

STATE OF GEORGIA
COUNTY OF FULTON

**A RESOLUTION TO AUTHORIZE AMENDING THE FUND BALANCE POLICY OF
THE CITY OF SANDY SPRINGS TO CONFORM TO THE REQUIREMENTS OF THE
GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT NO. 54**

WHEREAS, The Government Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*,

WHEREAS, the City of Sandy Springs is required by state law to follow the pronouncements of the GASB.

**NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE
CITY OF SANDY SPRINGS, GEORGIA**

That they do hereby authorize the Finance Department to amend the Fund Balance Policy of the City of Sandy Springs to conform to these standards as detailed in the attached policy document.

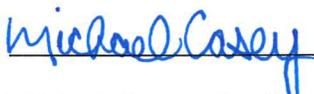
RESOLVED this 21st day of June, 2011.

Approved:



Eva Galambos, Mayor

Attest:



Michael Casey, City Clerk



CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

*FUND BALANCE POLICY IN ACCORDANCE WITH
GASB 54*

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance

FUND BALANCE POLICY IN ACCORDANCE WITH GASB 54

Purpose: The following policy has been adopted by the City Council in order to address the implications of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. This policy will ensure that the City maintains adequate fund balances and reserves in order to:

- a.) Provide sufficient cash flow for daily financial needs,
- b.) Secure and maintain investment grade bond ratings,
- c.) Offset significant economic downturns or revenue shortfalls, and
- d.) Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the City's fund balance and reserve policies.

Fund Type Definitions: The following definitions will be used in reporting activity in governmental funds across the City. The City 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 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 services 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 project 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 City's purposes.

Fund balance reporting in governmental funds. Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

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. Non-spendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The City will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the City)
- The City will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance)
- The City will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact.

City of Sandy Springs Financial Management Program

- The City will maintain a fund balance equal to the balance of any land or other non-financial assets held for sale.

Restricted fund balance – Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed fund balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments will only be used for specific purposes pursuant to a formal action of the City Council. A majority vote is required to approve or remove a commitment.

Assigned fund balance – Includes amounts intended to be used by the City 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. The City Council delegates the Finance Director the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance – Includes the residual classification for the City'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 from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational guidelines. The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

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 City 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 City that the committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum unassigned fund balance – The City will maintain a minimum unassigned fund balance in its General Fund of 25% of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

City of Sandy Springs Financial Management Program

Replenishing deficiencies – When fund balance falls below the minimum 25%, the City will replenish shortages/deficiencies using the budget strategies and timeframes described below.

- The City will reduce recurring expenditures to eliminate any structural deficit or,
- The City will increase revenues or pursue other fund sources, or,
- A combination of the two options above.

Minimum fund balance deficiencies shall be replenished within the following time periods:

- A deficiency resulting in a minimum fund balance between 25% and 20% of the subsequent year's budgeted expenditures and outgoing transfers shall be replenished over a period not to exceed one year.
- A deficiency resulting in a minimum fund balance between 20% and 15% of the subsequent year's budgeted expenditures and outgoing transfers shall be replenished over a period not to exceed three years.
- A deficiency resulting in a minimum fund balance between 15% and 10% of the subsequent year's budgeted expenditures and outgoing transfers shall be replenished over a period not to exceed five years.

Surplus fund balance – Fund balance will be considered a surplus if over 30% of the subsequent year's budgeted expenditures and outgoing transfers. Should unassigned fund balance of the General Fund ever exceed 30%, the City will consider such fund balance surpluses for one-time expenditures that are non-recurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

Implementation and review. Upon adoption of this policy the City Council authorizes the Finance Department to establish any standards and procedures which may be necessary for its implementation. The Finance Department shall review this policy at least annually and make any recommendations for changes to the City Council.