

# Madison County, Tennessee

## Fund Balance Policy

### 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 and all governmental funds.

### Classifications of Fund Balances

Under GASB Statement No. 54, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned.

**Non-Spendable** – Amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. This includes items that are not expected to be converted to cash (i.e. inventories, prepaid amounts, and long-term notes receivable).

**Restricted** – Amounts that are (a) externally restricted by creditors, grantors, contributors, or laws or regulations of other governments, or (b) restricted by law through constitutional provision or enabling legislation.

**Committed** – Amounts that are constrained to be used for a specific purpose determined by formal action of the County's highest level of decision making, the County Commission. Amounts classified as committed are not subject to legal enforceability as restricted resources and the commitment may only be changed or lifted by the County Commission taking the same formal action that imposed the commitment.

**Assigned** – Amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent shall be expressed by action of the County Commission or a designee to which the County Commission delegates that authority.

**Unassigned** – Amounts available in the General Fund for any purpose (amounts that are not Non-Spendable, Restricted, Committed, or Assigned).

### **Minimum Level of Unassigned Fund Balance – General Fund**

The General Fund unassigned fund balance will be maintained at a level sufficient 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 resources. Given that current property tax collections do not begin until the fourth month of the fiscal year, Madison County will maintain at least Fifteen Percent (15%) of the next year's budget in the unassigned fund balance of the General Fund.

Any amounts remaining in the fiscal year-end unassigned fund balance in excess of Fifteen Percent (15%) of the approved subsequent year's 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.

### **Minimum Level of Fund Balance – General Debt Service**

It is the best practice of the County to pay the principal and interest requirements on the County's debt obligations from the Debt Service Fund. Each year the County shall determine the principal and interest requirements and recommend sources of revenue to meet these requirements. It shall be the policy of the County to maintain at least Forty Percent (40%) of the next year's budget in a combination of restricted, committed, and unassigned fund balance in the Debt Service Fund.

### **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 and the minimum level of fund balance in the Debt Service Fund shall be determined during this process.