



Fund Balance Policy City of Dogwood

I. Objectives

- To establish minimum fund balance levels for the General Fund 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,
- To enhance the financial position of the Town in order to maintain the highest credit and bond ratings,
- To plan for contingencies in unforeseen revenue volatility and expenditures such as weather-related disasters,
- To generate investment income that diversifies revenue streams and decreases reliance on taxes, and
- To ensure adequate cash flow.

II. Definitions

In accordance with governmental accounting standards the Town's total General Fund fund balance is comprised of five components:

1. Nonspendable Fund Balance represents resources that are physically or legally in a nonspendable form such as inventory,
2. Restricted Fund Balance represents resources limited by state law or the provider such as grants or resources reported as "Stabilization by State Statute",
3. Committed Fund Balance represents resources previously committed by Council for a particular purpose such as a project partially funded by grants,
4. Assigned Fund Balance represents resources assigned less formally for a particular purpose such as insurance reserves or subsequent year spending, and
5. Unassigned Fund Balance represents all remaining resources.

Accessible Fund Balance is defined as the total of Assigned Fund Balance and Unassigned Fund Balance for the purposes of this policy. To be conservative, Committed Fund Balance is not included in Accessible Fund Balance.

Accessible Fund Balance is not the same as available Fund Balance as defined in North Carolina General Statute 159-8(a).



General Fund Expenditures are calculated for ratios as:

- Total Expenditures, which includes debt service,
- excluding Other Financing Sources and Uses

III. Fund Balance Levels

- The Town will maintain a minimum Accessible Fund Balance of at least 25%, (three month's) of budgeted General Fund Expenditures.
- Total Fund Balance shall be at least 40% (which is approximately five month's) of budgeted General Fund Expenditures.

IV. Use of Excess Fund Balance

Accessible Fund Balance above the Town's minimum should be considered as a funding source for capital needs funded with pay-as-you-go capital considered through the annual budget process. Appropriations outside the annual budget will generally be limited to:

- Expenditures to support or facilitate projects that generate new revenues or cost savings in excess of the investments within established time frames.
- Interim partial year funding for new programs that are needed before the next fiscal year.
- Costs related to unanticipated workload in the current fiscal year that cannot be addressed with budgeted resources.
- Prudent supplemental funding for existing capital projects that require additional resources before the next fiscal year in order to fund unanticipated costs, avoid excessive delays, or improve service levels.

V. Use of Fund Balance Below Policy Limits in Dire Circumstances

Accessible Fund Balance can only be used in excess of the regular policy established in Section III at the discretion of the full Town Council in dire financial circumstances in order to: 1) provide resources to offset unforeseen revenue shortfalls in combination with expenditure reductions or 2) to fund emergency expenditures in a disaster. When adopting an appropriation of Accessible Fund Balance that reduces reserves to a level below the Town's policy, the Town Council also shall adopt a plan of specific actions to be taken to restore the Accessible Fund Balance to the level set forth in this policy in the following fiscal year, if feasible, but within three fiscal years at most.