

STATE OF GEORGIA
COUNTY OF DEKALB
CITY OF STONECREST

ORDINANCE NO. _____

**AN ORDINANCE BY THE MAYOR AND COUNCIL OF THE CITY OF
STONECREST, GEORGIA TO AMEND THE CITY OF STONECREST,
GEORGIA, FINANCIAL MANAGEMENT POLICY; TO PROVIDE AN
EFFECTIVE DATE; TO PROVIDE FOR SEVERABILITY; AND FOR
OTHER LAWFUL PURPOSES.**

WHEREAS, the governing authority of the City of Stonecrest (“City”) is the Mayor and Council thereof; and

WHEREAS, Pursuant to the City’s Charter the City Council is authorized to pass the operating and capital budgets of the city; and

WHEREAS, it shall be the responsibility of the City Manager to administer such budgets and to keep the mayor, mayor pro tempore, and City Council fully informed as to the City's progress against such budgets.; and

WHEREAS, the City’s Financial Management Policy seeks to provide guidelines for oversight and management of the City’s budget, revenue, expenditures, internal controls and fixed assets; and

WHEREAS, the City desires to amend provisions of the City’s Financial Management Policy in various areas. The amendment will also add and update language.

BE IT AND IT IS HEREBY ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF STONECREST, GEORGIA, and by the authority thereof:

Section 1. The City of Stonecrest Financial Management Policy is hereby amended by adopting the provisions set forth in Exhibit A attached hereto and made a part by reference.

Section 2. The preamble of this Ordinance shall be considered to be and is hereby incorporated by reference as if fully set out herein.

Section 3. (a) It is hereby declared to be the intention of the Mayor and Council that all sections, paragraphs, sentences, clauses and phrases of this Ordinance are or were, upon their enactment, believed by the Mayor and Council to be fully valid, enforceable and constitutional.

(b) It is hereby declared to be the intention of the Mayor and Council that, to the greatest extent allowed by law, each and every section, paragraph, sentence, clause or phrase of this Ordinance is severable from every other section, paragraph, sentence, clause or phrase of this Ordinance. It is hereby further declared to be the intention of the Mayor and Council that, to the greatest extent allowed by law, no section, paragraph, sentence, clause or phrase of this Ordinance is mutually dependent upon any other section, paragraph, sentence, clause or phrase of this Ordinance.

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(c) In the event that any phrase, clause, sentence, paragraph or section of this Ordinance shall, for any reason whatsoever, be declared invalid, unconstitutional or otherwise unenforceable by the valid judgment or decree of any court of competent jurisdiction, it is the express intent of the Mayor and Council that such invalidity, unconstitutionality or unenforceability shall, to the greatest extent allowed by law, not render invalid, unconstitutional or otherwise unenforceable any of the remaining phrases, clauses, sentences, paragraphs or sections of the Ordinance and that, to the greatest extent allowed by law, all remaining phrases, clauses, sentences, paragraphs and sections of the Ordinance shall remain valid, constitutional, enforceable, and of full force and effect.

Section 4. Penalties as provided in Section 1-11 of the Code of Ordinances, City of Stonecrest, Georgia shall be and are hereby made applicable to this Ordinance and shall remain in full force and effect.

Section 5. All ordinances and parts of ordinances in conflict herewith are, to the extent of such conflict, hereby repealed.

Section 6. The effective date of this Ordinance shall be the date of adoption unless otherwise stated herein.

ORDAINED this _____ day of _____, 2022.

[SIGNATURES ON THE FOLLOWING PAGE]

**STATE OF GEORGIA
COUNTY OF DEKALB
CITY OF STONECREST**

ORDINANCE NO. _____

CITY OF STONECREST, GEORGIA

George Turner, Mayor Pro Tem

ATTEST:

City Clerk

APPROVED AS TO FORM BY:

City Attorney

**STATE OF GEORGIA
COUNTY OF DEKALB
CITY OF STONECREST**

ORDINANCE NO. _____

EXHIBIT A

Stonecrest Financial Management Policy

(ADOPTED January 2019)

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SECTION 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. The budget policy guides this process. The 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 operating budgets where current revenues equal anticipated expenditures. 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 budgeted funds, which are the responsibility, and under the management of the City of Stonecrest and its Department of Finance.

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 that any legally restricted revenue sources are used consistent with the applicable laws and/or regulations (i.e. Hotel/Motel Fund, Drug Enforcement Agency Fund, and Operating Grants Fund).
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 (if applicable). Any remaining fund balances from prior years plus current years projected revenues shall be sufficient to meet all annual debt service requirements.

5. Enterprise Fund(s) - Although generally accepted accounting principles (GAAP) or Georgia statutes do not require the City to adopt budgets for enterprise funds, the City will adopt budgets for enterprise funds in order to monitor revenues and control expenses. The City will use a business approach if and 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 in Section IV

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. Examples of non-operating funds are the SPLOST Fund, and Grant Operating Fund.

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. At a minimum, the City shall adopt annual balanced budgets for the general fund, each special revenue fund, and each debt service fund (if applicable) 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. BUDGET PREPARATION CATEGORIES

Each department shall submit budget requests separately for:

- ☐ Current services - A current services budget is defined as that level of funding which is necessary to provide the same level of service for the upcoming year that is currently being provided. The current services budget will include replacement capital equipment.
- ☐ Expanded services - An expanded services budget includes funding requests associated with new services, additional personnel or new capital projects/equipment.

