



MISSION STATEMENT

We commit to Excellence in

Customer Service,

in Community Governing,

and the

Enhancement of the Quality of life

in the City of Bristol

through

Integrity, Leadership,

Teamwork, Communication,

and Innovation.

Policy Overview: The 2009 Budget

Executive Guidelines

In December 2007, the Mayor met with all department heads to offer his budgetary guidance for the 2008-2009 budget process.

This would be the first budget for Mayor Arthur J. Ward.

The Comptroller's office assists the Mayor, the Board of Finance and the City Council with budget preparation and budgetary suggestions. The Mayor is an ex-officio voting member of the Board of Finance.

Mayor Ward and Board of Finance Chairman Rich Miecznikowski explained their expectations to Department Heads for the 2008-2009 Budget.

Highlights of the meeting are as follows:

- Acceptable level of increases in the 3-5% range for budget requests
- Only high priority Capital items will be considered
- Existing Capital Projects in the Five Year Plan need to be completed before implementation on new projects
- The Five Year Capital Plan must be submitted with the Department's operating budget submission
- The Five Year Capital Improvement Form has been revised this year to ease the Department's submission.
- All new facility Capital Projects need to include operating and maintenance expenses in the budget request
- All new requests for positions must be approved by the Salary Committee and City Council prior to inclusion in the budget
- All Department's will be meeting with the Comptroller's Office Staff to review their budget request before submission to the Board of Finance
- All budget requests must be justified by back up documentation

An economic forecast has been prepared by Purchasing Agent Roger Rousseau and will be updated if needed.

Departmental and Agency Budget Requests and Approvals

Almost all City departments were affected this year with operating budget increases related to the continued increases of utilities and fuel oil prices. These increases substantially contributed to individual departmental request increases.

Policy Chart 1 on the following page is a summary of requested increases and final approvals. An explanation of changes made throughout the budget process follows the summaries.

Policy Initiatives

Policy Overview- (continued)

Summary of Request- Policy Chart 1		
Department	Requested Percent of Increase	Approved Increase (Decrease)
General Government	-0.73%	(6.48)
Public Safety	4.45%	0.98%
Public Works	11.85%	2.36%
Health & Social Services	7.91%	4.76%
Libraries	1.84%	3.17%
Parks & Recreation	3.79%	1.72%
Debt Service	0.66%	(3.68)
Miscellaneous (Insurance & Benefits)	10.25%	3.26%
Total General City	7.26%	1.54%
Education	8.70%	6.09%
Total General Fund	8.10%	4.18%

Revenues

This year's grand list grew 40% due to revaluation. Last years growth was 1.795%. Tax collections are strong, for a City with our demographics, at 97%.

The State of Connecticut experienced a small surplus. Due to a slumping economy, the State anticipates a deficit next year. This will certainly affect grants received from the State next year.

Three non-grant revenue sources are closely monitored for current and projected collections due to their high level of revenue producing activity. Interest income, budgeted last year at \$2.1 million was decreased to \$1.8 million due to declining short-term (under one year) investment rates. Building permits and conveyance tax collections, which are closely correlated in trend direction, were both scrutinized. Permits were estimated at \$650,000 which is up \$25,000 and conveyance taxes remained the same at \$900,000.

Board of Finance Review and Approval

In keeping with tradition, the Board of Finance (hereafter, BOF) held public hearings with department heads, boards, and City agencies who are requesting funds, to better understand the details supporting their requests. It is at the BOF workshops, however, that a final budget begins to take shape. The Comptroller and his staff provide budgetary recommendations to the BOF.

Joint Board Review and Approval

A joint meeting of the Board of Finance and City Council was held to review and approve the Board of Finance recommended budget. Usually, a cursory and non-event approval, this year was quite different. When the Board of Finance initially reviewed and approved its budget, a 1.5 mill increase seemed appropriate. As spring approached, that size increase became unacceptable and a lowering of the mill rate increase became the focus of the Joint Board meeting held in mid May, days before Charter required approval.

Policy Initiatives

Policy Overview- (continued)

The Joint Board reduced budget wide, many Capital items resulting in the previous mill rate increase of 1.5 mills lowered to 1.04 mills, and just under a 4% tax increase.

Past Trends

It was the general and consistent guidance of the Chairman of the BOF to keep tax increases as low as possible without affecting City services. This was in light of a prior mill rate increase of .88 mills in 2007 and .5 mills the year before.

While the disparity level between revenue and expenditure budgets did exist, it was lessened by the 40% growth in the City's grand list of \$4.1 billion due to revaluation as mandated by the State. The City's healthy reserves, at 10% of budget by formal policy, provide a safety cushion for emergencies or one-time opportunities.

Current Events

- Once again this year, it became apparent that utility and energy costs were driving departmental increases budget-wide by 20-25%.
- The City exercised caution in approving less Capital projects than usual, as part of the City's 5 Year Capital Improvement Plan. This was an anticipation of a near future significant jump in debt service for the possible construction of two new schools and the land purchase for those schools. The State shares in the cost of construction.
- Educational funding levels were a source of lengthy discussion that takes place every year. Due to various contractual and salary commitments, new State and Federal mandates, it was determined that the Board of Education receive 6.1% of the requested 8.7% increase in funding to run an effective educational program. Please refer to the "Board of Education" tab to review the education programs service efforts and student test score accomplishments.

