

Fund Balance Available

“Fund balance available” is the statutory concept that describes the amount of funds local governments have available at the end of a fiscal year to be appropriated in the next fiscal year. The calculation was introduced as a way to prevent units of government from appropriating funds that they have not yet received in cash form. It is essential that ad valorem tax-levying units, such as municipalities and counties, maintain an adequate amount of fund balance available to meet their cash flow needs during the months in their revenue cycles when outflows exceed inflows. Property tax revenues are a major source of revenue in the General Fund, and are typically not received until the latter months of the calendar year. Therefore, a unit must maintain reserves on hand in the form of fund balance available for appropriation at June 30th to prevent the unit from experiencing cash flow difficulties during the first two quarters of the next fiscal year. As a benchmark, we use the population group averages that can be found in the attached report; if units fall significantly below their group average they may experience cash flow issues during periods of declining inflows.

While the population group average is a reasonable target for most units within the group, some units find they need to maintain more or less than the group average. Units that may want to maintain higher percentages include those with large fluctuations in cash flow, units with significant capital needs, or those that are geographically prone to natural disasters, such as our units on the coast. Units with more stable cash flows or those that have fewer capital needs may find they can operate successfully with lower fund balance available percentages. In any case we encourage units to examine their needs closely and develop at least an informal fund balance policy that sets their expectations for the appropriate amount of fund balance available to be maintained.

It is important to distinguish between the statutory calculation of fund balance available for appropriation and the fund balance that is reported on a unit's General Fund Balance Sheet. Fund balance available for appropriation represents the maximum amount that is legally available for appropriation in the next year per NCGS 159-8(a). This amount includes funds that are restricted in nature and funds that the unit has already committed to spend in subsequent years for various purposes. For example, fund balance available for appropriation would include any Powell Bill moneys on hand at June 30 that are restricted for use for streets. Those funds will be recorded as restricted fund balance on the Balance Sheet because our General Statutes restrict how the funds are to be spent.

The categories of fund balance that one may see on the Balance Sheet are:

- **Non-spendable:** fund balance that is not spendable by its nature; created by long-term receivables, inventory, or the non-spendable corpus of a trust
- **Restricted:** funds on which constraints are placed externally by creditors, grantors, contributors, or laws of other governments or imposed by law through enabling legislation or constitutional provisions. Restricted fund balance includes the amount restricted by North Carolina General Statutes as unavailable for appropriation in the next budget year. As a result the reader of the financial statements cannot make a direct connection between the fund balance that appears on the financial statements and the fund balance available calculation that appears in this report
- **Committed:** funds to be used for specific purposes as dictated by formal action of the unit's governing body
- **Assigned:** amounts that are constrained by the government's intent but are neither restricted or committed

- Unassigned: funds that do not fall into any of the other spendable categories

The amount calculated (and shown in this report) as fund balance available may be comprised of amounts shown as restricted, committed, assigned or unassigned. While legally available to be appropriated, 100% of fund balance available may not be available to support all operations of a local government or may have already been committed by the governing board.

Using the 8% fund balance metric, which represents only one month's worth of expenditures on hand, as a target, rather than an absolute minimum, may have devastating effects on the fiscal health of North Carolina local governments, particularly small municipalities. Across the state, the average fund balance amounts maintained by municipalities (average of 46.71 %) has continued to increase over the last three years, albeit in small increments. This continued increase may indicate that revenues are starting to rise while expenditures have remained constant or are not increasing at the same rate as revenues. Some of the increase in 2016 also may be attributable to an accounting change which required units of government to report money held to pay future pension and other post-employment benefits (such as the Law Enforcement Officers Special Separation Allowance) as part of the General Fund. In prior years, these funds were accounted for in a pension trust fund. We believe that maintaining fund balance at or close to the current average level for the relevant population cohort is the prudent course for municipalities.

Each year the staff of the Local Government Commission analyzes the financial statements of cities and counties to determine the amount of fund balance available for appropriation in the General Fund, and the amount of fund balance available for appropriation as a percentage of that fund's expenditures. The staff sends letters to units if the amount of fund balance available for appropriation as a percentage of expenditures in the General Fund falls below 8%. The staff also compares the percentage of fund balance available for appropriation to the prior year percentages for similar units, as well as noting the trend in the percentage of fund balance available for that particular unit. If that percentage is materially below the average of similar units, and the trend for fund balance available is declining, the staff will send a letter to alert the unit of this fact. Units are encouraged to evaluate the amounts in reserves and determine if their level is adequate.

The following chart shows the average percentage of fund balance available for appropriation for similarly grouped cities for the fiscal year ended June 30, 2016. Officials should use these figures to compare their unit to similar units and evaluate the adequacy of their unit's current reserves.

