

Maury County, Tennessee

Fund Balance Policy (Proposal)

Purpose

The County hereby establishes and will maintain reservations of Fund Balance as defined herein in accordance with Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This Policy shall apply to the County's General Fund. Fund Balance shall be composed of restricted, committed, assigned, non-spendable and unassigned amounts.

Fund Balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones or enhance the financial position of the County in accordance with policies established by the County Commission.

Definitions

Fund Balance- refers to the difference between assets and fund liabilities in the governmental funds balance sheet and is referred to as fund equity.

Restricted Fund Balance- Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislations. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed Fund Balance- Amounts that can be used only for the specific purposes determined by a formal action of the County Commission, the County's highest level of decision-making authority. Commitments may be changed or lifted only by the County Commission taking the same formal action that imposed the constraint.

Assigned Fund Balance- Amounts that the County intends to use for a specific purpose the intent shall be expressed by management.

Non-Spendable Fund Balance- Amounts that are not in a spendable form such as inventory or are required to be maintained intact (e.g. principal of an endowment fund).

Unassigned Fund Balance- The residual classification for the general fund and includes amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.

Emergency- a severe economical downturn in local or national economy, the occurrence of natural disasters severely impacting the financial well-being of the County, or an emergency purchase as defined by the Maury County Financial Management Act of 2018.

Reservations of Fund Balance

1. Restricted Fund Balance General Fund

Restricted Fund Balances represent revenues whose use is constrained or restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The current property tax levy is considered restricted in all funds except the General Fund. Maury County receives the following examples of revenues in the General Fund that are restricted. This list is not intended to be all inclusive.

- a. Local Development Tax
- b. Alcohol & Drug Treatment
- c. Litigation Tax
- d. Drug Court
- e. Sex Offenders Registry
- f. Courtroom Security
- g. Victims Assistance
- h. Computer System – Register of Deeds
- i. Automation – Circuit Clerk, Criminal Court, General Sessions, Juvenile Court, Chancery, Sheriff, and County clerk
- j. Federal Grants, restricted to purpose
- k. State Grants, restricted to purpose
- l. Hotel/Motel Tax

2. Committed Fund Balance General Fund

The County Commission hereby establishes the following committed fund balance reserves in the General Fund. Others may be established through the action of the Board of Commissioners.

- a. Monies received from the Tower Rental are committed to provide maintenance on the generator and facilities at the Tower.
- b. Donations received by the Maury County Archives Department, and Animal Shelter are committed to provide improvements to their program or facility.

3. Assigned Fund Balance General Fund

The County Commission hereby establishes the following assigned fund balance reserve in the General Fund.

- a. Designated Carry Forward

The designated carry forward balance reserve is assigned by the County as set forth in the annual budget and any amendments thereto to provide funds for differences if any between budgeted revenues and expenditures.

4. Non-Spendable fund Balance General Fund

The County Commission hereby establishes the following non-spendable fund balance reserve in the General Fund

a. Prepaid Items

The prepaid reserve is established to indicate those amounts relating to prepaid items that are not in a spendable form.

Minimum Level of Unassigned Fund Balance – General Fund

The General Fund unassigned fund balance will be maintained at a level sufficient enough to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from fluctuations of revenue sources. **Given that current property tax collections do not begin until the fourth month of the fiscal year and based on guidance provided by the Government Finance Officers Association (GFOA), Maury County will maintain at least Twenty Five Percent (25.0%) of the next year's general fund budget in the unassigned fund balance of the General Fund with Fifteen Percent (15.0%) designated for emergency purposes.**

Any amounts remaining in the fiscal year-end general fund unassigned fund balance in excess of **Twenty Five percent (25.0%)** of the approved subsequent year's general fund budget will be available for appropriation by the County Commission to cover such items as revenue shortfalls and unanticipated expenditures, and to ensure stable tax rates. The County Commission will attempt whenever possible to avoid appropriating such funding for recurring expenses.

General Fund Draws and Fund Replenishment

In the event that the County draws down the General Fund for the purpose of addressing any of the circumstances described above (i.e. shortfalls in budgeted revenues or emergencies) the County shall commit to replenishing the General Fund to an appropriate level within two fiscal years.

Disbursement of Fund Balance Reserves

Maury County reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Maury County reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purpose for which amounts in any of those unrestricted fund balances classifications could be used.

Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process and amounts of restricted, committed, assigned, non-spendable, the minimum level of unassigned fund balance in the General Fund shall be determined during this process.