

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MISSION, TEXAS, AMENDING AND RESTATING THE CITY'S FUND BALANCE POLICY; ESTABLISHING FUND BALANCE CLASSIFICATIONS CONSISTENT WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54; ESTABLISHING A MINIMUM GENERAL FUND UNRESTRICTED FUND BALANCE; DESIGNATING AUTHORITY FOR ASSIGNED FUND BALANCE; PROVIDING FOR THE ORDER OF EXPENDITURE OF FUND BALANCE; PROVIDING FOR ANNUAL REVIEW; SUPERSEDING PRIOR INCONSISTENT FUND BALANCE POLICY PROVISIONS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Mission, Texas (the "City"), recognizes the importance of maintaining adequate levels of fund balance to mitigate financial risk, provide a financial resource for temporary revenue shortfalls and unforeseen expenditures, maintain adequate cash-flow resources, and preserve the City's ability to respond to emergencies and other unanticipated circumstances; and

WHEREAS, Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes classifications of fund balance for governmental funds, including nonspendable, restricted, committed, assigned, and unassigned fund balance; and

WHEREAS, the City Council desires to maintain a written fund balance policy that is consistent with GASB Statement No. 54 and that clearly establishes the City's financial objectives, authorities, and procedures relating to fund balance; and

WHEREAS, the City Council is the City's highest level of decision-making authority for purposes of establishing, modifying, or rescinding commitments of fund balance; and

WHEREAS, the City Council desires to authorize the City Manager, subject to the limitations and reporting requirements contained in the Fund Balance Policy attached hereto as Exhibit "A," to assign fund balance for specified purposes; and

WHEREAS, the City Council has determined that maintaining a minimum General Fund unrestricted fund balance equal to two (2) months of operating expenditures is an appropriate minimum financial reserve for the City, subject to the circumstances and provisions set forth in the policy; and

WHEREAS, the City Council finds that adoption of an updated and restated Fund Balance Policy will provide greater clarity concerning the classification, use, assignment, commitment, and replenishment of fund balance; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MISSION, TEXAS:

SECTION 1. ADOPTION OF FUND BALANCE POLICY.

The City Council hereby adopts and approves the City of Mission Fund Balance Policy attached hereto as Exhibit "A" and incorporated herein for all purposes. The Fund Balance Policy establishes the City's policies and procedures for the classification, designation, use, and replenishment of fund balance.

SECTION 2. GASB STATEMENT NO. 54 CLASSIFICATIONS.

The City's governmental fund balances shall be classified, as applicable, as Nonspendable, Restricted, Committed, Assigned, or Unassigned, consistent with GASB Statement No. 54 and applicable generally accepted accounting principles.

SECTION 3. MINIMUM GENERAL FUND RESERVE.

The City shall maintain a minimum General Fund unrestricted fund balance equal to two (2) months of operating expenditures. The target shall be evaluated annually as part of the City's budget and financial review process.

SECTION 4. AUTHORITY TO COMMIT FUND BALANCE.

The City Council is the highest level of decision-making authority for the City and shall have the authority to establish, modify, or rescind commitments of fund balance. Any commitment shall be established by formal action of the City Council in accordance with applicable law and the City's financial policies.

SECTION 5. AUTHORITY TO ASSIGN FUND BALANCE.

The City Manager is hereby authorized to assign fund balance for specified purposes, subject to the requirements of Exhibit "A." Any such assignment shall be documented and reported to the City Council at its next regular meeting or through the City's regular financial reporting process. The City Council retains authority to modify or remove an assignment.

SECTION 6. USE AND REPLENISHMENT OF FUND BALANCE.

Use of fund balance below the City's established minimum reserve should generally be limited to circumstances identified in the Fund Balance Policy. When the unrestricted General Fund balance falls below the minimum target, the City shall develop and implement a plan to replenish the balance, taking into consideration the cause and magnitude of the reduction, current economic conditions, revenue and expenditure forecasts, and the City's overall financial condition.

SECTION 7. ORDER OF EXPENDITURE.