C. 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 (see operating budget policy G below) that is designated as a budget-funding source shall equal total estimated expenditures for each fund.

D. BASIS OF BUDGETING

Neither GAAP nor Georgia statutes address a required budgetary basis of budgeting, the City adopts budgets in conformity with GAAP for all budgeted funds. All governmental funds use the modified accrual basis of accounting and proprietary fund budgets (when applicable) use the accrual basis of accounting.

E. 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. See policy J below for amending the budget.

F. BUDGET STABILIZATION RESOURCES

The City shall establish a fund balance reserve in all operating funds (defined in Section I of this policy) for working capital. The purpose of working capital is to cover the cost of expenditures caused by unforeseen emergencies, cover shortfalls caused by revenue declines, and to eliminate any short-term borrowing for cash flow purposes. This reserve shall accumulate and then be maintained at all times an amount which represents no less than twenty five percent (25%) of operating and debt expenditures.

G. OPPORTUNITY FUND

The City shall establish a fund balance reserve in the general operating fund (defined in Section I of this policy) for future unknown projects. This reserve shall accumulate and then be maintained at all times an amount which represents no less than ten percent (10%) of operating expenditures. This policy shall not apply if the City or its component units have debt service payments.

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

If necessary, the City may use fund balance in excess of the reserve for working capital (see budget policy F above) as a funding source for that fund's budget. The amount of unreserved fund balance shall be estimated conservatively, taking into consideration future year needs. The minimum requirement for the reserve for working capital, equal to twenty five percent (25%) of operating and debt expenditures, must first be met before utilizing the excess fund balance as a funding source for the budget.

I. APPROPRIATION LAPSES AT YEAR END

All operating budget appropriations (including encumbered appropriations) shall lapse at the end of a fiscal year. Purchases encumbered in the current year, but not received until the following year, must be charged against a department's subsequent year appropriation.

J. 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 departments, timely monthly financial reports comparing actual revenues, and outstanding encumbrances and expenditures with budgeted amounts.

K. 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 in total departmental appropriations, and increases in the personal services budgets (i.e., moving salary or employee benefit budget to other line items).

Department heads must submit budget amendment requests transferring appropriations from one line item to another, other than those prohibited above, and obtain approval by the Director of Finance and the City Manager. Adjustments from appropriations that have been obligated, committed, or reserved for a designated purpose shall not be transferred until a formal de-obligation occurs.

At the mid-point of each year, any necessary budgetary appropriations, including budgets for any projects authorized but not funded during the year, shall be appropriated through a supplementary budget ordinance. This mid-point adjustment is limited to requesting additional resources. Such supplemental appropriations shall be balanced with additional revenues for each fund. A justification for each requested change must be prepared (O.C.G.A. 38-81-3).

L. CONTINGENCY LINE-ITEM

The City shall establish an appropriated contingency of two percent (2%) of the total annual expenditure appropriation in all operating funds (defined in Section I of this policy) 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.

Non-operating funds (defined in Section I of this policy) shall not require a contingency reserve appropriation.

This contingency reserve appropriation will be a separate line item within the budget. This amount shall be subject to annual appropriation. The approval of the City Manager is required before this appropriation can be expended. If approved, the Finance Department will transfer the appropriation from the contingency line item to the applicable line item(s) with the applicable department's budget.

M. MAINTENANCE AND REPLACEMENT OF CAPITAL EQUIPMENT

The City Council will give budget priority to requests that provide for adequate maintenance of capital equipment and facilities and for their orderly replacement.

N. CONTRIBUTIONS

Unless authorized by the City Manager, 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 the City Manager 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 \$10,000, whichever is less.

O. ADMINISTRATIVE SERVICE FEE/COST ALLOCATION

Whenever possible, the City may assess an administrative service fee from the General Fund to any other fund, based upon documentation and/or an outside independent study. 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.

CASH FLOW BUDGET

For analysis and internal management purposes, the City shall prepare an annual cash flow budget in conjunction with the Operating Budget. The purpose of this document will be to provide the necessary guidelines to insure that cash will be available to pay budget costs on a timely basis.

A. BUDGET ALLOTMENTS

Budget allocations (i.e., budget allotments) are used in the operating budget, when needed to manage cash flows. The annual appropriation may be divided into segments in order to insure that the projected revenue streams will be adequate to fund the appropriated expenditures. The cash flow budget will provide details as to the periods in which the revenues will be collected, and thereby providing for available resources to pay obligations.

CAPITAL BUDGET

The Capital Projects Funds are used to accumulate resources available and expenditures approved for items that have an estimated life of five or more years including vehicles and large equipment. In providing additional detail on the criteria of operating vs. capital, projects that are appropriated may be continuations of previously completed projects. Projects resulting in improvements to enterprise or special revenue funds are paid directly from those funds.

The majority of the city's capital projects are financed on a pay-as-you-go basis. The financing mechanism for pay-as-you-go capital is an inter-governmental fund transfer originating from the general fund. Appropriations for the transfers are made primarily from undesignated fund balance. Additional revenue sources include State Department of Transportation funds for qualified street and highway improvements, grants, and interest earnings. As a matter of practice, the city does not customarily enter into contracts creating improvement districts for citizens whereby a re-payment is required for capital work to be completed. These types of projects customarily are qualified as the responsibility of the appropriate party.

