ORDINANCE NO. 2006-01-04

STATE OF GEORGIA
COUNTY OF FULTON

AN ORDINANCE TO ADOPT AND APPROVE POLICIES RELATING TO ACCOUNTING, AUDITING, FINANCIAL REPORTING, BUDGET, CAPITAL ASSETS, CASH AND INVESTMENT MANAGEMENT, DEBT MANAGEMENT, ELECTED OFFICIALS EXPENDTIURE REIMBURSEMENT, EXPENSES, GRANTS, RECORD RETENTION, REVENUE ADMINISTRATION, AND TRAVEL AND MEAL EXPENDITURES, COMPRISING THE FINANCIAL MANAGEMENT PROGRAM FOR THE CITY OF SANDY SPRINGS; TO PROVIDE FOR GUIDANCE IN ADMINISTERING SUCH POLICIES; AND FOR OTHER PURPOSES

WHEREAS, it is necessary, from time to time, to establish policies and procedures consistent with the administration of a municipal government in alignment with federal, state, and local regulations; and

WHEREAS, the Department of Finance in conjunction with the City Manager's Office has comprehensively developed the Financial Management Program, consisting of accounting, auditing, financial reporting, budgeting, capital assets, cash and investment management, debt management, elected officials expenditure reimbursement, expenses, grants, purchasing, record retention, revenue administration, and travel and meal expenditures policies in order to provide guidance and direction to City officials and employees, to establish standard policies for recurring matters, to establish strong internal controls and legal compliance, and to provide for an efficient and effective means to operate the government; and

WHEREAS, upon adoption, staff will incorporate the above policies into the Financial Management Program, and into the City's daily operations to effectuate the management of finances and operations; and

WHEREAS, the City intends to utilize these policies and procedures in all applications which warrant such oversight.

BE IT ORDAINED by the City Council of the City of Sandy Springs, GA while in regular session on January 3, 2006 at 7:00 p.m. as follows:

SECTION 1. That the Ordinance relating to the Financial Management Program is hereby adopted and approved; and is attached hereto as if fully set forth herein; and,

SECTION 2. That this Ordinance shall be designated as the Financial Management Program of the City of City of Sandy Springs, GA; and,

SECTION 3. That staff is hereby directed to develop operating procedures and practices consistent with the nature and scope of the policies attached hereto; and

SECTION 3. This Ordinance shall be effective immediately upon its adoption.

NOW, THEREFORE, BE IT SO ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF SANDY SPRINGS, this the 3rd day of January, 2006.

Approved:

Eva Galambos, Mayor

Attest:

Jeanette R. Marchiafava, City Clerk

(Seal)

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

REVENUE ADMINISTRATION POLICIES

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
On January 3, 2006.

REVENUE ADMINISTRATION

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. This policy provides direction in the application, acceptance and administration of revenues the City receives.

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.

The City will work towards diversifying its revenue base in order to reduce its dependence upon property taxes.

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 a simple revenue system that will result in a decrease of compliance costs for the taxpayer or service recipient and a corresponding decrease in 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.

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., property taxes). Such alternative sources include private and public grants, federal or state assistance, and public and private contributions.

E. REVENUE COLLECTION

The City will follow an aggressive 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 all revenue rates, charges, and processes in association with receipted funds that are deposited by the City in conjunction with the annually adopted budget and revenue handbook (see below).

G. REVENUE HANDBOOK

A revenue handbook will be established and updated annually as part of the budget process. This handbook will be utilized to adjust all fees, user charges, and applicable taxes or other revenue sources. The handbook will include at least the following information:

- The revenue source
- Legal authorization
- Method of collection
- Department responsible for collection
- Rate or charge history
- Total revenue history

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

RECORD RETENTION POLICIES

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
On January 3, 2006.

RECORDS RETENTION

In concurrence with State Law, the City of Sandy Springs shall comply with the Georgia Records Act, as presented in O.C.G.A. 58-90-19 et seq. for public entities.

A. RETENTION SCHEDULE

The Georgia Department of Archives and History publishes a Retention Schedule for Local Government Records. The City shall comply with the retention timelines as outlined within this schedule. A copy of the entire retention schedule is included within this policy for reference purposes.

http://www.sos.state.ga.us/archives/retsched/EntireResults.asp

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

EXPENDITURE POLICIES

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
on January 3, 2006.

EXPENDITURE POLICIES

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, including those associated with salaries and benefits. Operating guidelines and procedures for procuring goods and services shall be issued under separate cover(s) as they do not constitute nor necessitate 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.

