

# Randolph County, North Carolina

## Fiscal Policy



Most County programs are considered critical to the quality of life of our citizens, with nearly all required under state and/or federal law. In addition, many outside organizations, including public schools and our community college, depend on significant financial support from the County. In recognition of these responsibilities, a certain level of reserve funds are necessary as part of prudent fiscal policy.

Fund balances are maintained in all funds as reserves for emergencies, to provide resources during periods when disbursements exceed cash deposits, to provide flexibility in financing nonrecurring capital or operating costs, to satisfy bond rating agencies, and to generate investment earnings.

Governmental reporting standards identify fund balances by the following classifications:

- Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. It will be the policy of the County that commitments can only be made by the Board of County Commissioners through resolution or ordinance.
- Assigned – includes amounts that are constrained by the government’s intent to be used for specific purposes. This intent can be expressed by any Board action or by the County Manager.
- Unassigned – includes all other residual fund balances in the General Fund.

Under state law, only a portion of fund balance is available for appropriation. G.S. Statute 159-8 defines fund balance available for appropriation as “cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next proceeding the budget year.”

The Board of Commissioners recognizes the importance of maintaining an adequate fund balance level in the General Fund and has the following objectives:

- As required under the Local Government Budget and Fiscal Control Act, Randolph County will adopt an annual balanced budget ordinance, one that minimizes the appropriation of fund balance;
- Revenues and expenditures shall be budgeted at realistic levels that accurately project County operations, in order to avoid shortfalls;
- The County shall refrain from funding continuing expenses with one-time revenues (except for a clearly defined emergency purpose, such as during severe budget distress);
- For cash flow purposes, the level of unassigned fund balance should never fall below 16% (two months expenditures).

In order to accommodate these prudent fiscal objectives, Randolph County shall maintain the year-end General Fund unassigned fund balance that is available for appropriation at a level of twenty percent (20%) of the subsequent year's total General Fund Expenditures budget. This percentage represents the equivalent of two and one-half months of operating expenses.

Any amounts remaining in the fiscal year-end General Fund unassigned fund balance in excess of 24% of the approved subsequent year's budgeted expenditures shall be committed for capital purposes and shall be maintained in a separate capital reserve fund. These committed funds, along with the interest earned thereon, will be available for appropriation by the Board of Commissioners in a subsequent fiscal year to fund construction of capital projects, unexpected capital equipment needs which have not been budgeted, or debt service payments. The primary purpose of the reserve will be to provide resources for significant construction and other projects included in the Capital Improvement Plan.

Adopted October 4, 2010