

**TOWN OF ARGYLE, TEXAS
RESOLUTION NO. 2025-04**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF
ARGYLE, TEXAS APPROVING REVISED FISCAL AND
BUDGETARY POLICY STATEMENTS AND PROVIDING AN
EFFECTIVE DATE.**

WHEREAS, the Town of Argyle, Texas is committed to financial management through integrity, prudent stewardship, planning, accountability, full disclosure and communication; and

WHEREAS, the broad purpose of the Fiscal and Budgetary Policy Statements is to enable the Town and its related component units, including the Municipal Development District and the Argyle Crime Control and Prevention District to achieve and maintain a long-term stable and positive financial condition, and provide guidelines for the day-to-day planning and operations of the Town's financial affairs;

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF ARGYLE, TEXAS:

SECTION 1. That, the above findings are hereby found to be true and correct and are incorporated herein in their entirety.

SECTION 2. That, the Town Council of the Town of Argyle, Texas hereby adopts the Fiscal and Budgetary Policy Statement attached as "Exhibit A."

PASSED AND APPROVED By the Town Council of the Town of Argyle, Texas this the 21st day of January, 2025.

TOWN OF ARGYLE, TEXAS


Rick Bradford, Mayor

ATTEST:


Candi Smith, Town Secretary



TOWN OF ARGYLE

FISCAL AND BUDGETARY POLICY STATEMENTS

I. STATEMENT OF PURPOSE

The Town of Argyle is committed to financial management through integrity, prudent stewardship, planning, accountability, full disclosure and communication. The broad purpose of the Fiscal and Budgetary Policies is to enable the Town and its related component units, including the Argyle Economic Development Corporation (EDC) and the Argyle Crime Control Prevention District (CCPD) to achieve and maintain a long-term stable and positive financial condition, and provide guidelines for the day-to-day planning and operations of the Town's financial affairs.

Policy scope generally spans areas of accounting and financial reporting, internal controls, both operating and capital budgeting, revenue management, investment and asset management, debt management and forecasting. This is done in order to:

- Demonstrate to the citizens of Argyle, the investment community, and the bond rating agencies that the Town is committed to a strong fiscal operation;
- Provide precedents for future policy-makers and financial managers on common financial goals and strategies;
- Fairly present and fully disclose the financial position of the Town in conformity to generally accepted accounting principles (GAAP); and
- Demonstrate compliance with finance-related legal and contractual issues in accordance with the Texas Local Government Code and other legal mandates.

These policies are being adopted by resolution of the Town Council in order to promote stability and continuity. Therefore, they can only be changed by specific Council action. There will be periodic review of the policies for continued appropriateness and specific review when there are changes in accounting policy, best practices or state law.

II. ACCOUNTING, AUDITING AND FINANCIAL REPORTING

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

AUDITING. In conformance with the provisions of the Texas Local Government Code, Title 4, Chapter 103, the Town will be audited annually by outside independent accountants (auditor). The auditor must be registered as a partnership or corporation of certified public accountants, holding a license under Article 41a1, Section 9, of the Civil Statutes of Texas, capable of demonstrating that it has sufficient staff which will enable it to conduct the Town's audit in accordance with generally accepted auditing standards as well as all applicable state and federal laws. The auditor's report, along with the annual financial report on the Town's financial

statements, will be completed within 180 days of the Town's fiscal year end. Any issues found during the annual audit will be addressed to the Director of Finance, who shall respond in writing to the Town Manager and Town Council addressing the issues contained therein. The Council shall schedule its formal acceptance of the auditor report upon resolution of any issues resulting from the joint review.

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

The Town does not require an auditor rotation; however, the Council may circulate requests for proposal for auditor services every three to five years.

FINANCIAL REPORTING. In concert with completion of the annual audit work by the Town's auditors, the Town shall prepare an annual financial report (AFR) which will include the Basic Financial Statements. The AFR and Basic Financial Statements will be prepared in accordance with generally accepted accounting principles. They shall be presented to the Town Council with the auditor's report within 180 calendar days of the Town's fiscal year end. If Town staffing limitations preclude such timely reporting, the Director of Finance will inform the Town Manager, and the Town Manager will inform the Town Council of the delay and the reasons therefore.

INTERNAL REPORTING. The Finance Department will prepare internal financial reports, sufficient to plan, monitor and control the Town's financial affairs and monitor budgetary compliance. Internal reporting objectives are addressed throughout these policies.

