

**RESOLUTION NO. 376**

**A RESOLUTION ADOPTING 2015-2016 FISCAL POLICIES FOR THE TOWN OF STEVENSVILLE, MONTANA**

**WHEREAS**, the Town of Stevensville is committed to responsible fiscal management of its assets; and

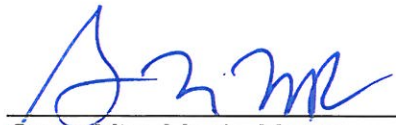
**WHEREAS**, the Town of Stevensville looks to plan for and maintain a long-term and stable financial condition; and

**WHEREAS**, the Town of Stevensville believes that establishing a basic framework for budgeting and the financial management of the Town is in the best interest of the community;

**NOW THEREFORE BE IT RESOLVED**, by the Town Council of the Town of Stevensville that the attached "Town of Stevensville Fiscal Policies" be and is hereby adopted.

**PASSED AND ADOPTED** by the Town Council of the Town of Stevensville, Montana, this 27<sup>th</sup> day of August, 2015.

**Approve:**



Gene Mim Mack, Mayor

**Attest:**



Stacy Bartlett, Town Clerk

Town of  
Stevensville

Fiscal  
Policies

## REVENUE POLICIES

1. The Town shall endeavor not to use temporary revenues to fund mainstream services or for budget balancing purposes.
2. User fees and charges shall be established for services provided that benefit specific individuals or organizations. User fees and charges shall be set at a level sufficient to recover full cost of service whenever practical to minimize subsidization by taxpayers. The Town Council shall systematically review user fees and charges to take into account the effects of additional service costs and inflation.
3. All potential grants shall be evaluated for matching requirements and ongoing resource requirements before acceptance. Grants may be rejected to avoid commitments beyond available or anticipated funding.
4. The Town shall not respond to long-term revenue shortfalls with deficit financing and borrowing to support ongoing operations. Expenses shall be reduced to conform to the long-term revenue forecasts, and/or revenue increases shall be considered.
5. Department heads and elected officials shall estimate their department/office revenues realistically, conservatively and prudently.

## OPERATING BUDGET POLICIES

1. An annual budget shall be prepared with the participation of all department heads and elected officials that shall implement the Town's fiscal policies.
2. All budgetary procedures shall conform to existing state regulations. Montana budget law requires each local government to prepare a balanced budget per Montana Code Annotated (MCA) 7-6-4036 (1)(c).
3. Department goals and objectives shall be identified and incorporated into the budget process.
4. The Town Council shall adopt the budget at the department or program level based on individual line items to ensure expenditures are controlled in an effective manner.
5. The Mayor shall require all department heads to submit their budget proposals using modified zero-based budgeting whereby all expenses requested must be detailed and justified. Modified zero-based budgeting starts from a near "zero base" and every major expense within that department/office shall be analyzed for its needs and costs. Department budgets shall then be built around what is needed for the upcoming period regardless of whether the proposed budget is higher or lower than the previous one.
6. All compensation planning shall include an analysis of total cost of compensation, consisting of proposed salary increases, health benefits, pension contributions, fringe benefits and other personnel costs.
7. Monthly reports comparing actual to budgeted expenditures shall be prepared by the Town Treasurer and presented to the Town Council. Significant budget to actual variances shall be investigated.

## EXPENDITURE CONTROL POLICIES

1. Expenditures shall be controlled through appropriate internal controls and procedures as audited by the Town's external independent auditors.
2. Department heads and elected officials must ensure expenditures comply with the adopted budget.
3. Each department head and elected official shall be responsible for the administration of their department/office budget. This includes evaluating the goals and objectives presented during the budget process and monitoring their budget for compliance with spending limitations.
4. Department heads shall administer expenditure control at the line item level. Expenditures shall be posted to the appropriate line item.
5. Line item expenditures anticipated to be in excess of the budget require approval through the budget amendment process. Requests shall be made to the Town Council to change the budget by requesting a budget increase due to unanticipated expenditures using a budget amendment. All resolutions adjusting the budget shall be submitted to the Treasurer for appropriate document preparation then placed on the Town Council agenda for approval at a public hearing as required by MCA 7-6-4006 (4).
6. All purchases of goods and services must comply with State laws and regulations.
7. The Town shall make every effort to control expenditures to ensure Town services and programs provided to its citizens and taxpayers are cost effective and efficient.

## CAPITAL RESERVE POLICIES

To better understand this section, the definition of a capital item is an asset that the Town intends to hold and derive benefits from for a period of five or more years and has a cost of \$5,000 or more. Capital assets include land, buildings, machinery, equipment and major software expenditures.

