

RESOLUTION NO. RES 2016-11-03

**RESOLUTION OF THE BROOKHAVEN CITY COUNCIL CREATING A FINANCIAL
MANAGEMENT POLICY ESTABLISHING FUND BALANCE AND RESERVE
MAINTENANCE PRACTICES**

WHEREAS: The City of Brookhaven, Georgia (hereinafter, the “City”) was duly incorporated on December 17, 2012; and

WHEREAS: a financial management policy is critical for developing and ensuring sound fund management and capital reserve maintenance; and

WHEREAS: the City Council wishes to give guidance to staff in order to maintain adequate reserves for working capital; cash flow for daily financial needs, unforeseen operating expenditures; revenue declines in economic downturns; and unforeseen expenditures; and

WHEREAS: the Governmental Accounting Standards Board (GASB) statement No. 54 provides for proven fund management and capital reserve maintenance practices.

NOW THEREFORE BE IT RESOLVED that the attached Policy of the City of Brookhaven (Exhibit A) be established as the official financial management policy for fund management and capital reserve maintenance.

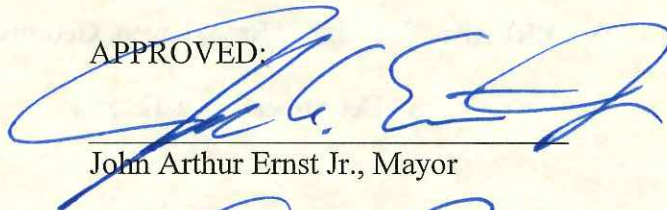
**CITY OF BROOKHAVEN
STATE OF GEORGIA**

RES 2016-11-03

This Resolution shall be effective immediately upon its adoption.

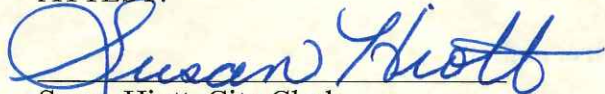
SO RESOLVED AND EFFECTIVE, this the 9th day of November, 2016.

APPROVED:



John Arthur Ernst Jr., Mayor

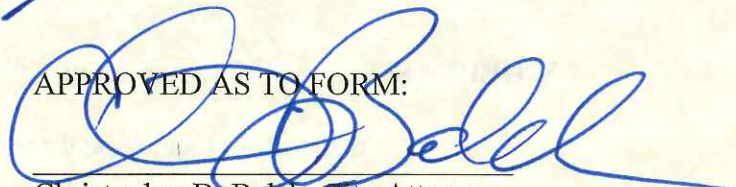
ATTEST:



Susan Hiott, City Clerk

[CITY CLERK]

APPROVED AS TO FORM:



Christopher D. Balch, City Attorney



EXHIBIT A

City of Brookhaven

Date of Issue: November 9, 2016

Resolution Number RES 2016-11-03

Effective Date: November 9, 2016

Subject: **Fund Balance Policy**

Revised Date: _____

Resolution Number _____

Approved: _____

Mayor – City of Brookhaven

PURPOSE.

The following policy has been adopted by the City of Brookhaven in order to address the implications of **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:

1. Provide sufficient cash flow for daily financial needs,
2. Secure and maintain investment grade bond ratings,

3. Offset significant economic downturns or revenue shortfalls,
4. Provide funding for unforeseen expenditures related to emergencies and,
5. Provide funding for other commitments made by the City Council.

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

FUND 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.

- **General fund** - is used to account for all financial resources not accounted for and reported in another fund.
- **Special revenue fund** - is 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 fund** - is used to account for all financial resources restricted, committed or assigned for the expenditure of principal, interest and issuance of debt.

- **Capital projects fund** - is used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- **Permanent fund** - is 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.

REPORTING CATEGORIES.

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

Nonspendable fund balance

Definition – 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.

Classification – Nonspendable 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) Example of which would include funds such as the Economic Development Authority Fund.
- The City will maintain a fund balance equal to the value of inventory balances, prepaid items and other non-cash items (to the extent that such balances are not

offset with liabilities and actually result in fund balance) Examples of this area include office supply inventory.

- 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. Example of this would be a one-for-one accounting of the principal for an endowment given to the City in which only the interest earning can be used for operation.
- The City will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale. Example of this would include the purchase of land with the expectation of selling it on a future date for development.

Restricted fund balance

Definition – 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

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the City Council. A majority vote is required to approve a commitment and a unanimous vote is required to remove a commitment.

Assigned fund balance

Definition – 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.

Authority to Assign – The City of Brookhaven delegates to the City Manager or his/her/their designee 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. The City Council must authorize all expenditures from the assigned fund balance.

Unassigned fund balance

Definition – 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.

The City will maintain a diversified and stable revenue system that will equally allocate the burden of supporting all services and protect the City from short-term fluctuations in

any one revenue source. The City will forecast revenues on a conservative basis so that actual revenues will consistently meet or exceed budgeted revenues. The City will maintain a minimum unassigned fund balance in its General Fund at twenty-five percent (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.

REPLENISHMENT OF RESERVE DEFICITS

If, at the end of any fiscal year, the actual amount of unassigned fund balance falls below the minimum required fund balance level set forth herein, the City Manager shall prepare and submit a plan for expenditure or expense reduction and/or revenue increase to the City Council. As part of the annual budget review, the City Council shall review and, if necessary, amend the plan submitted by the City Manager for restoring the amount of unassigned fund balance to the required minimum level.

The City may 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 revenue or pursue other funding sources, or,
- Some combination of the two options above.

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

- Deficiency resulting in a minimum fund balance between 22.5% and 25% shall be replenished over a period not to exceed one year.
- Deficiency resulting in a minimum fund balance between 20% and 22.5% shall be replenished over a period not to exceed three years.
- Deficiency resulting in a minimum fund balance of less than 20% shall be replenished over a period not to exceed five years.

UTILIZATION OF SURPLUS RESERVES

In the event that the unassigned fund balance exceeds the amounts set forth above, the excess may be utilized for any lawful purpose of the City. It may also be used for one-time costs including the establishment of, or increase in, restrictions or commitments of fund balance.

ANNUAL REVIEW AND DETERMINATION OF 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 restricted, committed and unassigned fund balance shall be determined as part of the annual process.

