

RESOLUTION 2026-08, FINANCIAL MANUAL FOR THE CITY OF TOOL

Adopted by City Council on October 15th, 2026

RESOLUTION 2026-08, Financial Manual for the City of Tool

A RESOLUTION ADOPTING THE CITY OF TOOL'S FINANCIAL OPERATIONS AND INTERNAL CONTROL POLICY MANUAL; ESTABLISHING FINANCIAL MANAGEMENT PROCEDURES; PROVIDING FOR ADMINISTRATIVE OVERSIGHT; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, The City Council of the City of Tool, Texas, recognizes its fiduciary responsibility to safeguard public funds and ensure sound financial management practices; and

WHEREAS, The City Council desires to formally adopt comprehensive financial policies governing budgeting, accounting, internal controls, payroll, accounts payable, tax rate compliance, audit coordination, and financial reporting; and

WHEREAS, The City Council affirms that the City Administrator shall oversee implementation of these policies and that the City Controller shall administer daily financial operations in accordance with such policies; and

WHEREAS, The adoption of formal financial procedures promotes transparency, accountability, compliance with Texas law, and protection of taxpayer resources;

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

1. The City of Tool Financial Operations & Internal Control Policy Manual, attached hereto, is hereby adopted as the official financial management framework of the City.
2. The City Administrator shall be responsible for oversight of implementation and enforcement of the policies contained therein.
3. The City Controller shall administer day-to-day financial operations in accordance with the adopted manual.
4. All prior financial procedures inconsistent with this manual are hereby superseded.
5. This manual shall be reviewed annually by the City Administrator and presented to Council for reaffirmation or amendment as necessary.
6. This Resolution shall take effect immediately upon adoption.

PASSED AND APPROVED this 15th day of October, *2026*.

Mayor: Vera Bennett

City Administrator: _____

Attest:

City Secretary: _____

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SECTION 1 – Purpose, Authority and Governance Structure

1.1 Purpose

The purpose of this Financial Operations and Internal Control Policy Manual is to establish formal financial management policies, procedures, and internal controls for the City of Tool, Texas. This manual is intended to:

1. Ensure compliance with applicable Texas statutes.
2. Protect public funds.
3. Promote transparency and accountability.
4. Establish consistent financial procedures.
5. Provide oversight structure between City Council, City Administrator, and City Controller.
6. Support clean annual audit outcomes.

This manual shall serve as the official financial operations framework for the City of Tool.

1.2 Legal Authority

This manual is adopted pursuant to authority granted under:

- Texas Local Government Code Chapter 22 (General Law Cities)
- Texas Local Government Code Chapter 102 (Municipal Budget)
- Texas Tax Code Chapter 26 (Truth in Taxation)
- Texas Local Government Code Chapter 252 (Purchasing)
- Texas Government Code Chapter 2256 (Public Funds Investment Act)
- Applicable audit and accounting standards

1.3 Governance Structure

The City of Tool operates under the following structure:

City Council
↓
City Administrator
↓
City Controller

The City Administrator:

- Serves as the direct supervisor of the City Controller.
- Acts as second check signatory.
- Oversees implementation of financial policies.
- Reviews and approves financial reports prior to Council distribution.

The City Council:

- Adopts the annual budget and tax rate.
- Approves budget amendments.
- Receives monthly financial reports.
- Receives and reviews the annual audit.
- Exercises oversight authority over the City Administrator.

The City Controller:

- Administers day-to-day financial operations.
- Maintains accounting records.
- Implements internal controls.
- Prepare financial reports.
- Coordinates the annual audit.
- Ensures compliance with this manual.

1.4 Fiduciary Standard

The City Controller and City Administrator shall exercise fiduciary responsibility consistent with the following principles:

1. Public funds shall be always safeguarded.
2. All financial activity shall be properly documented.
3. Recurring expenditures shall not exceed recurring revenues.
4. Financial decisions shall be made with long-term stability in mind.
5. Transparency shall be maintained in all financial reporting.

SECTION 2 – Fund Structure & Financial Architecture

2.1 Purpose

The purpose of this section is to formally establish the financial structure of the City of Tool and define the framework for proper accounting, fund segregation, revenue management, and fiscal integrity.