When more than one category of fund balance is legally available for an expenditure, the City shall use resources in accordance with applicable legal restrictions and the expenditure order established in Exhibit "A." Legally restricted resources shall be used only for the purposes for which they are legally restricted.

SECTION 8. ANNUAL REVIEW.

The City Council shall review the Fund Balance Policy at least annually and may amend the policy as necessary to reflect changes in the City's financial condition, operating requirements, legal requirements, accounting standards, or best practices.

SECTION 9. PRIOR POLICY.

Resolution No. 1294 and any prior City policy provisions addressing fund balance are hereby amended, restated, or superseded to the extent they are inconsistent with this Resolution and Exhibit "A."

SECTION 10. EFFECTIVE DATE.

This Resolution shall become effective upon its adoption by the City Council.

READ, CONSIDERED AND APPROVED this 22nd day of September 2026.

Norie Gonzalez Garza, Mayor

ATTEST:

Anna Carrillo, City Secretary

EXHIBIT “A”
CITY OF MISSION, TEXAS
FUND BALANCE POLICY

1. PURPOSE

The City of Mission shall maintain adequate levels of fund balance to provide financial stability, mitigate financial risk, provide a prudent response to revenue shortfalls and unanticipated expenditures, and support continuity of essential services. This policy establishes the City's fund balance classifications, authority for establishing and assigning fund balance, the minimum General Fund unrestricted fund balance target, replenishment expectations, and the order in which available fund balance will be used.

2. ACCOUNTING FRAMEWORK

Fund balance classifications for governmental funds shall be reported in accordance with applicable generally accepted accounting principles and GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as amended or incorporated into the GASB Codification. GASB 54 identifies five classifications, presented from the most constrained to the least constrained: nonspendable, restricted, committed, assigned, and unassigned.

3. FUND BALANCE CLASSIFICATIONS

Nonspendable. Amounts that cannot be spent because they are not in spendable form or are legally or contractually required to remain intact. Examples include inventories, prepaid items, long-term receivables, and the nonspendable portion of permanent funds.

Restricted. Amounts subject to externally enforceable limitations on their use, including limitations imposed by creditors, grantors, contributors, other governments, or enabling legislation. Amounts are not classified as restricted solely because management or the City Council has expressed an internal preference for a particular use.

Committed. Amounts constrained for a specific purpose by formal action of the City's highest level of decision-making authority, the City Council. A commitment may be established, modified, or rescinded only by the same level of formal action required to establish it and in accordance with applicable law. The action establishing a commitment shall occur no later than the end of the reporting period to which it applies.

Assigned. Amounts intended for a specific purpose by the City Council or by an official or body authorized by City Council policy to make assignments. An assignment does not have the same level of constraint as a commitment and may be modified or rescinded by the authorized official or body, subject to this policy and applicable law.

Unassigned. The residual classification of the General Fund after amounts that are nonspendable, restricted, committed, or assigned have been identified. Unassigned fund balance is available for any lawful purpose of the General Fund. A negative residual balance, when applicable, shall be reported as required by GASB 54.

4. AUTHORITY TO ESTABLISH FUND BALANCE COMMITMENTS

The City Council is the City's highest level of decision-making authority for purposes of establishing fund balance commitments. Any commitment of fund balance shall be established through formal action of the City Council. The formal action shall identify the specific purpose and, when practicable, the amount or financial

scope of the commitment. A commitment may be modified or rescinded only through the same type of formal action required to establish the commitment.

5. AUTHORITY TO ASSIGN FUND BALANCE

The City Council authorizes the City Manager to assign fund balance for specific purposes consistent with the adopted budget, this policy, and applicable law. The City Manager may delegate this authority in writing to an appropriate department head or other responsible official, provided the delegation is consistent with City policy. Assignments shall be documented and reported to the City Council at its next regular meeting or through the City's regular financial reporting process. The City Council retains the authority to modify or remove an assignment.

