



## **Debt Policy**

In accordance with N.C.G.S. 159-55, the City's bounded indebtedness will not exceed eight (8) percent of the assessed valuation of the taxable property of the City. The term of any City debt issue shall not exceed the useful life of the asset for which the debt is issued. A financial analysis will accompany the CIP to illustrate the City's capacity to repay debt and identify the effects on financial indicators. The City will seek to maintain financial indicators within an acceptable level as compared to peer cities and will strive to maintain a net debt service ratio close to ten (10) percent. To reduce the amount debt incurred, the City will attempt to use pay-as-go financing when possible, particularly for capital assets with costs less than \$75,000.

## **Fund Balance Policy**

It is necessary for the City to maintain undesignated available fund balance reserves and retained earnings to provide appropriate cash flow for operation of city services, to address emergencies and unexpected opportunities, to increase the potential for investment income, and to enhance the city's credit rating to provide the city the ability to borrow at the lowest possible interest rate.

*General Fund.* The NC Local Government Commission (LGC) is charged with overseeing the fiscal health of cities and counties and recommends a minimum undesignated available fund balance reserve of no less than eight percent (8%) of expenditures. All revenue in excess of expenditures realized at the end of any given fiscal year will be credited to unassigned fund balance until a minimum goal of thirty percent (38%) is realized. The City will adjust this minimum as appropriate based upon recommendation from the LGC and the current financial outlook. Once the thirty percent (38%) goal is realized, all revenue in excess of expenditures realized at the end of any given fiscal year may be assigned as capital reserves.

*Water & Sewer Fund.* All revenue in excess of expenditures realized at the end of any given fiscal year will be credited to unassigned retained earnings until a minimum goal of fifty percent (50%) is realized. The City will adjust this minimum as appropriate based upon recommendation from the LGC and the current financial outlook. Once the fifty percent (50%) goal is realized, all revenue in excess of expenditures realized at the end of any given fiscal year may be assigned to the capital reserves.

The City Manager is charged to annually monitor and report to City Council during the preparation of the annual operating budget regarding the status of available fund balance/retained earnings and compliance with the stated thirty percent (38%) and fifty (50%) goals.

## **Investment Policy**

Investment earnings are the interest collected on the City's idle cash. The criteria for selecting an investment will include safety, liquidity, and yield. The City only invests idle cash in accordance with N.C.G.S. 159-30, which is part of the Local Government Budget and Fiscal Control Act. Typical investments for the City include CDs and interest bearing accounts.