



CITY OF SHAVANO PARK
900 Saddletree Court
Shavano Park, TX 78231

CITY POLICY NO. 1

SUBJECT: Fund Balance Policy

1. References.

- a) Chapter 2, Article VI, Section 2-179 of the City of Shavano Park Code of Ordinances
- b) Ordinance No. 400-03-11
- c) Ordinance No. 10-6-2011
- d) Ordinance O-2020-005

2. **Purpose.** The purpose of this policy is to establish definitions, policies and procedures for the City's Fund Balances.

3. Policy.

Sec. 2-179. - [Fund balance policy.]

(a) *Background.* In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which is effective for the fiscal year ending September 30, 2011. The Statement substantially changes how fund balances are categorized. GASB Statement 54 is intended to improve the usefulness of the amount reported in fund balance by providing more structured classifications.

The Statement applies to fund balance reported in the General Fund and does not apply to Enterprise Funds, Internal Service Funds, and extremely restricted reserves. Currently fund balance is classified as "reserved" or "unreserved." Unreserved fund balance may be further allocated into designated and undesignated.

(b) *Purpose.* To provide a stable financial environment for the City of Shavano Park's operations that allows the City to provide quality services to its residents in a fiscally responsible manner designed to keep services and taxes as consistent as possible over time. This fund balance policy is meant to serve as the framework upon which consistent operations may be built and sustained.

(c) *Definitions and policies.*

- (1) Non-spendable fund balance includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually, (e.g., inventory, prepaid items).
 - At the end of each fiscal year, the City will report the portion of the fund balance that is not in spendable form as Non-spendable Fund Balance on the financial statements.
- (2) Restricted fund balance includes amounts constrained for a specific purpose by external parties (e.g., Debt Service Fund, Crime Control District Fund, Court Restricted Fund, Capital Projects Fund, State and Federal grant funds).
 - At the end of each fiscal year, the City will report "restricted" fund balance for amounts that have applicable legal restrictions per GASB Statement 54.
- (3) Committed fund balance includes amounts constrained for a specific purpose by a government using its highest level of decision making authority.
 - The amount designated for Oak Wilt shall be classified as a Committed Fund Balance.
 - The amount designated for Capital Replacement shall be classified as a Committed Fund Balance.
- (4) Assigned fund balance includes General Fund amounts constrained for a specific purpose by a governing body or by an official that has been delegated authority to assign amounts.
 - In accordance with GASB Statement 54, funds that are intended to be used for a specific purpose 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 Statement 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.

Therefore, having considered the requirements to assign fund balance, it is the policy of the City that the City Manager will have the authority to assign fund balance of this organization based on intentions for use of fund balance communicated by the City Council.

- (5) *Unassigned fund balance.* This is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications, therefore, not subject to any constraints. Unassigned amounts are available for any purpose. These are the current resources available for which there are no government self-imposed limitations or set spending plan. Unassigned fund balance can be used for emergency expenditures not previously considered. In addition, the resources classified as Unassigned can be used to cover expenditures for revenues not yet received.
 - At the end of each fiscal year, the City will report as Unassigned Fund Balance for the General Fund the amount in excess of any funds that are otherwise legally restricted and the Committed Fund Balance. This amount is to be used for accumulating funding for capital projects, equipment replacement, and/or for budgetary shortfalls and unexpected

expenditures. Appropriation from the Unassigned General Fund balance shall require the approval of the City Council.

It is the goal of the City to achieve and maintain an unassigned General Fund balance equal to 25 percent to 50 percent of budgeted expenditures. The City considers a balance of less than 20 percent to be a cause for concern, barring unusual or deliberate circumstances, and a balance of more than 50 percent as excessive. An amount in excess of 50 percent 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 balance is less than the policy anticipates, the City shall plan to adjust budget resources in the subsequent fiscal years to restore the balance.

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

(6) *Spending order.* The City Council will utilize funds in the following spending order:

- Restricted
- Committed
- Assigned
- Unassigned

(Ord. No. 400-03-11, 10-6-2011; Ord. No. O-2020-005, § I, 2-24-2020)

Editor's note— Ord. No. 400-03-11, adopted Oct. 6, 2011, did not specify manner of inclusion; hence, codification as § 2-179 was at the discretion of the editor.