

Town of Pine Knoll Shores

Financial Policy

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. Any forecasted 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 collection rate of the preceding fiscal year.
 - c. The General Fund tax rate shall be set each year based on the cost of providing general government services.
 - d. The Beach Fund tax rate will be set each year based upon the forecasted timeline and dollar requirement for PKS beach erosion control and flood and hurricane protection. See Section G.
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 water company enterprise activities will be sufficient to finance all operating, capital and debt service costs for said services.
 - b. To the greatest extent possible, Subdivision Plan review activities will be funded through user charges in the form of plan review fees.
 - c. To the extent practical, any general town service provided by any town department 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 two years and will update the projections annually as part of the yearly budget cycle.
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. Expense Policy

1. As provided in the North Carolina Local Budget and Fiscal Control Act, no expenditures are authorized beyond those provided in the annual budget ordinance.
2. Expenditures are budgeted for at the department level. Budget violations occur when the entire department has exceeded its annual budget.
3. Expenditures related to the Town's Capital Improvement Plan shall be introduced to the Board of Commissioners prior to March 1st of each fiscal year.
 - a. All planned capital expense above \$3,500 shall be included in the Capital Improvement Plan adopted as part of the annual budget ordinance.
 - b. All planned expenses below the \$3,500 threshold described above, which the Town Manager determines to be discretionary in nature, shall be presented to the Board of commissioners as part of the annual budget planning process.
4. As part of the annual budget planning process, Department Heads will meet with the Town Manager and Finance Director to present previous fiscal year expenditures, current year estimated expenditures, and requested expenditures for the upcoming fiscal year.
5. Requested Department expenses for all funds shall be briefed to the Board of Commissioners annually during the budget planning process.
6. When proposed expenditures exceed forecasted revenue amounts, the shortfall will initially be provided to the Board of Commissioners during the annual budget planning process then subsequently adjusted to ensure that the overall annual budget ordinance is balanced. The Board of Commissioners will be presented with options to solve the shortfall.
7. The Board of Commissioners will be advised of all unplanned expenses above \$4,000 over the course of the fiscal year. Board-approved budget amendments detailing the funding source will be made for any unplanned expenses not otherwise absorbable in the annual budget.

C. Wage & Compensation Policy

1. The Town relies on the same labor pool as the County and neighboring towns, therefore its pay plan must remain competitive to recruit and retain a qualified and dedicated workforce. To accomplish this, the Town establishes the following market-based wage policy:
 - a. A pay study shall be conducted every three years which compares the pay scales and actual pays for Pine Knoll Shores employees/positions compared to the same or similar job responsibilities in competing agencies (Atlantic Beach, Emerald Isle, Morehead City, and Beaufort being the top area competitors for our workforce). This pay study may be conducted internally or by an outside firm.
 - b. The pay plan for a standard employee of each job classification shall consider the midpoint of the pay plans for the same job responsibilities in competing agencies.
 - c. Individual salaries may be adjusted above or below that midpoint for an employee's experience, certifications, years of service, and other distinctions.
 - d. Cost of Living Adjustments (COLA) to the Town's pay plan may be made annually utilizing the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W for the Mid-Atlantic, not seasonally adjusted) twelve months' percentage change as of each December. The pay plan will not be adjusted by a negative COLA.
 - e. The same index from c. above may be used as a guide for the COLA applied to employee salaries during the budget process with an effective date of the new fiscal year.
 - f. COLA adjustments are mutually exclusive of, and not to be confused with, merit increases or market-based wage adjustments proposed during the budget process.
 - g. Annual longevity bonuses, as determined by the Town Manager, are included in the salary estimates provided to the Board of Commissioners during budget discussions.
2. It is also the Town's policy to offer a highly competitive benefit package to recruit and retain its full-time workforce. This package includes:
 - a. *Health Insurance* – Employer paid health insurance consisting of a top-tiered medical plan. This health insurance is also available to the dependents of employees at the employee's personal expense through payroll deduction.
 - b. *Health Insurance Opt-Out* – For those employees with proven health insurance coverage from another source (Military,

- Spouse's Employer, etc.), the Town offers an opt-out program where the employee and the Town share the cost savings equally.
- c. *Dental & Vision Insurance* – Employer paid dental and vision insurance. These insurances are also available to the spouses and children of employees at the employee's personal expense through payroll deduction.
 - d. *Life and AD&D Insurance* – Employer paid life, accidental death and dismemberment insurance (\$15,000 of coverage per plan).
 - e. *Supplemental Insurance* – A number of supplemental insurance plans (cancer, disability, life, etc.) are available at the employee's personal expense through payroll deduction.
 - f. *State Retirement Plan* – The Town participates in the Local Government Employees Retirement System pension plan which is administered by the State. The Town contributes a percentage of employees' salaries as mandated by the State each year. Employees are required to contribute 6% of their gross income into the retirement plan as well.
 - g. *Prudential 401K Plan* – North Carolina State Statute requires the Town to contribute 5% to all full-time Law Enforcement Officers' 401K plans. Employee contribution is completely voluntary. It is the Town's policy that this benefit is further extended to all full-time employees.
 - h. *Prudential 457B Plan* – A Prudential 457B Plan is available
 - i. *Paid Holidays* – The Town has twelve paid holidays each year.
 - j. *Annual Leave* – Annual leave is accrued each payroll period based on the employee's standard shift schedule and years of service. There is a maximum accumulation limit with the excess transferred to the employee's sick leave at the end of each calendar year.
 - k. *Sick Leave* – Sick leave is accrued each payroll period based on the employee's standard shift schedule. Sick leave is cumulative with no maximum limit.
 - l. *Tuition Reimbursement* – Eligible tuition and fees are reimbursable up to a limit of \$1,000 per semester or quarter with an annual limit of \$3,000 per employee. The maximum total tuition reimbursement is \$12,000 per employee. Eligible expenses, employment, and grade requirements are defined in the Employee Handbook.
 - m. *Health Membership* – Use of the Morehead City Sports Center is free to employees and family members can receive a discounted membership.
 - n. *Uniforms* – Employees required to wear a uniform are provided their uniforms at the cost of the Town.