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

ELECTED OFFICIALS
EXPENDITURE POLICIES

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
On January 3, 2006.

EXPENDITURE POLICIES

This section provides guidance on providing reimbursement/allowances on authorized expenditures for the Mayor and City Council. This section shall cover those costs incurred for conducting official business relating to elected positions.

A. APPROPRIATION

In conjunction with the annual budget process, the City Council shall authorize appropriations consistent with the annual adopted operating budgets.

B. EXPENDITURE REIMBURSEMENT

Operating expenditures relating to elected officials shall be reimbursed using a direct reimbursement for expensed incurred on behalf of the City in official capacity as an elected official.

The direct reimbursement based expenditures shall require receipts. As defined by the Internal Revenue Service, this type of transaction will be on an accountable reimbursement plan, which will not be taxed by the City. The primary means for paying for items under this method will be through the submission of receipts by elected officials to the City and reimbursement.

C. QUALIFIED EXPENDITURES

All operating expenditures incurred by the official relating to the conducting of official business on behalf of the elected position shall qualify for reimbursement. Those expenditures relating to travel shall be covered in a separate policy using separately appropriated funds.

Types of qualified expenditures for the direct receipt reimbursement basis include:

General Office Supplies
Customary Mileage
Business Meals
Professional Memberships
Educational Materials
Copying/Printing
Cellular charges

This list is non-inclusive and provided as an example of types of qualified expenses.

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

DEBT
MANAGEMENT POLICIES

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
On January 3, 2006.

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, 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.

Issuing debt commits the City's revenues several years into the future, and may limit it's 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 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 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 Deputy City Manager 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 Deputy City Manager is 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. OTHER POLICIES

All bond issue requests shall be coordinated by the Department of Finance and City Manager's Office. 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).

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

CASH AND INVESTMENT MANAGEMENT POLICIES

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance on
January 3, 2006.

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

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 Sandy Spring's 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. 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 or their agencies)
   - 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 according 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 probably 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 offices 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 Deputy City manager, 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 investment officer 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

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

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

CAPITAL ASSET POLICIES

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
on January 3, 2006.

CAPITAL ASSETS

A. INTRODUCTION

The Capital Asset Policy is designed to provide a comprehensive description of the capital asset and property systems of the City of Sandy Springs. The primary purpose of the policies are to provide for consistent and uniform accounting of capital asset transactions throughout the City; guidelines for physical control and accountability of capital assets; and guidelines for disposal and depreciation of capital assets.

B. DEFINITIONS

Asset Acquisition: There are various methods by which the City acquires assets. These methods include, but are not limited to: purchase, donation, lease/purchase, trade-in, forfeiture, condemnation, internal/external construction, transfers from other governments, or any other method which transfers title of any property to the City.

Leased Assets: The City capitalizes assets, acquired under capital lease, provided they meet the capitalization threshold and a buy-out option is included in the lease agreement. The capital lease must meet accounting standards for capitalization purposes. For capital leases, where the title of the asset will ultimately be transferred to the City, the asset will be capitalized at the net present value of future minimum lease payments. The City does not capitalize assets they acquired under operating leases.

Gifts/Donations: The City capitalizes all equipment acquired through donations at fair market value on the date of the transaction, provided such gift or donation meets the capitalization threshold of this policy. If the equipment is new and the donor can furnish an invoice, the invoice would determine the fair market value. If the equipment is used or no information is available regarding the cost of new equipment on date of acquisition, an appraisal will be conducted to establish the capitalization amount.

Property: Property is divided into several classes including:

Real property: Land and whatever is attached to the land that cannot be readily removed, such as buildings and permanent improvements to the land. Infrastructure is included within this classification.

Personal property: Property that is movable and further classified as tangible and intangible.

Tangible personal property: Property that is moveable such as furniture, machinery, automobiles, or works of art.

Intangible personal property: The right of ownership in property such as bonds, notes, contracts, computer software, programs, and proprietary assets that are created or purchased and owned by the City.

Capital Asset: Any real or personal property acquired by the City which has an estimated useful life of three (3) or more years with an acquisition value of $10,000

or more. This includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in the operations of the government.

Asset Capitalization Amount: The City will capitalize purchased assets at acquisition cost plus costs incurred in preparing the asset for use. The City will recognize acquisition costs based on individual unit prices.

Generally Accepted Accounting Principles (GAAP) Reporting: All assets capitalized under this policy shall be included in the financial statements issued by the City and in the annual external audit.

