

*Town of Waxhaw*  
*North Carolina*



**FINANCIAL POLICY  
GUIDELINES**

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# **FINANCIAL POLICY GUIDELINES**

**Town of Waxhaw, North Carolina  
Adopted Financial Policy Guidelines**

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## FINANCIAL POLICY GUIDELINES - OBJECTIVES

This financial policy is a statement of the guidelines and goals that will influence and guide the financial management practice of Town of Waxhaw, North Carolina. A financial policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective financial policy:

- \* Contributes significantly to the Unit'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 Unit rather than single issue areas,
- Promotes the view of linking long-run financial planning with day-to-day operations, and
- Provides the Staff, the Governing Body and citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

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

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## CAPITAL IMPROVEMENT BUDGET POLICIES

### The Town of Waxhaw:

1. will consider all capital improvements in accordance with an adopted Capital Improvement Plan
2. will develop a five-year Capital Improvement Plan and review and update the plan annually.
3. will enact an annual Capital Budget based on the five-year Capital Improvement Plan. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in economic base will be calculated and included in capital budget projections.
4. 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.
5. will use Intergovernmental assistance to finance only those Capital Improvements that are consistent with the Capital Improvement Plan and Town's priorities, and whose operating and maintenance costs have been included in operating budget forecasts.
6. will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
7. will attempt to determine the least costly and most flexible financing method for all new projects.
8. The Capital Improvement Plan will include the estimated costs for the Town to maintain all assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
9. The Capital Improvement Plan will include a projection of the Town's equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.

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## DEBT POLICIES

### General

1. The Town of Waxhaw 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 Town of Waxhaw will take a balanced approach to capital funding utilizing debt financing, Capital Reserves and pay-as-you go funding.
3. When the Town's 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. Target debt ratios will be annually calculated and included in the review of financial trends.

### Tax Supported Debt

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. The ratio of tax-supported debt service expenditures as a percent of total governmental fund expenditures with a minimum of 15% and a maximum of 20% aggregate ten-year tax-supported principal payout ratio of 50%.
6. In the event that the Town anticipates exceeding the policy requirements stated in items 4 and 5 above, Staff may request an exception from the Governing Body stating the reason and length of time.

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## RESERVE POLICIES

1. The Town of Waxhaw will maintain a minimum 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 with a targeted Unassigned Fund Balance equal to 30% of General Fund Expenditures.
2. In the event that funds are available over and beyond the policy amount, those funds may be transferred to capital reserve funds or capital projects funds at the Governing Body's discretion.
3. The Governing Body may, from time-to-time, utilize fund balances that will reduce Unassigned Fund Balance below the 30% minimum for the purposes of a declared fiscal emergency or other such purpose as to protect or enhance the long-term fiscal security of the Town. In such circumstances, the Governing Body 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 Town, then the Governing Body 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 Town's General operations but instead will be used for funding special projects.
3. The Town will pursue an aggressive policy seeking the collection of current and delinquent property taxes, utility, license, permit and other fees due to the Town.
4. Budget amendments will be brought to the Governing Body for consideration as needed.
5. The Governing Body will receive a financial report at least monthly showing year-to-date revenues and expenditures and comparing each amount to the budget as amended.
6. The Town will establish a Contingency line item in the Operating Budget up to 1% of the Estimated Revenues in order to account for unexpected expenditures.

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### CASH MANAGEMENT / INVESTMENT POLICIES

1. It is the intent of the Town of Waxhaw, that public funds shall be invested to the extent possible to reduce the need for property tax revenues. Funds shall be invested with the emphasis on safety and liquidity. Yield shall be a secondary consideration. All deposits and investments of Idle Funds shall be in accordance with NCGS 159.
2. The Town will use Central Depository relationships to maximize the availability and mobility of cash for all funds that can be legally and practically combined.
3. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.
4. Maturity: All investments will mature in no more than sixty (60) months from their purchase date.
5. Custody: All securities will be purchased “payment-verses-delivery” and if certificated will be held by the Finance Officer in the name of the Town. All non-certificated investment will be held in book-entry form in the name of the Town with the Town’s third-party Custodian (Safekeeping Agent).?
6. Authorized Investments: The Finance Director may deposit Idle Funds into: Any Governing Body approved Official Depository if such funds are secured in accordance with NCGS-159 (31). The Finance Director may invest Idle Funds in the North Carolina Capital Management Trust, US Treasury Securities, US Agency Securities specifically authorized in GS-159 and rated no lower than “AAA”, and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.
7. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.
8. Reporting: Not less than twice per year the Finance Director will provide an investment report to the Manager and Governing Body including the interest earned in the past six months and on the current investment portfolio including: type of investment, purchase date, price, par amount, maturity date, coupon rate, and any special features.