

# REPORT ON FUND BALANCE FISCAL YEAR 2015 YEAR-END

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**Report Developed by the City of Greenville  
City Manager's Office and Financial Services Department  
December 15, 2015**



## SECTION I – Report Purpose

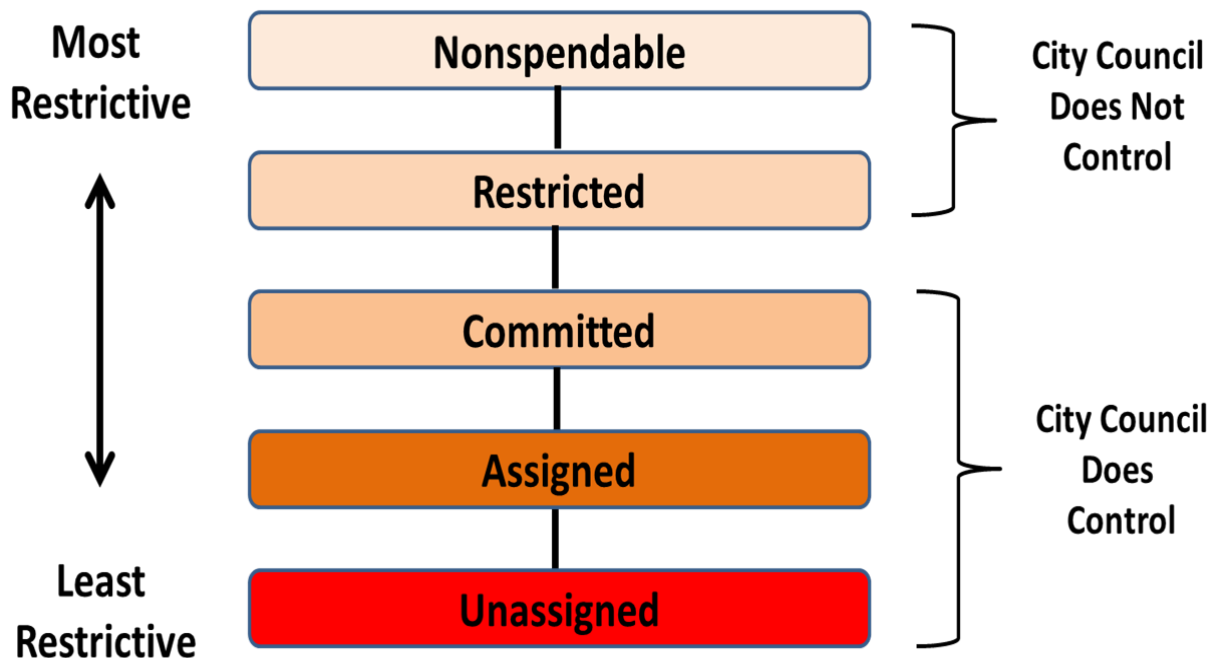
The purpose of this report is to :

1. Explain the categories of fund balance for the City of Greenville’s General Fund and Non-major Governmental Funds,
2. Explain the amounts of fund balance in these various categories as of June 30, 2015,
3. Explain the City’s financial policies relative to fund balance

It should be recognized that the data provided depicts fund balance levels reflected in the most recent audited financial statements (June 30, 2015).

## SECTION II – Fund Balance Classifications and Descriptions

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balance as follows:



Fund balance that is not considered Nonspendable or Restricted will be included Unassigned unless formal action of the City Council is taken to classify fund balance as Committed or Assigned.

## **Nonspendable Fund Balance**

This classification 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. The City's Non spendable fund balance consists of the following:

**Prepaid Items:** portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and is, therefore, not in spendable form.

**Inventories:** portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

**Loans Receivable:** portion of fund balance that is not an available resource because it has been paid out to borrowers and is, therefore, not a spendable resource.

## **Restricted Fund Balance**

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The City's Restricted fund balance consists of the following:

**Restricted for Stabilization by State Statute:** portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)].

**Restricted for General Government:** portion of fund balance that is restricted by revenue source for general government purposes.

**Restricted for Streets:** portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.

**Restricted for Public Safety:** portion of fund balance that is restricted by revenue source for public safety expenditures.

**Restricted for Economic Development:** portion of fund balance that is restricted by revenue source for economic development expenses.