Newly identified capital projects are accumulated throughout the year and are added to the "unfunded" project list. Each of these unfunded projects is prioritized on an on-going basis to allow for direct funding when available. The annual budget process appropriates project specific items as funding is available. When funded capital projects are completed, the remaining balance is transferred to an unallocated capital project account. Routinely, Council discussions apply unfunded budgetary appropriations to projects with the highest priority.

SECTION II. REVENUE

This section provides direction in the administration of the revenues the City receives.

The City levies, collects and records certain taxes, license and permit fees, intergovernmental revenues, charges for service, investment income, fines and forfeitures, and other miscellaneous revenues and financing sources.

A. DIVERSIFICATION AND STABILITY

All revenues have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on the tax and ratepayers. A diversity of revenue sources can improve a City's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services. The City shall strive to maintain a diversified and stable revenue structure to shelter it from short-term fluctuations in any primary revenue source. When possible, the revenue mix shall combine elastic and inelastic revenue sources to minimize the effect of economic downturns.

B. CONSERVATIVE REVENUE ESTIMATES

As part of the annual budget process, an objective analytical process will estimate revenues realistically and prudently. The City will estimate revenues of a volatile nature conservatively.

C. USER BASED FEES AND CHARGES (Exchange Revenue)

The level of user fee cost recovery should consider the community-wide versus special service nature of the program or activity. The use of general-purpose revenues is appropriate for community-wide services, while user fees are appropriate for services that are of special benefit to easily identified individuals or groups. The City will strive to keep the revenue system simple for the taxpayer or service recipient and to decrease the occurrence of avoidance to pay. The City's revenue system will strive to maintain equity in its structure. That is, the City will seek to minimize or eliminate all forms for subsidization between entities, funds, services, utilities, and customers. However, it is recognized that public policy decisions may lead to subsidies in certain circumstances (e.g., senior citizen partial tax abatement). Fees will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery. The Finance Department will forward any proposed changes to the City Council for approval. For services associated with a user fee or charge, a fee shall offset the costs of that service, where possible. Costs of services include direct and indirect costs such as operating and maintenance costs, administrative costs, and charges for the use of capital (e.g., depreciation and/or debt service).

D. ALTERNATIVE REVENUE SOURCES

The City shall seek alternative funding sources whenever possible to reduce the required revenue from non-exchange transactions (e.g., fines). Such alternative sources include private and public grants, federal or state assistance, and public and private contributions.

E. REVENUE COLLECTION

The City will follow a thorough policy of collecting revenues, consistent with state and federal laws. This policy includes charging of penalties and interest, revoking City licenses, and providing for the transferring and assignment of tax executions.

F. RATES AND CHARGES

The City Council shall approve annually, a fee schedule which includes all revenue rates, charges, and processes in association with receipted funds that are deposited by the City, in accordance with the Code of Ordinances.

CASH AND INVESTMENT MANAGEMENT

The objective of the cash and investment management policy is to maximize interest earnings within an environment that strongly emphasizes legal compliance and safety while providing cash flow liquidity to meet the City's financial obligations.

A. SCOPE

City of Stonecrest Financial Management Policy

This investment policy applies to all cash and investments, both short and long-term, which are the responsibility, and under the management of the City of Stonecrest Department of Finance.

B. POOLED CASH/INVESTMENT MANAGEMENT

Except for cash in certain restricted and specialized funds, the City will consolidate cash balances from all funds to maximize investment earnings (if applicable). Investment income will be allocated to the various funds based upon their respective participation and in accordance with generally accepted accounting principles.

C. GENERAL OBJECTIVES

The primary objectives of investment activities shall be as follows:

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

i. Credit Risk

The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- ☐ Limiting investments to the safest types of securities (primarily obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government)
- ☐ Requiring a credit rating of "A3" or better from Moody's rating agency and "A-" from Standard & Poor's.
- ☐ Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the City will do business
- ☐ Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

ii. Custodial Risk

Custodial risk, that is the risk associated with uninsured deposits, uninsured securities, or securities not registered in the City's name shall be minimized by,

- ☐ Collateralization in alignment with State of Georgia legislation equal to 110% of the deposit held in the City's name (see section F, Safekeeping and Custody, subsection 2, Collateralization);
- ☐ Securities shall be held in the City's name.

iii. Interest Rate Risk

The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- ☐ Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- ☐ Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

iv. Concentration Risk

The risk associated with a high concentration of government funds which are not diversified shall be reduced by:

- ☐ Limiting investments to any one issuer to less than 5% of the investment portfolio.
- ☐ Investments explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

v. Foreign Currency Risk

The City will negate all foreign currency risk through investment only in instruments where exchange rates do not apply.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in instruments offering same-day liquidity for short-term funds.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- ☐ A security with declining credit may be sold early to minimize loss of principal or to reduce any eminent risk as identified under Section 1, "Safety" of this policy
- ☐ A security swap which improves the quality, yield, or target duration in the portfolio
- ☐ Liquidity needs of the portfolio require that the security be sold.

D. STANDARDS OF CARE

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officer(s) acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility of an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

3. Delegation of Authority

Authority to manage the investment program is granted to the Director of Finance, referred to as the investment officer in this policy. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

E. SAFEKEEPING AND CUSTODY

1. Authorized Financial Dealers and Institutions

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a

minimum capital requirement of \$10,000,000 and at least five years of operation). These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- ☐ Audited financial statements
- ☐ Proof of National Association of Securities Dealers (NASD) certification
- ☐ Proof of state registration
- ☐ Completed broker/dealer questionnaire
- ☐ Certification of having read and understood and agreeing to comply with the City’s investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.

