

RESOLUTION NO. 001-26

A RESOLUTION OF THE TOWN OF HIGHLAND PARK, TEXAS, AMENDING THE STATEMENT OF FINANCIAL MANAGEMENT POLICIES.

WHEREAS, it is the desire of the Town Council of the Town of Highland Park, Texas ("Town") to maintain a collection of sound financial policies; and

WHEREAS, over time, both internal and external influences give cause for the consideration and evaluation of modifications and refinements to the Town's Statement of Financial Management Policies ("FMP"); and

WHEREAS, the purpose of the FMP is to provide a more efficient manner of managing the Town's fiscal affairs, the safeguarding of Town's assets, and the maintenance of the Town's financial integrity; and

NOW THEREFORE BE IT RESOLVED by the Town Council of the Town of Highland Park, Texas, that the FMP is hereby amended, and the amended FMP is attached hereto and made a part hereof by reference as though copied fully herein.

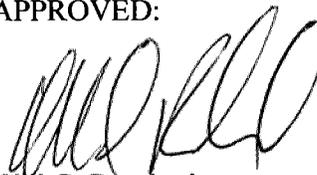
PASSED AND APPROVED this 6th day of January, 2026.

APPROVED AS TO FORM:



Susan Thomas  
Town Attorney

APPROVED:



Will C. Beecher  
Mayor

ATTEST:



Joanna Mekeal  
Town Secretary

**TOWN OF HIGHLAND PARK, TEXAS**

**STATEMENT**

**OF**

**FINANCIAL MANAGEMENT POLICIES**

**MISSION STATEMENT**

The mission of the Town of Highland Park is to provide personal, caring services in a prompt and efficient manner for our community in order to enhance the quality of life and preserve the heritage that is Highland Park.

**December 2012**

**As Amended ~~January 2025~~ January 2026**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>I. PURPOSE STATEMENT</b>	<b>1</b>
<b>II. ACCOUNTING, AUDITING AND FINANCIAL REPORTING</b>	<b>1</b>
<b>III. OPERATING BUDGET</b>	<b>3</b>
<b>IV. REVENUE MANAGEMENT</b>	<b>6</b>
<b>V. EXPENDITURE/EXPENSE CONTROL</b>	<b>8</b>
<b>VI. ASSET MANAGEMENT</b>	<b>12</b>
<b>VII. FINANCIAL CONDITION</b>	<b>15</b>
<b>VIII. INTERNAL CONTROLS</b>	<b>17</b>
<b>IX. DEBT MANAGEMENT</b>	<b>18</b>
<b>X. ANNUAL REVIEW OF POLICIES</b>	<b>18</b>
<b>XI. FINANCIAL GLOSSARY</b>	<b>18</b>

## **I. PURPOSE STATEMENT**

The purpose of this Statement of Financial Management Policies is to provide guidelines, in accordance with the applicable Texas Statutes and the Town of Highland Park Charter, Ordinances and Resolutions, for the Director of Finance, hereinafter called Director, in planning and directing the Town of Highland Park, hereinafter called Town, in its day-to-day financial affairs and in developing recommendations to the Town Administrator and Town Council, hereinafter called Administrator and Council, respectively.

The scope of these policies generally spans accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control and debt management, all to make it possible both: (a) to present fairly and with full disclosure the financial position and results of financial operations of the Town in conformity to generally accepted accounting principles (GAAP), and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

It is the goal of the Statement of Financial Management Policies to enable the Town to adhere to the principles of sound municipal finance and to continue its long-term stable and positive financial condition. The watchwords of the management of the Town's financial affairs shall, at all times, include integrity, prudent stewardship, planning, accountability, and full disclosure.

## **II. ACCOUNTING, AUDITING AND FINANCIAL REPORTING**

**A. ACCOUNTING** - The Director shall be responsible for establishing and maintaining a chart of accounts and for the proper recording of financial transactions in accordance with GAAP. Additionally, the Town is solely responsible for its reporting of its financial affairs, both internally and externally.

**B. AUDITING** - The Town's Charter, in accordance with Chapter 103 of the Local

Government Code of Texas, as amended, requires that its financial affairs be audited annually by outside independent accountants (auditors), selected and appointed by the Council under contract. The auditor selected shall be a CPA firm, registered as a partnership or corporation of certified public accountants, holding a license under Article 41a-1, Section 9, of the Civil Statutes of Texas, capable of demonstrating that it has sufficient staff which will enable it to conduct the Town's audit in accordance with generally accepted auditing standards as required by Town Charter and applicable state and federal laws. The auditor's written report of the Town's financial affairs shall be completed by no later than January 15th following the Town's fiscal year-end. The auditor's report, together with its management letter shall be presented to the Administrator, the Director and Council within the aforesaid 120 day period. Thereafter, the Administrator, the Director and auditor shall jointly review the auditor's report and management letter with the Council's Administrative Committee within 30 calendar days after their receipt by the Town.