Comptroller Assistance to the BOF

The Comptroller's office assists the Mayor, BOF and Joint Board with budget formulation throughout the process. This office has no formal budget approval authority. However, the office acts as "budget officer and staff" to those offices.

With the approval of the BOF and the Mayor, the Comptroller's office met with most departments to assess and suggest lower levels of requests forwarded for BOF review and approval.

Emerging Issues

Shortly after budget approval, the Mayor issued a memo that directed all departments to seek his prior approval for any expenditure of funds for conferences and associated expenses such as registration, travel reimbursement, hotels and meals. Except for Public Safety employee's, the Mayor initiated a hiring freeze for the existing budget and the newly approved budget. All requests for replacement or new employees must have his prior approval. Finally, all overtime by employees must also have his prior approval. The purpose of these Mayoral actions was to save monies for expected over-runs in budgeted fuel oils and related oil based commodities.

Operating Budget- General Fund (continued)

Operating Budget: General Fund

Education

Because of its size, the education system budget usually generates the most dialogue. The Board of Finance, for the most part, supports near full funding of the Board of Education's requested amount.

The Board of Education stressed during the budget deliberations, the costs associated with the federal mandate of the No Child Left Behind Act and determining the costs of Special Education. They also stressed the higher costs to educate the many children from "poor" families that Bristol's school population encompasses. It was simply stated that children from poverty level backgrounds cost more to educate. The costs associated with children, where English is a second language, was also cited as higher than normal.

Other Issues

- Budget Contraction- It appears that this budget cycle could be summarized as one of contractions or a reduction in budgetary growth. A department most affected by this was Public Works. Over the past two budget cycles, this department received substantial increases of 22.05 and 6.88 percent respectively. The approved 2009 budget for Public was 2.36%. There were significant reductions in their vehicle replacement program, road resurfacing projects and building and grounds accounts.
- Debt Service - The City stayed within its self-imposed policy of not issuing debt no more frequently than every two years. The last issuance was December 2006.
- The City continues yearly to monitor its contribution to the Economic Development Program. The decision was made a few years back not to add funding to the program due to the City having in excess of a \$500,000 balance accumulated within this account. An evaluation of the account this budget year determined that once again the balance was sufficient and did not warrant a contribution this year.

Downtown Development

City Officials are collaborating with State Officials to develop a "downtown" plan for the mall property purchased by the City in March 2005. The current administration is tentatively looking at private development versus municipal development. It appears a down trend in the current economy has lessened, at least temporarily, developer interest in this 17 acres centrally located downtown land parcel.

Education Facilities and Buildings

The City and the Board of Education are in the initial planning stages of a system wide reorganization of school facilities/buildings. A consultant was hired to assist the City in developing an overall plan with possible alternative options for expanding buildings and/or abandoning certain schools within the City. Preliminary cost estimates are put at \$100 million. This is an extremely preliminary number. It is expected the costs will be handled through multiple debt service issuances in the Capital Budget of approximately \$30 million with the State of Connecticut cost sharing the \$70 million balance. This matter has been known for many years now and the timing of future education related debt issuances will be incorporated into the City's 5-Year Capital Improvement Plan.

Operating Budget- (continued)

Other Funds

There are a number of other funds that the City appropriates budgets for – the Capital Projects Fund, 7 special revenue funds – Equipment and Building Sinking Fund, Community Development Act, Sewer Operating and Assessment Fund, Solid Waste Disposal Fund, School Lunch Program, Pine Lake Challenge Course, LoCIP Projects, the Internal Service Fund comprised of three individual funds and the Enterprise Fund – Bristol Water Department. The following is a brief synopsis of each:

Equipment and Building Sinking Fund - \$1,850,000 has been appropriated as a transfer into the General Fund to pay for capital equipment for fiscal year 2009. This is a one time budgeted transfer which allows the City to keep up with current technology and vehicle replacements while not placing undue burden on taxpayers. The estimated balance of this fund for the 2008 fiscal year end is approximately \$850,000.

Community Development Act (Bristol Development Authority) - This fund accounts for the operations of the Bristol Development Authority. The Bristol Development Authority is responsible for community development (aid to low to moderate-income persons and neighbors), grants administration, legislative liaison activities and economic development. The Bristol Development Authority is staffed by six professionals and one clerical person. The Bristol Development Authority is funded by two sources; the City share costs and the Community Development Block Grant (referred to as CDBG). The City share costs are budgeted within the General Fund and can be found as a transfer-out to a special revenue fund. The City share pays for the Executive Director's salary, two Grants Administrator's salaries, and clerical support as well as their benefits and costs for running their offices. The 2008-2009 City share is \$370,981, which represents a decrease of 3.5% over the 2007-2008 budget. The remaining monies of \$601,472 are funded by the Federal Government. These monies pay for three additional positions and 93% of the benefits within the Bristol Development Authority as well as their related expenses. A reprogrammed cost of \$37,019 was approved. The reprogrammed costs are monies not spent in the previous CDBG budget and are approved by the federal government to be used in subsequent years. In addition, \$52,695 in program income has been budgeted.