6. GENERAL FUND UNRESTRICTED FUND BALANCE TARGET

The City shall maintain a minimum General Fund unrestricted fund balance equal to two (2) months of regular General Fund operating expenditures. For purposes of this policy, the target shall be evaluated using recurring operating expenditures and shall exclude unusual one-time items when their inclusion would distort the measure. The City may maintain a higher level when warranted by its financial condition, revenue volatility, emergency exposure, major one-time obligations, capital needs, economic conditions, debt considerations, or other material risks.

At least annually, the City Manager and Finance Director shall present an analysis of the General Fund unrestricted fund balance in relation to this target and identify significant changes in fund balance, anticipated uses, financial risks, and any recommended adjustment to the policy target.

7. USE OF FUND BALANCE

Fund balance may be used to address temporary revenue shortfalls, unanticipated expenditures, emergencies, disaster response, one-time expenditures, or other purposes authorized by law and the City Council. Fund balance should not be used to finance ongoing recurring expenditures unless the City has identified a sustainable plan to restore structural balance.

When fund balance is used below the City's minimum target, the annual budget or subsequent budget amendment shall include a plan to restore the balance to the target within a reasonable period. Consistent with GFOA guidance, the City should generally seek to replenish fund balance within one to three years, with the specific period based on the reason for the drawdown, economic conditions, long-term forecasts, and the City's ability to restore the balance without creating an unsustainable budget.

8. REPLENISHMENT OF FUND BALANCE

If General Fund unrestricted fund balance falls below the two-month minimum target, the City Manager and Finance Director shall recommend measures to restore the balance. Potential replenishment sources may include year-end budget surpluses, nonrecurring revenues, expenditure savings, legally permissible transfers, and other one-time resources. The City shall consider the sustainability of each source and shall avoid relying on recurring revenues that are needed to support ongoing expenditures.

The City's existing policy provides that all one-time revenues be applied toward replenishment when the unrestricted fund balance is below the target. This requirement is retained as a policy direction but should be implemented subject to applicable law, existing contractual or legal restrictions, budgetary needs, and City Council action.

9. CONTINGENT APPROPRIATION

The City shall continue to comply with the City's Charter provision governing a contingent appropriation, including the existing limitation of no more than three percent (3%) of the total budget for unforeseen items of

expenditure, as stated in the City's existing fund balance policy. This provision is separate from the GASB 54 fund balance classifications and shall not be treated as automatically creating a restricted fund balance classification.

10. ORDER OF EXPENDITURE

When more than one fund balance classification is legally available for a particular expenditure, the City will use resources in accordance with applicable legal restrictions and the following general order, unless a different order is required by law, grant terms, debt documents, or other binding requirements:

1. Amounts that are restricted for the specific expenditure;
2. Amounts that are committed for the specific expenditure;
3. Amounts that are assigned for the specific expenditure; and
4. Unassigned fund balance.

The City's financial statements shall disclose the City's policy regarding whether restricted or unrestricted resources are considered to have been spent first when both are available, and the applicable treatment of committed, assigned, and unassigned resources, consistent with GASB 54.

11. UNRESTRICTED FUND BALANCE CALCULATION

For purposes of monitoring the General Fund reserve target, the City's unrestricted fund balance generally consists of committed, assigned, and unassigned fund balance. Nonspendable and restricted amounts are excluded from the unrestricted calculation. The Finance Department shall maintain supporting calculations and assumptions used to determine compliance with the two-month target.

12. ANNUAL REVIEW

The City Council shall review this policy at least annually, preferably in conjunction with the annual budget process and/or review of the City's audited financial statements. Any recommended amendment shall consider changes in revenue predictability, expenditure volatility, emergency exposure, capital needs, debt obligations, economic conditions, long-term financial forecasts, and other material risks.

13. EFFECTIVE DATE AND PRIOR POLICY

Upon adoption, this policy shall amend and supersede the City's prior fund balance policy to the extent of any inconsistency. The original City policy was adopted by Resolution No. 1294, amending Resolution No. 963, effective July 1, 2011. This revised policy retains the City's two-month General Fund unrestricted fund balance target while modernizing terminology and clarifying authority and procedures.