

RESOLUTION NO. 2011-05

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHITE OAK, TEXAS APPROVING THE ADOPTION OF GASB 54 STANDARDS AND APPLICATIONS; AND APPROVING A FUND BALANCE POLICY FOR THE GENERAL FUND

WHEREAS, the Governmental Accounting Standards Board (GASB), has issued its Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, with the intent of improving financial reporting by providing fund balance categories that will be more easily understood; and

WHEREAS, the City of White Oak wishes to comply with GASB 54 as required beginning with the current October 1, 2010-September 30, 2011 fiscal year; and

WHEREAS, the City Council of the City of White Oak has considered a "Fund Balance Policy for the General Fund" (Attachment A), which outlines the policy and procedures enacted to accurately categorize and report fund balance in the General Fund; and

WHEREAS, the policy entitled, "Fund Balance Policy for the General Fund," provides that the City Council may commit General Fund balance for specific purposes by taking formal action and these committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same formal action taken to establish the commitment; and

WHEREAS, this policy delegates to the City Secretary the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.


WHEREAS, the City has established a General Fund minimum fund balance policy. It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equivalent to no less than six (6) months of operating expenses. This target amount has been established in order to provide a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures. The minimum fund balance is shown in the annual financial statements as unassigned fund balance.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of White Oak, Texas approves the attached Fund Balance Policy for the General Fund for compliance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type definitions.

APPROVED AND ADOPTED by the City Council of the City of White Oak, Texas
at a regular meeting held on the 13th day of September, 2011.


Rick May, Mayor

ATTEST:


Sherry Roberts, TRMC
City Secretary

CITY OF WHITE OAK, TEXAS

FUND BALANCE POLICY IN ACCORDANCE WITH GASB #54

Background

In February 2009, the Governmental Accounting Standards Board (GASB) issued *GASB #54 Fund Balance Reporting and Governmental Fund Type Definitions*. The statement substantially changes how fund balances are categorized. It clarifies/modifies how some of the governmental funds are presented and classified.

<i>Reserved</i> Non-spendable	<i>Not available for appropriation</i> Not available for spending, either now or in the future, because of (e.g., debt retirement)	
<i>Designated</i> Restricted	<i>Available for appropriation but intended for a specific use.</i> Constraints on spending that are legally enforceable by outside parties.	
Unrestricted	<i>Designated</i> Committed	<i>Not available for appropriation</i> Constraints on spending that the government imposes upon itself by highest-level formal action prior to the close of the period.
	<i>Undesignated</i> Assigned	<i>Available for appropriation</i> Resources intended for spending for a purpose set by the governing body itself or by some person or body delegated to exercise such authority in accordance with policy established by the Board.
	Unassigned	Residual (general fund only)

Purpose

The purpose of this policy is to establish a key element of the financial stability of the City of White Oak by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the City 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 City'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 spendable and non-spendable. These are broken up into five categories:

- 1) **Non-spendable fund balance** – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or permanent funds.
- 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 and child safety fees.
- 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 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 classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Policy

Committed Fund Balance

- The White Oak City Council is the City'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 ordinance approved by the City Council. The ordinance 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

- The City Council has authorized the City Secretary as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equivalent to no less than six (6) months of operating expense. The City considers a balance of less than six (6) months of operating expenses to be cause for concern, barring unusual or deliberate circumstances.

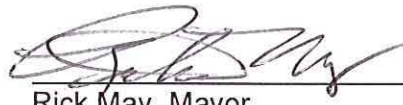
If unassigned fund balance falls below the goal or has a deficiency, the City Secretary shall report such amounts to the City Council as soon as practical after the end of the fiscal year. Should the actual amount designated for cash flow fall below the desired range, the City shall create a plan to restore the appropriate levels within an appropriate time period set by City Council. Should the actual amount designated for cash flow rise above the desired range, any excess funds will remain undesignated pending the Council's final decision concerning transfer

to another fund. It is the policy of the City that such excess funds will be, by council action, to be reported in the spendable limited category of this policy.


Order of Expenditure of Funds

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

Adopted by the White Oak City Council on this 13th day of September, 2011.


Rick May, Mayor

ATTEST:


Sherry Roberts, TRMC
City Secretary