Sewer Operating and Assessment Fund – This fund accounts for the operations of the City's Wastewater Treatment Plant. The fund is supported by sewer user charges billed by the Bristol Water Department. Additionally, Water Pollution Control currently bills for assessments on Sewer Capital Projects. The revenues from these assessments are used to pay back outstanding debt issued several years ago for these Capital Projects. Water Pollution Control has undertaken several Capital Projects known as Infiltration/Inflow Studies. These completed studies will result in a reduction of flow into the wastewater treatment plant. This will eventually reduce some of the operating costs associated with the treatment supplies and costs. In anticipation of the wastewater treatment plant upgrades, the City set up a Water Pollution Capital and Non-Recurring Fund several years ago to help defray costs for the taxpayers as well as the users. This fund is currently being used for the repayment of loans and capital project costs associated with the studies taking place. The Water Pollution Control's approved budget is \$4,955,000 or a \$83,670 decrease over the approved 2007-2008 budget. The Sewer user fees will increase 10% for fiscal year 2009. The increase is due to on-going improvements to infrastructure.

Policy Overview- (continued)

Solid Waste Disposal Fund – This special revenue fund accounts for the operations of the City's solid waste disposal program. It is subsidized primarily by a transfer-in from the General Fund. Other revenue sources of the fund are disposal permits, hauler charges, the City's host fee, and interest income. The total budget for this self-balancing fund is \$2,877,958, a decrease of \$197,927. The primary reason for the decrease is an increase to recycling tonnage which is significantly cheaper to dispose of while simultaneously reducing solid waste.

School Lunch Program - This special revenue fund is used to account for the sales of school lunches in the Bristol School system. This fund has several revenue sources. There is no General Fund transfer-in budgeted for this fund. The two largest revenue sources within the fund are the sale of school lunches budgeted at \$1,654,892 and federal reimbursement at \$1,165,152. The expenses of the fund include the salaries of the employees needed to operate and supervise the cafeterias, food supplies and employee benefits. The total budget is \$3,019,044 or an increase of 2.6%.

Pine Lake Challenge Course - This special revenue fund is used to account for a recreational facility used by outside groups. This budget is one of the City's smaller funds and is generally accepted as presented. This year's budget is \$187,350 or a 1.5% increase over the prior year. The accumulated fund balance in excess of \$100,000 will be used for future equipment replacement.

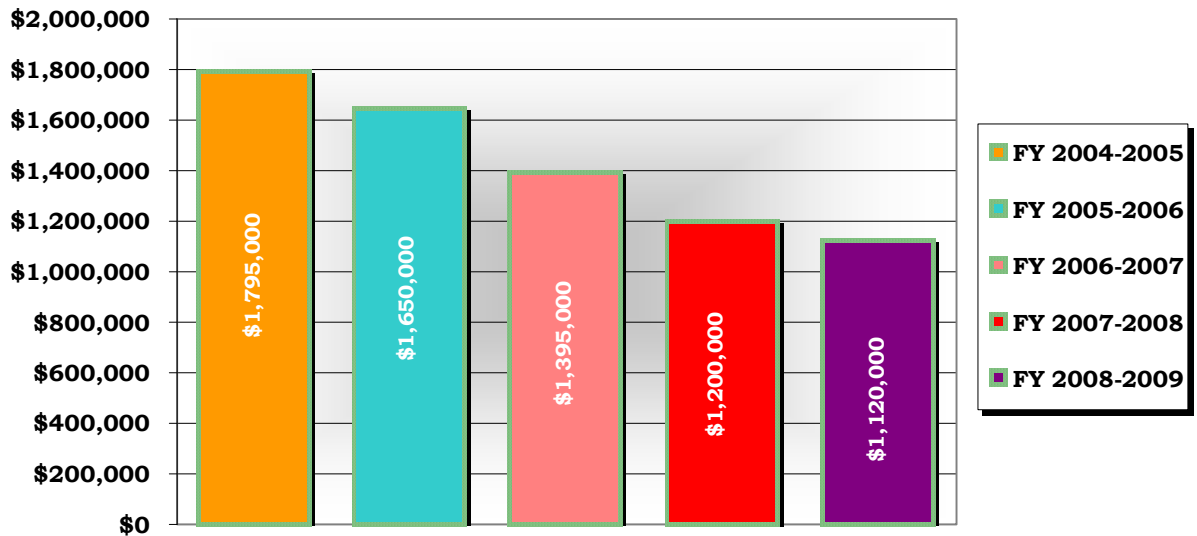
LoCIP Projects - This special revenue fund is used to pay for projects approved under the Capital Budget with the yearly state grant allocation of money to the cities and towns in Connecticut under this program. The City is reimbursed after the expenditure is made on the given projects approved under this State grant. The City of Bristol receives approximately \$500,000 yearly for this program. This year, the City plans to use \$495,000 from the fund to pay for various capital projects. A listing of the projects can be found in the Capital Budget Summary section of this document.

