

**TOWN OF LAKEWOOD VILLAGE
ORDINANCE 18-10**

AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS, ESTABLISHING POLICIES AND PROCEDURES FOR THE DISCLOSURE OF MONTHLY FINANCIAL INFORMATION; POSTING REQUIREMENTS OF VENDOR CONFLICTS-OF-INTEREST STATEMENTS; PROVIDING FOR DEFINITIONS; THE DUTIES OF TOWN OFFICIALS, AUTHORIZING THE MAYOR TO ENTER INTO AGREEMENTS AND EXECUTE DOCUMENTS, AGREEMENTS, AND CONTRACTS NOT EXCEEDING \$10,000 ON BEHALF OF THE TOWN; GRANTING AUTHORITY OVER NON-MUNICIPAL OFFICER EMPLOYEES; ADOPTING AN INVESTMENT POLICY AND DEFINING SUITABLE INVESTMENTS; ADOPTING A FUND BALANCE POLICY; PROVIDING FOR PERIODIC REPORTS ON FINANCIAL PERFORMANCE; PROVIDING REPEAL, SUPERSEDING, AND SEVERABILITY CLAUSES; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town of Lakewood Village, Texas is a Type A General Law Municipality located in Denton County, Texas created in accordance with provisions of the Texas Local Government Code and operating pursuant to the enabling legislation of the state of Texas; and

WHEREAS, Chapter 101.002 of the Local Government Code authorizes the governing body of the municipality to manage and control the finances of the municipality; and

WHEREAS, Chapter 22.072 of the Local Government Code authorizes the governing body of the municipality to delegate powers and responsibilities to municipal officers; and

WHEREAS, Chapter 51.012 of the Local Government Code authorizes municipalities to adopt ordinances that are necessary for the good order of the municipality and the Town Council has determined that it would be advantageous and beneficial to the citizens of Lakewood Village, Texas to authorize the Mayor as provided herein; and

WHEREAS, the Town Council desires the Mayor to execute documents without necessitating a Resolution or other authorization, subject to the Town Council's sole discretion to designate the Mayor to execute such documents; and

WHEREAS, the Town Council of Lakewood Village, Texas has a fiduciary obligation to invest its citizens' funds prudently; and

WHEREAS, the Town of Lakewood Village, Texas is vested with full investment powers under the authority of Local Government Code Section 105.072 and the Texas Government Code Chapter 2256 ("The Public Funds Investment Act" as amended); and

WHEREAS, Texas Government Code Chapter 2256.005 requires municipalities to adopt

and maintain a written investment policy and describes specific conditions that the policy must satisfy; and

WHEREAS, the Town of Lakewood Village, collects fees and levies taxes upon its citizens in order to collect monies for the administration of the Town; and the Town Council exercises discretion over the investment of said monies for the future betterment of the Town; and

WHEREAS, promoting financial transparency through increased disclosures is desirable as a means of maintaining the public trust and confidence in the Town Council's financial stewardship; and

WHEREAS, the Town Council of Lakewood Village has the responsibility to select vendors to provide essential services and products, and the Texas Legislature has recently enacted laws governing the filing of vendor conflict-of-interest questionnaires;

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS:

Section 1: Findings

The findings attached hereto as Exhibit A is hereby adopted as the Comprehensive Financials Control Ordinance for the Town.

Section 2: Repeal

Financial Controls 14-06, Investment Policy 17-04 and Financial Disclosures 07-09 are hereby repealed in their entirety.

Section 3: Severability

A. Unconstitutional or Invalid Section

Should any section, subsection, sentence, clause or phrase of this Ordinance be declared unconstitutional or invalid by a court of competent jurisdiction, it is expressly provided that any and all remaining portions of this Ordinance shall remain in full force and effect.

B. Independent Sections

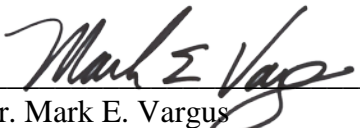
The Town hereby declares that it would have passed this Ordinance, and each section, subsection, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses and/or phrases be declared unconstitutional or invalid.

