

Adopted: November 25, 2013

Reviewed: Annually

Revised: February 2023 (Resolution #23-02-17)

Washington County, Tennessee

Fund Balance Policy

Washington County hereby establishes and will maintain reservations of Fund Balance as defined herein in accordance with the **Governmental Accounting and Financial Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions**. This policy shall apply to the County's General Fund and General Debt Service Funds.

Classifications of Fund Balances

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

- 1. Non-Spendable** -Amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable and property acquired for resale), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).
- 2. Restricted** -Amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.
- 3. Committed** -Amounts constrained to be used for a specific purpose as per action by the Board of County Commissioners. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Commission removes or changes the commitment by taking the same action it employed to impose the commitment.
- 4. Assigned** -Amounts intended to be used by the County for a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Commissioners or a designee authorized by the Board of Commissioners for a specific purpose in accordance with policy established by the Board of Commissioners. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification.
- 5. Unassigned** -Amounts available for any purpose (amounts that are not Non-Spendable, Restricted, Committed or Assigned) in the General Fund.
- 6. Unrestricted fund balance** – Unrestricted fund balance includes committed, assigned and unassigned fund balance categories.

Governmental Fund Type Definitions

1. The **General Fund** is the principal fund of the County and is used to account for all activities applicable to the general operations of County government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use are recorded in the General Fund. Included in this fund are activities for the Constitutional Offices, Supported Agencies, Unassigned Departments, Accounts and Budgets Department and Health Services.
2. The **Debt Service Fund** is used to account for resources that are restricted, committed, or assigned to expenditures for the principal and interest of General Obligation bond issues. This fund may also accumulate additional resources to make future debt service payments.

Prioritization of Fund Balance Use (Spending Policy)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the County to use the restricted amounts first as permitted under the law. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the County to use the committed amounts first, followed by the assigned amounts and then unassigned amounts.

Minimum Level of Unrestricted General Fund Balance

It shall be the policy of the County to begin each fiscal year with a minimum unrestricted fund balance in the General Fund of four months budgeted average expenses for that year. Such fund balance shall serve liquidity needs, protect against unforeseen emergencies, enhance the credit worthiness of the County, and ensure stable tax rates. As a part of the budgetary process, the Director of Accounts and Budgets shall prepare a cash flow forecast to determine the unrestricted fund balance will not at any point during the fiscal year be less than fifteen percent (15%) of projected annual expenditures. Fund Balances in excess of the minimum may only be appropriated for expenditure by an affirmative vote of a majority of the County Commission.

Minimum Level of General Debt Service Fund Balance

Each year the budget committee of the County shall determine the principal and interest requirements of the County and recommend sources of revenue to meet these requirements. 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 forty percent (40%) of the current year Debt Service Obligations or an amount equal to the debt service fund expenditure requirements during the first 6 months of the fiscal year, whichever is greater. Prior to approval of the annual budget, the Director of Accounts and Budgets shall prepare a cash flow forecast to determine the requirements of this policy are

met. The Director of Accounts and Budgets shall also determine management of the Debt Service portfolio is in compliance with the Washington County Debt Management Policy.

Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed as part of the closing of the financial books at year-end (June 30) and the amounts of restricted, committed, assigned and non-spendable fund balance will be determined. Any residual general fund balance amounts will be classified as unassigned.

Emergency Expenditure Policy

The minimum fund balances as set forth through the Washington County, Tennessee Fund Balance Policy are to be maintained at all times except in the case of an emergency as defined by T.C.A. § 5-14-110 of the 1957 County Purchasing Act. In an actual emergency, the County may expend below the minimums as set forth in the Fund Balance Policy pursuant to the provisions as set forth in said statute.

Policy Review

This policy is to be reviewed by the Washington County Legislative Body annually. Review shall be initiated by the Budget Committee.

#end#