Enterprise Fund - The enterprise fund is used to account for the operations of the Bristol Water Department. The supervision of the Bristol Water Department is entrusted to the Board of Water Commissioners. These operations are financed and operated in a manner similar to that of a private business enterprise. It has been an ongoing practice to accept the Water Department's revenue estimates and expense estimates as projected. Those estimates may be found behind the "Enterprise Fund" tab of this budget document.

Internal Service Fund – Years ago, the City established a Health Benefit and Workers' Compensation Fund to provide reserves necessary to support an insurance program for health benefits and workers' compensation claims. Expenditures are expected to grow by 7.6%. The City has, since the 2002 budget year, adjusted all its accounts for health benefits accordingly and within the fund. The City presently has a small surplus and anticipates a small deficit in 2007-2008 within the Health Benefits Fund.

FUND BALANCE POLICY

General Fund - Several years ago, a policy was established by the BOF to reduce the General Fund's reliance on surplus to balance the budget. The original plan was to go from \$3.66 million to zero (0) in five years. Given economic realities, it was agreed the plan was somewhat too aggressive. The current budget recommendation is \$1.12 million. This chart shows the five year trend of General Fund Fund Balance usage.



Non-General Fund - Use of Fund Balance – This budget approves the use of undesignated fund balance in the Water Pollution Control Capital and Non-Recurring funds for capital projects, the use of fund balance within the Equipment and Building Sinking Fund, the use of fund balance within the Health Benefits Fund, and the use of fund balance within the Old Workers’ Compensation Fund. The effects will be closely monitored during the year and financially managed at year-end. For more information see the “Special Revenue Funds,” “Internal Service Fund” and “Capital Budget Summary” tabs.

Policy - General Fund - Fund Balances – Approved 12/20/00

Purpose: Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time emergency expenditures.

Policy: The Board of Finance recognizes the importance of maintaining stable and adequate General Fund - Fund Balances and sets forth the following policy:

1. Maintain ending General Fund Designated and Undesignated Fund Balances as a percent of operating revenues at $\geq 15\%$.
2. Maintain General Fund Unreserved Undesignated Fund Balances as a percent of operating revenues equal to 10%.

Policy Initiatives

Fund Balance Policy (continued)

Example: For Balances as of FYE - Audit June 30, 2007

Fund Balances:

Unreserved, Undesignated	<u>\$ 17,319,000</u>
Total Balance	<u>\$ 27,721,000</u>
Operating Revenues	<u>\$170,902,327</u>

Ratio's: at FYE Audit June 30, 2007

(1) The total General Fund Designated and Undesignated Fund Balances as a percentage of operating revenues: 16.22%

(2) Unreserved Undesignated General Fund Balances as a percentage of operating revenues: 10.13%

Exceptions: Exceptions and/or changes to this policy may be allowed under certain unique conditions to maintain flexibility in case of emergencies and one-time opportunities.

Key Financial Policies:

- ✓ All proposed new positions requested by the departments (excluding the Board of Education) must be justified to and approved by the City Council salary committee, prior to Board of Finance inclusion in the budget.
- ✓ The travel reimbursement rates follow the IRS yearly travel reimbursement rates.
- ✓ The City uses a sinking fund to supplement operating appropriations for capital equipment and infrastructure.
- ✓ An annual operating transfer-in from the Equipment and Building Sinking Fund occurs within the General Fund. This revenue source is usually funded by Sinking fund revenues, which is a separate special revenue fund. This practice eliminates past practice and confusion related to comparing year-to-year departmental requests among the two funds.
- ✓ It is practice with the General Fund to set aside funds to be available for emergency appropriations during the year as a way of stabilizing funds without the utilization of Unreserved Fund Balance.
- ✓ In the past, the economic development account was funded with an annual appropriation of \$500,000. This appropriation is added to the remaining balance in the account at the end of the previous fiscal year and is carried over to the next year by a designation of fund balance. The 2009 budget does not include an appropriation this year due to a sufficient remaining balance of \$472,324 on June 30, 2008.

Key Financial Policies (continued)