III. FUND STRUCTURE AND BASIS OF ACCOUNTING

Governmental Funds:

General Fund which accounts for all financial resources except those required to be accounted for in another fund, and include basic governmental services, such as Street Maintenance, Police, Planning and Development and General Administration.

Special Revenue Funds (SRF) account for specific revenues that are legally restricted for specified purposes. The Town currently budgets 11 SFR Funds.

Debt Service Fund is used to account for the payment of general long-term debt principal and interest. The I&S tax levy generated annually and residing in this fund is legally restricted for Town debt that is supported by the tax pledge.

Capital Project Funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise activities.

Proprietary Funds:

Enterprise Funds include the Town’s “business like” activities including the utility funds.

Internal Service Funds account for goods or services provided by one internal department to another. The Town currently does not use these funds.

IV. OPERATING BUDGET MANAGEMENT

BUDGETARY ACCOUNTING BASIS. The Town’s accounting records for general governmental operations are maintained on a modified accrual basis according to Generally Accepted Accounting Principles (GAAP). The Town budgets resources on a fiscal year which begins on October 1 and runs through September 30. The revenues are recorded when actually received, and expenditures are recorded when the liability is incurred. Accounting records for the Town’s proprietary funds are maintained on a full accrual basis. For example, expenditures are recognized when a liability is incurred, and revenues are recognized when they are obligated to the Town. Depreciation is budgeted as an operating expense. Capital purchases for the proprietary funds are listed in the budget document in order that proposed purchases can be reviewed by the Town Council. The budgetary accounting basis follows GAAP except that fund balances/retained earnings are presented in the budget as a measure of available, spendable resources. Unexpended appropriations for budgeted funds lapse at fiscal year-end, except for appropriations for Capital Project Funds, which are for the length of the project.

OVERVIEW. Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. The annual budget reflects the general short-term policies of the Town Council as the elected representatives of the citizens of Argyle; serves as an operating plan the new fiscal year; provides fiscal policy direction to the Town Staff; and provides a basis of accountability to the taxpayers for their investment of tax dollars. The Town’s “operating budget” comprises governmental and proprietary funds, including the Debt Service Fund, and various capital improvement funds. The operating budget is linked to goals and objectives in the Council’s financial and strategic plans.

PREPARATION. The budget is prepared by the Town Manager with the cooperation of all Town departments, and is submitted to the Town Council. The budget should be presented to the Town Council no later than sixty (60) days prior to fiscal year end, and should be enacted by the Town Council prior to fiscal year end.

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

The budget review process shall include Council participation in the development of the overall goals and objectives for the upcoming fiscal year, and a Public Hearing to allow for citizen participation in the budget preparation. The budget process shall span sufficient time to address policy and fiscal issues by the Council.

A copy of the proposed budget shall be filed with the Town Secretary when it is submitted to the Town Council in accordance with State Law. Additionally, it will be posted on the Town's website.

Upon the presentation of a proposed budget document to the Council, the Council shall call and publicize a public hearing. The Council will subsequently adopt by Ordinance such budget as it may have been amended as the Town's Annual Budget, effective for the fiscal year beginning on the first day of October.

BALANCED BUDGET. The goal of the Town is to adopt and maintain a balanced operating budget using sustainable funding sources that are expected to continue to be available in subsequent fiscal years. We will strive to maintain operations coverage of 1.0 (one), such that operating revenues will at least equal or exceed current operating expenditures. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used only for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums as stated in Section VIII. Excess balances in operating funds from previous fiscal years shall remain in the fund in which they were appropriated until either such excess balances are proposed and adopted pursuant to Section VIII of this policy; until they are used to reduce outstanding debt obligations of the Town; or both.

PLANNING. The budget process will be coordinated so as to identify major policy issues for Town Council consideration several months prior to the budget approval date so that proper decision analysis can be made.

REPORTING. Periodic financial reports will be prepared to enable the Department Directors to manage their budgets and to enable the Director of Finance to monitor and control the budget as authorized by the Town Manager. Summary financial reports will be presented to the Town Council quarterly. These reports will be in a format appropriate to enable the Town Council to understand the overall budget and financial status.

CONTROL AND ACCOUNTABILITY. Each Department Director, appointed by the Town Manager, will be responsible for the administration of his/her departmental budget. This includes accomplishing the Goals and Objectives adopted as part of the budget and monitoring each department budget for compliance with spending limitations.

