

Report on Fund Balance: FY 14 Year-End

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City Manager's Office and Financial Services Department
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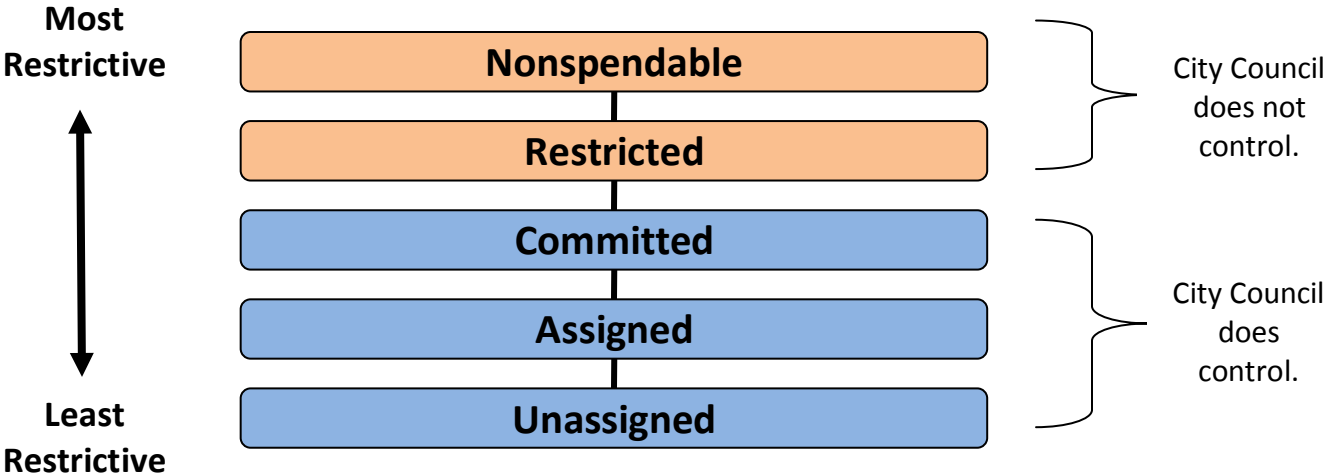
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SECTION I – Report Purpose

The purpose of this report is to explain the categories of fund balance for the City of Greenville’s General Fund and Non-major Governmental Funds; the amounts of fund balance in these various categories as of June 30, 2014; and City 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, 2014).

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 balances as follows:



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 Nonspendable 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.

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 sources for economic development expenses.

Restricted for culture and recreation: portion of fund balance that is restricted by revenue sources for culture and recreation expenses.

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 construction 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 total 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.

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

SECTION III – Review of FY 14 Fund Balance Details

The excerpt below from the City of Greenville’s FY 2014 financial statements depicts that at the end of FY 14, the General Fund’s fund balance was \$31.4 million and the fund balance for Non-major Governmental Funds was \$12.7 million. Adding these two fund balances together results in a fund balance for Total Governmental Funds of \$44.1 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 FY 14 Financial Statements

CITY OF GREENVILLE, NORTH CAROLINA			
BALANCE SHEET - GOVERNMENTAL FUNDS			
JUNE 30, 2014			
		Nonmajor	Total
		Governmental	Governmental
	General	Funds	Funds
Fund Balances			
Non-spendable			
Prepaid items and inventories	215,226	52,817	268,043
Restricted:			
Stabilization by State Statute	7,845,690	382,710	8,228,400
Restricted for general government	-	84,163	84,163
Restricted for streets	2,296,305	-	2,296,305
Restricted public safety	706,036	-	706,036
Restricted for economic development	-	5,334,233	5,334,233
Restricted for culture and recreation	-	101,599	101,599
Committed:			
Committed for catastrophic losses	2,276,781	-	2,276,781
Committed for general government	-	1,979,076	1,979,076
Committed for culture and recreation	-	619,909	619,909
Committed for public safety	-	139,764	139,764
Committed for economic development	-	2,872,875	2,872,875
Committed for capital outlays	-	656,255	656,255
Committed for debt service	-	442,800	442,800
Assigned:			
Assigned for subsequent years expenditures	1,964,421	36,117	2,000,538
Assigned for culture and recreation	-	485,780	485,780
Unassigned	16,108,088	(489,469)	15,618,619
Total fund balance	31,412,547	12,698,629	44,111,176