- ✓ The 2001-2002 budget process started a \$500,000 funding program for Capital Projects from General Fund Operating Transfers-In. This year \$292,000 is budgeted for Capital Projects.
- ✓ The City has developed a tax exemption policy as authorized in the Connecticut City and Town Development Act. A sister program, the Urban Jobs Program, is available to businesses anywhere in the City (with permission of the Commissioner of Economic Development). This has been a major incentive for new and expanding manufacturers. These incentives include abating local real property tax assessments on a ten year declining scale, substantial tax abatements on local property (50% of which is reimbursed to the City by the state) and a Connecticut Corporate Income Tax Credit.
- ✓ The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's appropriation authority (the Joint Board: the City Council and the Board of Finance). Activities of the General Fund are included in the annual appropriated budget. Project-length budgets are prepared for capital projects funds. Budget for Special Revenue Funds are prepared in accordance with the requirements of the various grant agreements and/or legal provisions, which control the expenditures of such funds. The level of budgetary control is the object level in each department within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Outstanding encumbrances generally are re-appropriated as part of the following year's budget.
- ✓ Cash management in the operating funds restricts its activities to instruments that provide the greatest safety, liquidity, and yield; in that order. Demand deposits, certificate of deposits, and overnight repurchase agreements comprise the bulk of the operating investment portfolio. In addition, the City monitors the risk based capital ratios and collateral requirements of the qualified public depositories it deals with as defined in Connecticut General Statutes Section 36-382.
- ✓ The City voters approved a charter change for updating allowable investments in order to adopt and implement a future Investment Policy.
- ✓ Cash management in the Pension Trust Funds' investment portfolio is comprised of stocks, bonds, certificates of deposits, and real estate participating units.
- ✓ Keep current with changing technology issues through the Computer Lease Program.
- ✓ Establishment of a Fire Vehicle reserve account within the Equipment and Building Sinking Fund for the replacement of outdated fire apparatus.
- ✓ Continuation of the "Major Bridge" contingency account within the Capital Projects fund for eventual bridge overhaul or replacement.
- ✓ Annually contribute to the Capital and Nonrecurring Fund for special capital projects that may need to be done in any given fiscal year

Policy Initiatives

Key Financial Policies (continued)

- ✓ Continue to set aside funds annually for the assessor revaluation every five years as mandated by the State of Connecticut Office of Policy and Management.
- ✓ Protect the City's quality credit quality rating. See ratings from the three agencies: Moody's, Standard and Poor's, and Fitch on page 385 in the "Debt Management" tab of this budget document.

GASB STATEMENT 45

Governmental Accounting Standards Board (GASB) Statement No. 45 relates to Other Post Employment Benefits (OPEB)- payments and services provided for retirees other than pensions. OPEB consist mainly of retiree health care benefits. GASB 45 applies the accounting, actuarial, and reporting requirements used for pension fund assets and liabilities to health benefits.

Under GASB 45, municipalities providing benefits to more than 200 plan members (like Bristol) are required to have an actuarial valuation of their OPEB plans done every two years. Pay-as-you-go funding will probably not keep up with rising OPEB obligations. The City has set aside reserves to initiate a start toward a longer term plan which will be a ramping up of funding (by appropriation and surplus reserves) to meet long-term annually required contributions (ARC).

Governments will be required to disclose their compliance in meeting statement 45 only on a going-forward basis. A trust has been established to put the funds in for a long-term investment horizon versus a return horizon. This year's budget will see the second requested annual appropriation. The first actuarial valuation was performed for GASB 45 purposes in fiscal year 2005-06 and has been updated for fiscal year 2007-2008.



City of Bristol, Connecticut Debt Policy

Introduction

The purpose of a debt policy is to establish parameters and guidance for the Board to make decisions on capital spending and issuance of debt as a means to fund them.

The Board recognizes the foundation of any well-managed debt program is a comprehensive debt policy. In addition to the general parameters, this policy provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt financing, methods of sale that may be used, and structural features that may be incorporated.

Finally, this debt policy is the Board's recognition of a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. The policy helps to ensure that the Board maintains a sound debt position and that credit quality is protected.

In summary, the main advantages of a formal debt policy are as follows:

- Enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making;
- Rationalizes the decision-making process;
- Identifies objectives for staff to implement;
- Demonstrates a commitment to long-term financial planning objectives; and
- Is regarded positively by the rating agencies in reviewing credit quality.

INTEGRATION OF CAPITAL-PLANNING AND DEBT FINANCING ACTIVITIES

Multi-Year Capital Plan. The City prepares a multi-year Capital Improvement Program for consideration and adoption by the Board of Finance and Joint Board as part of the City's budget process. Annually, the capital budget identifies revenue sources and expenditures for the current year and the next succeeding four fiscal years, as required by the Connecticut General Statutes Sec. 8-24. As part of the capital project planning process, the Board will evaluate the financial impact of each proposed project. The plan is updated annually.

Funding of the Capital Improvement Program. Whenever possible, the Board will first attempt to fund capital projects with Local Capital Improvement Program (LoCIP) grants as part of its broader capital improvement plan. If these grants are not available, the Board will use general revenues (pay-as-you go), excess surplus, bond financing, or a combination thereof. The Board is guided by three principles in selecting a funding source for capital improvements: equity, effectiveness and efficiency.

Debt Policy (continued)

1. **Equity:** Whenever appropriate the beneficiaries of a project or service will pay for it. For example, if a project is a general function of government that benefits the entire community, such as a school, police station or library, the project will be paid for with general tax revenues or financed with general obligation bonds. If, however, the project benefits specific users, such as water and sewer facilities, the revenues will be derived through user fees or charges and assessments.
2. **Effectiveness:** In selecting a source or sources for financing projects the Board will select one or more financing options that effectively funds the total cost of the project. For example, funding a capital project or the debt service on a project with a user fee that does not provide sufficient funds to pay for the project is not an effective means of funding the project.
3. **Efficiency:** If grants or current revenues are not available to fund a project the Board will select a financing technique that provides for the lowest total cost consistent with acceptable risk factors and principals of equity and effectiveness. These methods currently consist of fixed-rate general obligation or revenue bonds issued by the Board.