Section 4: Estoppel / Waiver

The failure of the Town to enforce any term or condition of this Ordinance shall not constitute a waiver or estoppel or any subsequent violation of this Ordinance.

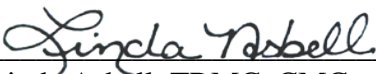
Section 5: Effective Date

PASSED AND APPROVED by the Town Council of the Town of Lakewood Village, Texas
this the 8th day of November, 2018



Dr. Mark E. Vargus
MAYOR

ATTESTED:



Linda Asbell, TRMC, CMC
Town Secretary



Exhibit A



COMPREHENSIVE FINANCIAL CONTROLS

Adopted: November 8th, 2018

SECTION 1: FINANCIAL CONTROLS

1.1. MAYOR

1.1.1. CONTRACTS

The Mayor is hereby authorized, without further requirements or authorization, to execute any and all documents, agreements, and contracts that:

- 1) Have been approved by the Town Council; or
- 2) Are related to expenditures not exceeding \$10,000, which have been approved by the Town Council through the adoption of the annual budget, or
- 3) Are related to a capital expenditure exceeding \$10,000 that:
 - i. Has been approved by the Town Council on an individual, project specific vote, or
 - ii. Is a council-approved written contract specifying a firm-fixed price, project scope, task completion time-line, and penalty provisions for non-performance.

The preceding provisions do not authorize the Mayor to execute contracts that may have no monetary value unless approved by Council (e.g. developer agreements, inter-local agreements, legal settlements).

1.2. PERSONNEL

In order to maintain the operations of the Town and preserve public health and safety, the Mayor shall have the authority to hire temporary workers and contract laborers. This power shall not extend to the hiring or removal of Lakewood Village Municipal Officers, specifically the Town Secretary, Municipal Court Judge, Town Attorney, Town Engineer, and Town Building Official or any other municipal officers the Town designates under Chapter 22.071 of the Local Government Code.

Temporary workers can be employed without council approval under the following conditions:

- 1) The period of employment is less than 60 days; and
- 2) The related personnel expense is less than \$10,000; and
- 3) There are sufficient funds in the budget (e.g., contingency, contract labor).

1.3. CHIEF INVESTMENT OFFICER (CIO)

The Chief Investment Officer is responsible for the following:

- 1) Investing municipal funds according to the Town's approved investment policy;
- 2) Ensuring the Town's compliance with the Public Funds Investment Act;
- 3) Maintaining sufficient liquidity to fund the Town's operations; and
- 4) Ensuring the Town meets its debt servicing obligations.

The CIO also has the fiduciary duty to operate the Lakewood Village 403 (b) retirement account for the benefit of Town employees. The CIO is the plan administrator with the legal authority to operate the plan in compliance with ERISA and all applicable IRS regulations.

1.4. AUTHORITY TO TASK THE TOWN ATTORNEY

As an important part of cost controls, it is necessary to adopt limitations on the ability to inadvertently incur legal bills for tasking the Town Attorney. All Councilmembers are permitted to contact and discuss items with the Attorney. However, the authority to task the attorney to engage in higher expenditure actions such as performing research, providing an official opinion, or to review ordinances is limited to the following rules:

1. The attorney may not be asked to provide input on any proposed ordinance until after it has been presented to the Council.
2. Requests for official opinion letters from the attorney can only be made by the Mayor, or Town Council action;
3. Any task which the town attorney estimates will exceed five billable hours requires the approval of the Mayor, and given their increased fiduciary duties, the approval of one of the two councilmembers authorized to sign checks and council shall be informed.

1.5. BANKING

1.5.1. BANK ACCOUNTS AND AUTHORIZED SIGNATORIES

The Council shall approve the opening and closing of all Town, and MDD bank accounts. The Town Council shall approve all signatories for the Town, and MDD checking accounts.

