

Purpose

This financial policy will influence and guide the financial management practice of the County of Yadkin. A financial policy that is adopted, adhered to and regularly reviewed is recognized as the cornerstone of sound financial management.

An effective fiscal policy:

- Contributes to the County's ability to insulate itself from financial 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-term financial planning with day-to-day operations, and
- Provides the County staff, Board of Commissioners and citizens a framework for measuring the financial impact of government services against established parameters and guidelines.

This policy will be reviewed annually by County staff with any changes to be approved by the Board of Commissioners.

Capital Improvement Budget Policies

1. It is the responsibility of the Board of Commissioners to provide for the capital facilities necessary to deliver governmental services to Yadkin County citizens, as well as facilities for the Yadkin County Public Schools.
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), replacement (vehicles and heavy equipment) and major capital projects (new construction).
4. The County will develop a ten-year Capital Improvement Plan and update the plan annually. The Yadkin County Public Schools will submit its ten -year capital improvement requests annually and will provide a prioritization for the improvements within its request for the County Commissioners' review.
5. The County will enact an annual capital budget based on the ten-year Capital Improvement Plan, while considering changes in population, changes in real estate development or changes in the assumptions in the capital budget projection.
6. The County in consultation with the Yadkin County Public Schools 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 the operating budget forecasts.
7. The Capital Improvement Plan will include the estimated costs for the County to maintain all County and Public Schools 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.

8. The County, in consultation with the Yadkin County Public Schools will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
9. The County will adopt the most cost effective financing consistent with prudent financial management.

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 and pay-as-you-go funding that will provide the least financial impact on the taxpayer. Pay-as-you-go funding will come from budgeted appropriations.
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. Target debt ratios will be annually calculated and included in the review of financial trends.
4. Net debt as a percentage of estimated market value of taxable property shall not exceed **2.0%**. Net debt is defined as any and all debt that is tax supported.
5. Should the ratio of debt service expenditures as a percent of total governmental fund expenditures exceed **15.0%**, staff must request an exception from the Board of Commissioners stating the reason and the length of time.
6. Payout of aggregate outstanding tax-supported debt principal shall be no less than **55.0%** repaid in 10 years.

(Excludes Enterprise Funds which are considered self-sustaining)

Reserve Policies

1. Unrestricted, Unassigned Fund Balances shall mean funds that remain available for appropriation by the Board of Commissioners after all commitments for future expenditures, required reserves by State statutes and previous Commissioner assignments have been calculated. The County will define these remaining amounts as "available fund balances."
2. Available fund balances at the close of each fiscal year should be **at least 15 %** of the Total Operating Budget of the County with a **Targeted Policy equal to 20 %**.
3. The County Board of Commissioners may, from time-to-time, appropriate fund balances that will reduce available fund balance below the **20.0%** policy for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of Yadkin County. In such circumstances, after available fund balances have been calculated as part of closing-out a fiscal year, the Board will adopt a plan as part of the following year's budget process to restore the available fund balance to the policy level within 36 months from the date of the budget adoption. 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.

4. The Board of Commissioners may take formal action at any open meeting to establish, modify or rescind a fund balance commitment. Committed fund balances do not lapse at the end of the fiscal year. The Board may take informal action to authorize a portion of fund balance for a particular purpose or program and designates similar authority to the County Manager. Assigned fund balances lapse at the end of the fiscal year unless these assignments are extended.

Budget Development Policies

1. The County Budget Process begins with a Board of Commissioners' Retreat to be held as determined by the Board.
2. The Budget Process will be compliant with the North Carolina Local Government Budget and Fiscal Control Act.
3. One-time or other special revenues will not be used to finance continuing County operations, but instead will be used for funding special projects.
4. The County will pursue an aggressive policy seeking the collection of current and delinquent property taxes and other fees due to the County.
5. The County has a revenue spending policy for programs and activities with multiple revenue sources. The Finance Officer will use resources in the following hierarchy for continuing County operations: federal funds, state funds, bond and/or installment contract proceeds, local non-county funds, county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer and County Manager have the authority to deviate from this policy where it is in the best interest of the County; however any deviations will be reported to the Board no later than the next scheduled meeting.

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 NCGS 159.
2. The Finance Officer will establish a Cash Management Program that maximizes the amount of cash available for investment. The Program shall address at a minimum: Accounts Receivable, Accounts Payable, Receipts, Disbursements, Payroll and Debt Service Payments.
3. Up to one-half (50%) of the appropriations to Non-County Agencies and to non-debt-supports 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.
4. 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.
5. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.
6. Maturity: All investments will mature in no more than thirty-six (36) months from their purchase date.

7. 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).
8. Authorized Investments: The County may deposit County Funds into any Board approved Central 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 Fund, US Treasury Securities, US Agency Securities specifically authorized in NCGS 159 and rated no lower than “AAA” and Commercial Paper meeting the requirements of NCGS 159 plus having a national bond rating.
9. Diversifications: 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 25% of the County’s investments may be invested in any one US Agency’s Securities.
10. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Officer. The County will maintain segregated accounts with the North Carolina Capital Management Trust for each of the fund types.

Enterprise Funds

The county maintains Enterprise Funds (primarily water and sewer, and solid waste) that are considered self-sustaining. The Enterprise Funds will adhere to the County’s Fiscal Policy with any exceptions being reported in this section.

- These policies will allow for orderly expansion of services and to allow operation within the financial framework insuring efficiency while providing necessary services.
- They promote long-term financial stability.
- They insure future viability by guaranteeing rates that maintain constant in conjunction with inflation.

Budget Policies:

1. Enterprise Funds will develop a ten year capital improvement plan, which will be reviewed and updated annually.
2. Any improvements required to meet new regulatory requirements or to meet changes in the service demands will be included in the annual budget request.
3. Service rates will be reviewed annually as part of the budget process.
4. Service rates will be adjusted as necessary due to debt service obligations.

Adopted by the Board of Commissioners on March 7, 2016.

Chairman of the Board