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# **TOWN OF SOMERS FINANCIAL POLICIES**

**AUGUST 2022**

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# TOWN OF SOMERS

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### ***Adoption***

The Finance Department and the Board of Finance, on a regular basis but at a minimum every three years, shall conduct a review and make recommended revisions to the Town's Financial Policies, as appropriate, to the Board of Selectmen. This Policy and revisions hereto shall be approved by the Somers Board of Finance and adopted by the Board of Selectmen.

Adopted on August 23, 2022

## PREAMBLE TO FINANCIAL POLICIES

The Town of Somers has a long history of effective collaboration between its elected Boards of Selectmen, Finance and Education. This successful history is based on strong communication, sound planning and a fundamental understanding of each Board's statutory authority and charter responsibilities. To maintain and enhance this collaboration, representatives of the Board of Education and Board of Selectmen are strongly encouraged to attend the Board of Finance monthly meetings. The purpose of this attendance is to provide a scheduled and formal opportunity to brief the Board of Finance on future plans, expenditures and operational issues which may affect current fiscal standing or increases in revenues. The first public acknowledgement of an impact to budgetary operations or future fiscal engagements must be to the Board of Finance. Between meetings and during difficult financial times, it is imperative that all Town officials communicate these challenges to the Chief Financial Officer, who is responsible for notifying the Board of Finance of critical issues. Simultaneous notice should also be given to the Chairman of the Board of Finance or designee.

The importance of inter-board communications and cooperation is required for the successful operation of town government. To this extent, town elected officials, administrators, officers and employees are required to present all plans, proposals and programmatic initiatives involving the expenditure of funds not allocated in the current fiscal year budget to the Board of Finance prior to any indication to the public that said funds are currently authorized. The Board of Finance understands, that planning within the Boards of Selectmen and Education require public knowledge of potential future expenditures, even within the current fiscal year. However, these plans must include the caveat that future expenditures are subject to the approval of the Board of Finance and the citizens of the town at a future town meeting. Operating outside of these procedures results in misleading the citizens. It also complicates matters, delaying plans and adds to the perception of ineffectiveness in government among the citizens.

The town charter section 6-7 (a-d) and Connecticut General Statute 7-348 provide clear guidance on the procedures required to appropriate funding outside the approved budget. No officer shall enter into a contract that exceeds the appropriation of the department or in the case of an emergency involving care of the town poor, roads, bridges, sewer or water a contract that exceeds the approved budget by one thousand dollars, or more, must be approved by the Board of Finance. Additionally, any appropriations of twenty thousand dollars or more, that were not included in the original budget must be approved by a town meeting, upon the recommendation of the Board of Finance. Special appropriations other than from a surplus fund or approved contingency must be made at a town meeting upon the recommendation of the Board of Finance.

While the actual administration of payroll and benefits for all elected Town officials, contract workers and employees are matters under the control and authority of the Board of Selectmen, the Board of Finance recommends that all such pay and benefit measures be reduced to writing and submitted to the Board of Finance in conjunction with each Annual Budget presentation.

As noted in the start of the preamble, the town has operated effectively within these parameters over an historically long period of time. Employees, officers of the town and elected officials are encouraged to review these procedures and operate within these guidelines, the town charter and general statutes to ensure this tradition continues and provides the best services and maintains the trust of the citizens of Somers.

August 23, 2022

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# TOWN OF SOMERS

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## **BUDGET TRANSFER POLICY**

### **PURPOSE:**

The Budget Transfer Policy provides guidance to ensure that adjustments to the adopted budget are performed in a controlled manner and in compliance with applicable regulations.

Budget transfers may be necessary for any one of several reasons. At times, objectives may be realigned requiring a corresponding realignment of resources. Transfers may also be needed as a result of actual expenditures varying significantly from original estimates.

### **SCOPE:**

The Town Budget is passed on a departmental line-item basis. Approval is needed for the departments, boards or commissions which overspend on a specific line item. The Board of Selectmen may only transfer and re-appropriate funds between Town Operating Budget line items within a given Department. The Board of Finance may authorize over-expenditures or transfers between Department budgets up to the limit allowed by Connecticut General Statutes and may at their discretion require Town Meeting approval for such authorizations. Transfers between Department budgets which exceed Connecticut General Statute limits shall require approval at a Town Meeting.

### **OBJECTIVE:**

This Budget Transfer Policy is a budget management and internal control tool designed to ensure that plans for addressing changing financial circumstances or operations are in place in advance of the financial impact of those changes. There are 4 types of transfers.

**Intra-Department Budget Transfer** - Any transfer of funds between budgetary accounts which results in an increase in the appropriated amount for one account and a decrease in a like amount in another account. A budget transfer can occur between appropriation accounts within an operating Department or in appropriation accounts between Departments.

**Inter-Department Budget Transfer** - Transfers that do not increase the total adopted Town budget, but instead put appropriations into one Department that needs additional funding from other Departments that might have excess funding.

**Contingency Account Transfer** - The General Fund Contingency Account is established to provide for unforeseen costs that might arise during the year.



**Yearend Budget Transfers** - Budget Transfers are made at the end of the fiscal year to balance Departmental budgets and to determine the Town's surplus or deficit.

### **REQUIRED APPROVALS:**

The Finance Department, Board of Finance and Board of Selectmen are responsible for monitoring the budget. The Department Heads are responsible for making requests for budget transfers within sub-function (e.g., transferring funds between one budget line to another budget line within a single department) called a Budget Transfer. Budget transfer requests must be made in writing using the Budget Transfer Request Form and sent to the Finance Department for review and discussion. The Finance Department will present the transfer request to the Board of Selectmen for their consideration and approval. If approved, and depending on the nature and amount, the transfers are then presented to the Board of Finance at their next meeting.

#### **1. Intra-Department Between Line Items Transfers**

The following approval steps apply to budget transfers within a Department and between line items, if there are no additional staffing or the acquisition of capital items.

- Department Head – Requesting authority
- Finance Department - Review authority
- Board of Selectman – First Approval
- Board of Finance - Final Approval

#### **2. Inter-Department Between Line Items Transfers**

The following approval steps apply to budget transfers that do not increase the total adopted budget, but instead pull appropriations for one Department that needs additional funding from other Departments having excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting.

- Department Heads – Requesting authority (approval from both Department Heads)
- Finance Department - Review authority
- Board of Selectman – First Approval
- Board of Finance - Final Approval

#### **3. Contingency Account Transfers**

The Board of Finance may transfer funds from the General Fund contingency account up to the limit allowed by Connecticut General Statutes and may at their discretion require Town Meeting approval for such transfers. Transfers from the contingency account which exceed Connecticut General Statute limits in CGS 7-348, of \$20,000 shall require approval at a Town Meeting.