1.5.2. LIMITATIONS OF CHECK-WRITING

All checks and Electronic Fund Transfers are subject to the following conditions:

- 1) All checks and Electronic Fund Transfers require two signatures;
- 2) A person cannot sign a check payable to themselves or a family member;
- 3) Checks in the amount of \$10,000 or greater shall not be signed unless
 - a. The payment relates to a contractual obligation approved by the Town Council; or
 - b. The payment is for legal services provided by the Town attorney; or
 - c. Has been specifically authorized by the Town Council.

1.5.3. FUND TRANSFERS

The Town's banking and financial accounting system physically segregates funds into operating and reserve accounts. Operating accounts are maintained at the minimum level sufficient for current expenditures, while the bulk of the Town's funds are in reserve accounts. To limit access and minimize potential at-risk funds, reserve accounts have no check-writing privileges, are not eligible for direct deposit/debit, or electronic bill pay. The Funds are only accessible through electronic transfers to existing accounts.

To ensure adequate liquidity and efficient investment allocations, all fund transfers in excess of \$5,000 must be approved by the Chief Investment Officer.

1.5.4. CASH MANAGEMENT

It is the policy of the Town that cash-on-hand shall be minimized. The petty-cash drawer shall be maintained at \$200 or less and be reconciled as needed. It is the goal of the Town to deposit all cash receipts within 48 hours. Cash payments of expenditures exceeding \$200 are prohibited.

1.6. REIMBURSEMENTS AND COMPENSATION

1.6.1. REIMBURSEMENTS

Reimbursements for personal expenditures that are directly related to Town business shall be promptly paid subject to:

- 1) Submittal of receipts or official documentation of the expense;
- 2) Reimbursement maximum of \$1,000, unless pre-authorized by the Mayor;
- 3) Travel less than 100 miles round-trip is not eligible for mileage reimbursement;
- 4) Expenses for spouses or traveling companions are ineligible.

Subject to the aforementioned, reimbursements for personal automobile travel shall be at the current Internal Revenue Service standard mileage rate. Actual lodging expenses shall be reimbursed with receipts. Meals and Incidentals shall be reimbursed according to the official U.S. General Services Administration M&I rate. No receipts for meals and incidentals are required.

1.6.2. COMPENSATION

Councilmembers shall not receive any compensation for their service. Councilmembers shall not receive any financial allowances or emolument of any kind.

SECTION 2: INVESTMENT POLICY

It is the policy of the Town of Lakewood Village ("Town") to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the Town of Lakewood Village and conforming to the "Public Funds Investment Act". The receipt of a market rate of return will be secondary to the requirement for safety and liquidity.

2.1. SCOPE

This Investment Policy applies to all financial assets of the Town. The Town commingles its funds into one pooled investment fund for efficiency and maximum investment opportunity. These funds are defined in the Town's Comprehensive Annual Financial Report and include the general fund and the water/wastewater enterprise fund as well as any new funds created by the Town unless specifically exempted from this policy by the Town Council.

2.2. STRATEGY

The Town employs an overall investment strategy which provides for the safety of principle and liquidity, while segregating funds to allow for better monitoring and oversight, as well as

control. The strategy has the following attributes:

- a) The use of local financial institutions for demand deposits and operating accounts. These accounts generate the highest transaction volumes and are the source of the Town's daily working capital needs. Liquidity and fund availability are the primary requirements, while the relatively low balances minimize the effect on lower yields.
- b) The use of regulated investment pools to invest reserve funds and capital improvement funds which by their nature have longer investment cycles and less frequent transactions. Because these funds are not needed on a daily basis, the use of pools allows the Town to gain higher yields by lengthening the portfolio's maturity.
- c) The strategy does not allow for the Town to hold individual securities except for CD's which must be fully insured by the FDIC.

2.3. PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures of the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

2.4. OBJECTIVE

It is the policy of the Town that all funds shall be managed and invested with three primary objectives, listed in the order of their priority: safety, liquidity, and yield (return). These objectives encompass:

2.4.1. SAFETY OF PRINCIPAL

Safety of Principal is the foremost objective of the Town. Investments of the Town shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. A diversification strategy is a key element of the Town's investment policy in that it reduces the likelihood of large capital losses attributable to individual securities leading to an overall reduction in the Town's assets. Diversification will be accomplished through the investment in eligible mutual funds which hold a portfolio of individual securities backed by numerous issuers. All mutual fund investments must be insured by the Securities Investor Protection Corporation (SIPC), a nonprofit corporation established by the U.S. Congress.

