



VILLAGE OF SALADO
RESOLUTION

No. 064

**A RESOLUTION OF THE BOARD OF ALDERMEN RE-
ADOPTING A FISCAL AND BUDGETARY POLICY FOR FISCAL
YEAR 2008 – 2009**

WHEREAS, the Village of Salado is a Type B General Law local government of the State of Texas; and

WHEREAS, the Board of Aldermen seek to be in compliance with the Generally Accepted Accounting Principles (GAAP); and

WHEREAS, the Village of Salado is committed to financial management through integrity, prudent stewardship, planning, accountability, full disclosure and communication.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE VILLAGE OF SALADO THAT:

The Fiscal and Budgetary Policy attached as Exhibit A has been reviewed by the Board of Aldermen and the Board makes the following recommendations for changes and hereby readopts the Fiscal and Budgetary Policy as presented with those changes.

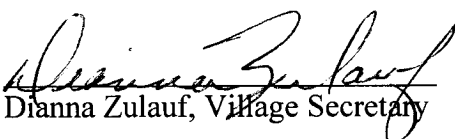
1. throughout the policy, the word "Treasurer" will read "Treasurer/Investment Officer";
2. Section VIII, (a) shall read "Operating Reserves: The Village will maintain reserves at a minimum of \$150,000.00 of net operating budget. The Hotel/Motel will maintain reserves at a minimum of \$40,000.00 of net operating budget."

APPROVED AND PASSED this, the 16th day of October, 2008.

VILLAGE OF SALADO, TEXAS


Merle Stalcup, Mayor

ATTEST:


Dianna Zulauf, Village Secretary

Fiscal and Budgetary Policy

I. PURPOSE

The Village of Salado is committed to financial management through integrity, prudent stewardship, planning, accountability, full disclosure and communication. The broad purpose of the Fiscal and Budgetary Policies is to enable the Village to achieve and maintain a long-term stable and positive financial condition, and provide guidelines for the day-to-day planning and operations of the Village's financial affairs.

Policy Scope generally spans areas of accounting and financial reporting, internal controls, operating budget, revenue management, investment and asset management, debt management and forecasting. This is done in order to:

- a. Fairly present and fully disclose the financial position of the Village in conformity to generally accepted accounting principals (GAAP) See Below;
- b. Demonstrate compliance with finance-related legal and contractual issues in accordance with the Texas Local Government Code and other legal mandates.

These policies will be reviewed and updated annually as part of the budget preparation process.

The Village uses a modified cash basis. Income is recognized when received. Expenditures are recognized when paid, with the exception of payroll tax liabilities which are labeled monthly as liabilities and paid when due.

II. OPERATING BUDGET

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. The "operating budget" is the Village's annual financial operating plan. It provides for the payment of expenses incurred as the government works towards its annual goals and the ongoing pursuit of promoting and protecting public health, welfare, preventing overcrowding, ensuring adequate transportation, and promoting Salado's ambience.

- a. Preparation: The budget is developed by staff and elected officials with guidance by the Village Treasurer/Investment Officer.
- b. Review: Preliminary budget is submitted for initial review NLT 45 days prior to end of fiscal year. At least two Public Hearings will be held prior to adoption.
- c. Adoption: The Final Budget is place on the agenda for adoption during the last month of the fiscal year (September).

Balanced Budget: The goal of the Village is to balance the operating budget with current revenues, whereby current revenues would match and fund on-going expenditures/expenses. Excess balances in the operating funds from previous years would then be used for non-recurring expenses.

Planning: The budget process will be coordinated so that the major policy issues are identified prior to budget approval date. This will allow adequate time for consideration of appropriate decisions and analysis of financial impacts.

Reporting: Summary financial reports will be submitted to the Board on a monthly basis to maintain on-going understanding of current expenditures and income status.

Contingency Appropriations: The budget may include contingency appropriations within designated operating lines. These funds are used to offset unexpected maintenance or other expenses. Every effort will be made to minimize the need for contingency funds usage.

