

**CITY OF POWDER SPRINGS
FINANCE AND ADMINISTRATION
DEPARTMENT**

BUDGET POLICY

TABLE OF CONTENTS

I. GENERAL BUDGET POLICIES	2
A. Scope	
B. Financing Current Cost	
C. Budget Objective by Type of Fund	
II. OPERATING BUDGET	3
A. Departmental Appropriations	
B. Balanced Budget	
C. Basis of Budgeting	
D. Level of Budget Adoption and Control	
E. Utilization of Prior Year's Fund Balance in Budget	
F. Appropriation Lapses at Year End	
G. Budget Control Reports	
H. Authorization of Budget Amendments & Adjustments	
I. Contingency Line-Item	
J. Contributions	
K. Administrative Service Fee/Cost Allocation	
L. One Time Revenue Sources	
III. CAPITAL PROJECT IMPROVEMENT PLAN	6
A. Project Length Budget	
B. Budget Preparation	
C. Budget Control Reports	
D. Authorization of Budget Adjustments & Amendments	

BUDGET POLICY

I. GENERAL BUDGET POLICIES

The budget process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided within estimated resources. Budget policy guides this process. Budget policy also directs the City's financial health and stability.

Georgia law (e.g., O.C.G.A. 36-81-2 et seq.) provides the budget requirements for Georgia local governments. The information below provides an outline of the City's application of those laws.

The City's goal will be to adopt an operating budget where the total appropriations from any fund does not exceed the sum of the estimated revenues, reserves, and fund balances. All departments supported by the resources of this City must function within the limits of the financial resources identified or available specifically to them. A balance must be struck between revenues and expenditures, so that the public can realize the benefits of a strong and stable government. It is important to understand that this policy is applied to budget entities over periods of time which extend beyond current appropriations. By law, budgets cannot exceed available resources, defined as revenues generated in the current period added to balances carried forward from prior years. Temporary shortages, or operating deficits, can and do occur, but they are not tolerated as extended trends.

A. SCOPE

This policy applies to all governmental, special revenue and enterprise funds, which are the responsibility, and under the management of the City of Powder Springs and its Department of Finance. Capital Projects funds are budgeted on a project life basis and are not included in this policy.

B. FINANCING CURRENT COSTS

Current costs shall be financed with current revenues, including the use of authorized fund balances. The City shall avoid balancing current expenditures through the obligation of future year's resources. The City shall strive to avoid short-term borrowing to meet cash flow requirements. However, the City may enter into short-term borrowing should a critical need arise.

C. BUDGET OBJECTIVE BY TYPE OF FUND

The following budget objectives are established for the different funds the City uses:

1. **General Fund** – The annual budget for the General Fund shall provide for general government operations of the City and maintain working capital necessary for the City’s financial health and stability.
2. **Special Revenue Fund(s)** – The City adopts annual budgets for each special revenue fund that demonstrates any legally restricted revenue sources are used consistent with the applicable laws and/or regulations.
3. **Capital Project Fund(s)** – The City adopts project budgets for each of its capital project funds. These adopted appropriations do not lapse at the end of a fiscal year; rather they remain in effect until project completion or re-appropriation by City Council.
4. **Debt Service Fund(s)** – The City adopts annual budgets for its debt service funds. Any remaining fund balances from prior years plus current year’s projected revenues shall be sufficient to meet all annual debt service requirements.
5. **Enterprise Fund(s)** - Although generally accepted accounting principles (GAAP) and Georgia statutes do not require the City to adopt budgets for enterprise funds, the City does adopt budgets for its enterprise funds in order to monitor revenues and control expenses. The City uses a business approach when budgeting enterprise funds. Enterprise funds shall be self-supporting whenever possible and subsidized losses will be minimized when break-even is not possible. See revenue policies.

Additionally, the City classifies funds as either operating funds or non-operating funds. Operating funds are those funds that include appropriations for the payment of salary/benefits and whose maintenance & operating appropriations are necessary to continue the daily operations of the City. The General Fund will always be an operating fund. Non-operating funds are

those funds that do not include appropriations for the payment of salary/benefits and whose maintenance & operating appropriations are not critical to the daily operations of the City.

SECTION II. OPERATING BUDGET

The operating budget shall be prepared on an annual basis and include those funds detailed in Section I that are subject to annual appropriation (all funds excluding the Capital Project Funds). Prior year budget appropriations and prior year actual data will be provided as reference data, with the current year appropriation and projection of expenditures. At a minimum, the City shall adopt annual balanced budgets for the general fund, each special revenue fund, and each enterprise fund in accordance with O.C.G.A. 36-81-3.

The annual proposed budget should be submitted to the governing authority while being held by the Department of Finance for public review/inspection in accordance with O.C.G.A. 36-81-3. Public meetings will be conducted after proper advertisement prior to the City Council adopting and approving the annual budget document. (O.C.G.A. 36-81-5 and 36-81-6).

A. DEPARTMENTAL APPROPRIATIONS

The budget shall be developed based upon "line-item" expenditures within each department. This type of budget focuses on categories of expenditures such as personal services, contractual services, supplies, equipment, etc. within each department. At a minimum, each department's appropriation in each fund shall be detailed within the budget document. (O.C.G.A. 36-81-3 and 36-81-5).

B. BALANCED BUDGET

The budget shall be balanced for each budgeted fund. Total anticipated revenues plus that portion of fund balance in excess of authorized reserves that is designated as a budget-funding source shall equal total estimated expenditures for each fund.

