

Giles County Fund Balance Policy

I. Purpose and Scope: CTAS states *“the Financial Management Committee establishes and approves policies, procedures, and regulations implementing a sound and efficient financial system for administering the funds of the county.”*

The Financial Management Committee establishes this Fund Balance Policy to broadly articulate the principles for managing the fund balance of Giles County, hereinafter referred to as "the County." The policy aims to assist the Commission's Budget Committee, helping ensure the prudent and responsible management of the County's financial resources while maintaining fiscal stability, transparency, and accountability. The policy further standardizes and defines the fiscal terminology used to express the County's financial condition.

II. Definitions

- A. Fund Balance: The difference between the County's total assets and total liabilities, representing the net financial position of the County.
- B. General Fund: The primary operating fund of the County, encompassing most of its governmental activities.
- C. Reserve: A portion of the fund balance set aside for specific purposes to mitigate risks and respond to unanticipated expenses.
- D. Balanced Budget: A balanced budget occurs when the County's total revenue equals or exceeds its total Recurring Expenditures for a specific fiscal year. At the beginning of a new fiscal year a Balanced Budget is an experience-based projection, based upon apportioned funds, the extrapolation of historical data, and revenue estimates. At the end of a fiscal year's audit, approximately 01 October, the Finance Officer receives confirmation of "hard numbers" to assess the accuracy of the previous year's Balanced Budget projection.
- E. Fund Balance Residual Funds: Those funds in excess of 45% of the previous fiscal year's General Fund budget. The Fund Balance Residual Funds are determined at the end of a fiscal year's audit, approximately 01 October.
- F. Pass-Back: Pass-Back are those funds that were budgeted but not spent or obligated at the end of a fiscal year.
- G. Recurring Expenditures: Ongoing annual expenditures that require fiscal year budgeting from the General Fund.
- H. Non-recurring Expenditure: Unanticipated expenditures that are typically funded from the Fund Balance. Non-Recurring Expenditures are unrelated to a Balanced Budget.

III. Fund Balance Goals: The County shall adhere to the following goals regarding its fund balance:

- A. Minimum Fund Balance: Maintain a minimum budgetary fund balance level equivalent to 25% of the previous fiscal year's General Fund budget expenditures. This minimum level provides a safety net to address unexpected fiscal challenges.

B. Target Fund Balance Range: Aim to maintain a fund balance within a target range of 40-50% of the previous fiscal year's General Fund budget expenditures. This range provides flexibility for handling non-recurring contingencies and capitalizing on strategic opportunities.

C. Reserves for Specific Purposes: The County may establish reserves for specific purposes, such as emergency funds, capital projects, and economic opportunities. These reserves shall be based on a thorough assessment of the County's needs, potential risks, and strategic plan.

IV. Fund Balance Management

A. Responsible Use: The County shall prudently use its fund balance to finance one-time expenditures, address unforeseen emergencies, and invest in critical projects that enhance the county's welfare.

B. Fund Balance Reporting: The Finance Office shall provide annual fund balance reports per statutory requirements.

C. Budgeting and Planning: The Fund Balance Policy should be incorporated into the Commission's budgeting process by resolution. Ideally this will ensure that the policy's goals and principles appropriately guide decisions regarding revenue, expenditures, and appropriations.

V. Fund Balance Adjustments

A. After annual compliance with Fund Balance Policy is assured, the Budget Committee will distribute Residual Funds in excess of 45% to Fund 171, General Capital Projects.

B. Adjustments - If substantial changes occur in the County's financial circumstances, the Fund Balance Policy may be adjusted at any time by the Financial Management Committee working in concert with other county officials, stakeholders, and the public.

C. Policy Adoption and Review - This County Fund Balance Policy shall be adopted by the Financial Management Committee and reviewed at least once every four years to ensure its relevance and effectiveness given the county's financial condition and strategic priorities. The Commission shall assess its associated resolutions per the same schedule.

VI. Conclusion: The County Fund Balance Policy is designed to promote fiscal responsibility, transparency, and prudent management of the County's financial resources. By adhering to these guidelines, the County aims to maintain its fiscal stability and ensure the well-being of Giles County citizens while effectively addressing both routine and unexpected financial challenges.