

Fund Balance



Presentation Recap

- September: 10 year financial history
- October: County peer group comparison
- November: Cost drivers for next 4 years
- December: Fund Balance
- January: Revenue options

All presentations located on County website:

Pittsylvaniacountva.gov/finance

Goal for Tonight's Presentation

- Review the County's Unassigned Fund Balance as of June 30, 2017
- Review the County's estimated FY 2018 year-end fund balance
- Review Financial Management Policy regarding Fund Balance and discuss possible fund balance policy changes

What is Unassigned Fund Balance?

Definition - *Unassigned Fund Balance is the residual classification for the government's general fund and includes all spendable amounts not contained in other classifications.*

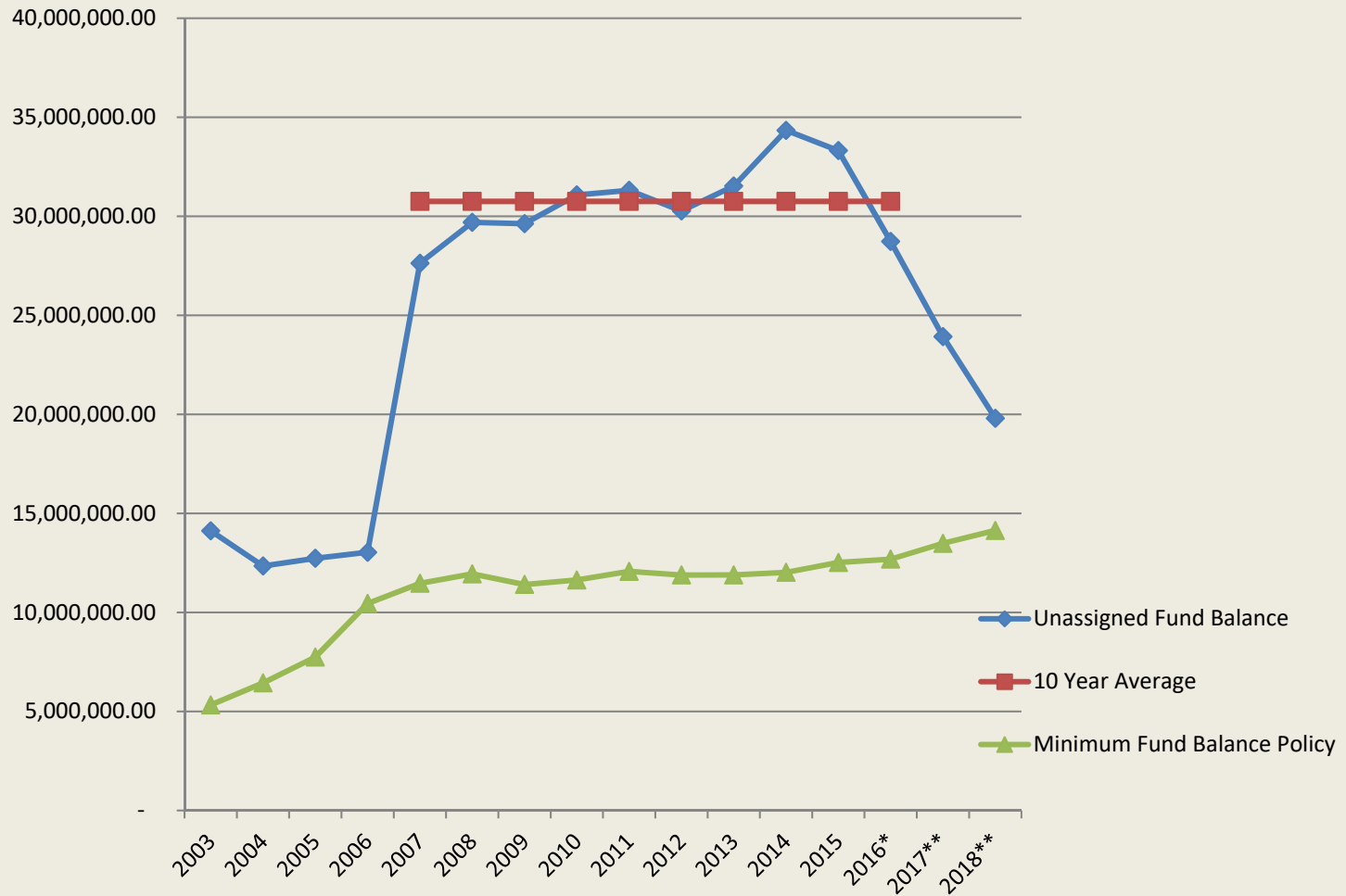
Our current financial policy governs the amount needed to remain in unassigned fund balance. The policy currently states: *An Unassigned General Fund Balance should not be less than 20% of the average actual General Fund Expenditures for the preceding three fiscal years to address natural and manmade disasters and to offset budget fluctuations.*

Based on the last 3 fiscal years, our balance should be above \$14.2 million (2015-2017). This has increased from our last review when the threshold was \$13.4 million (2014-2016).



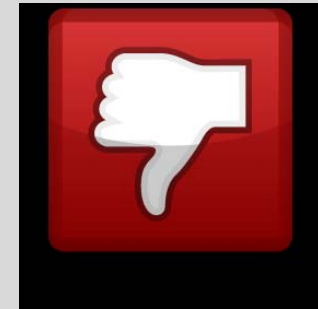
Fund Balance History

Anticipated Fund Balance 06/30/18





How did we do?



- Estimated Unassigned = \$23.5 million
- School Assignment = \$2.6 million
- New Estimate with assignment = \$20.9 million
- Actual Unassigned = \$20.5 million

Does this Fund Balance mean we have extra money ?

- The answer is NO. June 30 of each year is when fund balance will be at its healthiest balance.
- June 30, 2017 – Fund Balance: \$20.5 million
- June 30 figures also have the 1st tax payments received for the obligations FY2018
 - Total received in June for FY 2018- \$17.2 million

Estimated FY2018 Unassigned Fund Balance

- Using past history, the Unassigned General Fund Balance will fall to roughly \$18.5 million on June 30, 2018
 - Bearing in mind, the majority of this amount (+/- \$17.2 million) is prepayments for FY 2019

Should we consider changing our Financial Management Policy concerning Unassigned Fund Balance?

- The GFOA recommends that governments establish a fund balance of no less than 2 months of general fund expenses (minimum of 16.67%)
- Pittsylvania County's Policy states that we will keep 20% of the average of the last 3 years of general fund expenses in fund balance

Should we consider changing our Financial Management Policy concerning Unassigned Fund Balance?

- The County's Unassigned Fund Balance at June 30, 2017 was 28% of our general fund expenses
- Two months of the County's expenses would be \$12.5 million based on FY 2017 expenditures
- Based on our current policy – we would need to maintain a balance of greater than \$14.2 million

Should we consider changing our Financial Management Policy concerning Unassigned Fund Balance?

- Based on my research of other localities, our policy is very similar and adequately covers the GFOA recommended balance
- However, we may need to revisit how we designate unassigned funds

What's Next?

- Commit to not use fund balance unless it is specifically for emergency or non-recurring expenditures, one-time only charges
- Create steps to eliminate the need to use fund balance to balance the budget
- Develop a multi-year financial plan to restore the fund balance to an appropriate level
- Revenue options will be discussed at our next meeting

Questions?