

Bertie County North Carolina



Fund Balance Policy

Adopted October 17, 2022

Bertie County Fund Balance Policy

1.0 Purpose

To establish a key element of the financial stability of the County by setting guidelines for the General Fund balance. Available fund balance is an important measure of economic stability. It is essential that the County maintain adequate levels of available fund balance in order to ensure against unanticipated events that would adversely affect the financial condition of the County and jeopardize the continuation of County services and/or activities and to provide the capacity to:

- a) Provide sufficient cash flow for daily financial needs;
- b) Secure and maintain investment grade bond ratings;
- c) Offset significant economic downturns or revenue shortfalls;
- d) Provide funds for unforeseen expenditures related to emergencies;
- e) Adhere to Local Government Commission minimum fund balance recommendation
- f) Provide citizens with a stable property tax rate

This policy will also establish guidelines for the replenishment of the County's fund balance in the event that the fund balance falls below the required levels set forth herein.

2.0 Definitions

- 2.1 Fund balance: Fund balance is the difference between assets and liabilities reported in a governmental fund. An accounting distinction is made between classifications of fund balance based on restrictions on the use of fund balance. These classifications as defined by the Government Finance Officers Association are (1) Non-spendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned.
- 2.2 Non-spendable fund balance: Non-spendable fund balance are the components of fund balance that cannot be spent because they are either (a) not in a spendable form or (b) contractually required to be maintained intact.
- 2.3 Restricted fund balance: Restricted fund balance are the components of fund balance that have constraints placed on the use of resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- 2.4 Committed fund balance: Committed fund balance are the components of fund balance that are used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. In Bertie County, the highest level of decision-making authority would be considered the Board of County Commissioners. These self-imposed limitations must be set in place prior to year-end, but can be calculated after year-end to be considered committed for that fiscal year end. In addition, to be considered committed, the limitations that were imposed at the highest level of decision-making authority must also require the same action to remove or modify the limitations. Ordinances that lapse at year-end do not meet the committed test.

- 2.5 **Assigned fund balance:** Assigned fund balance are the components of fund balance that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. These assignments can occur any time before the issuance of financial statements to be considered assigned for that fiscal year end. Further, this assignment ability can be delegated by the Board of County Commissioners to an appropriate person (i.e. County Manager, Finance Officer or Budget Officer).
- 2.6 **Unassigned fund balance:** Unassigned fund balance is the remainder of fund balance that has not been reported in another classification and represents assets that are available to appropriate for future purposes.
- 2.7 **Available fund balance:** Available fund balance is the total fund balance less the total of non-spendable fund balance and fund balance restricted for stabilization by state statute.

3.0 Policy

- 3.1 The Bertie County Board of Commissioners formally establishes the goal of maintaining unassigned fund balance in the General Fund in an amount of ten (10) percent (or approximately one and a half months) of the General Fund expenditures and outflows at the end of each fiscal year.
- 3.2 The County Finance Director is charged to maintain available fund balance in the General Fund in an amount no less than eight (8) percent (or approximately one month) of the General Fund expenditures and outflows at the end of each fiscal year, as has been previously recommended by the North Carolina Local Government Commission. In the event of an emergency, a supermajority vote (four of five member's affirmative vote) of the Board is required to approve the use of the fund balance such that it falls below the eight (8) percent target.
- 3.3 The County's budget and revenue spending policy provides for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local funds and 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 Director has the authority to deviate from this practice if it is in the best interest of the County.
- 3.4 The independent auditor of the County shall monitor the County's compliance with this established Fund Balance Policy. The auditor shall report related findings and recommendations annually as part of the County audit.

4.0 Replenishment of Fund Balance

- 4.1 If it is anticipated at the completion of any fiscal year that the projected or estimated amount of fund balance falls below the required levels set forth in section 3.1, the County Manager shall prepare and submit in conjunction with the proposed budget a plan for the expenditure reductions and/or revenue increases necessary to restore the amount of fund balance to the minimum requirements within two (2) fiscal years.

5.0 Maintenance of Fund Balance for Enterprise Fund

- 5.1 The County will strive to maintain an adequate level of fund balance for its Enterprise Fund for future capital expenditure needs and for unforeseen circumstances and emergencies.

6.0 Excess Fund Balance Levels

6.1 Upon completion of the annual audit of County finances, any unreserved, undesignated fund balance above twenty percent (25%) will be transferred to the County Capital Projects Fund. The County Capital Projects Fund shall be used for one-time capital expenditures. The fund may also be used for prepayment of debt, upon recommendation by the County Finance Officer and approval of the County Manager, to reduce the county's outstanding debt or to pay down debt with high interest rates. The Board of County Commissioners will be notified of any prepayment of debt.

This policy is adopted by the Bertie County Board of Commissioners on this the 17th day of October, 2022 by vote of **5** in favor and **0** against.

Bertie County Board of Commissioners

By: _____


John Trent, Chairman

Confirmed:

By: _____


Clerk to the Board