

ORDINANCE NO. 2014- 005

An ordinance to define procedures and controls and to provide accountability for the expenditure of Town funds. This ordinance supersedes Ordinances 2005-004 and 2007-020.

BE IT ORDAINED BY THE TOWN COUNCIL OF INDIAN SPRINGS VILLAGE, ALABAMA, AS FOLLOWS:

Section 1. Intent

Pursuant to Sections 11-43-56 and 11-43-57, Code of Alabama 1975, the Town Council “shall have the management and control of the finances and all of the property, real and personal, belonging to the city or town.” Further, “ ...the council shall appropriate the sums necessary for the expenditures of the several city departments...”. This ordinance is intended to specify the policy and procedures to be used to appropriate funds, to verify that funds are expended per the appropriations, and to ensure that all funds are securely protected from unappropriated uses. The Mayor, as chief executive officer and a fiduciary officer, is hereby vested with the authority, under conditions stated herein, to manage and control all Town funds. The Mayor is assisted with these duties by two fiduciary officers elected by the Council (Town Clerk and Town Treasurer), as well as a contractor bookkeeper; however, the Mayor has the ultimate responsibility to ensure that all parties act within the limits of the authority granted by this ordinance. Therefore, references in this ordinance to the Mayor’s responsibilities are to be interpreted broadly to include the supervision of the fiduciary officers and bookkeeper as required. The duties of the Town Clerk and Town Treasurer are defined in the Code of Alabama 1975 and/or in other documents. These duties are not distinguished from the Mayor’s in this ordinance.

Section 2. Operating Budget vs. Spending Without Prior Appropriation

2.1 Operating Budget. The operating budget is comprised of a revenue budget and an expense budget. The operating expense budget embodies and limits the authority that the Council confers on the Mayor to expend funds, or to commit to expend funds, on Town operations, over the span of the fiscal year (See Section 4).

2.2 Spending Without Prior Appropriation. Abnormal instances can arise wherein the expense budget is not a satisfactory financial tool. Procedures for emergencies are stated in Section 11 of this Ordinance. In all other cases where spending (or commitment to the spending) of operating funds is deemed necessary by the Mayor, but specific authority is not granted in this Ordinance, and then approval must be voted by the Council at a regular or special meeting. The motion to approve an operating expense, not specifically authorized by this Ordinance, and the operating budget, must be made and seconded at one meeting and voted for approval at a subsequent meeting, unless the rules are suspended by unanimous vote.

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Section 3. Categories of Operating Expense and Revenue

3.1 Chart of Accounts. Expenses are categorized according to the purpose of the expense, and revenues are categorized according to the source of the revenue. An account in the Town books is setup and maintained for each category, allowing actual expenses to be compared to the budgeted amounts. Financial performance is tracked from year-to-year in each category, providing a basis for future budgeting.

3.2 Recurrent Expense Budget Items. Within the expense categories, some budget items are specific regarding: 1.) the recipient of the funds, 2.) the services and/or goods the Town receives, 3.) the amount(s) to be paid (approximate amounts if metered utilities), and 4.) The timing of payments due from the Town. Budget items of this nature are referred to in this ordinance as “Recurrent”.

3.3 Budgeted Amount. Some expense categories are intended to encompass items which do not meet the definition of recurrent in the above paragraph. The “Budgeted Amount” of an expense category is defined to be the appropriation that the Council has approved for the total of the recurrent and non-recurrent expense items in that category.

Section 4. Budget Calendar. Spending

4.1 Initial Budget Approval. The term of the operating budget corresponds to the State of Alabama fiscal year – October 1 – September 30. For example, the 2015 fiscal year (FY2015) begins on October 1, 2014). A draft copy of the initial annual operating budget is proposed by the Mayor not later than the second council meeting in August. The draft budget is finalized and approved by the Council in September; however, the budget may be revised by the Council throughout the term of the budget. If the operating expense budget is not approved by the second regular meeting in September, then the Mayor will convene special council meetings until the expense budget is finalized and approved. If the operating expense budget is not approved by October 1st, then the Council must authorize commitments and payments until an operating expense budget is approved. (See Paragraph 2.2)

4.2 Budget Revisions. The operating budgeted amounts for any category of expense or revenue may be revised by the Council, should the need arise during the fiscal year. The motion to revise must be made and seconded at one meeting and voted for approval at a subsequent meeting, unless the rules are suspended by unanimous vote.

