



Frio County

Financial Policies and Procedures

March 28, 2023

FINANCIAL POLICIES AND PROCEDURES

To establish and document a policy framework for fiscal decision-making, the Frio County Auditor will develop and maintain a comprehensive set of FINANCIAL POLICIES AND PROCEDURES Statements. The aim of these policies is to ensure that financial resources are properly managed to meet the present and future needs of the citizens of Frio County. Specifically, this policy framework mandates the pursuit of the following fiscal objectives:

- I. *Revenues:* Design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired Frio County services.
 - II. *Expenditures:* Ensure fiscal stability and the effective and efficient delivery of services, through the identification of necessary services, establishment of appropriate service levels, and careful administration of the expenditure of available resource.
 - III. *Fund Balance/Retained Earnings:* Maintain the fund balance and retained earnings of the various operating funds at levels sufficient to protect the Frio County's creditworthiness as well as its financial position from emergencies.
 - IV. *Capital Expenditures and Improvements:* Review and monitor the state of the Frio County's capital assets, setting priorities for the addition, replacement, and renovation of such assets based on needs, funding alternatives, and availability of resources.
 - V. *Debt Management:* Establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.
 - VI. *Intergovernmental Relations:* Coordinate efforts with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis and support favorable legislation at the state and federal level.
 - VII. *Grants:* Seek, apply for and effectively administer federal, state, and foundation grants-in-aid, which address the Frio County's current priorities and policy objectives.
 - VIII. *Economic Development:* Initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.
 - IX. *Fiscal Monitoring:* Prepare and present regular reports that analyze, evaluate, and forecast the Frio County's financial performance and economic condition.
 - X. *Accounting, Auditing and Financial Reporting:* Comply with prevailing federal, state, and local statutes and regulations, as well as current professional principles and practices.
 - XI. *Cash Handling:* To govern the handling, receipting, depositing and reporting of all Frio County cash operations.
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- XII. *Internal Controls*: Establish and maintain an internal control structure designed to provide reasonable assurance that Frio County assets are safeguarded and that the possibilities for material errors in the Frio County's financial records are minimized.
- XIII. *Risk Management*: Prevent and/or reduce financial impact to the Frio County due to claims and losses through prevention, through transfer of liability, and/or through a program of self-insuring of the liability.
- XIV. *E-Commerce*: To fully utilize available technologies to expedite cash payments and receipts, enhance employee productivity, and provide customer satisfaction.
- XV. *Budget*: Develop and maintain a balanced budget which presents a clear understanding of goals, service levels and performance standards and shall be to the extent possible "user friendly" for citizens. A balanced budget meaning that revenue and any appropriated fund balance must equal or exceed expenditures.

Frio County's FINANCIAL POLICIES AND PROCEDURES shall be reviewed on an annual basis by the Frio County Commissioners' Court, Frio County Auditor, and Frio County Treasurer. After the annual review, whether revised or not, Commissioners' Court shall approve by resolution the FINANCIAL POLICIES AND PROCEDURES.

I. REVENUES

To design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired Frio County services.

A. Balance and Diversification in Revenue Sources

Frio County shall strive to maintain a balanced and diversified revenue system to protect Frio County from fluctuations in any one source due to changes in local economic conditions, which adversely impact that source.

B. User Fees

For services that benefit specific users, Frio County shall establish and collect fees to recover the costs of those services. The Frio County Commissioners' Court shall determine the appropriate cost recovery level and establish the fees. Where feasible and desirable, Frio County shall seek to recover full direct and indirect costs. User fees shall be reviewed on a regular basis to calculate their full cost recovery levels, to compare them to the current fee structure, and to recommend adjustments where necessary.

C. Property Tax Revenues/Tax Burden

Frio County shall endeavor to reduce its reliance on property tax revenues by revenue

diversification, implementation of user fees, and economic development. The Frio County shall also strive to minimize the property tax burden on Frio County citizens.

D. Administrative Services Charges

Frio County shall establish a method to determine annually the administrative services charges due the General Fund from enterprise funds for overhead and staff support. Where appropriate, the enterprise funds shall pay the General Fund for direct services rendered.

E. Revenue Estimates for Budgeting

In order to maintain a stable level of services, Frio County shall use a conservative, objective, and, analytical approach when preparing revenue estimates. The process shall include analysis of probable economic changes and their impacts on revenues, historical collection rates, and trends in revenues. This approach should reduce the likelihood of actual revenues falling short of budget estimates during the year and should avoid mid-year service reductions.

