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**STATE OF TEXAS <> COUNTY OF WEBB**

**Fund Balance Policy**

**In Accordance with Governmental Accounting Standard Board (GASB) Statement No. 54  
Adopted on September 26, 2011. Amended on November 26, 2018**

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**Purpose.** The following policy has been adopted by the Commissioners Court in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the County and jeopardize the continuation of necessary public services.

This policy will ensure that the County maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenue shortfalls, and
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the County's fund balance and reserve policies.

**Fund type definitions.** The following definitions will be used in reporting activity in governmental funds across the County. The County may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's purposes.

**Fund balance reporting in governmental funds.** Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Fund Balance is the difference between assets and liabilities reported in governmental funds. It serves as a measure of financial resources available to finance expenditures for future periods.

The Governmental Accounting Standards Board prescribes the classification scheme for components of fund balance. The types of fund balance components are nonspendable, restricted, committed, assigned and unassigned.

Types	Definition	Example
Non-spendable: <b>(inherently nonspendable)</b>	Amounts that cannot be spent because they are not in spendable form or for legal or contractual reasons must be kept intact.	<ul style="list-style-type: none"> <li>• inventory</li> <li>• prepaid assets</li> <li>• long term receivables</li> <li>• Corpus or Principal of a Permanent or endowment fund</li> </ul>

Types	Definition	Example
Restricted: <b>(externally enforceable limitation on use)</b>	Constraints placed on the use of these resources are either externally imposed by creditors, grantors, contributors, or other governments; or imposed by law through constitutional provisions or enabling legislation.	<ul style="list-style-type: none"> <li>• federal grants,</li> <li>• unspent bond proceeds,</li> <li>• bond covenants,</li> <li>• taxes raised for a specific purpose</li> </ul>

Types	Definition	Example
Committed: <b>(self-imposed limitations set in place prior to the end of the period)</b>	Financial resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority. Constraints may only be removed or changed by taking the same type of action previously committing these amounts.	<ul style="list-style-type: none"> <li>• Requires action by the highest level of decision making authority. No delegation of authority is allowed</li> <li>• Limitation imposed no later than the close of the reporting period</li> <li>• "Rainy Day" funds with limitation imposed by formal action pursuant to this category.</li> <li>• Encumbrances (amounts imposed by formal action)</li> </ul>
Assigned: <b>(limitation resulting from intended use)</b>	Comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body 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.	<ul style="list-style-type: none"> <li>• Encumbrances (Amounts imposed by informal action pursuant to this category, but that are neither restricted nor committed)</li> <li>• Recommended use of fund balance at year end</li> <li>• Budget stabilization</li> </ul>

Unassigned: (residual net resources)	That portion of unrestricted fund balance that has not been committed or assigned for other uses; therefore, it is available to spend in future periods.	<ul style="list-style-type: none"> <li>• Minimum fund balance policy to set aside within a specific range approved by the Commissioners Court</li> </ul>
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Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Commissioners Court. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Authority to Assign – The Commissioners Court delegates the Budget Officer and/or County Auditor the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

**Operational guidelines.** The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the County to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the County that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum unassigned fund balance – The County will maintain a minimum unassigned fund balance in its General Fund of at least two months of budgeted expenditures and outgoing transfers but no less than fifteen percent. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Replenishing deficiencies – when fund balance falls below the minimum fifteen percent 15% range, the County will replenish shortages/deficiencies using the budget strategies and timeframes described below.

The following budgetary strategies shall be utilized by the County to replenish funding deficiencies:

- The County will reduce recurring expenditures to eliminate any structural deficit or,
- The County will increase revenues or pursue other funding sources, or,
- Some combination of the two options above

Minimum fund balance deficiencies shall be replenished within the following time periods:

- Deficiency resulting in a minimum fund balance between **12.5** percent and **15** percent shall be replenished over a period not to exceed one year
- Deficiency resulting in a minimum fund balance between **10** percent and **12.5** percent shall be replenished over a period not to exceed two years
- Deficiency resulting in a minimum fund balance of less than **10** percent shall be replenished over a period not to exceed three years

Surplus fund balance – Should unassigned fund balance of the General Fund ever exceed the maximum range (two months of budgeted expenditure and outgoing transfers), the County will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

**Implementation and review.** Upon adoption of this policy the Commissioners Court authorizes the Budget Officer and/or County Auditor to establish any standards and procedures which may be necessary for its implementation. The Budget Officer and/or County Auditor shall review this policy at least annually and make any recommendations for changes to the Commissioners Court.

EXECUTED this 26th day of November 2018.

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Hon. Tano E. Tijerina  
Webb County Judge

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Hon. Jesse Gonzalez  
Commissioner, Precinct 1

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Hon. Rosaura Tijerina  
Commissioner, Precinct 2

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Hon. John C. Galo  
Commissioner, Precinct 3

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Hon. Cynthia Y. Liendo  
Commissioner, Precinct 4

ATTEST: \_\_\_\_\_  
Hon. Margarita "Margie" Ramirez Ibarra  
Webb County Clerk