



Town of Southern Shores

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Adopted March 6, 2012
Amended November 4, 2020
Amended June 6, 2023

POLICY RELATED TO THE UNRESERVED FUND BALANCE

An unreserved fund balance is defined as revenue that has not been designated or obligated for any specific purpose and, therefore, can be used for any purpose deemed appropriate by the Town Council. An unreserved fund balance is necessary to ensure that there are sufficient revenues available to meet unanticipated expenses or interruptions or losses of revenues.

In order to maintain fiscal responsibility under the Local Government Budget and Fiscal Control Act, the North Carolina Local Government Commission recommends that municipalities maintain a minimum unreserved fund balance of eight percent (8%) of budgeted operating expenditures. However, as a coastal community that is susceptible to extreme weather conditions that can negatively impact revenues and cause significant increases in expenditures, an unreserved fund balance much higher than the minimum eight percent (8%) of budgeted operating expenditures is advisable. Such unreserved fund balance for emergency management purpose should allow the Town to respond to emergencies, plus continue basic operations for six months until federal or state assistance may become available.

The Town Council shall endeavor to establish, maintain, and grow the Town's unreserved fund balance but in no circumstance shall it be allowed to decrease to an amount less than 3.5 million dollars, unless it is to be used for an unforeseen emergency only.

The Town Council shall have broad authority to transfer revenue from the unreserved fund balance through a budget amendment approved by the majority of the members of Town Council; however, in general, revenue shall only be transferred from the unreserved fund balance to avoid cash flow interruptions, generate interest income, guard against the effects of an economic downturn, guard against the effects of natural or other disasters, and to temporarily replace lost revenues, to provide revenue for unanticipated capital expenditures, **for use should the Town take over operation of fire services**, and to mitigate against the volatility of the Town's tax base.