

**RESOLUTION TO ADOPT
A FUND BALANCE POLICY FOR THE GENERAL FUND**

WHEREAS, the Board of Aldermen wish to maintain sound fiscal policies; and

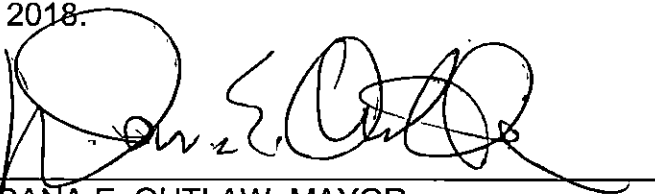
WHEREAS, sound fiscal policy dictates that written policies exist to guide and control the level of fund balance maintained in the General Fund; and

WHEREAS, the Board of Aldermen have reviewed the proposed policy and wish to adopt it.

NOW, THEREFORE, BE IT RESOLVED BY NEW BERN BOARD OF ALDERMAN THAT:

1. The Fund Balance Policy – General Fund, which is attached hereto and incorporated herein by reference, is hereby adopted; and
2. This Policy shall be effective on the date of adoption.

Adopted this 27th day of February, 2018.



DANA E. OUTLAW, MAYOR



BRENDA E. BLANCO, CITY CLERK

Fund Balance Policy – General Fund

Financial Policy 3.0

Prepared by: J.R. Sabatelli, CPA, Director of Finance

Adopted by Board of Aldermen

Effective: February 27, 2018

I. Objectives

- a. To establish minimum fund balance levels for the operating funds of the City of New Bern that define what resources are available to provide sufficient financial flexibility to meet future obligations, take advantage of opportunities, and avoid interest expense through use of excess reserves in lieu of debt;
- b. To enhance the financial position of the City in order to maintain the highest credit and bond ratings;
- c. To maintain reserves for unforeseen revenue volatility and expenditures such as weather related disasters, including but not limited to hurricanes and snow events;
- d. To generate investment income that diversifies revenue streams and decreases reliance on tax, fees and other revenues; and
- e. To ensure adequate availability of cash throughout the year.

II. Definitions

- a. In accordance with governmental accounting standards, the total fund balance of the City's governmental funds is comprised of five components:
 - i. *Non-spendable Fund Balance* - resources that are physically or legally in a non-spendable form such as inventory;
 - ii. *Restricted Fund Balance* - resources limited by state law or the donor such as grants or resources reported as "Stabilization by State Statute";
 - iii. *Committed Fund Balance* - resources previously committed by the Board of Aldermen for a particular purpose such as a project partially funded by grants;
 - iv. *Assigned Fund Balance* - resources assigned less formally for a particular purpose such as insurance reserves or subsequent year spending; and
 - v. *Unassigned Fund Balance* - all remaining resources.
- b. *Available Fund Balance* is the legal Fund Balance available for appropriations of the General Fund as defined by North Carolina General Statute 159-8(a) or its successors. The official Available Fund Balance shall be calculated once per year based on the City's annual audit.

III. Flow of Fund Balance

- a. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, the City shall utilize restricted amounts first and then unrestricted amounts as needed.
 - i. Governmental fund type expenditures shall be applied to unrestricted amounts in the following order: 1) Committed, 2) Assigned, 3) Unassigned.

IV. Fund Balance Levels

- a. The City shall maintain Available Fund Balance of at least 25% for the General Fund.
- b. In order to maintain the minimum Available Fund Balance, City policies, budgets, and directives shall strive to maintain Available Fund Balance at approximately 35%.

V. Use of Excess Fund Balance

- a. Available Fund Balance in excess of the minimum established in Section IV shall be used in the following manner:
 - i. As a funding source for capital expenditures, large scale repairs and major maintenance needs funded by pay-as-you-go through the annual budget process or reduction in subsequent year financings, such as paving, equipment, generators, etc.;
 - ii. Early repayment of existing debt;
 - iii. Expenditures to support or facilitate projects that generate new revenues or cost savings in excess of the investments within established time frames;
 - iv. Interim partial year funding for new programs that are needed before the next fiscal year; or
 - v. Invested to increase interest earned and reduce future costs of OPEB, Pension or Cemetery liabilities.
- b. Available Fund Balance in excess of the minimum established in Section IV shall never be utilized for regular operating and personnel costs such as salaries, utilities, supplies, etc.

VI. Fund Balance Below Policy Limits

- a. Available Fund Balance may not go below the minimum established in Section IV(a) above except at the discretion of the Board of Aldermen in dire financial circumstances in order to:
 - i. Provide resources to offset unforeseen revenue shortfalls, and should be done in combination with expenditure reductions; or
 - ii. Fund emergency expenditures in a disaster such as a hurricane or other event.
- b. When adopting appropriations reducing Available Fund Balance below the minimum level, the Board of Aldermen shall adopt a plan of specific actions to be taken to restore the Available Fund Balance to the minimum set forth in this policy within three fiscal years.