

# Bedford 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 and with regards to guidance from Government Finance Officers Association (GFOA) GAAFR. This Policy shall apply to the County's General Fund and General Debt Service Fund. Governmental fund balance may be composed of restricted, committed, assigned, non-spendable and unassigned amounts per GASB Statement 54.

### 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 sources. Given that current property tax collections do not begin until the fourth month of the fiscal year, Bedford County will maintain at least Three Percent (3.0%) 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 Three Percent (3.0%) 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 Fund

It is the 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 budget committee of the County shall determine or estimate the principal and interest requirements of the County and recommend sources of revenues to meet these actual or projected requirements. Additionally, it shall be the policy of the County to begin each fiscal year with a balance of cash or investments in the Debt Service Fund in a conservatively calculated amount adequate to meet (1) cash flow needs, (2) budgeting contingencies, (3) emergency contingencies, (4) variable rate volatility contingencies plus (5) future forecasted needs.

Cash flow Requirement Component: The majority of local County revenues come from property taxes. Property taxes levied for a specific fiscal year are generally collected in the second half of that fiscal year. For this reason, it is common for the County to expend more than it collects during the first half of the fiscal year. For this reason, it shall be the policy of the County to begin each fiscal year with a sum of cash or investments equal to the debt service fund requirements scheduled to be expended during the first two months of the next fiscal year. This amount will typically equal two months of interest expense on the County's total indebtedness unless the County schedules principal payments in the first two months of the fiscal year.

### 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 the minimum level of unassigned fund balance in the General Fund and the minimum level of available fund balance (for debt service payments) in the Debt Service Fund shall be determined during this process.