F. Revenue Collection and Administration

Frio County shall maintain high collection rates for all revenues by keeping the revenue system as simple as possible in order to facilitate payment. In addition, since revenue should exceed the cost of producing it, Frio County shall strive to control and reduce administrative costs. Frio County shall pursue to the full extent allowed by state law all delinquent taxpayers and others overdue in payments to Frio County

G. Use of One-time Revenues

Frio County shall strongly discourage the use of one-time revenues for ongoing expenditures for example sale of fixed assets.

H. Use of Unpredictable Revenues

Frio County shall not use unpredictable revenues for ongoing expenditures, for example refund of workers comprehension premium, and special assessment reimbursements.

II. EXPENDITURES

To ensure fiscal stability and the effective and efficient delivery of services, through the identification of necessary services, establishment of appropriate service levels, and careful administration of the expenditure of available resources.

A. Current Funding Basis

Frio County shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of fund balance accumulated through prior year savings. (The Fund Balance/Retained Earnings Policy Statements shall guide the use of fund balance.)

B. Avoidance of Operating Deficits

Frio County shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit (i.e., projected expenditures in excess of projected revenues) is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of fund balance within the Fund Balance/Retained Earnings Policy. Expenditure deferrals into the following fiscal year, short-term loans, or use of one-time revenue sources shall be avoided to balance the budget.

C. Maintenance of Capital Assets

Within the resources available each fiscal year, Frio County shall strive to maintain capital assets and infrastructure at a sufficient level to protect Frio County's investment, to minimize future replacement and maintenance costs, and to continue service levels.

D. Periodic Program Reviews

The Frio County Auditor shall strive to undertake periodic staff and third-party reviews of Frio County programs for both efficiency and effectiveness. As appropriate, the privatization and contracting of services with other governmental agencies or private entities will be evaluated as alternative approaches to service delivery. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.

E. Purchasing

Frio County shall conduct its purchasing and procurement functions efficiently and effectively, fully complying with applicable State laws and Frio County ordinances. Staff shall make every effort to maximize discounts and capitalize on savings available through competitive bidding and "best value" purchasing.

III.

FUND BALANCE/RETAINED EARNINGS

To maintain the fund balance and retained earnings of the various operating funds at levels sufficient to protect the Frio County's creditworthiness as well as its financial positions from unforeseeable emergencies.

A. General Fund Unreserved Fund Balance

Frio County shall strive to maintain the General Fund unreserved fund balance at 25 percent of the current year's budget appropriation for operations and maintenance. If unassigned fund balance falls below the goal or has a deficiency, Frio County will report the deficiency as part of the general fund as committed. The deficiency will be reported in the Frio County's financial statements.

*B. Retained Earnings of Enterprise Operating Funds**

In enterprise operating funds, Frio County shall strive to maintain positive retained earnings positions to provide sufficient reserves for emergencies and revenue shortfalls. Specifically, in

the FM & Lateral Road Fund, an operating reserve will be established and maintained at 25 percent of the current year's budget appropriation for operation and maintenance, which is defined as the total budget less debt service and capital project expenditures.

C. Use of Fund Balance/Retained Earnings

Fund Balance/Retained Earnings shall be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. Should such use reduce the balance below the appropriate level set as the objective for that fund, restoration recommendations will accompany the decision to utilize said balance.

D. Retained Earnings of Internal Service Funds

Frio County shall not regularly maintain positive retained earnings in excess of 25 percent of the current year's operation and maintenance expense in an internal service fund. Normally, when an internal service fund's retained earnings exceed 25 percent, Frio County shall reduce the charges for services provided by the internal service fund to other Frio County operating funds.

E. Debt Service Funds

The Frio County shall maintain sufficient reserves in its debt service funds, which shall equal or exceed the requirements dictated by its bond ordinances.

IV. CAPITAL EXPENDITURES AND IMPROVEMENTS

To review and monitor the state of Frio County's capital assets, setting priorities for the addition, replacement, and renovation of such assets based on needs, funding alternatives, and availability of resources.

