



City of Locust

Post Office Box 190
Locust, North Carolina 28097-0190
(704) 888-5260

SUBJECT: Fiscal Policy

PURPOSE: To establish a fiscal policy to effectively plan, manage, and utilize the resources available to the City of Locust.

STATEMENT OF POLICY: The fiscal policy objectives are to effectively and efficiently, using best management and administrative practices, plan, manage, and utilize the resources available to the City of Locust to preserve and enhance Locust's unique quality of life. This plan addresses the following areas: revenue, operating budget, accounting, debt, and reserve.

A. Revenue.

1. As provided by the North Carolina Local Government Budget and Fiscal Control Act:
 - a. The City shall operate under an annual balanced budget ordinance adopted and administered in accordance with GS 159-8.
 - b. The tax rate shall be set each year based on the cost of providing general government services and demand for new services.
 - c. The estimated rate of tax collection of the tax levy shall not exceed the actual tax collection rate of the preceding fiscal year.
 - d. Other revenue sources are to be estimated based on historical trends, economic trends, and growth patterns in a conservative manner.
2. The City sets fees that will utilize user charges in lieu of Ad Valorem Taxes for services that can be individually identified, and where the costs are directly related to the level of service:
 - a. To the extent possible, the following sewer revenue sources will be sufficient to finance all operating, capital and debt service costs of the sewer enterprise fund: user charges, permit fees, plan review fees, and inspection fees.
 - b. To the extent practical, any general City service which benefits specific recipients, instead of the general public, shall be supported by user fees designed to recover the operating costs associated with these activities.

B. Operating Budget.

1. Current operating revenues will be sufficient to support current operating expenditures.
2. Before April 30 of each fiscal year (or an earlier date fixed by the budget officer), each department head shall transmit to the budget officer the budget requests for their department for the budget year.
3. Upon receipt of the budget requests, the budget officer shall prepare a budget for consideration by the Council in such form and detail as may be prescribed by the budget officer or the Council.
4. The budget, together with a budget message, shall be submitted to the Council not later than June 1 and the budget officer shall file a copy of the budget with the City Clerk where it will remain available for public inspection until the budget ordinance is adopted.
5. Not earlier than 10 days after the day the budget is presented to the Council and not later than July 1, the Council shall adopt a budget ordinance.
6. Prior to adopting the budget ordinance, the Council shall hold a public hearing at which time any persons who wish to be heard on the budget may appear.

C. Accounting.

1. The City will establish and maintain the accounting systems according to the North Carolina Local Government Budget and Fiscal Control Act.
2. An annual audit will be performed by an independent certified public accounting firm which will issue an official opinion on the annual financial statements, with a management letter detailing areas that need improvement, if any.
3. Full disclosure will be provided in the financial statements.
4. Financial systems will be maintained to monitor expenditures and revenues on a monthly basis.
5. The data on the computerized financial accounting system, including utility billing, shall be backed up to an appropriate media on a daily basis.
6. The City will maintain fixed assets accounts as appropriate by funds. The minimum fixed asset capitalization threshold is set at \$5,000.

D. Debt.

1. The City shall not knowingly enter into any contracts creating significant unfunded liabilities.
2. If utilized, general obligation debt of the City will not exceed eight percent (8%) of the assessed valuation of the taxable property of the City.

E. Reserve.

1. The Local Government Budget and Fiscal Control Act states: "Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts at the end of the fiscal year next preceding the budget year."
2. The City will maintain as a minimum a general fund balance, less *restricted funds, to be used for unanticipated emergencies of twenty-five percent (25%) of the General Fund. These funds will be used to avoid cash-flow interruptions, generate interest income, eliminate need for short-term borrowing, and assist in maintaining an investment grade bond rating.
3. The City's Annual Budget Report will include a section which shows the City's ending Fund Balance, and also show this Fund Balance as a percentage of expenditures.
4. In the event the City's targeted minimum Fund balance drops below twenty-five percent (25%), each annual budget ordinance shall address, at a minimum, actions to be taken by Council to increase the fund balance back to twenty-five percent (25%).

* Restricted Funds: Portion of fund balance that is available for appropriation but legally segregated for a specific use (e. g. Powell Bill funds).

EFFECTIVE: Immediately

DATE: (Insert Date) June 8, 2017

APPROVAL:


MAYOR


CITY ADMINISTRATOR

LAST REVISED: 10/24/2016