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

V. REVENUE MANAGEMENT

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

SIMPLICITY. The Town, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs for the taxpayer or service recipient. A corresponding decrease in the Town's costs for collection and a reduction in avoidance to pay will thus result.

CERTAINTY. A knowledge and understanding of revenue sources increases the reliability of the revenue system. The Town will understand its revenue sources and enact consistent collection policies to provide assurances that the revenue base will materialize according to budgets and plans.

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

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

DIVERSIFICATION AND STABILITY. In order to protect from fluctuations in a revenue source due to fluctuations in the economy and variations of other factors, diversified revenue sources will be pursued and maintained in order to stabilize total revenue.

CONSERVATIVE ESTIMATION OF REVENUE. In order to mitigate the effects of fluctuations in a revenue source due to fluctuations in the economy and variations of other factors, all revenues will be conservatively estimated with the exception of property tax and inter-fund transfers.

COST/BENEFIT OF ABATEMENT. The Town will use due caution in the analysis of any tax or fee incentives that are used to encourage development. Ideally, a cost/benefit (fiscal impact) analysis will be performed as a part of such caution.

NON-RECURRING REVENUES. One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Non-recurring revenues may be allocated to a specific fund(s) with the approval of the Town Council.

PROPERTY TAX REVENUES. All real and business personal property located within the Town shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the Town by the Central Appraisal District. Reappraisal and reassessment shall be done regularly as required by State law.

The adopted tax rate should not exceed the rollback rate as computed by Truth in Taxation laws.

Property tax revenues will be estimated based on the actual percentage of collections for the prior year, net of any unusual or non-recurring activity.

SALES TAX. Sales tax revenue projections shall be conservative due to the volatile nature of this economically sensitive revenue source.

USER-BASED FEES. For services associated with a user fee or charge, the direct and indirect costs of that service will be offset by a fee where possible. There will be a periodic review of fees and charges to ensure that fees provide adequate coverage of costs of services.

WASTEWATER RATES. The Town will review and adopt wastewater rates periodically that will generate revenues required to fully cover operating expenditures, meet the legal restrictions of all applicable bond covenants, and provide for an adequate level of working capital needs. This policy does not preclude drawing down cash balances to finance current operations; however, it is best that any extra cash balance be used instead to finance capital projects.

VI. EXPENDITURE CONTROL

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

PURCHASING. The Town Manager, or his/her designee, shall be designated as the Town's purchasing agent. All Town purchases of goods or services will be made in accordance with the Town's current Purchasing Policy and with State law. The purchasing agent is authorized to determine which method of procurement provides the best value to the Town in accordance with Chapters 252 and 271 of the Texas Local Government Code. State law requires any purchase of goods or materials over \$50,000 be formally bid. The Town's Purchasing Policy requires all contracts greater than \$50,000 be approved by the Town Council. All purchases shall require advance approval of the appropriate supervisor, department director, or Town Manager in accordance with the guidelines below:

Dollar Limits	Required Approvals:
Under \$1,000	Supervisor or Department Director
\$1,000 - \$5,000	Unbudgeted - Town Administrator; Budgeted - Supervisor and/or Department Director
\$5,001 - \$50,000	Unbudgeted - Town Council; Budgeted - Supervisor, Department Director, and Town Administrator
Over \$50,000	Town Council

PROMPT PAYMENT. All invoices approved for payment by the proper Town authorities shall be paid by the Finance Department according to state law. The Director of Finance shall establish and maintain proper procedures which will enable the Town to take advantage of all

purchase discounts, when possible, except in the instance where payments can be reasonably and legally delayed in order to maximize the Town's investable cash.

RISK MANAGEMENT. The Town will aggressively pursue every opportunity to provide for the public's and Town employees' safety and to minimize the risk of loss of resources through liability claims with an emphasis on safety programs. All reasonable options will be investigated to finance risks.

VII. ASSET MANAGEMENT

The Town Council has formally approved a separate Investment Policy for the Town of Argyle that meets the requirements of the Public Funds Investment Act (PFIA), Section 2256 of the Texas Local Government Code. This policy is reviewed annually by the Town Council and applies to all financial assets held by the Town and applies to all entities (component units) included in the Town Annual Financial Report and/or managed by the Town.

INVESTMENTS. The Director of Finance shall promptly invest all Town funds in accordance with the provisions of the current Bank Depository Agreement or in accordance with the Town Council approved Investment Policy.