- o. *Bereavement Leave* – Three paid days of bereavement leave are allowed per occurrence in the death of an immediate family member.
- p. *Take Home Vehicles* – Law Enforcement Officers who hold a General Certificate or have been employed with the Town for at least a year may commute to/from Town in their patrol vehicle with the maximum distance limit being 15 miles from the Town or to the County limits.

D. Operating Budget Policy

1. General operating revenues will be sufficient to support general operating expenditures.
2. Per State Statute, debt or long-term financing will not be used to finance general operating expenditures.
3. The Town will prepare a two-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 street/road reserve fund to provide for upgrading the Town's streets. Additionally, Powell Bill revenues will be available for this purpose.
5. It is the Town's policy that any balance from a General Fund budget cycle will be put into a Reserve Fund. See item F. for the General Fund Reserve Policy.
6. It is the Town's policy that any balance from a Water Enterprise Company budget cycle will be put into a Water Enterprise Reserve Fund or/and be utilized to pay down the Water Enterprise Company debt.

E. Capital Improvement Plan Policy

1. The Town will update and readopt annually a five-year Capital Improvement Plan (CIP) which details each capital project, the estimated cost, description and potential funding source.
2. The CIP should be tied to the Town's Strategic Plan, Land Use Master Plan and other planning documents to ensure that the capital items requested meet the future growth needs of the Town.
3. Operating expenditures will be used to maintain the items of the CIP and provide all salaries, operating costs, and smaller assets.

F. 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 to the Board of Commissioners and the State an official opinion on the annual financial statements, with a management letter detailing areas that need improvement if required. As is required by law, the Town will provide corrective action steps to the State Treasurer's Office. These corrective action steps are also published in the annual audit report.
3. Full disclosure of any compliance or stewardship violations will be provided in the financial statements and bond representations.
4. Financial systems will be maintained to monitor expenditures and revenues on a regular basis and report made to the Board of Commissioners on a monthly basis. Major shifts in expenses or revenues shall be reported to the Board of Commissioners finance committee for review and comment.
5. All revenue collections will be consolidated under the Finance Director.
6. The Town Cash Management Plan, which is attached to the Town Financial Policy, provides direction to the Town staff on the daily management of the financial affairs of the Town. This, along with the Town Financial Policy, is to be reviewed periodically by the Board of Commissioners Finance Committee. This committee will report requested changes to the Board of Commissioners for approval.

G. Debt Policy

1. Capital projects approved by the Board of Commissioners and 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 Town is subject to the Municipal Finance Law of North Carolina which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the Town may have outstanding to 8 percent of the appraised value of property subject to taxation. It is the policy of the Town of Pine Knoll Shores that this net bonded debt will strive not to exceed 2% of the appraised value of property subject to taxation.
3. Total General Fund debt service on tax-supported debt of the Town will strive not to 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 condition so as to maintain investment grade bond ratings.

H. General Fund Reserve Policy

1. The Town desires to maintain a General Fund Reserve (Designated and Undesignated) total fund balance of 50% of the general operating budget. As the Town has proper insurance coverage to provide needed financial backup, this level appears to be adequate. It will be reviewed as part of the yearly budget.

This total shall be defined as the sum of those Reserve funds that are Designated and Undesignated, excluding those monies that are restricted (Statute, Powell Bill) or non-expendable (inventories, pre-paid items). These Reserve funds will be used to avoid cash-flow interruptions, generate interest income, eliminate need for short-term borrowing, assist in maintaining an investment-grade bond rating and for use in the case of unanticipated emergencies and/or capital expenditures.

2. The monies in the Designated Reserve are “earmarked” for particular long-term purposes. These potential expense categories will be reviewed annually during budget planning. See Attachment A.
3. The monies in the Undesignated Reserve are not “earmarked” for any particular purposes.
4. After the budget year ends and the Audit determines any balance above the expenditures: it will be decided, after the close of the fiscal year, by Board of Commissioners vote as to how the balance is to be distributed into the Designated Reserve, by category, and Undesignated Reserve funds.

I. Beach Fund Reserve Policy

1. The Town has established two Beach Tax districts to generate funds for beach erosion control and flood and hurricane protection. The tax rate for these districts will be set, yearly during the annual budget preparation, considering likely Beach Nourishment requirements per the Town and County Inter-Local Agreement and Master Beach Plan and, if so decided by the Board of Commissioners, Dune Stabilization.
2. In addition to the taxes collected by the Beach Tax there will also be Sales and Use Tax monies generated by the Beach Tax collected. This amount or a portion of it yearly, will be utilized to pay for Beach Expenses other than Nourishment. These are Beach related payments for

Access Leases, Property Loans, and Maintenance.

