

A RESOLUTION REVISING FUND BALANCE POLICY

Draft Resolution No. 98/2010-11

WHEREAS, the Board of Aldermen on June 3, 2008 updated the Town of Carrboro Financial Policies; and,

WHEREAS, included in these policies is the Town's fund balance policy; and,

WHEREAS, Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Government Fund Type Definitions*, becomes effective for the fiscal year ending June 30, 2011; and,

WHEREAS, the Town desires to be in compliance with GASB Statement 54;

NOW, THEREFORE, BE IT RESOLVED, that the section entitled "Fund Balance" in the Town of Carrboro Financial Policies is revised to read as follows:

Fund Balance

To maintain the Town's credit rating, meet seasonal cash flow shortfalls, economic downturns or a local disaster, the Town shall maintain and present fund balance for the general fund in accordance with the requirements of GASB 54.

The Town will maintain an unassigned fund balance in the general fund at a level ranging from 22.5% to 35% of the General Fund budget. When the fund balance exceeds 22.5% of the unassigned fund balance level, the Town may earmark funds exceeding 22.5% for capital projects or financing only. Unassigned fund balance will generally not be used for operating expenses.

Fund balance shall be confirmed at the end of each fiscal year by the annual independent audit and if the:

- 1) Unassigned fund balance falls below 20%, the Town Manager shall develop and implement a plan to rebuild the balance to 22.5% within one year; or
- 2) Unassigned fund balance exceeds 35%, the Town Manager may set aside an amount in assigned fund balance for transfer to the capital projects fund for future projects, unless the Town Manager determines it necessary to maintain fund balance at the current level due to existence of other fiscal, economic and/or operating conditions.

The Board of Aldermen shall take formal action to commit the use of fund balance for projects or purposes in any current year or future year's budget.

Absent a commitment of fund balance by the Board, the Town Manager has the authority to assign fund balance for specific purposes.

Where an expenditure is incurred for which restricted and unrestricted fund balance is available, the restricted fund balance, to the extent feasible, should be used first.

When expenditure is incurred for which there is unrestricted fund balance available, funds should be spent in the following order: committed, assigned and unassigned.

- a. Committed fund balances are amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- b. Assigned fund balances are amounts intended to be used by the government for specific purposes and so expressed by the governing body or by an official or body to which the governing body delegates the authority.
- c. Unassigned fund balance is the residual classification of the general fund that includes all amounts not contained in other fund balance classifications.
Unassigned amounts are technically available for any purpose.

All other provisions of the Town of Carrboro Financial Policies updated June 3, 2008 continue to be in effect.

AN ORDINANCE AMENDING THE FY2010-11 BUDGET ORDINANCE

WHEREAS, the Town Board of the Town of Carrboro on June 15, 2010 adopted the annual budget for the fiscal year beginning July 1, 2010 and ending June 30, 2011; and

WHEREAS, the adopted budget ordinance includes in the Special Revenue Funds the Capital Reserve Fund and Payment In Lieu Fund; and,

WHEREAS, for the year ending June 30, 2011 Governmental Accounting Standards Board requirements will no longer allow for the inclusion of these two funds in a Special Revenue Fund; and,

WHEREAS, it is appropriate to amend the budget ordinance;

NOW, THEREFORE, BE IT ORDAINED, that in accordance with authority contained in G.S. 159-15, the budget ordinance is amended as shown below:

For accounting and audit purposes, the Capital Reserve Fund and Payment-in-Lieu Fund is moved from the Special Revenue Fund to the Capital Projects Fund.