#### **4. Year End Budget Transfers**

The (finance) board may transfer unexpended balances from one appropriation to another, but no amount appropriated for any purpose, whether general or special, shall be used or appropriated for any other purpose unless the same is recommended by the board – CGS 7-347.

**BUDGET TRANSFER POLICY ADOPTION:**

This policy should be jointly reviewed by the Board of Finance, First Selectman and the Chief Financial Officer/ Treasurer a minimum of once every three years, notwithstanding the fact that more frequent reviews may be deemed necessary

Adopted: August 23, 2022

Effective: August 23, 2022

Revised: \_\_\_\_\_

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# TOWN OF SOMERS

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## **CAPITAL ASSET POLICY**

### **PURPOSE:**

The policy establishes guidelines, useful life, and procedures for the inventory, depreciation and disposal of the Town's capital assets. It will assist the Finance Department in gathering and maintaining information needed to track additions and disposals, along with aiding in the preparation of the Comprehensive Annual Financial Report.

### **SCOPE:**

After a Capital Improvement has been approved and purchased, the Finance Department will comply with GASB (Governmental Accounting Standards Board) Statement 34 in order to ensure accurate capitalization of assets for inclusion in the Town's financial statements.

### **OBJECTIVE:**

A Capital Asset definition, financing guidelines and evaluations are found in the Capital Improvement Policy. Once a capital asset is purchased, this policy defines the responsibilities and obligations of Town Officials and departments to protect the value of the assets, maintain custody and control, provide adequate levels of insurance and ensure detail record keeping of capital assets.

### **ASSET VALUES:**

Purchased capital assets are recorded at their historical cost including any capitalized interest and ancillary charges (e.g. freight and transportation charges and site preparation) necessary to place the asset into its intended location and condition for use. Donated assets are valued at fair market value on the date of the donation.

As part of the year-end closing, the Finance Department will request from the Board of Education a list of capital assets. On an annual basis the BoE will supply the Town with a copy of any capital asset purchase orders over \$5,000. The Town will then put the asset into its capital asset system, which is used to prepare the financial statements.

### **DEPRECIABLE (USEFUL) LIVES:**

Capital assets are depreciated (expensed) using the straight line method over the years specified in the IRS Guidelines for useful life. In cases where vehicles are used by more than one Town department (e.g. used by Police for three years, then by another department), useful life is based on the usage of the Town as a whole, not just the originating Department. The Finance Department will determine the useful life of each new capital asset

in consultation with the applicable department head, particularly in the case of specialized equipment. The following are ranges of useful lives by type of asset based on past experience and usage:

- Equipment – 5 to 20 years
- Vehicles – 5 to 10 years
- Roads, Catch Basins – 30 years
- Sewer & Water Lines – 50 years
- Buildings – 50 to 75 years

For Construction in Progress, update the asset record from the previous year until the asset is complete and transferred to the appropriate category.

#### **ADDING A FIXED ASSET:**

The department head will be responsible for providing detailed information for each capital asset to allow for it to be tracked, monitored and placed in the capital asset system. The type of information needed for each item will be dependent upon the asset but will include items such as identification number, make, model, location, acquisition cost, and a detailed description of the asset. With a completed “Fixed Asset Addition” form, the Finance Department will then add the asset into the capital asset system.

#### **IMPAIRMENT OF CAPITAL ASSET:**

Capital asset impairments are to be reported when they occur. A capital asset is considered impaired when its service has declined significantly and unexpectedly. A capital asset generally should be considered impaired if both (a) the decline in service of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. It is the responsibility of the Department head to report to the Finance Director when any capital asset is significantly impaired by accident, other damage or level of use to the extent that it will no longer be used for as long as originally recorded. This report should include a revised estimate of the remaining useful life (if any) for that asset so that records and depreciation schedules can be adjusted accordingly. The Finance Department shall also be notified if there is a transfer of responsibility for the asset from one Town Department to another.

#### **DISPOSAL OF CAPITAL ASSET:**

When a new asset is purchased that replaces an existing asset, a determination must be made as to what will happen with the existing asset. When an asset is no longer of use to the Town, a disposal will require completion of the fixed asset disposal form and approval by the Board of Selectmen. In no circumstance may an asset be disposed of without prior approval. To the extent possible, the Department head will complete all data on the Fixed Asset Disposal Form, and submit for approval. Upon approval, the asset may be disposed of by the approved manner appropriate in the circumstance (trash, demolition, sale, trade-in). The disposal form shall include the method of disposal (e.g. sale by auction, including on nationally recognized websites or by listing on the Town’s website or local paper, trade in, or scrap).

The asset disposal form should be sent to the Finance Department so that the asset can be removed from the capital asset system.



When an asset has been disposed, a gain or loss must be recognized in the financial statements when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset, or
- Cash is not exchanged and the asset is not fully depreciated or has a residual value.

A gain or loss is not reported when:

- Cash exchanged equals the net book value and the asset does not have a residual value, or
- Cash is not exchanged and the asset is fully depreciated/amortized and has no residual value.

#### **CAPITAL ASSET POLICY ADOPTION:**

This policy should be jointly reviewed by the Board of Finance, First Selectman and the Chief Financial Officer/ Treasurer a minimum of once every three years, notwithstanding the fact that more frequent reviews may be deemed necessary.

Adopted: August 23, 2022

Effective: August 23, 2022

Revised \_\_\_\_\_

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# TOWN OF SOMERS

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## FIXED ASSET ADDITION DATA ENTRY FORM

Asset Description: \_\_\_\_\_

Asset Number (if applicable): \_\_\_\_\_

Date of Acquisition: \_\_\_\_\_

Cost: \_\_\_\_\_

Estimated Useful Life: \_\_\_\_\_

Estimated Salvage Value: \_\_\_\_\_

Serial Number: \_\_\_\_\_

Type of Asset: \_\_\_\_\_

Town Department: \_\_\_\_\_

Location of Asset: \_\_\_\_\_

Source of Funding: \_\_\_\_\_  
(Taxes, Grants, Bonds, Donations, etc.)

Entered By: \_\_\_\_\_

Date Entered: \_\_\_\_\_

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# TOWN OF SOMERS

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## FIXED ASSET DELETION DATA ENTRY FORM

Asset Description: \_\_\_\_\_

Asset Number (if applicable): \_\_\_\_\_

Date of Sale: \_\_\_\_\_ Sale Price: \_\_\_\_\_

Serial Number: \_\_\_\_\_ Salvage Value: \_\_\_\_\_

Type of Asset: \_\_\_\_\_

Town Department: \_\_\_\_\_

Source of Funding: \_\_\_\_\_  
(Taxes, Grants, Bonds, Donations, etc.)

