

# City of Seagoville Financial Policies

## **Purpose Statement**

The policies set forth below provide guidelines to enable the City staff to achieve a long-term, stable financial condition while conducting daily operations and providing services to the community. The City Manager and senior management follow these policies while developing the annual operating budget. The scope of these policies cover accounting, auditing, financial reporting, internal controls, fiscal, financial condition and reserve, revenue management, expenditure control and capital financing/debt management.

The long-range policies regarding financial management are as follows:

1. Exercise a discipline which allows the City to retain a sound financial condition.
2. Give recognition to the community's needs and ability to pay.
3. Strive to retain the best possible rating on bonds.

## **Accounting, Auditing and Financial Reporting**

**Accounting** – The City's Director of Finance is responsible for establishing the chart of accounts and for properly recording financial transactions.

**External Auditing** – The City will be audited annually by outside independent accountants (auditors). The auditors must be a CPA firm and must demonstrate experience in the field of local government auditing. They must conduct the City's audit in accordance with generally accepted auditing standards and be knowledgeable in the Government Finance Officers Association (GFOA) Certificate of Achievement Program. The City will follow a five year rotation of outside independent auditors. The audited financial statements should be prepared within 180 days after the close of the fiscal year.

**External Financial Reporting** – The City will prepare and publish an Annual Comprehensive Financial Report (ACFR). The ACFR will be prepared in accordance with generally accepted accounting principles and will be presented annually to the Government Finance Officers Association (GFOA) for evaluation and awarding of the Certificate of Achievement for Excellence in Financial Reporting.

**Interim Reporting** – The Finance Department will prepare and issue timely reports on the City's fiscal status to the Mayor/Council and staff. This includes the following:

1. Monthly budget status reports to the City Manager and all Department Heads
2. Mid Year status report and fiscal year end projection of major funds (General and Water & Sewer funds)
3. Quarterly financial reports to Mayor and Council

## **Internal Controls**

**Written Procedures** – The Director of Finance is responsible for developing written guidelines on accounting, cash handling and other financial matters which will be approved by the City Manager. The Finance Department will assist Department Directors, as needed, in tailoring such guidelines to fit each department's requirements.

**Department Directors' Responsibility** – Each Department Director is responsible to the City Manager to ensure that proper internal controls are followed throughout his or her department, that all guidelines on accounting and internal controls are implemented and that all independent auditor control recommendations are addressed.

## **Fiscal**

**Balanced Budget** – Current available unrestricted operating revenue shall be sufficient to support current operating expenditures. Temporary shortages, or operating deficits, can and do occur, but they are not tolerated as extended trends. Measures are developed to provide additional revenue and/or reduced expenditures to eliminate operating deficits.

**Long Range Planning** – The budget process will be coordinated so as to identify major policy issues for City Council consideration in advance of the budget approval date so that proper decision analysis can be made.

**Fixed Assets** – Such assets will be reasonably safeguarded, properly accounted for and prudently used. The fixed asset inventory will be updated regularly.

**Cash Management** – The City's cash flow will be managed to maximize the investable cash in accordance with the City's investment policy.

## **Financial Condition and Reserve**

**Reserve Accounts** – The General Fund unreserved undesignated fund balance should be adequate to handle unexpected decreases in revenues and a reasonable level for extraordinary unbudgeted expenditures. The General Fund balance policy should also be flexible enough to allow the City to weather economic downturns without raising taxes and/or reducing vital services. The General Fund is required to maintain a minimum 60-day reserve of budgeted expenditures.

City Enterprise Funds will compensate the General Fund for the general and administrative services thereby provided such as management, finance and personnel. The City will adopt annual utility rates which will generate revenues sufficient to cover operating expenses and meet the legal requirements of bond covenants. Rates will also fund adequate capital replacement of water distribution and sewerage collection systems. The Water and Sewer Fund is required to maintain a minimum of 60 days of budgeted expenses. These reserves are needed to protect against the possibility of temporary revenue shortfalls or unpredicted one-time expenditures.

Should either the General Fund reserve or the Water and Sewer Fund reserve fall below the minimum reserve requirement, revenue raising measures or expenditure reductions will be implemented to return the General Fund reserve and the Water and Sewer Fund reserve to the minimum level no later than the end of the following fiscal year.

Reserves (fund balance) will be used only for emergencies or to reduce balances in excess of current guidelines (60 days for the General Fund and 60 days for the Water and Sewer Fund), as long as they are spent for non-recurring items.

## **Revenue Management**

**Revenue Diversification** – A diversified and stable revenue system will be maintained to shelter the City from short run fluctuations in any one revenue source.

**Fees and Charges** – The City will maximize utilization of user charges in lieu of property taxes for services that can be individually identified and where the costs are directly related to the level of service. There will be periodic review of fees and charges to ensure that fees provide adequate coverage of costs of service.

**Use of One-time Revenues** – One-time revenues will be used only for one-time expenditures. The City will avoid using temporary revenues to fund mainstream services.

**Use of Unpredictable Revenue** – The City will try to understand its revenue sources and enact consistent collection policies so that assurances can be provided that the revenue base will materialize according to budgets and plans. Use of unpredictable revenue will depend upon management's determination whether the revenue is considered a one-time revenue or will recur annually.

**Sufficiency** – The benefits of revenue shall exceed the cost of producing the revenue.

**Grants** – Any potential grants shall be examined for matching requirements so that the source and availability of these funds may be determined before the grant application is made.

**Utility Rates** – The City shall review and adopt utility rates that shall 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.

### **Expenditure Control**

**Appropriations** – The City Manager's level of budgetary control is at the fund level for all funds. Modifications within a respective fund's operating categories (materials, supplies and services) and/or modifications within the personnel and capital categories may be made with the approval of the City Manager. When a budget amendment among funds is necessary, it must be approved by the City Council.

**Purchasing** – All purchases shall be in accordance with both the City's purchasing policy and state law.

**Prompt Payment** – All invoices will be paid upon 30 days of receipt in accordance with state law. Procedures will be used to take advantage of all cost-effective purchase discounts. Payments will be processed to maximize the City's investable cash.

**Department Directors' Responsibility** - Each Department Director is held accountable for meeting program objectives and monitoring the use of budget funds expended to ensure compliance with the annual appropriated budget approved by the City Council.

### **Capital Financing and Debt Management**

**Debt Capacity, Issuance and Management** – Long term debt will not be used for operating purposes. Capital projects financed through bond proceeds shall be financed for a period not to exceed the useful life of the project. When

appropriate, self-supporting revenues will pay debt service in lieu of property taxes. The Debt Service current fiscal year debt requirement shall not exceed debt service property tax, self-supporting revenue and balances carried forward from the prior year. Unspent capital project proceeds are transferred to debt service at the completion of the capital project.

The Finance Department will monitor all City debt annually with the preparation of the annual budget. The Finance Department will diligently monitor the City's compliance to its bond covenants. The Finance Department will maintain ongoing communications with bond rating agencies about the City's financial condition and follow a policy of full disclosure on every financial report. The City has and will continue to retain a Financial Advisor in connection with any debt issuance.

**NOTE:**

Adopted by Council August 28, 2023