

FRANKLIN COUNTY, TN - GOVERNMENT
RESERVE FUND POLICY
Adopted 6/20/11 & Revised 6/15/22

The County shall set aside reserves to address operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit adjustments to changes resulting from fluctuations of revenue sources. Sufficient levels of reserves can ensure continued orderly operations and tax structure stability.

It shall be the objective of the Franklin County Commissioners to maintain a managed budgeted reserve in the various operating funds at a level sufficient for temporary financing of unforeseen emergency needs and to permit orderly adjustment to changes resulting from the termination of revenue sources through actions or other governmental bodies. The targeted reserves will be maintained at a minimum level as follows:

General Fund	2.5%
Courthouse/Jail Maintenance Fund	5%
Library Fund	5%
Solid Waste Fund	5%
Local Purpose Tax Fund	5%
Highway Fund	5%
General Purpose School	As State Mandate Regulates
Centralized Cafeteria	5%
All Capital Projects Funds	Shall maintain balances as until expensed for approved capital projects.
Debt Service Fund	meet "first half" of year's principal & interest payments leaving sufficient fund balance to meet all debt for the fiscal year

The percentage shall be calculated by taking the undesignated fund balance (or working capital) as a percent of expenditures (or operating expenses) and transfers to other funds.

Those reserve funds shall be reviewed annually by the Finance Director & Finance Committee.

SPENDING PRIORITIZATION POLICY 6/20/11

Franklin County hereby establishes and will maintain a spending prioritization policy as defined herein in accordance with Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This Policy shall apply to the County General Fund and all Governmental funds.

Purpose

- ❖ **Franklin County reduces restricted amounts first when expenditures are incurred for which both restricted and unrestricted amounts are available.**
- ❖ **Franklin County reduces committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.**

Definitions

- **Fund Balance** refers to the difference between assets and fund liabilities in the governmental funds balance sheet and is referred to as fund equity. Fund balances should be reported in the classifications noted below.
- **Non-Spendable Fund Balance** – Amounts that are not in a spendable form such as inventory, prepaid amounts and the long-term amounts of loans and notes receivable, or are required to be maintained intact(e.g. principal of an endowment fund).
- **Restricted Fund Balance** – Amounts that can be spent only for the specific purposes stipulated by external resources providers such as grantors or enabling legislations. Restrictions may be changed or lifted only with the consent of the resource providers.
- **Committed Fund Balance** – Amounts that can be used only for the specific purposes determined by a formal action of the County Commission, the County's highest level of decision making authority. Commitments may be changed or lifted only by the County Commission taking the same formal action that imposed the constraint.
- **Assigned Fund Balance** – Amounts that the County intends to use for a specific purpose, but are not restricted or committed. The intent shall be expressed by the county commission or a body or official to which the county commission has delegated the authority, such as the budget committee or finance director.
- **Unassigned Fund Balance** – The residual classification for the general fund and the general purpose school fund includes amounts that are not contained in the other

classifications. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.

DEBT MANAGEMENT POLICY 6/20/11

Section 5-10-501 to 5-10-509, inclusive of the laws of the State of Tennessee, provides that bonds may be issued by Tennessee counties. Franklin County will comply with all State laws and regulations regarding debt issuance. Tennessee counties are not limited on the amount of bonded indebtedness. Periodically, the County may need to issue bonds for capital improvements and/or other obligations.

Whenever long term debt is issued, the County will publish and distribute an official statement for each debt issuance.

An analysis showing how the new issue combined with current debt impacts the County's future debt capacity and conformance with the County debt policies will be prepared before every bond issue.

The County will seek to maintain and, if possible, improve its current bond rating in order to minimize borrowing costs and preserve access to credit.

When Franklin County finds it necessary to issue debt instruments, the following policy will be adhered to:

1. The weighted average general obligation bond maturities for any series will not exceed twenty-five (25) years. The County will strive to utilize shorter maturities whenever possible.
2. The term of any bond issue in general will not exceed the estimated useful life of the capital project/facility or equipment for which the borrowing is intended.

Franklin County will comply with all Federal requirements regarding arbitrage on bond issues to avoid penalties.

The County will consider opportunities to refund existing debt issuance if there are savings on the current principal and interest payments over the remaining life of the debt.