

# Cabarrus County

## Reserve Policy

Board Approved July 17, 2018

In accordance with state statute, appropriated fund balance in any fund will not exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts.

The County will maintain an unrestricted, unassigned fund balance that exceeds eight percent (8%) of annual general fund expenditures in accordance with the North Carolina Local Government Commission's (LGC) recommendation. For a County our size, a recommended target goal of fifteen percent (15%) should be maintained. These funds will be used to avoid cash-flow interruptions, generate interest income, eliminate the need for short-term borrowing, assist in maintaining an investment-grade bond rating, and sustain operations during unanticipated emergencies and disasters.

On June 14, 2005 (revised March 15, 2010), the Board of Commissioners adopted a resolution formalizing the following fiscal management policies to be incorporated into the County's budget document beginning with the 2006 fiscal year:

1. Recurring, operational expenditures of the County government will only be funded through recurring revenue sources;
2. The County will maintain an unassigned fund balance equal to 15% of general fund expenditures; and
3. Upon the completion of the annual audit of the County finances, any unrestricted, uncommitted, unassigned fund balance above 15% will be transferred to the Capital Reserve Fund, to reduce reliance on debt financing; or to the Self-Funded Hospitalization and Dental Fund, Workers Compensation and Liability Fund as required to maintain the integrity of those funds.
4. Notwithstanding the requirements of items 1, 2, and 3 above, fund balance may be committed or assigned for any use in the general fund to overcome revenue shortfalls related to significant downturns in the economy.

On June 18, 2018, the Board of Commissioners adopted a resolution formalizing the following fiscal management policies to be incorporated into the County's budget document beginning with the 2019 fiscal year:

If unassigned fund balance at the end of the current fiscal year is less than the approved fund balance level, the deficiency should be replenished in the coming fiscal years, not to exceed a total of three consecutive years.

**Cabarrus County**  
**FY 20 Capital Improvement Projects**

Capital Improvement Projects	FY 2020 Capital Reserve Funding request	Notes
Capital Reserve Balance as of 1-15-19 (+478)	\$ 146,204.00	
15% Fund Balance Transfer	12,303,742	
Capital Reserve Balance as of 1-31-19	<u>12,449,946</u>	
<b>3 Activity Buses - CCS</b>	<b>200,000</b>	<b>CCS activity bus (only get 2 now)</b>
Middle School Land and Construction	-	No site located at this time (land bank)
Middle School A&E, Admin, Tech and F&E	-	
Replace Electrical Service at MPES	568,700	Was \$550,000
Roof Replacement at MPES	-	No new sheet submitted
Security Cameras- CCS	415,246	New sheet submitted
Mobile Units-CCS	2,400,000	K-3 legislation (classroom size issue)
New High School Land Banking/Purchase	-	No sheet submitted, Should be 5m
RCCC Building 2000 Re-roof	300,000	but use 2m from land banking in Gen Gov
RCCC Building CBTC A/C unit Replacement	-	
Phase III (7 out of 31 units)	-	250,000
<b>School requests subtotal</b>	<u><b>3,883,946</b></u>	
Courthouse	3,380,000	2.4m per Kyle will most likely go away for site utilities
Security Cameras	300,000	GC, Harrisburg, MP, Concord Library Cameras
County Land Banking	-	
Human Services Cubicles for HSC Room 454	-	
Sheriff Radio Communications Tower	-	
EMS Headquarters Base	-	Planning and Land acquisition, Using 120,000 for MPMS contingency
Firing Range Renovations	1,700,000	
Frank Liske Park Water Line Replacements	360,000	
Frank Liske Park Mini Golf, Restrooms, Concessions and Office Building	-	office, restroom, concessions stays
Camp Spencer Vending Machine Building and Overlook	225,000	
Governmental Center G Level Parking Deck Sealing	-	
Operations Center	1,665,000	exterior and physically build out Fleet Maint
Arena Kitchen Goods Storage Building Replacement	161,000	
<b>Governmental Center Roof and Skylight Replacement</b>	<b>775,000</b>	<b>take place before budget process</b>
<b>County requests subtotal</b>	<u><b>8,566,000</b></u>	
<b>Total of all project requests</b>	<u><b>12,449,946</b></u>	
<b>Project requests greater than available Capital Reserve Balance</b>	<u>-</u>	

Financing this 2.5m in FY 20 (operating budget impact)  
1,950,000 update school when open in FY 22

\$1,046, 408 move out another year  
\$400,000 moved to General Government Camera

Use 5m for debt finance- will have operating budget impact

Push this out a year because RCCC isnt spending their current \$

2,000,000 push out FY 21  
152,095 propsoed to push out to FY 21  
20 cubicles for new EFFSA division  
160,000 move out another year

1,350,000 move to 450 Fund mini golf (CVB \$\$\$)

200,000 for remainder of project  
buy now-can consider pushing out

Kyle to update future CIP costs and phases

**Cabarrus County**  
**Fund Balance Calculation of excess of 15% Policy**  
**June 30, 2018**  
**As of 9-14-18 updated 12-10-18**

Fund Balance 6/30/17	\$ 85,529,610
Revenues over (under) Expenditures FY 18	<b>(2,817,962)</b>
Legally budgeted sinking fund principal payment	<u>1,330,000</u>
Ending Fund Balance 6/30/18	<b>84,041,648</b>

**Nonspendable**

Inventories	\$ 186,200
Prepaid Items	371,248

**Restricted**

Reserve by State Statute ( Primarily Accounts Receivable & PO/Contract carry forward)	16,339,945
Re-appropriations	314,022
Debt Payments	4,814,230

<<< Includes COPS 2011A Sinking fund

**Committed**

Unpaid Tax Incentives	\$ 2,377,485
Pension Trust (balance from 6-30-15)	1,576,476
Re-appropriations	<u>221,400</u>

