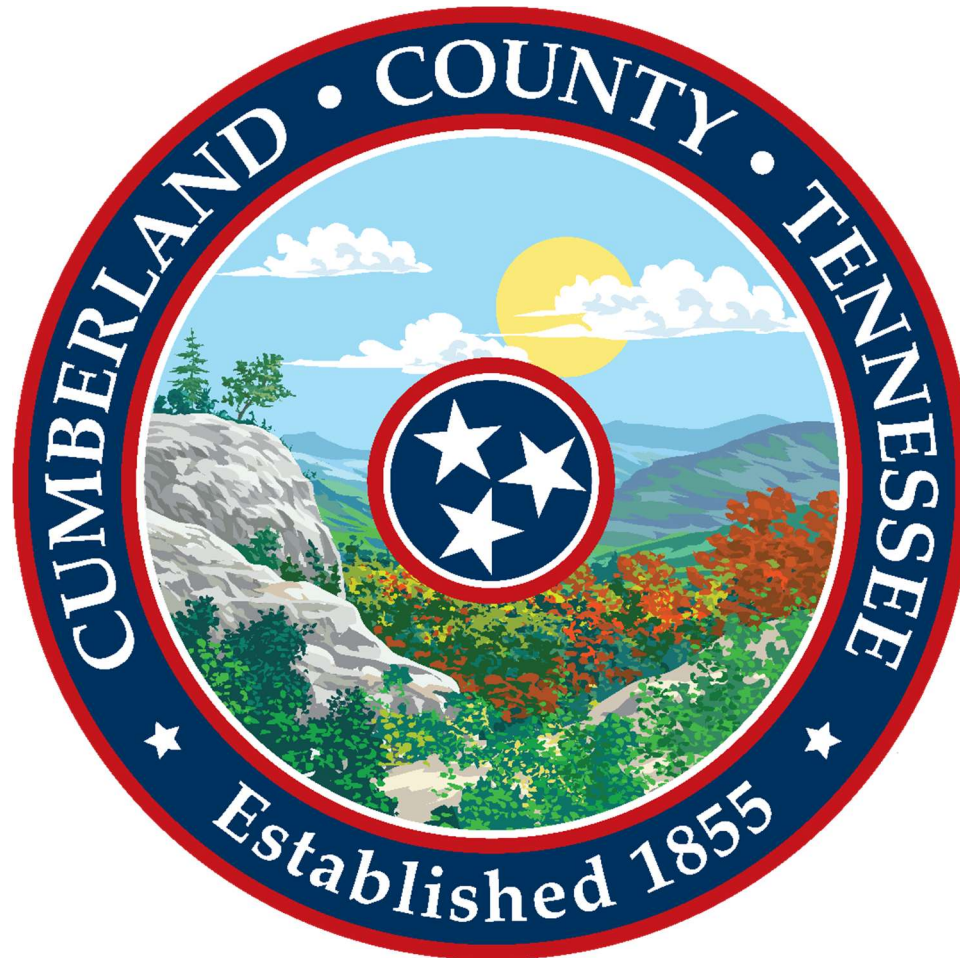




Fund Balance Policy

Cumberland County, Tennessee



Adopted April 21, 2025 (Resolution 04-2025-8)

Table of Contents

Goal	2
Fund Balance Defined	2
Purpose of Fund Balance	2
General Fund (101)	2
Solid Waste/Sanitation Fund (116)	2
Highway Fund (131)	2
General Purpose School Fund (141).....	3
Transparency.....	3
Steps If Fund Balance is Not Optimal.....	3



Fund Balance Policy

Cumberland County, Tennessee

Goal

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures), and to ensure stable tax rates. Proper financial management calls for recurring expenses to be funded by recurring revenue. This policy is intended to set guidelines and provide direction to assist in making sound decisions related to managing the fund balance of the County General Fund, Solid Waste/Sanitation Fund, Highway Fund, and General Purpose School Fund. The Debt Service fund balance policy is addressed in the “Cumberland County Debt Management Policy”.

Fund Balance Defined

Fund Balance shall be defined as all balances of committed, assigned, and unassigned, within a fund.

Purpose of Fund Balance

- To have sufficient funds to cash flow operations during the year.
- To have emergency funds available due to revenue shortfalls or unanticipated expenditures/expenses.
- To have investment funds available in order to provide operating interest earnings to support operations thus limiting the need for property tax revenue.
- To demonstrate financial stability and strength; thereby, portraying to the investment community the county’s financial management strength and low risk. Low financial risk and strong financial strength and stability should reflect a lower risk and thus lower interest rate for future debt issuance.

General Fund (101)

The General Fund is heavily supported by property tax. Property tax payments are not due until eight months into the fiscal year. The county must have a relatively high fund balance related to appropriations in order to support cash flow needs. The fund balance should be sufficient to meet cash flow needs and assist in investment planning. General Fund balance shall be calculated at 17% of the current year appropriation.

Solid Waste/Sanitation Fund (116)

The Solid Waste Fund is heavily supported by property tax but has fewer appropriations than the General Fund. The fund balance should be sufficient to meet cash flow needs. Solid Waste Fund balance shall be calculated at 10% of the current year appropriation.

Highway Fund (131)

The Highway Fund is heavily supported by monthly revenue from the State of Tennessee gasoline and motor fuel tax, and as such a low fund balance to annual appropriation is needed for cash flow purposes.



Fund Balance Policy

Cumberland County, Tennessee

The fund balance should be sufficient to meet cash flow needs and shall be calculated at 10% of the current year appropriation.

General Purpose School Fund (141)

The General Purpose School Fund is heavily supported by the State of Tennessee funding. The fund balance should be sufficient to meet the cash flow need, and should also assist in investment earnings. Cash flow needs should consist of two months of normal operating costs. Normal operating costs are those costs for salaries and benefits when school is in session. The fund balance shall be calculated at 17% of the expenditures for operating funds.

Transparency

The management of the fund balances shall be transparent to the Commission and the public by the annual publication of an Operational Statement for each of the county funds. The Operational Statement shall reflect: **Estimated Beginning Fund Balance** plus **Estimated Revenue** less **Appropriation** equals **Estimated Ending Fund Balance**.

The estimated beginning fund balance shall be estimated during the annual budget process and shall be continuously reviewed for each fund until the budget is adopted and/or the fiscal year end is closed. After the fiscal year end is closed, the operational statement shall be recalculated reflecting the ending fund balance closing (prior year), which is the beginning fund balance for the new budget. After the annual audit is complete, the operational statement is again updated with the audited fund balance (prior year).

During the adoption of the annual budget, calculation shall be made comparing the percentage of Estimated Ending Fund Balance (for the proposed new year) with the proposed appropriation. This calculation shall be compared to the policy for compliance. Any variance outside of this policy shall be noted and explained and outline the reasoning for the variance and any proposal to comply with the policy.

Steps If Fund Balance is Not Optimal

The Budget Committee and County Commission's action on the fund balance, which may be higher or lower than the policy, shall be set out as follows:

- A budget that deviates from the recommended fund balance minimum requirements must be specifically approved by the Budget Committee and County Commission as a whole. A written request from the department should specify why the balance is not projected to meet the minimum, as well as the actions to be taken to meet the minimum in the future.
- If a fund balance covered in this policy is greater than the stated optimal fund balance policy then the monies greater than the optimal fund balance should be used for capital expenses and possibly allocated towards funding major infrastructure projects, acquiring new equipment, building renovations, or significant technology upgrades which are considered long-term investments in the organization's assets.