

	SAN ANTONIO RIVER AUTHORITY	POLICY & PROCEDURE	POLICY NUMBER: FN 0002
SUBJECT: Fund Balance Policy			REPLACING POLICY NUMBER: EO 0008
RESPONSIBLE MANAGER: Finance and Administration		EFFECTIVE DATE: 08/15/2001	PAGE(S): 1 of 3
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PURPOSE

The purpose of this policy is to establish guidelines for the allocation and use of San Antonio River Authority (River Authority) fund balances.

FUND CATEGORIES

Governmental-type Activity Funds: Funds that receive revenues through taxes, payments from other governmental entities, charges for services and other revenues. There are five categories of fund balances for governmental funds for purposes of financial reporting: non-spendable (non-cash items such as notes receivable), restricted, committed, assigned, and unassigned.

For the River Authority, governmental-type activity funds include the General Fund, Debt Service Fund, special revenue funds and capital project funds.

Business-type (Proprietary) Activity Funds: Funds that are financed in whole or in part by fees charged to external parties for goods or services. These activities are the River Authority's enterprise funds and internal service funds. There are four types of fund balances for enterprise funds for financial reporting purposes: invested in capital assets, restricted for debt service, restricted for construction and unrestricted. The invested in capital assets portion of the fund balance does not represent cash.

The categories and types of fund balances described above for each type of fund are used and necessary for financial reporting, such as the Annual Financial Report. These categories and types are not necessary for the adopted annual budget. A formal action of the River Authority Board of Directors must be taken to commit/un-commit and assign/un-assign fund balance for a specific purpose.

FUND BALANCE DEFINITIONS

The financial accounting definitions for Governmental-type fund balances (as required by GASB 54) and used by the River Authority in the Annual Financial Report and other financial reporting are as follows.

- Nonspendable Fund Balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

- Restricted Fund Balance consists of funds that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation.
- Committed Fund Balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. The San Antonio River Industrial Development Authority Fund and the Park Resources Development Fund are committed due to the nature of the activity within those funds.
- Assigned Fund Balance consists of amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance; Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes; Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the government itself. However, governments should not report an assignment for an amount to a specific purpose if the assignment would result in a deficit in unassigned fund balance.
- Unassigned Fund Balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The financial accounting definitions for Proprietary type fund balances and used by the River Authority in the Annual Financial Report and other financial reporting are as follows.

- Net Investment in Capital Assets – This component of net position is the difference between assets, deferred outflows, deferred inflows and liabilities of proprietary funds that consists of capital assets less:
 - Accumulated depreciation
 - Accumulated amortization (except for accretion on capital appreciation bonds)
 - The outstanding balance of debt directly attributable to the acquisition, construction or improvement of those assets
 - Deferred outflows and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt
- Restricted Net Position – This component of net position is the difference between assets, deferred outflows, deferred inflows and liabilities of proprietary funds that consists of assets with constraints placed on their use by either:
 - Externally imposed by creditors, grantors, contributors or laws/regulations of other governments
 - OR–
 - Imposed by law through enabling legislation or constitutional provisions

- Unrestricted Net Position – This component of net position is the difference between the assets, deferred outflows, deferred inflows and liabilities of proprietary funds not reported as net position, net investment in capital assets or restricted net position.

The main objectives of establishing and maintaining a fund balance policy are to ensure that the River Authority:

- Is in a strong financial position
- Has sufficient cash to meet payment obligations
- Can maintain favorable, high bond ratings
- Has sufficient reserves to react to emergency, unforeseen and/or extraordinary occurrences (for example a flood) or revenue shortfalls
- Is able to weather negative economic trends

The policy also helps the River Authority preserve flexibility throughout the fiscal year to adjust funding for programs approved in connection with the annual budget and the adopted strategic plan.

It is the responsibility of the Chief Financial Officer, or equivalent title, to report all fund balances appropriately in the River Authority's Audited Financial Statements and Annual Adopted Budget.

Authority for Emergency Situations

The General Manager has the authority to use up to \$500,000 in available fund balances to respond to an emergency situation resulting from natural or man-made disasters, such as flooding. The General Manager will bring actions taken to address the emergency to the River Authority's Board of Directors for ratification at the first available meeting.

Operating Reserve

The Operating Reserve is available, if necessary: to cover unexpected expenditures and/or revenue shortfalls; to react to unforeseen and/or extraordinary occurrences (for example a flood); to provide sufficient cash flow for operations, to protect the River Authority's strong financial position, to weather economic downturns, or for other appropriate needs as determined by the Board of Directors.

The River Authority's General Fund and all utility system(s) operating funds will set a target to maintain a minimum of 25 percent (three months) of the annual budgeted operating expenses as an operating reserve. Operating expenses to be included in the determination of the appropriate level of the reserve include personnel, operating supplies, and contracts. Expenses not included in the reserve calculation are project related expenditures, one-time expenditures designated as capital, and transfers to other funds. The Operating Reserve will have as a target maintaining a reserve at 25 percent of the annual budgeted operating expenses as defined here and will be fully funded before any other fund balance reserves are increased.

Unrestricted Reserve

The River Authority maintains reserve funds within the SARA Project Fund that can be used for purposes that assist the River Authority's mission and strategic direction. This may include funding projects and asset acquisition to avoid the issuance of debt and incurring interest costs.

These funds' use includes but is not limited to completing capital projects, funding studies, purchasing assets, and executing loans to move projects forward sooner as well as other activities approved by the River Authority Board of Directors. These funds should be used to support the River Authority's strategic plan goals and objectives. Use of these funds is at the discretion of the River Authority Board of Directors; annually, the Board may delineate the types of projects during the budget development process or through budget amendment. The target balance should not exceed the amount forecasted for projects and/or asset acquisition identified within the 5-year financial plan or \$15 million, whichever is larger. This reserve will be accounted for in a fund separate from the General Fund.

Repair and Replacement Reserve

The River Authority has established Repair and Replacement Reserves within the General Fund and utility funds. These funds may be utilized to fund capital asset renewal, long-term major repairs, and other unexpected expenses of buildings, parks and trails, technology, fleet and heavy equipment, and other equipment. Annual analysis by asset type (e.g. infrastructure, facilities, equipment) should be performed to determine the recommended reserve allocation to be proposed during the annual budget development process. Recommendation may be informed by the dollar amount anticipated over a defined replacement schedule or percentage of asset type.

The River Authority's Board of Directors may take action annually after the approval of the audit to move the available fund balance between the categories described in this policy.

Approved:


Derek Boese, General Manager

1/24/2025
Date