2.4.2. LIQUIDITY

The Town's investment portfolio must remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated. Mutual fund investments

must allow for electronic transfer of funds on a next-business-day basis and be accessible via the internet.

2.4.3. RETURN ON INVESTMENT

The Town's investment portfolio shall be designed with the objective of attaining a rate of return throughout the budgeting and economic cycles, commensurate with the Town's investment risk constraints and the cash flow characteristics of the portfolio.

2.5. CONTROLS AND DELEGATION OF AUTHORITY

The Town Council, shall designate by resolution or ordinance the Investment Officer of the Town who is responsible for investment management decisions and activities. The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

Controls:

- a) The Town Council shall adopt maximum investment limits (either in dollar terms of as a percentage of the towns cash) on the value of each investment type (pool, cd, money-market mutual fund).
- b) Any new investment transaction exceeding \$10,000, either to a new investment or to an existing investment one shall be reported to the council at the next subsequent meeting.

2.6. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and Investment Officials shall disclose to the Town Council any material financial interest in financial institutions that conduct business within this jurisdiction and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town, particularly with regards to the time of purchases and sales.

2.7. AUTHORIZED FINANCIAL DEALERS AND BROKERS

The Town will not hold individual securities; therefore, it is anticipated that there will not be a need for broker / dealers to execute buy and sell orders.

2.8. ACCEPTABLE INVESTMENT INSTRUMENTS

The Town of Lakewood Village is permitted to invest only in the following subset of eligible investments empowered under The Public Funds Investment Act:

- a) Mutual funds or investment pools consisting of Obligations of the United States Government or its agencies and instrumentalities;
- b) Mutual funds or investment pools holding direct obligations of the State of Texas or its agencies;

- c) Mutual funds or investment pools holding other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
- d) Certificate deposits issued by State and National banks domiciled in the State of Texas fully insured by FDIC;
- e) SEC registered, no-load money market mutual funds with a dollar weighted average portfolio maturity of 90 days or less whose assets consist exclusively of the US Government securities and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share.
- f) Texas Local Government investment pools as defined by the Public Funds Investment Act.

The following investments are specifically not authorized: (1) individual securities (CD's excepted), (2) any investment with either a weighted average maturity of 3 years or a duration greater than three years

If additional types of securities are approved for investment under the PFIA, they will not be eligible for investment by the Town until this policy has been amended and approved by the Town Council.

2.9. INVESTMENTS IN REAL PROPERTY

Nothing in this policy is to be construed as limiting the Town's rights to acquire real property as authorized under the Local Government Code, Section 271 or through eminent domain or other authorized methods.

2.10. INVESTMENT REPORTING

Each quarter, the Investment Officer and any employees designated by the Investment Officer shall prepare and submit to the Town Council a written report of all investment transactions, balances, and changes in position.

The report must

1. Describe in full detail the investment position of the town on the date of the report; in addition, for non-money market accounts where applicable the report shall include:
 - the beginning market value ending market value and fully accrued interest for the reporting period,
 - the book value and market values of each asset
 - the maturity date of each asset
2. Clearly state the town account or fund in which the individual investment was acquired and state the compliance of the investment's portfolio to the Towns investment strategy

If the Town invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts

or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed annually by an independent auditor, and the result of the review shall be reported to the governing body and then posted on the town website for at least 7 years.

2.11. INVESTMENTS IN REAL PROPERTY

Nothing in this policy is to be construed as limiting the Town's rights to acquire real property as authorized under the Local Government Code, Section 271 or through eminent domain or other authorized methods.