A. Capital Improvements Planning

Frio County shall review annually the needs for capital improvements and equipment, the current status of Frio County's infrastructure, replacement and renovation needs, and potential new projects. All projects, ongoing and proposed, shall be prioritized based on an analysis of current needs and resource availability. For every capital project, all operation, maintenance, and replacement costs shall be fully identified.

B. Replacement of Capital Assets on a Regular Schedule

Frio County shall annually prepare a schedule for the replacement of its non-infrastructure capital assets. Two capital asset replacement funds have been established to purchase non-infrastructure capital assets. This may be used as an Interest & Sinking Fund to purchase vehicles and large equipment. Within the resources available each fiscal year, Frio County shall replace these assets according to the aforementioned schedule.

C. Capital Expenditure Financing

Frio County recognizes that there are three basic methods of financing its capital requirements.

It can budget the funds from current revenues; it can take the funds from fund balance/retained earnings as allowed by the Fund Balance/Retained Earnings Policy; or it can borrow money through the issuance of debt. Debt financing includes general obligation bonds, revenue bonds, certificates of obligation, lease/purchase agreements, certificates of participation, tax notes, and other obligations permitted to be issued or incurred under Texas law. Guidelines for assuming debt are set forth in the Debt Policy Statements.

V. DEBT

To establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.

A. Use of Debt Financing

Debt financing, to include general obligation bonds, revenue bonds, certificates of obligation, certificates of participation, tax notes, lease/purchase agreements, and other obligations permitted to be issued or incurred under Texas law, shall only be used to purchase capital assets and equipment that cannot be prudently acquired from either current revenues or fund balance/retained earnings and to fund infrastructure improvements and additions. The useful life of the asset or project shall exceed the payout schedule of any debt the Frio County assumes.

B. Assumption of Additional Debt

Frio County shall not assume more tax-supported general-purpose debt than it retires each year without conducting an objective analysis as to the Frio County's ability to assume and support additional debt service payments. When appropriate, self-supporting revenue bonds shall be considered before general obligation bonds.

C. Affordability Targets

1. General Obligation Bonds

Frio County shall use an objective analytical approach to determine whether it can afford to assume new general-purpose debt (General Obligation bonds, tax notes, and Certificates of Obligation) beyond what it retires each year. This process shall take into consideration any potential impact to Frio County's credit ratings, the growth in Frio County's taxable assessed value, and the targeted debt service tax rate. The process shall also examine the direct costs and benefits of the proposed expenditures. The decision on whether or not to assume new debt shall be based on these costs and benefits, the current conditions of the municipal bond market, and Frio County's ability to "afford" new debt as determined by the aforementioned standards.

2. Revenue Bonds

Revenue bonds are secured solely by the revenues of an enterprise fund. As a result, the credit markets look at the type of enterprise securing the payment of debt service on the bonds to determine the level of security necessary for the purchase of the bonds. Whether revenue bonds can be secured with gross revenues of the enterprise or net

revenues (i.e., those revenues remaining after paying costs of operation and maintenance) is often determined by state law.

3. Certificates of Obligation

Certificates of Obligation may be issued without a public election to finance any public work project or capital improvement, as permitted by State law. However, it is the policy of Frio County to utilize Certificates of Obligation to finance public improvements only in special circumstances and only after determining Frio County's ability to assume additional debt based on the standards identified above. Those special circumstances in which Certificates might be issued include, but are not limited to, situations where:

- Cost overruns on a general obligation bond-financed capital improvement have occurred;
- "Emergency" conditions require a capital improvement to be funded rapidly;
- Financial opportunities unexpectedly arise to leverage funds from other entities and reduce Frio County's capital cost for a community improvement;
- A capital improvement is a revenue-producing facility, but due to the nature of the project or the time it takes for the facility to become operational and produce revenues, the improvement may not generate sufficient revenues throughout the life of the improvement to support the indebtedness secured solely by the revenues to be produced by the improvement;
- It would be more economical to issue Certificates of Obligation rather than issuing revenue bonds; and
- The timing of the construction of a capital improvement and the expense of calling a bond election would, in the opinion of staff and with the approval of the Commissioners' Court, warrant the issuance of Certificates of Obligation to finance the capital improvement.

D. Debt Structure

Generally, Frio County shall issue bonds with a term life of up to 20 years for general obligation bonds and up to 30 years for revenue bonds. The structure should approximate level principal on general obligation bonds and level debt service for revenue bonds. With respect to the issuance of revenue bonds for a stand-alone or self-supporting project, the term of the debt and debt service structure shall be consistent with the useful life of the project and the revenue-generating capability of the project.

