and reporting the percentage calculated in accordance with the provisions of Section A.1 above.
- XI. Texas Municipal Retirement System Funding.** The City's annual contribution to the Texas Municipal Retirement System shall be in accordance with that agency's recommendations and requirements.
- XII. Unused Property.**
- A. Unused City property (other than real property) may be disposed of by means of a public auction.
  - B. All auctions shall be authorized by action of the City Council.
  - C. Unused real property shall be subjected to a certified appraisal and may be sold by way of sealed bids which are to be opened and acted upon at a Regular City Council Meeting.
  - D. Unused City property which has no retail value may be disposed of as garbage.
- XIII. Review of Monthly Statements.** Monthly bank statements shall be opened and reviewed by the City Administrator, or his designee prior to being forwarded to the Deputy City Secretary.
- XIV. Annual Audit.** In keeping with the requirements of TLGC§102, each year the City's financial records shall be audited.
- A. The audit shall be completed and presented to the Council within one hundred eighty (180) days after the last day of the City's fiscal year (September 30<sup>th</sup>).
  - B. The audit shall be filed with the City Secretary and posted on the City's website.
- XV. Policy Adoption and Review Requirements.** The City of Glen Rose Financial Policy shall be adopted by resolution of the City Council. It is the City's intent to comply with state laws and regulations. The City's financial policies shall be subject to revisions to stay current with changing laws, regulations, and needs of the City. This policy shall be reviewed annually by the City Council in conjunction with the City Auditor's Report, and any changes or modifications must be approved by the City Council.