

City of Blanco

Manual of Accounting Policies

September 2023

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Section 1: Overview

1.1 Purpose

The City of Blanco, Texas (City) is committed to sound financial management through integrity, prudent stewardship, planning, accountability, transparency and full disclosure, and communication. The broad purpose of this Manual of Accounting Policies is to assist the City in achieving and maintaining a long-term stable and positive financial condition and provide guidelines for the day-to-day planning and operation of the City's financial affairs.

The scope of this policy includes aspects of accounting and financial reporting, internal controls, operating and capital projects budgeting, and revenue management. These policies are intended to accomplish the following:

- Demonstrate to the citizens of the City, the investment community, and the bond rating agencies that the City is committed to strong fiscal operations;
- Detail financial goals and strategies for future policymakers and financial managers;
- Support the fair presentation and full disclosure of the financial position of the City in conformity when appropriate with the generally accepted accounting principles of the United States of America (GAAP) and the standards put forth by the Governmental Accounting Standards Board (GASB); and
- Support compliance with finance-related legal and contractual issues in accordance with the Texas Local Government Code and other related legal mandates upon the City.

1.2 Manual

The Manual of Accounting Policies (Manual) is the official accounting policy document for the City. The purpose of the Manual is to describe the existing accounting policies that have been established for the City and to assist employees as they work to achieve the purpose and objectives set by the City.

The Manual includes all current accounting policies that have been developed by the City through the time of issuance, unless otherwise noted. The policies herein apply to all employees, consultants, and other individuals involved in all accounting and financial statement preparation processes.

Wherever possible, written procedures will also be established and maintained by the Director of Finance for functions involving cash handling and/or accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy.

1.3 Authority

Authority for the commitment of City resources, the initiation of expenditures, and the execution of agreements has been granted at various levels of management. The authorities themselves, and the procedures implementing the approval processes, are intended to ensure that the appropriate management level is involved in the decision-making process on a timely basis.

[Appendix A](#) contains additional information about the delegation of specified authorities.

1.4 Policy Maintenance

The Manual is a public document available to the City Council, the staff of Blanco and the general public. It is the responsibility of the Finance Director to implement and enforce compliance with the Manual. It

is the responsibility of all employees associated with the City to be aware of and abide by these policies and to exercise sound business judgment in the application of these policies.

It is the responsibility of the Finance Director to establish and review the initial version of the Manual, as well as create and review subsequent changes. It is the responsibility of the City Council to approve and adopt this Manual and subsequent major revisions.

Annually, as a part of the budget adoption process, the policies in the Manual will be reviewed and updated as needed, to align the policies with current and desired practices. The appendices contain material that may change more often and should be updated on an as-needed basis. These changes do not need to be approved by the City Council unless it so directs any review and approval.

All change requests related to the Manual must be submitted in writing to the Finance Director. The Finance Director is responsible for reviewing and incorporating all change requests, as well as making changes to the official Manual and posting changes in a timely manner. All revisions must be provided to the City Administrator and City Council, and any revision to policy language must be approved by the City Council.

1.5 Revision History

Date	Version #	Changes Made	Author
9/1/2022	01	Initial document	

Section 2: Revenues

The City strives to maintain and administer a revenue system that will ensure a reliable, equitable, diversified, and sufficient revenue stream to support desired City services.

2.1 Receipt of Payments

All customer payments are received in the form of a check, money order, cash, credit card, or online payment. Payments made in person, via the drop box, or by mail are entered into the accounting system manually. Online payments are entered automatically because the utility billing system is integrated with the accounting system.

At the end of the day, any amounts over \$200.00 in the cash drawer shall be counted and reconciled. Any funds (cash, checks and/or money orders) that must be retained overnight should adequately be secured in a locked safe in the department. All excess cash, money orders, and checks received shall be deposited at the bank on the next business day.

2.2 Receipt of Checks

All checks received that are payable to the City shall be restrictively endorsed immediately. Checks should be made payable to the City of Blanco.

2.3 NSF Checks

The bank shall notify the Finance Director of any insufficient (NSF) checks via email. If applicable, the Utilities Clerk is responsible for adjusting the customer's account to reflect the service charge for NSF checks. The Finance Department is responsible for filing the NSF checks in the office.

A service charge in the amount set forth in the fee schedule in the City of Blanco ordinances will be required to cover the handling of any returned checks.

2.4 Reconciliation of Deposits

To ensure that each deposit was received and correctly posted, all cash, check, money order, and credit card transactions should be reconciled daily to the reports generated on the accounting system. The recording and reconciliation of deposits shall be completed by an employee who does not make the deposits. Any discrepancies should be immediately investigated and reported to the Finance Director or designee.

The Finance Director or designee shall reconcile the daily cash deposits to the bank statements monthly. The City Administrator shall review and approve this reconciliation along with the supporting documentation monthly.

2.5 City-Managed Services

Utilities

The City utilizes a third party for the management of the City's utilities. New utility connections are routed to the third party, who will install and activate their services. The City Council is responsible for reviewing and approving new connections provided by the third party. The City is responsible for reporting, managing utility payments and receivables, and making large asset purchases that are then provided to the third party.

Rates and Charges

The City performs utility rate studies using an external assessor at least every two years but may seek additional guidance dependent on prevailing economic conditions. Rate studies shall include in their consideration the repayment of any existing or planned loans or bonds, and any other liens, encumbrances or obligations allowed by law.

The City agrees that so long as the notes are outstanding, the City shall set, establish, maintain, and collect such rates, charges, and fees to produce system revenues in an amount necessary to meet the debt service and revenue coverage requirements of the loan or bond agreements.

The City Council is responsible for approving all new rates and charges. The City Council shall review and make a determination on the new utility rates within a reasonable period after receipt of the relevant rate study.

Utility Charges and Deposits

Charges for service include water tap, sewer tap, garbage collection and disposal, and water and sewer rates. Deposits are charged for the new service for water, sewer and/or garbage. A refund of the deposit shall be made on the termination of service, less any amount owed to the city.

All charges and rates are set in the fee schedule found in the City of Blanco ordinances.

Utility Bill Processing

Customer meters are mostly satellite read, and older meters will continue to be converted when possible. For non-satellite read meters, customer meters are read once a month by a third-party vendor, and usage data is transferred to the accounting system. The accounting system generates bills (including usage, fees, installation, etc.), records payments, and tracks aging receivables for overdue billing.

