

# APPENDICES

## PENDER COUNTY FISCAL POLICY

The overall goal of the County's fiscal policy is to improve upon and maintain effective and efficient management of the public's resources. The policy statements that follow provide the "building blocks" for achieving this goal. The four categories include: budgeting, expenditure control, investment of idle funds, and preservation of general fund balance.

### Budgeting

A comprehensive budget will be prepared annually for all funds to be expended by the County in accordance with North Carolina General Statute 159-8-13. The budget will be prepared in such a manner as to facilitate its understanding by citizens and elected officials. In addition to required public hearings, the Commissioners will hold work sessions on the budget that will be open to the public. Budgetary emphasis will focus on providing the maximum level of basic services, to the most citizens, in the most cost-effective manner, with due consideration being given to all costs and benefits - economic, fiscal, and social. The budget will provide for adequate maintenance of capital, plant and equipment and for their orderly replacement. Reports comparing actual revenues and expenditures to budgeted amounts will be prepared monthly and distributed to the Board of Commissioners. Revenue estimates will be incorporated into the annual budget document and will be conservative. The County will not balance the budget on unrealistic revenue projections.

### Expenditure Control

County management will employ tools designed to control expenditures to keep the property tax rate at its lowest possible level, while maintaining sufficient resources to operate effectively. Formal approval (by resolution) from the Board for all "non-routine" expenditures exceeding \$5,000 is required. All such requests for approvals shall be accompanied by a representative of the agency or persons making the request. This approval will be obtained in addition to the normal budget process. Routine expenditures are construed to be utility bills, legally required advertising, postage, fuel, and so forth. Emergency approval of purchase orders exceeding \$5,000 may be conveyed by the County Manager after consultation with the Chairman of the Board of County Commissioners and subsequent notification of the Board. An "emergency" is defined as a condition where non-action to correct a problem will cause a major disruption in services or inconvenience to the public. Vehicle insurance settlements may be accepted by the County Manager to repair vehicles when the amount of settlement is less than the value of the vehicle. The County Manager has the authority to approve a purchase order, capped at \$6,000, to repair such a vehicle that meets those conditions. Any insurance settlement involving a total loss of a vehicle would be brought before the Board of Commissioners for consideration.

County management will also require a purchase order for any purchases over \$500, allowing management to scrutinize the expenditure prior to commitment of County funds. Other controls include departmental approval and review by the Manager and/or Finance Officer for all travel exceeding \$100.

### Property Controls

The County is required to maintain a fixed asset listing for financial and insurance records. Detailed inventory records will be maintained of assets at costs of \$500 and higher. The capitalization threshold, for financial reporting purposes, increased to \$5,000 effective July 1, 2001. The County Manager will be allowed to declare property as surplus and allow proper and legal disposal for property with a value of \$2,500 or less. This would not apply to vehicles or to any property that has been assigned a property identification number since 1999. Disposal of real or personal property shall be in compliance with the general statutes.

### **Investment of Idle Funds**

The County will invest its idle funds in accordance with G.S. 159-30, into CDs issued by banks using the pooled method of collateralization, and in the North Carolina Capital Management Trust - Cash Account. As CDs mature, the Finance Officer will call for quotes to ensure a competitive rate of return. The Finance Officer will manage these investments and determine the appropriate terms, percentage distributions, and rates. Board approval will be sought prior to committing to new investment options. The County uses a central depository system to manage its funds and allow the Finance Officer to maintain only the amount necessary to cover expenses in the demand account and to invest the remaining funds to achieve a greater return.

### **Preservation and Use of General Fund Balance**

The Board of Commissioners recognize the financial strength of the County is measured largely by its available undesignated general fund balance. The goal of the County is to maintain an undesignated general fund balance of no less than 30% of the current fiscal year expenditure level for the following reasons:

- to ensure that sufficient operating funds are available in light of a County's erratic revenue cycle
- to provide for adequate funds for immediate relief in case of natural disaster (i.e. hurricanes, floods, etc.)
- to provide interest income through the wise investment of these funds to help stabilize the tax rate
- to reduce the cost of debt issuance by establishing a strong financial history

The Board of Commissioners may designate amount above this threshold (defined as excess fund balance) for one-time funding purposes. The Board recognizes that excess fund balance is a one-time funding source, and thus should only be used for one-time expenditures.