The City shall maintain its accounting system in a manner that:

1. Clearly distinguishes between operational and capital expenditures.
2. Preserves the legal integrity of separate funds.
3. Supports transparent reporting to Council and the public.
4. Facilitates annual audit review.
5. Ensures compliance with Texas Statutory requirements.

2.2 Accounting Basis

The City shall maintain its accounting records consistent with generally accepted governmental accounting principles applicable to small municipalities.

The City Controller shall ensure that:

- Revenues are properly recorded in the fiscal period in which they are earned or measurable.
- Expenditures are recorded in the period in which liabilities are incurred.
- All financial activity is supported by documentation.

The City Administrator shall review accounting procedures annually to ensure continued compliance.

2.3 Fund Structure

The City shall maintain the following primary funds, as applicable:

2.3.1 General Fund

The General Fund shall serve as the primary operating fund of the City and shall account for all financial resources not required to be accounted for in another fund.

The General Fund shall include:

- Administrative operations
- Police operations
- Maintenance operations
- Court operations
- Code enforcement
- Building Department
- Parks

- Utilities and contractual services
- Insurance and general liabilities

Recurring operational expenditures shall be paid from the General Fund.

2.3.2 Capital Improvement Fund (CIP)

The Capital Improvement Fund shall be maintained separately from the General Fund. The purpose of the Capital Improvement Fund (CIP) Fund is to account for: (See Ordinance 2026-02, Capital Improvement Fund)

- Infrastructure improvements
- Equipment replacement
- Long-term capital assets
- Major repairs extending asset life

Routine maintenance and recurring payroll expenses shall not be charged to the CIP Fund. The annual budget may include a transfer from the General Fund to the CIP Fund (example: $200,000) to maintain infrastructure stability and prevent deferred maintenance risk. All CIP expenditures shall be clearly identified, tracked by project and budgeted by City Council.

2.3.3 Court Fund

If maintained separately, the Court Fund shall account for court-related revenues and expenditures.

The City Controller shall ensure court revenues are reconciled monthly and properly recorded, as they are provided by the Tool Municipal Court.

Court revenues shall not be relied upon as a structural funding source for recurring operational growth unless supported by historical trend analysis.

2.3.4 Debt Service Fund (If Applicable)

If the City carries debt, a Debt Service Fund shall be maintained to account for:

- Principal payments
- Interest payments
- Related debt service costs

Debt obligations shall be clearly separated from operational expenditures.

2.3.5 Interfund Transfers

Interfund transfers shall:

1. Be clearly documented.
2. Be approved through the annual budget or formal Council action.
3. Not be recorded as operating expenditures.
4. Be separately identified in financial reports.

Transfers shall not be used to conceal operational deficits.

2.4 Revenue Architecture

The City of Tool operates on an annual budget, with primary revenue sources including:

- Ad Valorem Property Taxes
- Sales Tax
- Fines and Forfeitures
- Permits and Fees
- Franchise Fees and Miscellaneous Revenue

The City Controller shall monitor each revenue source according to its volatility and structural reliability.

2.5 Property Tax (Ad Valorem) Revenue Management

Property tax revenue represents the primary structural funding source of the City.

The City Controller shall:

1. Model revenue based on certified taxable values.
2. Analyze the impact of tax rate adjustments.
3. Monitor collection rates.
4. Maintain documentation of all tax rate calculations.

2.6 Sales Tax Monitoring

Sales tax revenue is subject to economic variability.

The City Controller shall:

- Monitor a rolling 12-month average.
- Compare monthly collections to prior year.
- Identify downward trends early.
- Adjust forecasts conservatively when necessary.

Sales tax revenue shall not be projected above historical trends without documented economic justification.

2.7 Financial Risk Management

The City Administrator and City Controller shall quarterly review financial risk exposure, including:

- Revenue volatility
- Payroll growth
- Overtime trends
- Capital asset condition

- Infrastructure needs
- Debt exposure

Risk assessment findings shall be documented and presented to Council during budget workshops.