C. BASIS OF BUDGETING

Neither GAAP nor Georgia statutes address a required budgetary basis of budgeting; however, the City shall adopt budgets in conformity with GAAP for all budgeted funds. All governmental funds shall use the modified

accrual basis of accounting and proprietary funds shall use the accrual basis of accounting for budgeting purposes.

D. LEVEL OF BUDGET ADOPTION AND CONTROL

All budgets shall be adopted at the legal level of budgetary control, which is the department level within each individual fund.

E. UTILIZATION OF PRIOR YEAR'S FUND BALANCE IN BUDGET

If necessary, the City may use unassigned fund balance in excess of the reserve for working capital as a funding source for that fund's budget in any given year, assuming those funds are sufficient and do not cause unassigned fund balance to go below the minimum limit. The amount of unassigned fund balance shall be estimated conservatively, taking into consideration future year needs. The minimum requirement for the reserve for working capital equals 50% of operating expenditures. The threshold must first be met before utilizing the excess fund balance as a funding source for the budget.

F. APPROPRIATION LAPSES AT YEAR END

All operating budget appropriations shall lapse at the end of a fiscal year. Purchases encumbered in the current year will be rolled into the following year as an increase to the budget, which will be considered an amendment to the budget.

G. BUDGET CONTROL REPORTS

The City shall maintain a system of budgetary control reports to assure adherence to the budget. The City will prepare and distribute to City Management, Mayor and City Council timely monthly financial reports comparing actual revenues and expenditures with budgeted amounts.

H. AUTHORIZATION OF BUDGET ADJUSTMENTS AND AMENDMENTS

The budget is a dynamic rather than static plan, which requires adjustments and formal budget amendments as circumstances change. The City Council must approve all increases or decreases in total appropriations. Department Heads may request transfers of

appropriations from one line item to another within the department with approval by the Director of Finance. Transfers between departments will require the approval of the Mayor and City Council.

I. CONTINGENCY LINE-ITEM

The City shall establish an appropriated contingency within the Administration budget in order to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the budget was prepared. The approval of the Council via "straw poll" is required before this appropriation can be expended to be ratified later through the budget amendment process. If approved, the Finance Department will transfer the appropriation from the contingency line item to the applicable line item(s) within the applicable department's budget.

J. CONTRIBUTIONS

Unless authorized by City Council, outside contributions to programs operated by City departments shall be subject to the City's accounting and budgetary policies. The City welcomes both unrestricted and restricted contributions compatible with the City's programs and objectives. Any material contribution shall be appropriated by City Council prior to expenditure. Material contributions shall be defined as one-time contributions exceeding one percent of the department's annual maintenance and operating expenditure appropriation or \$25,000, whichever is less.

K. ADMINISTRATIVE SERVICE FEE/COST ALLOCATION

Whenever possible, the City may assess an administrative service fee from the General Fund to any other fund. This assessment will be based upon a percentage of the operating revenues, or services provided to the fund and shall be used to reimburse the General Fund for the administrative and support services provided to the assessed fund.

L. ONE-TIME REVENUE SOURCES

Non-recurring revenues shall be utilized within the appropriate fund for items relating to non-recurring expenses. The purpose of limiting these funding sources is to eliminate the fluctuations in funding operations with non-sustainable resources. One-time revenues shall be distinguished during the budget process and budget presentation so that a match can be made with non-recurring expenditures.

SECTION III. CAPITAL PROJECT IMPROVEMENT PLAN

The City will prepare a five-year capital project improvement plan (CIP) which will be updated annually. This plan will assist in the planning, acquisition, and financing of capital projects. A major capital project generally is defined as an expenditure that has an expected useful life of more than five years with an estimated total cost of \$50,000 or more, or an improvement/addition to an existing capital asset. Examples include building/infrastructure construction, park improvements, streetscapes, computer systems, land acquisitions, heavy duty trucks.

Major capital projects will be budgeted in the Capital Fund or SPLOST funds consistent with all available resources. With the involvement of the responsible departments, the Finance Department will prepare the capital budget in conjunction with the operating budget.

A. PROJECT LENGTH BUDGET

The CIP budget shall be developed based upon defined projects approved by the Mayor and City Council. Budget appropriation shall include the complete project costs with contingency amounts as appropriate and if available. (O.C.G.A. 36-81-3)

B. BUDGET PREPARATION

Each department, in conjunction with the Mayor and City Council, will identify potential capital projects throughout the year. All identified projects will be added to the CIP document, regardless of available funding. These needed projects will provide a method of tracking and planning for the future needs of the City. Every effort will be made to identify those projects committed by the City Council through legislative action.

C. BUDGET CONTROL REPORTS

The City shall maintain a system of budgetary control reports to assure adherence to the budget. The City will prepare and distribute to City Management and elected officials timely monthly financial reports comparing actual revenues, and outstanding encumbrances and expenditures with budgeted amounts.

D. AUTHORIZATION OF BUDGET ADJUSTMENTS AND AMENDMENTS

Department Heads must submit budget amendment requests transferring appropriations from one line item to another within the same project. The Director of Finance and the City Manager shall review and approve all requests for budget adjustments. Adjustments from appropriations that have been obligated, committed, or reserved for a designated purpose shall not be transferred until a formal de-obligation occurs. The de-obligation of budget dollars to a specific project will only occur after the completion of the project or when it has been determined that it is infeasible to complete the project and thus funding is no longer necessary.