There shall be no debt structures, which include increasing debt service levels in subsequent years, with the exception of the first and second year of a payment schedule. There shall be no "balloon" bond repayment schedules, which consist of low annual payments and one large

payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal starting generally no later than the second fiscal year after the bond issue. In the case of a revenue generating project, principal repayment should begin no later than the first full year after the project has been placed in service. Normally, there shall be no capitalized interest included in the debt structure unless there are no historical reserves upon which to draw.

E. Call Provisions

Call provisions for bond issues shall be made as short as possible consistent with the lowest interest cost to the Frio County. When possible, all bonds shall be callable only at par.

F. Sale Process

Frio County will evaluate the best process to result in a sale either through a negotiated sale or bid process. Frio County shall attempt to award the bonds based on a true interest cost (TIC) basis.

G. Timing of Sales

Frio County may consider using reimbursement resolutions and its cash to initiate certain projects. Consideration should be given to any lost interest earnings on Frio County's cash compared to the anticipated interest expense associated with the issuance of obligations by Frio County. This process will improve Frio County's ability to time its entry into the long-term fixed rate market and to manage its debt issuances and debt payments in order to minimize the impact on tax rates.

H. Continuing Disclosure

Frio County is committed to providing continuing disclosure of financial and pertinent credit information relevant to the Frio County's outstanding securities and will abide by the provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure. Frio County staff will undertake to update financial and pertinent credit information within six months of the end of the Frio County's fiscal year and at such other times as may be indicated by material changes in the Frio County's financial situation.

I. Debt Refunding

Frio County staff shall monitor the bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the present value savings of a particular advance refunding (i.e., bonds that are paid off on a date that is more than 90 days after the date the refunding bonds are issued) should exceed 4% of the par amount of the refunded maturities.

J. Interest Earnings

Interest earnings received on the investment of bond proceeds shall be used on additional infrastructure projects. Every effort will be made to avoid creating arbitrage to be paid.

K. Lease/Purchase Agreements

The use of lease/purchase agreements in the acquisition of vehicles and major equipment assets

shall not be financed longer than 5 years for vehicles and 10 years for major equipment.

L. Proposals from Investment Bankers

Frio County welcomes ideas and suggestions from investment bankers and will seek to reward those firms which submit unique and innovative ideas by involving them in negotiated underwritings. Unsolicited proposals should be submitted to Frio County Treasurer. Frio County staff will review to determine the viability of proposals.

M. Underwriting Syndicates

Frio County attempts to involve qualified and experienced firms, which consistently submit ideas to Frio County and actively participate in Frio County competitive sales in its negotiated underwritings. Frio County staff will recommend the structure of underwriting syndicates, which will be effective for the type and amount of debt being issued.

VI. INTERGOVERNMENTAL RELATIONS

To coordinate efforts with other governmental agencies to achieve common policy objectives, share the cost of providing government services on an equitable basis, and support favorable legislation at the state and federal levels.

A. Inter-local Cooperation in Delivering Services

In order to promote the effective and efficient delivery of services, Frio County shall actively seek to work with other local jurisdictions in joint purchasing consortia, sharing facilities, sharing equitably the costs of service delivery, and developing joint programs to improve service to its citizens.

B. Legislative Program

Frio County shall cooperate with other jurisdictions to actively oppose any state or federal regulation or proposal that mandates additional Frio County programs or services and does not provide the funding to implement them. Conversely, as appropriate, Frio County shall support legislative initiatives that provide more funds for priority local programs.

VII. GRANTS

To seek, apply for and effectively administer federal, state and foundation grants-in-aid that address Frio County's current priorities and policy objectives.

A. Grant Guidelines

Frio County shall apply, and facilitate the application by others, for only those grants that are consistent with the objectives and high priority needs previously identified by Commissioners'

Court. The potential for incurring ongoing costs, to include the assumption of support for grant-funded positions from local revenues, will be considered prior to applying for a grant.

B. Indirect Costs

Frio County shall recover full indirect costs unless the funding agency does not permit it. Frio County may waive or reduce indirect costs if doing so will significantly increase the effectiveness of the grant.