**Restricted for Culture and Recreation:** portion of fund balance that is restricted by revenue source for culture and recreation expenses.

**Restricted for Debt Service:** portion of fund balance that is restricted by revenue source for debt expenditures accounted for in the City's Debt Service Fund.

### **Committed Fund Balance**

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of City Council. The City's committed fund balance consists of the following:

**Committed for Catastrophic Losses:** portion of fund balance committed by the City Council in its financial policy guidelines for insurance loss reserves for self-insured amounts that exceed insurance coverage.

**Committed for General Government:** portion of fund balance committed by the City Council in its financial policy guidelines for general government purposes.

**Committed for Culture and Recreation:** portion of fund balance that is committed by City Council for cultural and recreation expenses in various Special Revenue and Capital Project funds.

**Committed for Public Safety:** portion of fund balance that is committed by City Council for law enforcement equipment and operational activities in various Special Revenue and Capital Project funds.

**Committed for Economic Development:** portion of fund balance that is committed by City Council for economic development construction and activities in various Special Revenue and Capital Project funds.

**Committed for Capital Outlays:** portion of fund balance committed by the City Council for the construction of specific assets held in the Capital Reserve Fund.

**Committed for Debt Service:** portion of fund balance committed by the City Council to pay for future debt expenditures accounted for in the City's Debt Service Fund.

### **Assigned Fund Balance**

This classification represents the portion of fund balance that the City of Greenville intends to use for specific purposes. The City's Assigned fund balance consists of the following:

**Assigned for Subsequent Year's Expenditures:** portion of fund balance that is appropriated in the next year's budget that is not classified as Restricted or Committed.

**Assigned for Culture and Recreation:** portion of total fund balance that has been budgeted by Council for library operations.

### **Unassigned Fund Balance**

This classification represents the portion of fund balance that has not been Restricted, Committed, or Assigned to specific purposes or other funds. Unassigned Fund Balance is considered to be available for appropriation by the City Council.

Note: The categories and sub-categories listed above are dictated by the Governmental Accounting Standards Board (GASB) requirements.

## SECTION III – Review of FY 2015 Fund Balance Details

The excerpts below from the City of Greenville’s FY2015 financial statements depicts that at the end of FY2015, the General Fund’s fund balance was \$32.6 million and the fund balance for Non-major Governmental Funds was \$10.7 million. Adding these two fund balances together results in a fund balance for Total Governmental Funds of \$43.3 million. In an effort to provide greater clarity regarding the various fund balance designations depicted below, staff has developed the detail sheets on the four pages that follow. These detail sheets identify the specific projects / activities and their associated funding for each fund balance category.

