

CITY OF HASLET

RESOLUTION NO. 003-2016

A RESOLUTION APPROVING THE FISCAL AND BUDGETARY POLICY STATEMENTS FOR THE CITY OF HASLET AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Haslet strives for excellence in financial management; and

WHEREAS, the City Council desires to enhance financial management by documenting fiscal and budgetary policies for the benefit of City staff, citizens and the financial community; and

WHEREAS, the City of Haslet City Council finds that the Fiscal and Budgetary Policy Statements hereto attached and marked as "Attachment A" is in the best interest of the City in order to promote sound management of the City's funds.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HASLET, TEXAS:

Section 1.

That the City Council has reviewed the attached Fiscal and Budgetary Policy Statements for the City of Haslet and the policies and strategies contained therein (Attachment A).

Section 2.

That the City Council hereby adopts the attached Fiscal and Budgetary Policy Statements as the City's fiscal and budgetary policies.

Section 3.

The Finance Department is directed to review the policy on a regular basis, as a part of the budget development process and recommend modifications and adjustments as necessary to keep the policy updated.

Section 4.

That all resolutions, or parts of resolutions in force with provision relating to this resolution, which are inconsistent or in conflict with terms or provisions contained herein, are hereby repealed to the extent of any such conflict only. The non-conflicting sections, sentences, paragraphs, and phrases shall remain in full force and effect.

Section 5.

That this resolution shall become effective immediately upon its passage and approval.

Approved and adopted at a regular meeting of the Haslet City Council on the 7th day of March 2016.

Bob Golden

Bob Golden, Mayor

ATTEST:

Dianna Buchanan

Dianna Buchanan, City Secretary



CITY OF HASLET

FISCAL AND BUDGETARY POLICY STATEMENTS

TABLE OF CONTENTS

I. State of Purpose

II. Accounting, Auditing and Financial Reporting

- A. Accounting
- B. Auditing
- C. External Auditors Responsible to City Council
- D. External Auditors Rotation
- E. Financial Reporting

III. Operating Budget Management

- A. Budgetary Accounting Basis
- B. Overview
- C. Preparation
- D. Planning
- E. Balanced Budget
- F. Reporting
- G. Amending

IV. Revenue Management

- A. Simplicity
- B. Certainty
- C. Equity
- D. Administration
- E. Conservation Estimation of Revenue
- F. Non-Recurring Revenues
- G. Property Tax Revenues
- H. Sales Tax
- I. Utility Rates

V. Expenditure Control

- A. Appropriations
- B. Purchasing
- C. Prompt Payment

VI. Asset Management

- A. Investments
- B. Fixed Assets and Inventory

VII. Capital Budget and Program

- A. Preparation
- B. Control

VIII. Financial Conditions, Reserves, and Stability Ratios

- A. Operational Coverage
- B. Fund Balance
- C. Definitions
- D. Enabling Legislation
- E. General Fund
- F. Special Revenue Fund
- G. Capital Projects Fund
- H. Debt Service Fund
- I. Enterprise Fund

IX. Debt Management

- A. Types of Debt
- B. Analysis of Financing Alternatives
- C. Disclosure
- D. Federal Requirements
- E. Debt Structure
- F. Debit Issuance

X. Internal Controls

- A. Written Procedures
- B. Department Director's Responsibility

XI. Staff and Training

- A. Adequate Staffing
- B. Training

CITY OF HASLET

FISCAL AND BUDGETARY POLICY STATEMENTS

I. Statement of Purpose

The intent of the following Fiscal and Budgetary Policy Statements is to enable the City to achieve and maintain a long-term stable and positive financial condition. The watchwords of the City's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The more specific purpose is to provide guidelines for planning and directing the City's day-to-day financial affairs and in developing recommendation to the City Administrator and City Council.

The scope of these policies includes:

- accounting, auditing and financial reporting;
- internal controls;
- operating budget management;
- capital budget and improvement programs;
- asset management;
- revenue management
- expenditure control;
- financial conditions, reserves and stability ratios;
- debt management; and
- staffing and training.

These policies are designed to benefit the City by:

- Ensuring the fair and full disclosure of the financial position and the results of financial operations are in conformity with Generally Accepted Accounting Principles (GAAP), and
- Adhering to compliance with finance related legal and contractual issues in accordance with the provision of the Texas Local Government Code and other applicable legal mandates.

II. Accounting, Auditing and Financial Reporting

Accounting. The city is solely responsible for the reporting of its financial affairs, both internally and externally. The Finance Director is the City's Chief Fiscal Officer and is responsible for establishing the Chart of Accounts and for properly recording financial transactions.

Auditing. In conformance and according to the provision the Texas Local Government Code, Title 4, Chapter 103. A municipality shall have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The auditor must be registered as a partnership or corporation of certified public accountants, holding a license under Article 41a1, Section 9, of the Civil Statutes of Texas, capable of demonstrating that it has sufficient staff which will enable it to conduct the City's audit in accordance with generally accepted auditing standards. The auditor's report on the City's financial statements will be completed within 120 days of the City's fiscal year end.