Fund Balance Available – All Units June 30, 2016

Population by Grouping	Average 2015-2016 Fund Balance Available	Average FBA As a Percentage of Average Expenditures	Median 2015-2016 Fund Balance Available	Median FBA As a Percentage of Average Expenditures
Statewide – All Municipalities	\$4,484,154	46.71%	\$1,157,981	83.16%
Units With Electrical Systems				
All	7,730,285	43.04	3,106,479	46.18
50,000 or more	32,239,898	39.26	25,000,349	34.15
10,000 to 49,999	9,741,202	44.43	7,407,151	44.43
2,500 to 9,999	3,111,942	52.07	1,642,278	42.67
1,000 to 2,499	918,537	72.94	971,593	59.45
500 to 999	938,378	52.34	402,804	57.33
Under 500	332,549	137.49	252,893	152.24
Units Without Electrical Systems				
All	4,005,700	47.88	1,025,485	88.58
50,000 or more	69,903,138	35.30	47,133,163	39.21
10,000 to 49,999	9,319,306	53.95	7,766,307	52.79
2,500 to 9,999	3,085,866	72.91	2,473,964	71.28
1,000 to 2,499	1,272,974	75.46	1,154,670	74.28
500 to 999	752,248	132.55	478,976	110.39
Under 500	476,595	108.88	220,421	171.18

*As of March 27, 2017, we have not received a 2016 audit report from 46 municipalities, therefore the fund balance available, fund balance available without Powell Bill funds, cash and investments, uncollected property taxes figures and tax collection percentage for these municipalities are not included, and indicated with "NR" on the report. Beginning with year ending June 30, 2013, fiduciary funds are not included in the cash and investments figures.

The data presented in this report was gathered from various sources. The financial data, including fund balance and cash and investment income, was obtained from the audit review process. The assessed valuation, tax rate, and last year of revaluation for each municipality were compiled from data obtained from the Department of Revenue. The NC Department of Revenue calculates the assessment-to-sales ratios annually for each county. This ratio is based on a sample of selected real estate transactions within a municipality and equals the assessed valuation divided by the actual sales price. The ratio of the dominant county of the municipality is used as the municipality's ratio. The municipality populations were provided by the Office of State Budget and Management and are estimates as of July 1, 2015 adjusted for end-of-the-year boundary changes. The tax rate equivalents and effective tax rates were calculated by the staff of the Department of State Treasurer. All data included in this report are the most recently available information. If you have any questions concerning this memorandum, please contact Sharon Edmundson at (919) 814-4289 or via email at Sharon.edmundson@nctreasurer.com

Municipal Governments in North Carolina
Cash and Investments, Property Tax Collections and Fund Balance Available for Municipalities Without Electric Systems
For the Fiscal Year Ended June 30, 2016

