



**Town of Nags Head**  
Post Office Box 99  
Nags Head, NC 27959  
Telephone 252-441-5508  
Fax 252-441-0776  
[www.nagsheadnc.gov](http://www.nagsheadnc.gov)

## **Board of Commissioners Policy**

### **Fund Balance Policy**

Original Adoption date: July 11, 2012

Adoption date: March 4, 2015

Adopted June 1, 2022

The Board of the Town of Nags Head recognizes the vital importance of sound fiscal management; and the Board of the Town of Nags Head also recognizes that the precarious location of the Town of Nags Head on the coast of North Carolina represents an additional threat to the financial security of the Town that is not otherwise faced by most municipalities in the State.

One of the primary keys to financial security is the maintenance of an adequate fund balance in the General Fund. In accordance with NCGS 159-8(a), appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum arising from liabilities, encumbrances, and deferred revenues arising from cash receipts at the close of the prior fiscal year. The Town will maintain an unassigned fund balance that exceeds eight percent (8%) of yearly expenditures in accordance with the North Carolina Local Government Commission's recommendation. However, it is the policy of the Town to maintain unassigned fund balance equal to 25-35% of general fund expenditures, less bond debt. Management is expected to manage the budget so that revenue shortfalls and expenditure increases do not impact the Town's total unassigned fund balance.

A replenishment period commences if unassigned fund balance falls below 25%. Funds will be budgeted beginning with the subsequent fiscal year's adopted budget with a replenishment period not to exceed three consecutive fiscal years.

Following the completion of the annual financial audit, any unassigned fund balance above 35% transfers to the Capital Investment Fund (CIF) to reduce reliance on debt.