Infrastructure Maintenance, Replacement and Renewal. The Board intends to set aside sufficient current revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal consistent with its philosophy of keeping the City's capital facilities and infrastructure systems in good repair and to maximize a capital asset's useful life. It is the Board's policy to encourage plans for scheduling this maintenance.

DEBT AUTHORIZATION (CITY CHARTER REQUIREMENTS)

City Charter Sec. 25. The Board shall have the power to borrow money shall authorize the issuance of notes and determine the amount to be issued and shall apportion such moneys as it shall determine necessary for the benefit of the City and tax districts existing or which may be created. (w) The Board shall have sole power to determine the necessity for, and manner of, issuing bonds by the City or Town of Bristol, or any subdivision thereof or district therein. The members of the Board of Finance shall constitute a Board of sinking fund commissioners for the City. The Board of sinking fund commissioners, as a whole or acting through a sub-committee, shall have the care and management of any sinking fund already established or that may be established, to provide for the payment of the principal and interest of the bonds issued by the City.

Debt Policy (continued)

The Board shall act as fiscal agents for all other funds, which are the property of the City of Bristol except as otherwise provided. (x) The Board of Finance, as fiscal agent for the City funds, may invest and reinvest the same as follows: Either in bonds of the United States or in bonds of any of the New England states, or in bonds of any town or incorporated City in this state or shall deposit the sums in any savings, state or national bank. Neither said sinking fund nor any part thereof shall ever be used by the City in any other way than for the redemption and payment of such bonds. Any sinking funds of the City established by law, shall be continued for the purposes for which such funds were created. (y) Any agency or district, whether authorized to carry out state or to carry out local functions of government, which is required by statute to render or cause to be rendered any public service requiring an expenditure of the City's money from the treasury of said City, or any contract involving borrowing of money for the City or any subdivision thereof, shall first submit an estimate of the proposed expenditure or borrowing, with the statement of the necessity therefore, to the Board. The Board shall determine whether any such proposed expenditure or borrowing is necessary and, if necessary, the amount thereof. It may, at any time, summon before it any officer of said City for information, consultation and advice upon the affairs of the City. (z) The Board of Finance annually shall make appropriation for the expenses and maintenance of the City and including the debt of the former first taxing district. Upon completion of the grand list, the City Council and the Board of Finance shall meet in joint session for the purpose of laying a tax on persons and property in the City, and a proper rate bill therefore shall be prepared and signed and a tax laid and collected in the same manner as is provided for herein for the rate bill (Amend. eff. 11-8-93; Amend., eff. 11-4-92; Amend., eff. 12-4-97 taken from Supp. No. 58 of the City Charter).

PURPOSES FOR WHICH DEBT MAY BE ISSUED

- The Board during Emergency situations may issue debt to provide for emergency infrastructure repair or replacement
- The Board will only consider financing major capital improvements with a total cost exceeding \$100,000. Such costs may include any planning, design and land acquisition costs for such improvements.
- The Board will consider issuing debt to finance only those projects that have been included in the Five-Year Capital Improvement Program.
- The Board will not fund current operating expenditures through the issuance of debt.

REFUNDING OF EXISTING DEBT

A refunding is a bond financing procedure in which issuers refinance an outstanding bond issue by issuing new bonds. Most refundings are performed to take advantage of current interest rates that are lower than those rates on outstanding bonds. Such refundings are for interest rate savings. The Board may consider a refunding for three primary reasons:

Debt Policy (continued)

1. To reduce interest costs;
2. To restructure debt service only if the present value of debt service savings exceeds two (2%) percent of the debt service amount of the refunded bonds; and
3. To eliminate old bond covenants that may have become restrictive.

OBJECTIVES OF ISSUING DEBT

- The Board will finance capital projects through the issuance of debt for the shortest period practical but will not exceed the useful life of the asset.
- The Board will evaluate debt-funding scenarios as part of its annual Five-Year Capital Improvement Program process in order to prioritize future financing needs.
- The City will attempt to minimize its reliance on long term debt.

LEGAL LIMITATIONS

- Connecticut General Statutes limit the amount of indebtedness the City may have outstanding to seven times the total annual tax collections including interest and lien fees plus the reimbursement for revenue loss on tax relief programs.

TYPES OF DEBT PERMITTED TO BE ISSUED AND CRITERIA FOR ISSUANCE

TYPES

- Bond Anticipation Notes (B.A.N.'s)
- Tax Anticipation Notes (T.A.N.'s)
- Revenue Anticipation Notes (R.A.N.'s)
- General Obligation (G.O.) Bonds
- Revenue Bonds or Special Assessment Bonds
- Lease Purchase Financing
- Conduit/Tax Increment Financing (TIF)

CRITERIA

a. Short Term Debt

1. **Bond Anticipation Notes:** The Board may choose to issue Bond Anticipation Notes as a source of interim construction financing when deemed prudent. Before issuing such notes, the Board will direct the Comptroller to contact the City's Financial Advisor, for consultation. Bond Anticipated Notes may be sold in either a competitive or negotiated sale, subject to authorization and approval by the Board of Finance.