SECTION 3: FUND BALANCE POLICY

3.1. PURPOSE AND OVERVIEW

The purpose of this policy is to establish guidelines for the governmental (general) fund balance levels. It is essential that the Town maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, or adverse circumstances. The fund balance level is also designed to provide an appropriate amount of working capital for the town's general operations. It is expected that the Town will operate with a balanced budget with operating expenditures fully funded by current revenues. In cases where the fund balance will be drawn down for projects, the budget approval process should identify the time and financial trajectory to re-establish the appropriate fund balance.

3.2. DEFINITIONS AND CATEGORIES

Fund Balance – Defined as the difference between a governmental fund's assets and liabilities. According to the **Governmental Accounting Standards Board (GASB) Statement 54**, fund balance must be allocated into one the following five categories:

1. *Non-spendable Fund Balance* – includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.
2. *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and hotel occupancy taxes.
3. *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
4. *Assigned Fund Balance* – comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
5. *Unassigned Fund Balance* – includes all amounts not contained in the other classifications.

Unassigned amounts are available for any purpose.

3.3. FUND BALANCE POLICY

Minimum Unassigned Fund Balance

Given the primary revenue source is residential property taxes, it is the goal of the Town to achieve and maintain an unassigned fund balance in the general fund equal to 33% of budgeted expenditures for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances.

If the fund balance drops below 25%, the Town will implement necessary corrective action within a two-year plan to restore the unassigned fund balance to 33 percent of budgeted expenditures. These corrective actions may include the following: reducing conference travel expenditures; reducing discretionary expenditures for parks and recreation; deferring town maintenance; limiting merit raises to COLA.

Non-governmental fund balances

The fund balance categories discussed above do not apply to proprietary funds according to GASB 54; therefore, the Town will not implement a fund balance policy for non-governmental fund balances.

SECTION 4: FINANCIAL DISCLOSURES

4.1. PURPOSE

This ordinance sets forth disclosure requirements for financial transactions that the Town consummates, including disclosure frequency, manner of disclosure, and assigns compliance responsibility to the Town Financial Officer. This ordinance also requires public disclosure of State mandated vendor conflict-of-interest questionnaires (Form CIQ) upon receipt by the Town.

4.2. REQUIRED FINANCIAL DISCLOSURES

- a) Concurrent with the agenda posting of the regularly scheduled monthly Council meeting, the Town shall post in a public manner a monthly financial report containing the following information:
 - i. The Check register for the General Fund and Utility Fund from the Town's accounting system. The aggregate cash balances in the Town depository and checking accounts.
- b) Decisions relating to the report style, formatting, additional content, and manner of posting shall be determined by the Mayor or his designate.

4.3. POSTING OF FORM CIQ

Chapter 176 of the Texas Local Government Code requires certain vendors and parties doing business with municipalities to file conflict-of-interest Form CIQ annually. The law also requires vendors to file updated forms when necessary and mandates that respondents to bid and proposal requests also file form CIQ. Upon receipt of a Form CIQ, the Town shall:

- a) in a timely manner, publicly post the notice online for a period of at least 5 business days.

4.4. RESPONSIBILITY

Compliance with this ordinance shall be the responsibility of the Town's Chief Financial Officer

SECTION 5: DEFINITIONS

5.1. GENERAL

Terms which are used in this Ordinance and are not specifically defined shall be given their ordinary meaning, unless the context requires or suggests otherwise. In the case of ambiguity or uncertainty concerning the meaning of a particular term, whether or not defined, the town staff shall have the authority to assign an interpretation which is consistent with the intent and purpose of this Ordinance, or an interpretation which is consistent with previous usage or interpretation.

5.2. WORDS OR TERMS DEFINED

Mayor: shall include those persons designated Acting Mayor if the mayor position is vacant.

Transaction: shall mean any bank draft or electronic funds transfer from any Town financial account to a third party or person.

End of Exhibit A

Adoption and Summary of Amendments

Ordinance Number	Date	Summary
18-10	11/8/ 2018	<ul style="list-style-type: none">• Initial Adoption• Consolidated 17-04, 14-06 and 07-09• Added Section 3