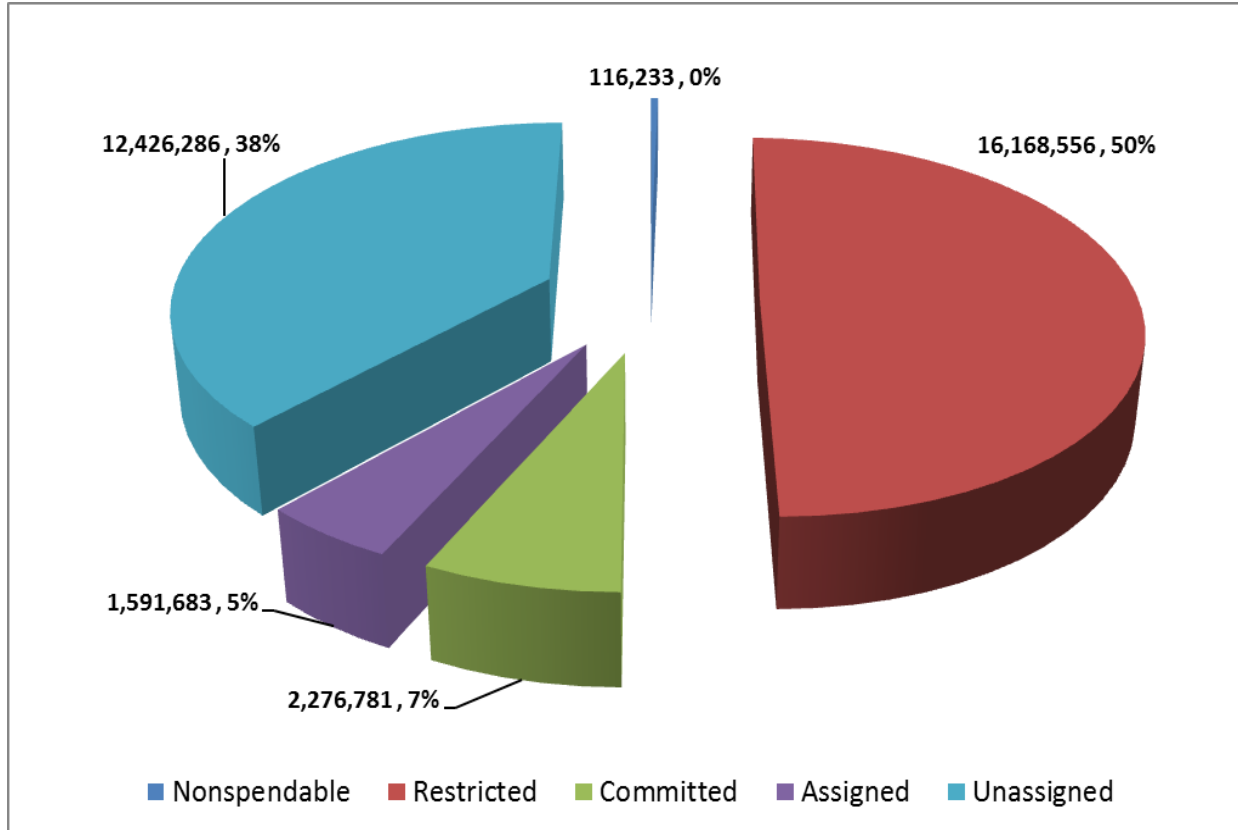
### Excerpt From FY2014 Financial Statements

**CITY OF GREENVILLE, NORTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

<i>JUNE 30, 2015</i>	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Non-spendable:</b>			
Prepaid items and inventories	\$ 101,533	\$ 89,918	\$ 191,451
Loans receivable	14,700	830,548	845,248
<b>Restricted:</b>			
Stabilization by State Statute	13,033,581	560,787	13,594,368
Restricted for general government	76,578	-	76,578
Restricted for streets	2,236,910	-	2,236,910
Restricted for public safety	821,487	-	821,487
Restricted for economic development	-	7,251,170	7,251,170
Restricted for cultural and recreational	-	101,947	101,947
Restricted for debt services	-	342,917	342,917
<b>Committed:</b>			
Committed for catastrophic losses	2,276,781	-	2,276,781
Committed for general government	-	1,476,184	1,476,184
Committed for culture and recreation	-	372,217	372,217
Committed for public safety	-	81,760	81,760
Committed for economic development	-	3,364,854	3,364,854
Committed for capital outlay	-	699,625	699,625
Committed for debt service	-	49,781	49,781
<b>Assigned:</b>			
Assigned for subsequent year's expenditures	1,591,683	24,707	1,616,390
Assigned for culture and recreation	-	544,771	544,771
<b>Unassigned:</b>			
	12,426,286	(5,097,136)	7,329,150
<b>Total Fund Balance</b>	<b>32,579,539</b>	<b>10,694,050</b>	<b>43,273,589</b>

**General Fund – FY 2015 Year-End Fund Balance Details**

The following is the General Fund fund balance by category at June 30, 2015:



The following is a commentary describing each component of the General Fund ending fund balance at June 30, 2015:

Nonspendable Fund Balance		
Fund Balance Category	Amount	Description
Prepaid Items and Inventories	\$ 101,533	Portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and the year-end balance of ending inventories, which are not spendable resources.
Loans Receivable	\$ 14,700	Portion of fund balance that is not an available resource because it has been paid out to borrowers and is, therefore, not a spendable resource:

<b>Restricted Fund Balance</b>		
Fund Balance Category	Amount	Description
Stabilization by State Statute	\$ 13,033,581	Portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and inter-fund receivables which have not been offset by deferred revenue:
Restricted for General Government	\$ 76,578	Portion of fund balance that is restricted by revenue source for general government purposes.
Restricted for Streets	\$ 2,236,910	Powell Bill Funds- Used restricted by source.
Restricted for Public Safety	\$ 821,487	Federal Forfeiture and Controlled Substance funds- use restricted by source.