C. Grant Review

All grant submittals shall be reviewed for their cash match requirements, their potential impact on the operating budget, and the extent to which they meet Frio County's policy objectives. Prior to seeking Commissioners' Court approval, departments shall seek approval from the Frio County Judge before submission of a grant application. Should time constraints under the grant program make this impossible, the department shall obtain approval to submit an application from the Frio County Judge and then, at the earliest feasible time, seek formal Commissioners' Court approval. If there are cash match requirements, the source of funding shall be identified **prior** to application.

D. Grant Program Termination

Frio County shall terminate grant-funded programs and associated positions when grant funds are no longer available unless alternate funding is identified prior to the expiration of the grant.

VIII.

ECONOMIC DEVELOPMENT

Initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.

A. Positive Business Environment

Frio County shall endeavor, through its regulatory and administrative functions, to provide a positive business environment in which local businesses can grow, flourish and create jobs. The Commissioners' Court and Frio County staff will be sensitive to the needs, concerns and issues facing local businesses.

B. Commitment to Business Expansion, Diversification, and Job Creation

Frio County shall encourage and participate in economic development efforts to expand Frio County's economy and tax base and to increase local employment.

C. Tax Abatements

Frio County shall use due caution in the analysis of any tax incentives used to encourage development. Factors considered in evaluating proposed abatements for development include the location of the project, its size, the number of temporary and permanent jobs created, the costs and benefits for Frio County and its impact on Frio County's economy. Tax abatement

contracts may contain certain conditions to the receipt, both initially and throughout the term of the contract, of the abatement. Frio County will annually review tax abatement contracts to ensure the community is receiving promised benefits, and the Commissioners' Court may seek to modify, re-negotiate, or terminate an abatement contract if it is determined that the firm receiving the abatement has failed to keep its part of the agreement and may request the return of tax incentives.

D. Increase Non-residential Share of Tax Base

Frio County's economic development program shall seek to expand the non-residential share of the tax base to decrease the tax burden on residential homeowners.

E. Coordinate Efforts with Other Jurisdictions

Frio County's economic development program shall encourage close cooperation with other local jurisdictions, chambers of commerce, and groups interested in promoting the economic well-being of this area.

F. Use of Other Incentives

Frio County shall coordinate with state and federal agencies on offering any incentive programs they may provide for potential economic expansion. Economic development incentive agreements involving tax abatements or grants of public funds shall be subject to prior review and approval of the Commissioners' Court.

IX.

FISCAL MONITORING

To prepare and present regular reports that analyze, evaluate, and forecast Frio County's financial performance and economic condition.

A. Financial Status and Performance Reports

Provide for monthly reports comparing expenditures and revenues to current budget, projecting expenditures and revenues through the end of the year, noting the status of fund balances to include dollar amounts and percentages, and outlining any remedial actions necessary to maintain Frio County's financial position shall be prepared for review by the Frio County Auditor and the Commissioner's Court.

B. Compliance with Commissioners' Court Policy Statements

The FINANCIAL POLICIES AND PROCEDURES Statements will be reviewed annually by the Commissioners' Court and updated, revised or refined as deemed necessary. Policy statements adopted by the Commissioners' Court are guidelines, and occasionally, exceptions may be appropriate and required. However, exceptions to stated policies will be specifically identified, and the need for the exception will be documented and fully explained to Commissioners' Court.

X.

ACCOUNTING, AUDITING AND FINANCIAL REPORTING

Accounting, Auditing and Financial Reporting: Comply with prevailing federal, state, and local statute and regulations, as well as current professional principles and practices.

A. Conformance to Accounting Principles and Recommended Practices

Frio County'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).

B. Selection of Auditors

Every ten years, Frio County shall request proposals from all qualified firms, including the current auditors if their past performance has been satisfactory, and the Commissioners' Court shall approve the selection of an independent firm of certified public accountants to perform an annual audit of the books of account, records and transactions, opining of the Financial Statement and Single Audit Report and reporting the results and recommendations to the Commissioners' Court. The Frio County has the option of extending the current firm one (1) year extension while transitioning into performing the request of the proposal from all qualified firms.

C. Audit Completion

Frio County seeks to have its Financial Statement and Single Audit Report audited and available within 180 days and 270 days respectively after the close of its previous fiscal year, which ends September 30. In the event the presentation of the Financial Statement and Single Audit is delayed beyond the first Commissioners' Court meeting in April, the Frio County Auditor shall provide a report on the status of the audit and the expected completion date to the Frio County Commissioners' Court at its first meeting in April.