Reason for Disposal: \_\_\_\_\_

Type of Disposition: \_\_\_\_\_  
(Sale, Discarded, Donated, Other)

Requested By: \_\_\_\_\_ Approved By: \_\_\_\_\_

Entered By: \_\_\_\_\_ Date Entered: \_\_\_\_\_

# TOWN OF SOMERS



## CAPITAL IMPROVEMENT POLICY

### PURPOSE:

The purpose of this policy is to establish guidelines for the acquisition of capital assets and improvements. The Town will utilize a "pay as you go" philosophy whenever possible but will supplement that with other longer term financing methods, such as bond issuance and lease purchasing. Public buildings, including schools, infrastructure, parks and equipment acquisitions are the primary beneficiaries of the Town's Capital Improvement Fund.

### SCOPE:

An important commitment is to provide the funds necessary to fully address the Town's capital improvement needs in a fiscally prudent manner. A balance must be maintained between operating and capital budgets so as to meet the needs of both.

### OBJECTIVE:

The capital improvements plan shall include those projects which will preserve and provide, in the most efficient manner, the infrastructure necessary to achieve the highest level of public services and quality of life within the available financial resources.

### DEFINITION OF CAPITAL IMPROVEMENT PROJECT:

A Capital Improvement Project adds to or improves the Town's infrastructure. The qualifying project has a substantial life of at least 5 years, costs \$5,000 or more and is non-recurring in nature.

These improvements typically fall into these three Categories:

- Any new or expanded physical facility, including preliminary design and related professional services, Examples include:
  - New Construction
  - Major Renovations and Additions of existing buildings
  - Sanitary sewer and storm drain construction and rehabilitation
- Land or Property acquisition
- Items of a non-recurring nature where benefits are realized over a long period of time. Examples include:
  - Street reconstruction and resurfacing
  - Major equipment acquisition and refurbishment
  - Park Improvements
  - IT infrastructure
  - Planning, feasibility studies and design for potential capital improvements

## **FINANCING GUIDELINES:**

The capital improvements program shall be prepared and financed in accordance with the following policies:

- **Outside Funding-** Local, State and Federal grant fund as well as cost sharing by special interest groups shall be pursued wherever possible
- **Pay-As You-Go method-** Use of capital reserves and unexpended balances from completed projects may be appropriated annually
- **Transfer Funding** – The use of funding from the Ambulance Fund, Recreation Fund and any other appropriate Town fund established to be self-sufficient or contributory
- **Capital Improvements Budget-** Annual General Fund budget appropriations for capital projects shall be transferred to the Capital improvements fund at the beginning of the fiscal year
- **Debt Financing-** Short and long term borrowing, leasing and bonding, will be pursued in accordance with the debt management policy when other options are not available or sufficient

## **CAPITAL IMPROVEMENT POLICY:**

The Town shall annually prepare a capital improvement spending program for the next ten years. The ten-year program projects capital improvement needs for the Town as recommended by the Board of Finance. The first year of the capital plan will be used by the CIP Committee as a basis for considering the purchase of needed capital items. Funding sources or financing methods will be determined before inclusion in the program. In the development of the Capital Improvement plan, the future impact of the operating costs associated with the capital project will be projected, when possible, and considered in conjunction with the recommended project.

## **CAPITAL IMPROVEMENT PROJECTS (CIP) COMMITTEE:**

There is a CIP Committee appointed by the Board of Finance. Through a series of risk assessment criteria, the Committee evaluates, reviews, ranks and establishes annually the projects and equipment acquisitions to be included in the Town's capital budget. The Committee votes to recommend the purchases and projects to the Board of Finance which, in turn, votes to approve those recommendations. The CIP has developed procedures and a process which must be followed by both the Board of Selectmen and the Board of Education when they are requesting new or replacement capital acquisitions. For vehicles and equipment, a risk scoring and ranking system is followed. Criteria such as vehicle age, mileage/hours, use, condition and annual maintenance costs are weighed to arrive at individual scores and priority ranking. See Appendix, page 12 for CIP Procedures.



## **EVALUATION OF CAPITAL IMPROVEMENTS:**

Projects that meet the definition of a capital improvement will be further evaluated and ranked by the following criteria:

- Mandated by State or Federal statute
- Ensures code compliance or improves the public health and safety in Town
- Improves a program efficiency or effectiveness
- Reduces or stabilizes operating costs
- Prolongs the functional life of a capital asset by five years or more
- Enhances community values and improves the Town's quality of life
- Directly benefits the Town's economic base by increasing property values
- Utilizes outside financing sources, such as grants

## **CAPITAL IMPROVEMENT POLICY ADOPTION:**

This policy should be jointly reviewed by the Board of Finance, First Selectman and the Chief Financial Officer/ Treasurer a minimum of once every three years, notwithstanding the fact that more frequent reviews may be deemed necessary.

Adopted: August 23, 2022

Effective: August 23, 2022

Revised: \_\_\_\_\_

## APPENDIX

TOWN OF SOMERS  
BOARD OF FINANCE  
CAPITAL ACQUISITION PROCEDURES  
March 28, 2011  
Ratified April 23, 2012

To facilitate the acquisition of capital assets by all Boards and Departments within the Town of Somers:

### 1. General Description

1.1 Each Department of the Town of Somers interested in making capital acquisitions now or in the future shall submit by January 31 of each year a schedule of those acquisitions. Type A and Type B Capital Acquisitions (see definitions) should be presented on a 5 year schedule whereas Type C Capital Acquisitions should be projected to the date of commitment. Type D acquisitions shall be effected in accordance with Section 2.4 below.

1.2 The purpose of the schedule of proposed capital acquisitions is to inform the Board of Finance ("BOF") as to both the recurring and "non-recurring" capital requirements of each Department within the Town with as much advance notice as may be reasonable in the circumstances. By providing information as to proposed acquisition date and projected cost, the BOF may be able to better assess the impact of the expenditure on the budget for any given year. In addition, the information will enable the BOF to find the better methods of financing or funding the acquisition.

1.3 Capital Acquisition Schedules must be approved by the Board of Selectmen ("BOS")/Board of Education ("BOE") prior to submission to the BOF. BOS approval of a Capital Acquisition Schedule does not bind the Town to complete any purchase or initiate any development set forth on such Capital Acquisition Schedule.

1.4 The fact that an item is listed on a Schedule of Proposed Capital Acquisitions does not mean that the Board of Finance will approve such acquisition at the date and time specified or at all.

### 2. Criteria for Consideration.

All proposed Capital Acquisitions shall be identified as a Type A, Type B or Type C Capital Acquisition. No proposal for a Type D Capital Acquisition shall be required.