<b>Committed Fund Balance</b>		
Fund Balance Category	Amount	Description
Committed for Catastrophic Losses	\$ 2,276,781	These funds are used to cover liability exposures and workers compensation claims in excess of budget and stop-loss insurance coverage. The City has a financial policy dictating that this reserve will be maintained at no less than \$2.0 million.

<b>Assigned Fund Balance</b>		
Fund Balance Category	Amount	Description
Assigned for Subsequent Year's Expenditures	\$ 1,591,683	These funds were budgeted for expenditure in the FY2016 budget (as Appropriated Fund Balance). Some of these funds have already been expended and it is expected that all will be spent within the next 12 months.

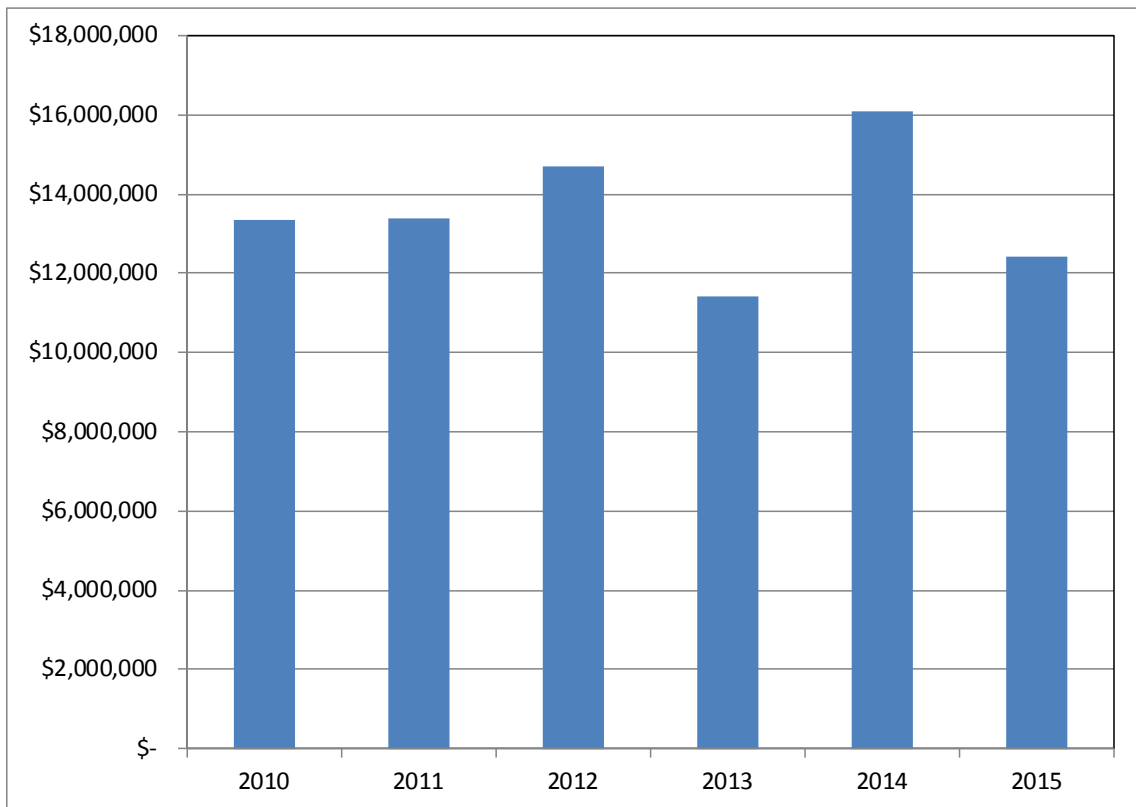
<b>Unassigned Fund Balance</b>		
Fund Balance Category	Amount	Description
Unassigned Fund Balance	\$ 12,426,286	The portion of the fund balance that has not been restricted, committed, or assigned to specific purposes. This amount represents fund balance that is available for appropriation.