From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, all criteria identified under above shall apply. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state and local law. These types of investment purchases should be approved by the City Council in advance of their purchase.

2. Internal Controls

The City Manager is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with regulatory policies and procedures including Generally Accepted Governmental Auditing Standards.

3. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian in the City’s name, as evidenced by safekeeping receipts.

F. SAFEKEEPING AND CUSTODY

1. Investment Types

Investments (other than bond proceeds) shall be made in instruments permitted by the State of Georgia for local governments, regulated under Georgia Code, O.C.G.A. 36-83-4. Such instruments include:

- ☐ Obligations issued by the U.S. government,
- ☐ Obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States,
- ☐ Obligations of any corporation of the U.S. government;
- ☐ Prime bankers' acceptances,
- ☐ The Georgia local government investment pool (i.e., Georgia Fund I)
- ☐ Repurchase agreements, and
- ☐ Obligations of other political subdivisions of the state

In accordance with O.C.G.A. 36-82-7, investments made with unexpended bond proceeds shall be limited to:

- ☐ Bonds or obligations of the governmental entities and/or political subdivisions of the state,
- ☐ Bonds or obligations of the U.S. government which are fully guaranteed,
- ☐ Obligations of agencies of the U.S. government, bonds or other obligations of public housing agencies or municipal corporations in the United States,
- ☐ Certificates of deposit of national or state banks insured by the Federal Deposit Insurance Corporation;
- ☐ Certificates of deposit of Federal Saving and Loan Associations; and
- ☐ The Georgia local government investment pool (Georgia Fund I)

2. Collateralization

City shall require pledges of collateral from the depository institution covering at least 110% of the cash/investment. This requirement is in accordance with O.C.G.A. 36-83-5; 45-8-12; 50-17-59; and 45-8-13. Deposit-type securities (i.e., certificates of deposit) shall be collateralized at 110% of the face value. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

3. Repurchase Agreements/Derivatives

Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements. Investments in derivatives of the above instruments shall require authorization by the City Council and be consistent with GFOA Recommended Practices on the "Use of Derivatives by State and Local Governments".

G. USING GEORGIA FUND I

The City will utilize the State of Georgia local government investment pool (i.e., Georgia Fund I) anytime this investment tool is deemed to be in the best interest of the City. Criteria used to determine the use of this investment pool will be the same as any other investment purchase.

H. INVESTMENT PARAMETERS

City of Stonecrest Financial Management Policy

1. Diversification

The investments shall be diversified by:

- ☐ Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities)
- ☐ Limiting investment in securities that have higher credit risks
- ☐ Investing in securities with varying maturities, and
- ☐ Continuously investing a portion of the portfolio in readily available funds such as a the Georgia Local Government Investment Pool, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

2. Maximum Maturities

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase. The City shall adopt weighted average maturity limitations ranging from 90 days to 5 years, consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the City Council.

I. REPORTING

1. Methods

The investment officer shall prepare an investment report monthly which shall be included in the Department of Finance Financial Update Report. Information provided will include a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last month. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be transmitted to the City Council via a consent item placed on a City Council Meeting Agenda. At a minimum, the report will include the following:

- ☐ Listing of individual securities held at the end of the reporting period with maturity dates
- ☐ Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity
- ☐ Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
- ☐ Percentage of the total portfolio which each type of investment represents.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which the portfolio performance shall be compared on a regular basis.

3. Marking to Market

The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly.

Governmental Accounting Standards Board References:

Statement No. 3, Deposits with Financial Institutions, Investments, and Reverse

Repurchase Agreements

Statement No. 28, Accounting and Financial Reporting for Securities Lending

Transactions

Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools

Statement No. 40, Deposit and Investment Risk Disclosures

GRANT MANAGEMENT

This policy provides direction in the application, acceptance and administration of funds awarded through grants to the City from other local governments, the state or federal government, nonprofit agencies, philanthropic organizations and the private sector.

A. GRANT APPLICATIONS

The City Manager and/or his/her designee is/are responsible for the submission of all grant applications on behalf of the City of Stonecrest. Departments who wish to submit grant applications must work in conjunction with the City Manager and/or his/her designee. Once a grant opportunity has been identified, the City Manager and/or his/her designee must notify the Department of Finance of the application, the financial reporting requirements, and any required matching funds or other City resources needed to meet the grant requirements. Prior to the acceptance of the grant, the Finance Department, in cooperation with the submitting/receiving department shall complete an analysis of financial requirements to ensure the City can meet the grant program's financial requirements and the City can fulfill the applicable obligations required by the grant. All grant revenues and expenditures, including matching requirements, must be appropriated, either in the current budget or included for appropriation in the subsequent budget. The City Manager shall approve grant applications and

submissions that allow both the submission of the grant application and the acceptance of the grant award. Prior to grant submission the City Council must authorize the City Manager or designee to apply for and submit grant for acceptance.

B. GRANT ADMINISTRATION

The City Manager and/or his/her designee is/are responsible for fulfilling the financial reporting and accountability requirements of each grant the City accepts. The City Manager and/or his/her designee and receiving departments are responsible for adhering to the grant program requirements and tracking all applicable expenditures for reporting purposes. The Department of Finance is responsible for accounting for grant transactions according to the Accounting, Auditing, and Financial Reporting Policy and in compliance with Generally Accepted Accounting Principles (GAAP). The City Manager and/or his/her designee is/are responsible for maintaining the following records for each grant award.