Within fifteen (15) days of this joint review, the Director shall respond in writing to the Administrator and Administrative Committee regarding the auditor's management letter, addressing the issues contained therein. The Council shall schedule its formal acceptance of the auditor's report upon the resolution of any issues resulting from the joint review.

- C. AUDITORS RESPONSIBLE TO THE COUNCIL** -Auditors for the Town shall be responsible to the Council and shall have access to direct communication with the Mayor and Council at such times as the auditors consider such communication necessary to fulfill their legal and professional responsibilities.
  
- D. SELECTION/AUDITOR ROTATION** - The Council shall select the auditors for the Town each fiscal year. The selection may be by means of approving an engagement proposal from the incumbent firm or the Council may direct the Administrator and Director to obtain proposals from qualified CPA firms. As a benchmark, the Council may award a three (3) year engagement to the selected

firm with two (2) one (1) year extensions. The Council shall, however, retain authority to review audit performance annually and act accordingly in regards to replacement and extensions.

**E. EXTERNAL FINANCIAL REPORTING** - Upon the completion and acceptance of the annual audit by the Town's auditors, the Town shall prepare a written or electronic representation of an Annual Comprehensive Financial Report (ACFR) which shall be presented to the Council within 180 calendar days after the Town's fiscal year end. The ACFR shall be prepared in accordance with generally accepted accounting principles (GAAP) and shall be presented annually to the Government Finance Officers Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting. If this time requirement cannot be met, the Director shall report to the Administrator and the Council of the delay and the reasons for same.

**F. INTERNAL FINANCIAL REPORTING** - The Director shall prepare monthly, a written or electronic representation of a summary of the Town's financial affairs and submit same to the Administrator and Council within thirty (30) calendar days following the end of each calendar month. Each such report shall accurately reflect the Town's current cash position, revenue and expenditure/expense performance as well as any additional information that reflects the Town's fiscal position.

### **III. OPERATING BUDGET**

**A. PREPARATION** - Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. The Town's annual operating budget, hereinafter called budget, is the Town's annual financial operating plan. It is comprised of governmental, capital projects, proprietary, internal service and special revenue funds. Budgets for the General Fund, Capital Projects Funds and Special Revenue Funds are prepared on the modified accrual basis of accounting. The budgets for the Utility (Proprietary) Fund and Internal Service Funds are prepared on a basis consistent with GAAP, except that capital

purchases and depreciation are not considered until year-end when adjustments are made for financial reporting purposes.

1. Proposed Budget - A proposed budget shall be prepared by the Administrator and the Director with the participation of all of the Town's Department Directors/Heads, covering the operational and capital expenditures of the Town in accordance with the provisions of the Town Charter.

The budget shall include four (4) basic segments for review and evaluation. These segments are: 1) personnel costs, 2) operations and maintenance costs, 3) capital and (non-capital) project maintenance costs, and 4) revenues. Capital project costs shall reflect the approved Capital Improvement Plan ("CIP") which shall be updated and approved in conjunction with the adoption of the annual budget.

The budget review process shall include Council participation in the development of each of the four (4) segments of the proposed budget and a called Public Hearing to allow for citizen participation in the budget preparation.

The budget process shall span sufficient time to allow for ample time to address policy and fiscal issues by the Council and shall include a designated time and place for soliciting citizen input.

A copy of the proposed budget shall be filed with the Town Secretary not less than thirty (30) days prior to the end of the fiscal year in accordance with the provisions of the Town Charter.

2. Adoption - Upon the presentation of both a proposed operating budget and a CIP acceptable to the Council, the Council shall call and publicize a public hearing and adopt, by Ordinance, said budget as the Town's Official

Budget effective for the fiscal year beginning October 1st.

3. Amending the Official Budget - Amendments to the Official Budget shall be made at regularly scheduled Council meetings with a notice of the proposed amendment posted and publicized at least three (3) days prior to the meeting.

The Official Budget shall be submitted to the GFOA annually for evaluation and consideration for the Award for Distinguished Budget Presentation.

The Town's Utility (Proprietary) Fund, as set forth in the Town's budget, shall bear the applicable personnel and operating costs of the Town's general administration, information technology services, non-departmental specific expenditures, municipal building office space and other related costs plus the Town's Service Center operation based upon annual reviews of actual staff time allocation and facility use.