Municipality	Pop	General Fund				Unit-Wide										2015-16 Amount Uncoll	Tax Rate Equiv
		Fund Balance Available	FRA As % GF Exp	Fund Balance Without Powell Bill	FRA Without Powell Bill As % GF Exp	Cash and Invest (1)	Latest Yr/ Next Yr Of Reval (2)	January 1, 2015 Assessed Valuation (3)	Tax Rate (4)	Assess to-Sales Ratio Adjusted	Percent Collected						
											2015-16 All Property	2015-16 Excluding Motor Vehicles	Motor Vehicles Only				
10,000-49,999																	
Archdale	11,954	\$8,845,846	135.91	\$8,118,601	124.73	\$15,029,647	2014/2019	\$930,198,178	.2900	95.81	.2778	99.72	99.69	99.96	\$7,630	.0008	
Ashboro	25,740	10,602,600	45.69	10,140,728	43.70	22,356,549	2014/2019	2,336,471,200	.6650	95.81	.6371	99.69	99.70	99.56	48,299	.0021	
Belmont	10,954	3,515,025	37.98	3,274,817	35.29	14,904,773	2015/2019	1,216,921,317	.4750	99.54	.4728	99.48	99.44	99.98	30,213	.0025	
Boone	18,553	11,217,259	71.33	10,838,373	68.92	29,700,668	2014/2022	1,429,509,558	.4100	99.70	.4068	99.46	99.44	100.00	31,328	.0022	
Carboro	20,598	13,641,201	65.76	13,562,949	65.38	19,019,184	2009/2017	2,143,029,265	.5894	97.90	.5770	99.28	99.22	99.78	93,857	.0044	
Clemmons	19,575	7,603,379	147.05	6,261,558	121.10	9,847,016	2013/2017	2,007,336,068	.1150	98.21	.1129	99.53	99.48	99.99	10,889	.0005	
Davidson	12,692	7,856,995	78.63	7,355,890	73.61	10,664,481	2011/2019	1,830,642,561	.3500	89.80	.3143	99.60	99.72	98.02	25,989	.0014	
Eden	15,306	6,625,461	45.89	6,391,933	44.27	14,161,020	2011/2019	916,779,248	.6090	103.53	.6305	98.49	98.31	100.00	85,644	.0093	
Elon	10,357	4,331,185	75.77	3,802,747	66.53	6,251,818	2009/2017	576,465,638	.4200	108.27	.4547	99.77	99.75	100.00	5,361	.0009	
Fuquay-Varina	22,874	20,304,042	97.38	18,878,560	90.54	44,863,294	2008/2016	2,675,254,876	.3850	100.44	.3867	99.70	99.81	98.61	31,337	.0012	
Garner	28,558	23,864,016	88.10	23,293,388	85.99	30,342,444	2008/2016	3,183,845,999	.5175	100.44	.5198	99.70	99.78	98.94	51,969	.0016	
Goldsboro	34,945	6,357,622	19.30	6,357,622	19.30	19,403,809	2011/2019	2,392,269,623	.6500	100.37	.6524	98.02	97.81	100.00	301,664	.0126	
Graham	14,306	6,417,805	53.59	6,417,805	53.59	17,730,304	2009/2017	1,033,263,861	.4550	108.27	.4926	98.18	97.98	100.00	86,118	.0083	
Harrisburg	15,387	4,208,242	39.61	4,102,006	38.61	15,184,456	2012/2016	1,794,785,817	.1585	93.92	.1489	99.54	99.49	100.00	24,050	.0013	
Havelock	20,328	8,124,319	85.26	7,749,847	81.33	20,066,293	2010/2016	951,643,275	.5100	110.30	.5625	99.29	99.22	100.00	34,610	.0036	
Henderson	15,094	8,578,029	65.86	8,578,029	65.86	29,131,848	2008/2016	983,765,989	.6200	120.00	.7410	94.72	94.25	100.00	334,480	.0340	
Hendersonville	13,824	5,528,024	36.62	5,528,024	36.62	33,919,417	2015/2019	1,705,810,073	.4600	99.46	.4575	98.01	97.89	99.55	158,942	.0093	
Hickory	40,351	22,954,658	41.12	22,954,658	41.12	72,880,171	2015/2019	4,483,143,389	.5665	98.97	.5607	98.41	98.28	99.99	410,578	.0092	
Holly Springs	30,021	10,183,087	31.02	8,813,071	26.85	43,823,075	2008/2016	3,870,253,576	.4350	100.44	.4369	99.78	99.75	100.00	38,395	.0010	
Hope Mills	16,444	6,480,274	58.64	5,983,484	54.14	16,392,338	2009/2017	1,113,594,596	.4600	105.22	.4840	99.73	99.70	100.00	14,124	.0013	
Indian Trail	37,449	13,622,821	107.99	11,204,485	88.82	28,473,013	2015/2019	3,682,576,313	.1850	99.71	.1845	99.82	99.80	100.00	11,982	.0003	
Kannapolis	45,599	17,562,193	46.16	17,504,511	46.01	31,251,209	2012/2016	3,711,445,811	.6300	93.92	.5917	98.23	98.07	100.00	416,901	.0112	
Kernersville	24,211	8,931,317	34.33	8,931,317	34.33	11,453,508	2013/2017	2,572,349,363	.5425	98.21	.5328	99.55	99.51	100.00	64,565	.0025	
Knightdale	13,500	6,535,517	52.68	5,944,939	47.92	13,119,971	2008/2016	1,483,861,737	.4300	100.44	.4319	98.89	99.92	99.62	6,825	.0005	
Leland	17,154	6,819,511	75.04	5,551,161	61.08	21,465,429	2015/2019	2,224,508,052	.1515	99.06	.1501	98.69	98.56	99.98	44,531	.0020	
Lenoir	17,849	5,241,766	31.41	5,241,766	31.41	9,439,979	2013/2021	2,200,832,924	.5800	98.35	.5704	96.52	96.21	100.00	290,749	.0132	
Lewisville	13,046	4,750,955	117.37	4,181,736	103.31	8,068,458	2013/2017	1,233,531,342	.1770	98.21	.1738	99.43	99.36	100.00	12,461	.0010	
Matthews	30,359	6,811,532	33.79	6,811,532	33.79	8,674,732	2011/2019	3,362,219,823	.3400	89.80	.3053	99.53	99.47	100.00	57,251	.0017	
Mebane	12,623	8,797,045	54.99	8,797,045	54.99	18,969,791	2009/2017	1,719,710,862	.4900	108.27	.5305	99.50	99.46	100.00	42,952	.0025	
Mint Hill	26,170	5,766,805	51.74	5,468,972	49.07	7,872,872	2011/2019	2,360,458,771	.2700	89.80	.2425	99.34	99.27	100.00	42,642	.0018	
Mooreville	37,759	22,030,794	36.64	21,378,166	35.55	67,744,470	2015/2019	5,834,556,661	.5800	98.45	.5710	98.60	98.52	99.60	477,747	.0082	
Morrisville	23,682	20,082,442	83.50	18,518,504	77.00	31,050,501	2008/2016	3,968,269,796	.4100	100.44	.4118	99.93	99.93	100.00	11,026	.0003	
Mount Airy	10,361	11,645,462	96.78	11,156,722	92.72	19,238,481	2012/2016	1,099,409,646	.4800	98.68	.4737	99.02	98.95	99.93	51,821	.0047	
Mount Holly	14,773	7,387,764	65.52	6,369,459	56.49	19,799,154	2015/2019	1,170,159,727	.5300	99.51	.5276	97.93	97.68	100.00	126,096	.0108	
Pinehurst	16,123	7,691,665	47.68	7,691,665	47.68	8,578,105	2015/2019	3,332,700,177	.2900	99.76	.2893	99.94	99.93	100.00	6,270	.0002	
Reidsville	14,205	6,714,499	47.81	6,714,499	47.81	12,766,634	2011/2019	1,141,213,123	.7400	103.53	.7661	98.68	98.59	99.83	114,336	.0100	
Rossmore Rapids	15,186	6,348,927	41.28	6,348,927	41.28	4,756,921	2015/2019	1,143,535,926	.6510	98.14	.6389	98.88	98.76	100.00	82,975	.0072	
Salisbury	34,285	13,340,123	38.82	13,340,123	38.82	34,250,187	2015/2019	2,803,338,603	.6600	102.46	.6762	97.83	97.62	100.00	407,914	.0146	
Sanford	28,802	8,829,983	31.82	8,829,983	31.82	35,753,965	2013/2019	2,458,678,306	.6000	99.02	.5941	99.17	99.29	97.80	122,898	.0050	
Southern Pines	13,461	8,000,472	52.90	8,000,472	52.90	21,301,044	2015/2019	2,251,645,050	.3800	99.76	.3791	99.78	99.77	100.00	18,579	.0008	
Spring Lake	11,777	2,870,665	42.29	2,870,665	42.29	5,443,222	2009/2017	466,851,978	.7000	105.22	.7365	99.05	98.98	100.00	30,899	.0066	
Stallings	15,492	9,124,134	146.72	8,872,246	142.67	10,053,055	2015/2019	1,712,240,565	.2150	99.71	.2144	99.59	99.58	99.68	15,140	.0009	
Summertown	11,243	7,513,870	393.52	7,513,870	393.52	7,729,233	2012/2017	1,407,803,303	.0275	95.67	.0263	99.58	99.54	100.00	1,624	.0001	
Thomasville	27,043	7,840,948	42.07	7,840,948	42.07	15,909,259	2015/2023	1,768,782,020	.5600	100.08	.5604	96.18	95.86	99.65	382,780	.0216	
Waxhaw	12,548	4,711,041	42.23	4,711,041	42.23	7,810,793	2015/2019	1,584,480,518	.3600	99.71	.3590	99.57	99.52	100.00	24,570	.0016	
Weddington	10,324	2,476,735	138.09	2,476,735	138.09	2,629,779	2015/2019	2,050,903,341	.0520	99.71	.0518	99.55	99.50	100.00	4,732	.0002	