3. The Beach Fund monies will reside in one or more of the following funds:
 - i. Beach Capital Reserve Fund (permanent fund for the purpose of saving for and funding the Town's share of the Master Nourishment Plan and other associated beach expenses as prescribed in the April 2011 *Resolution for the Establishment and Maintenance of the Beach Capital Reserve Fund and the Beach Expense Reserve Fund*. See Attachment B).
 - ii. Beach Expense Reserve Fund (permanent fund for the purpose of annual operating of the public beach accesses and other associated beach expenses as prescribed in the April 2011 *Resolution for the Establishment and Maintenance of the Beach Capital Reserve Fund and the Beach Expense Reserve Fund*. See Attachment B).
 - iii. Capital Project Fund for Beach Renourishment (a temporary fund established for the financing of a Beach Renourishment Capital Project which normally spans more than one fiscal year.)
4. Sources and appropriations of funds for the Beach Capital Reserve Fund and the Beach Expense Reserve Fund will comply with the April 2011 *Resolution for the Establishment and Maintenance of the Beach Capital Reserve Fund and the Beach Expense Reserve Fund*. See Attachment B.
5. Any monies left over at year end in the Beach Expense Reserve Fund in excess of that amount to be required in the next year's budget, will be transferred to the Beach Capital Reserve Fund.

J. Water Enterprise Fund Reserve Policy

1. The Town desires to maintain a Water Enterprise Fund total fund balance reserve (Designated and Undesignated) of 60% of the Water Enterprise Fund's annual operating budget. As the Town has proper insurance coverage to provide needed financial backup, this level appears to be adequate. It will be reviewed as part of the annual budget process.

This total shall be defined as the sum of those Reserve funds that are Designated and Undesignated, excluding those monies that are non-expendable (inventories, pre-paid items, etc.). These Reserve funds will be used to avoid cash-flow interruptions, generate interest income, eliminate need for short-term borrowing, assist in maintaining an investment-grade bond rating and for use in the case of unanticipated emergencies and/or capital expenditures.

2. The monies in the Designated Reserve are "earmarked" for particular long-term purposes. These potential expense categories will be reviewed annually during

budget planning. See Attachment A.

3. The monies in the Undesignated Reserve are not “earmarked” for any specific purposes.
4. After the budget year ends and the Audit determines any balance above the expenditures: it will be decided, after the close of the fiscal year, by Board of Commissioners vote as to how the balance is to be distributed into the Designated Reserves, by category, and Undesignated Reserve funds.

ATTACHMENT A

GENERAL FUND:	
Designated Reserve Category	Description and/or Historical Use of Funds
STORM EMERGENCY RESERVE	A designated reserve for either named or unnamed storm emergency expenses. Created in 2008 and funded by Water Fund's reimbursement of legal fees (\$440K) related to Water Co purchase.
BUILDING RESERVE	A designated reserve for scheduled capital improvements to public buildings. Historical use of funds include: Wachovia building downpayment, Town Hall renovations, Iron Steamer property, PSB roof & HVAC, etc.
FIRE VEHICLE RESERVE	A designated reserve for Capital Improvement Plan items such as ladder truck and fire engine purchases.
EMS VEHICLE RESERVE	A designated reserve for Capital Improvement Plan items such as ambulance purchases.
STREET RESERVE	A designated reserve, in addition to Powell Bill funds, for Capital Improvement Plan street repair and paving projects.
KEY EMPLOYEE RESERVE	A designated reserve for salary and replacement costs in the event of a key employee's extended absence.
UNEMPLOYMENT BENEFITS RESERVE	A designated reserve for unemployment benefits expenses. The Town maintains a balance at the Employment Security Commission and reimburses that on a "pay-as-you-go" basis.
WATER ENTERPRISE FUND:	
EMERGENCY RESERVE	A designated reserve for unanticipated emergency expenses.
CAPITAL EQUIPMENT RESERVE	A designated reserve for Capital Improvement Plan items such as automated meter reading equipment.

ATTACHMENT B

RESOLUTION BY THE PINE KNOLL SHORES BOARD OF COMMISSIONERS FOR THE ESTABLISHMENT AND MAINTENANCE OF THE BEACH CAPITAL RESERVE FUND AND BEACH EXPENSE RESERVE FUND

WHEREAS, there is a need in the Town of Pine Knoll Shores to fund its share of a long term Master Nourishment Plan and other associated beach expenses; and

WHEREAS, the Town has established two special municipal service tax districts in accordance with North Carolina General Statute 160A-536(A)(1) for beach erosion control and flood and hurricane protection works; and

WHEREAS, the Town receives sales & use tax proceeds associated with this additional tax levy; and

WHEREAS, the Town will bear the cost, in whole or in part, of beach-related capital expenditures and maintenance expenses.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Town of Pine Knoll Shores that:

Section 1. The Board of Commissioners creates a Capital Reserve Fund for the purpose of saving for and funding its share of the Master Nourishment Plan and other associated beach expenses. This fund will be named "Beach Capital Reserve Fund".

Section 2. The Board of Commissioners continues to maintain and operate its Beach Maintenance Reserve Fund, but hereby renames the fund "Beach Expense Reserve Fund".

Section 3. Funding sources include special service district beach tax revenues, sales & use tax revenues (attributable to the beach tax), beach access parking fees and investment earnings. The "Beach Capital Reserve Fund" will have start-up funds from residuals of the former sand tax, a U.S. Army Corps of Engineers refund, and investment earnings. The "Beach Expense Reserve Fund" will also have start-up funds from residuals of sales & use tax revenues (attributable to the former sand tax) and investment earnings.