2.8 Chart of Accounts Structure

The City shall maintain a chart of accounts structured to provide:

- Fund identification
- Department identification
- Account category identification

All transactions shall include:

Fund + Department + Account Code

Improper coding that obscures financial clarity is prohibited.

2.9 Structural Balance Policy

The City shall adopt and maintain a structurally balanced budget. Recurring expenditures shall not exceed recurring revenues.

One-time revenue shall not fund recurring obligations unless approved by Council with documented sustainability plan.

SECTION 3 – Daily & Monthly Financial Operations Policy

3.1 Purpose

This section establishes formal procedures governing daily cash management, accounts payable, payroll processing, month-end closing, and administrative oversight within the City of Tool.

All financial operations shall be conducted with an appropriate accounting system.

The City Controller shall administer daily financial operations. The City Administrator shall provide supervisory oversight.

3.2 DAILY CASH RECEIPTS POLICY

3.2.1 Receipt Logging Requirement

All funds received by the City, regardless of source, shall be recorded in a receipt log on or close to the date received.

The receipt log shall include:

- Date received
- Payor/source
- Amount
- Form of payment (cash, check, ACH, electronic)
- Purpose
- Employee receiving funds

The City Controller shall ensure receipt logs are maintained and retained.

3.2.2 Deposit Policy

All funds shall be deposited no later than the next business day. Checks shall be restrictively endorsed immediately upon receipt. Cash shall be counted and verified prior to deposit.

Deposits shall be entered into the accounting system only after confirmation of bank deposit.

3.2.3 Deposit Recording Procedure

All deposits shall be recorded using the bank deposit function using proper policies. Each entry must include:

- Correct fund
- Correct revenue account
- Correct department (if applicable)
- Supporting documentation attachment

Revenue shall not be recorded without corresponding bank verification.

3.2.4 Administrative Oversight

Bank statements shall be delivered electronically to the City Administrator.

The City Administrator shall review cleared checks and electronic transactions prior to reconciliation.

The City Administrator's review shall be documented monthly.

3.3 ACCOUNTS PAYABLE POLICY

3.3.1 Invoice Intake

No payment shall be issued without a valid invoice or contractual documentation.

Invoices must include:

- Vendor name
- Invoice
- W9
- Date
- Description of goods/services
- Amount due
- Department approval

Invoices lacking documentation shall be returned unpaid.

3.3.2 Vendor Approval

New vendors shall require:

- Completed W-9
- Verification of business legitimacy

3.3.3 Budget Verification

Prior to entry into the city's accounting system:

The City Controller shall confirm:

- The proper fund and department are assigned and the expenditure is within budget.
- The expense is operational or capital.

3.3.4 Weekly Check Run Procedure

Accounts payable shall be processed weekly.

Prior to release of checks or ACH payments:

- Accounts Payable Aging Report shall be reviewed.

- Duplicate invoice search shall be conducted.
- Total weekly disbursement shall be compared to historical norms.

All checks shall require dual signatures. Checks shall require signatures from two of the following individuals:

- City Secretary
- City Administrator
- Chief of Police
- Director of Maintenance and Operations

No checks shall ever be pre-signed. All checks require prior documentation and backup.

3.4 PAYROLL POLICY

3.4.1 Payroll Frequency

Payroll shall be processed on a bi-weekly basis unless otherwise authorized.

3.4.2 Timesheet Controls

All non-exempt employees shall submit signed timesheets. All exempt employees will submit timesheets when they use Vacation time, Sick Time or unpaid time. Timesheets must include:

- Regular hours
- Overtime hours
- Paid Time Off hours
- Sick Time hours
- Holiday hours
- Supervisor approval

Unsigned or unapproved timesheets will be processed with best estimates and adjusted or corrected on the next payroll.

3.4.3 Payroll Processing

The City Controller shall:

1. Enter timesheet data.
2. Review payroll summary prior to submission.
3. Compare gross payroll to prior period.
4. Review overtime summary.
5. Verify pay rate accuracy.
6. Confirm deductions and benefits.

The City Administrator or designated party shall review payroll summary prior to final submission.