XI.

CASH HANDLING

To govern the handling, receipting, depositing and reporting of all Frio County cash operations. The term "Frio County Cash" applies to currency, coin, checks, credit and debit card payments, electronic payment media and other negotiable instruments payable in money to Frio County.

A. Basic Cash Handling Principles and Internal Controls

Effective internal controls during the entire cash handling process from cash collection to bank depositing are necessary to prevent mishandling of Frio County funds and are designed to safeguard and protect employees from inappropriate misconduct charges of mishandling funds by defining their duties and responsibilities.

An essential element of internal control over cash is segregating duties among different employees for the handling and reconciling of cash and maintaining accurate accounting records. The following basic five (5) cash processing functions should be spread among different employees:

- collecting cash
- depositing cash
- recording cash in the accounting records
- balancing and reconciling daily cash received to cash receipts issued to payers, and
- reconciling bank accounts to the general ledger

If the above duties cannot be appropriately segregated among different employees, it is important to increase supervisory reviews and oversight of all cash handling activities. All Frio County employees who handle cash transactions are required to strictly adhere to the Cash Handling Policy and Procedure. Additionally, all employees who are authorized to handle cash transactions must first be trained in the following disciplines before they begin handling cash transactions:

- general Frio County personnel and operating policies and procedures;
- departmental operations;
- customer service;
- how to handle money;
- security and the use of departmental forms;
- types of money collections and amounts to be collected (i.e., cash-coins and currency, checks, money orders and credit cards.)

Acceptable payment methods (i.e., cash, check, money order, etc.) shall be posted at each cashier clerk's station. Currency denominations that are not accepted shall also be posted.

All monies not deposited shall be secured for the night in a Frio County safe. Frio County of Frio County monies shall **not** be commingled with or used in the following ways:

- employee's personal money;
- cashing employee personal checks;
- combining deposits on a single report;

NOTE: The *general public and non-authorized employees* are not permitted in areas where cash transactions occur.

B. Cash Boxes

Employees who are authorized by the Frio County Auditor to handle cash shall be issued their office's cash box/drawer/register and one key. The Frio County Auditor, Elected Official or Department Head, shall keep one key their office's cash box. The Frio County Auditor, Elected Official or Department Head shall use his key to open a cash box only in the presence of at least two other clerks.

Cash boxes/drawers/registers shall always be **locked** when unattended or not in use and prior to being secured in a Frio County safe.

Cash and checks shall be separated and coins and currency must be separated by denomination. Change funds shall be logged, signed for and accounted for on each of the clerk's daily reconciliation form. Employees shall verify and balance the change fund amount in their cash boxes on an ongoing daily basis and at the close of business each day.

Employees collecting cash are held accountable for the transactions they handle. It should be possible to determine the amount of cash for which each clerk is responsible for at any point in time during any day.

C. Cash Collected in Person

Cash received in person from a payer by a Frio County clerk shall be kept in view of and counted in front of the payer until the receipt is issued to the payer and the payer is satisfied. Frio County cashier clerk shall count change due to the customer/payer twice - once to themselves and once back to the payer.

A receipt represents proof of payment and employees shall issue a receipt for every payment they receive. Receipts are computer-generated and each receipt shall indicate the payment method (i.e., cash, check, money order, etc.). Checks must be made payable to the department of Frio County. They cannot accept third-party checks. Clerks should review checks carefully to determine the legal amount of the check. If the numeric amount on the check differs from the written amount, the written amount prevails as the legal amount. If the check includes only a numeric amount, the numeric amount is the legal amount. Clerks are not permitted to change any amounts on a check; however, clerks may add text to clarify the legal amount. For example, clerks may write "*see legal*" next to numeric amounts that differ from written amounts.

Clerks should also examine checks for required signatures. If on the face of the check one or more signatures are demanded, the required signatures must be present in order to accept the check. Checks without signature requirements may be accepted without a signature, although there is no guarantee the check will clear the bank processing system. When accepting checks in person, clerks should review the check for completeness and consistency of numeric/written amounts and request corrections from the maker at the time of payment. This procedure will increase the likelihood of collecting on checks presented for payment.

