



Town of Georgetown Restricted and Unrestricted Expenditure Policy

In accordance with recommendations provided by Jefferson, Urian, Doane & Sterner, P.A. the Town of Georgetown hereby adopts the following policy:

PURPOSE

This policy establishes the procedures for reporting both restricted and unrestricted fund balance in the financial statements. Fund balance will be required to be reported using five major classifications based on the extent to which the Town is bound by the constraint on resources reported in the funds. The policy also authorizes and directs the Town to prepare financial reports showing fund balances classification as required by Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

PROCEDURES

Use of Restricted Resources

It is the Town's policy to maintain a diversified and stable revenue stream to protect it from problematic fluctuations in any single revenue source and provide stability to ongoing services. The Town's policy is to segregate restricted resources for both restricted and assigned funds. Town Council specifically authorizes expenditures from those restricted resources and they are approved on a transaction-by-transaction basis in accordance with the specified provisions imposed by those resources. When an expenditure is incurred for purposes for which both non-segregated restricted and unrestricted net positions are available, it is the policy of the Town to consider non-segregated restricted net position to have been reduced first.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are reported using five classifications based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form such as prepaid items or inventories; or (2) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications:

- a. Restricted fund balance - This classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds, debt service funds, and program funds funded with federal or state program dollars. An example of these restricted funds are, but not limited to: Realty Transfer Tax, Municipal Street Aid, Police Grants, Sewer and Water Impact accounts. When the Town receives monies from grant funds that are deposited into the general fund checking account, the

policy is to spend those restricted monies first on related activities prior to spending unrestricted resources.

- b. Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- c. Assigned fund balance - This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Manager has the authority to assign amounts to be used for specific purposes.
- d. Unassigned fund balance - This fund balance is the residual classification for the general fund. This fund balance includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year's budget would be included here and can no longer be described as "designated" unless formally committed or assigned.