The Utilities Clerk is responsible for overseeing the entry of meter readings into the accounting system. Anomalies that trigger additional scrutiny include zero bills and unusually high amounts. Meters may be re-read on an as-needed basis. After a review, the Utilities Clerk shall approve of the meter reading report. The customer bills are printed out and mailed at the end of the month. Any concerns may be raised to the Utilities Clerk or the City Secretary.

Customer payments are recorded in the system as received. Utility payments are due on or before the 10th of the month by 5:00 p.m. Bank drafts for auto-pay customers are initiated on the 7th of the month, and credit card drafts are initiated on the day the customer chooses to set up their auto-draft payment on the third-party payment website. At the end of the month, reconciliations are performed between meter readings, invoices (billings), and collections. The Accounts Receivable (AR) aging report is updated for delinquent accounts.

The Utilities Clerk may adjust bills for mistakes, leaks, or other authorized issues. Fees collected include usage, meter deposits, new meter fees, new account connection fees and late fees. The Finance Director or designee reviews all adjustments monthly.

Required Reporting

Various reports for the utilities are required by regulatory agencies. Adhering to regulatory requirements and additional requirements imposed by loan and bond agreements is a priority. Technical

reports are filed by the Public Works provider and retained in accordance with appropriate record retention requirements.

Waste Management

Waste is managed by an outside vendor but financially managed by the City. The bill is received by the City and reconciled by the Utility Clerk. The invoice is reviewed and paid by the Finance Department.

Municipal Court

The mission of the City's Municipal Court Department is to provide an accessible legal forum for individuals to have their court matters heard in a fair and efficient manner.

Citations

The City uses handheld ticket writers from a third party to issue electronic citations and are integrated with the City's case management system. Electronic citations are uploaded automatically to the case management system. Manual citations are only used when needed (i.e., equipment malfunction).

Manual citations shall be entered into the case management system by the Police Department staff. The Municipal Court picks up the manual citations after they are entered by the Police Department staff daily.

Once a citation is entered into the third party's public safety system electronically or manually, the record cannot be edited or deleted by anyone. After entry, these citations are uploaded from the citation software into the case management system twice a day.

Each officer's log of electronic and manual citations is reviewed monthly by a supervisor.

Case Management

Once a citation is issued, the Court Clerk shall prepare a jacket for each violation. All information regarding a case is contained in a file jacket. The Court Clerk is then responsible for preparing the forms and orders, based on the defendants' request. Once the forms and orders have been prepared, the file shall be provided to the Judge for review and signature of approval.

All payments, certificates, community service, and any other paperwork that is turned in is also put into each file. The Court Clerk has the authority to post payments and file paperwork. When a case is complete, the jacket is reviewed and signed by two signers, the Judge and a court representative, and sealed for storage.

Fines and Fees

Fines and fees due for each citation are automatically determined by the case management system and assessed to each defendant's case based on the violation committed. This determination uses fine and fee information stored in the case management software that is based on federal, state, and local statutory requirements.

The Court Clerk is assigned to one cash drawer, which is obtained from the City Hall safe at the beginning of each shift. The Court Clerk balances and batches out daily. All funds collected that day along with a register from the case management software shall be given to the Finance Department for review and verification. The Finance Department shall then include the Court funds in the daily deposit of all City funds collected.

Payments made by defendants online are reviewed and posted in the case management system each business day by the Court Clerk. The Court Clerk will also reconcile collections to payments recorded in the case management system daily. These reconciliations are included with the deposit, which is prepared by a Court Clerk and collected by the Finance Department to report daily collections.

Fines and fees collected in cash are deposited with the Finance Department the same day along with a signed deposit sheet. The Finance staff shall verify the cash and sign the deposit receipt.

Payment Plans

The Municipal Court Judge has authorized the Municipal Court Department staff to create payment plans for fines and fees owed on adjudicated cases, if requested by a defendant within certain parameters. The defendant may be granted a 30-day extension to pay the fine and monthly payment amounts may be set as low as \$50. If the case has not been adjudicated, current standing orders allow the Court Clerk to review and approve the request for a payment plan. The Court Clerk shall prepare the judgement order and file is given to judge to review and sign.

Refunds

Refunds are prepared by a Court Clerk or other duly authorized representative of the court, who prepares the documentation and processes the refund in the case management system. Refunds may be based on a defendant's request or based on the Municipal Court Judge's order. A refund form with supporting documentation is submitted to the Finance Department for payment to defendants. Refund checks are processed by the Finance Department and shall be signed by two signers.

Delinquency

The City has contracted with a collection agency to assist with collecting delinquent payments from defendants. Delinquent cases are referred to the third-party after a warrant has been issued.

2.6 Receivables

The City shall maintain high collection rates for all revenues by monitoring monthly receivables. The City shall follow a consistent and reasonable approach to collecting revenues to the fullest extent allowed by law for all delinquent taxpayers and others overdue in payments to the City.

Revenues received will be compared to budgeted revenues by the Finance Director and any variances considered to be material will be investigated. This process will be summarized in the monthly budget-to-actual reports to the City Council.

Utility Bill Delinquency

For delinquent accounts, a 10% penalty will be incurred on the 11th day of the month for non-payment, past due notice shall be mailed on the 15th and disconnects will occur on the 21st of the month. If the 10th day of the month falls on Saturday or Sunday or a city holiday, payment will be due in the office of the city before 8:00 a.m. the second working day.

If no payment has been made, the City Secretary shall have the authority to disconnect or terminate all utility services and a work order shall be generated to lock the meter. Sixty days after a meter is locked and no payment has been provided, customer accounts are reclassified as uncollectible.

The Utilities Clerk may develop payment plans for accounts that are past due and may waive penalties after consultation with the City Secretary on a case-by-case basis.

The City Secretary shall charge the fee set forth in the fee schedule found in Appendix A in the City of Blanco ordinances for the reconnection of disconnected water service.

Uncollectible Accounts

Uncollectible accounts will be written off and may be sent to collections.

