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Contact Info:	

BUDGET POLICY

As Adopted on June 28, 2022

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I. General Budget Policy

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 should protect the financial health and stability of the Development Authority of Fulton County (the “Authority”).

The Authority’s goal will be to adopt operating budgets where current revenues equal anticipated expenditures. All work/services supported by the resources of the Authority must function within the limits of the financial resources identified or available specifically for them. A balance must be struck between revenues and expenditures so that the public can realize the benefits of a strong and stable development authority. It is important to understand that this policy is applied to budget entities over periods of time which extend beyond current appropriations. Pursuant to the terms of this policy, the budget 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 Authority through its Executive Director and/or his or her designee.

B. Financing Current Costs

Current costs should be financed with current revenues, including the use of authorized fund balances.

C. Budget Objective by Type of Fund

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

- **General Fund** – The annual budget for the General Fund shall provide for general government operations of the Authority and maintain working capital necessary for the Authority’s financial health and stability.
- **Special Revenue Fund(s)** – The Authority adopts annual budgets for each special revenue fund in existence for the purpose of demonstrating that legally restricted revenue sources are used in compliance with the applicable laws and/or regulations.
- **Debt Service Fund(s)** – If applicable, the Authority may adopt 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.

Additionally, the Authority classifies funds as either operating funds or other funds. Operating funds are those funds that provide appropriations covering the daily operations of the Authority and that are structured primarily for ongoing operations and maintenance purposes. The General Fund will always be an operating fund.

D. Delegation of Responsibility and Authority for Implementation

Responsibility for implementing the provisions of the Budget Policy is assigned to the Executive Director and/or his or designee for tasks and activities associated with the implementation. The Executive Director and/or his or her designee is granted the authority necessary to manage the Authority’s budget in accordance with the intent of this Policy, to the extent that such authority has not been otherwise reserved to the Authority’s Board of Directors (the “Authority’s Board”).

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. 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 Authority shall adopt annual

balanced budgets for the General Fund, each special revenue fund, and each debt service fund by approval of the Authority's Board.

The annual proposed budget should be submitted to the Authority's Board ninety (90) days prior to the beginning of the fiscal year while being made available by the Executive Director and/or his or her designee for public review/inspection.

A. Appropriations

The budget shall be developed based upon "line-item" expenditures. This type of budget focuses on categories of expenditures such as personal services, contractual services, supplies, equipment, etc.

B. Budget Preparation Categories

Budget requests should be identified 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/improved services** – An expanded services budget includes funding requests associated with new or improved services, additional personnel, or new equipment.

C. Balanced Budget

The budget shall be balanced for each budgeted fund. Total anticipated revenues plus fund balance that is designated as a budget-funding source shall equal total estimated expenditures for each fund. Only fund balance amounts that exceed required reserves should be used as a funding source for the budget. The General Fund, all Special Revenue Funds, and any Debt Service Funds shall be balanced on an annual basis.

D. Basis of Budgeting

Neither GAAP nor Georgia statutes address a required budgetary basis of budgeting; however, the Authority 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.

E. Level of Budget Adoption and Control

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

F. Budget Stabilization Resources

The Authority 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 and shortfalls caused by revenue declines and to minimize any short-term borrowing for cash flow purposes. This reserve shall accumulate and be maintained at an amount which represents no less than twelve (12) months of operating and debt expenditures and a maximum of twenty-four (24) months of operating and debt expenditures plus an amount to cover cash flow needs throughout a fiscal year.

G. Utilization of Prior Year's Fund Balance in Budget

If necessary, the Authority may use fund balance in excess of the reserve for working capital 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 requirements for the reserve for working capital, equal to twelve (12) months of operating and debt expenditures, should 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.

H. 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 subsequent year's appropriation.

I. Budget Control Reports

The Authority shall maintain a system of budgetary control reports to assure adherence to the budget. The Authority will prepare and distribute internally and to the Authority's Board timely monthly financial reports comparing actual revenues, outstanding encumbrances, and incurred expenditures with budgeted amounts.

J. 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 Authority's Board must approve all increases in total appropriations.

Authority personnel must submit budget amendment requests transferring appropriations from one line item to another within the specific functional appropriation within each fund and obtain approval by the Executive Director and/or his or her designee, depending upon the specifics of the requested transfer. 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 upon approval of the Authority's Board. This mid-point adjustment is limited to reconciling updated projections with the approved budget amounts and is not intended to duplicate the annual budget process. Supplemental appropriations shall be balanced with additional revenues for each fund.

K. Contributions

Unless authorized by the Authority's Board, outside contributions to programs operated by the Authority shall be subject to the Authority's accounting and budgetary policies. The Authority welcomes both unrestricted and restricted contributions compatible with the Authority's programs and objectives. Any contribution shall be appropriated by the Authority's Board prior to expenditure.

L. One-Time Revenue Sources

Non-recurring revenues shall be utilized within the appropriate fund for items relating to non-recurring expenses. The purpose of limiting these funding sources is to eliminate the fluctuations and escalation of ongoing costs that commonly result from 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.

M. End of Fiscal Year Surplus

The budget is a dynamic rather than static document developed annually over an extended period. Revenue estimates are forecast using a combination of historical trends and the latest economic data available. Our revenue estimates will generally be conservative in nature with supporting data. Expenditure requests will reflect the funding necessary to maintain current service levels. Request to modify existing service levels will always be detailed as enhancements to the base budget. Expenditure requests will be realistic in nature and reflect staff capacity for the forthcoming fiscal year.

Given a variety of changes that can occur within the fiscal year, there is a potential to close the fiscal year with an operating surplus (where actual revenues exceed actual expenditures). In the event of an end of year surplus, it would be distributed as follows:

1. Allocate XX% to the Unassigned Fund Balance until the ceiling level is met. Once the targeted level is met, the allocation would be redistributed to the remaining priorities.

2. Allocate XX% towards General Strategic Initiatives.
3. Allocate XX% towards Locality Based Economic Development Initiatives.
4. Allocate XX% towards (To be determined).

III. Cash Flow Budget

For analysis and internal management purposes, the Authority 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 ensure that cash will be available to pay budget costs on a timely basis.

A. Budget Allotments

Budget allocations (i.e. budget allotments) may be used in the operating budget when needed to manage cash flows. The annual appropriation may be divided into segments in order to ensure 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 provide for available resources to pay obligations.