

RESOLUTION NO. R-15-025

A RESOLUTION ADOPTING A FUND BALANCE POLICY FOR GOVERNMENTAL FUNDS FOR THE CITY OF BRENHAM

WHEREAS, the Governmental Accounting Standards Board (GASB) issued “Statement No. 54 Fund Balance Reporting and Governmental Fund Types” which establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types; and

WHEREAS, the fund balance policy dated October 1, 2015 complies with the provision of the Standard; and

WHEREAS, the governing body desires to adopt a fund balance policy for the City of Brenham; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRENHAM, TEXAS THAT:

Section 1: The City of Brenham Fund Balance Policy for Governmental Funds attached hereto as “Exhibit A” is hereby adopted as the fund balance policy of the City of Brenham effective October 1, 2015.

Section 2: This Resolution shall take effect immediately upon its passage.

APPROVED on this 1st day of October, 2015.

Milton Y. Tate, Jr.
Mayor

ATTEST:

Jeana Bellinger, TRMC
City Secretary



FUND BALANCE POLICY FOR GOVERNMENTAL FUNDS

I. PURPOSE

The following policy has been adopted by the City of Brenham 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 City and jeopardize the continuation of necessary public services. This policy will ensure that the City 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.

II. DEFINITIONS

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each governmental fund.

GASB Statement No. 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reason, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.
- 2) **Restricted Fund Balance** – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants),

grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

- 3) **Committed Fund Balance** – Amounts that can only be used for a specific purpose because they are constrained by limitation that the government imposes upon itself through formal action by the City Council, the government’s highest level of decision making authority. Formal action consists of either Council resolution or the approval of a council meeting agenda item. These restraints remain binding unless removed by formal action of City Council.
- 4) **Assigned Fund Balance** – Amounts that are constrained by the City’s intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the City Council, committees, or officials to whom the City Council has delegated authority.
- 5) **Unassigned Fund Balance** – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which an amount had been restricted, committed or assigned.

III. 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 City 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 City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

IV. MINIMUM UNRESTRICTED GENERAL FUND BALANCE

The City will maintain a minimum unrestricted fund balance (total fund balance less nonspendable and restricted fund balance) in its General Fund that is sufficient to provide financial resources for the City in the event of an emergency or the loss of a major revenue source. Therefore, the City has set the minimum unrestricted fund balance for the General Fund at an amount equal to three months (90 days) of General Fund operating expenditures. The City also strives to maintain an additional reserve amount equivalent to five (5) days of General Fund operating expenditures for unanticipated renovations and repairs (R&R). The minimum unrestricted fund balance is to protect against cash flow shortfalls related to unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances.

V. USE AND REPLENISHMENT OF UNRESTRICTED GENERAL FUND BALANCE

The City should strive to minimize the use of General Fund unrestricted fund balance, except in very specific circumstances. At City Council's discretion, unrestricted fund balance may be used for emergencies, unanticipated economic downturns, and one-time opportunities. If feasible, minimum fund balances shall be restored in the following year (or as soon as economic conditions allow) utilizing year-end surpluses and non-recurring revenues.

VII. FUND BALANCE POLICY

The City of Brenham's Fund Balance Policy shall be adopted by resolution of the City Council. The City of Brenham's Fund Balance Policy shall be subject to revisions consistent with changing laws, regulations, and needs of the City but any such changes must be adopted by the Council before use. The resolution adopting the policy and strategies must include any changes or modifications to the Policy.

Authority/Date Issued:

City Council Resolution # R-15-025

October 1, 2015