Section 4. Allowable withdrawals from the "Beach Capital Reserve Fund" are transfers to the "Beach Expense Reserve Fund" or a Capital Project Fund for:

1. Local share of planned beach nourishment;
2. Emergency beach nourishment;
3. Property purchases, loan and lease payments for beach accesses and associated parking; and
4. Dune stabilization & vegetation

Section 5. Allowable appropriations from the "Beach Expense Reserve Fund" include all expenses referenced in Section 4 above, annual beach maintenance expenses to include signage, building supplies, landscaping, toilet facilities, engineering, legal costs, wages for trash collection and physical maintenance of the public beach accesses by the Public Services Department, and a transfer to the "Beach Capital Reserve Fund" of unused reserves less 115% of the previous fiscal year's beach maintenance expense at the end of the fiscal year.

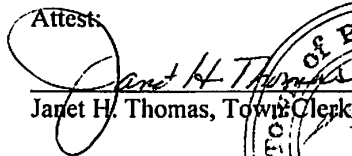
Section 6. This resolution shall become effective upon the adoption of FY 11-12 budget ordinance. The Governing Board may adopt from time to time such rules for use of the accumulated funds as may be necessary and prudent in compliance with applicable law and the intent of this resolution; however, in no case shall the funds accumulated in the "Beach Capital Reserve Fund" be used for any activity other than those defined as capital expenditures nor shall the proceeds from the special service district tax be used for any activity other than qualifying expenditures under the North Carolina General Statute for special municipal service tax districts for "beach erosion control and flood and hurricane protection works."

Section 7. Funds contained in the "Beach Capital Reserve Fund" and the "Beach Expense Reserve Fund" held by the Town shall be audited on an annual basis as are other funds held by the Town.

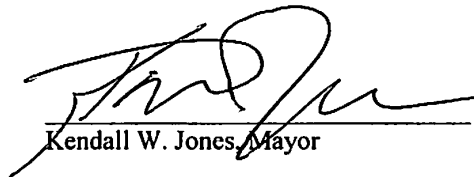
Upon motion of Commissioner Danehy and seconded by Commissioner Halada, said resolution was carried with a vote of 5 in favor, 0 against, and 0 absent.

Adopted this 29th day of April, 2011.

Attest:


Janet H. Thomas, Town Clerk




Kendall W. Jones, Mayor

CASH MANAGEMENT PLAN

This Cash Management Plan ("Plan") is established pursuant to the Town of Pine Knoll Shores Cash Management Policy as adopted by the Board of Commissioners ("Board") which requires such a Plan be developed. The objectives of the Plan are to (a.) assure the adequate investment of idle funds, thus generating greater amounts of non-tax revenue through increased investment earnings, (b.) simultaneously provide adequate safety and liquidity of the Town's monies and other investment assets, and (c.) provide continuity for elected officials and town employees as to the procedures to be followed regarding the finances of the Town. This Plan addresses the following areas: cash receipts, cash disbursements, cash mobilization, management of deposits/investments, banking relations and monitoring, reporting under the Plan.

Under the Plan, the Town Manager of Pine Knoll Shores ("Town Manager") will maintain internal controls which are designed to prevent losses of Town's monies arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, changes in state/federal reimbursements, or imprudent actions by employees and officials of the Town. While duties set forth in the Plan for certain employees in the Town's administrative staff who report to Town Manager are of priority to those employees, it remains the Town's administrative policy that each administrative staff employee understand the tasks required by the Town of fellow administrative employees and be cross-trained and able to assist in implementing those tasks except where such assisting would interfere with timely performance of duties hereunder related to Town monies and other investments.

In performance of the Plan, Town Assistant Finance Officer and/or Deputy Finance Officer may act as the Town Finance Officer (Finance Officer) when Finance Officer is not available but will advise Finance Officer of such action promptly upon the re-availability of Finance Officer.

In addition to this Cash Management Plan, all provisions of other Fund Resolutions (i.e., Beach Capital Reserve Fund Resolution, Mutual Aid Agreements, etc.) will be followed accordingly.

CASH RECEIPTS

1. Deposits:

Finance Officer, under guidance of Town Manager, has implemented a Town Central Depository consisting of the Town cash box and vault in Town Administrative Offices to hold monies and other valuable documents of the Town, which are not in an "Official Depository".

One or more of the Official Depositories of the Town may be designated a primary institution for receiving the Town's routine deposits of funds and for making Town payments, all as involved in the Town's day-to-day operations. The relationship at the primary Official Depository will be a cash concentration account. The cash concentration account will be in the form of an interest-bearing checking account.

It is the intention of this Plan that all cash receipts of the Town received by any Town employee, official or volunteer, will as soon as possible, be placed in the Town's Central Depository or in an Official Depository.

Deposits are to be made in an Official Depository whenever receipts on hand in the Central Depository amount to \$250 or more (without regard to the amount held at the Town Hall for petty cash and change purposes as required in the Cash Mobilization Section of this Plan). The Finance Officer will be notified at or before 4:00 P.M. each day of deposits to be made that day. The daily deposit will be brought to the Official Depository after 4 p.m. or by the depository's close of business for that day. In any event, any receipts on hand on the last business day of a month are to be deposited before the Depository's daily cut off so that the deposits will be credited for that day.

Checks are to be stamped "FOR DEPOSIT ONLY" upon receipt and before being placed in the cash box. Checks issued for an incorrect amount (overpayment or underpayment) should be deposited promptly (unless erroneously marked "Payment in Full" or the equivalent and such should be brought to the attention of Finance Officer for further instructions) and any necessary adjustments made after notification to payer. Prompt action will be undertaken to collect cash for checks received and deposited which are returned to

Finance Officer due to insufficient funds. A fee will be charged for any returned check or autodraft due to insufficient funds. (See the Town's Fee Schedule for details).