- a. Copy of Grant Application
- b. Resolutions authorizing application and acceptance
- c. Notification of Grant Award
- d. Financial reporting and accounting requirements
- e. Schedule of funding needs

C. AUDITING

The Finance Department shall comply with all local, state, and federal requirements with respect to the auditing of information as they pertain to the acceptance of grant funds. This includes the Single Audit Act with any future revisions or additional that may be applicable to City grant projects.

SECTION III. EXPENDITURE

This section provides guidance on authorized expenditures for all departments under the authority of the Mayor and City Council. This section shall cover those costs incurred for normal business operations. Operating guidelines and procedures for procuring goods and services shall be issued under separate cover(s) as they do not constitute nor necessitate the City Council approval.

A. APPROPRIATION

In conjunction with the annual budget process, the City Council shall authorize departments appropriations consistent with the annual adopted operating and capital budgets. Departments shall not incur expenditures unless an appropriation is available.

B. EXPENDITURE APPROVAL

All expenditures relating to City operations shall be processed consistent with procurement/purchasing guidelines. Once the Finance Department receives the proper documentation from the incurring departments, the execution of payment shall occur. The Finance Department shall only process transactions for payment based upon the proper approval for the dollar amount of the expenditure, including adequate documentation, received either electronically or in writing.

C. SETTLEMENT OF DISPUTE

The Department of Finance shall review expenditure documents for compliance and appropriateness with all City policies and procedures. Expenditure documents that are not in compliance with these policies and procedures shall be returned to the originating department with Finance Department recommendations for changes (e.g., travel issues, cellular phone use). In the event the department does not agree with the Finance Department's recommendations, the City Manager shall make the final decision.

D. ELECTED OFFICIALS ALLOCATION

During the annual budget process, an appropriation will be allocated to each elected official to be used at his/her discretion for the benefit of the City (e.g., travel costs incurred at the annual GMA conference). The amount appropriated will be dependent upon the approval during the budget process.

DEBT ISSUANCE AND MANAGEMENT

The goal of the City's debt policy is to maintain a sound fiscal position; thereby only utilizing long term debt to provide resources to finance needed capital improvements, buildings and equipment while accumulating adequate resources to repay the debt. In addition, it is the City's goal to maintain and improve its credit rating through strong financial administration. The City acknowledges that failure to meet the demands of growth may inhibit its continued economic viability, but also realizes that excess outstanding debt may have detrimental effects on the ability of the City to meet its continuing operational needs.

City of Stonecrest Financial Management Policy

Issuing debt commits the City's revenues several years into the future, and may limit its flexibility to respond to changing service priorities, revenue inflows, or cost structures. Adherence to this debt policy helps ensure that the City issues and manages its debt prudently in order to maintain a sound financial position and protect its credit rating.

Credit ratings are the rating agencies' assessment of the City's ability and willingness to repay debt on a timely basis. Credit ratings are an important indicator in the credit markets and can influence interest rates a borrower must pay. Each of the rating agencies believes that debt management is a positive factor in evaluating issuers and assigning credit ratings. Therefore, implementing debt management practices will be viewed positively by the rating agencies and could influence the City's credit rating and ultimately lower borrowing costs.

A. CONDITIONS FOR ISSUING LONG-TERM DEBT

Debt financing for capital improvements, buildings, and equipment will be generally used when at least one of the following conditions exist:

1. When one-time, non-continuous projects (those not requiring annual appropriations) are desired;
2. When the City determines that future users will receive a benefit from the capital improvement that the debt financed;
3. When the project is necessary to provide basic services to the City residents;
4. When total debt, including debt issued by overlapping governments (e.g., the county), does not constitute an unreasonable burden to the taxpayers; and
5. Exhaustion of the use of all other possible revenue sources provides no alternative funding for capital projects.

The City will limit its short-term borrowing to cover cash flow shortages through the issuance of tax anticipation notes.

B. SOUND FINANCING OF DEBT

When the City utilizes debt financing, the following will occur to ensure that the debt is soundly financed:

1. Analysis of the financial impact, both short-term and long-term, of issuing the debt;
2. Conservatively projecting the revenue sources that the City will use to repay the debt;
3. Insuring that the term of any long-term debt the City incurs shall not exceed the expected useful life of the asset the debt financed;

4. Maintaining a debt service coverage ratio (i.e., for revenue secured debt) that ensures that the revenues pledged for the repayment of the outstanding debt will be adequate to make the required debt service payments.

C. DEBT RETIREMENT

Generally, borrowings by the City should be of a duration that does not exceed the economic life of the capital improvement, building, or equipment that it finances and where feasible, should be shorter than the projected economic life. To the extent possible, the City should design the repayment of debt so as to recapture rapidly its credit capacity for future use.

D. DISCLOSURE

The City shall follow a policy of full disclosure in financial reporting and with the preparation of a bond prospectus.

E. LEGAL COMPLIANCE

When issuing debt, the City shall comply with all legal and regulatory commission requirements, including the continuing disclosure requirements. This compliance includes adherence to local, state and federal legislation and bond covenants.

More specifically, the Director of Finance is responsible for maintaining a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax exempt status of the City's outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants are monitored to ensure that all covenants are complied with.

The City will comply with Amended SEC Rule 15c2-12 (the "Rule") by providing secondary market disclosure for all long-term debt obligations, which are subject to the Rule. As required, the City will submit annual financial information to all nationally recognized municipal securities repositories.