2.1 Type A Capital Acquisitions. A capital acquisition determined by a Department to be recurring in nature shall be a Type A Capital Acquisition. A "recurring" event contemplates the repeated replacement of a capital asset as that item reaches the end of its useful life. To be a Type A acquisition the capital asset must be currently owned and

used by a Department in the ordinary course of its operations and be necessary to the successful operations of that Department.<sup>1</sup> An example of a Type A Capital Acquisition in the Highway Department might be a general utility dump truck. The truck might be used for general highway maintenance projects, street cleaning and snow plowing. Based on experience, repair frequency and trade-in value, the Highway Department might have determined that a general utility dump truck has a useful life of six (6) years. Examples of other Type A capital acquisitions might also include HVAC equipment replacement, communications systems, computer systems and the like.

**2.2 Type B Acquisitions.** An acquisition intended to perform a function not previously performed by the Department or to provide a service not heretofore provided shall be a Type B acquisition. For example, the BOE might determine that its woodworking shop no longer meets the needs of technically oriented, non-college bound students. The BOE may have found that computer repair technical training offers students more post-high school employment opportunity. The laboratory space, testing and repair equipment, computers, software and other materials necessary for the implementation of the new program would be a Type B Acquisition. Another example might be where the Fire Department does not currently have a hydraulic aerial ladder truck. The acquisition of this type of vehicle would be a Type B Acquisition.

**2.3 Type C Acquisitions.** A capital acquisition that might be expected to be a significant addition to the Town asset base and one that is not likely to recur on a regular basis would be a Type C acquisition. This category consists of major capital acquisitions intended to have lasting effect. Examples of a Type C capital acquisition might be the major renovation of the several school buildings, the most recent renovation of the Town Library and proposals to add a fire or police station. Type C Capital Acquisitions are those which call for the development of significant facilities within the Town and which contemplate major expenditures. They are acquisitions that might be expected to last 20 years or more. They need not be buildings. Other examples of Type C Capital Acquisitions might include water or sewer projects or land acquisition for park or recreation purposes.

**2.4 Type D Capital Acquisitions.** The BOF may from time to time appropriate certain amounts to a specific line item identified as the Capital Expenditure Discretionary Fund for either the Town or the School Department. Type D Acquisitions are those of an unforeseen, unplanned or emergency nature and, with one limitation, are solely within the discretion of the BOS or the BOE, as the case may be. The sole limitation on the exercise of BOS or BOE discretion is that no more than 50% of the available line item balance may be used in the first 6 months of the budget period absent BOF approval. Any amounts not expended may be carried over to a subsequent budget period.

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<sup>1</sup> Where a Department currently owns a surplus vehicle, the replacement of the surplus vehicle would not be a Type A acquisition as, by definition, the surplus vehicle is not necessary to the successful operation of the subject Department.

### 3. Type A Support.

The following information will aid the BOF in a decision to fund the acquisition of a proposed Type A Capital Asset. A more specific description of the required supporting information is set forth on the Type A acquisition form, incorporated herein by reference.

3.1 Historical Usage. The Department provides supporting data showing the frequency of use of the particular capital asset over time and the life expectancy of the capital asset based on the usage factor. Historical replacement data is also helpful, that is, records showing the particular item has been replaced every 5-7 years. The ability of the Department to predict with accuracy its recurring capital asset needs will enhance its chances of approval.

3.2 Useful Life. The Department may have supporting data that the repair costs on a particular item of equipment start to escalate significantly at (for example) the 4 year mark. Other evidence may suggest that trade-in value at the 4 year mark might be at 33% of purchase price, but that it drops to a non-existent or nominal amount by year 6.

3.3 Usage Factor. The daily usage factor is an important parameter. A high daily usage factor supports municipal ownership. A low daily usage factor suggests rental or hired services.

### 4. Type B Support.

The following information will aid the BOF in a decision to fund the acquisition of a proposed Type B Capital Asset. A more specific description of the required supporting information is set forth on the Type B acquisition form, incorporated herein by reference.

4.1 Expert Opinion. Studies by experts in the particular field related to the proposed capital acquisition confirm that the acquisition is necessary to provide services the citizens expect or demand. The opinion should support the notion that the proposed capital acquisition is the most reasonable and cost effect method of providing the overall service.

4.2 Funding Sources. Will state or federal funding be available, in whole or in part, to support the acquisition. Are there alternative sources of funding such as user fees, donations or grants.

4.3 Replacement. Will the particular capital acquisition replace existing capital assets which may then become surplus.

5. Type C Support. It is expected that an ad hoc planning and development committee would be established to manage the kind of major capital acquisition

denominated as a Type C acquisition. Specific proposals, guidelines for planning and development of the project, scope of the work, scheduling to completion and bid processes are all left to the discretion of the committee and the respective Board. Type C acquisitions are likely to be so varied in description and scope that a pre-determined request format would be inefficient.

## 6. Review Process

6.1.1 Type A. The BOF shall review the schedules of proposed capital acquisitions in conjunction with the adoption of the budget for the following fiscal year. The BOF may accept any of the Type A items on any schedule as presented or request further information or supporting materials with respect to any such item. Where the BOF concurs in the determination that a Type A item is necessary for the proper operation of a department, its projected replacement date is accurate based on useful life, and its estimated cost is reasonable, the item will be marked as "APPROVED – BOF" on the master schedule.

6.1.2 Type B. The BOF may take special measures to review or consider any Type B item on any schedule presented, which measures may include hearings and reviews by the BOF, a designee of the BOF or a sub-committee of the BOF (which sub-committee may include representatives of other departments, residents or persons with expertise in the subject matter.) Where the BOF shall approve a Type B acquisition it shall be marked "APPROVED – BOF" on the master schedule.

6.1.3 Type C. It is expected that Type C acquisitions would be under the control of a special committee or planning group appointed by the BOS or BOE for the purpose. Because of the wide variation that might be expected in project type and cost, Type C acquisitions shall be considered on an ad hoc basis.

6.2.1 In preparing the annual budget, the BOF or BOE shall establish a separate line item for Type A and Type B purchases. The BOS or the BOE shall, in their respective areas of responsibility, have the authority to give final approval to any purchase.

6.2.2 The authority may elect to defer the purchase of any Type A item, substitute the purchase of another "BOF – Approved" Type A item or "bank" all or part of the cost of a deferred Type A item to a subsequent budget year.

6.2.3 Any purchase of a Capital Acquisition, regardless of the Type, which is not to be completed in a budget year (for example, due to installment purchase or lease) must be referred to the BOF for approval of the financing terms and conditions. The annual cost of financing for the item plus the annual portion of principal reduction shall be attributed to the respective department.



6.2.4 Any portion of the capital account for Type A or Type D items which has been “banked” or deferred to a subsequent budget year shall be held as a part of the reserves of the general fund, but the sum shall be designated as solely for capital acquisition of Type A or Type D items, as the case may be.

6.2.5 At the close of each budget year, the BOS and BOE shall report to the BOF in writing, describing each item of capital acquisition, the date thereof, the type and the cost. The report shall also include amounts banked or deferred with a brief explanation of the reasons therefor.