3.4.4 Payroll Changes

Any:

- New hire
- Pay rate change
- Bonus
- Stipend
- Position reclassification

Shall require written authorization from the City Administrator and the responsible supervisor. No payroll adjustments shall be self-authorized by the Controller.

3.4.5 Payroll Reconciliation

Monthly reconciliation shall include:

- Federal tax liability
- Retirement contributions
- Benefit liabilities

Discrepancies shall be corrected immediately.

3.5 MONTH-END CLOSE POLICY

3.5.1 Close Deadline

Month-end close shall be completed no later than the 10th calendar day of the following month.

3.5.2 Month End Close

The following steps shall be completed in order:

1. All Bank Transactions entered
2. All Bank Accounts Reconciled
3. Credit card transactions in and statement reconciled in accounting software

4. Record correct interest expenses on loans
5. Court Monthly Journal Entry
6. Fund Account Transfers for Monthly Court Report
7. Municipal Fund Account Transfers for Department Expenses out of General Fund
8. TMRS closing
9. Payment processing fees (In accounting software)
10. Financials Review for coding and gap errors, if any.
11. Produce Monthly Reports for City Council

3.5.3 Variance Analysis

Material variances shall be identified and explained.

If structural in nature, corrective action shall be recommended.

SECTION 4 – Annual Budget Development Policy

4.1 Purpose

This section establishes the formal process for development, review, presentation, amendment, and adoption of the City of Tool's annual budget.

The budget shall serve as the City's primary financial planning document and shall:

1. Reflect structural balance.
2. Align expenditures with available revenue.
3. Preserve financial stability.
4. Support long-term infrastructure planning.
5. Comply with Texas Local Government Code Chapter 102.

4.2 Fiscal Year

The City's fiscal year shall begin October 1 and end September 30.

4.3 Budget Philosophy

The City shall adopt a structurally balanced budget.

Recurring expenditures shall not exceed recurring revenues.

One-time revenues shall not fund recurring expenditures unless specifically approved by Council with documented sustainability analysis.

The City shall maintain a conservative revenue forecasting approach.

4.4 Budget Development Timeline

The annual budget process shall follow the timeline below unless modified by Council:

January–February

- Review prior year performance.
- Assess revenue trends.
- Evaluate reserve levels.

March

- Have a Council Workshop for Council's objectives in next budget year
- Establish preliminary revenue assumptions.
- Identify major capital needs.

April–May

- Departments submit budget requests with written justification to City Administrator and City Controller

June

- Finalize revenue projections.
- Model tax rate scenarios.
- Balance expenditures.
- Have one to two Council workshops.

July

- Prepare draft budget document.
- Administrator review and adjustments.
- Have budgetary meeting (if not had in June).

August

- Present draft budget to Council.
- Conduct workshops and public hearings.
- Publish required notices.
- Adopt final budget and tax rate (if able).

September

- Adopt final budget and tax rate.

4.5 Roles and Responsibilities

4.5.1 City Controller

The Controller shall:

- Prepare revenue forecasts.
- Compile department requests.
- Perform expenditure analysis.
- Identify structural imbalances.
- Prepare draft budget document.
- Provide fiscal impact analysis.

4.5.2 City Administrator

The Administrator shall:

- Review department requests.
- Evaluate operational feasibility.
- Ensure alignment with strategic goals.
- Approve draft budget prior to Council presentation.
- Recommend final budget to Council.

4.5.3 City Council

The Council shall:

- Review proposed budget.
- Conduct workshops.
- Approve or amend the budget.
- Adopt final budget by ordinance.

4.6 Revenue Forecasting Standards

Revenue projections shall be based on:

- Certified taxable values.
- Historical sales tax trends.
- Realistic fine collection patterns.
- Conservative assumptions.

Property tax modeling shall include:

- No-New-Revenue Rate.
- Voter-Approval Rate.
- Prior year rate comparison.

The Controller shall provide Council with clear modeling of revenue impact at various tax rates.

4.7 Payroll Impact Analysis

Any staffing proposal shall include:

- Base salary.
- Employer payroll taxes.
- Retirement contributions.
- Insurance costs.
- Workers' compensation.

4.8 Capital Improvement Planning

The annual budget shall include evaluation of capital needs.