Accounts receivable shall be reconciled to supporting details on a quarterly basis and presented for review by the City Administrator. These reconciliations should be accompanied by a list of all delinquent accounts and accounts identified as write-offs. The City Administrator must approve all write-offs before they are sent to collections.

Once a write-off has been processed, the City will maintain a master list of bad accounts. Customers listed on the write-off list will be allowed to establish a new account only if the back debt is paid. Account write-offs are bookkeeping entries only and do not release debtors from their obligations to the City.

Allowance for Doubtful Accounts

The City establishes an annual allowance for uncollectible accounts. The amount for the allowance is adjusted each year by the Finance Director based on the collectability of aging receivables. The City Finance Director may consult with the City's auditors and legal counsel to assist with determining the collectability of aging receivables.

Accounts that have been identified as write-offs will be debited from the Allowance for Doubtful Accounts annually as a part of the preparation and finalization of the financial statements.

Credits and Other Adjustments to Accounts Receivable

It may be necessary for accounts receivable to be credited in order to correct billing errors or other issues. All credits should be reviewed by the Finance Director on a monthly basis.

2.7 Cash Management

The City shall establish sound cash management practices to ensure secure cash handling and solid internal controls.

Banks

The establishment of bank accounts is authorized and administered by the Finance Director or the City Administrator. The Finance Director has administrative rights for all bank accounts. All bank accounts are maintained in financial institutions insured by the Federal Deposit Insurance Company (FDIC) and kept under the FDIC insurance limits unless there are protective agreements in writing in place with the bank.

The City maintains bank accounts at various financial institutions (see [Appendix B](#)).

The City uses a pooled account to process most day-to-day operations. All banking operations are overseen by the Finance Department. Banking access is limited to the Finance Director, Finance Admin, and the City Secretary. Signing authority on the bank accounts is separate and restricted to three members of the City Council (including, possibly, the Mayor), and requires signatures of at least two of

those three authorized Council members. City Council shall approve all such authorization appointments.

Construction accounts are used to maintain and track loan fund proceeds intended for projects related to funds received from the Texas Water Development Board (TWDB).

2.5 Segregation of Duties

General guidelines for assigning duties in the Finance Department:

- To the extent possible, the receipt and deposit of cash should be separated from record-keeping functions. If this is not possible, this task should be rotated among members of the Finance Department to ensure that no one person consistently has jurisdiction over a single task and there is review of the activity over time.
- Reconciling bank statements and making bank deposits should not be consistently the responsibility of a single employee but rotated among members of the Finance Department

Section 3: Expenditures

The City works to ensure that all expenditures are reasonable and necessary uses of the resources of its taxpayers. City Staff will be bound by the approved budget. All purchases will be made in accordance with the City's current Purchasing Policy and in compliance with State law.

3.1 Cash Disbursements

The method of disbursement used for the payment of the purchase of goods and services includes the following:

- 1) payment by check;
- 2) wire; and
- 3) purchasing card.

When making disbursements for goods or services received it is important to verify that accurate payments for eligible costs are made to vendors in a timely manner, within 30 days of the receipt of an invoice. In addition, disbursement requires proper controls to assure that the expenditure of City funds is necessary, reasonable, and in line with departmental budgets. This policy applies to all disbursements of the City.

Vendor Payments

Invoice Review and Expense Coding

Invoices are received or forwarded to the Finance Department upon receipt. On a weekly basis, the Finance Department will review invoices and perform the following:

- Confirm satisfactory receipt of goods or services.
- Ensure the presence and accuracy of supporting documentation.

- Enter invoice information into the accounting system utilizing the appropriate budget codes.
- Scan any available supporting documentation into the accounting system.
- Prepare checks.
- Present checks along with supporting documentation to two authorized signers.
- Review invoices for any new vendors to ensure the capture of W-9 forms.

Check Signing Guidelines

All checks must be signed by two authorized signers and presented along with supporting documentation. Checks will be signed manually. This procedure must be required and enforced by the City and the bank. The authorized signers' list shall be reviewed and approved by City Council, and confirmed with the bank annually, after all elections, or immediately in case of unexpected turnover.

ACH, EFT, and other online payments may only be used for routine monthly transactions, which have been approved in memorandum by two authorized signers. If one of these transactions should be required for another purpose, the transaction shall be reviewed and signed off on in advance of payment. These transactions should be entered into the accounting system on the date they are made. Strong preference should be given to payment by check.

All check stock should be stored in a locked cabinet with limited access.

Vendor Payments by Wires or Other Payment Types

Payments by wire require two independent authorizations. Digital security tokens providing one-time passwords will be held by the Finance Director, the Finance Admin, and the City Secretary.

Purchasing Card Statements

All credit card statements are reviewed by the Finance Department. Charges that cause concern are held temporarily for further review by the Finance Director, and thereafter, may be paid but may also be charged back to the employee internally.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper adjustments in the accounting system and defacing the check by clearly marking it as "VOID". All voided checks are processed with the bank if a positive pay file has already been sent. The Finance Department approves voids in the accounting system. A journal entry is auto generated, and if the check was printed, it shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by the Finance Department with the bank. The Finance Director or designee approves voids in the accounting system.

Loan and Bond Payments

Principal and interest payments are currently completed by wire transfer.

Accounts Payables Register

The Finance Department will review the accounts payable register at least monthly. Because purchase orders are not in use, efforts must be made weekly to communicate with all City staff to ensure that the

Finance Department has received all outstanding invoices. All payments shall be made promptly, within 30 days of the receipt of an invoice.

Petty Cash

The City does not keep petty cash.

Bank Access

Bank access is restricted to specified personnel. Currently, only the Finance Director and the Finance Admin may add accounts, transfer funds, or take other administrative actions. Additional access must be authorized by the City Administrator, upon recommendation of the Finance Director.

3.2 Purchasing Cards

The City provides specified individuals with credit cards for purchases in the normal course of business. Authorization for the issuance of credit cards is granted by the Finance Director who will also determine credit limits and any other appropriate restrictions.

City purchasing cards are only for budgeted items purchased in the normal course of business. All receipts and sales slips shall be retained and provided to the Finance Department within 30 days.

The Finance Director or designee will review the credit card statements and receipts each month and follow up with the users regarding any concerns or discrepancies noted. Cards are paid in full each month.

