FINANCIAL POLICIES & GOALS

The following short-term and long-term financial policies, approved by the Wickenburg Town Council, help to meet their goals and ensure the Town has a balanced budget. These policies also assist in overall fiscal planning and management. These policies ensure the Town remains in a solid financial condition, can respond to changes in the economy, and adheres to the guidelines set by the Government Finance Officers' Association.

Accounting and Financial Reporting Policy

1) Whenever possible, Generally Accepted Accounting Principles (GAAP) will be followed.
2) The Town will use fund accounting and account groups for budget reporting. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.
3) All governmental fund types, expendable trust funds, and agency funds will use the modified accrual basis of accounting.
4) Proprietary fund types, pension trust funds and non-expendable trust funds, will use the accrual basis of accounting.
5) General Fund internal support and administrative costs will be allocated to the Enterprise Funds based on the total budget of those departments providing the service.
6) The Town will ensure the conduct of a timely and effective annual budget in compliance with all local, state, and federal laws.
7) The Town will maintain a policy of full and open public disclosure of all financial activity.

Asset Policy

Capital assets should be valued at cost including all ancillary charges necessary to place the asset in its intended location and condition for use. All land is always capitalized; however, other assets are defined as items having an individual cost of $5,000 or greater, with an estimated useful life in excess of one year.

1) Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:
   a. Land or Building Improvements 10-40 years
   b. Utility Components & Other Infrastructure 5-40 years
   c. Furniture & Equipment 3-10 years
   d. Vehicles 4-20 years
2) If land is purchased, the capitalized value is to include the purchase price plus costs such as legal and filing fees. If land is acquired by gift, the capitalized value is to reflect its appraised or fair market value at the time of acquisition.
3) Building costs include both acquisition and capital improvement costs. Capital improvements include structures (e.g. office buildings, storage quarters, and other facilities) and all other property permanently attached to, the structure (e.g. loading docks, patio areas, and garages).
4) Furniture, fixtures, software, or other equipment are capitalized at the actual cost of the asset.
5) Donated assets are entered based on the fair market value at the time of acquisition plus all appropriate ancillary costs, or the estimated cost when records to determine the fair market value are not available.

Budget Policy

The Town defines a balanced budget as one in which revenues along with beginning fund balances, less required reserves and contingencies are equal to or exceed expenditures approved by the Town Council. Additionally budget policy requirements are that:

1) A budget calendar will be prepared annually.

2) A comprehensive annual budget will be prepared for all funds.
3) The budget will be presented in a manner that is both easily understood by the Town's citizens and public officials and in compliance with all local, state, and federal laws.
4) Ongoing operating costs will be supported by ongoing stable revenue sources rather than loans, bonds, or reserves.
5) Fund balances should only be used for one-time expenditures such as capital equipment and improvements.
6) The Town Council will hold a budgetary work session(s), which will be open to the public, and the Tentative Budget will be available for public inspection.
7) A public hearing will be held for public input as required by state statute.
8) The Town will maintain budgetary control throughout the fiscal year for each appropriated budget unit.
9) Reports comparing actual revenues and expenditures to budgeted amounts will be prepared monthly.
10) An annual audit will be performed by an independent public accounting firm.

Budget Amendment Policy

During the fiscal year, each individual budgetary unit is monitored continually by the Town Manager, Finance Director, and responsible Department Director. While the Town may not exceed the total expenditure appropriation originally authorized by Council, it may amend the appropriations through transfers.

1) Mid-year budget adjustments will be kept to a minimum.
2) All Department Directors are responsible for ensuring that expenditures do not exceed the approved budget.
3) Transfers from capital item lines (9#### accounts) require Town Council approval prior to incurring the expense.
4) A transfer other than from capital line items, within the same fund may be authorized by the Department Director prior to incurring the expense.
5) A transfer between funds requires approval by the Town Council prior to incurring the expense.
6) Expenditures not included in the budget may be made through the use of contingency funds at the sole specific discretion of the Town Council.