F. CREDIT RATINGS

The City Manager and Director of Finance are responsible for maintaining relationships with the rating agencies that assign ratings to the City's various debt obligations. This effort includes providing periodic updates on the City's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

G. DEBT SERVICE COVERAGE RATIO

To assure the City follows sound financing of debt, the City may not exceed a twenty-five percent (25%) debt service coverage ratio of operating funds of the City and its component units for each fiscal year.

H. OTHER POLICIES

All bond issue requests shall be coordinated by the Department of Finance. Requests for new bonds must be identified during the Capital Improvement Program (CIP) process. Opportunities for refunding outstanding bonds shall be communicated by the Department of Finance.

Annual budget appropriations shall include debt service payments (interest and principal) and reserve requirements for all debt currently outstanding.

Long-term borrowing shall be incorporated into the City's capital improvement plan (see above).

SECTION IV. INTERNAL CONTROLS

The City shall maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide an effective means of ensuring that financial integrity is not compromised. In addition, such practices shall provide City officials with the necessary resources in order to make sound financial decisions.

A. SCOPE

This policy applies to all accounting records that are the responsibility and under the management of the City's Department of Finance.

B. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The City will establish and maintain a high standard of accounting practices. Accounting standards will conform to generally accepted accounting principles of the United States as promulgated by the Governmental Accounting Standards Board (GASB). The City also will follow the Financial Accounting Standards Board's pronouncements, as applicable.

C. FUND STRUCTURE

The City will maintain the minimum number of funds consistent with legal compliance and sound financial administration. The City will adhere to the mandatory fund structure included in the Georgia

Department of Community Affairs' (DCA) chart of accounts (see below). Funds shall be classified in conformity with GAAP. Further, all funds shall be reported within the annual financial statements.

D. CHART OF ACCOUNTS

The Georgia General Assembly passed the Local Government Uniform Chart of Accounts and Reporting act in 1997 (House Bill 491). This law requires the DCA to prepare and issue a standardized chart of accounts for Georgia governments. It shall be the policy of the City to implement and utilize the account classifications as the chart of accounts prescribes.

CASH MANAGEMENT POLICY

A. Procedures for Cash Collection Points

The following list of procedures is required for the operation of cash collection points:

- All cash received must be recorded through a computerized accounting system with computer generated official City receipts or official City temporary cash receipts. When a cash collection point with a computerized accounting system uses temporary cash receipts, those temporary receipts must be converted over to computerized receipts as soon as possible. If the conversion cannot be accomplished within 48 hours, the cash should be deposited into the department's primary operating account and tracked in detail until it is recorded on the computerized accounting system. The customer must be presented an official City receipt form with a duplicate record being retained by the receiving department. All numbered receipts must be accounted for, including the original of voided receipts.
- The cash collection point must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing, disbursement, and reconciling.
- The funds received must be reconciled to the computerized accounting system cash report or to the total of the temporary receipts at the end of the day or at the end of each shift. Cash must be reconciled separately from checks, credit cards, and money orders by comparing actual cash received to the cash total from the cash report or to the sum of the cash sales from the manual receipts.
- All cash must be protected immediately by using a cash drawer, safe or other secure place until they are deposited. A secure area for processing and safeguarding funds received is to be provided and restricted to authorized personnel.
- Checks must be made payable to City of Stonecrest, and must be endorsed promptly with a restrictive endorsement stamp payable to City of Stonecrest. The endorsement stamps must be ordered through the Finance Department.
- Checks or credit card transactions will not be cashed or written for more than the amount of purchase.
- Collections must be deposited to the City Depository within 24 hours.

City of Stonecrest Financial Management Policy

- All cash must be deposited intact, and not intermingled or substituted with other cash.
- Refunds or expenditures must be paid through the appropriate City bank account on a signature City generated check.
- Each Department will use only depository issued deposit slips for reconciliation of the supporting documentation to the deposit and to the monthly statements of account.

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B. Preparation of Deposits

- Checks must be made payable to City of Stonecrest.
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- Attach a copy of the Transmittal Batch showing transaction totals for credit card receipts.
- Only Depository issued deposit slips including the appropriate account number(s)) are to be used.
- Someone not involved with collecting the cash, opening the mail or reconciling the deposit must verify the deposit.
- The deposit shall be scanned as a mobile deposit by finance staff to the Depository/Financial Institution.
- In the event the mobile deposit is prohibited or the check/money order will not feed through the mobile deposit scanner, the a deposit will be made at the nearest branch location.
- Balance Receipts to the accounting system and the monthly bank account statements and resolve any discrepancies.
- All receipts that have not been deposited will be stored in a locked safe until deposit transport to the depository can be arranged.

E. PRE-NUMBERED RECEIPTS

The City's financial system generates receipts for payments.

F. EXCEPTIONS

The City Manager must approve any exception to these procedures. For example, in cases where there is not enough staff available to maintain complete separation of duties, an alternate process to safeguard City funds must be established and approved by the City Manager.

City of Stonecrest Financial Management Policy

G. RECORD RETENTION

All cash receipts and related documents must be maintained in accordance with Record Retention schedules. Accounting reports, deposit slips, credit card receipts, copies of manual cash receipts, etc. should be kept for seven years.

AUDITING

Georgia Law on Local Government Audits, O.C.G.A. Section 36-81-7, requires an independent annual audit for the City. The annual independent audit shall be conducted in accordance with generally accepted auditing standards (GAAS) and generally accepted governmental auditing standards (GAGAS). In addition, the City shall comply with the requirements of the General Accounting Office (GAO) and the Office of Management and Budget (OMB) when audits are conducted relating to federal funding, consistent with the 1996 (and any future) amendments to the Single Audit Act.

