

EXHIBIT A – RESOLUTION NO. 22-005

TOWN OF HIGHLAND BEACH

as of March 1, 2022

FUND BALANCE POLICY FOR COMPLIANCE WITH GASB STATEMENT NO. 54

A. Fund Balance Policy

The Town hereby establishes and will maintain reservations of Fund Balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Policy shall only apply to the Town's General Fund unless otherwise noted. Fund Balance shall be composed of restricted, committed, assigned, non-spendable, and unassigned amounts.

Fund Balance information is used to identify the available resources to repay long-term debt, stabilize property tax rates, add and/or expand governmental programs and services, , or protect and enhance the financial position of the Town, in accordance with policies established by the Town Commission.

B. Fund Type Definitions

The following definitions will be used in reporting activity in governmental funds of the Town. The Town may or may not report all fund types in any given reporting period based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of *specific revenue sources* that are *restricted* or *committed* to expenditure for *specific purposes* other than debt service or capital projects.

Debt service funds are used to account for all financial resources restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds are used to account for all financial resources restricted, committed, or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's purposes.

C. Fund Balance Definitions

Fund Balance – The difference between fund assets and fund liabilities in the governmental funds balance sheet and is referred to as “fund equity”.

Non-Spendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (e.g., principal of an endowment fund)

Restricted Fund Balance – Amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors), or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action of the Town Commission, the Town’s highest level of decision making authority. Commitments may be changed or lifted only by the Town Commission taking the same formal action.

Assigned Fund Balance – Amounts that the Town intends to use for a specific purpose; the intent shall be expressed by the Town Commission or may be delegated to the Town Manager.

Unassigned Fund Balance – The residual classification for the general fund and includes amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for general purposes.

D. Reservations of Fund Balance

1. Assigned Fund Balance- Budget Stabilization

The Town Commission hereby establishes the following assigned fund balance reserves in the General Fund:

a. Budget Stabilization

This assignment protects the general fund against cash flow shortfalls related to timing of projected revenue receipts. The targeted assignment amount shall be 16.7%, or two months of General Fund operating expenditures, net of funds set aside for reserves. The amount reserved shall be adjusted annually on October 1st with a transfer from the Unassigned Fund Balance.

2. Assigned Fund Balance- Disaster Recovery

a. Disaster Recovery

In order to provide the resources necessary to ensure continued operations and maintenance of services to the public, the Town shall assign a fund balance reserve for emergency preparedness in the General Fund. The targeted assignment amount shall be 16.7%, or two months of General Fund operating expenditures, net of funds set aside for reserves. The amount reserved shall be adjusted annually on October 1st with a transfer from the Unassigned Fund Balance.

3. Assigned Fund Balance – Public Safety Services

a. Establishment of Fire Rescue Department

This assignment provides funds to assist with the costs associated with the establishment and operation of the Highland Beach Fire Rescue Department. The funds may be utilized to reconstruct the existing fire station, procure fire response apparatus, recruit and train fire rescue personnel and purchase specialized fire rescue equipment. The fixed amount of the assignment is \$4,000,000 pursuant to Resolution 22-005. The assignment shall also include any funds received by the City of Delray Beach under the “True Up” provision of the existing Fire Rescue Services Contract.

E. Disbursement of Fund Balance Reserves

1. Disbursement of funds within the fund balance reserves shall be authorized by a resolution of the Town Commission and may be approved by inclusion in the approved annual budget (and amendments thereto), or shall be authorized pursuant to any ordinances, resolutions or procedures adopted by the Town Commission (such as the Town’s procurement code).
2. 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 Town 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 Town that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

F. Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process, and the amounts of non-spendable, restricted, committed, and assigned fund balance shall be determined during this process.