



RESOLUTION 25-650

A RESOLUTION OF THE TOWN OF MOUNT CARMEL, TENNESSEE ADOPTING A FUND BALANCE POLICY

WHEREAS, the Town of Mount Carmel desires to establish a Fund Balance Policy to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls; and

WHEREAS, the Fund Balance Policy is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget; and

WHEREAS, the Town of Mount Carmel aims to maintain a minimum General Fund Unassigned fund balance equal to 25% of General Fund Expenditures, striving to maintain a range between 25% and 50% of the following year's budgeted expenditures; and

WHEREAS, the Fund Balance Policy includes guidelines for the investment of fund balances, prioritization of fund usage, and procedures for replenishment of reserves if the unassigned fund balance falls below the minimum required level; and

WHEREAS, the Fund Balance Policy will be reviewed annually as part of the budget adoption process and subsequent closing of the financial books at year-end.

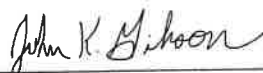
NOW THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen meeting at Mount Carmel, Tennessee, on this 27th day of March, 2025, that:

SECTION 1. The Fund Balance Policy attached hereto as Exhibit A is hereby adopted.

SECTION 2. The Town Manager and CFO are authorized to implement the provisions of this policy and to make recommendations for amendments as necessary.

This Resolution shall take effect immediately, the public welfare requiring it.

ADOPTED this 27th day of March, 2025.



John Gibson, Mayor

Attest: 

Tyler Williams, Town Recorder



Town of Mount Carmel Fund Balance Policy

Purpose

The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the Town to be in a strong fiscal position that will allow for better position to weather negative economic trends.

The Fund Balance consists of five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

- **Non-spendable Fund Balance** consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- **Committed Fund Balance** consists of funds that are set aside for a specific purpose by the Town's highest level of decision-making authority (BMA). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose by the BMA. Assigned funds cannot cause a deficit in unassigned fund balance.
- **Unassigned Fund Balance** consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

Scope

The Fund Balance Policy shall apply to the Town's General Fund.

Guidelines for Investment of Fund Balance

The Town shall invest the Fund Balance in a manner that prioritizes the preservation of capital, maintains sufficient liquidity to meet operational needs, and achieves a reasonable return on investment. (LGIP, savings account(s), CDs, etc.) Investments shall be made in accordance with applicable state laws and regulations.

Prioritization of Use

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

Minimum Level of Unassigned General Fund Balance

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance shall be maintained in the General Fund in order to cover unexpected expenditure and revenue shortfalls. Such fund balance shall serve cash flow needs, protect against unforeseen emergencies and enhance the credit worthiness of the Town.

Unassigned Fund Balance may be accessed in the event of one-time capital expenditures, or unexpected expenditures, up to the minimum established level upon approval of a budget amendment by the BMA, or as adopted in the annual budget.

The Fund Balance policy establishes a minimum General Fund Unassigned fund balance equal to 25% of General Fund Expenditures. The Town will strive toward maintaining the General Fund Unassigned fund balance, at a range between twenty-five (25%) and fifty (50%) percent of the following year's budgeted expenditures as an appropriate level of unassigned fund balance in order to cover unexpected expenditures and revenue.

The minimum level of unassigned fund balance shall be reviewed as part of the annual budget process and the Town Manager or CFO may amend the policy at that time and submit it to the BMA for approval.

Replenishment of Reserve

If, at the end of any fiscal year, the actual amount of unassigned fund balance falls below the minimum required fund balance level set forth herein, the Town Manager or CFO shall prepare and submit a plan to replenish the fund balance to the established minimum level.

Annual Review

Compliance with the provisions of this policy shall be reviewed as part of the annual budget adoption process and subsequent 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.

Approval and Signatures

John K. Gibson Date 03/25/2025

John Gibson, Mayor

Tyler Williams Date 3-27-25

Tyler Williams, Town Recorder

Allen J. Coup Date 3-28-25

Allen Coup, Town Attorney