

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, ADOPTING AN ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICY; AND DECLARING AN EFFECTIVE DATE THEREOF.

WHEREAS, the City Council of the City of Mesquite, Texas (“City Council”), recognizes that effective cash management is essential to good fiscal management; and

WHEREAS, the City Council realizes the need to adopt an Accounting, Auditing and Financial Reporting Policy for the City of Mesquite, Texas, to strengthen its financial operations.

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

SECTION 1. That the City Council has reviewed the Accounting, Auditing and Financial Reporting Policy, attached hereto as Exhibit “A” and made a part hereof for all purposes, and hereby approves and adopts said policy as the official Accounting, Auditing and Financial Reporting Policy of the City of Mesquite, Texas.

SECTION 2. That this resolution and the aforementioned Accounting, Auditing and Financial Reporting Policy shall take effect immediately from and after the passage of this resolution.

DULY RESOLVED by the City Council of the City of Mesquite, Texas, on the 4th day of February 2019.

Stan Pickett
Mayor

ATTEST:

Sonja Land
City Secretary

APPROVED:



David L. Paschall
City Attorney



Financial Policy
Accounting, Auditing and
Financial Reporting

City of Mesquite
Finance Department

Effective Date: _____

OVERVIEW

This policy is intended to establish guidelines to manage and direct the City's accounting, auditing, and financial reporting activities. Specifically, under this policy, the City shall comply with prevailing federal, state, and local statutes and regulations, as well as current professional principles and practices.

POLICY

Conformance to Accounting Principles and Recommended Practices

The City's accounting practices and financial reporting shall conform to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA), and the Government Finance Officers Association (GFOA).

The financial transactions of the City of Mesquite are accounted for and recorded in individual funds. These funds account for revenues and expenditures according to their intended purpose and are used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Governmental funds are used to account for the government's general government activities and include the General, Special Revenue, Debt Service and Capital Project funds. Proprietary funds are used to account for the government's enterprise activities.

Governmental Funds

- A. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.
- B. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the fiscal year-end except investment income, which is recorded as earned.
- C. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and other long term liabilities, are recorded only when payment is due.
- D. General capital asset acquisitions are reported as expenditures in governmental funds.
- E. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.
- F. The revenues susceptible to accrual are ad valorem taxes, gross receipts taxes, licensees, charges for services, fines and fees, interest income and intergovernmental revenues.
- G. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue.
- H. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is

received during the period or with the availability period for this revenue source (within 60 days of year-end).

- I. All other revenue items are considered to be measurable and available only when cash is received by the government, as they are deemed immaterial.

Proprietary Funds

- A. Proprietary funds distinguish operating revenues and expenses from non-operating items.
- B. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.
- C. The principal operating revenues of the City's water and sewer, drainage utility and other proprietary operations are charges to customers for sales and services.
- D. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.
- E. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

Financial Reporting

- A. Following the conclusion of the fiscal year, the Director of Finance shall cause to be prepared a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting and financial reporting principles established by industry practice and statements issued by the Governmental Accounting Standards Board. The document shall also satisfy all criteria of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.
- B. The CAFR shall show the status of the city's finances on the basis of generally accepted accounting principles (GAAP). The CAFR shall show fund revenues and expenditures on both a GAAP basis and budget basis for comparison purposes. Liabilities for post-employment benefits and compensated absences (accrued but unused sick and vacation leave) are not reflected in the budget but are accounted for in the CAFR's government-wide financial statements. The government-wide financial statements modify the presentation of the governmental funds by presenting their results in the same manner as proprietary funds.
- C. Included as part of the Comprehensive Annual Financial Report shall be the results of the annual audit prepared by independent certified public accountants designated by the City Council.
- D. Each fiscal year, the Director of Finance will analyze accounts receivable balances and, if necessary, write off uncollectible accounts in accordance with applicable statutes.
- E. The Director of Finance shall, within sixty days following the conclusion of each calendar quarter, issue a report to the Council reflecting the City's financial condition for that quarter. The quarterly report format shall be consistent with the format of the annual budget document.

Auditing

As required by City Charter Article IV, Section 32, the City is to have prepared an annual

audit of the City's financial systems and reporting.

- A. Every five years, the City shall request proposals from qualified firms, including the current auditors if their past performance has been satisfactory, to conduct the annual required audit.
- B. City Council shall approve the selection of the independent firm of certified public accountants to conduct the annual required audit.
- C. The audit firm shall be selected on the basis of professional competence and experience using the following criteria:
 - The Auditor shall be a certified public accountant licensed to practice within the State of Texas.
 - The Auditor shall have an understanding of the City's needs and its plans for the future.
 - The Auditor's approach shall be thorough, comprehensive, and tailored to the City's needs.
 - The Auditor's staff to be assigned to the audit shall have specialized government auditing training and should have experience in auditing municipal governments.
 - The audit firm shall have a demonstrated commitment to a state and local government audit practice. The firm shall have the appropriate resources available to apply to the audit engagement.
 - The fees proposed by the audit firm shall be reasonable in view of the type and quality of services the firm will be providing. An auditor shall not be selected solely on the basis of a fee. Auditing is a professional service that should not be purchased strictly on the basis of the lowest cost.
- D. The City seeks to have its CAFR and Single Audit Report audited and available within 180 days after the close of its previous fiscal year, which ends September 30.
- E. In the event the presentation of the CAFR and Single Audit is delayed beyond the first Council meeting in April, the Director of Finance shall provide a report on the status of the audit and the expected completion date of the CAFR and Single Audit to the City Manager prior to the first City Council meeting in April.