End of Capital Acquisition Procedures

## TOWN OF SOMERS CAPITAL PROJECT REQUEST

Gov. Function:	BOS	BOE	Department:
Contact Person:			
Phone:	Email:		
Item Requested:			
Category:	Cat:A <input type="checkbox"/>	Cat:B <input type="checkbox"/>	Cat: C <input type="checkbox"/> Cat: D <input type="checkbox"/>
Statement of need:			
Category A: Useful lifecycle Statement: include how useful life is measured, repair frequency, price vs. quality, trade in resale, rental vs. purchase etc.			
Category B: Justification Statement – Include how purchase consolidates activities and improves efficiencies, etc.			
Impact if not obtained:			
Lifecycle Schedule:			
Purchase Year	Replacement Yr	Replacement	Replacement Yr
Estimated Cost:			
Estimated price determined by:			
Proposed funding source:			
Operating Budget: <input type="checkbox"/>	General Fund: <input type="checkbox"/>	CIP Fund: <input type="checkbox"/>	
Grants(identify): <input type="checkbox"/>	Other: <input type="checkbox"/>		
Authorization:			
BOS/BOE:	Date:		
BOF:	Date:		

**TOWN OF SOMERS  
CAPITAL EQUIPMENT / PROJECT REQUEST  
TYPE A ACQUISITION**

GOV'T FUNCTION      circle one      BOS      BOE      Department\_\_\_\_\_

Contact Person \_\_\_\_\_ E-mail \_\_\_\_\_

Phone (\_\_\_\_) \_\_\_\_\_ Fax (\_\_\_\_) \_\_\_\_\_

Capital Item: \_\_\_\_\_

Proposed Acquisition Date: \_\_\_\_\_

Proposed Acquisition Cost: \$ \_\_\_\_\_

1. Description of Capital Item with all accessories, spare parts and warranties.

2. Projected Useful Life.

- ### 3. Purpose & Frequency of Use.

4. Repair Costs – stated on same basis as Useful Life.

- ### 5. Price/Quality Analysis.

6. Effect on delivery of service/cost of service if acquisition is delayed.

- ### 7. Method of Determining Price.

Approved by BOS / BOE \_\_\_\_\_  
Date \_\_\_\_\_

Authorization \_\_\_\_\_ Date \_\_\_\_\_

Approved BOF Capital Committee: \_\_\_\_\_

Approved BOF: \_\_\_\_\_ Chairman \_\_\_\_\_ Date \_\_\_\_\_

**TOWN OF SOMERS  
CAPITAL EQUIPMENT / PROJECT REQUEST  
TYPE A ACQUISITION**

**INSTRUCTIONS**

1. Description of Capital Item with all accessories, spare parts and warranties. List the specific manufacturer's description of the item, include all accessories, options or other add-ons. Although they are not tangible items, if you wish to buy warranty protection or some other intangible benefit such as a repair contract or the right to future software upgrades, those rights should also be noted.

2. Projected Useful Life. Please describe the useful life in projected years of service along with the underlying data used to support the projection.

Underlying data might be the Departmental experience with identical or similar equipment. For example, the Highway Department records may indicate that over the last 30 years a general utility dump truck made by Freightliner would last 12 years.

Useful life data may come from other agencies who make similar use of the item (state highway department or adjacent towns). Also, useful life data may be obtained from manufacturer's data, rating agencies or experts (consultants) with the required knowledge.

3. Frequency of Use. Describe the number of hours or days (use any measure that makes sense to the requesting Department) the item will actually be in use or service to the Town. For example, a fire truck may be "in use" 24/7 in the sense that it must always be available. On the other hand, a certain truck might only be actually used for fire fighting 6 days per year. Training might afford another 30 days of usage per year. A lawnmower might be used during the growing season or perhaps, 120 days per year. Renting is not an option since there are plenty available in December, a lesser number in July. By comparison, a lift truck might only be used in storm clearing work or for a relatively few number of days per year on an emergency basis.

4. Repair Costs. An estimate of repair costs should be projected over the useful life of the item. Often dealers or consultants can express opinion as to repair costs as they relate to the age of the equipment.

5. Price/Quality Analysis. There are variations in quality among all types of equipment. A Mack dump truck may be less expensive than a Peterbuilt, but the useful life of the Peterbuilt may be several years longer than the Mack. The Town often tries to buy the lowest priced item in order to conserve resources. Often this is a mistake, as the lesser quality associated with lower price leads to higher repair costs and shortened useful life. The applicant should consider and present this analysis where applicable.

6. Effect on delivery of service/cost of service if acquisition is delayed. What effect will a delay in the acquisition of the item have on the ability to deliver/provide the related service.

7. Method of Determining Price. Please describe how the price was determined: Request for Proposals, dealer quote, market price, purchase by others, including municipal/government agencies.

GOV'T FUNCTION \_\_\_\_\_ circle one BOS BOE Department \_\_\_\_\_

Contact Person \_\_\_\_\_ E-mail \_\_\_\_\_

Phone (\_\_\_\_\_) \_\_\_\_\_ Fax (\_\_\_\_\_) \_\_\_\_\_

Capital Item: \_\_\_\_\_

Proposed Acquisition Date: \_\_\_\_\_

Proposed Acquisition Cost: \$ \_\_\_\_\_

1. Description of Capital Item with all accessories, spare parts and warranties.
2. Projected Useful Life.
3. Purpose & Frequency of Use.
4. Repair Costs – stated on same basis as Useful Life.
5. Price/Quality Analysis.
6. Effect on delivery of service/cost of service if acquisition is delayed.
7. Method of Determining Price.

Approved by BOS / BOE \_\_\_\_\_  
Date \_\_\_\_\_

Authorization \_\_\_\_\_  
Date \_\_\_\_\_

Approved BOF Capital Committee: \_\_\_\_\_  
Chairman \_\_\_\_\_ Date \_\_\_\_\_

Approved BOF: \_\_\_\_\_  
Chairman \_\_\_\_\_ Date \_\_\_\_\_



**TOWN OF SOMERS  
CAPITAL EQUIPMENT / PROJECT REQUEST  
TYPE B ACQUISITION**

**INSTRUCTIONS**

1. Description of Capital Item with all accessories, spare parts and warranties. List the specific manufacturer's description of the item, include all accessories, options or other add-ons. Although they are not tangible items, if you wish to buy warranty protection or some other intangible benefit such as a repair contract or the right to future software upgrades, those rights should also be noted.

2. Projected Useful Life. Please describe the useful life in projected years of service along with the underlying data used to support the projection.

Underlying data might be the Departmental experience with identical or similar equipment. For example, the Highway Department records may indicate that over the last 30 years a general utility dump truck made by Freightliner would last 12 years.