If the General Fund includes a transfer to the Capital Improvement Fund (example: $200,000), such transfer shall:

- Be clearly identified.
- Be supported by projected operating surplus.
- Support long-term asset sustainability.

Capital expenditures shall not be funded through operating deficits.

4.9 Budget Amendments

A budget amendment shall be required when:

- Revenue shortfalls materially impact operations.
- Unanticipated emergency expenditures occur.

Amendment process:

1. Controller prepares written explanation.
2. Administrator reviews and approves recommendation.
3. Council approves amendment by formal action.
4. Budget baseline updated in QuickBooks Online.

4.10 Public Transparency

The proposed budget shall be made available to the public prior to adoption, on the city's website.

The Controller and Administrator shall provide plain-language explanations of:

- Major revenue assumptions.
- Tax rate implications.
- Capital investments.
- Reserve levels.

Transparency shall be maintained throughout the budget process.

SECTION 5 – Truth-in-Taxation Compliance Policy

5.1 Purpose

This section establishes the City of Tool's formal policy for compliance with Texas Truth-in-Taxation laws.

The City shall calculate, publish, and adopt its annual property tax rate in strict compliance with Texas Tax Code Chapter 26.

The City Administrator shall oversee compliance. The City Controller shall perform calculations and documentation.

5.2 Required Tax Rates

Each fiscal year, the City shall calculate the following, including rate impact modeling:

1. **No-New-Revenue Rate (NNR)**
2. **Voter-Approval Rate (VAR)**
3. **De Minimis Rate** (if applicable under state law)

The Controller shall use the certified appraisal roll provided by the Henderson County Appraisal District (HCAD).

Estimated values shall not be used once certified values are issued.

5.3 No-New-Revenue Rate

The No-New-Revenue Rate is defined as the rate that would generate approximately the same property tax revenue from properties taxed in both the current and prior year, excluding new property value.

The Controller shall calculate the No-New-Revenue Rate (NNR) rate using the official worksheet prescribed by the Texas Comptroller.

Adoption of the NNR rate shall not increase tax burden on existing property due solely to rate change.

5.4 Voter-Approval Rate

The Voter-Approval Rate is the highest tax rate the City may adopt without triggering an automatic election.

The VAR shall include:

- Maintenance & Operations (M&O) growth allowance
- Debt rate (if applicable)

Key to Adopting Tax Rates

BELOW Voter-Approval Rate	No Election Required
ABOVE Voter-Approval Rate, but **BELOW** De Minimis Rate	Voters may petition for an election
ABOVE Voter-Approval Rate and **ABOVE** De Minimis Rate	Election Required

5.5 De Minimis Rate

As a municipality under 30,000 population, the City may adopt a De Minimis Rate under state law.

The De Minimis Rate shall be calculated as defined by Texas Tax Code and shall include allowable M&O components.

The Administrator shall ensure Council understands political and financial implications prior to adoption of a De Minimis rate.

5.6 Rate Impact Modeling

The Controller shall present to Council the fiscal impact of rate adjustments. The Controller shall prepare modeling scenarios including:

- Revenue at No-New-Revenue Rate (NNR)
- Revenue at Voter-Approval Rate (VAR)
- Revenue at De Minimis Rate
- Revenue at prior year rate
- Revenue at proposed rate

5.7 Publication and Notice Requirements

The City shall:

- Publish required notices within statutory deadlines.
- Post required tax rate information on the City website.
- Conduct required public hearings.

The Administrator shall verify publication compliance.

Failure to comply with publication requirements may invalidate tax adoption.

5.8 Adoption Procedure

The tax rate shall be adopted by ordinance after required public hearings.

The motion to adopt shall include statutory language as required by Texas law.

5.9 Documentation Retention

The Controller shall maintain a permanent Truth-in-Taxation file including:

- Certified appraisal roll
- Official calculation worksheets
- Publication proof
- Public hearing documentation
- Adoption ordinance
- Rate impact analysis

This documentation shall be retained in accordance with records retention policy and available for audit review.

5.10 Public Transparency Statement

The City shall provide a plain-language explanation to residents including:

- Description of NNR, VAR, and De Minimis rates.
- Impact of rate changes.
- Election triggers if applicable.