**Total unavailable for appropriation** \$ 26,201,006 net \$ **57,840,642**

Less  
Assigned \$ 6,239,540

"Reserved" by 15% Fund Balance Policy \$ 38,615,131

FY 19 Budget 9-14-18  
257,434,207

Balance to transfer to Capital Reserve Fund per policy - Preliminary \$ 12,985,971

Unassigned Fund Balance 6-30-18  
\$ 51,601,102

**Recap:**

FY 18 Revenues over (under) Expenditures	\$ (2,817,962)
Legally budgeted sinking fund principal payment	1,330,000
Change in Nonspendable/Restricted/Committed since FY17	(2,071,881)
Released Assignments since 6-30-17	5,533,386
Change in 15% set aside	(566,109)
Excess transfer from FY 17, budgeted but not used	<u>11,578,537</u>
	<u><u>\$ 12,985,971</u></u>

**New Fund Balance Assignments/Commitments in new Year**

Operations Center allocation	458,736	9-17-18 BOC meeting
Sheriff Administration Building Repairs	150,000	11-19-18 BOC meeting
Arena Performance Management Fees	73,493	11-19-18 BOC meeting

**Excess for future projects**

\$ 12,303,742

# Financial Structure, Policy and Process

---

## Debt Management

Capital projects financed through the issuance of bonds or lease financing agreements will be financed for a period not to exceed the expected useful life of the project.

The County will strive to maintain a high reliance on pay-as-you-go financing for its capital improvements. The general obligation debt of the County will not exceed the legal limit of 8% of the assessed valuation of the taxable property of the County. Total general fund debt service will not exceed the limits imposed and recommended by the Local Government Commission (LGC). As a guide, formulas established by the LGC and rating agencies will be closely monitored and appropriately applied.

The County will seek the best financing type for each financing need based on the following considerations: flexibility to meet the project needs, timing, tax or rate payer equity, and lowest interest cost.

The County will continue to strive for the highest possible bond rating to minimize the County's interest expenses.

The County's debt policy will be comprehensive and the County will not knowingly enter into any contracts creating significant unfunded liabilities.

## Accounting/Financial Reporting Policy

The County will establish and maintain its accounting systems according to the North Carolina Local Budget and Fiscal Control Act. Financial systems will be maintained to monitor expenditures and revenues.

All records and reporting will be in accordance with Generally Accepted Accounting Principles. The basis of accounting within governmental funds types is modified accrual. Under this method of accounting, revenue is recorded when measurable and available. All Enterprise Funds follow the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenditures are recorded when incurred.

The County will place emphasis on maintenance of an accounting system which provides strong internal budgetary and accounting controls designed to provide reasonable, but not absolute, assurance regarding

the safeguarding of assets against loss and the reliability of financial records for preparing financial statements and reports. These reports will be the basis for the budget and the Comprehensive Annual Financial Report (CAFR).

An annual audit will be performed by an independent public accounting firm which will issue an opinion on the annual financial statements, with a management letter detailing areas that need improvement, if required. Full disclosure will be provided in all regulatory reports, financial statements, and bond representations.

The County will establish and maintain an inventory of capital assets to account for the County's property. Reports of these inventories and depreciation of all capital assets will be made in accordance with current governmental accounting standards.

The County's annual financial report will be prepared according to the standards necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting from GFOA, and will be submitted each year for recognition.

## Cash Management Policy

The purpose of the County's Cash Management Policy is to provide guidelines to maximize the use of public moneys in the best interest of the public.

Cabarrus County, North Carolina  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

Table 12

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed Value of Property	\$ 20,871,969,227	\$ 21,329,688,137	\$ 21,245,738,750	\$ 21,004,123,586	\$ 18,695,824,217	\$ 19,665,629,375	\$ 19,696,579,578	\$ 20,281,606,616	\$ 21,545,073,915	\$ 22,312,201,341
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,669,757,538	1,706,375,051	1,699,659,100	1,680,329,887	1,495,665,937	1,573,250,350	1,575,726,366	1,622,528,529	1,723,605,913	1,784,976,107
Debt applicable to debt limitations:										
Total Bonded Debt	119,835,000	112,565,000	105,660,000	98,695,000	88,390,000	80,395,000	72,755,000	65,220,000	57,860,000	50,670,000
Total Installment Payment Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Notes Payable	-	-	-	-	-	-	457,323	365,858	274,393	182,928
Total Capital Leases	3,458,315	3,282,345	3,102,621	3,531,107	3,348,072	3,156,437	2,955,793	2,745,710	3,245,354	4,042,976
Total Installment Financing	14,367,714	12,745,143	11,122,572	-	-	-	-	-	256,389	201,158
Total Certificates of Participation/ Limited Obligation Bonds	220,885,000	294,990,000	294,315,000	274,555,000	255,735,000	237,035,000	233,295,000	286,370,000	262,375,000	360,085,000
Total debt applicable to limitations	358,546,029	423,582,488	414,200,193	376,781,107	347,473,072	320,586,437	309,463,116	354,701,568	324,011,136	415,182,062
Legal debt limit	\$ 1,311,211,509	\$ 1,282,792,563	\$ 1,285,458,907	\$ 1,303,548,780	\$ 1,148,192,865	\$ 1,252,663,913	\$ 1,266,263,250	\$ 1,267,826,961	\$ 1,399,594,777	\$ 1,369,794,045
Total net debt applicable to the limit as a percentage of debt limit	21.47%	24.82%	24.37%	22.42%	23.23%	20.38%	19.64%	21.86%	18.80%	23.26%

Note:

NC Statute GS159-55 limits the County's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the county's net debt outstanding applicable to the limit, and represents the county's legal borrowing authority