In addition to the aforesaid, the service rates for the sale of water, sanitary sewer services, solid waste collection/disposal services and recycling services shall include an amount equal to 5% of revenues for each respective service as street rental fees. These collected funds shall be transferred to the Capital Projects Fund toward funding of the Town's annual street resurfacing program.

All other direct expenses associated with the provision of utility services by the Town shall be expensed directly to the appropriate Department.

- B. BALANCED BUDGET** - It is desirable that the budget provide sufficient current revenues to fund that year's budgeted non-capital expenditures/expenses. Regardless of this objective, the budget shall be balanced with sources of working capital (revenues, cash surplus) equal to or greater than uses of working capital (expenditures/ expenses, capital outlays).

**C. BUDGET MANAGEMENT & PERFORMANCE** - The Director shall prepare and distribute monthly financial reports to enable the Department Directors to best manage their department budgets and to enable the Director to monitor and control the budget as authorized by the Administrator. Written summaries of the monthly financial reports shall be presented to the Council in accordance with Section II, Paragraph F, of this policy statement. Such reports shall be in a form which will enable the Council to be fully informed of the overall budget performance of the Town.

**D. END OF YEAR APPROPRIATIONS** – For all Town funds for which a budget is required and/or prepared, ~~excluding the Capital Projects Fund~~ with the exception of capital project budgets, unencumbered appropriations expire at the close of each fiscal year. Budgets for operating funds are prepared on a fiscal year basis. Capital projects, on the other hand, may span two or more years. Accordingly, ~~individual projects are budgeted in the Capital Projects Fund and~~ individual capital projects expire at project closure.

**E. PERFORMANCE MEASURES AND PRODUCTIVITY INDICATORS**

Where appropriate, performance measures and productivity indicators shall be included in the annual budget. This information shall also be reported by the Administrator to the Council on a quarterly basis.

**IV. REVENUE MANAGEMENT**

**A. SIMPLICITY** - The Town, where possible and without sacrificing accuracy, shall strive to keep the Town's revenue system uncomplicated so as to reduce compliance costs for the taxpayer or service recipient and a corresponding decrease in the Town's costs of collection.

The criteria shall always be that the benefits of a revenue collected exceed the cost of producing that revenue.

**B. CERTAINTY** – An understanding of the revenue source increases the reliability

of the Town's revenue system. The Director shall make every effort to determine its revenue sources and enact consistent collection policies in order that the revenues will occur to support the budget.

- C. EQUITY** - The Town shall make every effort to maintain equity in its revenue system structure; i.e., the Town shall endeavor, wherever possible, to minimize or eliminate all forms of subsidization between entities, funds, services, utilities and the Town's customers.
- D. REVENUE ADEQUACY** - The Town shall require that there be a balance in the its revenue system; i.e., the revenue base shall be fair as it applies to cost of service and ability to pay.
- E. DIVERSIFICATION AND STABILITY** - Wherever possible, the Town shall make every effort to maintain a diversified revenue system which provides a stable source of income to the Town which will protect it against fluctuations in the economy and variations in weather (related to the sale of treated water and sanitary sewer services).
- F. NON-RECURRING REVENUES** - It is desirable that non-recurring revenues not be used to finance the Town's current operations. Non-recurring Town revenues should be used only for one-time Town expenditures such as long-lived capital needs and not for budget balancing purposes.
- G. PROPERTY TAX REVENUES** - All real and business personal property located within the Town shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the Town by the Dallas Central Appraisal District. A 99% collection rate shall serve each year as a goal for tax collections. The Town Council shall determine whether the Town collects its levied property taxes or contract with another governmental agency for same. The Town Council shall further decide upon a property tax attorney or firm for the collection of delinquent property taxes in accordance with the Texas Property

Tax Code, as amended.

**H. USER-BASED FEE** - As a part of the Town's budget process, the Council shall review and adopt, where possible, service fees sufficient to offset the cost of services rendered by the Town. User charges shall be classified by the Council as "Full Cost Recovery" and "Partial Cost Recovery".

**I. UTILITY RATES** - As a part of the Town's budget process, the Council shall review and adopt utility service rates annually that, where possible, will generate revenues to fully cover the Town's operating expenses and to provide the Town with an adequate level of working capital.

**J. INTEREST INCOME** - The Director shall ensure, at all times, that the interest earned from the investment of Town money shall be distributed to the appropriate fund in accordance to the equity balance of the particular fund from which the money was provided for investment.