Gifts/Donations: Gifts and donations are capitalized at fair market value on the date donated, if the value of the asset meets the threshold levels.

B. CLASSIFICATION CATEGORIES

Land: The City will capitalize all costs incurred to acquire land (without regard to a dollar threshold) and to place it in use. The acquisition costs of land should include: (1) the purchase price; (2) ancillary charges; (3) the assumption of any liens or mortgages on the property; and (4) improvements made to the land that are permanent in nature. Examples of ancillary charges to be included in the capitalization costs are: legal and title fees, closing costs, appraisal and negotiation fees, surveying fees, site preparation fees, demolition costs, architect and accounting fees, insurance premiums during construction phase, and transportation charges.

Improvements other than Buildings (IMP): The City classifies improvements to land with limited lives, such as fences, parking lots, and walkways as land improvements. These improvements will be depreciated over their estimated useful lives.

Buildings (BLD): If the City purchases a building, the capitalized cost should include the purchase price and other incidental expenses incurred at the time of acquisition. If the building is constructed, the capitalized cost should include material, labor, supervision, and overhead, or the contract price, including costs such as: permits and licenses, architectural and engineering fess, insurance, title costs, and interest incurred on tax exempt debt.

Building Improvements: The City capitalizes costs of improvements to a building if the following criteria are met: (1) the expenditures increase the service potential of the building and (2) the total improvement costs, including the contract price, engineering, architectural, and attorney's fees, etc., meet the capitalization threshold of this policy.

- Items considered as improvements include: ramps, fire escapes, truck doors or other appurtenances; modifications to comply with fire, health, or safety codes; conversion of unusable to useable floor space, upgrade of the space.

- Repairs to a building are not considered an improvement unless it extends the useful life of the structure or increases the value of the structure (i.e., a betterment). The City considers ordinary repairs as operating costs.

Construction in Progress (CIP): Construction in progress includes accumulation of on-going project costs that increase the value or life of the asset. Upon project completion, the construction account in progress will be closed out and costs will be capitalized into the appropriate asset category (infrastructure, land improvement, building).

Moveable Equipment (EQP): Expenditures for individual items or pieces of equipment meeting the capitalization threshold shall be capitalized, consistent with the designations of personal property, both tangible and intangible as outlined above.

Infrastructure: Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets shall be capitalized based on the capitalization threshold requirement of this policy. Examples of infrastructure include roads, bridges, drainage systems, sidewalks, etc.

C. ANNUAL INVENTORY

Annually, an asset listing is sent to each department for their verification of the existence of their department's capital assets. The department should identify any assets that their department has, which are not included on the asset listing. Also, the department should identify any missing assets. The Finance Department will investigate any missing items with the assistance of the department. Significant unaccounted for losses of assets will be brought to the attention of the Finance Director and the City Manager for further actions. The Finance Department may make an annual physical inventory to verify the accuracy of inventory records.

D. TRANSFER OR DISPOSAL OF ASSETS

All capital assets are the property of the City. They may not be donated, discarded or transferred to another owner without the Finance Department's direct authorization. Departments should send all surplus assets to the Finance Department for disposition.

The disposition of capital assets the City purchased with Federal grant must follow Federal Guidelines. The guidelines of the specific grant, or Federal general guidelines, will dictate the duration of time that the asset must remain property of the City. The guidelines also will indicate the disposition of the proceeds of from the sale of the asset.

All sales by the City of real property or personal property with an assigned value of equal to or more than $2,500 must be offered for purchase, either by sealed bids or by auction to the highest bidder. Notice of the sale must be published once in the

official newspaper of the City or in a newspaper of general circulation in the City. The legal notice must appear not less than 15 days or more than 60 days prior to the date of the sale. The notice must contain a brief description of the property and the conditions of the sale. If the sale is by sealed bid, the bids shall be opened in public at the time and place stated in the legal notice. The bids shall be kept available for public inspection for 60 days. The City may reject any and all bids or cancel a proposed sale.

Property with an estimated value of less than $2,500.00 may be sold without regard to the above provisions. Such sales may be made in the open market without advertisement and without acceptance of bids. The City has the power to estimate the value of the property being sold.

E. DEPRECIATION

The City records depreciation for its capital assets monthly. Depreciation is calculated using the straight-line method with no estimated salvage values. For purchased capital assets, the City uses the invoice date as the in service date.