Municipal Governments in North Carolina
Cash and Investments, Property Tax Collections and Fund Balance Available for Municipalities Without Electric Systems
For the Fiscal Year Ended June 30, 2016

FOR THE FISCAL YEAR ENDING JUNE 30, 2010															
Municipality	General Fund				Unit-Wide										
	Fund		FBA		Cash and Invest (1)	Latest Yr/ Next Yr Of Reval (2)	January 1, 2015 Assessed Valuation (3)	Tax Rate (4)	Assess -to-Sales Ratio	2015-16 Tax Rate Adjusted	Percent Collected			2015-16 Amount Uncoll	Tax Rate Equiv
	Fund Balance Available	FBA As % GF Exp	Fund Balance Available	Without Powell Bill As % GF Exp							2015-16 All Property	Excluding Motor Vehicles	Motor Vehicles Only		
10,000-49,999 continued	\$	428,688,055	\$	408,847,675	\$	949,939,970	\$	96,339,047,845						\$	4,695,043
Total															

Group Statistics:
10,000-49,999

Range:
Lowest
Highest
Average
Median

Lowest	2,476,735	19.30	2,476,735	19.30					.0275	89.80	.0263	94.72	94.25	97.80		
Highest	23,864,016	393.52	23,293,388	393.52					.7400	120.00	.7661	99.94	99.93	100.00		
Average	9,319,306	53.95	8,887,993	51.45					.4395	98.88	.4345	98.90	98.82	99.74		
Median	7,766,307	52.79	7,434,880	50.99												