III. REVENUE MANAGEMENT

- a. Characteristics: The Village will strive for the following optimum characteristics in its revenue system.
 1. **Simplicity:** The Village, where possible and without sacrificing accuracy, will strive to keep the revenue system simple.
 2. **Certainty:** A knowledge and understanding of revenue sources increases the reliability of the revenue system.

IV. EXPENDITURE POLICIES

- a. Budget Amendments: The Board may authorize with a majority vote, emergency expenditures as an amendment to the original budget.
- b. Prompt Payment: All invoices will be approved for payment by either the Mayor, Mayor Pro Tem, or Treasurer/Investment Officer and paid within thirty (30) days from receipt of goods or services or invoice date, whichever is later in accordance with State law.

V. ACCOUNTING AND AUDITING

- a. Accounting: The Village is solely responsible for the recording and reporting of its financial affairs.
- b. Audit of Accounts: An independent audit will be performed every year. The auditor is retained by and accountable directly to the Board.

VI. ASSET MANAGEMENT

- a. Cash Management and Investments: The Board has formally approved a separate Investment Policy that meets the requirements of the Public Funds Investment Act (PFIA) section 2256 of the Texas Local Government Code. This policy is reviewed annually by the Village Board and applies to all financial assets held by the Village.
1. Statement of Cash Management Philosophy: The Village shall maintain a comprehensive cash management program to include the effective collection of all accounts receivable, the prompt deposit of receipts to the Village's depository, the payment of obligations, and the prudent investment of idle funds.
 2. Objectives: The Village's investment program will be conducted as to accomplish the following listed in priority order.
 - Safety of the principal invested.
 - Liquidity and availability of cash to pay obligations when due.
 - Receive the highest possible rate of return (yield) consistent with the Village's Investment Policy
 3. Safekeeping and Custody: Investments may only be purchased through broker/dealers who meet the criteria detailed in the investment policy, which also addresses internal controls related to investments.
 4. Standard Care and Reporting: Investment will be made with judgment and care, always considering the safety of principal to be invested and the probable income to be derived. The Treasurer/Investment Officer and Mayor are responsible for the overall management of the Village's Investment program and ensures all investments are made in compliance with the investment policy. An investment report, providing summary and detailed information will be presented to the Village Board quarterly.
 5. Authorized Investments: The Village can currently invest in the following:
 - Certificates of Deposit
 - U.S. Treasury and Agency Securities
 - Investment Pools that meet the requirements of the PFIA
 - No-Load Money Market Mutual Funds
 - Fully Collateralized Repurchase Agreements
 - Other investments as approved by the Board and not prohibited by law.
- b. Fixed Assets: These assets will be reasonably safeguarded and properly accounted for, and prudently insured.

VII. DEBT MANAGEMENT

The Village recognizes the primary purpose of capital facilities is to provide services to the community. At the current time, the Village does not assess property taxes and can not therefore, issue bonds. Any need for financing other than what can be serviced by the Village Depository will be considered through usage of:

- Grants
- Use of Reserve Funds
- Use of Current Funds
- Contributions from Developers
- Impact Fees (currently none have been assessed)

VIII. FINANCIAL CONDITIONS AND RESERVES

The Village of Salado will maintain budgeted minimum reserves in the ending working capital fund balances to provide a secure, healthy financial base for the Village in the event of a natural disaster or other emergency, allow stability of Village operations should revenues fall short of budgeted projections and provide available resources to implement budgeted expenditures without regard to actual timing of cash flow into the Village.

- a. Operating Reserves: The Village will maintain reserves at a minimum of \$150,000.00 of net operating budget. The Hotel/Motel will maintain reserves at a minimum of \$40,000.00 of net operating budget.

IX. INTERNAL CONTROLS

Written Procedures: Whenever possible, written procedures will be established and maintained by the Treasurer/Investment Officer for all functions involving cash handling and/or accounting throughout the Village. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.

Policy reviewed 10-16-08 Include "Investment Officer" along with Village Treasurer.