General Guidelines for Use of Purchasing Cards

- Call or visit the most competitive vendor available within reasonable travel distance.
- Obtain the best possible price; many vendors offer government discounts. Remember the City is exempt from sales tax. The merchant should be reminded that sales tax should not be included in the transaction.
- Verify the charges (and that we are not charged tax) and sign the receipt. If the receipt does not identify what each amount is for, write it on the receipt. Please be specific.
- The purchaser should receive a charge card receipt and possibly a cash register receipt. Keep them and provide them to the Finance Department within 30 days.
- Confirm pricing and tax-exempt status. If shipped, ask the supplier to enclose a copy of the sales slip with each shipment, listing price per item and other applicable charges.

Unacceptable Purchasing Card Uses

Purchasing Cards are not to be used for such items as the following:

- Capital items (Over \$5,000 with a 1-year or more life expectancy)
- Unbudgeted goods, supplies and/or services
- Hazardous materials or supplies
- Alcohol
- Personal or professional services
- Services where a potential liability may exist that requires insurance and/or bonds
- Products or services which require the approval of another individual

Purchases are not to be split into two or more smaller purchases to avoid exceeding the micro-purchase threshold described in the Purchasing Policy.

3.3 Purchasing Policy

The City follows a separate Purchasing Policy. This policy will be reviewed and adopted annually.

3.4 Capital Expenditures

The City makes long-term investments that provide benefits for its citizens. Capital planning and investment decisions are made by City management and the City Council. All capital improvements must consider current projects in place and underway, current resources, forecasted future resource changes, operation and maintenance, and budget planning and timing.

Capital assets are considered assets with a purchase price over \$5,000 and assets that provide additional value to the City that have an expected life of over one year. The Finance Director determines which items and improvements should be expensed and which should be capitalized. The Finance Director may consult with the City's auditors to help determine capitalization.

All capital asset investments and purchases must comply with the City's Purchasing Policy.

The Finance Director will maintain the records of the City's fixed assets, including description, cost, department of responsibility, date of acquisition, depreciation and expected useful life. Fixed asset activities will be recorded in both the accounting system and a tracking spreadsheet. Responsibility for safeguarding the City's fixed assets lies with the organization or department that has been assigned that asset. When an asset leaves a department's responsibility due to disposition, sale or transfer, the assigned department is responsible to report the change in status or location to the Finance Director.

3.5 Vendor Management

Approved vendor lists are not currently utilized by the City. When a new vendor is utilized, a W-9 should be requested by the Finance Department. These forms are filed electronically in the accounting system. Each year the Finance Department should review the vendors list in the accounting system and review the W-9s for active vendors. Vendors that have not been used for at least three years should be marked as inactive. Only members of the Finance Department have access to the vendor files. When one member of the Finance Department enters new vendors, the other should review and approve the new list.

Long-Term Vendor Relationships

The City utilizes some long-term vendor relationships and contracts. All major long-term vendor relationships should come under review at least every five years. The City's external audit team or audit firm should be rotated at least every five years. See Appendix D for a list of current major long-term vendor relationships. Appendix D shall be updated by the Finance Director as changes occur, and publish the update to City Staff and City Council.

Vendor reviews should include:

- Previous performance
- Any changes in services required based on changing City needs
- Continuing need for the services

- Costs and competitiveness
- Whether the vendor will continue to have the capacity for the required services for the foreseeable future
- Compliance with contracts, if any are in place
- Depending on services, consideration of whether this relationship should go out to bid

Contract reviews should be completed annually and should include:

- Confirmation of primary individuals managing the relationship on each side
- Previous performance
- Completion of contract deliverables
- Meeting with the vendors to discuss previous year's performance and plans for the next year
- Gathering information relevant to budget decisions for the coming year
- Request for information on long-term planning relevant to the budget (such as capital maintenance, large expenditure forecasting, etc.)
- Review of communications map specifying who should be included on all communications

Results of these reviews should be documented internally and presented to the City Council.

Vendor Guidelines

- Vendors must provide copies of all reporting made on behalf of the City.
- Contracts should specify and vendors should provide detailed invoicing, preferably including:
 - Current and total-to-date expense reporting, if applicable
 - Budget-to-actual reporting, if applicable
 - Dates of service and detail for nonroutine items
 - Supporting documentation for expenditures

Federally Funded or Loan-Related Vendor Procurements

All procurements will follow the guidance in the City's Purchasing Policy. Prior to selecting any contractors or vendors, the City shall ensure that the contractor or vendor is not listed on the federal Excluded Parties List System and is not suspended or debarred by either the State of Texas or the Federal Government. Vendor procurement will comply with applicable state, federal, loan, or bond related regulations and requirements.

3.6 Segregation of Duties

Appropriate segregation of duties helps to ensure proper internal controls and reduce the chances of fraud, waste, and abuse.

The Finance Department should ensure that the individuals responsible for approving, recording, and paying for purchases have secondary reviews. Due to the staffing levels maintained at the City, management oversight must be used to compensate for complete segregation.

Section 4: Human Resources

4.1 Payroll

The City has established a payroll policy to run the payroll smoothly and to ensure employees an accurate and timely payment of salaries and wages. The payroll policy applies to every city employee.

General Policies

All payrolls will be completed on a computerized system. Employees are paid biweekly on Friday for the pay period ending one week prior.

- Paychecks are directly deposited into individual employee checking or savings account unless instructed otherwise.
- Payment to all employees will be based on the approved time sheets.
- Employees may not enter time, clock in/out for another employee, or fill in the information as to what hours were worked. To do so is cause for discipline, up to and including termination. The exception is in the case of a supervisor acting while an employee is out of the office to allow payroll to be processed and the employee affected will be fully informed.

Payroll System Access

Payroll system access is restricted to specified personnel. Currently, the Finance Department has full access to confidential city and employee information. Employee information and payroll shall not be changed without a secondary review.

Payroll Processing

Proper recording of time worked, and an efficient approval process are essential for accurate payroll calculation of city employees. To ensure proper timesheet submission:

- All city employees shall have the ability to enter their time into the payroll system by Monday at 9 am.
- Timesheets must be reviewed and approved by the relevant department head.
- All adjustments or edits in payroll must be completed by the employee in the payroll system and approved by the department head.
 - If the employee is not available and an adjustment is needed, the Finance Department will consult the department head prior to adjusting and finalizing the employee's time. Adjustments like this will always be disclosed to the employee.
- Timesheets finalized by the department head must be reviewed and approved by the Finance Department.
 - The editor and approver shall be separate employees, ensuring that all timesheets are reviewed by a secondary person.
- The Finance Department shall email the paystubs to all employees once the bank draft report has been submitted to the bank.