The Town's Investment Policy stipulates that the Investment Officers shall submit a signed quarterly investment report that summarizes current market conditions, economic developments and anticipated investment conditions. This report is included with the quarterly Council Budget Summary presented throughout the year.

CASH/TREASURY MANAGEMENT. Periodic review of cash flow position will be performed to determine performance of cash management and investment policies. A detailed policy structure will be followed with respect to Cash/Treasury Management. All Town funds are managed and invested with four primary objectives in mind which are: (1) safety and preservation of principal, (2) liquidity, (3) maintenance of public trust, and (4) yield. Where legally permitted, pooling of investments may be done. The Town will adhere to the investments authorized through the Town Council approved investment policies.

The Town's cash flow will be managed to maximize the cash available to invest. Such cash management will entail the centralization of cash collections, where feasible, including property tax payments, building and related permits and licenses, court fines, utility bills, and other collection offices as appropriate.

FIXED ASSETS AND INVENTORY. These assets will be reasonably safeguarded, properly accounted for, and prudently insured.

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

The Town's fixed assets shall be reasonably safeguarded, properly accounted for and sufficiently insured. Responsibility for the safeguarding of the Town's fixed assets lies with the Department Director in whose department the fixed asset is assigned. The Finance Division shall maintain the permanent records of the Town's fixed assets including description, cost, department of responsibility, date of acquisition, depreciation and expected useful life. The Finance Division shall also perform an annual inventory of assets using random sampling at the department level. Such inventory shall be performed by the Director of Finance or his or her designee in the presence of designated department personnel from the department of responsibility.

COMPUTER SYSTEM / DATA SECURITY. The Town shall provide security of its computer system and data files through physical security. The main computer systems (servers) shall be in a location inaccessible to unauthorized personnel. On a frequent and scheduled basis, backup files of system data will be stored off premises for safekeeping.

In addition, the Town will take all prudent steps to ensure that the accessibility and integrity of the Town's computer and information systems will be protected from viruses, unauthorized access, and other such threats and hazards.

VIII. CAPITAL BUDGET AND PROGRAM

PREPARATION. The Town's capital budget will include all capital project funds and all capital resources. The budget will be prepared annually. The capital budget will be prepared as directed by the Town Manager with the involvement of all required Town departments.

CONTROL. All capital project expenditures must be appropriated in the capital budget and formally appropriated by a budget ordinance. The appropriation is multi-year through the life of the project. Any remaining appropriations lapse at the end of the project. The Finance Department must certify the availability of resources so any appropriation can be made before a capital project contract is presented to the Council for approval. A capital project status report will be prepared quarterly and included in the Council quarterly updates. The status report will show the following for each active project: funding sources, original budget, change orders, encumbered funds (purchase orders), project to date expenditures, and remaining available budget.

PROGRAM PLANNING. The annual capital budget will be taken from a rolling 5-year capital improvement program plan used for planning purposes. The replacement and maintenance for capital items should also be projected for the next five years. Future maintenance and operational costs will be considered so that these costs can be included in the operating budget.

FINANCING PROGRAMS. System expansion could be funded by new debt or use of available resources. Where applicable, assessments, pro-rata charges, or other fees should also be used to fund capital projects, which have a primary benefit to specific, identifiable property owners.

Recognizing that long-term debt is usually a more expensive financing method, alternative financing sources will be explored before debt is issued. When debt is issued, it will be used to acquire major assets with expected lives that equal or exceed the average life of the debt issue.

The exceptions to this requirement are the traditional costs of marketing and issuing debt, capitalized labor for design and construction of capital projects, and small component parts which are attached to major equipment purchases.

INFRASTRUCTURE MAINTENANCE. The Town recognizes that deferred maintenance increases future capital costs. Therefore, a portion of the General Fund and Street Maintenance Sales Tax Budgets may be set aside each year to maintain the quality of the Town's infrastructures.

Replacement schedules should be developed in order to anticipate the inevitable ongoing obsolescence of infrastructure.

In addition to infrastructure maintenance, the Town will plan for the replacement of other assets such as vehicles and equipment by establishing replacement schedules as needed.

