



Financial Policies

The following policies are general in nature and set forth basic guidance for sound fiscal management decisions for the Town of Wadesboro. The Town's financial policies are founded on responsible fiscal and budgetary principles and they follow a framework established by the North Carolina Local Government Budget and Fiscal Control Act (LGBFCA).

Accounting Policy

The Town maintains an accounting system in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The system shows appropriations and estimated revenues as established in the budget ordinance and each project ordinance as originally adopted and subsequently amended. The Town will maintain accounting systems that enable preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The basis of accounting within all funds will be modified accrual with limited exceptions for sanitation and utility fee revenues. An annual audit will be performed by an independent certified public accounting firm, which will issue an official opinion on the annual financial statements.

The accounts of the Town will be organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Town maintains two annual funds: the General Fund and the Water & Sewer Fund. Additionally, the Town creates and maintains individual capital project funds as needed which are ongoing until the project has been completed and closed. *Prescribed by the N.C. Local Government Budget and Fiscal Control Act and otherwise adopted by the Town Council April 2017.*

Budget Amendment Policy

During the fiscal year, the budget must be amended to reflect changes to the original adopted budget ordinance. The Town Council may amend the budget ordinance at any time after its adoption pursuant to North Carolina General Statute (N.C.G.S) 159-15 as long as the ordinance, as amended continues to satisfy the requirements of N.C.G.S. 159-8 and 159-13. N.C.G.S. 159-8 requires budgets to be balanced and N.C.G.S. 159-13 describes the form, adoption, limitations, tax levy, and filing of the budget ordinance. Budget amendments cannot increase or decrease the tax levy or alter a taxpayer's liability unless the City is ordered to do so by the courts or an authorized State agency. The Finance Officer prepares budget amendments to present to the Town Council for their approval. Budget amendments must be made prior to obligating funds in excess of adopted budget appropriations. Total increases in appropriations should equal total increases in revenues. In all situations, a brief description of the circumstances surrounding the amendment will be included on the face of the amendment or in the

minutes where the amendment was approved. *Prescribed by the N.C. Local Government Budget and Fiscal Control Act and otherwise adopted by the Town Council April 2017.*

Capital Improvement Plan

The Town will review and update annually a five-year Capital Improvement Plan (CIP), which details each capital project, estimated costs, project descriptions, and anticipated funding sources. Only the current year schedule, when adopted by the Town Council, becomes part of the operating budget. Future forecasts in the CIP serve the Town by helping plan for capital repairs, replacements, and acquisitions, which aids in financial planning to ensure the Town's fiscal health and credit. Town staff will analyze each proposed project carefully before it is incorporated into the CIP. *Adopted by the Town Council April 2017.*

Cash Management & Investment Policy

This policy serves as a reference for handling of all financial transactions in accordance with federal, North Carolina, and other legal requirements, including the provisions of the North Carolina General Statutes, specifically the Local Government Budget and Fiscal Control Act. This policy provides guidance for cash receipts, mobilization, investments, disbursements and monitoring.

Investment earnings are the interest collected on the Town's idle cash. The Town Council authorizes and directs the Town Manager to invest idle cash in accordance with this policy. The Town's objectives/criteria in managing and selecting the investment portfolio, in order of priority, are safety, liquidity, and yield.

- 1.) Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To best mitigate against credit risk (the risk of loss due to the failure of the security issuer) diversification is required. To best mitigate against interest rate risk (the risk that changes in interest rates will adversely affect the market value of a security and that the security will have to be liquidated and the loss realized) the second objective, adequate liquidity, must be met.
- 2.) Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating and debt service cash requirements that may be reasonably anticipated. The portfolio will be structured so that securities mature concurrent with cash needs (static liquidity), with securities with an active secondary market (dynamic liquidity), and with deposits and investments in highly liquid money market and mutual funds accounts.
- 3.) Yield – The investment portfolio shall be designed with the objectives of attaining a market rate of return throughout budgetary, economic and interest rate cycles, taking into account investment risk constraints and liquidity needs.

The Town only invests idle cash in accordance with N.C.G.S. 159-30. Typical investments for the Town include certificates of deposit (CD) and interest bearing money market accounts. The Town may take into consideration whether the single financial institution has a physical presence within Town-limits. With the exception of United States treasury securities and the North Carolina Capital Management Trust, no more than 70% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution. *Prescribed by the N.C. Local Government Budget and Fiscal Control Act and otherwise adopted by the Town Council April 2017.*

Debt Policy

In accordance with N.C.G.S. 159-55, the Town's bounded indebtedness will not exceed eight (8) percent of the assessed valuation of the taxable property of the Town. Debt will only be incurred for financing capital assets that, because of their long-term nature or because of budgetary restraints, cannot be acquired from current or budgeted resources. **Debt will not be used for operational needs.** Debt financing can include general obligation bonds, revenue bonds, certificates of participation, lease/purchase agreements, special obligation bonds, or any other financing instrument allowed under North Carolina law.