Deposits of tax collections in an Official Depository are made by the Tax Collector of Pine Knoll Shores ("Tax Collector") or other qualified designated employee. Tax receipts will be signed using the name of Tax Collector in the appropriate blank along with the name of the person receiving the collection. Indications should be made on the tax receipt showing check number and name of payer if different from name on the tax receipt. A monthly report is made to the Board of the total collected and uncollected taxes (included in monthly Financial Dashboard).

Fees for privilege licenses will be placed in the cash box and duplicates of the licenses placed in the appropriate file in the Town Central Depository.

Pine Knoll Shores' Director of Planning and Inspections or the Administrative Assistant will issue receipts for building permit and CAMA permit fees, collect the fees and deposit them with the Finance Officer prior to the end of the working day.

All monies received from the State will be received through STEPS or the Governmental Monies Transfer System (GMTS), where applicable. For those monies that are received from State agencies utilizing the STEPS or GMTS systems of electronic fund transfers, Finance Officer will establish and utilize accounts with the North Carolina Capital Management Trust (NCCMT).

Finance Officer will execute the appropriate authorization forms to permit the electronic fund transfers through the STEPS and GMTS programs.

Relative to tax proceeds collected, Tax Collector has authority, and relative to other Town claims the Finance Officer has authority, to make releases and refunds of less than \$5.00, and a report of such refunds or releases is to be made on a monthly basis to Board.

For high-volume periods during the year, Town Manager will make personnel reassignments, if necessary, to assure that deposits are made promptly.

2. Billing and Collecting:

(a.) Real Property Tax Levy and Collection

July – As required by GS 105-373, after July 1 and before being charged with taxes for the current fiscal year, the Tax Collector shall make full settlement with the Board for all taxes remaining in his/her hands for collection for the preceding fiscal year(s). This settlement will also include an insolvent list when it is apparent to the Tax Collector that such taxes are uncollectible through all means short of foreclosure. The Board will vote on foreclosure measures of the insolvent list. The settlement, together with the action of the Board with respect to the insolvent list, shall be entered in full into the minutes of the Board.

August – Tax Collector is charged with the collection of the taxes for the current fiscal year. Tax billing occurs as soon as reasonably possible following the receipt of and conversion of real and personal property values information from the Carteret County Tax Office early in the fiscal year.

September – Taxes are due and payable on September 1 of the fiscal year for which the taxes are levied.

January – Taxes are payable at face amount if paid before January 6 following the due date. Taxes paid on or after January 6 following the due date are subject to interest charges as outlined in GS 105-360(a). For the purposes of computing interest, tax payments submitted by mail shall be deemed to be received as of the date shown on the postmark affixed by the United States Postal Service. Second notices are sent to delinquent taxpayers in late January.

February – At the regular monthly Board meeting, a list of delinquent taxpayers is provided to the Board at which time the Board sets a date for advertisement of tax liens on real property. The Tax

Collector sends written notice of tax liens and of advertisement of such liens to both the listing and the record owners of the affected property at least 30 days prior to the date of publication.

March – The Tax Collector will advertise the updated list of delinquent taxpayers for the current year in the local newspaper on the date previously specified by the Board. Within the two weeks following advertisement, the Tax Collector will send additional notices as well as make personal phone calls to delinquent taxpayers.

April – By the 15th of the month, the Town Manager will issue letters to delinquent taxpayers who have ignored all collection attempts made by the Tax Collector.

May – By the 15th of the month, any unpaid taxpayer account without an active promissory note is sent to NC Debt Setoff and Interstate Collection Agency. Additionally, these same unpaid taxpayers will receive a letter from the Town Attorney notifying them that their property will be considered for foreclosure at the July Board of Commissioner's meeting or anytime thereafter.

June – By the 15th of the month, any unpaid taxpayer account in default of a promissory note is sent to NC Debt Setoff and Interstate Collection Agency. Additionally, these same unpaid taxpayers will receive a letter from the Town Attorney notifying them that their property will be considered for foreclosure at the July Board of Commissioner's meeting or anytime thereafter.

The Tax Collector, under the direction of the Finance Director, has the authority to initiate legal remedies of collection at any time. These collection remedies include, but are not limited to: garnishment of wages, bank accounts, rents, and debt setoff of tax returns/lottery winnings. Foreclosure measures will be recommended to the Board by the Town Manager and voted upon at the regular monthly meeting in July or anytime thereafter.

Credit card payments for taxes are accepted through www.officialpayments.com. Convenience fees for this service are determined by www.officialpayments.com and are not controlled by the Town. All interest on delinquent taxes still applies.

The Tax Collector's Office will accept partial payments and payment plans via a promissory note. The Finance Director will approve payment plans which satisfy the tax obligation by the end of the current fiscal year. The Town Manager must provide approval for payment plans which extend beyond the end of the current fiscal year. Interest will continue to accrue during the term of the promissory note and any breach of the payment arrangements may lead to further legal action.

(b.) Tax on Tangible Personal Property

Tax Collector will begin attachment and garnishment procedures on tangible personal property on January 7 or the next business day. The Town does not obtain a lien on personal property until Tax Collector completes the procedures of either attachment and garnishment or levy. Tax Collector may request a law enforcement officer capable of serving summonses to deliver the Notices to property owners. On the first day of March, if it appears that the procedure of attachment and garnishment will not provide for payment of all delinquent taxes by June 30, Tax Collector will begin levy procedures on tangible personal property. At the first meeting of Board in April, a list of all delinquent taxpayers will be presented to discuss further collection measures that need to be taken.