D. Returned Checks

Checks that have been deposited may be returned by the bank for several reasons:

- insufficient funds
- missing signature
- stop payment
- account closed
- stale-dated

Banks will typically resubmit a returned check one more time if it was returned for insufficient funds. However, if the reason for the return is that a stop payment was placed on the check, the account is closed, the signature is missing or the check is stale-dated, the bank deposits the check only once and then returns the check to the Frio County.

The Frio County mails a copy of the returned check to the maker with a letter advising the maker:

- that the check was returned by the bank;
- provides the reason for the return, and
- requests the maker to personally make a trip to the applicable Frio County department to pick up the returned check and pay the deficiency in cash or money order along with a \$30.00 return check fee.

Frio County reserves the right to interrupt services and may pursue other available legal remedies as needed by the affected Frio County department if the maker does not pay the deficiency. All checks must be restrictively endorsed immediately with a stamp that bears the following information:

FOR DEPOSIT ONLY
Frio County / Name
of Bank Account /
Account No. XXXXXX

Cash and checks shall be secured in their office's **cash boxes** until the bank deposit is prepared. A bank deposit that includes all of the day's cash collections for all departments is hand delivered to the bank weekly by an authorized employee of Frio County. Large cash and check deposits totaling over \$500 shall be hand delivered to the bank each afternoon by an authorized employee of Frio County.

E. Checks Received by Mail and Drop Box

A designated cashier clerk retrieves and opens customer mailed or dropped off check payments. All checks are immediately endorsed with restrictive endorsement information noted in the preceding section. Payments are then entered and receipts are generated. Receipts for payers

who mailed in their payments are mutilated and destroyed.

F. Reconciliations

Each cash box clerk/custodian prepares a daily reconciliation of their cash box. Money amounts received, receipts issued and actual monies deposited must be reconciled each day. The Frio County Auditor shall review and approve all reconciliations.

The total of all cash, checks, money orders and credit card payments received must equal the total amount of receipts issued to customers. A Notice of Error Statement–Cash Overage or Shortage Form must be prepared and given to the Frio County Auditor in the event of a money overage or shortage discrepancy. This form must contain the date, clerk’s name, type of payment, overage or shortage amount, explanation as to what caused the error(s) and be signed by the applicable clerk, their Elected Official, Department, and the Auditor.

XII.

INTERNAL CONTROLS

To establish and maintain an internal control structure designed to provide reasonable assurance that Frio County assets are safeguarded and that the possibilities for material errors in the Frio County’s financial records are minimized.

A. Proper Authorizations

Procedures shall be designed, implemented and maintained to ensure that financial transactions and activities are properly reviewed and authorized.

B. Separation of Duties

As well as could be expected in a county the size of Frio County, job duties will be adequately separated to reduce to an acceptable level the opportunities for any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of assigned duties.

C. Proper Recording

Procedures shall be developed and maintained that will ensure financial transactions and events are properly recorded, and that all financial reports may be relied upon as accurate, complete and up-to-date.

D. Access to Assets and Records

Procedures shall be designed and maintained to ensure that adequate safeguards exist over the access to and use of financial assets and records.

E. Independent Checks

Independent checks and audits will be made on staff performance to ensure compliance with established procedures and proper valuation of recorded amounts.

F. Costs and Benefits

Internal control systems and procedures must have an apparent benefit in terms of reducing and/or preventing losses. The cost of implementing and maintaining any control system should be evaluated against the expected benefits to be derived from that system.

XIII.

RISK MANAGEMENT

Frio County will utilize a safety program, an employee health program, and a risk management program to prevent and/or reduce the financial impact to Frio County due to claims and losses. Transfer of liability for claims through transfer to other entities through insurance and/or by contract will be utilized where appropriate. Prevention of claims through the safety program and the employee health program will be employed. Liabilities will be self-insured where it is financially feasible.

XIV.

E-COMMERCE

To fully utilize available technologies to expedite cash payments and receipts, enhance employee productivity, and provide customer satisfaction.

A. Fully Integrated Financial Systems

All E-Commerce systems and procedures must fully and transparently integrate with the Frio County's financial and accounting systems, its depository bank systems, and any other Frio County information system which interfaces with an E-Commerce system.

B. Emerging Technologies

The Frio County will work closely with its depository bank and other financial partners to evaluate and implement the standard industry accepted technologies that prove to be efficient and effective in pursuit of the Frio County's E-Commerce goals.