The use of excess fund balance to meet recurring operational or working capital expenditures shall be prohibited, other than for expenditures deemed emergencies by the Board of Commissioners. The Board shall make appropriations in the annual operating budget in order to pay for recurring operational, working capital and recurring capital replacement needs.

The Board of Commissioners shall avoid using excess fund balance for tax rate stabilization or reduction purposes. In the event excess fund balance is used for such purpose, the Board shall identify a future funding source other than fund balance at the time the fund balance is appropriated, to meet future expenditure needs.

### **Annual Independent Audit**

The County will, in accordance with G.S. 159-34, have its financial accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. The results of the audit shall be presented to the Board of Commissioners annually in an open meeting as soon as it has been reviewed and approved by the Local Government Commission.

Adopted this 16<sup>th</sup> day of June, 2014.

# **Fiscal Policy Guidelines**

*For:*



**Pender County, North Carolina**

**Adopted:**

**October 21, 2013**

# **FISCAL POLICY GUIDELINES**

**Pender County, North Carolina**

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**Pender County, North Carolina**

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## **FISCAL POLICY GUIDELINES - OBJECTIVES**

This fiscal policy will influence and guide the financial management practice of Pender County, North Carolina. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

- Contributes to the County's ability to insulate itself from fiscal crisis,
- Enhances short term and long term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the County rather than single issue areas,
- Promotes the view of linking long-run financial planning with day-to-day operations, and
- Provides the County Staff, the County Board of Commissioners and the County citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- This policy will be reviewed periodically by County staff and any recommended changes will be reviewed by the Board of Commissioners for approval.

To these ends, the following fiscal policy statements are presented.

# **FISCAL POLICY GUIDELINES**

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## **CAPITAL IMPROVEMENT BUDGET POLICIES**

1. It is the responsibility of the County Board of Commissioners to provide for the capital facilities necessary to deliver services to the citizens of the County, as well as facilities for the Pender County Public Schools and Cape Fear Community College.
2. The County will consider all capital improvements in accordance with an adopted Capital Improvement Plan.
3. The Capital Improvement Plan is inclusive of Capital Improvements (renovations), Capital Replacement (vehicles and heavy equipment) and Major Capital Projects (new buildings).
4. The County will develop a five-year Capital Improvement Plan and review and update the plan annually. The Pender County Public Schools and Cape Fear Community College will submit their respective five-year capital improvement requests annually and will provide a prioritization for the improvements within their request for the County Commissioner's review.
5. The County will enact an annual capital budget based on the five-year Capital Improvement Plan.
6. The County, in consultation with the Pender County Public School and Cape Fear Community College, will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
7. The Capital Improvement Plan will include the estimated costs for the County to maintain all County, Public School and, if applicable, Cape Fear Community College assets at a level adequate to protect the public's welfare and safety, the County's capital investment and to minimize future maintenance and replacement costs. A maintenance and replacement schedule will be developed and followed based upon these estimates.

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8. The County, in consultation with the Pender County Public School and Cape Fear Community College, will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
9. The County will pursue the most cost effective financing consistent with prudent financial management.

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## DEBT POLICIES

1. The County will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. The County will take a balanced approach to capital funding utilizing debt financing, capital reserves and pay-as-you-go funding that will provide the least financial impact on the taxpayer.
3. When the County finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
4. Net debt as a percentage of estimated market value of taxable property shall not exceed 2.5%. Net debt is defined as any and all debt that is tax-supported.
5. Debt Service expenditures as a percent of total governmental fund expenditures shall not exceed 15.0%. Should this ratio exceed 15%, staff must request an exception from the Board of Commissioners stating the justification and expected duration of the policy exception.
6. Payout of aggregate outstanding tax-supported debt principal shall be no less than 55% repaid in 10 years.