IX. FUND BALANCE POLICY & RESERVES

The Town's Fund Balance is the accumulated difference between assets and liabilities within governmental funds. The primary purpose of this policy is to establish guidelines for fund balance levels for the Town of Argyle's governmental and proprietary funds. It is essential that the Town maintain minimum reserves in the ending fund balances/working capital to provide a healthy financial base for the Town. This base allows the Town to mitigate financial risk that can occur from unforeseen revenue shortfalls, unanticipated expenditures, emergencies or any other adverse circumstances, ensuring stability of Town operations by providing available resources to implement budgeted expenditures without regard to timing of cash flows.

DEFINITIONS:

Nonspendable – includes inherently non-spendable assets that will never convert to cash, as well as assets that will not convert to cash soon enough to affect the current financial period. Assets in this category are inventory, prepaid items and non-financial assets held for resale.

Restricted – represents the portion of fund balance that is subject to legal restrictions, such as grants and bond proceeds.

Committed – describes the portion of fund balance that is constrained by the limitations the Town Council has imposed upon itself, and remains binding unless the Town Council removes the limitation.

Assigned – is that portion of fund balance that reflects the Town's *intended* use of the resource and is established in a less formal method by the Town for that designated purpose. The General Fund cannot assign its fund balance.

Unassigned – represents funds that cannot be properly classified in one of the other four categories.

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

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

Special Revenue Fund. A fund whose revenue source(s) is restricted or committed to a specific purpose other than capital projects or debt service. Usually has one or more revenue resources that is not a transfer from another fund.

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

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

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

Working Capital. The measurement of the operating liquidity of an enterprise fund by subtracting the current liabilities from the current assets.

PRIORITY OF FUND BALANCE CATEGORIES:

In lieu of a policy for unrestricted fund balance, funds that are constrained in the remaining categories will be used in the order of: 1) committed, 2) assigned, 3) unassigned. Therefore, when multiple categories of fund balance are available for expenditure (i.e. a construction project funded partly by 1) a grant, 2) funds set aside by the Town Council, & 3) unassigned funds), the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally, this would result in the use of restricted, then committed, then assigned, and lastly unassigned fund balance.

COMMITTED FUND BALANCE AUTHORITY:

The Town Council is the Town's highest level of decision making authority and the formal action that is required to approve, modify, or remove a fund balance commitment is an ordinance adopted by the Town Council. The ordinance must adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period. A committed fund balance should incorporate contractual obligations

to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

ASSIGNED FUND BALANCE AUTHORITY:

The Town Council authorizes the Town Manager or his/her designee as the official authorized person to assign fund balance to a specific purpose approved by this policy. The specific purpose of an assigned fund balance can include, but is not limited to, an appropriation of existing fund balance to eliminate a projected deficit in the subsequent year's budget in an amount not to exceed the projected excess of expenditures over revenues. Additionally, the assigned fund balance will include remaining amounts that are reported in the governmental funds (aside from the General Fund), except negative amounts. Assignments in the General Fund are amounts that are intended to be used for a specific purpose that is narrower than the general purpose of the government itself. And, governments cannot assign an amount to a specific purpose if it would cause a deficit in the unassigned fund balance.

MINIMUM UNASSIGNED FUND BALANCE:

It is the goal of the Town of Argyle to achieve and maintain an unassigned fund balance in the general fund equal to a minimum of one hundred and twenty (120) days (33%) of budgeted expenditures for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The fund balance level, however, may be reduced to the equivalent of seventy-five (75) days (20.83%) of budgeted expenditures in unusual financial circumstances, as determined by the Town Council.

Moreover, if such a situation occurs, the Town will implement necessary corrective action, in which the Town Manager will submit a plan to restore the unassigned fund balance to the equivalent of one hundred and twenty (120) days (33%) of budgeted expenditures as soon as economic conditions allow. These steps include, but are not limited to, identifying nonrecurring, or alternative sources of revenue; increasing existing revenues, charges and/or fees; use of year-end surpluses; enacting cost saving measures, such as holding capital purchases; reducing departmental operating budgets; freezing vacant positions; and/or reducing the workforce. The time period to replenish the fund balance shall be defined within the Town Manager's plan submittal.

NON-GOVERNMENTAL FUND BALANCE:

The fund balance categories discussed above do not apply to proprietary funds according to GASB 54. Although it is not required by GASB, the Town of Argyle recognizes the need for a minimum working capital policy for the proprietary funds maintained by the Town, such as the Wastewater Fund. Therefore, the Wastewater Fund shall maintain its goal of a working capital amount equivalent to 120 days of operational expenses excluding capital outlays. If the working capital falls below the desired level, the Town will implement the necessary corrective action, in which the Town Manager or designee will submit a plan to restore its working capital to the desired level within the time period specified in the plan. These steps include, but are not limited to, enacting cost saving measures; increasing user charges; holding capital purchases; freezing

positions; and/or reducing the workforce.