**K. REVENUE MONITORING** - All revenues actually received by the Town shall be regularly compared to budgeted revenues by the Director and where variances exist, these shall be audited by the Director. The results of such audits shall be summarized by the Director in the monthly financial report provided to the Council.

**V. EXPENDITURE/EXPENSE CONTROL**

**A. APPROPRIATIONS** - The Town's budget shall be a line- item budget. Overall budgetary control shall be the responsibility of the Administrator with each respective Department Director being responsible for the administration of his or her departmental budget.

**B. AMENDMENTS TO THE BUDGET** - In accordance with Town Charter, all budget amendments shall be approved by the Council.

C. **CENTRAL CONTROL** - No recognized salary or capital budgetary savings in any Department shall be spent by the Department Director without the prior authorization of the Administrator.

D. **PURCHASING** - All Town purchases and contracts ~~over \$3,000~~ shall conform to Chapter 252, Subchapter B of the Local Government Code of Texas, as amended. Purchases of goods or services subject to the competitive bid process and purchases of goods or services by contract, in excess of the threshold established for competitive bidding within Chapter 252 of the Local Government Code, shall be submitted to the Council by the Administrator for Council approval. The adoption of the annual budget gives the Administrator the authority to approve all other purchases for goods or services in accordance with each department's approved budget. Contracts entered into by the Town for the purchase of goods or services will be reviewed by the Town Attorney prior to execution.

The purchase of goods or services at a total cost of \$3,000 or more must be made through the Town's purchase order system. An electronic representation of a written purchase order shall also be used for vendors requiring formal Town authorization regardless of the dollar amount. All purchase orders require the approval of the Department Director or Department Director Designee (as defined in section XI. Financial Glossary) and the Director of Finance. Purchase orders greater than ~~\$45,500,000~~ require the approval of the Department Director, Director of Finance, and Town Administrator or Town Administrator designee.

In an emergency procurement situation (as defined in section XI. Financial Glossary) where a purchase order could not have been obtained prior to making a purchase, a department must obtain a purchase order as soon as practicable after making the purchase. An emergency purchase order requestion must be accompanied by a memo signed by the appropriate department head that describes the nature of the emergency and reason(s) why a purchase order could not have been obtained in advance of making the emergency purchase. A substantiated

emergency procurement made without a valid purchase order is not considered a violation of this policy.

Any payment for the purchase of goods or services by the Town at a total cost of less than \$3,000 may be made via an electronic representation of a written Accounts Payable Voucher, signed and submitted by the applicable Department Director or Department Director Designee to the Town's Finance Department. The following approval thresholds shall apply to all disbursement of funds:

Approval Threshold*	Approval Requirement
Accounts Payable Vouchers and Disbursements Less than or Equal to \$51,000	Department Director or Department Director Designee Finance Department Accounting Supervisor
Accounts Payable Vouchers and Disbursements More than \$51,000 but Less than or Equal to \$5045,000	Department Director or Department Director Designee Director of Finance
Disbursements More than \$5045,000	Department Director Director of Finance Town Administrator or Town Administrator Designee**

\* Approval thresholds apply to disbursements on an individual basis, not in the aggregate.

\*\* Town Administrator or Town Administrator Designee approval only applies to disbursements that require original signature as defined in Section VI. B. of this policy.

In accordance with Section 252.0415 of the Texas Local Government Code, the Town is authorized to receive sealed bids or proposals electronically. To ensure the identification, security and confidentiality and prevent the opening of submittals prior to the advertised opening date and time, these submittals shall be received password protected digital account only accessible at the date and time advertised for the opening. The information technology department, or third party used to collect the submittals, will certify that the submittals were not opened until the advertised date and time. Any bids submitted after the advertised date and time will not be considered. If any submitted bids are opened prior to the advertised opening date and time, all bids will be considered rejected and the process will be redone.

**E. PROMPT PAYMENT** - All invoices approved for payment by the proper Town authorities shall be paid by the Finance Department within thirty (30) calendar days

of receipt in accordance with the provisions of Article 601f, Section 2 of the State of Texas Civil Statutes.

The Director shall establish and maintain proper 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 in order to maximize the amount of cash available for investing.

**F. EQUIPMENT FINANCING** - The applicable Town Department Director, the Administrator and the Director, when possible, shall evaluate the Town's option of equipment leasing in instances of Town equipment acquisitions of \$10,000 or more or in instances when the equipment has a useful life of five (5) or more years as an alternative for Council consideration in the acquisition of assets.

