

CITY OF NEW LONDON
FINANCIAL MANAGEMENT POLICY

Whereas, good financial management warrants that certain standards be consistently applied in the financial administration of accounting records, inventories, cash and receivables, the following policies for proper financial administering are hereby adopted.

1. Capitalization Policy. For the purpose of capitalizing assets, such assets will be expensed unless the asset has a value of over \$2,500 and an expected life of over 3 years.
2. Fund Balance Policy. To preserve working capital and to adequately prepare for unforeseen events which will require ready access to funds, it is hereby established that the minimum undesignated fund balance shall be 25% of the operations budget of the General Fund. As a reasonable target the undesignated balance should be 80% of expected State Shared Revenue. Undesignated funds in excess of 100% of State Shared Revenue should be applied to reduce the tax levy.
3. Delinquent Personal Property Taxes. While every effort should be made to collect all taxes levied and due the City, it misrepresents the assets available to the City to report Personal Property taxes receivable more than 3 years past due. Therefore, the Finance Director is authorized to reduce the balance of this account to report only those amounts due for less than 3 years.
4. Accounts Receivable. As with delinquent Personal Property taxes, every effort will be made to collect all monies due the City. However, it does misrepresent the assets available, to report as due and current any receivables older than 3 years; therefore, the Finance Director is authorized to reduce the balance of this account and report only Accounts Receivable aged 3 years or less.
5. Isolation of certain assets and the pooling of resources. Insofar as pool money garners greater interest, funds should be pooled unless there is a significant third party interest in segregating such funds. Examples of such interests are: Federal or State requirements that funds be segregated, Trust or fiduciary obligations where the funds are held on behalf of another party or for a specific purpose (such as retirement funds held to pay health insurance, or monies dedicated to the Library or for Cemetery Perpetual Care.)

6. Payment of obligations prior to or without specific authorization. Notwithstanding that the Council is to specifically authorize all expenditures, as a practical and legal matter certain obligations must be met without delay. The Treasurer is hereby authorized to issue checks and to make settlements as required for the following activities: The issuance of payroll checks and associated obligations for retirement, garnishments, withholding taxes, social security, medicare, and voluntary transactions like loan payments, savings deductions, deferred compensation, insurance, and union dues. The issuance of checks for insurance settlements, health insurance reimbursements and other matters where the law requires confidentiality. The issuance of checks to take advantage of early payment discounts, to meet registration deadlines or to avoid late payment fees, interest or penalty. The issuance of checks to agencies for whom the funds are held in trust or as a third party fiduciary. Examples of these are funds paid on behalf of the Library Board, or tax revenue collected for the State, County, VTAE or School District.

Nothing herein obligates or empowers the treasurers to issue checks for obligations the Council deems as in dispute or are specifically unauthorized. Unless public disclosure is unlawful all checks issued other than those merely transferring funds for investment or cash flow purposes shall individually or in aggregate appear on the monthly bill list.

7. Expenditures to be included in Annual Budget. The Treasurer shall act as comptroller and forbid the issuance of purchase orders and the exchange of funds for any purchase of goods or services not authorized by the annual budget, budget amendment or special council action regarding that purchase.

Payment of third party obligations for funds held in trust or agency are authorized, as are expenditures resulting from court order, actions of a higher level of government, or negotiated settlement of claims.

Adopted March 2000