Useful life data may come from other agencies who make similar use of the item (state highway department or adjacent towns). Also, useful life data may be obtained from manufacturer's data, rating agencies or experts (consultants) with the required knowledge.

3. Frequency of Use. Describe the number of hours or days (use any measure that makes sense to the requesting Department) the item will actually be in use or service to the Town. For example, a fire truck may be "in use" 24/7 in the sense that it must always be available. On the other hand, a certain truck might only be actually used for fire fighting 6 days per year. Training might afford another 30 days of usage per year. A lawnmower might be used during the growing season or perhaps, 120 days per year. Renting is not an option since there are plenty available in December, a lesser number in July. By comparison, a lift truck might only be used in storm clearing work or for a relatively few number of days per year on an emergency basis.

4. Repair Costs. An estimate of repair costs should be projected over the useful life of the item. Often dealers or consultants can express opinion as to repair costs as they relate to the age of the equipment.

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6. Effect on delivery of service/cost of service if acquisition is delayed. What effect will a delay in the acquisition of the item have on the ability to deliver/provide the related service.

7. Method of Determining Price. Please describe how the price was determined: Request for Proposals, dealer quote, market price, purchase by others, including municipal/government agencies.

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# TOWN OF SOMERS

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## **DEBT MANAGEMENT POLICY**

### **PURPOSE:**

The Debt Management Policy provides the conceptual framework for the issuance and management of debt.

The purpose of this policy is to provide a comprehensive and viable debt management policy which recognizes the capital improvement needs of the Town of Somers as well as the taxpayer's ability to pay while taking into account existing legal, economic, financial and debt market considerations.

### **SCOPE:**

The Town plans both long-term and short-term issuances to finance its capital program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The Debt Management Plan is structured to layer in debt issues for the ensuing ten years based on approved projects and anticipated needs.

### **OBJECTIVE:**

This policy establishes the standards regarding the timing and purpose for which debt may be issued, types and amounts of permissible debt, method of sale that may be used. The standards constitute realistic goals that the Town can expect to meet, and will guide, but not bind, debt management decisions. The advantages of a debt plan are to enhance the quality of decisions by imposing order and discipline and promoting consistency and continuity in decision making and to demonstrate a commitment to long-term financial planning objectives.

Some factors relevant to the issuance of debt:

- Legal restraints on debt capacity and various alternative financing options
- Urgency of capital requirements and the economic costs of delays
- Willingness and financial ability of taxpayers to pay for the capital improvements
- Proper balance between internal and external financing
- Current interest rates and other market considerations
- The financial condition of the Town
- The types, availability and stability of revenues to be pledged for repayment of the debt

## **DEBT MANAGEMENT POLICIES:**

### **1. Borrowing authority**

The Town of Somers has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to statutory debt imitations and the procedural requirements of the Town Charter. The issuance of bonds and notes is authorized by the Town Meeting, at which all electors and certain nonresident property owners can vote upon the recommendations of the Board of Finance. The Selectmen may remove such bond resolution from vote at Town meeting to a voting machine under state statute. Notwithstanding the foregoing, refunding bonds, may be issued pursuant to a resolution of the Board of Selectmen (CGS Sec 7-370c).

### **2. Types of permissible debt**

Whenever possible, the Town will first attempt to fund capital projects with state or federal grants or other revenues. When these funds are insufficient, the Town may use dedicated revenues from Special revenue funds, when appropriate, capital expenditures or general fund revenues to fund projects. If these are not appropriated, the Town will issue General Obligation Bonds. Revenue or limited obligation bonds may be used to finance those special projects or programs which may directly support the Town's long-term economic development or housing interests or which service a limited constituency and are clearly self-supporting.

The Town may use short-term financing in the form of Bond Anticipation Notes (BANS) to provide interim cash flow, facilitate the timing of bond sales, finance less significant borrowing needs, avoid locking in high long-term interest rates during periods of market turmoil or to finance projects whose final cost is uncertain or is expected to be mitigated by grants. BANS will be retired either through cash reserves or through the issuance of long-term bonds.

Long-term capital leases or lease-purchase obligations may be used for copiers, computers, major equipment, motor vehicles or off-road maintenance equipment and other capital items when it is cost justifiable to do so.

### **3. Purpose of debt**

The Town will limit its long-term borrowing to capital improvements or projects that cannot be financed with current revenues. The Town will not fund current operations from the proceeds of borrowed funds. Whenever appropriate the beneficiaries of a project or service will pay for it. For example, if a project is a general function of the government that benefits the entire community, such as a school or library, it will be financed through general obligation bonds and paid for with general tax revenue. Projects benefiting specific uses, such as water and sewer facilities, will be issued as general obligation bonds by the Town, using its full faith and credit pledge. The revenues will be derived from user fees or charges and targeted taxes and assessments will be used to offset the general obligation debt service.

### **4. Refunding debt**

The Town will continually monitor its outstanding debt in relation to existing conditions in the debt market and will refund any outstanding debt when sufficient cost savings can be realized.

### **5. Planning and structuring**

Each bond sale should take in consideration the following objectives:

- To provide cash to meet project expenditures
- To finance projects commensurate with the useful life of the asset and not to exceed 30 years in accordance with Connecticut General Statutes and recommended by Bond Counsel
- To avoid financing projects with an estimated combined project cost of less than \$1,000,000
- Whenever possible, to issue \$10 million or less in tax-exempt securities per calendar year to receive the "Bank Qualified" status on the issue to minimize interest rates paid for bonded projects
- To schedule new debt to coincide with the retirement of past debt, whenever possible, to lessen the impact on the mill rate
- Minimize the impact of debt service payments on annual cash flow
- Any and all premium received on debt issues shall be appropriated and used to either lower budgeted general fund debt service payments or pay for issuance costs.
- To manage debt in order to seek and maintain at a minimum a credit rating of Aa2 with Moody's, a Standard & Poor's rating of AA, or the highest credit rating possible.
- Endeavor to limit debt service to 10% of total Town budget including debt service

## **6. Continuing Disclosure**

The Town is committed in continuing disclosure of financial and pertinent credit information relevant to the Town's outstanding securities and will adhere to the requirements of Rule 15c-12(b)(5), promulgated by the Securities and Exchange Commission when issuing bonds and will provide to any nationally recognized municipal securities repository, or "NRMSIR", annual financial information and operating data and timely notices of material events with respect to the bonds; comply with and keep current with all Federal regulations for tax-exempt bonds, and comply with arbitrage regulations of the Internal Revenue Code of 1986, Section 148.