**G. CONTRACTS FOR GOODS AND SERVICES**

This section is provided to address the development and execution of contracts that are not required to be presented to the Town Council for approval. For the purposes of this policy, the terms contracts and agreements are considered synonymous.

1. Any contract for goods and/or services does not require Town Council approval will be executed by the Town Administrator or his/her designee.
2. Contracts for goods and/or services will be written in a standard form provided by the Town Attorney.
3. Any deviations or modifications to the Town's standard form agreement must be approved by the Town Attorney to prior execution.
4. In the event a contract being considered by Town Staff is not on the Town's standard form agreement, the Town Attorney will review and approve the form of the agreement prior to execution.
5. While circumstances of a procurement typically dictate the necessity of a contract, Town Staff should consider using a contract for the purchase of goods and services in the following instances:
  - a. Work is being performed by a third party on Town Property.
  - b. Services being procured are set out by a specific scope of work.

- c. Specific details regarding specifications, delivery terms or payment options are negotiated.
  - d. The product being procured includes a warranty from the vendor.
  - e. The procurement being made carries risk to the Town that needs to be mitigated through indemnification and subrogation clauses.
6. Designees of the Town Administrator for the purposes of developing and executing contracts are as follows:
- a. Contracts valued at less than \$100,000 but more than \$50,000 must receive the approval of the Town Administrator.
  - b. Contracts valued between \$25,000 and \$49,999 can be executed by the department director with a copy provided to the Town Administrator.
  - c. Contracts valued between \$0 and \$24,999 can be executed by the Department Director Designee with a copy provided to the department director.
  - d. In all cases, directors have the authority to sign any contract that does not require the Town Administrator's signature.

The Town Administrator may approve a contract valued below \$50,000, which satisfies all subordinate approvals.

## **VI. ASSET MANAGEMENT**

- A. INVESTMENTS** - The Director shall promptly invest all Town funds in accordance with the Town's Statement of Investment Policies as adopted by the Town Council.
  
- B. CASH MANAGEMENT** - The Town's cash flow shall be managed by the Director to maximize the cash available for investment. The Finance Department shall, as authorized by Council, affix, via mechanical or electronic means, a facsimile, bearing the joint signatures of the Town's Administrator and the Director, for the disbursement of Town issued checks for:

1. Payroll;
2. Federal income tax and social security tax transfers;
3. Texas Municipal Retirement System deposits;
4. Unemployment compensation claim reimbursements;
5. Payments of money held in trust where the Town acts as a collecting agent;
6. Utility services;
7. Employee benefits programs;
8. Installment payments approved by Council on contracts or projects;
9. Payments for expenditures/expenses for which the Council has specifically authorized payment;
10. Individual (non- aggregate) Disbursements less than \$503,000

All other Town issued checks not meeting the above criteria shall be signed, in original, by two (2) authorized signatories. Payment authorization shall be in accordance with the pay authorization criteria as defined in the current Bank Depository Agreement, approved by Council, stipulating the conditions and control procedures on such activity.

The Director may transfer funds, via electronic transfer, through verbal instructions to the Town's Depository only for payment of any obligation of the Town under the conditions applicable to the use of the facsimile signature under Paragraph B, this Section.

**C. ~~FIXED-CAPITAL ASSETS ACCOUNTING AND INVENTORY~~ -**

The Town's ~~fixed-capital~~ assets shall be reasonably safeguarded and properly accounted for and sufficiently insured. Responsibility for the safeguarding of the Town's ~~fixed-capital~~ assets lies with the Department Director in whose department the ~~fixed-capital~~ asset

is assigned. The Finance Department shall ~~supervise the marking of fixed assets with numbered Town property tags~~ assign an asset number in the Town's capital

asset data base and shall maintain the permanent records of the Town's fixed-capital assets including description, cost, department of responsibility, date of acquisition, depreciation and expected useful life.

The recording of the cost or value of capitalized fixed-capital assets into the Town's financial records and fixed-capital asset database shall be consistent with the definition of capitalized fixed-assets. With two (2) exceptions: 1) accessioned Library materials can be capitalized on a lump-sum basis rather than on a per item basis. 2) an asset accounted for in the assets purchased from the Town's Equipment or Technology Replacement Replacement Fund Funds (Internal Service Funds) that are individually below the capitalized asset threshold can be capitalized annually on a lump-sum basis rather than on a per-item basis. Refer to the definition of "Capitalized Asset" in the glossary of this policy shall be recorded regardless of cost or value and marked with numbered Town property tags to allow for inventory tracking.