Payroll Reporting

The Finance Department is responsible for:

- Keeping and maintaining payroll reports from the payroll system.

- Submitting a bank draft report to the bank, which requires two-factor authentication.
- Maintaining paper records of personnel files.
- Ensuring authorized signers review and sign paystubs at the same time they review and sign checks to ensure awareness and visibility of personnel costs. This is not required to happen before payroll is processed.

4.2 Personnel Policy

The City follows a separate Personnel Policy, documented in a Personnel Manual that is approved by City Council. This policy will be reviewed and adopted annually.

4.3 Employee Training

The City incurs additional general and administrative expenses to provide training and development support to employees and City Council members. Training assistance and guidance are also implemented during new employee onboarding. At hiring, all new employees are required to review and sign the City’s Employee Handbook. Cybersecurity training and workplace harassment training are completed by all employees annually. In addition, professional development is available through the Texas Municipal League.

Section 5: Assets and Liabilities

5.1 Asset Additions, Capitalizations, and Depreciation

Fixed (capital) assets are assets which are purchased for long-term use, such as land, buildings, equipment, improvements, and the like. The Finance department is responsible for properly accounting for and reporting capitalized assets in accordance with GAAP. The Department Heads are responsible for tracking the fixed assets and safeguarding the assets from loss/theft. The list of fixed assets will be maintained by the Finance Director and updated on a quarterly basis as needed.

An asset should be capitalized when the following criteria are met:

- The asset is tangible.
- The assets are owned by the municipality.
- The expected useful life of the asset is longer than one year.
 - An asset can also be capitalized if it will extend the life of an existing asset by one (1) year or longer. Ongoing repairs or maintenance (i.e., an oil change for a City owned truck) will not be capitalized.
- The cost of the asset is greater than \$5,000.
- Capitalization decisions are reviewed for reasonableness by the City Administrator

Any assets that do not meet all the criteria listed above shall be expensed.

Fixed Asset purchases should be reviewed and approved by the City Administrator. The City Administrator plans and oversees asset acquisitions and maintenance with the approval of the City Council.

Department heads and third-party asset managers (such as public works providers) must include planned fixed asset purchases in their annual budget. Items that are not part of approved acquisitions in the approved budget must be individually reviewed by the City Council and subject to funding availability. All costs associated with the acquisition (i.e., fees, tax, start-up costs, installation, closing fees) should be considered when the asset is added to the fixed asset list. Improvements are to be capitalized if they extend the useful life of an asset by over a year and/or increase the asset's value by extending its life for more than one year.

Fixed assets are tracked by the department heads. The Finance Director and the City Secretary maintain a shared asset list for insurance, overview, and audit purposes. This list is sent out to the department heads for review and updated on an annual basis. Asset lists are provided to the auditor annually after internal review. If more information is needed, the Finance Director will contact the relevant personnel as appropriate.

The City may consult with the auditor to assist with the determination of depreciation rates and useful life for fixed assets, and the depreciation is accrued at the end of the fiscal year.

5.2 Asset Disposals

The decision to dispose of an asset is made by the department head that manages that asset and approved by the Finance Director, subject to further approval by the City Administrator or City Council. These decisions should be based on comparisons of new purchase to repair costs of an existing asset, the longevity of repair effectiveness, other potential repairs pending on the asset, and, if repair is selected, a preferred extension of the usable life of at least two years.

Department heads should monitor their assets so when a disposal occurs, the budget is properly prepared for any costs incurred with disposal. The Financial Director and department heads will discuss how an asset will be disposed (scrap, sell, etc.). Once an asset has been disposed of, the Finance Director will be notified to make adjustments for assets covered by insurance.

The Finance Director and City Secretary maintain the list of fixed assets and will modify that list when assets are disposed of, no longer in use, lost, or otherwise impaired. Salvage values should be tracked for each asset to calculate depreciation and sales price should be tracked for each item that has been disposed of.

5.3 Inventory

The City currently expenses items and does not maintain inventory.

5.4 Investments

The City maintains a separate Investment Policy that is reviewed and updated annually.

Section 6: Financial Position and Fund Balance

6.1 Funds

The City utilizes an unrestricted governmental fund for all regular revenues and expenditures, and an enterprise fund that contains the transactions related to the utilities.

Governmental Funds

The City maintains a general fund. This fund records all of the resource inflows and outflows not allocated to the enterprise fund. This fund collects taxes, user charges, intergovernmental payments, loan and bond receipts, and various other sources.

Enterprise Funds

In regular order, the utility fund should be organized and operated as an enterprise fund. This enterprise fund shall operate internally as a business and should not require input from the general fund. If charges and fees cannot be maintained at a level that ensures this internal financial stability, these revenues should be reviewed by the City Council.

- A. Utility rates and other Enterprise Fund user fees should be set at levels sufficient to cover operating expenditures (direct and indirect), meet debt obligations and debt service coverage, provide funding for capital improvements, and provide adequate levels of working capital.
- B. The City may set a different fee or rate for residents versus non-residents.
- C. Utility rates should be reviewed annually by the City Council.
- D. All rates shall be adopted by City Ordinance.

6.2 One-Time/Unpredictable Revenue Sources

One-time, unpredictable revenue sources should not be used for ongoing expenses or expenditures.

These revenues shall be used for one-time purchases such as increase in fund balance requirements, capital equipment purchases, capital improvements, or retirement of debt or other City obligations. Attention must be paid to any increase in overall maintenance and operation costs that may be incurred due to these purchases.

Section 7: Compliance

The City endeavors to ensure compliance and transparency. Publishing annual financial statements, participating in annual audits, and continuous improvement in areas of internal control are methods used to ensure these goals are met.

The City may utilize grant, loan, and bond funding to expand the City's capacity to build and improve City infrastructure. These funding vehicles come with restrictions and requirements that the City must follow. Compliance with covenants and requirements associated with supplementary funding should be reviewed and affirmed annually.