A. SCOPE

This policy applies to all funds that are the responsibility and under the management of the City of Stonecrest and its Department of Finance.

B. AUDITOR QUALIFICATIONS

A properly licensed Georgia independent public accounting firm shall conduct the audit

C. CHOOSING THE AUDIT FIRM

When necessary, the City will issue a request for proposal to choose an audit firm for a period of five years. The City will request two proposals from qualified public accounting firms. One proposal shall contain the firm's costs and a second will contain the firm's qualifications. The cost proposals shall only be opened after three qualified firms are determined. When awarding the contract for the independent audit, not less than 70% of the decision will be based upon technical qualifications rather than cost.

D. AUDITING AGREEMENT

The agreement between the independent auditor and the City shall be in form of a written contract or an engagement letter. The contract or engagement letter shall include the request for proposal as an appendix to the written document and all issues addressed in the request for proposal shall be required as part of the contract or engagement letter.

E. INTERNAL AUDIT

The City shall work towards developing and maintaining a strong internal audit function, whereby applying financial practices and policies to transactions. The City shall develop accounting practices and procedures, which will be documented for use in internal control evaluation.

F. REPORTING

City of Stonecrest Financial Management Policy

The City shall report in conformity with O.C.G.A Section 36-81-7 a copy of the City's annual audit to the Georgia Department of Audits and Accounts within 180 days of year- end, as required.

G. MALFEASANCE AND EMBEZZLEMENT

Any employee will be prosecuted to the extent of the law in any instance where the employee is proven to have committed an illegal act such as theft.

FINANCIAL REPORTING

The Department of Finance shall develop and maintain an ongoing system of financial reporting to meet the information needs of the government, authorities, and regulatory agencies. In addition, the City Manager, Mayor, Council, Department Heads and the public shall have access to reports to allow them to monitor, regulate, and to use as a basis for future financial decisions. To ensure transparency, the City's financial reports, including annual and monthly reports shall be made available to the public via the City's website.

A. COMPREHENSIVE ANNUAL FINANCIAL REPORT

In conjunction with the annual independent audit, the City shall work towards preparing and publishing a Comprehensive Annual Financial Report (CAFR). The City shall prepare the CAFR in conformity with GAAP and the Government Finance Officers Association's (GFOA) program requirements. Annually, the City will submit its CAFR to the GFOA to determine its eligibility to receive the GFOA's "Certificate of Achievement for Excellence in Financial Reporting." The City shall make this report available to the elected officials, bond rating agencies, creditors and citizens. All financial statements and schedules contained within the CAFR shall be audited, with the purpose to effectively communicate the complete financial affairs of the City to all interested readers

B. ANNUAL BUDGET DOCUMENT

The City shall prepare and publish an annual budget document in accordance with the policies contained within this document. This budget shall measure the annual funding and forecast the financial position of the City for the two subsequent fiscal years.

C. FINANCIAL REPORTING TO THE CITY COUNCIL

On a monthly basis, the Finance Department shall prepare and present a summarized "Statement of Revenues and Expenditures" to the City Council for all of the City's operating funds. This report shall detail prior year comparisons to provide data for analysis.

D. FINANCIAL REPORTING TO THE ADMINISTRATION

In addition to the external reporting detailed above, the Finance Department shall coordinate the reporting needs of each department in order to design and implement those reports which the departments need to make sound business decisions. At a minimum, departments will receive reports detailing monthly department financial activity including expenses, any personnel costs in excess of the approved budget, and recommended budget line-item reallocations.

E. EXTERNAL FINANCIAL REPORTING

INTERNAL AUDIT

Government managers are responsible for designing and implementing effective internal controls to ensure that assets are safeguarded; records are reliable; reports on operations are sufficient and fairly presented; fraud, waste, and abuse are deterred; and programs, functions, and activities are conducted economically, efficiently, and effectively. Audits help provide reasonable assurance that local governments are operating in accordance with laws, rules, regulations, and policies; responding to citizen needs; and functioning economically, efficiently, and effectively.

By independently reviewing and reporting on programs, functions, activities, and organizations, auditors provide the public, elected officials, and government managers with a fair, objective, and reliable assessment of local government performance.

A. SCOPE

This policy applies to all departments, offices, boards, commissions, agencies, or other activities under the authority of the City Manager, Mayor and City Council. It applies to all internal operations of those entities or activities, as well as contracts, agreements, and all other transactions between the City and external entities (e.g., other federal, state, or local government entities and private sector entities).

B. AUDIT SCHEDULE

Scheduling of audits will be a continuous and dynamic process and provide adequate coverage of the City's programs and operations. Managers are encouraged to work with the Finance Director or Independent Auditor Contractor by suggesting areas or programs for audit or requesting other assistance (e.g., reviewing proposed contract terms and conditions, analyzing alternative approaches, conducting investigative work). Potential audits or other requests will be prioritized based on potential risks, City management requests for coverage in specific areas, public interest in a particular area, and achieving an acceptable mix of audit coverage for all of the City's operations.