The term of any Town debt issue shall not exceed the estimated useful life of the asset for which the debt is issued. The Town will seek to structure debt and to determine the best type of financing for each financing need based on the flexibility necessary to meet project needs, the timing of the project, taxpayer or rate payer equity, and the structure that will provide the lowest interest cost in the circumstances.

General Fund debt will normally have a term of 20 years or less. Enterprise Fund (water and sewer) debt will normally have a term of 30 years or less, but not more than 40 years or less. To reduce the amount of debt incurred, the Town will attempt to use pay-as-you-go financing when possible, particularly for capital assets with costs less than \$75,000. *Prescribed by the N.C. Local Government Budget and Fiscal Control Act and otherwise adopted by the Town Council April 2017.*

Fund Balance Policy

It is necessary for the Town to maintain undesignated available fund balance reserves and retained earnings to provide appropriate cash flow for operation of Town services, to eliminate the need for short-term borrowing, to address emergencies and unexpected opportunities, to increase the potential for investment income, and to enhance the Town's credit rating to provide the Town the ability to borrow at the lowest possible interest rate.

General Fund. The North Carolina Local Government Commission (LGC) is charged with overseeing the fiscal health of cities and counties and recommends a minimum undesignated available fund balance reserve of no less than eight percent (8%) of expenditures. All revenue in excess of expenditures realized at the end of any given fiscal year will be credited to available fund balance to achieve an accepted level between 35 and 40 percent. The Town will adjust this range as appropriate based upon any recommendation from the LGC and the current financial outlook. Once the forty percent (40%) mark is realized, all revenue in excess of expenditures realized at the end of any given fiscal year may be assigned as capital reserves. *Prescribed by the N.C. Local Government Budget and Fiscal Control Act and otherwise adopted by the Town Council April 2017.*

Operating Budget Policies

Pursuant to North Carolina General Statutes 159-11, the Town will adopt a balanced budget. The North Carolina Local Government Budget and Fiscal Control Act (LGBFCA) defines a balanced budget as the sum of estimated net revenues and appropriated fund balance in each fund is equal to appropriations in that fund.

The Town operates under an annual budget ordinance adopted in accordance with the LGBFCA. The budget ordinance is the legal basis of the budgetary accounting system and the standard by which proposed expenditures are measured. All annual appropriations lapse at the fiscal year-end. Additionally, separate project ordinances may be adopted for governmental capital project funds and water and sewer capital project funds. Project ordinances are ongoing until the project has been completed and closed.

The Town Council must approve and adopt revisions to the original budget ordinance, which is recorded in the Town minutes, unless alternate procedures are adopted by the Town Council. The Finance Officer/Budget Officer is authorized to transfer appropriations within a fund of an annual budget ordinance or capital project ordinance under the following conditions: 1.) he/she may transfer amounts between departments and make expenditures or transfer from the contingency fund with an official report on such transfer at the next regular meeting of the Town Council; and 2.) he/she may transfer amounts between objects of expenditures within a department within a department without limitations and without a report being required so long as records are kept of the transfer. *Adopted by the Town Council April 2017. Prescribed by the N.C. Local Government Budget and Fiscal Control Act and otherwise adopted by the Town Council April 2017.*

Purchasing Policy

Any purchase expected to exceed one thousand and five hundred dollars (\$1,500.00) or more, will not only require a Purchase Order but will require the Town Manager's approval by signature for the Purchase Order. The Town Manager may set an amount less than one thousand and five hundred dollars (\$1,500.00) whereas purchases approved by a Department Head for that set amount or more require a purchase order. *Prescribed by the N.C. Local Government Budget and Fiscal Control Act and otherwise adopted by the Town Council April 2017.*

Revenue Policy

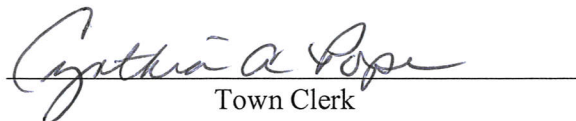
The Finance Officer prepares conservative revenue estimates based on revenues reasonably expected to be realized in the upcoming budget year, including amounts to be realized from collections of taxes levied in prior fiscal years. Major estimated revenue sources include ad valorem taxes, sales taxes (Articles 39, 40, 42, and 44), ABC distributions, electricity sales tax, Powell Bill distributions, beer and wine taxes, and other sales and services revenues. With each budget, the Town Council adopts a fees schedule that the Finance Officer reviews annually to determine appropriate fees related to the cost of providing services unless determined otherwise. *Adopted by the Town Council April 2017.*

Adopted by resolution on this the 3rd day of April, 2017.



Mayor

Attest:



Town Clerk

