

Does Roane County Have an Emergency Fund?

During and after the discussion regarding Roane County borrowing of \$10 million to repair roads damage cause by the February flooding, the question arose does Roane County have an Emergency Fund? The short answer is yes, Roane County does have an emergency fund. Two additional questions were then ask, how much is the emergency fund and why did the county not use it?

The County's financial structure is established by the Tennessee Comptroller and Government Standards Accounting Board. These two entities set up the "Fund Structure of Accounting" which in simple terms restricts monies for specific uses, sometimes known as buckets, sometimes known as companies but known in accounting as "Funds". The county has twenty four separate "Funds" "companies" and each fund has an emergency fund called Fund Balance.

The Fund Balance is used to cash flow operations and for use in cases when emergency occurs. The "Funds"/ "Companies" most people are familiar with are the General Fund, Highway Fund, School Fund, Ambulance Fund and Debt Service Funds. The monies in each of these funds cannot be comingled.

The Highway Fund has a \$4.4 million budget and a fund balance/ emergency fund balance of \$1.2 million. The Fund Balance is used to cash flow operations until revenue of cash is received. As one can see the Highway Fund does not have an extra \$10 million but could use some of their fund balance. A couple other factors come into play in using the fund balance. These factors are (1) Planning for future capital investments and (2) Financial Management. If the "County Funds/Companies" reflect strong fund balances, we have establish an important factor of sound financial management which allows Roane County to receive a more favorable bond rating and better interest rate when borrowing. If one combined all the individuals/companies fund balances (24) then we do have enough funds to cover the cost, however, the funds cannot be comingled and we can borrow at about the same cost that our Trustee can make on his investments of idle funds.

In summary, Roane County does have emergency fund money in each of our twenty four (24) "Funds"/ "Companies" and has established guidelines and polices for use of the "Fund Balances" "emergency funds" and for borrowing funds. When it comes to small emergency expenses, no borrowing is needed, but on larger expenses our analyses indicates that we should borrow the funds. Our hope is that the Federal Emergency Management Agency (FEMA) and the Tennessee Emergency Management Agency (TEMA) will pay for our disaster cost and the Roane County taxpayer will only be out the interest cost on the borrowing. Recognizing that funds in which we did not use are earning interest at a similar rate.

The rate of interest the county received on the \$10 million for five (5) year variable rate was 2.5%.

Information about county government operations and monthly newsletters can be found at www.roanecountytn.gov.