C. ACCESS TO EMPLOYEES, RECORDS, AND PROPERTY

All officers and employees of the City shall furnish the Finance Director or Independent Auditor Contractor with unrestricted access to employees, information, and records (including automated data) within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts, and methods of business needed to conduct an audit or otherwise perform audit duties. In addition, they shall provide access for the Finance Director or Independent Auditor Contractor to inspect all property, equipment, and facilities within their custody. In addition, all contracts, subcontracts, or other agreements between the City and any outside entity (public or private) shall provide for auditor

access to all revenue, expense, and other financial records; performance-related records; and property, equipment, or other purchases paid for in whole or in part with governmental funds and facilities.

D. REPORTING

A final draft audit report will be forwarded to the audited department, office, board, commission, agency, or other activity and the City Manager for review and comment regarding factual content before it is released. The audited entity must respond in writing and specify agreement with audit findings and recommendations or reasons for disagreement with findings and/or recommendations, plans for implementing solutions to issues identified, and a time table to complete such activities. The response must be forwarded to the Internal Auditor within 30 calendar days or as otherwise specified by the Finance Director or Independent Auditor Contractor. The final report will include the audited entity's response. If no response is received, the final report will note that fact. Final audit reports, along with a report summary, will be transmitted to the Mayor and City Council and will be made available to the public upon request.

EQUITY POLICY

A. FINANCIAL RESPONSIBILITY

The City will live within its means. 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 maintained 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. The City will not develop a legacy of shortages or a legacy of mixing one-time resources and expect the continued delivery of services, the very reason for which it exists.

B. BUDGET STABILIZATION RESOURCES

The City shall establish a fund balance assignment in the General Fund for working capital purposes. The purposes of working capital is to eliminate cash flow issues, cover the cost of expenditures caused by unforeseen emergencies, cover shortfalls caused by revenue declines, and to eliminate any short-term borrowing for cash flow purposes. This assignment shall accumulate and then be maintained at an amount, which represents the equivalent of approximately twenty five percent (25%) of operating and debt expenditures, including transfers to other funds (i.e. approximately 25% of budgeted General Fund expenditures).

SECTION V. FIXED ASSETS POLICY

A. Fixed Asset Criteria

A fixed asset is defined as a financial resource meeting all of the following criteria:

City of Stonecrest Financial Management Policy

1. It is tangible in nature.
2. It has a useful life of greater than two years.
3. It is not a repair part or supply item.
4. It has a value equal to, or greater than, the capitalization threshold of \$5,000.

Keeping an accurate record of the City's fixed assets is important for a myriad of reasons. Some of the most important reasons that the City needs to keep a good record of fixed assets are: for financial statement information, for insurable values, for control and accountability, for maintenance scheduling and cost analysis, for estimating and accounting for depreciation, for preparation of capital and operating budgets, and for debt management.

B. General Policy

1. The Finance Department is responsible for the proper recording, acquisition, transfer, and disposal of all assets city wide. *City property may not be acquired, transferred, or disposed of without first providing proper documentation.* A fixed asset information form must accompany each step. Each Department Head is ultimately responsible for reporting all changes in a timely manner to the Finance Department.

2. Recording of Fixed Assets

Unless otherwise approved by the Finance Officer, all recordable fixed assets must be recorded within 30 calendar days after receipt and acceptance of the asset.

A fixed asset form must be attached to the purchase order before submitting request for payment.

Assets will be capitalized at acquisition cost, including expenses incurred in preparing the asset for use.

Donated assets shall be recorded at fair market value as determined by the Department Head. Fair market value may be defined as, but is not limited to, an average of documented prices for equivalent items from three separate vendors.

The City will recognize acquisition costs based on individual unit prices. Assets should not be grouped. For example, in acquiring equipment, if three pieces of identical equipment items were acquired simultaneously at \$5,000 each, this would not be an asset of \$15,000 consisting of 3 pieces of equipment. Instead, it would be 3 separate acquisitions of \$5,000. Each item would be recorded as a separate controllable item.

For equipment purchases, title is considered to pass at the date the equipment is received. Similarly, for donated assets, title is considered to pass when the asset is available for the agency's use and when the agency assumes responsibility for maintaining the asset.

Constructed assets are transferred from the construction in progress account to the related building, improvements other than buildings, or equipment accounts when they become operational.

Constructed buildings, for example, are assumed to be operational when an authorization to occupy the building is issued, regardless of whether or not final payments have been made on all the construction contracts.

3. Acquisition of Fixed Assets

There are various methods by which assets can be acquired. The asset acquisition method determines the basis for valuing the asset. Fixed assets may be acquired in the following ways:

- ☐ New purchases
- ☐ Donations
- ☐ Transfers from other City departments
- ☐ City surplus
- ☐ Internal/external construction
- ☐ Lease purchases
- ☐ Trade-in
- ☐ Forfeiture or condemnation

4. Lease Purchases

Assets may be lease-purchased through installment purchases (an agreement in which title passes to the City) or through lease financing arrangements (an agreement in which title may or may not pass).

Departments considering a lease purchase must consult with the City Manager.

5. Transfer of Fixed Assets

A transfer between departments will be treated as a transfer rather than sale. That is, the asset is recorded under the new Department with original acquired date and funding amount.

A fixed asset form must be sent to the Finance Department for all transfers.

6. Sale of Fixed Assets

Sale of fixed assets by a department must be to the highest, responsible bidder and must be conducted by sealed bid or by auction. The sale must be publicized in accordance with state laws.

7. Physical Inventory

An annual physical inventory of all fixed assets will be performed by the Finance Department in conjunction with each department. The inventory will be conducted with the least amount of interruption possible to the department's daily operation. A full report of the results of the inventory will be sent, within 30 days of completion, to all departments for verification and acceptance.