

STATE OF TENNESSEE
Sumner County



NOVEMBER 19, 2108

Date

Board of County Commissioners

RESOLUTION

No. 1811-12

TITLE

A RESOLUTION ADOPTING SUMNER COUNTY'S GENERAL FUND
BALANCE POLICY

BE IT RESOLVED by the Sumner County Board of County Commissioners meeting in regular session on this the 19th day of November 2018, that this body hereby adopts the Sumner County's General Fund Balance Policy, as shown on the attachment herewith.

CERTIFICATION OF ACTION

Bill Kemp

COUNTY CLERK

**APPROVED BY
VOICE VOTE**

Ayes _____ Nays _____ Abs _____

Anthony Hair

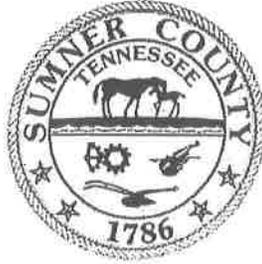
COUNTY EXECUTIVE

11/20/2018

DATE

APPROVED:

REJECTED:



Sumner County's General Fund Balance Policy

It is essential that Sumner County maintains adequate levels of fund balance in its general fund to mitigate current and future risks (e.g., revenue shortfalls and unanticipated unavoidable expenditures) and to ensure stable tax rates. Fund balance is the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). The general fund's GAAP financial statements report up to five separate categories of fund balance based on the type and source of constraints placed on how resources can be spent (presented in descending order from most constraining to least constraining): nonspendable, restricted, committed, assigned, and unassigned. The total of the amounts in the last three categories, where the only constraint on spending, if any, is imposed by the Sumner County Commission is termed unrestricted fund balance. Budgetary unrestricted fund balance will differ from GAAP in that it will be net of all encumbrances. For budgeting, encumbrances arising from purchase orders or unperformed but consummated contracts are recognized as budgetary expenditures in the year of inception.

To that end, appropriate levels of general fund balance are as follows.

The general fund's modified unrestricted GAAP fund balance shall, at a minimum, be 16.67% of the general fund's final appropriations (approximately two months of operating costs). The modified unrestricted GAAP fund balance is the general fund's unrestricted GAAP fund balance at fiscal year-end less any necessary fund balance assignment for balancing the impending fiscal year's budget less any necessary assignment or commitment of fund balances for encumbrances. Moreover, this calculation's final appropriations will be the general fund's final amended appropriations, inclusive of all sub-funds, and net of any one-time other financing uses (operating transfers).

The general fund's unassigned budgetary fund balances shall, at a minimum, be 16.67% of the general fund's appropriations (approximately two months of operating costs). The unassigned budgetary fund balance is the best estimate of unassigned fund balance for the end of the impending fiscal year, which should be the same amount included as the budgeted ending unassigned general fund's balance on the official operating budget, as approved by the Sumner County Commission.

Besides the emphasis on fund balances at any one-time, potential trends and usages of unassigned fund balance should be considered in the context of long-term forecasting. In as much, any contemplated use of unassigned fund balance should consider the potential impact on Sumner County's bond ratings and the corresponding increased cost of borrowed funds; the perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state or federal budget cuts); the predictability of its revenues and the volatility of its expenditures; and the potential drain upon general fund's resources from other funds or component units.

On this premise, for any material usage of unassigned fund balance, which is general fund's GAAP unassigned fund balance decreases from the preceding fiscal year, the Sumner County Finance Director will report to the Sumner County Budget Committee, at a minimum, material decreases in fund balance and relevant contributory factors of such decreases. Any such usages per se will not be considered negative indicators. Such decreases will be considered in context of the aforementioned long-term forecasting considerations enumerated above and in context to Sumner County's current financial situation, including but not limited to perceived economic outlook. If such considerations conclude a probable negative trend, the Sumner County Budget Committee will take any necessary remedial action to protect, maintain at a designated level, the county's unassigned fund balance.

If fund balances fall below minimum levels, the Sumner County Commission will take timely action to prevent further decreases and will alleviate any such deficiency within two fiscal years, after such deficiency is discovered.