7.1 Public Funds Investment Act and Public Funds Collateral Act

The City has adopted and executed a plan to ensure that obligations of public funds include a provision that the proceeds are held at a designated state depository institution or other authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

The City receives and reviews collateralization reports from their depository.

The City maintains a separate Investment Policy that contains additional details regarding compliance with the Public Funds Investment and Public Funds Collateral Acts.

7.2 Annual Audits

The City conducts an annual audit of general-purpose financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as set out by the Governmental Accounting Standards Board (GASB) by a certified public accountant or a licensed public accountant. All audits are reviewed and approved by the City Council.

Some grants and loans require that audited financial statements are submitted to the associated agencies. This process will be completed within the required timeframes. The City currently holds loans from the Texas Water Development Board (TWDB) that require the submission of audited statements no later than 120 days following the close of the City's fiscal year.

7.3 Audit Findings and Corrective Action Plans

The City may receive findings related to audits of the City's annual financial statements. In addition, the City may receive notices of noncompliance from loan holders. The City must coordinate with these outside reviewers to develop corrective action plans to address any identified issues.

When findings are received, the City Administrator works with the Finance Director to discuss a plan for completing the corrective action plan. The Finance Director is responsible for completing the corrective action plan and provides updates to the City Administrator at least quarterly until all issues are resolved. If the issues identified are complex, sensitive, or require a policy response, the City Administrator may call a special City Council meeting and seek Council action or authorization for corrective action.

7.4 Compliance Review

City management and the City Council should perform annual compliance and policy reviews for various areas of concern, including the following:

- Annual review of Investment Policy, Purchasing Policy, Accounting Policies, and Personnel Policies
- Review of audit findings and noncompliance letters
- Review of loan and bond compliance
- Review of updated regulations affecting the City

7.5 TWDB Funding

The Texas Water Development Board (TWDB) administers a special general revenue fund for the state of Texas titled the Rural Water Assistance Fund. The purpose of this fund is to make low-interest loans to rural subdivisions for water or wastewater-related projects. TWDB also administers a Drinking Water State Revolving Fund (DWSRF). The purpose of this fund is to provide financial assistance for water projects pursuant to the Safe Drinking Water Act, 42 U.S.C. §§ 300f et seq; applicable federal regulations; Texas Water Code, Chapter 15, §§ 15.601 – 15.618; and 31 TAC Chapter 371.

The City has received financial assistance from the TWDB to support and execute the City's water supply services. The funding obligation includes a series of provisions that the City is required to follow. In addition, The City is required to maintain and operate the water services in an efficient manner and at a reasonable cost. Adequate services are required to be provided to all persons within the service area,

and no free services of the system shall be allowed. All customers or users of the system shall be billed, with collections being received in a timely manner.

The City may utilize a loan covenant checklist to assist in monitoring and achieving loan compliance (see separate Loan Covenant Checklist document). The direct management of the loan covenant checklist is the responsibility of the City Secretary and the Finance Director, but the requirements described in the loans must be followed by City staff and the City Council.

Revenue Coverage

The City's loan covenants assert that it will at all times charge and collect rates and charges in connection with its ownership and operation of the System as will be at least sufficient to produce revenues, after payment of the costs of operating and maintaining the System, in an amount not less than 1.10 times debt service requirements of all outstanding debt of the Issuer which is secured in whole or in part by a pledge of revenues of the System, for which the City is budgeting the repayment of such obligations from the revenues of the System, or the City shall prepare and provide documentation to any holder of a Certificate who requests same, which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds except System rates and charges, sufficient for the repayment of System debt service requirements.

Interest and Sinking Fund

The City has established an Interest and Sinking Fund to address loan agreements. The City must transfer and deposit to the Interest and Sinking Fund each month an amount not less than 1/12th of the annual debt service on the Certificates until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Certificates.

Surplus Funds & Rebates

The City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient Surplus Revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Certificates.

In addition, the loan funding includes a provision that if loan proceeds are determined to be surplus funds remaining after project completion, the remaining balance will be deposited into an interest and sinking fund. Funds derived from Loan Forgiveness which result in surplus funds remaining will be returned to TWDB and may not be retained. The balances of the interest and sinking funds will later be used to account for repayment of any interest and principal on the obligations owed to TWDB.

Further, the City will implement all the necessary procedures to comply with the requirement that if certain amounts are earned on the investment of funded proceeds that the earnings are to be returned to the Federal Government under section 148 of the code.

Other Requirements

Agreements in place with the TWDB require the submission of the following:

- An approved budget by October 30th
- Audited financial statements by January 28th
- Timely responses to any noncompliance letters

Section 8: Budget

Annually, the City Council, the Finance Director, and City Administrator will review and finalize the budget. The approved budget serves as the binding document guiding the City's expenditures for the following fiscal year. The budget year begins on October 1st and ends on September 30th each year.

8.1 Annual Budget

Revenues

Where services provide a public benefit, the City strives to recover the costs of those services through property and sales taxes. These taxes are expected to cover all operations, maintenance, and debt service requirements for the City.

User Charges

For services that benefit specific users, the City shall establish and collect fees to recover the costs of those services.

When setting a user charge, the City will strive for the following:

- To cover direct costs.
- Review charges and fees at least every three years and make any necessary adjustments to avoid sudden large increases.
- May set a different fee for residents versus non-residents.

Factors in setting fees shall include but not be limited to market and competitive pricing, demand for services, and impact on users, which may result in recovering something less than direct, indirect, and overhead costs.

Expenditures

The annual budget shall provide sufficient funds for the operation of City services. The City will strive to ensure that all expenditures are necessary and reasonable.

Budget Appropriations/Amendments

All expenditures of the City shall be made in accordance with the adopted annual budget. Any additions to department budgets shall be accomplished through budget amendments approved by the City Council. At the close of each fiscal year any unencumbered balance of an appropriation shall revert to the general fund.

Department heads will have an opportunity to identify upcoming needs, maintenance, or development when the Finance Director is initiating the budget process. Revenue projections in June and certified tax rolls in July provide additional data to start finalizing budget decisions. The City Council will engage in budget workshops using the materials and information provided by City staff, and the final budget must be approved by September 30th each year.