F. ESTIMATED USEFUL LIFE

For purposes of depreciation, each asset is assigned an estimated useful life. Useful lives are based upon the category of assets. The life of the asset begins when it is put into service, which is recognized as the invoice date. The estimated lives shall be based upon those recommended by the Governmental Accounting Standards Board, the Government Finance Officers Association, and the City's experience.

G. RESPONSIBILITY FOR CAPITAL ASSET AND PROPERTY INVENTORY AND CONTROL

It is the responsibility of the Department of Finance to establish and maintain an accurate accounting of capital assets, and to design and implement continually improved operating procedures for activities required as a result of this policy. It shall be the responsibility of all City departments to cooperate in the capitalization process and to perform the annual inventory.

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

ACCOUNTING, AUDITING AND FINANCIAL REPORTING

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
On January 3, 2006.

SECTION I. ACCOUNTING

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.

SECTION II. 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 Alpharetta and its Department of Finance.

B. AUDITOR QUALIFICATIONS

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

C. CHOSING THE AUDIT FIRM

Every three to five years, the City will issue a request for proposal to choose an audit firm for a period of three years with two one year options. 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.

C. AUDITING AGREEMENT

The agreement between the independent auditor and the City shall be in the 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.

D. INTERNAL AUDIT

The City shall develop, and once developed, maintain 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.

E. 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.

SECTION III. 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.

A. COMPREHENSIVE ANNUAL FINANCIAL REPORT

In conjunction with the annual independent audit, the City shall prepare and publish 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. This document shall be prepared in conformity to the GFOA program requirements. Annually, the City will submit the budget to the GFOA to determine its eligibility to receive the GFOA's *"Distinguished Budget Presentation Award."* The City shall make the report available to elected officials, citizens, and any interested parties.

C. ANNUAL CITIZEN'S REPORT

In order to provide citizens with financial information that is easily disseminated, the Finance Department shall coordinate with the Public Information Office on the publication of an annual report to the citizen's (e.g., a popular report) which includes financial details. The citizen's report shall be in addition to the CAFR. This report shall be in conformance with GAAP, and follow the recommendations of the GFOA's "Popular Annual Financial Report" (PAFR) program guidelines. The City shall submit the Annual Citizen's Report to the PAFR program to determine it eligibility to receive the award.

D. 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. The City also shall prepare a "Capital Project" report outlining appropriations (if any), expenses, outstanding encumbrances, and available appropriable balances.

E. 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 re-allocations.

G. EXTERNAL FINANCIAL REPORTING

The City shall report in conformity with O.C.G.A Section 36-81-7. A copy of the City's annual audit (i.e., the CAFR) shall be submitted to the Georgia Department of Audits and Accounts within 180 days of year-end, as required. Additionally, all external reports as required by the regulatory agencies shall be completed and filed as prescribed by state and federal law.

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

TRAVEL AND MEAL EXPENDITURE POLICY

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
On January 3, 2006.

TRAVEL AND MEAL EXPENDITURE POLICIES

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 travel and meal expenses by any elected official, City employee, or board member who travels on City related business. Operating guidelines and procedures for procuring travel and meal expenses shall be issued under separate cover(s) as they do not constitute nor necessitate City Council approval.

A. APPROPRIATION

In conjunction with the annual budget process, the City Council shall authorize department appropriations for travel and meal expenses consistent with the annual adopted operating budgets. Departments shall not incur travel expenditures unless an appropriation is available, or budget amendment has been completed.

B. EXPENDITURE APPROVAL

All expenditures relating to travel and meals 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 DISPUTED REIMBURSEMENT CLAIMS

The Department of Finance shall review expenditure documents for compliance and appropriateness with all City policies and procedures. Expenditure reimbursement requests 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 regarding whether to authorize the reimbursement.

D. TRAVEL EXPENSES

The City shall reimburse/pay expenses incurred by elected officials and employees for travel relating to official City business. Official business shall be deemed that which has been approved prior to the expenditure being incurred on a City of Sandy Springs Travel Authorization form. Travel authorization forms are required for any travel exceeding 50 miles of the employee's place of work.

1. Lodging: hotel/motel charges shall qualify for reimbursement when they exceed a 50 mile radius of the employee's place of work. All traveling personnel shall minimize the expense associated with hotel/motel costs by procuring a government rate for qualified stays. Lodging expense shall be benchmarked against the U.S. General Services Administration (GSA) approved per-diem rate of reimbursement. When the GSA rate is exceeded

by 20% or more, additional justification shall be required from the traveler. When traveling in the State of Georgia, all travelers must use the hotel/motel tax-exempt status form. Sales and occupancy taxes charged for lodging within the State of Georgia do not qualify as eligible reimbursable travel expenses under this policy. Per diem rates can be found at http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/perd03d.html. Hotel accommodations for travel less than a 50 mile radius from Sandy Springs must be approved by the employee's department head.