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## **RESERVE POLICY**

The County will strive to maintain a targeted Unassigned Fund Balance, as defined by the Governmental Accounting Standards Board, at the close of each fiscal year equal to 20% of General Fund Expenditures. Unassigned Fund Balance in excess of 20% of General Fund Expenditures may be appropriated from time to time for pay-as-you-go capital and other one-time uses.

The County Board may, from time-to-time, utilize fund balances that will reduce Unassigned Fund Balance below the 20% target for the purposes of a declared fiscal emergency or other such purpose as to protect or enhance the long-term fiscal security of Pender County. In such circumstances, the Board will adopt a plan to restore the Unassigned Fund Balance to the target level within 36 months. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

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## **BUDGET DEVELOPMENT POLICIES**

1. The Budget Process will be compliant with the North Carolina Local Government Budget and Fiscal Control Act.
2. One-time or other special revenues will not be used to finance continuing County operations but instead will be used for funding special projects.
3. The County will pursue an aggressive policy seeking the collection of current and delinquent property taxes, utility, license, permit and other fees due to the County.
4. Budget amendments will be brought to the County Board for consideration as needed.

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## CASH MANAGEMENT / INVESTMENT POLICIES

1. It is the intent of the County that public funds will be invested to the extent possible to reduce the dependence upon property tax revenues. Funds will be invested with the chief objectives of safety of principal, liquidity, and yield, in that order. All deposits and investments of County funds will be in accordance with N.C.G.S. 159.
2. Up to fifty percent (50%) of the appropriations to Non-County Agencies and to non debt-supported capital outlays for County Departments can be encumbered prior to December 31. Any additional authorization shall require the County Manager's written approval upon justification. The balance of these appropriations may be encumbered after January 1, upon a finding by the County Manager that there is a reasonable expectation that the County's Budgeted Revenues will be realized.
3. The County will use a Central Depository to maximize the availability and mobility of cash for all funds that can be legally and practically combined.
4. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.
5. Maturity: All investments will mature in no more than thirty-six (36) months from their purchase date.
6. Custody: All investments will be purchased "payment-verses-delivery" and if certificated will be held by the Finance Officer in the name of the County. All non-certificated investments will be held in book-entry form in the name of the County with the County's third party Custodian (Safekeeping Agent).
7. Authorized Investments: The County may deposit County Funds into: Any Board approved Official Depository, if such funds are secured in accordance with NCGS-159 (31). The County may invest County Funds in: the North Carolina Capital Management Trust, US Treasury Securities, US Agency Securities specifically authorized in GS-159 and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.
8. Diversification: No more than 5% of the County's investment funds may be invested in a specific company's commercial paper and no more than 20% of the County's investment funds may be invested in commercial paper. No more than

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25% of the County's investments may be invested in any one US Agency's Securities.

9. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.

## Fund Structure and Basis of Budgeting

The County Budget is organized on the basis of funds, each of which is considered a separate accounting and reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its revenues and expenditures, as appropriate. The types of funds include: Governmental Funds (General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Funds), Proprietary Funds (Enterprise Funds), and Fiduciary Funds (Agency Funds).

All Governmental and Agency Funds are accounted for using the modified accrual basis of accounting, in accordance with G.S. 159-26. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Expenditures, under the modified accrual basis of accounting, are generally recognized when the related fund liability is incurred.

The County uses the accrual basis of accounting for the Proprietary Funds. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred.

### Governmental Fund Types

**General Fund:** This is the primary operating fund of the County and is used for the majority of current operating expenditures of the County Government. This fund provides financing for the operations of other funds, which include the County's School System.