## **DEBT AFFORDABILITY MEASURES & MAXIMUM ALLOWANCES:**

The Chief Financial Officer / Treasurer /and the Selectmen will analyze the Town's debt position and the various indicators of municipal credit relative to credit industry standards. They will examine the following statistical measures to determine debt capacity and compare these ratios to other towns, rating agencies standards and the Town's historical ratios to determine debt affordability. In order to determine the Town's relative debt position, the Town uses the following measures:

- Debt to population on a per-capita basis capped at \$2,514
- General Fund bonded debt as a % of full market value to be capped at 4%
- General Fund debt service as a % of total general fund expenditures to be capped at 10%

An executive summary of the results will be submitted to the Board of Finance.

## **DEBT MANAGEMENT POLICY ADOPTION:**

This policy should be jointly reviewed by the Board of Finance, First Selectman and the Chief Financial Officer/ Treasurer a minimum of once every three years, notwithstanding the fact that more frequent reviews may be deemed necessary

Adopted: August 23, 2022

Effective: August 23, 2022

Revised: \_\_\_\_\_

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# TOWN OF SOMERS

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## **GENERAL FUND BALANCE / RESERVE POLICY**

### **PURPOSE:**

To define guidelines on the level and range of the unassigned general fund balance to be maintained as operating reserves in the general fund. Also, to define the various general fund balance categories for identifying and classifying fund balances in accordance with Governmental Accounting Standards Board (GASB) Statement 54 and to provide guidance in their use.

### **SCOPE:**

Government entities should maintain a prudent level of financial resources to protect against reducing service levels or incurring debt because of temporary revenue shortfalls or unpredicted one-time expenditures. To this end, the Board of Finance has adopted this Fund Balance/Reserve Policy.

### **OBJECTIVES:**

A positive fund balance serves three important functions:

1. Eliminates the need for short term borrowing to handle cash flow between the start of the fiscal year and receipt of revenue from taxes;
2. Can be periodically used to lower taxes to smooth out major fluctuations in the property tax rates;
3. Serves as a contingency fund that enables the Town to respond to unanticipated emergencies or opportunities.

Credit rating agencies such as Standard & Poor's and Moody's, determine the adequacy of the unreserved fund balance using a series of financial evaluations. The size of the fund balance is an important, but not the only consideration in the Town's credit rating. Other important factors are the reliability of the Town's revenue sources, economic conditions, community wealth factors, cash position, debt ratios, management performance, and fiscal decisions made by the Board of Finance.

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, to improve financial reporting consistency among governmental entities. Basically, a hierarchy has been established clarifying the constraints that govern how a government entity can use amounts reported as fund balance. Statement 54 establishes the following five fund balance classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned.



## **GOVERNMENTAL FUND TYPES:**

- **General Fund** - all funds not reported in another fund.
- **Special Revenue Funds** - Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt and capital projects. Restricted or committed revenues are the foundation for a special revenue fund.
- **Capital Projects Funds** - Used to account and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- **Debt Service Funds** - Used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, including resources being accumulated for principal and interest maturing in future years.
- **Permanent Funds** - Used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizenry. Permanent funds do NOT include private purpose trust funds.

## **FUND BALANCE DEFINITIONS:**

Fund balance is the difference between the Town's current assets (cash, short-term investments, and receivables) expected to be available to finance operations in the immediate future and its current liabilities.

Fund Balance (FB) is initially characterized as being restricted and unrestricted. Unrestricted Fund Balance is calculated as follows:

### **Restricted Fund Balance Categories**

- **Non-spendable fund balance**- Amounts that cannot be spent because they are (a) not in spendable form (such as inventory, prepaid items, long term portions of notes receivable), or (b) legally or contractually required to be maintained intact (such as the corpus of an endowment fund).
- **Restricted fund balance**- Amounts constricted to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation and includes a legally enforceable requirement that the resources be used for a particular purpose specified in the legislation.

### **Unrestricted Fund Balance Categories**

- **Committed Fund balance**- Amounts constrained to specific purposes by the Board of Finance alone or with a Town Meeting, are to be reported as committed and cannot be used for any other purpose unless the government takes the same actions to remove or change the constraint. Amounts cannot be used for any other purpose unless the constraint is changed in a similar manner.
- **Assigned Fund Balance**- Amounts the Town intends to use for a specific purpose; intent can be expressed by the Town or by an official or body to which the Town delegates the authority.

Appropriations of existing fund balances to future budgets are considered assigned fund balance. The Town shall not report an assignment that will result in a deficit in unassigned fund balance. Negative fund balances cannot be considered assigned. The expression of intent does not have to be made prior the year end.

The body authorized to assign amounts to a specific purpose for purposes of this policy is the Board of Finance. In accordance to Connecticut State Statutes, use of the General Fund in excess of \$20,000 also requires approval at a Town Meeting.

- **Unassigned Fund Balance-** Amounts that are available for any purpose; these amounts are reported only in the general fund. In other governmental funds, if expenditures incurred exceeded the amounts restricted, committed or assigned it may be necessary to report a negative unassigned fund balance.



#### **GUIDELINES:**

The Town strives to maintain an unassigned general fund balance of not less than two months of current year budgeted general fund operating expenditures. This guidance, results in 16.67% of the current year's General Fund budgeted expenditures. This benchmark is in conformance with the best practice guidance published by the Governmental Finance Officers Association (GFOA). During periods of declared emergencies, critical need, or unanticipated shortages in state and or federal aid this guidance can be lowered to a range of 12.0% to 15.0% at the discretion of the Board of Finance.

#### **UNASSIGNED GENERAL FUND SURPLUS:**

If it is determined there is an amount in excess of the GFOA guideline, the Board of Finance may consider that the excess be used for the following purposes:

- Designate funds for revenue stabilization in order to avoid raising taxes in subsequent years
- Fund unforeseen expenditure requirements or unanticipated revenue fluctuations
- Supplement or enhance a capital replacement program such as vehicles, personal computers, or heavy equipment replacement, or any other capital replacement program initiated by the Town through the CIP Committee
- Fund a one-time capital expenditure that has been identified
- Take advantage of opportunities that would have a positive economic impact for the Town, such as, but not limited to, land acquisition and land development.
- Reduction of high interest indebtedness – short-term indebtedness.

**UNASSIGNED GENERAL FUND DEFICIT:**

If it is determined there is a shortfall (an amount falling below the GFOA guideline), the Board of Finance may develop a plan of action to bring the fund to the required best practice level. This plan could call for achieving the GFOA guideline within a period of 3 years.

**GENERAL FUND BALANCE / RESERVE POLICY ADOPTION:**

This Policy shall be adopted by the Board of Finance, and reviewed annually by the CFO / Treasurer. Any modifications to the Policy shall be approved by the Board of Finance.

Adopted: August 23, 2022

Effective: August 23, 2022

Revised:

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# TOWN OF SOMERS

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## **INVESTMENT POLICY**

### **PURPOSE:**

The Investment Policy of the Town of Somers requires that Town funds shall be handled with the highest public trust. Investments shall be made in a manner which will optimize both the safety of the principal invested, liquidity and the return on investment. Policy limits and diversification of the portfolio are established to protect liquidity for daily cash flow needs. While achieving a higher rate of return is secondary to the requirements for safety and liquidity, there should be a balance of the risk and return.