<b>TOTAL GENERAL FUND BALANCE</b>	<b>\$ 32,579,539</b>	
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The following is the change in Unassigned Fund Balance for the City of Greenville over the past six years:

Year	Unassigned Fund Balance	Change
2010	\$ 13,364,965	-
2011	13,380,913	15,948
2012	14,683,133	1,302,220
2013	11,400,992	(3,282,141)
2014	16,108,088	4,707,096
2015	12,426,286	(3,681,802)



**Non-major Governmental Funds – FY 2015 Year-End Fund Balance Details**

The following is a commentary describing each component of the Non-major Governmental Funds ending fund balance at June 30, 2015:

<b>Nonspendable Fund Balance</b>		
<b>Fund Balance Category</b>	<b>Amount</b>	<b>Description</b>
Prepaid Items and Inventories	\$ 89,918	Portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and the year-end balance of ending inventories, which are not spendable resources: - Sheppard Memorial Library: \$89,918
Loans Receivable	\$ 830,548	Portion of fund balance that is not an available resource because it has been paid out to borrowers and is, therefore, not a spendable resource: - Community Development Fund: \$387,634 - Housing Trust Fund: \$8,462 - Energy Efficient Recovery Grant: \$92,007 - Affordable Housing Project: \$342,445

<b>Restricted Fund Balance</b>		
<b>Fund Balance Category</b>	<b>Amount</b>	<b>Description</b>
Stabilization by State Statute	\$ 560,787	Portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and inter-fund receivables which have not been offset by deferred revenue: - Community Development Fund: \$320,236 - Sheppard Memorial Library: \$151,629 - Center City Revitalization: \$3,376 - Housing Trust Fund: \$116 - Centralized Grant: \$13,778 - GTAC Project Fund: \$5,949 - Emergency Operation Center Project: \$362 - Green Mill Greenway Project: \$18,717 - Uptown Parking Deck Project: \$46,061 - ERP Capital Project: \$15 - Street Improvement Fund: \$548

Restricted for Economic Development	\$ 7,251,170	Portion of fund balance which is restricted by revenue source for economic development expenses: <ul style="list-style-type: none"> <li>- Community Development Fund: \$119,665</li> <li>- Housing Trust Fund: \$41,961</li> <li>- Centralized Grant: \$237,459</li> <li>- Center City Revitalization: \$532,868</li> <li>- 10th Street Connector: \$1,391</li> <li>- Thomas Langston Rd Extension Prj: \$318,063</li> <li>- Convention Center Expansion Project: \$988,621</li> <li>- Uptown Parking Deck: \$447,613</li> <li>- CVA Expansion Phase III: \$4,563,529</li> </ul>
Restricted for Culture and Recreation	\$ 101,947	Portion of fund balance which is restricted by revenue source for cultural and recreational expenses: <ul style="list-style-type: none"> <li>- Sheppard Memorial Library: \$101,947</li> </ul>
Restricted for Debt Service	\$ 342,917	Portion of fund balance which is restricted by revenue source for debt expenditures accounted for in the City's Debt Service Fund.

<b>Committed Fund Balance</b>		
Fund Balance Category	Amount	Description
Committed for General Government	\$ 1,476,184	Portion of fund balance committed by City Council in its financial policy guidelines for general government purposes: <ul style="list-style-type: none"> <li>- Energy Savings Equipment Project \$1,795</li> <li>- ERP Capital Project: \$1,474,389</li> </ul>
Committed for Culture and Recreation	\$ 372,217	Portion of fund balance committed by City Council for cultural and recreational expenses: <ul style="list-style-type: none"> <li>- Green Mill Greenway Project: \$372,217</li> </ul>
Committed for Public Safety	\$ 81,760	Portion of fund balance that is committed by City Council for law enforcement equipment and operational activities in various Special Revenue and Capital Project funds. <ul style="list-style-type: none"> <li>- Technology for Public Safety Project: \$81,760</li> </ul>
Committed for Economic Development	\$ 3,364,854	Portion of fund balance that is committed by City Council for economic development construction and activities in various Special Revenue and Capital Project funds. <ul style="list-style-type: none"> <li>- Affordable Housing Project: \$423,538</li> <li>- West Greenville Revitalization: \$112,906</li> <li>- Stantonsburg Rd / 10th St Connector: \$407,086</li> <li>- GTAC Project Fund: \$780,267</li> <li>- King George Bridge Project: \$113,221</li> <li>- Street Improvement Fund: \$1,434,909</li> <li>- South Greenville Recon Project: \$92,927</li> </ul>

Committed for Capital Projects	\$ 699,625	Portion of fund balance committed by the City Council for the construction of specific assets held in the Capital Reserve Fund. - Convention Center Project: \$390,487 - DOT Sidewalk Projects: \$52,059 - Parking Station Reserves: \$30,960 - Capital Investment Grant: \$50,000 - Open Space for Land Banking \$ 122,153 - Unallocated Interest: \$53,966
Committed for Debt Service	\$ 49,781	Portion of fund balance committed by the City Council to pay for future debt expenditures accounted for in the City's Debt Service Fund.

