

Formal Financial Management Policies

County Government Financial Management is governed by Tennessee Law, formal and informal policies. Tennessee Law establishes the overriding structure in which local government operate, some counties, Roane County being one of those counties, establishes more formal policies of financial management by the adoption of resolutions.

Roane County has adopted three main formal financial resolution policies which are: Debt Management, Capital Planning, and Fund Balance. All three (3) of these polices interact with each other in implementation. Roane County's initial adoption of these policies was in March and April of 2011. Various amendments have been made over the years to these three (3) policies. Prior to formal adoption, the county abided by certain elements of the policies informally; however, significant change in managing the county financial affairs took place with adoption.

The initial Capital Policy established a process for the county to plan capital investment which included all government operations except for the highway department and schools. Through amendments to the policy the highway department is now part of the capital planning. In the last several years, the school operation has begun the financial capital planning. The county is not where we would like to be in capital planning, but we have made major strides in improving the process over the years. More work is to come.

We will write more in depth in a future article about capital planning. By planning capital projects and paying for many of these projects with current revenue, we then intertwine with the Debt Management Policy.

The Debt Management Policy in summary states: That short life and lower cost capital assets shall be purchased without using debt. The county now buys computers, vehicles, and many other assets, some higher dollar/ long life assets without issuing debt. Debt capacity is reserved for large projects such as school buildings and a jail. Further, the policy prohibits a commission from what we call "back loading debt" which is borrowing for a project today but not making principal payments until years down the road. A number of years after the county's adoption of our debt policy which prohibits "back loading" of debt, State Senator Yager sponsored legislation which prohibited this practice which was called "Don't Kick the Can Down the Road" which now applies statewide.

The final piece of the Debt Policy is a requirement of presentation of a multi-year debt budget which reflects payments of principal and interest up until the time the debt pays off.

The Fund Balance Policy establishes how much Fund Balance (cash) should carry over from year to year in each of our Funds (companies).

Annual budgets are adopted analyzing the Fund Balance. We coined this "Budgeting around the Fund Balances." More discussion about this policy can be found in a future article.

A formal policy adopted each and every year is the Appropriation and Tax Resolutions and within these resolution, other formal polices are referenced.

If one wants to know more about county government operations, I would suggest starting with the annual Appropriation and Tax Resolution where we have tried over the year to reference all policies including the main financial policies of Debt, Fund Balance, and Capital.

For now, three main formal financial policies govern Roane County in conjunction with state laws and a number of formal (policies by commission resolution) and informal policies. These three main policies are available on the county website.