



**AGENDA ITEM REQUEST FORM  
CITY OF JOHNSON CITY, TEXAS  
CITY COUNCIL**

**ITEM NO. 8**

**MEETING DATE:** September 20, 2022

**AGENDA PLACEMENT:**

- Ceremonial
- Consent
- Individual
- Closed Session

**CAPTION:**

Approval of a Resolution of the City Council of the City of Johnson City, Texas repealing Resolution No. R20-044 and implementing GASB Statement 54 requirements; authorizing the Chief Administrative Officer to take all necessary steps to implement the provisions of this Resolution; incorporating recitals; providing for severability; and adopting an effective date. (Staff)

**STRATEGIC WORK PLAN:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Not Applicable               | <input type="checkbox"/> Goal 5: Improve Fire Safety                             |
| <input type="checkbox"/> Goal 1: Increase Housing Diversity      | <input type="checkbox"/> Goal 6: Improve Streets                                 |
| <input type="checkbox"/> Goal 2: Expand Quality Lodging          | <input type="checkbox"/> Goal 7: Increase Publicity & Promotion of the Community |
| <input type="checkbox"/> Goal 3: Improve Code Enforcement        | <input type="checkbox"/> Goal 8: Increase Economic Development Activities        |
| <input type="checkbox"/> Goal 4: Improve Streetscaping & Signage |  |

**EXECUTIVE SUMMARY:**

The Governmental Accounting Standards Board (GASB) requires that each municipality implement Statement 54 requirements.

**GASB Statement 54 excerpt:**

The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented.

The proposed Resolution repeals Resolution No. R20-044 and:

1. Clarifies that the VERP Fund is a restricted fund within the Water and Wastewater Utility Fund balances; and
2. Adds the Impact Fee Fund as a restricted fund within the Water and Wastewater Utility Fund balances.

**FINANCIAL:** N/a

**ATTACHMENTS:** Proposed Resolution

**SUGGESTED ACTION:**

Motion to approve a Resolution of the City Council of the City of Johnson City, Texas repealing Resolution No. R20-044 and implementing GASB Statement 54 requirements; authorizing the Chief Administrative Officer to take all necessary steps to implement the provisions of this Resolution; incorporating recitals; providing for severability; and adopting an effective date.

**PREPARED BY:** City Staff

**DATE SUBMITTED:** 9/16/22

**RESOLUTION NO. R22-093**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF JOHNSON CITY, TEXAS REPEALING RESOLUTION NO. R20-044 AND IMPLEMENTING GASB STATEMENT 54 REQUIREMENTS; AUTHORIZING THE CHIEF ADMINISTRATIVE OFFICER TO TAKE ALL NECESSARY STEPS TO IMPLEMENT THE PROVISIONS OF THIS RESOLUTION; INCORPORATING RECITALS; PROVIDING FOR SEVERABILITY; AND ADOPTING AN EFFECTIVE DATE.**

**WHEREAS**, the Governmental Accounting Standards Board (GASB) adopted Statement 54, a new standard for governmental fund balance reporting and governmental fund type definitions, in February 2009; and

**WHEREAS**, GASB Statement 54 became effective after June 15, 2010; and

**WHEREAS**, the City Council desires to implement GASB Statement 54 requirements and apply such requirements to municipal financial statements commencing on October 1, 2020 and continuing in subsequent fiscal years; and

**WHEREAS**, on January 1, 2020, Senate Bill 346 became effective and, generally, relates to the consolidation, allocation, classification, and repeal of certain criminal court costs and other court-related costs, fines, and fees; imposes certain court costs and fees; and increases and decreases the amounts of certain other court costs and fees.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF JOHNSON CITY, TEXAS THAT:**

**Section One. Adoption of Fund Policy.**

(a) Fund balance shall mean the gross difference between governmental fund assets and liabilities reflected on the balance sheet.

(b) The City of Johnson City shall report governmental fund balances per GASB Statement 54 definitions on the balance sheet in the following manner:

(1) Non-spendable

Non-spendable funds that cannot be expended because they are not in a spendable form, or they are legally required to be maintained (e.g. inventory, permanent endowment funds, et cetera).

(2) Restricted

Restricted funds that can only be expended in a certain manner or on certain goods or services because constraints are externally imposed on said funds by creditors, grantors, law, or constitutional provisions.

(3) Committed

Committed funds are formally designated by the City Council for a particular purpose, and only City Council can alter such designation of funds.

(4) Assigned

Assigned funds are similar to committed funds; however, the City Council has formally delegated authority to assign fund amounts to another official or entity.