Section 5. Capital Improvement Projects

The operating budget does not include appropriations for improvements to the Town’s fixed assets. The Council may approve a capital project, and appropriate a budget specific to that project, at any official meeting. The motion to authorize a capital project, or a motion to revise the budget of an approved capital project, must be made and seconded at one meeting and voted for approval at a subsequent meeting, unless the rules are suspended by unanimous vote.

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Section 6. Restricted vs. Non-restricted Funds. Public Depositories

6.1 Statutory Requirements for Multiple Funds. Alabama statutes require that municipalities maintain a General Fund for unrestricted revenue and general expenses. Statutes also define certain restricted funds which can only be used for specific expenses. The restricted funds cannot be co-mingled with the General Fund nor with one another. ISV has three separate Road Funds, depending on the source of the Road Fund revenue. There is a Capital Improvement Fund for revenues restricted to capital improvements. Finally, there is a Children's Fund with revenue restricted to private contributions, and with expenses restricted to financial assistance to needy children enrolled in the four public schools located in ISV.

6.2 Deposit Accounts. Within the General Fund, or within the five restricted funds, bank deposit accounts are set up as required. The Council must approve any changes to the location of funds, including the purchase of bank certificates of deposit. Council may vote on changes in funds at the same meeting as the motion is made and seconded. All deposits must be located in an institution certified as a public depository under the Alabama SAFE Act. The Mayor will ensure that funds received by the Town are deposited into the proper accounts and that payments from restricted accounts are allowable under state statute and under this ordinance.

Section 7. Documentation Requirements Prior to Making Payments. Posting of Payments to Expense Accounts

7.1 Payment Documentation. Before a payment can be issued to any person, firm, or corporation, an acceptable invoice, bill, work slip, sales receipt, expense voucher, other documentation, or action by the Town Council as referenced in the minutes, must be reviewed and approved by the Mayor and included in the Town Clerk's Accounts Payable files.

7.2 Time and Materials Contract Payments. If the payment is for charges under a time and materials (T&M) contract, then the documentation must include a written description of the work performed and a detailed breakout of the labor and materials components of the invoice. The person presenting the T&M invoice must certify in writing that to the best of his/her knowledge, the labor charges are accurate.

7.3 Entertainment Reimbursement Payments. If the payment is for reimbursement for an entertainment expense, then the expense voucher must include the names of all individuals involved, their titles, organizations, the purpose and date of the meeting, and a brief description of what was discussed and/or accomplished.

7.4 Travel and Other Expense Payments. If the payment is for reimbursement of travel on Town business or other expense on behalf of the Town, then the expense voucher will include detailed descriptions of the expenditures, including supporting receipts.

7.5 Timely Expense Voucher Submission. Expense vouchers of Town officials must be submitted on a timely basis.

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7.6 Timely Posting of Payments to Expense Accounts. Each payment is posted to its corresponding expense account, including all information required for the accounting journal (See Section 10). The posting of payments to the Town books will be made as soon as feasible after the payment is made.

Section 8. Documentation Requirements for Town Clerk's Accounts Receivable Files. Posting of Deposits to Revenue Accounts

Monies received by the Town will be deposited in a timely manner, explanatory documentation will be filed in the Town Clerk's Accounts Receivable Files, and the deposit will be posted to its corresponding revenue account, including all information required for the accounting journal (See Section 12).

Section 9. Methods of Payments Permitted

Three methods of payment are allowed under this ordinance, depending upon restrictions stated in Section 12.

- Bank Check: Two fiduciary officers must sign. Payee may not be a signer.
- Online Bank Debit (Electronic Funds Transfer -- ETF): Payer must be a fiduciary officer. User identifications and passwords may not be shared.
- Credit Card: Intended to be used only when bank check or ETF is impractical.

Section 10. Mayor's Normal Authority to Expend Funds under the Operating Budget

10.1 Conditions on Mayor's Authority. The Mayor is authorized to commit to expend, and to expend funds, under the operating budget, provided the following three conditions are all true:

1. The commitment is of a nature encompassed by an existing budget category, as defined in Section 3.
2. The aggregated commitments (including both recurrent and non-recurrent items), under the relevant expense category, are not expected, in the Mayor's best judgment, to exceed the budgeted amount, for that category, for the fiscal year.
3. If the commitment is for a non-recurrent item, then the total cost of the commitment is less than \$1,000, OR the Council has approved the commitment, as described in Paragraph 10.2 below.