1. Each department/office shall prepare a schedule of capital items utilized by that department/office along with an estimate of useful life of each item, date the item was purchased, and its acquisition cost. These schedules shall be incorporated into a Capital Reserve program encompassing all Town facilities and shall be updated annually. The Capital Reserve program shall be incorporated into the Town's budget and long-range financial planning.
2. The Town shall maintain its capital assets at a level adequate to protect the Town's capital investment and to minimize future operating maintenance and replacement costs. The Town recognizes that deferring maintenance often inordinately increases future capital costs thus placing an undue burden on future taxpayers. Therefore, the budget shall provide for adequate maintenance and the orderly replacement of capital items from current revenues when possible.
3. The Town strives to maintain capital reserves sufficient to fund the acquisition of needed vehicles, machinery, equipment and major software items. The Town may utilize current funding for capital improvements if current revenues are available and when fund balances are adequate. The Town shall not incur debt to purchase capital items when doing so shall adversely affect the Town's financial position.
4. The Town shall have a capital plan for major repairs/replacement for its buildings.
5. When determining the use of debt financing for capital items, the following criteria shall be considered:
  - a. The project's useful life should equal or exceed the terms of the financing.
  - b. Financial resources are deemed sufficient and reliable to service the long-term debt.
  - c. Market conditions should present favorable interest rates for Town financing.
  - d. The incurrence of debt shall not adversely affect the Town's financial position.

## ACCOUNTING AND FINANCIAL REPORTING POLICIES

1. The Town shall comply with the following accounting and reporting standards:
  - a. Generally Accepted Accounting Principles (GAAP) developed by the Governmental Accounting Standards Board (GASB),
  - b. Government Accounting Standards (GAS), issued by the Comptroller General of the United States,
  - c. Montana statues relating to Town finance, and
  - d. U.S. Office of Management and Budget (OMB) Circular A-133.
  
2. A system of internal controls and procedures shall be maintained to guard against misappropriation of funds, safeguard public assets, properly record financial transactions and comply with applicable laws and regulations. Public employees have a duty to promptly report violations.
  
3. In accordance with State law, an audit of the Town's financial statements (including an audit of qualifying federal grants) shall be conducted annually or biannually by an independent public accounting firm. The audit shall render an opinion as to whether the financial statements are presented fairly and in accordance with accepted standards, and shall disclose any detected material misstatements. Auditors shall also evaluate internal controls and assess the adequacy of utilized accounting principles and practices.
  
4. The Town shall prepare its financial statements and maintain its accounting and internal control systems in accordance with applicable standards with the goal of obtaining an unqualified opinion from its auditors.

## DEBT MANAGEMENT POLICIES

1. The Town Treasurer oversees the ongoing management of all Town debt. Debt includes general obligation bonds, revenue bonds, lease purchase obligations, promissory notes, equipment financing agreements and any other contractual arrangements that obligate the Town.
2. No debt shall be incurred for which the Town is not reasonably assured that a sufficient specifically identified revenue source is available for repayment. The Town Treasurer shall prepare an analysis of the source of repayment and present for approval to the Town Council prior to incurrence of any debt.
3. The Town shall not use long-term debt to fund current operations, to balance the budget or to fund projects that can be funded from current resources.
4. The Town may utilize short-term debt, or interfund loans as permitted, to cover a temporary (less than one year) shortfall due to timing of cash flows that result from delays in receiving awarded grant proceeds or other identified revenues, emergencies (such as natural disasters), or incurrence of long-term debt.
5. When incurring long-term debt, the Town shall ensure that the debt is soundly financed by:
  - a. Incurring debt only when necessary for capital improvements too costly to be financed from current available resources or capital reserve funds;
  - b. Insuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project;
  - c. Determining that the benefits of the project financed exceed the cost of financing including interest; and
  - d. Analyzing the source of repayment and the impact of debt service on annual fixed costs prior to incurrence of long-term debt.
6. Unless otherwise allowed by law, all general obligation bonds, lease purchase obligations, promissory notes, equipment financing agreements and any substantial or new contractual obligations shall be authorized by the Town Council.
7. The Town shall comply with all statutory debt limitations imposed by Montana laws and regulations (MCA 7-7-4101).
8. The Town shall comply with all bond covenants, arbitrage, disclosure and other requirements specified by law.



## OPERATING RESERVE POLICIES

1. The Town desires to maintain operating reserves to guard its citizens against service disruption in the event of unexpected temporary revenue shortfalls or unanticipated one-time expenditures. Operating reserves within the Town's operating funds have been accumulated to meet this purpose, and to provide stability and flexibility to respond to unexpected adversity and/or opportunities.
2. The Town's operating funds consist of all funds related to the overall daily operations of the Town.
3. The Town shall maintain sufficient operating reserves for the purposes of:
  - a. Mitigating short-term volatility in revenues,
  - b. Mitigating economic downturns,
  - c. Sustaining Town services in the event of an emergency,
  - d. Meeting operation cash flow requirements before the collection of property taxes, grant proceeds, contract awards and other operating revenues,
  - e. Mitigating the impact of unexpected claims or litigation settlements, and
  - f. Meeting requirements for debt reserves when applicable.
4. The General Fund reserve shall not exceed the statutory limit of as defined by MCA 7-6-4034 (2) (b).