**Special Revenue Funds:** These funds are used to account for the proceeds of specific revenues that are legally restricted to expenditure for particular purposes. The Revaluation Fund, County-wide Fire Service District Fund, Rescue Districts Fund, Community Development - Housing Fund, Community Development - Economic Development Fund, and School Funds are included in these funds. The revenue sources for these funds include federal grants and special ad valorem taxes and fees.

**Debt Service Fund:** This is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs. This fund's financing is provided primarily by transfers from the General Fund.

**Capital Projects Funds:** These funds account for the acquisition and/or construction of major capital assets by the County, except those financed by enterprise funds. Financing is primarily funded by bond issues, State and Federal grants, and transfers from the General Fund. The Vehicle Replacement Fund, Capital Improvements Fund, Capital Facilities Reserve Fund, School Capital Project Fund, and Community Development Fund are included in these funds.

### Proprietary Fund Types

**Enterprise Funds:** These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the County Commissioners is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Commissioners have decided that periodic determination of net income is appropriate for accountability purposes. The Maple Hill Water District Fund, Rocky Point/Topsail Water & Sewer District Fund, Sewer Fund, Resources Recovery Fund (Solid Waste Management), Section 8 Administration Fund, and Country Court Apartments Fund are included in these funds.

### **Fiduciary Fund Types**

**Agency Funds:** These funds are used to account for assets received and disbursed by the County Government acting in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The Deferred Compensation Fund and the Tax Clearing Agency Fund is included in these funds.

### **BASIS OF BUDGETING**

Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), applicable to governmental units. Budget ordinances are adopted annually for all funds, except project ordinance budgets which are adopted on a multi-year basis. Included in the budget is a program of capital expenditures to be financed from current operations and a five year capital improvement plan. All annual appropriations lapse at fiscal year end, except for project ordinance budgets, which continue the length of the project.

### **AMENDMENTS TO THE BUDGET ORDINANCE**

Except as otherwise restricted by law, the Commissioners may amend the budget ordinance at any time after the ordinance's adoption, in any manner, so long as the ordinance, as amended, continues to satisfy the requirements of G.S. 159-8 and 159-13. However, no amendment may increase or reduce a property tax levy or in any manner alter a property taxpayer's liability unless the Commissioners are ordered to do so by a court of competent jurisdiction or by a State agency having the power to compel the levy of taxes by the Board.

The Commissioners, by appropriate resolution or ordinance, may authorize the Budget Officer to transfer moneys from one appropriation to another within the same fund, subject to such limitations and procedures as it may prescribe. Any such transfers shall be reported to the Commissioners at its next regular meeting and shall be entered in the minutes. (1927, c. 146, s. 13; 1955, cc. 698, 724; 1971, c. 780, s. 1; 1973, c. 474, s. 12.)

