

EXHIBIT A

CITY OF EUSTIS, FLORIDA



FUND BALANCE RESERVE

Finance Policy Number 001

Adopted by City Commission
Resolution Number: 2026-48
Date Approved: June 4, 2026



City of Eustis

Fund Balance Policy

In Accordance with Governmental Accounting Standards Board (GASB) Statement Number 54: Fund Balance Reporting

1. Purpose

The purpose of this policy is to establish a fund balance policy including classifications and reservation of fund balance within each category consistent with *Governmental Accounting Standards Board (GASB) Statement Number 54: Fund Balance Reporting and Governmental Fund Type Definitions*.

It is fiscally prudent for the City to have a sound Fund Balance Policy. This policy meets several of the City's core objectives:

- Maintaining financial stability
- Providing for liquidity and cash flow security
- Mitigating financial risk
- Supporting strategic planning and budgeting
- Enhancing credit worthiness
- Ensuring transparency and accountability

2. Definitions

Contingency

A budgeted reserve or set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

Emergency Reserves

Funds set aside designated specifically for use in response to natural disasters and other emergency events as defined under Florida Statute Chapter 252.

Fund

A fiscal and accounting entity with a self-balancing set of accounts. All transactions are recorded and segregated for specific activities or to attain certain objectives in accordance with Florida Statutes, restrictions or other imposed limitations.

Fund Balance

The difference between a fund's assets and liabilities.

Operating Reserve

Funds needed to ensure continuous cash-flow during times of irregular revenue. Best Practice is 25% of the fund's operating budget.

Reserves

Designated or undesignated portions of available Fund Balance.

Unreserved Fund Balance

The portion of Fund Balance that has not been designated under any other classification of Fund Balance, also considered surplus or excess funds.

3. Fund Balance Discussion

For fiscal years ending June 30, 2011, and later, the *Generally Accepted Accounting Boards* (GASB) issued GASB Statement 54. GASB Statement 54 established accounting and financial reporting standards for all governments on how fund balance is presented. This Statement provided for five (5) classifications of fund balance.

These classifications, and their requirements, are presented below.

- **Non-spendable Fund Balance**

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. Examples of this type of fund balance include, but are not limited to, prepaid items and inventories, trust funds, etc. The amounts are not typically budgeted and are determined annually based on actual results and reported as such.

- **Restricted Fund Balance**

Includes amounts that can be spent only for specific purposes stipulated by (a) external resources, or (b) imposed by law through enabling legislation. Examples of this type of fund balance include, but are not limited to, grants funds, bond or loan proceeds, forfeiture funds, sales tax funds, etc. The amounts are typically budgeted and reported in funds other than the General Fund (Special Revenue, Capital Improvement, Pension and/or Debt Service Funds).

- **Committed Fund Balance**

Includes amounts constrained to a specific purpose as formally established by the City highest level of authority (City Commission). The constraints can only be removed by the same formal action as the City Commission. Examples of this type of fund balance include, but are not limited to, emergency and disaster relief funds, infrastructure projects, grant matches, etc.

- **Assigned Fund Balance**

Includes amounts to be used for specific purposes as determined by management of the City and are included in the budget. They are intent based and are easily redirectable. There are no external parties imposing constraints and there is no formal action taken by the City Commission. Examples of this type of fund balance are included in the budget and include, but are not limited to, retirement payouts, insurance deductibles, known future expenses, contingencies, etc.

- **Unassigned Fund Balance**

The amount of Fund Balance remains after determining the fund's allocation for the above classifications. Unassigned Fund Balance is also considered surplus or excess. Best Practice is 25% of the budgeted annual operating expenditure for the current fiscal year. This amount is recommended due to the timing of the collection of property taxes, State revenue sharing programs, and other short-term cash flow variations.

4. Policy

This policy is meant to provide sound fiscal procedures for excess City funds. The policy pertains specifically to the General Fund which is the main operating fund of the City.

The City shall strive to keep at least 25% of the annual budgeted operating expenditure in Unassigned Fund Balance.

Whenever financially able, the City shall maintain the following Committed Fund Balance Reserves:

- Emergency/disaster relief
- Millage rate stabilization
- Strategic plan / CIP projects
- Grant match

The Unassigned Operating Reserve will change annually during the budget process.

Specific fund balance amounts, categories and restrictions may change from time to time in the same way as originally approved. It shall be dictated in the annual budget process that Unassigned Fund Balance may not be used for recurring expenditures, only those expenditures that are one-time costs and/or capital projects.

5. Spending Order of Fund Balance

Available fund balance will be spent and reported in a hierarchy based primarily on "the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent". When expenditures occur for a purpose for which amounts are available in one or more of the fund balance classifications, the restricted funds for that specific purpose will be used first with unrestricted funds being spent and reported last. Committed, assigned, and unassigned fund balance will be used in that order for expenditures made for purposes of which the unrestricted balances are available.