CAPITAL AND DEBT SERVICE FUNDS. Revenues in the Debt Service Fund are stable, based exclusively on property tax revenues and transfers from other funds. Reserves in the Debt Service Fund are designed to provide funding between the date of issuance of new debt and the time that property tax levies are adjusted to reflect the additional debt.

X. FINANCIAL CONDITIONS

OPERATIONAL COVERAGE. The Town will maintain a balanced budget whereby operating revenues will be greater than or equal to operating expenditures.

Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used only for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums as stated in this policy.

LIABILITIES AND RECEIVABLES. Procedures will be followed to maximize discounts and reduce penalties offered by creditors. Current liabilities will be paid within 30 days of receiving the invoice, unless we have been asked to hold same by the Town Manager or a department head. Accounts Receivable procedures will target collection for a maximum of 30 days of service. The Director of Finance is authorized to write-off non-collectible, non-utility accounts delinquent more than 180 days, provided proper delinquency procedures have been followed, and include this information in the annual report to the Town Council.

CAPITAL PROJECT FUNDS. Every effort will be made for all monies within the Capital Project Funds to be expended in a timely manner, preferably within thirty-six (36) months of receipt. The fund balance will be invested and income generated will offset increases in construction costs or other costs associated with the project. Capital project funds are intended to be expended totally. Unexpected excess funds may be transferred to the Debt Service fund to service project-related debt service.

GENERAL DEBT SERVICE FUNDS. Revenues within this fund are stable, based on property tax revenues. Balances are maintained to meet contingencies and to make certain that the next year's debt service payments may be met in a timely manner. Fund balance should not fall below 45 days of annual debt service requirements, in accordance with IRS guidelines.

INVESTMENT OF RESERVE FUNDS. The reserve funds will be invested in accordance with the Town's investment policy.

XI. DEBT MANAGEMENT

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of, and reporting on all debt obligations issued by the Town of Argyle.

CONDITIONS FOR DEBT ISSUANCE & TYPES OF DEBT. Long-term debt will be used for major, non-recurring capital items with a minimum three years useful life. Maximum maturity is set at the expected useful life of the asset(s) being financed. Long-term debt will not be used for operating purposes.

Types of debt financing include general obligation bonds, revenue bonds, certificates of obligation, tax notes, lease/purchase agreements and other obligations.

Net present value savings for refunding bonds as a percentage of the refunding bonds should be at least 3 to 5 percent.

FINANCING ALTERNATIVES. Long-term debt financing will be considered for non-continuous capital improvements for which future citizens will receive benefit. Alternatives for financing will be explored prior to debt issuance and include, but not limited to:

- Grants and other aid
- Use of Reserve Funds
- Use of current revenues
- Contributions from developers and others
- Leases
- Impact Fees

DISCLOSURE. Full disclosure will be made to bond rating agencies and other users of financial information. The Town staff, with the assistance of financial advisors and bond counsel, will prepare necessary materials for presentation to rating agencies, will aid in the production of offering statements, and will take responsibility for the accuracy of all financial information released. The Town will seek to maintain and, if possible, improve our current bond rating in order to minimize borrowing costs and preserve access to credit.

FEDERAL REQUIREMENTS. The Town will maintain procedures to comply with arbitrage rebate and other Federal requirements.

DEBT ISSUANCE. The Town will generally conduct financing on a competitive basis. However, negotiated financings may be used due to market volatility or the use of an unusual or complex financing or security structure. In situations where a competitive bidding process is not elected, the Town will publicly present the reasons why and the Town will participate with the financial advisor in the selection of the underwriter or direct purchaser.

The Town employs outside financial specialists to assist it in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors.

RESTRICTIONS ON DEBT ISSUANCE. In accordance with State law, the Town will not issue bonds or incur other indebtedness for any purpose in an amount which, with all outstanding and unpaid indebtedness will exceed the State of Texas statutory limit.

Statutes of the State of Texas (Article 11 of the State of Texas Constitution) limit the maximum amount of ad valorem tax that can be levied by a general law city with a population of less than 5,000, to no more than \$1.50 per \$100 of assessed valuation. A portion of the \$1.50 maximum is used for the maintenance and operations portion of the tax levy. The State Attorney General's Office generally does not approve a bond issue that is to be funded from a debt service tax levy of more than \$0.90.