Debt Policy (continued)

2. **Tax or Revenue Anticipation Notes:** The Board may choose to issue Tax and/or Revenue Anticipation Notes to fund internal working capital cashflow needs. Before issuing such notes, cashflow projections will be prepared by the appropriate City Departments and reviewed by the Comptroller. Tax and Revenue Anticipation Notes may be sold in either a competitive or negotiated sale, subject to authorization and approval by the Board of Finance.
3. **Leasing:** Leasing is appropriate for procuring assets that are too expensive to fund with current receipts in any one year, but with useful lives too short (less than ten years) to finance with long-term debt.

Leasing will be considered for assets that will be needed for only short periods of time, or which are subject to rapid technological obsolescence.

b. Long Term Debt

1. **General Obligation (G.O.) Bonds:** General obligation bonds are general obligations of the City payable from general (ad valorem) taxes, subject to certain constitutional and statutory limitations. Bonding should be used to finance or refinance only capital improvements and long-term assets, or other costs directly associated with financing of a project, which has been determined to be beneficial to a significant proportion of the citizens of the City, and for which repayment sources have been identified. Bonding should be used only after considering alternative funding sources, such as project revenues, Federal and State grants, and special assessments.
2. **Revenue Bonds:** Whenever possible, the City will use revenue, self-supporting, or special assessment bonds instead of G.O. bonds. To enhance security, when issuing revenue bonds, the City will issue “double-barreled” bonds, which are secured both by a dedicated revenue stream as well as by the general taxing powers the City. The City will strictly adhere to all provisions of the bond resolution or trust indenture including but not limited to covenants, additional bond tests, and operation and maintenance requirements. Revenue bonds are generally issued by the City’s Water Department, an Enterprise Fund.

Conduit/Tax Increment Financing (TIF): The City may sponsor conduit financings for those activities (i.e., economic development, housing, health facilities, etc.) that have a general public purpose and are consistent with the City’s overall service and policy objectives. Debt service on TIF bonds will be

Debt Policy (continued)

derived from the increase in tax revenues generated as a result of economic growth in the TIF district. Since the Board recognizes TIF bonds can be highly risky during periods of economic downturn, all such financing must insulate the City completely from any credit risk or exposure.

Credit Enhancement: The Board shall seek to use credit enhancement (letters of credit, bond insurance, surety bonds etc.) when such credit enhancement improves marketability and cost-effectiveness.

RESTRICTION/LIMITATIONS ON DEBT ISSUANCE

Policy prohibits issuing G.O. debt for: current operations, enterprise activities, enterprise funds, vehicles/rolling stock, leased or lease/purchased items.

Policy prohibits the issuance of derivative securities.

STRUCTURAL FEATURES OF DEBT

Overview: The Board plans long-term and short-term debt issuances to finance the City's capital program based on cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions.

At the time of establishing the structure of a bond issue, the mill rate impact in the early years will be evaluated so as to minimize overall tax increases and maintain level principal payments where practical.

Debt Repayment: Generally, borrowings by the City should be of a duration that does not exceed the economic life of the improvement that it finances and where feasible should be shorter than the projected economic life. Moreover, to the extent possible, the City will design the repayment of the debt so as to recapture rapidly its credit capacity for future use. The City will endeavor to repay, at a minimum, 50% of the City's overall outstanding debt in the first ten years when structuring new bond issues.

CREDIT OBJECTIVES

Many analysts use debt ratios i.e. debt per capita to analyze debt levels. However, the Board recognizes overemphasis on debt ratios should be avoided because debt ratios are but one of many factors which influence bond ratings. Commonly used debt ratios of comparable sized Cities will provide one measure against which the City can assess its debt burden. Another method is to compare ourselves against ratios developed by rating agencies, such as, *Moody's Medians*. The analysis is not intended to review the City's total financial position or to make projections of future expenditures other than debt service.

The Board will use the following debt ratios when reviewing the City's capacity to issue debt:

Policy Initiatives

Debt Policy (continued)

Debt Burden Indicator

- Debt as a percentage of Net Taxable Grand List.

Moody's Median: 3.3%					
Grand List Of 10-01	Fiscal Year Ending 6-30	Net Taxable Grand List	Total General Fund Debt (1)	Total General Fund Debt as a % of the NTGL	
	2006	2007	\$3,040,092,230	\$55,416,000	1.82%
	2005	2006	\$2,985,956,800	\$38,665,000	1.29%
	2004	2005	\$2,953,309,410	\$44,215,000	1.50%
	2003	2004	\$2,934,401,850	\$26,245,000	0.89%
	2002	2003	\$2,497,532,520	\$30,650,000	1.23%
	2001	2002	\$2,448,977,270	\$35,050,000	1.43%
	2000	2001	2,399,413,360	\$39,230,000	1.63%
	1999	2000	2,343,823,720	\$36,835,000	1.57%
	1998	1999	2,753,595,000	\$41,030,000	1.49%
	1997	1998	2,714,038,610	\$27,520,000	1.01%
	1996	1997	2,675,268,141	\$31,840,000	1.19%

(1) Excludes Self-supporting Water & Cleanwater Debt.