## GLOSSARY

Accrual Accounting	A basis of accounting which revenues and expenses are recorded at the time they are incurred, instead of when cash is actually received or disbursed.
Ad Valorem Taxes	See Property Taxes.
Appropriation	An authorization granted by the Board of Commissioners to make expenditures and incur obligations for purposes specified in the Budget Ordinance.
Assessed Valuation	A value established by the Pender County Tax Assessor's office for real and personal property that is used as a basis for levying property taxes.
Balanced Budget	When planned expenditures equal anticipated revenues. The North Carolina Local Government Budget and Fiscal Control Act requires the budget, which is submitted to the Board of Commissioners, be balanced.
Bond	A written promise to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond ordinance. The most common types of bonds are general obligation and revenue bonds.
Budget	A plan of financial operation for the County, which includes estimated revenues and expenditures for a specific fiscal year.
Budget Amendment	A procedure used by the County and Board of Commissioners to revise a budget appropriation.
Budget Calendar	A schedule that outlines the process of budget preparation, adoption, and administration.
Budget Document	The official document prepared by county staff and approved by the Board that represents a comprehensive financial program for a specific fiscal year. The document presents policies and budgetary information that reflects Board decisions.
Budget Message	A general discussion of the budget prepared by the county manager that provides the Board of Commissioners and the public with a general summary of the most important aspects of the budget, including changes from previous fiscal years.
Budget Ordinance	A document adopted by the Board of Commissioners which lists revenues by source, appropriations by department or fund and levies taxes for the coming fiscal year.
Capital Outlay	Capital outlay represents expenditures on items such as vehicles, equipment, and furniture that are purchased by the County and have an expected life exceeding one year and a unit cost exceeding \$500.
Cash Accounting	Basis of accounting that recognizes revenues when a government receives cash and costs when it disburses cash.
Cash Management	Cash management refers to the activities of forecasting the inflow and outflow of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships.
Contingency	Funds in this account are set aside for unforeseen emergency expenditures that may become necessary during the year. The Board must approve the use of these funds before appropriation.
Debt Service	An obligation by the County to pay the principal and interest of all bonds according to a pre-determined payment schedule.
Department	A unit of the County government responsible for performing a primary governmental function.
Delinquent Taxes	Taxes unpaid on and after the due date on which a penalty for non-payment is attached.
Encumbrance	The commitment of appropriated funds to purchase an item or service. To encumber funds is to set aside or commit funds for future expenditures.
Enterprise Fund	A fund used to account for activities that are financed and operated in a manner similar to business enterprises and for which a fee for services or the availability of services are charged to completely or partially recover the expenses of the operation. Enterprise Funds typically include water and sewer, and solid waste.
Estimated Revenue	The amount of projected revenue to be collected during the fiscal year. The amount of revenue appropriated is the amount approved by the Board of Commissioners in the Budget Ordinance.
Expenditure	The cost of goods or services received by the County.

Fiscal Year	The time period which indicates the start and finalization for the recording of financial transactions. The Fiscal Year for the County starts on July 1st and ends on June 30th.
Fixed Assets	Assets of a long-term character which are intended to be held or used, such as land, buildings, machinery, furniture, and equipment.
Fund	A fund is a separate fiscal and accounting entity with a separate set of accounting records that governments segregate to carry on a specific activity.
Fund Balance	The cash and investments that remain at the end of the fiscal year that can legally be appropriated to fund expenditures in the upcoming fiscal year. The Local Government Budget Fiscal and Control Act (LGBFCA) limits the amount of fund balance monies which may be appropriated in the next budget year.
GAAP	Generally Accepted Accounting Principals (GAAP) relates to accounting rules and uniform standards for financial reporting representing generally accepted practices and procedures of the accounting profession. G. M P provides a set of minimum standards and guidelines for financial accounting and reporting. Therefore, all GAAP-Basis Financial Statements are reasonably comparable, regardless of the legal jurisdiction or geographic location of the government.
General Fund	A fund established to account for the resources used for the general operation of the County.
General Obligation Bonds	Debt instruments issued by the County backed by the full faith and credit of the issuing government.
Intergovernmental Revenue	Revenue received from another government for a specified purpose.
LGBFCA	The Local government Budget and Fiscal Control Act governs all financial activities of local governments within the State of North Carolina.
Long Term Debt Maturities	Debt with a maturity of more than one year after the date of issuance. The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.
Modified Accrual Accounting	A basis of accounting in which expenditures are accrued and revenues are accounted for on a cash basis. This accounting technique is a combination of cash and accrual accounting since expenditures are immediately incurred as a liability while revenues are not recorded until they are actually received or are measurable and available for expenditure.
Property Taxes (Ad Valorem)	Taxes paid by property owners in the County. These taxes are levied on both real and personal property according to the property's valuation and the tax rate.
Property Tax Rate	The rate at which real and personal property in the County is taxed in order to produce the necessary revenues to conduct vital governmental activities.
Revenue	Income received from a variety of sources and used to finance government or enterprise operations.
Submitted Budget	The budget document made by the County Manager and presented to the Board of Commissioners.
Tax Levy	The total amount of revenue to be raised by property (ad valorem) taxes.