Elected officials, the City Manager, Deputy City Manager, Department Directors, and Management of the City shall be allowed hotel accommodations for travel less than a 50 mile radius from Sandy Springs, based upon meeting schedules and attendance needs.

2. Transportation: approved modes of transportation include vehicle, air, rail, or taxi and public transportation. The method selected by the traveler shall be subject to the most economically feasible, taking into consideration the value of time. If a City vehicle is available, it should be used in lieu of a personal vehicle. Generally, the City will not reimburse for the use of a personal vehicle within 10 miles of an employees official headquarters and/or residence.

    i. Mileage: miles traveled in personal vehicles shall be reimbursed at the rate designed by the Internal Revenue Service. Mileage shall be calculated using the employee's place of work as the origination point, so long as the employee reported to work prior to departing to the destination. In the event the employee does not report to work prior to traveling to the destination, mileage shall be reimbursed from the employee's origin, less their normal commute to the workplace. Expenses associated with employee's vehicles such as fuel, oil, tires, etc. (deemed normal wear and tear) shall not be subject to reimbursement and will be the responsibility of the traveler. Miles traveled in City owned vehicles shall not be subject to reimbursement to the traveler. However, expenses associated with the travel in City vehicles such as fuel, oil, tires, etc. shall be the responsibility of the City, and necessary purchases should follow normal purchasing guidelines and processes.
    ii. Rental Cars: Expenses associated with rental cars, i.e. rental expense and fuel will be paid at cost, with receipts provided. Employees shall rent mid-size or smaller vehicles, or an appropriate vehicle size based upon the number of employees needing transportation. Expenses associated with exceeding this car class will be the responsibility of the traveler. Employees should decline additional insurance coverage offered by rental car companies since the City's insurance coverage is applicable to car rentals.
    iii. Air/Rail: transportation provided by major airlines or railroads shall be paid at cost to the traveler. Travel will be limited to coach/economy classes of service. In the event the traveler chooses a class higher than coach/economy (business or first class) or to extend the trip and change departure or arrival dates, the difference of the expense shall be the responsibility of the traveler. Any reduction in the expense associated with transportation costs as a result of extended or modified travel dates for personal benefit shall not be provided back to the traveler.
    iv. Taxi/Shuttle: expenses associated with local transportation will be deemed eligible expenses as long as receipts are provided with point

to point explanations for this mode of transportation. Such documentation should accompany receipts.

2. Meals/incidentals: expenses associated with meals (breakfast, lunch and dinner) and incidentals (snacks, tips, miscellaneous) shall be administered on a per diem basis by city. Per diem amounts will be derived from the U.S. General Services Administration (GSA), which can be found at http://policyworks.gov/org/main/mt/homepage/mtt/perdiem. Per diem will be advanced to the employee prior to travel. Receipts will not be required on incidental or meal expenses. Overages of meal expenses will be the responsibility of the employee, while any savings may be retained by the employee.

   Alcoholic beverages are not allowable reimbursable expenses, and will not be reimbursed pursuant to the City's Personnel Policies. Expenses incurred for meals when travel has not included overnight stay shall be reimbursed under Section E of this policy.

3. Program/Seminar/Conference Fees: charges relating to the traveler's attendance to the particular event (training, conference, seminar, etc) shall be paid by the corresponding department, subject to the provisions identified for expenditures in the City's Expenditure and Purchasing Policies.

4. Telephone/Long Distance: telephone, fax, long-distance, Internet, and communication expenses (including postage) shall be reimbursed when relating to the traveler's employment. Expenses for business communication shall be limited to $10.00 per day.

5. Laundry/Dry Cleaning: when travel is scheduled for more than five consecutive days, reimbursement for laundry and dry cleaning expenses will be allowed. Expenses shall be paid at the cost of the services provided.

Each traveler shall pay for expenses associated with travel on a personal credit card, with the exception of meals or incidental expenses. Travel advances for meal/incidental expenses shall be provided to the employee prior to travel by the Finance Department.

Dependents/spouses accompanying employees on official business shall not be eligible for reimbursed expenses by the City. If a dependent or spouse accompanies an employee on an authorized business trip, only those expenses that can be directly attributed to the employee will be reimbursed. Per diem used for expenses other than those directly attributable to the employee will be allowed; however, the per diem amount will not be increased because of dependent/spouse travel.