8.2 Budget Management

Each department head is responsible for adhering to their departmental budget. The Finance Director should provide updates comparing budget-to-actual spending to all department heads at least monthly. Except for emergency situations, any expenditure that was not approved in the initial approved budget must be brought to the City Council for consideration before it is incurred.

Emergency situations must be reported to the City Council as soon as possible, and the budget implications must be considered as quickly as is practical considering any ongoing emergency conditions.

Section 9: Grant Management

The City pursues grant funding that is in alignment with the City's overall goals and objectives. Grant funded items and programs should be evaluated to ensure they are sustainable in terms of operations, maintenance, and staffing. The City will focus on compliance, documentation, and effective reporting to prevent recouplement of grant funds.

City staff will provide prior notice to the City Secretary and the Finance Department of potential new grants and any related compliance, documentation, and reporting assistance that may be required.

9.1 Grant Selection

Departments shall investigate sources of funding relevant to them. The individual department shall generally be responsible for investigating funding sources and for monitoring and coordinating all grant applications and programs in conformance with citywide budgeting, staffing, goals, and program considerations.

Grant renewals must go through the same evaluation process as new grants to ensure continued alignment with city goals and funding considerations.

9.2 Grant Application

Timely grant applications are the responsibility of the related department and the City Secretary. If a grant requires matching City funds, in any amount, or if the grant application requires the approval of the City Council, the grant application must be submitted to the City Council for discussion and approval prior to submittal to the funding agency. Otherwise, the City Administrator may sign the grant.

Grant Contract / Requirements for Approval

Prior to acceptance of any funding or expenditure of funds on any grant activity, a written contract is required. Review and approval by the City Council is required before a grant award can be accepted.

The City Council must authorize acceptance of grant funds over \$25,000.00, approve matching funds, and authorize the City Administrator (or designee) to execute all necessary documents. The Finance Department is responsible for preparing budget entries to increase estimated revenues and appropriating expenditures of the same amount to the proper accounts.

9.3 Compliance with Grant Requirements

If a grant is for the City in general, the City Secretary is responsible for managing the grant requirements. If the grant is specific to a department, that department is responsible for managing and monitoring the following:

- Grant activities/projects are properly accomplished;
- Grant accounting/recording is accurate;
- Performance reports are complete and submitted per terms of the grant; and,
- Requests for reimbursement are accurate and submitted on schedule (or as soon as possible after completion of related grant activities).

All financial grant reporting should be reviewed by the Finance Director or designee prior to submission.

Grant revenues should be promptly deposited upon receipt.

9.4 Maintenance and Monitoring of Grant Files

The grant file should include a copy of the signed contract and all documents associated with the grant, including but not limited to the contract and amendments, application, activity reports, request for reimbursement, fiscal reports, and other correspondence. This should be maintained in accordance with any requirements set forth by the funding agency, if any, by the initiating department.

9.5 Procurement

When goods or services are procured in order to accomplish the goals of the grant program, the City Purchasing Policy must be followed. There are specific rules and regulations related to procurements using federal funds. The City Purchasing Policy contains more detail. The Code of Federal Regulations (CFR) and Texas Local Government Code (TLGC) should also be consulted.

Contracts related to federal grants also have specific guidelines and required language that must be included (§ 200.327).

9.6 Retention and Maintenance of Records

At a minimum, departments must retain all grant-related records for three years from the date of submission of the final expenditure report for the grant. Retention is required for purposes of State/Federal examination and audit. Exceptions can include if litigation or audit is started before the expiration of the three-year period or if the city is notified in writing of an extension of the retention period.

9.7 Guidance

Detailed guidance on federal grant requirements, performance, and reporting can be found within the Code of Federal Regulations (CFR). The Texas Local Government Code (TLGC) also contains pertinent information about procurement and contracting that may apply to grants.

- 2 CFR, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - 2 CFR, Part 200, Subpart C - Pre-Federal Award Requirements and Contents of Federal Awards

- 2 CFR, Part 200, Subpart D - Post Federal Award Requirements
 - § 200.318-327 – Procurement
 - § 200.318-327 - Performance and Financial Monitoring and Reporting
- 2 CFR, Part 200, Subpart E - Cost Principles
 - § 200.403 – Factors affecting the allowability of costs
 - § 200.404 – Reasonable costs
 - § 200.413-414 – Direct costs and Indirect (F&A) costs
 - § 200.416-417 - Special Considerations for States, Locals Governments, and Indian Tribes
- TLGC, Title 8, Subtitle A, Chapter 252 – Purchasing and Contracting Authority of Municipalities
- TLGC, Title 8, Subtitle C, Chapter 271 – Purchasing and Contracting Authority of Municipalities, Counties, and Certain Other Local Governments

References:

- <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>
- https://texas.public.law/statutes/tex._local_gov't_code_title_8

Section 10: Financial Reporting

10.1 Basis of Accounting

The City operates on a modified accrual basis of accounting on an annual basis. Internal reporting and reports to the City Council are presented on a cash basis.

10.2 Operating Cycle

The City follows a fiscal year from October 1st through September 30th.

10.3 Month-End Close

The Finance Department will prepare a trial balance after the end of each month to identify and resolve discrepancies and to serve as a foundation for reporting to the City Administrator and City Council. Financial activity is entered into the accounting system continuously, then reports and analysis are generated for and by the Finance Director.

Internal reports and monthly reporting are presented on a cash basis with some limited accruals of significant annual or semi-annual expenses to improve the understanding of adherence to the approved budget.

Journal Entries

The Finance Department is responsible for making entries into the accounting system. Other employees may enter bills, payments, timesheets, and other entry only information, but are not granted administrative access to the system. The Finance Director has the ultimate responsibility for the completeness and accuracy of the data in the accounting system.

Bank Account Reconciliation

All bank accounts are reconciled at least monthly by the Finance Department. Reconciliations may be prepared by either the Finance Director or the Finance Admin and must be reviewed by the other. No account should consistently be reviewed by the same person over time. All discrepancies in bank reconciliations must be investigated and resolved quickly.

Account Reconciliations

Reconciliations of the financial accounts are performed at least quarterly for all accounts to ensure that balances are adequately supported and that any reconciliation issues are resolved in a timely manner.