SECTION 6 – Annual Financial Audit Policy

6.1 Purpose

The purpose of this section is to establish formal procedures governing the City of Tool's annual independent financial audit.

The audit shall provide independent verification of:

1. Accuracy of financial statements.
2. Adequacy of internal controls.
3. Compliance with applicable laws and regulations.
4. Financial position of the City.

The City shall undergo an annual independent audit as required by Chapter 103 of the Texas Local Government Code.

6.2 Selection of Auditor

The City Council shall approve the engagement of an independent certified public accounting firm qualified to perform governmental audits.

The City Administrator shall manage the engagement process.

The City Controller shall coordinate document preparation and auditor requests.

6.3 Audit Timeline

Audit timeline may vary depending on auditor scheduling.

6.4 Controller Responsibilities

The City Controller shall:

1. Maintain complete and accurate accounting records.
2. Reconcile all bank accounts prior to fieldwork.
3. Reconcile payroll liabilities.
4. Prepare year-end trial balance.
5. Provide supporting documentation for material accounts.
6. Maintain fixed asset records.
7. Maintain debt schedules (if applicable).
8. Provide interfund transfer documentation.

The Controller shall respond to auditor requests promptly and accurately.

6.5 City Administrator Responsibilities

The City Administrator shall:

- Oversee audit engagement.
- Review audit findings.
- Ensure corrective action plans are implemented.
- Present audit results to Council.

6.6 Prepared By Client (PBC) Documentation

At minimum, the following documentation shall be prepared prior to fieldwork:

- Final trial balance.
- Bank reconciliations for all accounts.
- Accounts payable listing.
- Payroll liability reconciliation.
- Fixed asset listing with additions and disposals.
- Debt amortization schedules.
- Interfund transfer documentation.
- Fund balance roll-forward schedule.
- Revenue and expenditure detail reports.
- Major contract documentation.

Incomplete or late documentation may delay audit completion.

6.7 Audit Findings

Audit findings may include:

- Material weaknesses.
- Significant deficiencies.
- Internal control recommendations.

The City Administrator shall prepare a corrective action response plan for any findings.

Corrective actions shall be documented and reviewed during subsequent audits.

6.8 Journal Entry Adjustments

If auditors propose adjusting journal entries:

- Adjustments shall be reviewed and completed by the City Controller.
- Entries shall be posted in the accounting system with documentation.

All audit adjustments shall be retained in the permanent audit file.

6.9 Audit Opinion

The City's goal shall be to receive an **Unmodified Opinion** (clean opinion).

An unmodified opinion indicates the financial statements fairly present the City's financial position.

6.10 Presentation to Council

Upon completion, the independent auditor shall present the audit results to City Council.

The presentation shall include:

- Type of opinion issued.
- Summary of findings.
- Financial condition overview.
- Recommendations for improvement.

Council review shall be documented in official minutes.

6.11 Annual Review of Internal Controls

Following the audit, the City Administrator and Controller shall:

- Review internal control recommendations.
- Evaluate policy effectiveness.
- Propose policy amendments if necessary.

SECTION 7 – Internal Control & Fraud Prevention Policy

7.1 Purpose

The purpose of this section is to establish internal control standards and fraud prevention safeguards for the City of Tool.

Because the City operates with a single finance officer (City Controller), compensating controls are required to ensure transparency, prevent fraud, and protect public funds.

Internal controls are designed to:

1. Safeguard assets.
2. Ensure accuracy of financial reporting.
3. Promote operational efficiency.
4. Prevent and detect fraud or misappropriation.

7.2 Control Environment

The City shall maintain a control environment built upon:

- Ethical leadership.
- Clear segregation of duties.
- Administrative oversight.
- Transparent reporting to Council.

The City Administrator shall provide supervisory oversight of financial operations.

7.3 Compensating Controls – Single Finance Officer Model

Because the Controller performs multiple financial functions, the following compensating controls are required:

7.3.1 Bank Statement Review

All bank statements shall be delivered electronically to the City

Administrator. The Administrator shall:

- Review cleared checks and electronic transactions.
- Confirm legitimacy of large transactions.
- Document review monthly.