Rehabilitations, renovations, remodels, and repairs to Town's capital assets are capitalized to extent the total cost of the rehabilitation, renovation, remodel, and repair exceeds \$25,000 and extends the underlying assets useful life. Rehabilitations, renovations, repairs and remodels below this threshold are considered routine repair and maintenance expenditures.

Non-capitalized fixed assets shall be recorded in the Town's fixed-asset data base at a financial reporting cost or value of \$0.

The Finance Department shall also perform an annual inventory of capital assets using random sampling at the department level. Such inventory shall be performed by the Director or his or her designated agent in the presence of designated department personnel from the department of responsibility.

**D. COMPUTER SYSTEM/DATA SECURITY** - The Town shall provide security of its computer system and data files through:

1. Physical security - computer systems infrastructure shall be in a location inaccessible to unauthorized personnel. Only authorized external access to the system via telephone, microwave or radio frequency shall be installed.
2. Password security - All users of the Town's financial management system shall be assigned his/her personal password for access into the system. Each user shall be given access permissions to only those data files and functions necessary to perform assigned duties. The Town Administrator shall designate the Information Technology Manager as the Master Security Officer on the Town's computer ~~system~~ networks. The Master Security Officer may appoint other Town employees to serve as Security Officers. The Town shall take all precautions necessary to protect the integrity and safety of its information technology.

## **VII. FINANCIAL CONDITION**

**A. NO OPERATING DEFICITS** - It is desirable that the Town's current expenditures/expenses be paid with current revenues of the Town. Deferrals, short-term loans or use of one-time sources should be avoided as budget balancing techniques. The Town's cash reserves should be used only for emergencies or for the payment of non-recurring expenditures as approved by the Council, except when balances can be reduced due to their levels exceeding guideline minimums as stated in Section VII, Paragraph B., hereof.

### **B. FUND BALANCE - GOVERNMENTAL FUNDS**

1. *Committed Fund Balance* - The Town Council is the Town's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is by Council action. The Council action must either be approved or rescinded,

as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period. The Council action may take the form of the Annual Budget or a separate ordinance or resolution. Examples of Committed Fund Balance include the Storm Water Drainage Utility Fund and the Employees' Christmas Fund (contributions committed for employee distribution).

The Town shall maintain a committed fund balance in the Capital Projects Fund of \$2,000,000.00 as conditions warrant. The Town Council shall have sole authority for the use of any portion, or all of, the committed fund balance in the Capital Projects Funds. Such decision to use the Capital Projects Fund's committed fund balance should include a plan for replenishing the committed fund balance of the Capital Projects Fund to its desired level.

2. *Assigned Fund Balance* - The Town Council has authorized the Town's Director of Fiscal and Human Resources to assign fund balance to a specific purpose in accordance to Generally Accepted Accounting Principles and in the normal conduct of business. An example is resources to be used to liquidate encumbrances related to purchase orders payable from assigned resources and any fund balance to be used in a subsequent fiscal year to "balance" the budget.

3. *Minimum Unassigned Fund Balance*

The Town shall maintain an unassigned fund balance in the General Fund equal to 17% of non-capital expenditures as approved by the Town Council in current Annual Budget.

If Unassigned Fund Balance exceeds the target set by policy, the Town may use surpluses for onetime expenditures. If unassigned fund balance

falls below the target, the Town will reduce recurring expenditures to eliminate any structural deficit for such period as necessary until the unassigned fund balance meets the minimum balance as required by this policy.

4. *Order of Expenditure of Funds*

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the Town Council, and Unassigned Fund Balance), the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

At the close of each fiscal year, any operating surplus (revenues less expenditures less encumbrances) shall be transferred, by Council action, from the General Fund to the Capital Projects Fund.

**C. NET WORKING CAPITAL - UTILITY FUND**

The Town shall maintain Net Working Capital at an amount equal to not less than twenty-five percent (25%) of non-capital expenditures as approved by the Town Council in the Annual Budget.

**D. RISK MANAGEMENT** - The Town shall provide, where possible, for the safety of the public and the Town's employees in order to minimize the Town's risk of loss of resources through liability claims.

**E. RISK FINANCING** - All reasonable options shall be investigated by the Director to finance risks. Such options may include risk transfer, insurance and risk retention.

**VIII. INTERNAL CONTROLS**

- A. **WRITTEN PROCEDURES** - Wherever possible, written procedures shall be established and maintained by the Director for all activities involving cash handling and/or accounting throughout the Town. These procedures shall embrace the general concepts of fiscal responsibility outlined in this statement.
- B. **DEPARTMENT DIRECTORS RESPONSIBLE** - Each Department Director shall be responsible to ensure that good internal controls are followed at all times throughout his or her department, that all approved, written Finance Department directives on internal controls are implemented and that all independent auditor internal control recommendations, as embraced by the Council and furnished by the Finance Department, are met.