Segregation of Duties

Within constraints due to the size of the Finance Department, the City maintains segregation of duties between preparation, review, approvals, and custody of documentation as best possible. Consistent review and rotation of tasks inside the Finance Department provide additional oversight to compensate for a lack of strict segregation.

10.4 Monthly Financial Reports

The Finance Director prepares budget-to-actual comparisons for review by the City Administrator and the City Council monthly. The City Council will also hear financial presentations by the Finance Director quarterly. The City Administrator and City Council may request additional reporting on an as-needed basis.

Additional Reports

On a quarterly basis, a detailed accounts receivable report (showing aged, outstanding accounts by customer, and accounts identified to be written off) is reviewed by the Finance Department. This report is presented to the City Administrator for review. All write-offs must be approved by the City Administrator. Approved account write-offs are completed in the accounting system as part of the end-of-year financial close by the City's Finance Director. The City may consult with the auditor to assist with the completion of the write-offs in the accounting system after the City's Finance Director approval.

10.5 Annual Financial Reports

Financial statements are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP), and in line with the guidance Governmental Accounting Standards Board (GASB).

The City's financial statements are presented using the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

The Finance Director prepares an end-of-year trial balance, an updated fixed asset inventory, and any other required reports for the City's auditors. The City Administrator and department heads will assist with the necessary information within their purview. The Finance Department will respond to auditors to provide requested supporting documentation. Finalized financial statements will be reviewed by the Finance Director and the City Administrator.

The audited financial statements are presented annually to the City Council along with any findings. At the end of each reporting period, all financial reporting documentation is backed up and stored on the City's servers. In addition, the accounting system in current use maintains live backups of the entire accounting database on the cloud.

General Ledger

The accounting system general ledger contains the full chart of accounts. During the review of the financial statements, a high-level review is performed of account additions and changes by the Finance Director.

The audit firm may require adjustments related to the financial statements. These entries include but are not limited to recurring entries, accrual entries, reversing entries, and adjusting entries. Accruals are recorded as part of the journal entry process.

Section 11: Record Retention/Data Storage

11.1 Duty to Maintain Records

The City will provide for efficient, economical, and effective controls over the creation, distribution, organization, maintenance, use, and disposition of all records through a comprehensive system of integrated procedures for the management of records from their creation to their ultimate disposition. These procedures will be consistent with the requirements of the Local Government Records Act, local ordinances, and accepted records management practice. This policy shall apply to all employees, agents, independent contractors, and volunteers of the City.

11.2 General Guidelines

The City Secretary is the designated Records Management Officer. When a new City Secretary takes up the position, they must inform the Texas State Library and Archives Commission of the change. The previous City Secretary must deliver to their successor all local government records in custody.

The City shall convene a committee at least annually to review the records management program, review and approve records control schedules, approve the destruction of records in accordance with the records control schedules, and discuss methods to carry out the records management program throughout the City. This process may be assisted by a third-party service.

All pertinent financial documentation is maintained in off-site secured data storage. In addition, all critical data stored locally should have physical security (locked door, passwords, etc.) during non-work hours.

After the record retention periods have expired, they will be identified for the records committee to review and approve. No record shall be destroyed if it is the subject of an open records request or ongoing legal action. Departments may request an extension of the retention period for specific records.

Records relevant to any external agreements such as loans, contracts, and grants will be maintained as required in those agreements regardless of standard procedures.

Appendix A – Authority Matrix

Authority Subject	Manager	Final Approval
Review and Approve the Authority Matrix	Finance Director	City Council

Authority Subject	Positions	Final Approval
Open and Close Bank Accounts	Finance Director, City Administrator	Authorized signers on bank accounts
Inter-Account Transfers	Finance Director, Finance Admin, City Secretary	Completed as needed
Initiate and Release Wire Transfers	Finance Director, Finance Admin, and City Secretary with dual approval	Dual approval with token system
Signing Authority	Mayor, Mayor Pro-tem, any specified City Council member for the length of their term	Mayor, Mayor Pro-tem, any specified City Council member for the length of their term
Setup and Remove Vendor Accounts	Finance Director and Finance Admin	Separate person to set up and review

Authority Subject	Authorized Signers	Authorization Limits	Final Approval Above Established Threshold
Contracts	Appropriate to the contract	All contracts must be reviewed	City Administrator reviews all contracts and determines which contracts must be reviewed and approved by City Council
Loans	Mayor, Mayor Pro-tem, any specified City Council member for the length of their term	All loans	City Council approval
Grants	Appropriate to the grant	All grants are reviewed	City Council approval prior to application

Appendix B – Bank Accounts

Bank Name	Account Number	Account Name
Texas Regional Bank	6020	Consolidated Acct
Texas Regional Bank	0771	DWSRF-WTP
Texas Regional Bank	3804	Chapter 59
Texas Regional Bank	8226	Lift Station Project
Texas Class	0009	I & S
Texas Class	0014	General Savings
Texas Class	0015	Water/Sewer Savings
Texas Class	0003	Covid-19
Texas Class	0013	WTP Construction Project
Texas Class	0007	CWSRF-WWTP
Wilmington Trust	4533	CTSRCO 2017A
Wilmington Trust	4535	CTSRCO 2017B
Wilmington Trust	4511	CTSRCO 2019
Wilmington Trust	1363	CTSRCO 2020
Wilmington Trust	4534	2017A
Wilmington Trust	1322	2020
Wilmington Trust	3512	2019

Appendix C – Subscriptions – to be expanded later

Vendor	Description	Due Date	Amount Due	Auto draft or Check

Appendix D – Long-Term Vendor Relationships

Vendor	Description	Last Reviewed	Point of Contact	Contract Expiration
Infra-Mark	Public Utility provider			
	Financial Advisor			
	Auditor			
Waste Management	Waste Management	May 2023		
	Depository Bank	June 2023		
Ardurra	Engineering			
Douglas Montgomery	Prosecutorial Services			
Hill Country IT	IT Services			
Tim Tuggey	Legal Services			

Appendix E – Loan Covenant Checklist

To be reviewed annually.

Loan documents contain full requirements and specifications. The checklist (in a separate excel document) is only intended as a tool and should not be considered complete or definitive, and the language has been shortened or paraphrased. Complete wording and requirements are to be found in the original loan documentation.