



CHAMBERS COUNTY FUND BALANCE POLICY

FOR THE YEAR ENDING DECEMBER 31, 2018

Chambers County Fund Balance Policy Revised for GASB 54

Purpose

The purpose of this policy is to establish a key element of the financial stability of Chambers County, Texas by setting operating and reporting guidelines for fund balances. Unassigned fund balance is an important measure of economic stability. It is essential that the County maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance also provides cash flow liquidity for the County's general operations.

Definitions

Fund Equity – A fund's equity is generally the difference between its assets and its liabilities.

Fund Balance – An accounting distinction is made between the portions of fund equity that are spendable and non-spendable. These are broken up into five categories:

- 1) **Nonspendable fund balance** – includes amounts that are not in a spendable form or are contractually required to be maintained intact. Examples are inventories, prepaid items, long-term receivables and the nonspendable corpus of any permanent fund.
- 2) **Restricted fund balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants, unspent bond proceeds, and special revenue funds created by statute.
- 3) **Committed fund balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the Commissioners' Court. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally, no delegation of authority is allowed.
- 4) **Assigned fund balance** – comprises amounts *intended* to be used for a specific purpose. Intent can be expressed by the Commissioners' Court or by the County Auditor to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) **Unassigned fund balance** – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. (This was formerly referred to as Unreserved Fund Balance).

Policy

Committed Fund Balance – The Commissioners' Court is the County's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Commissioner at the County's Court meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance – The Commissioners Court has authorized the County Auditor as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance

It is the goal of the County to achieve and maintain an unassigned fund balance in the General Fund equal to 25% of expenditures. The County considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances.

If unassigned fund balance falls below the goal or has a deficiency, the County will impose budget strategies and timeframes necessary to return to its goal. Examples would be to reduce recurring expenditures, increase revenues, pursue other funding sources, or enact some combination of these measures.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the Commissioners' Court, and unassigned fund balance), the County will start with the most restricted category and spend those funds first before moving to the next category with available funds (committed, assigned and lastly unassigned).


Approved and adopted by the Chambers County Commissioners' Court on this

9th day of January, 2018.



County Judge, Jimmy Sylvia / Date

1/9/18



County Clerk, Heather Hawthorne / Date