The auditor is retained by and is accountable directly to the City Council and will have access to direct communication with the City Council if the City Staff is unresponsive to auditor recommendations or if the auditor considers such communication necessary to fulfill its legal and professional responsibilities.

The City will not require an auditor rotation; however, the Council may circulate request for proposal for auditor services every three to five years.

Financial Reporting. The Finance Director will prepare internal financial reports sufficient to plan, monitor, and control the City's financial affairs. Internal reporting objective are addressed throughout these policies.

III. Operating Budget Management

Budgetary Accounting Basis. The City's accounting records for general governmental operations are maintained on a modified accrual basis according to Generally Accepted Accounting Principles (GAAP). The revenues are recorded when actually received and expenditures are recorded when the liability is incurred. Accounting records for the City's utilities fund are maintained on a full accrual basis. For example, expenditures are recognized when a liability is incurred, and revenues are recognized when they are obligated to the City. Depreciation is budgeted as an operating expense. Capital purchases for the proprietary funds are listed in the budget document in order that proposed purchases can be reviewed by the City council. The budgetary accounting basis follows GAAP except that fund balance/retained earnings are presented in the budget as a measure of available spendable resources. Unexpended appropriations for budgeted funds lapse at fiscal

year-end, except for appropriations for Capital Project Funds, which are the length of the project.

Overview. Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. The City's "operating budget" is the City's annual financial operating plan. It comprises government and proprietary funds, including the Debt Service Fund, and various capital improvement funds.

Preparation. The budget is prepared by the City Administrator with the cooperation of all City departments, and is submitted to the City Council. The budget should be presented to the City Council no later than forty-five (45) days prior to fiscal year end, and should be enacted by the City Council prior to fiscal year end.

The budget shall include four basic segments for review and evaluation. These segments are:

- (1) Personnel Costs;
- (2) Base Budget for Operations and Maintenance Costs;
- (3) Supplemental Funding Packages for Capital and other Non-capital Projects (i.e., new or expanded programs); and
- (4) Projected Revenues.

The base budget represents funding for the current level of service, and does not include capital outlay, new programs or new services. Any item requested for capital outlay, new programs or new services is shown as a supplemental funding package. Supplemental funding packages are above and beyond the prior year base, and are considered individually for funding approval.

A Combined Budget Summary with scheduled inter-fund transfers is included in the budget presented to the City Council. The Fund Balances will be identified as restricted and unrestricted, designated and/or reserved.

The budget review process shall include Council participation in the development of each of the four segments of the proposed budget and a Public Hearing to allow for citizen participation the budget preparation.

The budget process shall span sufficient time to address policy and fiscal issues by the Council.

A copy of the proposed budget shall be filed with the City Secretary when it is submitted to the City Council.

Planning. The budget process will be coordinated so as to identify major policy issues for City Council consideration.

Balanced Budget. A balanced budget is one where the proposed expenses are less than or equal to estimated revenues. A balanced budget may also include the use of reserves of the fund balance to offset revenue shortfalls, when approved by Council.

Reporting. Periodic financial reports will be prepared to enable the Department Directors to manage their budgets and to enable the Finance Director to monitor and control the budget as authorized by the City Administrator.

Amending. In case of grave public necessity, emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget may, from time to time, be authorized, upon the affirmative vote of a majority of the council, as amendments or supplements to the original budget. Such supplements and amendment shall be approved in an ordinance and shall be filed with the original budget.

IV. Revenue Management

The City will strive for the following optimum characteristics in its revenue system:

Simplicity. The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs for the taxpayer or service recipient.

Certainty. A knowledge and understanding of revenue sources increase the reliability of the revenue system. The City will understand its revenue sources and enact consistent collection policies to provide assurances that the revenue base will be materialized according to budgets and plans.

Equity. The City shall require that there be a balance in the revenue system; i.e., the revenue base will have the characteristic of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.

Administration. The benefits of a revenue type will exceed the cost of producing the revenue. The collection process will be reviewed periodically for cost effectiveness as a part of the indirect cost and cost of service analysis.

Conservative Estimation of Revenue. In order to mitigate the effects of fluctuations in a revenue sources due to fluctuations in the economy and variations of other factors, all revenues will be conservatively estimated with the exception of inter-fund transfers.

Non-Recurring Revenues. One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditure. They will not be used for budget balancing purposes. Non-

recurring revenues may be allocated to a specific fund(s) with the approval of the City Council.

Property Tax Revenues. All real and business personal property located within the City shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the City by the Appraisal Districts.

The adopted tax rate should not exceed the rollback rate as computed by Truth in Taxation laws. Property tax revenues will be estimated based on the actual percentage of collections for the prior year, net of any unusual or non-recurring activity.

Sales Tax. Sales tax revenues projects shall be conservative due to the volatile nature of this economically sensitive revenue source.

Utility Rates. The City will review and adopt utility rates periodically that will generate revenues required to fully cover operating expenditures, meet the legal restrictions of all applicable bond covenants, and provide for an adequate level of working capital needs.

V. Expenditure Control

Appropriations. The level of budgetary control is the Department level budget in the Governmental and Proprietary Funds, and the Fund level in all other funds. Budget appropriation amendments at lower levels shall be made in accordance with applicable administrative procedures.