(c.) Government Payment

Applications and reports to the State or Federal Government for reimbursement or claims are to be filed promptly. All Town department heads that administer programs that receive monies from other governments or agencies will meet with Finance Officer to establish a cash flow schedule for these monies. The due dates of certain claims for reimbursement are listed below.

Revenue Sources	Due Date for Claim
(i.) Beer and Wine Excise Tax	As soon as possible after receipt of August questionnaire
(ii.) Refund of State Sales and Use Tax	Within six (6) months after 6/30
(iii.) Refund of Local Sales and Use Tax	Within six (6) months after 6/30
(iv.) Refund of Federal Gasoline Excise Tax	Quarterly or upon reaching \$750 refund threshold.

CASH DISBURSEMENTS

1. Budgets:

Town Manager and Finance Officer are responsible for proper execution of the Board approved budget appropriations and seeing that all Town disbursements are made within the requirements of that budget and amendments thereto.

In managing disbursements under this plan, Finance Officer may transfer appropriations within a departmental appropriation after consultation with the Town Manager. Upon direction by the Town Manager, the Finance Officer is authorized to effect interdepartmental transfers in the same fund, not to exceed 10% of the appropriated monies for the department whose allocation is reduced. Notation of all such interdepartmental transfers will be made to Board of Commissioners on the next Financial Report.

2. Payments:

Town monies are to be expended pursuant to GS 159-28(b), and payment of claims, bills and invoices must be approved by Finance Officer pursuant to GS 159-28(b) and be in compliance with any other applicable law, Board resolution or provision of the Plan. Payment of an invoice for a purchase or lease of goods or services is made only with approval noted on the invoice by the responsible department head and Finance Officer. Finance Officer reviews purchase/supplier documents to assure that Town pays only for goods and services ordered and received or rendered and to assure that payment is due. Finance Officer will determine whether an early payment discount is available and, if so, will pay to obtain that discount if it is advantageous to Town. To the extent practicable, Finance Officer will consolidate all payments to a particular vendor, rather than issuing separate checks for each billing.

Checks are issued biweekly for payroll and payment of bills. Electronic payments are made biweekly for all payroll. Approved invoices and requests for payment for overtime must be in the Town administrative offices on Wednesday prior to the end of a biweekly pay period for payment in that period. Payroll taxes are to be submitted on the due date.

Two official signatures are required on all Town checks. The five (5) qualified positions to sign checks are: Town Manager, Finance Officer, Mayor and the two Commissioners assigned to Finance.

3. Purchasing and Inventory:

Purchases or leases of goods or services must be within the expense budget of the department. Purchase/lease arrangements involving at or over \$500.00 in a single transaction require a written purchase order or lease. Town Manager and Finance Officer must sign the purchase order/lease in advance of the transaction. Expenditures under \$500.00 do not require a purchase order or lease.

The Town will comply with N.C. Law regarding bids for acquisitions of products. Board will approve all product or service acquisitions over \$50,000.

Finance Officer will develop a system of inventory and supplies controls so that levels of materials on hand are sufficient to keep Town operating in an efficient manner. Should these levels become excessive, Finance Officer will reduce orders for inventories and supplies and undertake other reasonable steps, until an acceptable level is reached.

4. Grant Disbursements & FEMA reimbursement:

Any cash disbursements related to a grant contract or FEMA event will follow the Grant Management Plan and FEMA reimbursement policies and procedures.

5. Uniform Guidance Procurement Policy Compliance:

Contracts funded with federal grant or loan funds must be procured in a manner that conforms with all applicable Federal laws, policies, and standards, including those under the Uniform Guidance (2 C.F.R. Part 200).

RECORDKEEPING IN RECEIPT AND DISBURSEMENT OF CASH

Computer programs are utilized for billing, collecting, budgetary accounting, accounts payable and payroll programs along with appropriate payroll reporting requirements, and all members of Town administrative staff who perform these activities are to be cross-trained to use these computer programs. They are also to be cross-trained to properly collect fees, make deposits, reconcile the cash box, sign receipts and assist in billing.

CASH MOBILIZATION

The Central Depository, Official Depositories and the NCCMT account and deposits therein are described above under Cash Receipts. Deposits are part of Town's cash mobilization program to make monies available for investment and other use as soon as possible.

Monies due to Town from another government agency or from an individual will be promptly billed, collected and deposited. Finance Officer will monitor the status of all uncollected monies owed to Town and promptly implement measures to collect any and all delinquent accounts as soon as possible except as otherwise provided by law.

Finance Officer will periodically review each revenue source of Town and examine methods for prompter billing thereof, collection therefrom, investing (including depositing) receipts therefrom and reporting regarding those sources. These methods will be discussed with the individuals responsible for the particular revenue source, and changes will be instituted if quicker and more efficient means of revenue realization and investment are possible. This review will be done at least annually and more frequently if it is likely to be productive.

MANAGEMENT OF INVESTMENTS

1. Purpose:

It is a purpose of the Plan that Town monies remain 100% invested at all times except money held in the Central Depository for petty cash (cash drawer) and change purposes which should not exceed \$2,500.00 and monies held in the Zoning Escrow Street Damage Account, which is a trust account, and receipts held in the Town Central Depository in accordance with this Plan. (100% invested refers to actual investments as well as the use of interest-bearing checking accounts.)