Assigned Fund Balance		
Fund Balance Category	Amount	Description
Assigned for Subsequent Year's Expenditures	\$ 24,707	Portion of fund balance that is appropriated in the next year's budget that is not classified as Restricted or Committed. - Sheppard Memorial Library: \$24,707
Assigned for Culture and Recreation	\$ 544,771	Portion of fund balance committed by City Council for cultural and recreational expenses: - Sheppard Memorial Library: \$544,771

Unassigned Fund Balance		
Fund Balance Category	Amount	Description
Unassigned Fund Balance	\$ (5,097,136)	- Community Development Fund: \$-291,220 - Centralized Grant: \$-167,842 - Center City Revitalization: \$-336,858 - Thomas Langston Extension Prj: \$-257,520 - Convention Center Expansion: \$-917,427 - Emergency Operations Center Project: \$-48,142 - Uptown Parking Deck: \$-361,194 - CVA Expansion Phase III: \$-2,716,933

<b>TOTAL NON-MAJOR GOVERNMENTAL FUNDS- FUND BALANCE</b>	\$10,694,050	
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## SECTION IV – Review of Applicable Financial Policies

The City of Greenville’s Financial Policy Guidelines contain two policies that are directly relevant to any discussion regarding fund balance. These two policies are outlined below.

Policy 1:

**The City will strive to maintain an Unassigned General Fund balance at the close of each fiscal year of at least 14.0% of the total annual operating budget.**

The policy has the effect of the City retaining approximately 1.7 months of annual expenditures unassigned, meaning that 1.7 months of operating funds are available and not designated for other purposes.

The Unassigned General Fund balance as of the close of FY2015 was \$12,426,286, or \$1,944,878 above the 14% policy amount of \$10,481,408 which was calculated as follows:

Total Original FY2015 General Fund Budget	\$ 78,105,680
Less Powell Bill Budget	<u>(3,238,482)</u>
FY2015 General Fund Budget Less Powell Bill	74,867,198
Unassigned Fund Balance Policy Percentage	<u>14.00%</u>
Unassigned Fund Balance Policy Amount	10,481,408
Unassigned General Fund Balance at 6-30-15	<u>12,426,286</u>
Amount Above 14% Policy Amount	<u>\$ 1,944,878</u>

It should be recognized that of the \$1,944,878 above the 14% policy, approximately 25.5% (\$497,577) has been allocated by budget amendments approved by City Council through November 2015. This would leave \$1,447,301 available above the 14% policy threshold for allocation. There continues to be an allocated amount of interest within the Capital Reserve Fund. After including the Capital Reserve Fund’s interest, there is \$1,501,266 that is available for allocation.

On November 12, 2015, City Council approved the transfer of the \$1,447,301 in General Fund fund balance above the 14% threshold to the Capital Reserve Fund. After including the Capital Reserve Fund’s interest, approximately \$1,501,266 was allocated to Dickinson Avenue projects that include the Sidewalk project (parking lots for sidewalk project and City employees) and the Brownfield property.

Policy 2:

**The City will establish and maintain an insurance Loss Reserve to pay for needs caused by unforeseen emergencies. This reserve will be maintained at no less than \$2.0 million.**

The City has established a program to manage its financial risk through a self-funded arrangement in combination with purchased insurance related to workers compensation and general liability. As such, liability exposures and workers compensation claims are addressed in the self-funded program. Excess insurance (specific stop-loss coverage) is purchased through third party sources to cover large claims (over \$600,000 for workers compensation and over \$250,000 for general liability). The Insurance Loss Reserve, categorized as the Committed for Catastrophic Losses, is used to cover claims in excess of budget and stop-loss insurance coverage. The specific amount in this fund at the end of FY2015 was the same as the previous year end, \$2,276,781 which is approximately \$276,781 above the policy minimum limit.