

CLAY COUNTY, TEXAS

COMPREHENSIVE FUND BALANCE POLICY

Clay County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times to retain this stable financial base, the County needs to maintain a General Fund balance sufficient to fund all cash flows of the County, to provide financial reserve for unanticipated expenditures and/or revenue shortfalls of an emergency nature, to provide funds for the disparity in timing between property tax collection and expenditures, and to secure and maintain investment grade bond ratings. The purpose of this policy is to specify the size and composition of the County's financial reserve and to identify certain requirements for replenishing any fund balance reserves utilized.

Governmental Accounting Standard Board Issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition GASB-54. One objective of GASB-54 was to Improve, Including the understanding, the usefulness of fund balance information by providing clear fund balance classifications. GASB-54 abandons the reserved, unreserved, and designated classifications of fund balance, and thus replaced these categories with five classifications: nonspendable, restricted, committed, assigned, and unassigned. The requirements of this statement are effective for Clay County's financial statements for the fiscal year ending September 30, 2025.

GASB-54 requires local governments to focus on the constraints imposed upon resources when reporting fund balance in governmental funds. The replacement fund balance classifications indicate the level of constraints placed upon how resources can be spent and identify the sources of those constraints. The following five classifications serve to inform readers of the financial statements of the extent to which the County is bound to honor constraints on the specific purposes for which resources in a fund can be spent.

DEFINITIONS

Nonspendable Fund Balances-Fund balances that are not in a spendable form such as prepaid items or legally or contractually required to be maintained intact such as an endowment.

Restricted Fund Balance-Fund balance reported as "restricted" consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources.

Committed Fund Balance-Fund balance reported as "committed" are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific Purposes determined by a formal action Order of Commissioners' Court, which is the highest level of decision-making authority, and, conjunctively, require the same level of formal Commissioners court action to remove or revise the enacted constraint limitations.

Assigned Fund Balance-Fund balance reported as "assigned" consists of amounts that are subject to a purpose constraint that represents an intended use established by the Commissioner's Court by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. Formal action is not necessary to impose, remove, or modify a constraint in Assigned Fund Balance. Additionally, this category is used to reflect the appropriation of a portion of the existing fund balance to eliminate a projected deficit in the subsequent year's budget.

Unassigned Fund Balance-Fund balance reported as "unassigned" represents the residual classification of the fund balance and includes all spendable amounts not contained within the other classifications.

Comprehensive Fund Balance Policies

Policy on committing funds

In accordance with GASB-54 it is the policy of Clay County that fund balance amounts will be reported as "Committed Fund Balance" only after formal action and approval by Commissioner's Court. The action to constrain amounts in such a manner must occur prior to yearend; however, the actual dollar amount may be determined in the subsequent period.

For example, Clay County Commissioners Court that it may approve a motion prior to yearend to report within the year-end financial statements, if available, up to a specific dollar amount as Committed Fund Balance for capital projects. The exact dollar amount to be reported as Committed Fund Balance for capital projects may not be known at the time of approval due to the annual financial audit not yet being completed. This amount can be determined at a later date when known and appropriately reported within the year-end financial statements due to the governing body approving this action before year-end.

It is the policy of Clay County Commissioner's Court that it may commit fund balance for any reason that is consistent with the definition of Committed Fund Balance contained within GASB-54. Examples of reasons to commit fund balance would be to display intentions to use portions of fund balance for future capital projects, stabilization funds, or to earmark special General Fund reserve streams unspent at year-end that are intended to be used for specific purposes.

After approval by the Commissioners' Court, the amount reported as Committed Fund Balance cannot be reversed by utilizing the same process as required to commit the funds. Therefore, in accordance with GASB-54, it is the policy of Clay County that funds can only be removed from the Committed Fund Balance category after motion and Order approval by Commissioners' Court.

Policy on assigning funds

In accordance with GASB-54, funds that are intended to be used for specific purposes but have not received the formal approval action at the governing body level may be recorded as Assigned Fund Balance. Likewise, redeploying assigned resources to an alternative use does not require formal action by the governing body.

GASB-54 states that resources can be assigned by the governing body or by another internal body or person whom the governing body gives the authority to do so, such as a committee or employee of Clay County.

Therefore, having considered the requirements to assign fund balance, it is the policy of Clay County that the Auditor or Treasurer will have the authority to assign fund balance of this organization based on intentions for use of fund balance as communicated by Commissioner's Court.

Order of Expenditures of Funds

When multiple categories of fund balance are available for expenditures (for example, a construction project is being partly funded by grant or bonds, funds set aside by the County, and unassigned fund balance), the County will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

Policy on Unassigned General Fund Balance

It is the goal of the County to achieve and maintain an unassigned General Fund balance equal to 30% of budgeted expenditures. The County considers a balance of less than 30% to be a cause for evaluation of trying to maintain this goal and a balance of more than 70% as excessive. An amount in excess of 70% is to be considered for reservation to accumulate funding for capital projects and equipment, and/or to reduce the tax levy requirements, and shall be determined in conjunction with the annual budget process. In the event that the unassigned General Fund fund balance is less than the policy anticipates, the County shall plan to adjust budget resources in the subsequent fiscal years to restore the balance.

Appropriation from unassigned General Fund, fund balance shall require the approval of the Commissioner's Court, and shall be only for one-time expenditures, such as capital purchases, and not ongoing expenditures unless a viable plan designated to sustain the expenditures is simultaneously adopted by said Court.

ORDERED THIS 8th DAY OF September 2025

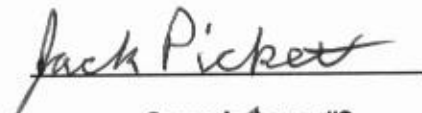
CLAY COUNTY COMMISSIONER'S COURT



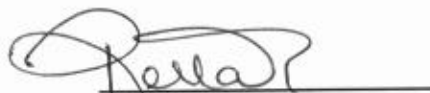
Commissioner #1



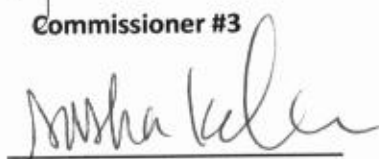
County Judge



Commissioner #2



Commissioner #3



County Clerk



Commissioner #4