General Fund – FY 14 Year-End Fund Balance Details

	Amount	Description
Nonspendable:		
Prepaid items and inventories	\$215,226	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.
Restricted:		
Stabilization by State Statute	\$7,845,690	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 revenues.
Restricted for streets	\$2,296,305	Powell Bill funds - use restricted by source
Restricted for public safety	\$706,036	Federal Forfeiture and Controlled Substance funds - use restricted by source
Committed:		
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 <i>reserve will be maintained at no less than \$2.0 million.</i>
Assigned:		
Assigned for subsequent years expenditures	\$1,964,421	These funds were budgeted for expenditure in the FY 15 budget (as Appropriated Fund Balance). Some of these funds have already been expended and it is expected that all will spent within the next 12-months.
Unassigned:	\$16,108,088	This is the portion of the fund balance that has not been restricted, committed or assigned to specific purposes.
TOTAL GENERAL FUND BALANCE	\$31,412,547	

Non-major Governmental Funds – FY 14 Year-End Fund Balance Details

	Amount	Description
Nonspendable:		
Prepaid items and inventories	\$52,817	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.
Restricted:		
Stabilization by State Statute	\$382,710	Portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]
Restricted for general government	\$84,163	Energy Savings Capital Project Bond funds - use restricted by source. To be closed in FY 15 after project is complete.
Restricted for economic development	\$5,198,726	-Center City Revitalization Capital Project Bond funds \$644,375. -Uptown Parking Deck - \$4,554,351
Restricted for culture and recreation	\$101,599	Sheppard Memorial Library's restricted donations.
Committed:		
Committed for general government	\$1,979,076	-ERP Capital Project
Committed for culture and recreation	\$619,909	-Greenmill Run Greenway Capital Project - \$615,209 -South Tar River Greenway - \$4,700
Committed for public safety	\$139,764	-Emergency Operations Center - \$28,553 -Public Safety Technology Capital Project - \$111,211

Committed for economic development	\$3,008,382	<p>-Housing program funds for acquisitions, rehabilitations and clearance activities. - \$43,698</p> <p>--Centralized Grant Fund –various ongoing grants - \$98,025</p> <p>-Affordable Housing revolving funds to be used for additional affordable home construction and affordable housing loans and projects. - \$441,499</p> <p>-West Greenville Revitalization Capital Project Fund. Funds budgeted for W. 5th Street Streetscape, property acquisition and Small Business Plan competition were not spent by June 30, 2014. - \$242,404</p> <p>-Center City Revitalization Capital Project Fund. Funds budgeted for Evans St. Gateway, theater repairs and parking pay station project were not spent by June 30, 2014. - \$276,930</p> <p>-10th Street Connector Capital Project local cost for project - \$408,474</p> <p>-Way Finding Capital Project Fund. One gateway sign remaining to be constructed. - \$47,871</p> <p>-Thomas Langston Rd. Extension - \$60,114</p> <p>-Greenville Transportation Activity Center local match- \$607,079</p> <p>-Convention Center – Phase 2 Capital Project Fund. This fund was closed in FY 14; however the estimate used to close the project left residual funds. These funds will be transferred to the Phase 3 project during fiscal year 2015. The new Capital Project Fund was established for the upcoming Convention Center Expansion / Improvement Project - \$71,194</p> <p>-King George Bridge Capital Project local match - \$101,000</p> <p>-Convention Center – Phase III Capital Project Fund- 474,587.</p> <p>- Energy Efficiency Recovery Grant - \$135,507</p>
Committed for capital outlays	\$656,255	Capital Reserve Fund. \$390,487 to be used for an HVAC system at Convention Center. \$25,000 on reserve for the Capital Investment Grant. The

		remaining funds, approximately \$187k, are reserved for open space land banking and sidewalks.
Committed for debt service	\$442,800	Debt Service Fund
Assigned:		
Assigned for subsequent years expenditures	\$36,117	Sheppard Memorial Library's appropriated fund balance approved in FY 14 budget.
Assigned for culture and recreation	\$485,780	Sheppard Memorial Library's fund balance.
Unassigned:		
	\$(489,469)	
TOTAL NON-MAJOR GOVERNMENTAL FUNDS - FUND BALANCE	\$12,698,629	

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.

This policy has the effect of the City retaining approximately 1.6 months of annual expenditures unassigned, meaning that 1.6 months of operating funds are available and not designated for other purposes.

The Unassigned General Fund balance as of the close of FY 14 was \$16,108,088, or \$5,537,579 above the 14% policy amount of \$10,570,509 which was calculated as follows:

Total Original FY 15 General Fund Budget less Powell Bill x 14%

\$75,503,636 x 14% = \$10,570,509

It should be recognized that of the \$5,537,579 above the 14% policy, over half (\$2,810,221) has been allocated by budget amendments approved by City Council through October of FY 15. This would leave \$2,727,358 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 \$2,781,323 that is available for allocation.

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 risks 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 FY 14 was the same as the previous year-end, \$2,276,781.