After review, statements shall be reconciled by the Controller.

7.3.2 Vendor Approval Controls

New vendor setup shall require:

- Completed W-9 form.
- Verification of business existence.
- Written approval by City Administrator.

Vendor creation shall not occur without documented approval.

7.3.3 Payroll Change Authorization

Any change to payroll including:

- New hire
- Salary adjustment
- Bonus
- Stipend
- Overtime policy change

Shall require written authorization from the City Administrator.

The Controller shall not authorize changes to their own compensation.

7.3.4 Journal Entry Log

All manual journal entries shall:

- Be numbered sequentially.
- Include detailed explanation.
- Include supporting documentation.
- Be retained in the audit file.

Material journal entries shall be reviewed by the City Administrator.

7.3.5 Credit Card Controls

If the City maintains credit cards:

- Statements shall be reviewed monthly.
- Receipts shall be required for all charges.
- Personal use is strictly prohibited.
- Administrator review required prior to payment.

7.4 Fraud Risk Areas

The City recognizes heightened risk in the following areas:

- Fictitious vendor creation.
- Duplicate invoice payments.
- Unauthorized payroll adjustments.
- Delayed or unrecorded deposits.
- Improper journal entries.

City staff shall remain vigilant in oversight.

7.5 Separation of Duties Matrix

Where full segregation of duties is not feasible, the following structure shall apply:

Function *Performed By* *Reviewed By*

Function	Performed By	Reviewed By
Cash receipt entry	Controller	City Administrator
Bank reconciliation	Controller	Administrator
Check Signing	Controller	Administrator (co-sign)
Payroll processing	Controller	Administrator
Vendor setup	Controller	Administrator approval
Budget amendments	Controller & City Administrator	City Council

7.6 Annual Internal Control Review

The City Administrator and Controller shall annually review:

- Control effectiveness.
- Segregation adequacy.
- Audit findings.
- Fraud risk exposure.

Any deficiencies shall be addressed promptly.

7.7 Reporting Suspected Fraud

Any suspected fraud shall be reported immediately to:

- City Administrator
- City Secretary
- Mayor
- City Council (if necessary)

Whistleblower protections shall apply in accordance with state law.

7.8 Controller Protection Clause

These controls are established not only to protect City funds, but also to protect the City Controller and City Administrator from allegations of misconduct.

Documentation, transparency, and oversight are mandatory safeguards.

SECTION 8 – Financial Reporting & Fund Balance Policy

8.1 Purpose

The purpose of this section is to establish formal standards for financial reporting to City Council and to adopt a fund balance policy to ensure long-term fiscal stability.

Financial reporting shall be:

- Timely
- Accurate
- Clear
- Transparent
- Consistent

The City Administrator shall review all financial reports prior to distribution to Council.

8.2 Monthly Financial Reporting Requirements

The City Controller shall prepare a monthly financial reporting packet no later than the 10th calendar day following month-end close.

The reporting packet shall include:

1. Summary of Financial Position
2. Revenue Summary (Budget vs. Actual)
3. Expenditure Summary by Department
4. Cash Position Report

8.3 Summary of Financial Position

The Executive Summary shall provide:

- Overview of financial condition.
- Notable revenue trends.
- Notable expenditure trends.
- Emerging financial risks.
- Reserve status.

The summary shall be written in clear, plain language.

8.4 Revenue Reporting Standards

Revenue reporting shall include:

- Property tax collections to date.
- Sales tax comparisons (current vs prior year).

- Court revenue trends.
- Permit and fee collections.

The Controller shall identify any material deviations from budget.

8.5 Expenditure Reporting Standards

Expenditure reports shall:

- Present spending by department.
- Compare actual expenditures to adopted budget.
- Identify departments exceeding proportional spending thresholds.

If a department exceeds 75% of its budget before 75% of the fiscal year has elapsed, the Controller shall evaluate whether corrective action is required.

8.6 Cash Position Reporting

The monthly packet shall include:

- Operating cash balance.
- Capital fund balance.
- Total available liquidity.

