

TOWN OF BLOOMFIELD

POLICY MEMORANDUM

SUBJECT: GENERAL FUND - FUND BALANCE

NO: Policy # 141.04

DATE: 11/28/2016

AMENDED:

DISTRIBUTION: Town Council

BY: Jim Wren

Finance Director

APPROVED: 11/28/16 by Town Council

I. PURPOSE

The Town of Bloomfield has a successful history of responsible fiscal management. The purpose of this policy is to document the Town's practice with respect to the management of General Fund – Fund Balance (and, in particular the Unassigned portion of such balance) in accordance with professional standards set by the Government Accounting Standards Board ("GASB") and the following goals:

- Unassigned Fund Balance is essential to preserve the credit-worthiness of the Town and meet the standards and expectations of rating agencies.
- Fund Balance reserves provide financial resources in the event of unexpected emergency situations such as natural disasters, economic uncertainty, or other similar condition in which additional reserves are needed to ensure continuity of operations, emergency response and/or mill rate stability.

This policy is also intended to codify the Town's compliance with GASB Pronouncement #54 which defines the components of Fund Balance as follows:

- **Non-spendable:** Amounts that cannot be spent either because they are not in spendable form (e.g. long-term receivables, prepaid expenses, inventory) or because they are legally required to be maintained intact (e.g. endowment fund).
- **Restricted:** Amounts that have legally enforceable constraints placed on their use by external parties or laws and regulations.
- **Committed:** Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (i.e. Town Council).
- **Assigned:** Amounts intended to be used for specific purposes but are neither restricted nor committed.
- **Unassigned:** Amounts that do not fall within any other classification.

II. RESPONSIBILITY

Town Council
Town Manager
Finance Director

III. FORMS

None.

IV. PROCEDURE

- The Town will strive to maintain a minimum level of General Fund Unassigned Fund Balance as of June 30th of each fiscal year equal to between 15-20% of the subsequent year's budgeted operating revenues.
- The Unassigned Fund Balance may be appropriated as authorized by the Town Council, as recommended by the Finance Subcommittee of the Town Council and subject to the provisions of the Town Charter regarding non-budgeted appropriations.
- The use of General Fund Unassigned Fund Balance will generally be limited to one-time, non-recurring purposes such as land acquisition, capital projects, transfer to Capital Projects Fund, emergency/storm response (as defined in Section 309 of the Town Charter) and other one-time, non-recurring uses determined to be in the best financial interest of the Town of Bloomfield and in accordance with this policy and the Town Charter.
- The receipt of one-time, non-recurring revenues will not be used to finance ongoing operating expenditures, programs and activities.
- To avoid creating a revenue gap in subsequent budget years, funds in excess of the 15% minimum will not be allocated to ongoing operations. Exceptions to this standard include fund balance assigned through the normal budgetary process to alleviate a mill rate increase and situations in which operating revenues significantly exceed budgeted levels; in these latter situations, the Town Council may allocate these excess revenues to a specific item in the subsequent year's budget (such as debt service mitigation, capital projects, and addressing long-term liabilities such as those for pension or retiree health care.)
- In the event that using Unassigned Fund Balance to provide temporary funding for an unforeseen emergency causes the Unassigned Fund Balance to fall below the minimum threshold of 15%, the Town Manager will develop a plan to replenish the Unassigned Fund Balance as part of the subsequent year's budget proposal. This plan will seek to restore Unassigned Fund Balance to the minimum 15% level within two years following the year in which the emergency event occurred.