

Resolution 14- 03

City of Sky Valley Resolution Establishing a Fund Balance Policy

WHEREAS, the City of Sky Valley intends to establish a key element of the financial stability of the City by setting guidelines for fund balance.

WHEREAS, Unassigned fund balance is an important measure of economic stability.

WHEREAS, It is essential that the City maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

WHEREAS, the fund balance also provides cash flow liquidity for the City's general operations.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Sky Valley, Georgia hereby officially adopts the Fund Balance Policy as follows:.

Definitions

Fund Equity – A fund's equity is generally the difference between its assets and its liabilities.

Fund Balance – An accounting distinction is made between the portions of fund equity that spendable and nonspendable. These are broken up into five categories:

- 1) **Nonspendable fund balance** – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or permanent funds.
- 2) **Restricted fund balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and child safety fees.
- 3) **Committed fund balance** – 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. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- 4) **Assigned fund balance** – comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the

authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

- 5) **Unassigned fund balance** – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Policy

Committed Fund Balance

- The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The 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.

Assigned Fund Balance

- The City Council has authorized the City's Finance Director (or some other body or official) as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 30% of expenditures. The City considers a balance of less than 25% to be cause for concern, barring unusual or deliberate circumstances.

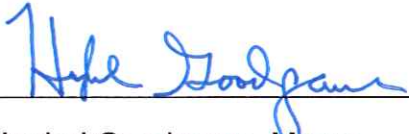
If unassigned fund balance falls below the goal or has a deficiency, the City shall plan to adjust budget resources in the subsequent fiscal years to restore the balance.

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 City Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

It is so resolved and approved by vote of the City Council of the City of Sky Valley this 26 day of August, 2014.

Approved:



Hughel Goodgame, Mayor

Attest:



Mandi Cantrell, City Clerk