XII. INTERNAL CONTROLS

WRITTEN PROCEDURES. Wherever possible, written procedures will be established and maintained by the Director of Finance for all functions involving cash handling and /or accounting throughout the Town. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement. These procedures are subject to audit at any time to prevent the potential for fraud. Programs to be audited include cash handling, credit card purchases, time entry, fuel consumption, and travel. All discrepancies will be identified, and the Department Director will be notified. The Town Manager will also be notified depending on the seriousness of the infraction.

CASH HANDLING AND DEPOSITS. All funds received on behalf of the Town of Argyle and its component units must be deposited in accordance with procedures set up in the Cash Handling Policy. All departments that collect cash and checks are responsible for properly safeguarding, recording, reconciling and depositing funds promptly.

ACCOUNT RECONCILIATION. The application of good financial management requires the prompt reconciliation of accounts. Departmental revenue and expenditure accounts are monitored for budgetary compliance monthly by concerned departments. The general ledger balance sheet accounts are reviewed by the Finance Director. Reconciliations should be performed between control accounts maintained in the general ledger and the subsidiary ledgers. The reasons for differences noted should be investigated and any adjustments properly processed. Any necessary adjustments to account balances are to be made by the Finance Director as soon as reasonably possible.

DEPARTMENT DIRECTOR'S RESPONSIBILITY. Each Department Director is responsible to ensure that good internal controls are followed throughout his or her Department, that all Finance Division directives or internal controls are implemented, and that all independent auditor internal control recommendations are addressed.

XIII. STAFFING AND TRAINING

Realizing the importance and contribution of employees in achieving and maintaining the goals and objectives of the Council, the Town's goal as an employer is to attract and retain quality employees who provide excellent, friendly services to our community in an effective and efficient manner.

ADEQUATE STAFFING. Staffing levels will be adequate for the operations and programs of the Town to be conducted efficiently and effectively. In order to provide continuing services to a growing population, as well as add new services, staffing levels will be evaluated regularly to determine workloads. Workload allocation alternatives, such as contract labor and contracted

services, will be explored before adding additional staff. Overtime shall be used only to address temporary or seasonal demands that require excessive hours.

COMPETITIVE COMPENSATION. In order to maintain a competitive pay scale, the Town is implementing a *Competitive Employee Compensation Maintenance Policy* to address competitive market factor and other issues impacting compensation. The program consists of:

1. **Pay Scale Review** – To ensure the Town’s pay system is accurate and competitive within the market, the Town will review its pay plan for any potential market adjustments necessary to maintain the Town’s pay scale. The Town shall utilize a salary survey, as well as data from other benchmark cities, as a reference for making market-based adjustments. Market based adjustments are based upon the job duties and job descriptions of the position, not on performance of the employee within the position.
2. **Pay for Performance** – The Town utilizes a merit based pay plan as a part of the overall compensation system. Council may fund merit increases annually during the budget process to aid in retaining and rewarding quality employees for productivity and job performance. These merit based adjustments are recommended by the employee’s immediate supervisor and reviewed by both the Department Director and the Town Manager. Employees may receive a merit increase upon approval of the Town Manager based upon the previous year’s annual performance evaluation, or when other situations warrant this type of increase, such as reclassification due to additional job duties. The percentage adjustments are determined by the employee’s position within their pay grade, including merit adjustments for productivity and quality performance during the previous fiscal year. In addition, the Town may also choose to fund a one-time payment for performance that exceeds expectations during the review period.
3. **Cost of Living Adjustment (COLA)** – To protect Town employees from the effects of general inflation, the Town may fund a COLA adjustment for all regular employees not included in a defined pay plan. The COLA will be based on a three-year rolling average for the Consumer Price Index (CPI) reported by the U.S. Bureau of Labor Statistics for Southern cities pertinent to Argyle’s population.

XIV. TRAINING.

The Town will support the continuing education efforts of all staff including the investment in time and materials for maintaining a current perspective concerning communicating, teaching, and sharing with other staff members all information and training materials acquired from seminars, conferences, and related education efforts.

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

AWARDS, CREDENTIALS, RECOGNITION. The Town will support efforts and involvements that result in meeting standards and receiving exemplary recitations on behalf of the Town’s fiscal policies, practices, processes, products, or personnel.