RESOLUTION #24-__:

A RESOLUTION TO COMMIT A PORTION OF FUND BALANCE IN THE GENERAL FUND FOR FUTURE CAPITAL.

THAT WHEREAS, the Governmental Accounting Standards Board (GASB) has issued Statement No. 54 establishing a hierarchy clarifying the constraints that govern how a government entity can use amounts reported as fund balance; and

WHEREAS, the Village Council is the highest level of decision-making authority, and has the authority to commit, assign, or evaluate existing fund balance classifications and identify the intended uses of committed or assigned funds; and

WHEREAS, the committed fund balance classification reflects amounts subject to internal constraints self-imposed by the Village Council; and

WHEREAS, once the committed fund balance constraints are imposed, it requires the constraint to be removed by the Village Council prior to redirecting the funds for other purposes; and

WHEREAS, the Village Council has adopted a Fund Balance Policy, as amended from time to time, in order to maintain adequate working capital and a good credit rating; and

WHEREAS, the Village's Fund Balance Policy states the Village Council may commit a portion of fund balance for future capital needs in the General Fund when fund balance is in excess of 40% of actual General Fund expenditures as reported in the year-end Annual Comprehensive Financial Report; and

WHEREAS, the Village's Fund Balance Policy states that in no instance shall the amount of fund balance committed for future capital needs cause the unassigned General Fund fund balance to fall below 15% of actual General Fund expenditures as reported in the year-end Annual Comprehensive Financial Report; and

WHEREAS, the Village's Fund Balance Policy states the Council must approve a separate resolution for the respective year to commit fund balance for future capital in the General Fund; and

WHEREAS, the calculation of committed fund balance will occur during the completion of the year-end Annual Comprehensive Financial Report.

NOW, THEREFORE, BE IT RESOLVED by the Village Council of the Village of Pinehurst, North Carolina, in regular meeting assembled this 25th day of June, 2024, as follows:

SECTION 1. In accordance with the provisions of GASB 54, Village Council hereby commits the amount of General Fund fund balance that exceeds 40% of actual General Fund expenditures as of June 30, 2024 as reported in the Annual Comprehensive Financial Report for future capital within that, as indicated by the committed fund balance classification, cannot be used for any purpose other than directed above, unless the Village Council adopts another resolution or ordinance to remove or change the constraint.

SECTION 2. To comply with the Village's Fund Balance Policy, should unassigned fund balance fall below 15% by committing fund balance for future capital as calculated in Section 1, the amount of committed fund balance for future capital will be reduced to ensure unassigned fund balance remains at 15% of actual General Fund expenditures.

THIS RESOLUTION passed and adopted this 25th day of June, 2024.

VILLAGE OF PINEHURST
VILLAGE COUNCIL

(Municipal Seal)

By: ______________________________
Patrick Pizzella, Mayor

Attest:

____
Shannon Konstantinou, Village Clerk

Approved as to Form:

____
Michael J. Newman, Village Attorney

RESOLUTION #23-07:

A RESOLUTION TO AMEND TERMINOLOGY IN THE FUND BALANCE POLICY FOR THE GENERAL FUND IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT NO. 98.

THAT WHEREAS, the North Carolina Local Government Commission has recommended that General Fund fund balance available for appropriation should be no less than 8% of the prior year's expenditures to maintain fiscal responsibility under the Municipal Fiscal Control Act; and

WHEREAS, the Village Council desires for the Village to maintain adequate working capital and to maintain a good credit rating in order to obtain favorable financing rates on debt issuances; and

WHEREAS, the Council adopted a Fund Balance Policy for the General Fund on March 11, 2003 by Resolution #03-4, and amended that policy on May 10, 2005 by Resolution #05-11 and May 25, 2010 by Resolution #10-19 and November 13, 2012 by Resolution #12-62 and February 9, 2021 by Resolution #21-03; and

WHEREAS, Government Accounting Standards Board (GASB) Statement No. 98 *The Annual Comprehensive Financial Report* has replaced the term comprehensive annual financial report and its acronym with the term annual comprehensive financial report (ACFR); and

WHEREAS, the Village Council wishes to amend the Fund Balance Policy to update terminology in accordance with GASB Statement No. 98;

NOW, THEREFORE, BE IT RESOLVED by the Village Council of the Village of Pinehurst, North Carolina, in regular meeting assembled this 14th day of March 2023, as follows:

SECTION 1. When preparing the annual General Fund budget, the amount of appropriated fund balance should result in an anticipated ending <u>total</u> fund balance at a minimum of 30% of <u>budgeted</u> expenditures.

SECTION 2. Management is further directed to maintain <u>unassigned</u> General Fund fund balance as reported in Village's Annual Comprehensive Financial Report (ACFR) of greater than 15% of <u>actual</u> General Fund expenditures as reported in the ACFR for the year audited.

SECTION 3. When total fund balance as reported in the Village's ACFR is in excess of 40% of actual General Fund expenditures as reported in the ACFR for the year audited, Council may commit excess fund balance each year for future capital needs by approving a separate resolution for the respective year. However, in no instance shall the amount of fund balance committed for future capital needs cause the unassigned General Fund fund balance to fall below the 15% of actual General Fund expenditures as stated in Section 2.