2. Eligible Investments:

Eligible investments for Town monies are limited to: obligations of the U.S. Government (such as Treasury Bills, Bonds and Notes); time deposits with any financially sound bank or savings and loan whose principal office is in North Carolina; A-1, P-1 domestic commercial paper and the NCCMT. The Finance Officer will use banking information, guidance and direction provided by the State Treasurer's Office prior to investing in a financial institution.

3. Collateralization:

Time deposits in excess of the Federal Deposit Insurance Corporation's threshold must be collateralized to the extent of such excess (the "Excess") and such deposits will be placed only with those financial institutions which exercise Option I or Option II for collateralization of deposits under Title 20, Chapter 7 of the North Carolina Administrative Code ("Title 20 - 7").

All deposits for the Town are to be fully protected through deposit insurance and eligible collateral securities for any such Excess pursuant to Title 20 - 7. If utilizing a Title 20 Option I {20 NCAC 07.01 04(a)(1)} "Dedicated Method" of collateralization financial institution, Finance Officer will immediately require additional collateral be pledged should the value of securities pledged for Town's deposits fall to a level that is less than any such Excess in those deposits. All escrow agreements for Option I financial institutions are to be executed between the depository and the escrow agent as prescribed in Title 20 - 7.

For all deposits held in financial institutions utilizing a Title 20 Option II {20 NCAC 07.0104(a)(2)} "Pooling Method" of collateralization, Finance Officer will maintain all necessary documentation to show that the responsibility of monitoring collateralization levels is with the State Treasurer.

Finance Officer will notify an Official Depository when an account is opened that the monies deposited are public funds subject to collateralization and will file a "notification of Public Deposit" (Form INV-91) with each Official Depository and the State Treasurer promptly after June 30. Finance Officer will maintain a file of "Election of Pooling Method" forms from the Official Depositories and/or the list of financial institutions using the Pooling Method from the Department of State Treasurer. There will be a signed "Escrow Agent Agreement (Dedicated Method)" (Form INV-94B) with a third party escrow agent for each Dedicated Method Official Depository that holds uninsured deposits, except if the escrow agent is the Federal Reserve Bank, an escrow agreement is not required. Also, a "Security Agreement with Resolution (Dedicated Method)" (Form INV-94A) should be executed.

Finance Officer will request and receive timely confirmations of collateral pledged by Dedicated Method Official Depositories. A file of all pledges of collateral and a record of pledged securities per the Dedicated Method Official Depository will be maintained by Finance Officer. There will be no releases or substitutions of collateral securities resulting in a decrease in the market value of securities pledged by the Dedicated Method Official Depositories without prior approval by Finance Officer. Finance Officer will request and receive a statement of collateral pledged from each Dedicated Method Official Depository at least quarterly including the total par and market values of the securities.

4. Custody:

Finance Officer is responsible for obtaining custody and providing safekeeping of, and accounting for, securities and certificates of deposit according to G.S. 159-30(d). All certificates of deposit and securities purchased by Town will be delivered (or book-entered) to Finance Officer and (along with safekeeping receipts for book-entered securities) placed in the Town's Central Depository vault.

5. Diversification/Maturity Schedules:

Finance Officer, after consultation with the Town Manger, will properly diversify the investment portfolio in order to minimize risks brought on by economic and market changes. To achieve this diversification (unless otherwise indicated the "%s" are of the Town's total investment portfolio which includes cash and other investments it holds):

- (a) No more than 50% will be invested in any eligible obligation that does not bear the full faith and credit of the United States.
- (b) No less than 30% will mature within 30 days or less. No less than 75% will mature in 90 days or less and the average maturity will not exceed one year.
- (c) No more than 50% will be placed with a single financial Institution unless authorized by the Board of Commissioners.
- (d) No more than 5% will be invested in the eligible securities of a single issuer, except for the U.S. Treasury.
- (e) No more than 10% will be invested in a regular savings account.
- (f) At least 10% will be invested in cash in overnight securities or in highly marketable short-

term securities, which can be quickly sold to meet liquidity needs.

NCCMT maintains in its investments the above level of diversification for issuers and industries; therefore, a unit of Town's investment with NCCMT would be considered to meet these limits.

6. Monitoring the Portfolio:

Finance Officer under supervision of Town Manager monitors the portfolio as follows:

Finance Officer constantly monitors the investment portfolio and makes adjustments as necessary to meet the requirements of part 5.

Finance Officer regularly reviews the cash and investment position of Town and decides what monies should be deposited or invested and for what periods. Routine deposits of cash receipts into Official Depositories are described in the part of this Plan on Cash Receipts.

If any investment other than a bank deposit (in excess of \$100,000) is to be made, Finance Officer will then institute a bidding process for Town monies as follows:

- (a) At least three approved financial institutions will be contacted by Finance Office requesting bids on time deposits. All bids will be submitted with interest rates quoted on a 365-day basis. In the event of matching bids, the financial institutions will be contacted, notified of similar bids and asked if an upset bid will be placed. All deposit certificates will be delivered to Finance Officer on the same day as the deposit is made.
- (b) For other eligible investment vehicles, Finance Officer will solicit at least three offers from an approved list of financial institutions and broker/dealers. No institution or broker/dealer will be on the list that has not submitted a signed trading agreement indicating that they are familiar with N.C.GS 159-30 and Town's internal investment policies. Finance Officer will review the various offers and determine the appropriate investment vehicle, considering such factors as the safety of the investment, the rate and the maturity.

All interest rates will be quoted on a discount basis. For securities purchased by Town, Finance Officer will instruct the seller that securities are to be delivered to Town or Town's custodial agent, who will disburse monies for the purchase once the securities are delivered.

