

Town of Huntersville

Financial Policies

A. Revenue Policy

1. As provided by the North Carolina Local Budget and Fiscal Control Act, Estimated revenue from the Ad Valorem Tax levy will be budgeted as follows:
 - (a) Assessed valuation shall be estimated based on historical trends and growth patterns in a conservative manner.
 - (b) The estimated rate of collection of the levy shall not exceed the rate of the preceding fiscal year.
 - (c) The tax rate shall be set each year based on the cost of providing general government services.
2. The Town will set fees that will maximize 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, user charge fees for all enterprise activities will be sufficient to financial all operation, capital and debt service costs for said services.
 - (b) Recreational programs will be funded from user charges for all programs for which it is practical to charge. User charges should represent at least 10% of operating costs of the total recreational budget.
 - (c) To the extend practical, any general town service which is of a higher level to or benefits specific recipients shall be supported by user fees designed to recover costs from such recipients.
 - (d) Where user fees are based on cost recovery, said costs shall be reviewed annually and fees adjusted as practicable.
3. The Town will project revenues for five years and will update the projections annually.
4. The Town will estimate revenues as close as possible within the guidelines provided by the North Carolina Local Budget and Fiscal Control Act.

B. Operating Budget Policy

1. Current operating revenues will be sufficient to support current operating expenditures. Fund balance appropriated shall not exceed an amount that management can reasonably expect to save during the year.
2. Debt or bond financing will not be used to finance current expenditures. Fund balance should not be used to fund current year expenditures except as stated above. If appropriating fund balance to balance budget, the amount shall be what can be expected to be saved (i.e. 2-5%) during the year by carefully monitoring expenditures.
3. The Town will prepare a five-year operating budget projection which will include projections of annual growth plus allowances for operating costs of new capital facilities.
4. The Town will maintain a minimum street and sidewalk reserve fund equivalent to 1.5 times the prior year's Powell Bill distribution to provide for upgrading the Town's street, sidewalk, and storm drainage systems.

5. The Town's support of non-profit corporations and similar entities is outlined in a separate Resolution Adopting Policies and Guidelines for Appropriating Funds for Groups and Organizations Carrying Out Public Purposes.
6. It is the Town's policy that all general fund balance (excluding the Hotel-Prepared Food Fund, Powell Bill Fund and Stormwater Fund, which are restricted for specific purposes) exceeding 45% of the current year original budget appropriation shall be earmarked for capital reserve purposes.
7. The capital reserve may be utilized for pay-as-you go projects that are not funded through the issuance of bonds or may be used for debt service for bond projects.
8. It is the Town's policy not to fund ongoing operating expenses with one-time revenues or highly volatile revenues.

C. Capital Improvement Policy

1. The Town will update and readopt annually a five-year capital improvement program which details each capital project, the estimated cost, description and funding source.
2. The capital improvements plan should be tied to the Town's Strategic Plan, Parks and Recreation Master Plan and other planning documents to ensure that the capital items requested meet the future growth needs for the Town.
3. Operating expenditures will be used to maintain the operating costs of the Capital Improvements Program and provide all salaries, operating costs, and small capital outlay required.

D. Accounting Policy

1. The Town will establish and maintain the accounting systems according to the North Carolina Local Budget and Fiscal Control Act.
2. An annual audit will be performed by an independent public accounting firm which will issue an official opinion on the annual financial statements, with a management letter detailing areas that need improvement if needed.
3. Full disclosure will be provided in the financial statements and bond representations.
4. Financial systems will be maintained to monitor expenditures and revenues on a monthly basis.
5. All revenue collections will be consolidated under the Finance Director and be audited at least annually.

E. Debt Policy

1. Capital projects financed through the issuance of bonds shall be financed for a period not to exceed 1.2 times the expected useful life of the project.
2. The tax-supported debt of the Town of Huntersville will not exceed 2% of the assessed valuation of the taxable property of the Town.
3. Total debt service on tax-supported debt of the Town will not exceed 15% of total general government operating revenue.
4. Interest, operating, and/or maintenance expenses will be capitalized only for facilities of enterprise activities and will be strictly limited to those expenses incurred prior to actual

operation of the facilities. Capitalized interest will be utilized only for enterprise projects that rely on revenue to support debt.

5. The Town will maintain its financial conditions so as to maintain investment grade bond ratings.
6. The Town's debt policy will be comprehensive and the Town will not knowingly enter into any contracts creating significant unfunded liabilities.
7. When considering new debt issuance, the Town will maintain a minimum 10 year payout ratio of 55% on all tax-supported debt.
8. Any proposed debt issues that would result in exceeding debt policy provisions #2, #3, and #7 above, will be acknowledged and a plan of corrective action with length of time of exception will be addressed.

F. Reserve Policy

1. The Town will maintain an unallocated fund balance to be used for unanticipated emergencies of 45% of the general operating budget (as defined previously and excluding capital outlay). 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 and for use in the case of unanticipated emergencies.

G. A separate Cash and Investment Policy is attached.