Debt Management Policy

A debt policy addresses the level of indebtedness the Town can expect to incur without jeopardizing its existing financial position. The Town has developed the following policy:

1) Long term debt shall not be issued to finance operations.
2) Debt financing will first be reviewed by the appropriate Department Director and then by the Town Manager and Finance Director.
3) The Town will consider short-term borrowing or lease purchasing before incurring long-term debt.
4) The Town will limit long-term debt to major capital improvements, which cannot be financed from current revenues.
5) The Town will repay long-term debt within a period not to exceed the useful life of the improvement.
6) The Town will not issue debt in excess of the legal debt margin of twenty-six (26) percent of the Town's assessed valuation.
7) Enterprise Funds should finance their own bond sales where appropriate.
8) Debt issuance will be pooled together when feasible to minimize costs.

Expenditure Limitation Policy

Expenditure limitations are the annual budget appropriations imposed by the State of Arizona on a municipal government. Should the State imposed limitation not allow for the sufficient needs of the Town the law provides four options:

1) A local home rule (alternative expenditure limitation)
2) A permanent base adjustment
3) A one-time override
4) A capital projects accumulation fund

The voters of the Town of Wickenburg approved a permanent base adjustment of $4,794,034 in March of 2006.

Expenditures Policy

1) Ongoing operating costs will be supported through stable permanent revenue sources.
2) Minor capital projects or short-term equipment expenditures will be financed from current revenues.
3) One-time operating costs are tied to one-time revenue sources to ensure fund balance integrity.
4) Enterprise Funds will be self-sustaining to cover costs incurred including the costs of operations, capital outlay, debt service, depreciation, and interdepartmental charges for services where practical and appropriate.
5) Monthly reports will be distributed to the Town Manager and Department Directors for management of the budget.

Capital Improvement Policy

The Capital Improvement Plan (CIP) is designed to meet the current and future needs of equipment, vehicles, and infrastructure.

1) The CIP shall be developed for a five-year period to allow for appropriate planning.
2) Whenever possible, additions to, or replacement of, vehicles and other large equipment will be saved for annually through a reserve within the appropriate fund.
3) Proposed capital improvements will be prioritized based on the Town Council's Strategic Plan.
4) Capital improvements included in the CIP are those valued at $10,000 or more.
5) Financing of capital expenditures will be first from grants, second from the appropriate fund, third from a transfer from the Electric Utility Fund, and fourth through outside financing.
6) The Council will review the five-year plan annually, but are only required to approve the first year as part of the annual budget development process.
7) Compliance with debt and fund balance requirements will be maintained for each year of the program.

Investment Policy

The Investment Policy shall govern the investment activities of the Town satisfying state statute requirements as follows:

1) Daily operating cash shall be maintained with a local bank through a request for proposal (RFP) issued at least every five years.
2) Except for cash in restricted funds, excess operating cash will be consolidated to maximize investment earnings with the Local Government Investment Pool or another investment vehicle at the Town Council's direction.
3) Investment income will be allocated appropriately to the fund providing the cash.
4) Investments shall be made with safety, liquidity, and yield in mind.

Property Taxes & Bond Debt Limit Policy

Arizona's property tax provides for two separate tax systems:

1) A primary property tax, which is levied to pay current operation and maintenance expenses.
2) A secondary property tax levy, which is restricted to the payment of debt service on long-term debt obligations.
3) Secondary property taxes cannot exceed 20% for infrastructure projects involving lighting, open space, parks, public safety, recreational facilities, transportation, water and wastewater and 6% for general purpose improvements.

Reserve/Contingency Policy

Reserves are required to cover unanticipated expenditures and revenue shortfalls. The Town's policy is that:

1) A reserve/contingency allowance should be appropriated to provide for emergencies, mid-year requests, and unanticipated expenditures.
2) A General Fund Reserve will be maintained in an amount not less than 15% of new General Fund revenues for the budgeted fiscal year.
3) A contingency will be established for all other applicable funds of at least 10%, and the equity of all funds will be maintained to meet the objectives of the fund.
4) $100,000 will be budgeted under General Services each year to indemnify the Town for unanticipated insurance claims.
5) Expenditures may be made from contingencies only upon approval by the Town Council.

Revenues Policy

All revenues will be appropriated during the budget process:

1) The Town will seek to maintain a diversified and stable revenue base.
2) The Town will estimate revenue in a realistic and conservative manner using various methods throughout the budget process including consultant information and estimates from the State.
3) All non-restricted revenues will be deposited in the General Fund.
4) Revenues from growth or development will be allocated to one-time costs whenever possible.
5) The Town will aggressively pursue federal and state grant funding.
6) The Town will review rates and user fees annually.