Finance Officer will record quotes. The names of the financial institutions, their representative, date and time and quoted yields will be included in the record. Finance Officer will notify Town Manager of the availability of funds for investment and what the choices are. Town Manager and Finance Officer will select the investment to be purchased. Finance Officer will notify the financial institution that placed the successful bid. Such action will be reported to the Board as part of the quarterly report on investments. (See section titled *Monitoring and Reporting on the Plan*).

Wire transfers, both incoming and outgoing, will be handled by Finance Officer or Asst. Finance Officer. Wires will be processed by the institution's deadline with written confirmation forwarded the next business day. These confirmations will be documented and delivered to Finance Officer for review.

Finance Officer will monitor the safekeeping of monies and securities, both owned by Town and pledged for Town's deposits. Once securities are escrowed, Finance Officer will receive timely written confirmations from the safekeeping agent acknowledging delivery of the specified securities. These confirmations will be recorded and forwarded to Finance Officer for review.

7. Monitoring & Projecting Cash Flows:

Finance Officer will routinely monitor cash levels in all internal funds and external bank accounts. The objective being to ensure sufficient funds will be available to meet Town's commitments and that the timing and amount of excess funds are known so as to maximize the amount of monies available for investment. In order to forecast the cash receipts as accurately as possible, each department head will meet with the Town Manager and Finance Officer in March of each year to discuss the source, nature, and timing of each revenue

under that department's control. Not only will the revenues be estimated, but also efforts will be made to determine when those revenues will be collected. An analysis of disbursements also will be performed to determine the source, nature and timing of each disbursement.

BANKING RELATIONS

1. Analysis:

Finance Officer determines the financial soundness of banks and savings institutions with which Town desires to do business by performing an analysis on each institution. Each analysis examines historical trends, followed by ratio analysis to determine capital adequacy, profitability, loan quality and liquidity. With approval of Town Manager, independent auditor will be asked to assist with this analysis if necessary.

2. Request for Proposals (RFP) for Banking Services:

Town will carry out the RFP process described below to determine what financial institution will serve as primary official depository at least every five years starting January 2010.

At least three financial institutions with which Town desires to do business as its primary official depository and that are deemed pursuant to Finance Officer's above analysis to be financially sound will receive an RFP. The RFP will require information on what services can be provided to Town and the costs to Town associated with such services. Town will utilize only those fee services that are absolutely necessary. The RFP's, together with other relevant information, will be reviewed by Finance Officer, Town Manager and the two Commissioners assigned to Finance. Based on such review, Town Manager will make a recommendation to Board as to what financial institution should be selected as primary official depository to receive the Town's cash concentration and certain other accounts for a period of five (5) years. Board of Commissioners will select the financial institution as Official Depository for the Town. Town will sign a contract with this financial institution establishing the banking services and costs that will be applicable to Town and the conditions that will necessitate termination of the contract.

Finance Officer will maintain an average daily balance in the cash concentration account equal to either one (1) week's expenditures or an amount sufficient to offset the costs associated with the account, whichever is greater. Finance Officer will constantly review the activity of the account to determine target balances to accomplish the objective of bank compensation and expenditure coverage. When the account balance exceeds the target level, Finance Officer will include the overage in the amount of monies available for investment.

Finance Officer will periodically request bids from financial institutions regarding investment of Town monies in various time deposits. These financial institutions will undergo the same financial analysis, as did those institutions receiving the RFP. Before any funds can be deposited in a financial institution, Board must have designated it as an Official Depository.

MONITORING AND REPORTING ON THE PLAN

Finance Officer and Tax Collector will advise Town Manager on the current status of all significant changes in matters on which Finance Officer or Tax Collector, respectively, is to report to Board as described below or elsewhere in this Plan.

Finance Officer will report quarterly to the Board concerning the status of investments. The report will include the amount of Town monies invested, the average rate and maturities and the cost and market values of those investments. Finance Officer will report on the custody and safekeeping of Town investments stating how the safekeeping arrangements are structured. A loss or potential loss on the liquidation of investments will be disclosed to Town Manager and be reported at the next regular Board of Commissioners' meeting after the loss or potential loss becomes known.

Finance Officer will report to the Board concerning any changes in collateralization of Town monies. Finance Officer will report separately on the deposits covered under the Option 1 and Option 2 methods of

collateralization. Finance Officer will report any cases where collateral held by an Option 1 financial institution has declined to a level that was less than the value of uninsured deposits.

Finance Officer will report monthly to Board concerning the actual receipt and disbursements for the month versus the budgeted receipts and disbursements and versus the cash flow projections. Any overages or shortages will be explained. Finance Officer also will submit to Board projected cash flows for the remainder of the fiscal year as part of the May budget session.

Finance Officer will report to Board any changes in bank service charges and the amount of additional monies required to offset the increased banking costs. Finance Officer also will report to Board concerning the issuance of any RFP for Banking Services.

Finance Officer or Tax Collector will report to Board the status of delinquent tax payments, and Finance Officer will report to Board on other unpaid revenues due to the Town from private persons, governmental agencies, or organizations.

Finance Officer will semiannually submit the LGC-203, Report of Cash Balance, to the Secretary of the Local Government Commission pursuant to G.S. 159-33 and 33.1. This information, with appropriate explanations, also will be reported to Board at the next scheduled regular Board meeting after each report has been submitted to the Local Government Commission.

Finance Officer and Tax Collector will make any other reports required or appropriate under this Plan as and when called for under the Plan or under the Board Resolution adopting the Town's Cash Management Policy, which Policy Resolution is hereby incorporated for all purposes as a part of this Plan.

Amended November 2018