The Controller shall monitor cash sufficiency to ensure uninterrupted operations.

8.7 Fund Balance Policy

8.7.1 Emergency Fund Requirement

The City shall strive to maintain an unassigned General Fund balance equal to no less than three (3) months of operating expenditures.

8.7.2 Target Reserve Level

The City's preferred target shall be four (4) to six (6) months of operating expenditures.

8.7.3 Use of Reserves

Fund balance reserves may be used only for:

- Revenue shortfalls.
- Emergency expenditures.
- Disaster response.
- Infrastructure failure.

Use of reserves for recurring operating expenses is discouraged unless accompanied by a restoration plan.

8.8 Financial Health Indicators

The Controller shall monitor the following indicators:

- Fund balance as a percentage of annual expenditures.
- Payroll as a percentage of total budget.
- Sales tax dependency ratio.
- Debt service ratio (if applicable).
- Capital investment ratio.

These indicators shall be presented during annual budget workshops.

8.9 Forecasting Requirement

The Controller shall maintain a rolling year-end forecast updated monthly. The forecast shall:

- Identify revenue risks.
- Project year-end fund balance.
- Identify departments at risk of over-expenditure.
- Recommend corrective action when necessary.

8.10 Public Transparency

The City shall make financial summaries available to the public through appropriate channels, including the City website, through the Finance department section of the city's website.

Transparency promotes accountability and strengthens public trust.

SECTION 9 – Training, Competency and Performance Standards

9.1 Purpose

The purpose of this section is to establish formal standards for training, competency evaluation, and performance expectations for the City Controller.

Given the fiduciary responsibility associated with the position, the Controller must demonstrate operational competence, statutory compliance knowledge, and professional integrity.

The City Administrator shall evaluate performance annually.

9.2 Initial Onboarding Framework

Upon appointment, the City Controller shall complete a structured onboarding process within ninety (90) days.

9.2.1 Phase I – Operational Competency

The Controller shall demonstrate:

- Accurate processing of daily receipts.
- Proper deposit handling and logging.
- Weekly accounts payable processing.
- Bi-weekly payroll processing in QuickBooks Online.
- Completion of month-end close by established deadline.
- Preparation of budget-to-actual reports.

The City Administrator shall review and validate performance prior to advancing to Phase II.

9.2.2 Phase II – Reporting & Governance Competency

The Controller shall demonstrate:

- Preparation of a Council-ready financial packet.
- Ability to explain revenue pacing.
- Identification of budget risks.
- Explanation of fund balance status.
- Compliance with internal control procedures.

The Controller shall present a mock monthly report to the City Administrator for evaluation.

9.2.3 Phase III – Compliance & Strategic Competency

The Controller shall demonstrate:

- Understanding of Truth-in-Taxation calculations.
- Ability to model tax rate impacts.
- Preparation of audit documentation.
- Understanding of fund structure and structural balance.
- Ability to forecast year-end financial position.

Completion of onboarding shall be documented in personnel file.

9.3 Annual Performance Evaluation

The City Administrator shall conduct an annual performance evaluation of the City Controller based upon:

- Timeliness of month-end close.
- Accuracy of financial reports.
- Audit results.
- Compliance with internal controls.
- Forecast accuracy.
- Professional conduct and transparency.

Performance findings shall be documented.

9.4 Continuing Education

The City Controller is encouraged to pursue continuing education in:

- Governmental accounting.
- Texas municipal finance law.
- Internal control best practices.
- Public budgeting and forecasting.

The City Administrator may approve attendance at relevant training programs subject to budget availability.

9.5 Certification of Acknowledgment

Upon adoption of this manual, the City Controller and City Administrator shall sign acknowledgment of receipt and understanding of its provisions.

Signature Page:

City Controller _____ Date _____

City Administrator _____ Date _____

Mayor _____ Date _____

CONCLUSION

This manual establishes the official financial governance structure of the City of Tool. It provides:

- Clear delineation of authority.
- Internal control safeguards.
- Compliance framework.
- Budget development standards.
- Reporting requirements.
- Audit coordination procedures.
- Fund balance protection.

This document shall remain in effect until amended by formal Council action.