C. Direct Deposits

Frio County will actively migrate payroll payments from paper checks, to electronic formats, including but not limited to: 1) Direct deposits and 2) Electronic pay cards.

- Frio County employees are required to enroll in direct deposit or electronic pay cards within 30 days of employment.

D. Internet Payment Options

Working with its depository bank and other financial partners, the Frio County will seek to develop and implement internet payment options of best practices which will allow customers and citizens to pay bills due to Frio County conveniently and securely.

E. Information Security

Frio County will employ security measures consistent with best practice and Frio County's information security policy to ensure the integrity and confidentiality of customer and citizen data that is stored or is a component of transactions utilizing Frio County's information technology infrastructure or that of its service providers.

XV.

BUDGET

Frio County shall establish an operating budget that shall link revenues and expenditures to goals, objectives, services and performance standards. It will be Frio County's goal to obtain the distinguished Budget Presentation Award from the Government Finance Officers Association. It is also Frio County's goal to present a balanced budget meaning revenues and appropriated fund balance equal expenditures.

A. Balanced Budget

It is Frio County's obligation to present a balanced budget to Commissioners' Court, meaning revenues and appropriated fund balance equal or exceed expenditures. Generally, Fund Balance should not be a recognized budgeted revenue to support ongoing operations in the annual budget. Fund Balance may be budgeted to fund one-time expenses such as capital projects. Fund balance may be drawn upon for cash flow needs, and may be used as revenue without amending the budget if other revenue sources in total fall short of the estimate used in the adopted budget. In this case, ending reserves may be lower than beginning reserves and below the reserve requirement. Except in these instances, fund balance reserves may be appropriated only by budget amendment.

B. Borrowing for Operations

Frio County will not borrow from any external source to fund ongoing operations, except for lease/purchase agreements.

C. Performance-based Budget

Frio County Auditor shall develop and present a budget that includes meaningful measures of the performance of Frio County government in meeting its various service demands. Such measures should be tied to individual programs, address specific services or functions and should measure the effectiveness and efficiency of services delivered rather than only the workload generated. Historical information on the performance measures data and performance targets projections of the measures for the coming fiscal year shall be transmitted to the Judge and Frio County Commissioners' Court along with the proposed budget. The same information should be published in the Annual Budget Book. The Frio County Auditor shall take into account the validity of the measures and the ability of departments to meet the expected level of performance in allocating funds in the proposed budget.

D. Scope of Budget

The annual budget shall estimate revenues and make appropriations for spending on all Frio County, state, and federal funds estimated to be available to the Frio County during the fiscal year, regardless from what source derived.

E. Annual Budget Book

Frio County shall publish and make available an Annual Budget Book to include such additional information as may be useful to citizens, including information on programs, performance and staffing levels.

F. Budget Amendments

The Annual Budget shall be from time to time amended, with the approval of the Frio County Commissioners Court.

G. Decentralization


Frio County Auditor will involve departments in the preparation of the proposed budget and shall make every effort to give Auditors maximum legal flexibility in encumbering and expending funds once the budget is adopted.

Conflict with Employee Handbook:

To the extent that any provisions of this policy & procedure with the terms of the Frio County Employee Handbook, the terms of this policy & procedure will prevail.


The above cellular phone policy is **APPROVED, PASSED AND ADOPTED** by the Commissioners Court of Frio County, Texas, on this 28th day of March, 2023, with the following members of the court voting: 5 AYE, 0 NAY, with 0 ABSTAINING, and 0 ABSENT.


HON. ROCHELLE CAMACHO
County Judge



HON. JOE VELA
Commissioner, Precinct No. 1

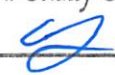

HON. MARIO MARTINEZ
Commissioner, Precinct No. 2


HON. RAUL CARRIZALES III
Commissioner, Precinct No. 3


HON. DANNY CANO
Commissioner, Precinct No. 4

ATTEST:


HON. AARON IBARRA
Frio County Clerk
Ex officio Clerk of the
Frio County Commissioners Court

FILED
At 2:36 o'clock P M
This 29th day of March 2023
Aaron T. Ibarra
Clerk County Court FRIO COUNTY, TX
BY:  DEPUTY

By: _____
(Chief) Deputy Clerk