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 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 Comprehensive Annual Financial Report. These categories and types are not necessary for the adopted annual budget.

FUND BALANCE DEFINITIONS:
The financial accounting definitions of the different types of fund balances (as required by GASB 54) and used by the River Authority in the Comprehensive Annual Report and other financial reporting are as follows.

- Non-spendable Fund Balance consists of funds that cannot be spent due to their non-cash form (i.e. inventory, prepaid expenses, notes receivable) or funds that legally or contractually cannot be spent.
- Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties (i.e. grantors, contributors, creditors, laws, regulations, or other governments), constitutional provisions or enabling legislation. Grant funds and debt proceeds are examples of restricted funds.
• Committed Fund Balance consists of funds that are set aside for a specific purpose by the River Authority’s Board of Directors. Formal Board action must be taken to either commit funds or to remove or change the limitations placed on the funds.

• Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the River Authority’s Board of Directors or General Manager (or designee) who has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

• Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This category includes the Operating Reserve and the Unrestricted Reserve described below.

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 make adjustments in funding for programs approved in connection with the annual budget.

It is the responsibility of the Support Services Director to report all fund balances appropriately in the River Authority’s Audited Financial Statements and Annual Adopted Budget. This includes all notes receivable.

**Authority to Commit Funds**

The River Authority’s Board of Directors has the authority to set aside funds for a specific purpose and to establish a committed or assigned fund balance(s). 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.

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 (Unassigned Fund Balance)**

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 and operating supplies and contracts. Expenses not included in the reserve calculation are project related expenditures 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. However, commitments to repay other fund balance reserves will be met regardless of the current balance in the Operating Reserve.

Unrestricted Reserve
The River Authority maintains reserve funds that can be used for purposes that assist the River Authority’s mission. This may include funding projects and asset acquisition without issuing 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 for which these funds may be used. This reserve will be accounted for in a fund separate from the General Fund.

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:

Suzanne B. Scott, General Manager

Date

4/17/15