10.2 Dollar Limit on Mayor's Authority for a Non-recurrent Expense Commitment. If the commitment is \$ 1,000 or greater, for a non-recurrent item, then the Council must approve the commitment and expenditure. The motion to approve must be made and seconded at one meeting and voted for approval at a subsequent meeting, unless the rules are suspended by unanimous vote. If the Mayor does not act on the Council's approval within 90 days, then the approval is voided.

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10.3 Mayor Not Authorized to Commit Funds Outside the Scope of the Operating Budget. If Condition 1, under Paragraph 10.1, is not true, then the Mayor is not authorized by the Council to either expend or commit to expend funds for a category of expense not encompassed within the operating expense budget. (See Paragraphs 2.2 and 4.2).

10.4 Mayor Not Authorized to Commit Funds under a Budget Category When a Budget Shortfall is anticipated. If Condition 2, under Paragraph 10.1, is not true, then the Mayor's responsibility is to notify the Council of any expected budget shortfall in a timely manner, prior to expending or committing to expend funds. (See Paragraphs 2.2 and 4.2).

10.5 Method Payment By Bank Check When Council Approval is required. If Council approval was required for a spending commitment, then the method of payment will be by bank check, unless the Council states otherwise. If Council approval of the spending commitment was not required, then any permitted method of payment may be used, subject to the guidelines expressed in Section 9.

Section 11. Mayor's Emergency Authority to Expend Funds

In the event that the Mayor deems a spending commitment to be time critical for purpose of public safety, public health, protection of public property, or other emergency, then the Mayor is authorized to initiate an appropriate response to the emergency. Within twenty-four (24) hours after initiating a response to the emergency, the Mayor shall notify each councilman by telephone or email. Depending on the nature of the emergency and any responses the Mayor receives from individual councilmen, the Mayor may convene a special meeting or wait until the next regular council meeting prior to committing to expending any further funds.

Section 12. Mayor's Monthly Financial Reports to the Council

12.1 Scope of Monthly Financial Reports. The Mayor will issue monthly financial reports to the Council including the following content:

- Balances in all funds, including details on each bank CD
- Budget variance (Budget vs. Actual) reports on all operating budget categories
- Status of all capital improvement projects
- Journal listing all deposits and disbursements

12.2 Monthly Reports Are Cash Basis. The monthly reports are output from the cash basis accounting method, and are intended for Town internal financial management use only. External statements regarding the Town's financial condition should reference the annual statements prepared by the auditors (See Section 13).

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12.3 Council Review of Financial Reports. Each report will be reviewed by the Council normally on the second meeting of the month following the month reported. The report will be distributed directly to the Council by the Town Bookkeeper, independently of the Town fiduciary officers. Council members may individually contact the Town Bookkeeper with any questions regarding the report. Normally the reports will be distributed by email at least 48 hours prior to the review council meeting. Council members may request access to the Town Clerk's Payables and Receivables Files in advance of the review meeting for reference during the review. If the report includes a payment on the Town credit card, then the credit card statement will be available for reference during the review or at a Council meeting prior to the review.

12.4 Council Endorsement of Mayor's Financial Actions. At the conclusion of the review of the financial report, the Council will be requested to vote to endorse the report, signifying that the Mayor has, to their knowledge, acted within the financial authority expressed in this ordinance. Council members not voting to endorse should state their objections for the record in the meeting minutes.

Section 13. Auditor's Annual Financial Report to the Mayor and Council

Pursuant to Section 11-43-85, Code of Alabama 1975, the Mayor appoints and independent public accountant to examine "...all books and accounts of the city or town since the preceding examination and to make a full report thereof in writing, under oath, to be submitted to the council...". As part of the audit, the auditor makes the necessary accounting adjustments to the Town's unaudited (cash basis) books to bring them into compliance with "generally accepted accounting principles" (GAAP), referred to as the audited accounts.

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ADOPTED: This _____ day of _____, 2014

Herb Robins, Council Chairman Pro Tem

APPROVED: This _____ day of _____, 2014

Brenda Bell-Guercio, Mayor

ATTESTED: This _____ day of _____, 2014

Joan Downs, City Clerk