**IX. DEBT MANAGEMENT**

- A. **LONG-TERM DEBT** - Long-term debt shall not be used for operating purposes and the life of any Town issued debt shall not exceed the useful life of the asset or project financed with same.
- B. **FINANCING ALTERNATIVES** - The Director shall be responsible for the evaluation, from time to time, of all financing alternatives permitted by State law in addition to long-term debt including leasing, current revenues and available reserves.
- C. **RATINGS** - The Director shall make full disclosure of the Town's operations to both nationally recognized rating agencies, Standard & Poors and Moody's.

**X. ANNUAL REVIEW OF POLICIES**

The Town's Financial Management Policies shall be reviewed by the Director and Administrator at least annually and any proposed revisions shall be presented to the Council for approval.

**XI. FINANCIAL GLOSSARY**

The following definitions form a part of this policy statement in order to clarify certain terminology used.

Appropriation - a legal authorization granted by the Council to make or incur expenditures/expenses for specific purposes.

Bank Depository Agreement - the Council approved current contract, pursuant to the provisions of Section 105 of the Local Government Code of Texas providing for banking

Budget - a plan, approved by the Council, of financial operation embodying an estimate of proposed expenditures/expenses for the fiscal year and the proposed means of financing them (revenue estimates).

Capital/Major Project Expenditure/Expense - an expenditure/expense which results in the acquisition or addition of a ~~fixed-capital~~ asset or the improvement to an existing ~~fixed~~ capital asset.

Capital Projects Fund - a fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Capitalized ~~Fixed-Asset~~ – ~~A purchased or otherwise acquired piece of equipment, vehicle, furniture, fixture, capital improvement, addition to existing capital investments, land, buildings or accessioned Library materials with a useful life greater than two (2) years and a ~~fixed~~n asset acquired prior to October 1, 2000, having an acquisition cost or value of \$1,000 or more or a ~~fixed~~ asset acquired after September 30, 2000, having an original acquisition cost or value of \$155,000 or more.~~

Chart of Accounts - a chart detailing the system of numbering or otherwise designating general ledger accounts.

Combined Budget – the combination and presentation of the Operating Budget and the

Capital Projects Fund/Improvement Plan budget.

Competitive Bidding Process — a competitive procurement process that satisfies the requirements of Chapter 252 of the Local Government Code of Texas, as amended. ~~the process following State law requiring that on purchases of \$25,000 and more, the Town must advertise, solicit, and publicly open sealed bids from prospective vendors. After a review period the Council then awards the bid to the successful bidder.~~

Current Assets - assets of the Town consisting of cash, investments and other assets that can or will be converted to cash within a twelve (12) month period.

Current Expense - an obligation of the Town as a result of an incurred expenditure/expense that is due for payment within a twelve (12) month period.

Current Liabilities - obligations of the Town that will require satisfaction within a twelve (12) month period.

Current Revenue - Town revenues or resources convertible to cash within ~~a~~ a twelve (12) month ~~periods~~.

Department Director Designee – an Assistant Director or equivalent, or a person reporting directly to the Department Director that is a supervisor/manager by title or job function.

Director of Finance - the person appointed by the Town Administrator who is responsible for the recording and reporting of the financial activities of the Town.

Electronic signature – electronically imprinted signature facsimiles generated through the Town's computer equipment upon vouchers or Town issued checks, rendering them as negotiable instruments.

Emergency - an unexpected occurrence, i.e. damaging weather conditions, that requires the unplanned use of Town funds.

Emergency Procurement – An unforeseen procurement that was necessary to:

- Preserve the property of the municipality
- Preserve or protect the public health or safety of the municipality's residents or employees
- Prevent unforeseen damage to public machinery, equipment, or other property

Encumbrance - see Appropriation

Equity - see Fund Balance and Retained Earnings

Expenditure/Expense - decreases in net financial resources for the purpose of acquiring goods or services. The General Fund recognizes expenditures and the Utility (Proprietary) Fund recognizes expenses.

