

**RESOLUTION NO. 18-0111-\_\_\_\_\_**

**RESOLUTION APPROVING FUND BALANCE POLICY; ESTABLISHING FUND  
BALANCE COMMITMENTS; AND CONTAINING  
OTHER MATTERS RELATED THERETO**

**Whereas**, Brushy Creek Municipal Utility District (the “District”) is a conservation and reclamation district, a body corporate and politic and governmental agency of the State of Texas, created under Article XVI, Sec. 59 of the Texas Constitution by order of the Texas Water Commission, now the Texas Commission on Environmental Quality (“TCEQ”), and the District operates under Chapters 49 and 54 of the Texas Water Code, as amended;

**Whereas**, the Governmental Accounting Standards Board (“GASB”) released Statement No. 54- “Fund Balance Reporting and Governmental Fund Type Definitions” on March 11, 2009. The objective of the Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying governmental fund type definitions;

**Whereas**, Statement No. 54 is effective for financial statements for periods beginning after June 15, 2010, and therefore is effective for the District’s fiscal years ending on and after September 30, 2011; and

**Whereas**, the Board of Directors of the District desires to implement GASB Statement No. 54, and in connection therewith, desires to adopt certain policies regarding fund balances, and further desires to commit funds for certain purposes or projects in accordance with the Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF  
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT THAT:**

Section 1. The matters and facts recited in the preamble to this Resolution are found to be true and correct and the same are incorporated herein as a part of this Resolution.

Section 2. The Board of Directors hereby adopts that certain “Fund Balance Policy” in the form attached hereto as **Exhibit “A”**, which exhibit is incorporated herein for all purposes.

Section 3. In accordance with the attached Policy, the Board of Directors hereby commits funds of the District to the following purposes and projects:

i.	Operating Reserve Fund Commitment-	\$ 6,919,757
ii.	Revenue Protection Reserve Fund Commitment-	\$2,519,312
iii.	Bond Reserve Commitment-	\$575,000
iv.	Repair, Replacement and Capital Reserve Fund Commitment-	
	Utility equipment replacement	\$120,149
	Replacement of water facility membranes	\$1,075,000
	Community Center Equipment Replacement	\$ 45,083
	Park Master Plan Projects	\$ 1,157,969
	BRA Water Line Reserves	\$262,640
	Regional Waste Water Improvements fund	\$501,245

Maintenance Yard Engineering	\$250,000
Trail Washouts	\$325,000
Drainage Improvements	\$ 200,000
Lift Station Improvements	\$ 150,000
Playground Projects	\$205,000
Community Center Expansion Engineering	\$ 403,641
Well #6 Construction	\$146,000
Future Waterline Replacements	\$50,000
Water Treatment Plant Camera System	\$45,000

Section 4. The transfer or expenditure of any funds committed by this Resolution shall require prior authorization from the Board of Directors.

Section 5. This Resolution shall be effective immediately upon adoption by the Board of Directors.

Section 6. This Resolution and the accompanying Policy supersede and replace all resolutions and policies of the District relating to the same subject matter, including without limitation, Resolution No. 11-0609-01 approving a Reserve Fund Policy and Resolution No. 11-0922-01 approving a Fund Balance Policy and establishing Fund Balance Commitments.

Section 7. The President and Secretary of the Board are hereby authorized and directed to execute this Resolution. After this Resolution is executed, an original Resolution shall be filed in the permanent records of the District.

PASSED AND APPROVED this 11th day of January 2018.

\_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

**EXHIBIT A  
FUND BALANCE POLICY  
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

***Purpose***

The purpose of this Policy is to establish guidelines for the classification of fund balances by Brushy Creek Municipal Utility District (the "District") in accordance with GASB Statement No. 54. This Policy identifies funds of the District that are restricted or committed for certain purposes in order to allow the public and the Board of Directors of the District to better understand the constraints placed on the District's fund balances. Unassigned fund balance is an important measure of economic stability. It is essential that the District maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance also provides cash flow liquidity for the District's general operations.

***Definitions***

The Board of Directors adopts the following five classifications of fund balance:

- 1) **Nonspendable fund balance** – Amounts that are not in a spendable form or are required to be maintained intact.
- 2) **Restricted fund balance** - Amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation.
- 3) **Committed fund balance** – Amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors of the District. Commitments may be changed or lifted only by the Board of Directors taking the same formal action that imposed the constraint originally.
- 4) **Assigned fund balance** – Amounts *intended* to be used by the District for specific purposes. Intent can be expressed by the District or by an official to which the Board delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed.
- 5) **Unassigned fund balance** – The residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

## ***Classification of Fund Balances***

### ***1. Restricted Fund Balance***

The Board of Directors hereby finds and affirms that the following funds are restricted and may be spent only for the specific purposes stipulated by the Texas Constitution, by statute, or contract with external sources:

- i. Customer deposits in the General Fund;
- ii. Debt Service Fund for District bonds;
- iii. Debt Service Fund for Sendero Springs Cornerstone Defined Area bonds;
- iv. Water Impact Fee Revenues;
- v. Wastewater Impact Fee Revenues; and
- vi. Parks Capital Fees

Restricted fund balances will change regularly as specified revenues are recognized and as such, the Board does not designate a specific fund balance.

### ***2. Committed Fund Balance***

The Board of Directors is the governing body of the District and its highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution or order approved by the Board of Directors at a Board meeting. The order or resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The Board of Directors hereby finds and affirms the following fund balance commitments:

#### ***i. Operating Reserve Fund-***

It is the general intent of the Board of Directors that the Operating Reserve Fund shall be funded with the equivalent of six months budgeted General Fund operating revenues, based on the preceding annual financial statements. The actual amount of funds committed to this purpose shall be set forth in a resolution or order to be adopted by the Board of Directors from time to time. Any deficit in the Operating Reserve Fund shall be funded with unassigned fund balances, and if necessary, from the Revenue Protection Reserve Fund. Any excess Operating Reserve Fund balances shall be transferred to fully fund other reserves, or to unassigned fund balances.

The Operating Reserve Fund shall be utilized for general unanticipated expenditures related to repairs and replacements (in excess of other reserves established for such purpose), and to maximize the District's bond rating for purposes of lowering interest costs associated with the issuance of debt.

ii. Revenue Protection Reserve Fund-

It is the general intent of the Board of Directors that the Revenue Protection Reserve Fund shall be funded with the equivalent of three months of budgeted revenues in the District's Water, Wastewater, and Administration cost centers based on the preceding annual financial statements. The actual amount of funds committed to this purpose shall be set forth in a resolution or order to be adopted by the Board of Directors from time to time.

The purpose of the Revenue Protection Reserve Fund is to maintain sufficient funds in reserve to fund water, wastewater and administration costs in the event of unanticipated revenue reductions in these cost centers. The funds shall not be used to fund solid waste, maintenance costs, or recreational programs.

iii. Repair, Replacement and Capital Reserve Fund-

The Repair, Replacement and Capital Reserve Fund shall be funded each fiscal year as determined by the Board of Directors based on recommendations from the Public Works Department, and Parks and Recreation Department and in accordance with the District's capital improvement and park planning studies.

The purpose of the Repair, Replacement, and Capital Reserve Fund is to fund anticipated repairs, replacements, improvements, and capital purchases related to the District's water, wastewater, parks, and recreation facilities.

3. *Assigned Fund Balance*

The Board of Directors hereby authorizes the General Manager of the District as the official authorized to assign fund balance to a specific purpose as approved by this Fund Balance Policy. The Board of Directors reserves the right to amend or rescind any such assignment.

***Order of Expenditure of Funds***

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.