SECTION 4. Management is expected to manage the budget so that revenue shortfalls and expenditure increases do not impact the Village's targeted fund balance levels outlined above. If a catastrophic economic event occurs that requires a 5% or more deviation from total budgeted revenues or expenditures, then the targeted fund balance levels established herein can be reduced by action of the Village Council; the Council will also adopt a plan of action to return fund balances to the required levels.

SECTION 5. This policy shall supersede all previously adopted fund balance policies of the Village of Pinehurst.

THIS RESOLUTION passed and adopted this 14th day of March, 2023.

(Municipal Seal)

VILLAGE OF PINEHURST
VILLAGE COUNCIL

By: John C. Strickland
John C. Strickland, Mayor

Attest:

Kelly Chance
Kelly Chance, Village Clerk

Approved as to Form:

Michael J. Newman, Village Attorney

Fund Balance Committed for Future Capital Discussion

Council Work Session

June 4, 2024

Village's Fund Balance Policy

Village's Fund Balance Policy has three parts:

Part 1 Measured at the beginning of the year	**Parts 2 & 3** Measured at the end of the year
• When preparing the annual General Fund (GF) budget, the amount of appropriated fund balance should result in an anticipated ending total fund balance at a minimum of 30% of budgeted expenditures	• Unassigned fund balance must be greater than 15% of actual GF expenditures as reported in the ACFR • When total fund balance in the ACFR exceeds 40% of actual GF expenditures, Council may commit excess fund balance for future capital needs. In no instance shall this commitment cause unassigned fund balance to drop below 15% (Part 2).

Fund Balance Definitions

Key Definitions:

<table>
<tr><th colspan="2">Unassigned Fund Balance
Calculated per the GASB and reported in the ACFR</th></tr>
<tr><td><u>Total fund balance</u> less
— Nonspendable FB (inventory, prepaid expenses)
— Restricted FB (Stabilization by state statute, externally restricted funds such as grants or donor funds)
— FB Committed by governing body resolution (committed for capital, library and archives)
— FB Assigned in budget appropriation (typically fund balance appropriation in next year's budget)</td><td>• Represents <u>spendable fund balance</u> that has not been restricted or “earmarked” (i.e. committed or assigned by Council) in some way
• Can be used for any purpose
• Village’s policy step 3 to commit excess fund balance for future capital reduces the unassigned fund balance reported in the ACFR</td></tr>
<tr><td>= Unassigned fund balance</td><td></td></tr>
</table>

Estimated FY 2024 Committed for Future Capital

For illustrative purposes

Estimated Committed for Future Capital Calculation:

Estimated Total Fund Balance		$21,853,611	A
Estimated Total Expenditures (Actuals)	$24,589,732		B
Times: 40%	40%		C
Less: 40% of Expenditures		9,835,893	D = B x C
Maximum FB to "Commit" (Amount > 40% of Expenditures)		**$12,017,718**	E = A - D

Estimated Total Expenditures	$24,589,732		B
Times: 15% Requirement for Unassigned FB	15%		F
15% Minimum Amount of Unassigned FB (Part 2 of Policy)		**$3,688,460**	G = B x F

Unassigned Fund Balance Before Commitment	$11,260,080		H
Less: Minimum Amount of Unassigned Fund Balance	3,688,460		G
Amount of Unassigned FB Available to "Commit"		**$7,571,620**	I = H - G

Total Amount of Fund Balance to "Commit"	
(If E <= I, then E, Otherwise I)	**$7,571,620**

1895 Village of Pinehurst

Estimated Fund Balances

June 30, 2023 Actual Fund Balances:

	General Fund
Fund balances:	
Nonspendable:	
Inventory	52,537
Prepaid items	98,579
Leases	1,722
Restricted:	
Stabilization by state statute	3,067,395
Public safety	19,469
Committed:	
Library and archives	544,777
Future capital	10,572,049
Assigned:	
Subsequent year's expenditures	600,100
Unassigned	5,405,436
Total fund balances	20,362,064

Committed for Future Capital + Unassigned = $15,977,485

Estimated June 30, 2024 Fund Balances:

ESTIMATED	General Fund
Fund balances:	
Nonspendable:	
Inventory	68,395
Prepaid items	63,409
Leases	2,655
Restricted:	
Stabilization by state statute	3,773,657
Public safety	10,548
Committed:	
Library and archives	544,777
Future capital	7,571,620
Assigned:	
Subsequent year's expenditures	6,130,090
Unassigned	3,688,460
Total fund balances	21,853,611

Committed for Future Capital + Unassigned = $11,260,080

Key Takeaways

- As other fund balance categories change, it affects the amount available to be committed for future capital
- The commitment is <u>not</u> for specific projects or purchases
- The commitment option in the policy is intended to convey that fund balance over 40% of expenditures, which may be considered “excessive” to hold in reserves, has a purpose and is intended to be used for future capital in years where current operating revenues are not sufficient to cover capital expenditures
- The higher fund balance appropriation in FY 2025, which will be reported as fund balance assigned for subsequent year’s expenditures, represents the intention to use fund balance for capital and it will cause the amount committed for future capital in FY 2024 to go down compared to FY 2023
- The commitment is at the discretion of Village Council