~~Facsimile Signature Machine – a mechanical device used to imprint signature facsimiles upon Town vouchers rendering them as negotiable instruments.~~

Fiscal Year (FY) - the period of October 1st through the following September 30th. (e.g. FY 2013 or FY13 refers to the fiscal year from October 1, 2012 through September 30, 2013)

~~Fixed Assets – Purchased or otherwise acquired piece of equipment, vehicle, furniture, fixture, capital improvement, addition to existing capital investments, land, buildings or accessioned Library materials with a useful life greater than one (1) year.~~

Fund - an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance – an accounting distinction is made between the portions of fund equity that spendable and non-spendable. These are broken up into five categories:

1. **Non-spendable fund balance** – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are resources in the form of inventory or permanent funds.
2. **Restricted fund balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include resources from grants and child safety fees.
3. **Committed fund balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council. Commitments may be changed or lifted only by the Town Council taking the same formal action that imposed the constraint originally.
4. **Assigned fund balance** – comprises amounts *intended* to be used by the Town for specific purposes. Intent can be expressed by Town Council or by an official or body to which the Town Council has delegated the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Examples include resources to be used to liquidate encumbrances related to purchase orders payable from assigned resources and any fund balance to be used in a subsequent fiscal year to “balance” the budget.
5. **Unassigned fund balance** – is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Fund Equity - the excess of fund assets over liabilities in a governmental fund.

GAAP - see Generally Accepted Accounting Principles

General Administrative Costs - costs associated with the administration of Town services; costs incurred by the Town that relate to the Town's general operations rather than to the providing of specific services.

General Fund - the Town fund used to account for all financial resources and expenditures of the Town except those required to be accounted for in another fund.

General Ledger - the collection of accounts reflecting the financial position and results of operations for the Town.

Generally Accepted Accounting Principles (GAAP) - uniform minimum standards of and guidelines to financial accounting and reporting as set forth by the Governmental Accounting Standards Board (GASB).

GFOA - Government Finance Officers Association of the United States and Canada

Governmental Accounting Standards Board - the authoritative accounting and financial reporting standard-setting body for government agencies.

Governmental Funds – funds generally used to account for tax-supported activities. The Town utilizes three different types of governmental funds: the General Fund, Capital Projects Fund, and Special Revenue Funds.

Internal Service Fund - a fund used to account for the financing of goods or services provided by one department to other department on a cost reimbursement basis.

Investments - securities held for the production of revenues in the form of interest.

Line-Item Budget - the presentation of the Town's adopted Budget in a format presenting each Department's approved expenditure/expense by specific account.

Long-Term Debt - obligations of the Town with a maturity of more than one (1) year.

Management Letter - a written report from the independent auditors to the Council reflecting observations and suggestions as a result of the audit process.

Net Working Capital - current assets less current liabilities.

~~Non-Capitalized Fixed Asset - a fixed asset acquired prior to October 1, 2000, having an~~

~~acquisition cost or value of \$1,000 or less or a fixed asset acquired after September 30, 2000, having an acquisition cost or value of \$1,000 or more but less than \$5,000.~~

Non-Recurring Revenues - resources recognized by the Town that are unique and occur one-time.

Official Budget - the budget as adopted by the Council.

One-Time Revenues - see Non-Recurring Revenues.

Operating Budget - a plan, approved by the Council, of financial operation embodying an estimate of proposed expenditures/expenses for the fiscal year and the proposed means of financing them (revenue estimates) for all funds excluding the Capital Projects Fund and individual capital projects, which can span multiple fiscal years.

Proprietary Fund - see Utility Fund

Purchase Order System - the Town's system of using documents authorizing the delivery of specified merchandise or services and making a charge for them.

Retained Earnings - the equity account reflecting the accumulated earnings of the Utility Fund.

Revenues (Resources) - the term designating an increase to the Town's assets which:

- does not increase a liability (i.e. proceeds from a loan);
- does not represent a repayment of an expenditure/expense already made;
- does not represent a cancellation of certain liabilities; and
- does not represent an increase in capital.

~~Risk - the liability, either realized or potential, related to the Town's daily operations.~~

Special Revenue Funds - funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. Examples include Court Technology Fund, Forfeited Property Fund, and Court Security Fund.

Street Rental Fees – An annual amount equal to 5% of combined water, sanitary sewer, solid waste collection/disposal and recycling charges billed to the Town’s utility customers to pay for the use/access of Town right-of-way.

Tax Levy - the total amount of taxes imposed by the Town on taxable property, as determined by the Dallas Central Appraisal District, within the Town's corporate limits.

Town Council - the current elected officials of the Town as set forth in the Town's Charter.

Town Administrator - that individual appointed by the Town Council who is responsible for the administration of the affairs of the Town.

User Based Fee/Charge - a monetary fee or charge placed upon the user of services by the Town.

Utility Fund - the fund used to account for operations of the Town's water and sanitary sewer activities.

Utility Sales - sales of treated water and sanitary sewer service.