The Mayor, City Council, City Manager, Deputy City Manager, Department Directors and management of the City shall be allowed to conduct official City business while on travel. The submission of expenses related to such official business will be required in order to receive reimbursement. Such items may include expenses associated with meetings or business meals outside of the scope of the purpose of travel.

Employees on official business shall follow the City's workers' compensation policies in the event of any on-the-job injury.

E. NON-TRAVEL MEALS

Expenses related to the furnishing of meals, snacks, or food should be limited to the following circumstances:

1. Meetings hosted by the City Council, City Manager, or Deputy City Manager;
2. A meeting during regularly scheduled business hours required by law or authorized by a department director which is anticipated to last more than four (4) hours and which, is scheduled through normal meal times;
3. A business meal with someone other than another City official or employee in order to discuss a specific item of City business; and
4. Meals that are an integral part of a scheduled meeting at which the individual is required to attend.

Receipts provided for meals within this category should detail the nature of the meeting and the people who were present for discussion.

F. SUBMISSION OF EXPENSES

All expenses relating to travel shall be submitted to the Finance Department no later than 10 days after return from the trip. Non-travel meals shall be submitted no later than 7 days from the date of occurrence.

G. EMPLOYEE BREAK ROOMS

City facilities equipped with break rooms shall be furnished with potable water, coffee, tea, hot cocoa, creamer, sugar, and cups/stirrers at the expense of the City. Vending machines will also be available for the use of elected officials and staff.

CITY OF SANDY SPRINGS
FINANCIAL MANAGEMENT PROGRAM

BUDGETARY POLICIES

Developed under the Authority
of the City Council by the
Department of Finance, and
approved by ordinance
on January 3, 2006.

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. 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 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 Sandy Springs 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 any legally restricted revenue sources are used consistent with the applicable laws and/or regulations (i.e. Emergency 911 Fund, Impact Fee Fund, etc.).

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 years 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 debt service 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. PERFORMANCE BUDGET

In addition to requesting expenditures by line item, the budget document shall include "performance" budget information. A performance budget provides information of each of the departments' goals and objectives to be accomplished in the upcoming budget year. A performance budget also utilizes "Service Efforts and Accomplishments" which measure performance of services rendered and department efficiency/effectiveness on a historical basis and project targets of the indicators for the upcoming budget year. The City shall strive to minimize and reduce, if possible, staffing levels required to accomplish its service delivery.

C. 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 of capital equipment and maintenance of existing systems.

- Expanded services - An expanded services budget includes funding requests associated with new services, additional personnel or new capital projects/equipment.

D. 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 H below) that is designated as a budget-funding source shall equal total estimated expenditures for each fund.

E. 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.

F. 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 K below for amending the budget.

G. BUDGET STABLIZATION 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 an amount, which represents no less than two (2) months of operating and debt expenditures (approximately 16% of budgeted expenditures).

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 G above) as a funding source for that fund's budget in any given year. 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 two (2) months of operating and debt expenditures, must first be met before utilizing the excess fund balance as a funding source for the budget. The utilization of fund balance shall be deemed a use of one-time revenues for budgeting purposes

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.

Department Heads must submit budget amendment requests transferring appropriations from one line item to another within the specific department appropriation and the fund, 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, may 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 in accordance with O.C.G.A. 38-81-3.

L. CONTINGENCY LINE-ITEM

The City shall establish an appropriated contingency of one percent 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 Mayor and 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 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.

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.

P. 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. 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.

SECTION IV. CAPITAL PROJECT IMPROVEMENT PLAN

The City will prepare a five-year capital project improvement plan (CIP) which will 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 3 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 Improvement Fund 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 departments, 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 a project was identified and funding is no longer necessary.

E. APPROPRIATIONS AT YEAR END

Capital project appropriations shall carry forward to the subsequent budget period an equal amount of any encumbrances/purchase orders issued as of the close of the fiscal year. Purchases encumbered in the current year, but not received until the following year, must be charged against each department's subsequent year carry-over appropriation. Any remaining appropriation available by project at year-end must be re-appropriated.

F. CONTINGENCY ACCOUNT

The City shall include an appropriated contingency of three percent of the total annual expenditure appropriation in the Capital Project Fund in order to accommodate expenditures that may not have been expected during the duration of a capital project. Expenditure of contingency funds shall only be authorized in accordance with the Change Order Policy outlined within the purchasing section of this document. Any contingency budgets shall be subject to annual appropriation.