

**CITY OF CHARLOTTE**  
**COUNCIL POLICY**

SUBJECT	POLICY NO.	APP. DATE	PAGE
<b>FUND BALANCE POLICY FOR GENERAL FUND</b>	<b>2021-06</b>	<b>06/07/2021</b>	<b>1 of 2</b>

**1. PURPOSE**

The purpose of this policy is to establish a formal Fund Balance and Reserve Policy for the General Fund that promotes responsible financial management by adhering to best budget practices and Generally Accepted Accounting Principles (GAAP). By maintaining sufficient fund balances and reserves, the city will be well positioned to provide financial security and continued delivery of services, withstand economic downturns and other financial stressors such as a natural disaster or emergency, promote stable tax rates and fees, protect the city’s credit worthiness and bond rating, respond to opportunities, and consider long-term financial needs.

**2. AUTHORITY**

This policy is adopted pursuant to Section 4.7(I) of the Charter of the City of Charlotte.

**3. CITY FUNDS BY TYPE**

- 3.1 Governmental Funds:** includes General Fund, Major and Local Street Funds, Airport Fund, DDA Fund, and other governmental funds.
- 3.2 Enterprise Funds:** includes Water and Sewer Fund and Recycling Fund
- 3.3 Internal Service Funds:** includes Motor Vehicle Pool and Information Technology Funds.

**4. GENERAL FUND POLICY**

**4.1 Governmental Accounting Standards Board Statement No 54.** GASB 54 defines five classifications of fund balance which are summarized in the table below:

**Governmental Accounting Standards Board  
Statement No. 54 Fund Balance Classifications**

	Classification	Definition	Degree of Spendability
Restricted Fund Balance	Nonspendable	Resources that are not in a spendable form (inventories, prepaid items, or items required to be maintained intact).	Nonspendable
	Restricted	Resources constrained to specific purposes by external providers (creditors, grantors, contributors, and other levels of government) through laws and regulations.	Spendable
Unrestricted Fund Balance	Committed	Resources constrained by limitations the City imposes upon itself at its highest level of decision-making authority (City Council); limitations remain binding unless removed in the same manner.	Spendable
	Assigned	Resources a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates authority.	Spendable
	Unassigned	Resources available for any purpose; these resources are reported only in the General Fund.	Spendable

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- 4.2 Fund Balance Guidelines for the General Fund.** The Government Finance Officers Association (GFOC) has nearly 200 Best Practices regarding various areas of public finance. One of which is to maintain a policy regarding the level of unrestricted fund balance in the general fund for Generally Accepted Accounting Principles (GAAP) and budgetary purposes. GFOA recommends a minimum of two months regular general fund operating revenues or expenditures.
- 4.3. Accessing Fund Balance Below Minimum.** Accessing fund balances and reserves below the minimum targets should be done in conjunction with other budget balancing alternatives and requires Council approval.
- 4.4 Replenishing Balances and Reserves.** When funds are accessed the reduces the balance below the target threshold, a replenishment plan of one to three years, or as soon as fiscally feasible should be adopted.
- 4.5 Minimum Fund Balance Calculation.** As part of the annual budgeting process, the city will calculate the minimum fund balance targets and reserves requirements based on 17% of regular operating expenditures.
- 4.6 Expending Surplus Fund Balance and Reserves.** Any surplus fund balance or reserves may be spent on one-time uses only, such as equipment purchases or one-time programming, and should not be considered a source of funding for ongoing operations or maintenance. Any expenditure of surplus balance or reserves requires Council approval.
- 4.7 Fully Funded Status.** This policy should be fully enacted with target fund balance reserves achieved over a period of three to five years, or sooner if fiscally feasible.

**5. POLICY REPLACED**

None.

**6. EFFECTIVE DATE**

This policy shall be effective immediately following its approval.