Purchasing. All City purchases and contracts shall conform to the City Purchasing Policy.

Prompt Payment. All invoices are approved for payment by the proper City authorities and shall be paid by the Finance Department according to state law. The Finance Director shall establish and maintain proper procedures which will enable the City to take advantage of all purchase discounts, when possible, except in the instance where payment can be reasonably and legally delayed in order to maximize the City's investable cash.

VI. Asset Management

Investments. The Finance Director shall promptly invest all City funds in accordance the provisions in accordance with City Council approved Investment Policy

Fixed Assets and Inventory. These assets will be reasonably safeguarded, properly accounted for and prudently insured.

A fixed asset of the City shall be defined as a purchased or otherwise acquired piece of equipment, vehicle, furniture, fixture, capital improvement, addition to existing capital investments, land or buildings, with the cost or value of such acquisition being \$5,000 or more with an expected useful life greater than one year.

The City's fixed assets shall be reasonably safeguarded, properly accounted for and sufficiently insured. Responsibility for the safeguarding of the City's fixed assets lies with the Department Director in whose department the fixed asset is assigned.

VII. Capital Budget and Program

Preparation. The City's capital budget will include all capital project funds and all capital resources. The Budget will be prepared annually. The capital budget will be prepared as directed by the City Administrator with the involvement of all required City departments.

Control. All capital project expenditures must be appropriated in the capital budget. The Finance Department must certify the availability of resources before a capital project contract is presented to the Council for approval.

VIII. Financial Conditions, Reserves, and Stability Ratios

Operational Coverage. The City will maintain a balanced budget whereby operating revenues will be greater than or equal to operating expenditures.

Fund Balance. It is essential for the City to maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue shortfalls, unanticipated expenditures, or any other adverse circumstances.

Definitions:

Fund Balance. The difference between a governmental fund's assets and liabilities, divided into 5 categories: 1) Nonspendable, 2) Restricted, 3) Committed, 4) Assigned, 5) Unassigned.

- Nonspendable. That portion of fund balance that is legally or contractually required to be maintained intact. In addition, nonspendable also means that portion is not expected to be converted to cash, i.e., inventories and prepaid.
- Restricted. That portion of the fund balance that is constrained for a specific purpose by external resource providers through constitutional provisions or by enabling legislation.
- Committed. That portion of the fund balance that is constrained by a formal action of the government's highest level of decision making authority, the City

Council These constraints can only be removed or changed by taking the type of action employed to omit these amounts.

- Assigned. That portion of the fund balance not "restricted" or "committed" that has specific purpose expressed by the governing body or a body/official to which the governing body delegates authority. Only resources in other government funds can be assigned. The General Fund cannot assign its fund balance.
- Unassigned. A residual amount for the General Fund that is not classified in any of the other four categories and is available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

Enabling Legislation. Authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for specific purpose.

General Fund. A fund that accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Fund. A fund whose revenues source(s) is restricted or committed to a specific purpose other than capital projects or debt service.

Capital Projects Fund. A fund that accounts for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Debt Service Fund. A fund that accounts for all financial resources that are restricted, committed, or assigned to expenditures for principal and interest of debt obligations.

Enterprise Fund. A fund that accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges.

IX. Debt Management

Types of Debt. Long-term debt will not be used for operating purposes, and the life the bond will not exceed the useful life of a project financed by that bond issues.

Analysis of Financing Alternatives. The City will explore all financing alternatives in addition to long-term debt including leasing, grants and other aid, developer contributions, and use of reserves of current monies.

Disclosure. Full disclosure will be made to bond rating agencies and other users of financial information. The City staff, with the assistance of financial advisors and

bond counsel, will prepare necessary materials for presentation of rating agencies, will aid in the production of Offering Statements, and will take responsibility for the accuracy of all financial information release.

Federal Requirements. The City will maintain procedures to comply with arbitrage rebate and other Federal requirements.

Debt Structure. The structure should approximate level debt service unless operational matters dictate otherwise, or if market conditions indicate a potential savings could result from modifying the level payment stream.

Consideration of market factors, such as the tax-exempt qualification, minimum tax alternative, and so forth will be given during the structuring of long-term debt instruments.

Debt Issuance. The City will use a competitive bidding process in the sale of bonds unless the nature of the issue warrants a negotiated bid. In situations where a competitive bidding process is not elected, the City will publicly present the reason why and the City will participate with the financial advisor in the selection of the underwriter or direct purchaser.

X. Internal Controls

Written Procedures. Wherever possible, written procedures will be established and maintained by the Finance Director for all function involving cash handling and/or accounting throughout the City. The procedures will embrace the general concepts of fiscal responsibly set forth in this policy statement.

Department Director's Responsibility. Each Department Director is responsible to ensure that good internal controls are followed through his or her Department.

XI. Staffing and Training

Adequate Staffing. Staffing levels will be maintained at an adequate level for the fiscal functions of the City to operate effectively. Overtime shall be used only to address temporary or seasonal demands that require excessive hours.

Training. To the fullest extent possible, written documentation of tasks and procedures will be developed and maintained as both an aid to personnel training and an element of effective management.