

Lubbock County, Texas

Fund Balance Policy

Revised for GASB 54

Purpose

The purpose of this policy is to establish a key element of the financial stability of the County by setting guidelines for fund balance. 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 is spendable and nonspendable. These are broken up into five categories:

- 1) **Nonspendable fund balance** – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory and prepaid items.
- 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, certain fees and major construction projects.
- 3) **Committed fund balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that the imposed the constraint originally.
- 4) **Assigned fund balance** – 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.
- 5) **Unassigned fund balance** – is the residual category of the general fund and includes all amounts not contained in other categories. Unassigned amounts are technically available for any purpose.

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 an order approved by the Commissioner's Court. The order 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

- When it is appropriate for fund balance to be assigned, the Commissioners' Court has authorized the County Auditor as the official authorized to assign fund balance to a specific purpose as approved by the fund balance policy. Assignments may occur subsequent to fiscal year end.

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 to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. 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 intends to take action during the annual budget process to reach compliance within two annual budget cycles. Actions in the budget process available to increase the unreserved general fund balance may include increasing taxes, decreasing spending in specific areas, dedicating one-time revenues to fund reserves or making transfers of excess fund balances from other funds.

Order of Expenditures of Funds

When multiple categories of fund balance are available for expenditure (for example, a construction project is 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 down to the next category with available funds.

Now, therefore, be it resolved that the Lubbock County Commissioners' Court commits a portion of its General Operating Fund Balance to the following:

- Major Capital Projects –major building and equipment purchases, replacement or repair.
- Technology Equipment Expenditures – future replacement or enhancement of computer hardware and software including emerging advance computer technology.
- Special Programs and Strategic Planning Expenditures – development and implementation of programs benefitting Lubbock County.

Be it further ordered that the Lubbock County Commissioners' Court commits a portion of its Special Revenue Fund Balance to the following:

- County Road Infrastructure and Lubbock Metropolitan Planning Organization Projects – Funds that are generated by and dedicated for the purpose of building and maintain county roadways.

SO ORDERED on this the 12th day of September, 2022, to which witness the hand of the Lubbock County Commissioners' Court on the date last written above herein.

Terence Kovar, Precinct One

Jason Corley, Precinct Two

Gilbert Flores, Precinct Three

Chad Seay, Precinct Four

Curtis Parrish, County Judge

ATTEST:

REVIEWED FOR FORM:

Kelly Pinion, County Clerk

Neal Burt, CDA-Civil

Lubbock County, Texas Fund Balance Commitment

WHEREAS, the Government Standards Accounting Board (GASB) has issued Statement No. 54 establishing a hierarchy clarifying the constraints that govern how a government entity can use amounts reported as fund balance; and

WHEREAS, the Commissioners' Court is the highest level of decision-making authority, and has the authority to commit, assign, or evaluate existing fund balance classifications and identify the intended uses of committed or assigned funds; and

WHEREAS, the committed fund balance classification reflects amounts subject to internal constraints self-imposed by the Commissioners' Court; and

WHEREAS, the Commissioners' Court has determined it will commit \$12,775,000.00 of fund balance from General Fund Reserves to fund:

- | | |
|-----------------------------------------------------|-----------------|
| • 916 Main 1 st Floor Renovations (FY24) | \$ 2,250,000.00 |
| • 916 Main 1 st Floor Renovations (FY25) | \$ 2,250,000.00 |
| • CRTC Renovations Phase V (FY25) | \$ 975,000.00 |
| • Detention Center Flooring (FY25) | \$ 125,000.00 |
| • Medical Examiner Building | \$ 7,175,000.00 |

NOW, THEREFORE, be it ordered, the Commissioners' Court of Lubbock County, Texas in accordance with the provisions of GASB 54 hereby commits \$12,775,000.00 from General Fund Reserves. These funds in the General Fund cannot be used for any purpose other than directed above, unless the Commissioners Court adopts another order to remove or change the constraint. In addition, the General Fund remaining fund balance will be unassigned and will be used to maintain general operations.

SO ORDERED on this the 12th day of September, 2022, to which witness the hand of the Lubbock County Commissioners' Court on the date last written above herein.

Terence Kovar, Precinct One

Jason Corley, Precinct Two

Gilbert Flores, Precinct Three

Chad Seay, Precinct Four

Curtis Parish, County Judge

ATTEST:

REVIEWED FOR FORM:

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