### **SCOPE:**

This Policy establishes guidelines for the investment of operating, capital expenditure and special revenue funds. The Town of Somers (Town) will consolidate cash balances from all funds, except for cash in certain restricted funds, to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### **OBJECTIVES:**

The objective of the Town's investment and cash management program is to ensure the safety, liquidity and yield on the funds available for investment. These objectives will ensure that all available funds are immediately and continuously invested at the most reasonable market rates obtainable at the time of investment. The Town will seek to attain market rates of return on its investments, consistent with constraints imposed by its primary objectives (as listed below), cash flow considerations and any laws that restrict the investment of public funds.

Investments shall be made in accordance with the following principles in order of priority:

1. Safety of principal
2. Liquidity of investment
3. Investment yield

### **Safety of Principal**

Safety of Principal is the primary investment objective of the Town of Somers.

Investments shall be made in a manner that seeks to ensure the preservation of capital. The objective will be to protect against credit risk and interest rate risk.

- Credit risk, the risk of loss due to the failure of the issuer, will be minimized by limiting investments to the safest types of securities, pre-qualifying the financial institutions and advisors with which the Town will do business and diversifying the investment portfolio.
- Interest risk, the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, may be avoided by structuring investments to mature to meet cash requirements thereby avoiding the need to sell securities prior to maturity and investing operating funds primarily in shorter term securities, money market mutual funds or investment pools.

#### **Liquidity of Investment**

The investment portfolio shall be structured to meet all of the town's cash requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs. Furthermore, since all cash requirements cannot be anticipated, the portfolio should consist largely of investments in local government investment pools and money market mutual funds, which offer same day liquidity.

#### **Investment Yield**

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the municipality's liquidity requirements. Return of investment is of secondary importance compared to the safety and liquidity objectives listed above.

### **STANDARDS OF CARE:**

#### **Prudence**

Investments shall be made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

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 officers acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviation from expectations are reported in a timely fashion in writing and appropriate action is taken to control adverse developments.

#### **Ethics**

Officers involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials shall disclose in writing to the Board of Finance any material financial interests in financial institutions with whom they conduct business. They shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio, particularly with regard to the time of purchase and sales. No Town official involved in the investment process shall accept any gift, benefit recognition, or other emoluments from any existing or potential investment entity.

## **INVESTMENT AUTHORITY:**

Connecticut State Statutes establishes the investment authority for the Town, and the Town Chief Financial Officer / Treasurer is responsible for the daily investment management decisions and activities. The CFO / Treasurer, on an annual basis, shall prepare a report of previous and current positions, investment activity and rationale for changes of the Town's investment funds. The Board of Finance will review this report for reasonableness and adherence to this Policy and make recommendations to the CFO / Treasurer for consideration.

## **AUTHORIZED AND SUITABLE INVESTMENTS:**

All investments must be made in securities authorized by CGS 3-24f, 3-27f or in deposits authorized by CGS 7-400-402. To further clarify and limit allowable investments, the Town has adopted the following investment guidelines:

1. The Town may invest in the following securities and deposits:
  - a. U.S. government obligations and U.S. government agency obligations
  - b. Indirect investment in U.S. government and agency securities, and repurchase agreements fully collateralized by such securities, through the purchase of shares or other interests in a custodial arrangement, pool or no-load, open-end investment company or trust registered or exempt under the Investment Company Act of 1940, whose portfolio consists solely of such securities, repurchase agreements and cash.
  - c. The State Treasurer's Short-Term Investment Fund (STIF) established pursuant to CGS3-27a.
  - d. The State Treasurer's Tax-Exempt Proceeds Fund (TEPF) established pursuant to CGS3-24a.
  - e. Repurchase agreements fully collateralized with U.S. government and agency securities held by a third-party custodian bank. Reverse repurchase agreements are not permitted under this short-term investment Policy.
  - f. Certificates of deposit, demand deposits, any other evidences of deposit at financial institutions, banker's acceptances and commercial paper rated in the highest tier (A- 1, P- 1, F-1, D-1 or higher) by a nationally recognized rating agency.
  - g. Money market mutual funds regulated by the Securities Exchange Commission whose portfolios consist only of U.S. dollar-denominated securities.
1. The Town shall not invest in "derivative" securities such as futures, swaps, options, interest- only or principal-only mortgage-backed securities, inverse floaters, COFI floaters, and range floaters may not be made. These types of securities can experience high price volatility with changing market conditions, and their market values may not return to par even at the time of an interest rate adjustment.
2. The Town shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual issuers or maturities. The Town will routinely monitor the contents of the overall portfolio, the available markets and the relative values of competing instruments and will adjust the portfolio accordingly to assure diversification.



3. The Town shall only do business with qualified public depositories. Eligibility may be based on the most recent certified Qualified Public Depository Qualification Form which is prepared by each institution. Financial institutions shall not serve as depositories
4. There is no limitation on the percentage of the overall portfolio that may be invested in U.S. government and agency obligations, STIF, TEPF, or an authorized custodial arrangement, pool or money market fund. Because of the inherent difficulties in forecasting cash flow requirements, a portion of the portfolio should continuously be invested in these readily available funds.

#### **DIVERSIFICATION:**

Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity or specific issuer. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy, the securities market, and the Town's anticipated cash flow needs.

#### **MAXIMUM MATURITIES:**

To the extent possible, the Town will try to match its investments with anticipated cash flow requirements. The average weighted maturity of all investments exceeding two (2) years shall not be more than five (5) years and no more than 25% of the dollar value of those investments may exceed five (5) years in duration.

#### **INTERNAL CONTROLS:**

The CFO / Treasurer shall ensure that there are appropriate internal controls for the Town's cash management processes, and that these controls are fully documented and followed. These controls shall be designed to prevent losses of public funds arising from fraud, employee error, third-party misrepresentation, or imprudent actions by employees and officers of the Town. The internal control procedures shall be reviewed annually by the Town's independent auditors.

#### **PERFORMANCE STANDARDS:**

The portfolio shall be managed with the objective of exceeding the average rate of a three- month U.S. Treasury Bill for the equivalent period. This index is considered a benchmark for near-riskless investment transactions and, therefore, comprises a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with stated risk limitations and prudent investment principles.

#### **INVESTMENT POLICY ADOPTION:**

This Policy shall be adopted by the Board of Finance, and reviewed annually by the CFO / Treasurer. Any modifications to the Policy shall be approved by the Board of Finance.

Adopted: August 23, 2022

Effective: August 23, 2022

Revised: \_\_\_\_\_