(5) Unassigned

Unassigned funds constitute the residual amount of monies within the General Fund that do not qualify for any of the aforementioned fund classifications.

(c) The City Council shall approve, modify, or remove all fund commitments by formal resolution, and such fund commitments must take place prior to fiscal year end in order to ensure that fund commitments are established on the balance sheet of subsequent fiscal years. Actual dollar amounts associated with fund commitments may be determined after fiscal year end.

(d) It is the policy of the City Council to not delegate the authority to assign fund amounts to another official or entity.

(e) It is the policy of the City Council to utilize funds in the following spending order:

- (1) Restricted;
- (2) Committed; and
- (3) Unassigned.

(f) Unless otherwise budgeted by the City Council, restricted, committed, and unassigned funds may be expended by the Chief Administrative Officer for unbudgeted purposes.

(g) Committed, restricted, and unassigned funds shall be expended in accordance with the annual budget(s) approved by the City Council.

**Section Two. Non-spendable Funds.**

(a) The City Council designates the municipally-owned land, buildings, vehicles, equipment, and infrastructure as Non-spendable Funds and, accordingly, assigns the use of said Funds in accordance with local law or policy.

**Section Three. Restricted Funds.**

(a) The City Council designates the following as Restricted Funds and, accordingly, restricts the use of said Funds in accordance with Federal, State, and local law or policy:

(1) General Fund Balances:

- (i) Police Forfeiture (State)  
Funds collected from the sale of seized assets as a result of Local and State agency activities.
- (ii) Police Forfeiture (Federal)  
Funds collected from the sale of seized assets as a result of Local and Federal agency activities.
- (iii) Court Technology  
Funds collected through specific citation fees, as allowed by the State.
- (iv) Court Security  
Funds collected through specific citation fees, as allowed by the State.
- (v) Local Truancy Prevention and Diversion  
Funds collected through specific citation fees, as allowed by the State.
- (vi) Municipal Jury  
Funds collected through specific citation fees, as allowed by the State.
- (vii) Hotel Occupancy Tax  
Funds collected through hotel occupancy taxes, as allowed by the State.
- ~~(viii) Vehicle Equipment Replacement Program  
Funds collected through water and wastewater fees, as authorized by City Council.~~

(~~ix~~viii) Parks and Recreation  
Funds collected through facility rental fees, as authorized by City Council.

(2) Interest and Sinking Fund Balance  
Funds collected from the portion of annual ad valorem tax revenue assigned to Interest and Sinking.

(3) Water and Wastewater Utility Fund Balances:

(i) Impact Fees  
Funds collected through water and wastewater fees upon utility service connection, as allowed by the State and authorized by City Council.

(ii) Vehicle Equipment Replacement Program  
Funds collected through water and wastewater fees, as authorized by City Council.

**Section Four. Committed Funds.**

(a) The City Council designates the Capital Replacement Fund and Water and Wastewater Utility Fund as Committed Funds and, accordingly, commits the use of said Funds in accordance with local law or policy:

(i) Capital Replacement Fund Balance  
Funds formally designated by City Council for capital replacement purposes.

(ii) Water and Wastewater Utility Fund Balance  
Funds formally designated by City Council for water and wastewater operation and improvement purposes.

**Section Five. Unassigned Funds.**

(a) The City Council designates the following unbudgeted balance of the General Fund as Unassigned Funds and, accordingly, assigns the use of said Funds in accordance with local law or policy:

(1) General Fund Balance  
Funds from the collection of maintenance and operation portions of ad valorem tax, sales tax, franchise fees, Court fines and fees, and other municipal licenses, fees, and activities.

**Section Six. Authorization.** The City Council of the City of Johnson City authorizes the Chief Administrative Officer to take all necessary steps to implement the provisions of this Resolution.

**Section Seven. Findings.** The City Council finds all of the above recitals to be true and correct and incorporates the same in this Resolution as findings of fact.

**Section Eight. Severability.** If any section, subsection, sentence, clause, or phrase of this Resolution is for any reason held to be unconstitutional or illegal, such decision shall not affect the validity of the remaining sections of this Resolution. The City Council hereby declares that it would have passed this Resolution, and each section, subsection, clause, or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared void.

**Section Nine. Effective Date.** This Resolution shall be effective immediately upon the approval of the City Council.

**PASSED, ADOPTED, AND APPROVED** by the City Council of the City of Johnson City this the 20<sup>th</sup> day of September 2022.

**APPROVED:**

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Rhonda Stell  
Mayor

**ATTEST:**

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Whitney Walston  
City Secretary