Debt Service Indicators

- Annual G.O. debt service as a percentage of General Fund operating budget expenditures.

Moody's Median: under 10%			
Fiscal Year	General Obligation Debt Service (P&I) (1)	GF Operating Expenditures (2)	G.O. Debt Service to GF Operating EXP. %
2007	\$6,654,000	\$137,236,000	4.85%
2006	\$7,567,000	\$129,163,000	5.86%
2005	\$6,408,000	\$119,752,000	5.35%
2004	\$6,234,000	\$113,824,000	5.48%
2003	\$6,315,000	\$113,830,000	5.55%
2002	\$6,119,000	\$111,396,000	5.49%
2001	\$6,189,000	\$105,229,000	5.88%
2000	\$6,360,000	\$102,300,000	6.22%
1999	\$6,568,000	\$100,018,000	6.57%
1998	\$6,220,000	\$97,862,000	6.36%
1997	\$6,723,000	\$94,622,000	7.11%

(1) Excludes Self-supporting Water Debt.
(2) Does not include transfer out.

- A retirement rate of 50% of principal in 10 years for new debt issuances.

Moody's Median: greater than 50%		
Fiscal Year Ending Debt	Total GF Principal Outstanding (1)	% of Principal Retired after 10 years.
2007	\$59,762,000	71.8%
2006	43,255,000	84.0%
2005	48,558,000	86.9%
2004	30,134,000	85.0%
2003	33,278,000	83.2%
2002	37,798,000	79.8%
2001	39,230,000	76.5%
2000	36,395,000	70.7%
1999	41,030,000	70.7%
1998	27,520,000	70.7%
1997	31,840,000	69.0%

(1) Excludes Self-supporting Water Debt.

Debt Policy (continued)

Overlapping Debt

- There is no overlapping municipal debt in the City.

METHOD OF SALE

Competitive Sale: The Board, as a matter of policy, shall seek to issue its debt obligations in a competitive sale unless it is determined by the Comptroller that such a sale method will not produce the best results for the City. In such instances where the City, in a competitive bidding for its debt securities (whether general obligation or non-general obligation debt), deems the bids received as unsatisfactory or does not receive bids, it may, at the election of the Board of Finance, enter into negotiation for sale of the securities.

Negotiated Sale: When determined appropriate by the Comptroller and approved by the Board of Finance, the City may elect to sell its debt obligations through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program. Selection of the underwriting team shall be made pursuant to selection procedures set forth in this debt policy under “Selection of Consultants and Service Providers”.

Private Placement: When determined appropriate by the Comptroller and approved by the Board of Finance, the City may elect to sell its debt obligations through a private placement of limited public offering. Selection of a placement agent shall be made pursuant to selection procedures developed by the Comptroller.

DISCLOSURE/ARBITRAGE COMPLIANCE

Rating Agencies: Full disclosure of operations and open lines of communication shall be made to the rating agencies. City staff, with assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies. A credit rating will be sought from Moody’s, Standard & Poor’s and Fitch rating agencies as recommended by the Comptroller in conjunction with the City’s financial advisor.

Arbitrage: The Comptroller shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirement of the federal tax code. This effort shall include tracking investment earning on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebateable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City’s outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure that all covenants are complied with.

Continuing Disclosure: The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City’s outstanding securities and will abide by the Provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.

Debt Policy (continued)

SELECTION OF CONSULTANTS AND SERVICE PROVIDERS

Solicitation: The City's Comptroller shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the City's debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices.

Financing Team: The City employs outside financial specialists to assist it in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors. The key players in the City's financing transactions include its financial representatives (the Comptroller and staff, among others), Bond Counsel and a Financial Advisor. Other outside firms, such as those providing paying agent/registrars, trustee, credit enhancement, auditing, or printing services, are retained as required.

Investment of Proceeds

The investment of idle funds must be in conformance with federal laws, state statutes, the City Charter, and internal policies and procedures.

SAFETY FIRST

Besides legality, the City's foremost investment objective will be safety of principal.

LIQUIDITY

The City will maintain sufficient liquidity to meet project expenditure requirements.

Approval:

Unanimously approved by the Board of Finance on May 22, 2001 by a vote of 6-0 with two Commissioners absent.

APPROVED BY BOARD OF FINANCE 5-22-01

Fixed Assets Policies and Procedures

Introduction

The fixed assets of the City are basically things of value the City owns. The amount of the yearly change to fixed asset values helps determine if the City's fiscal status is improving or declining.

The Board of Finance approved the following policies for City fixed assets to ensure as much as possible, accountability for fixed assets.

This policy is meant to answer questions about its fixed assets for financial reporting purposes such as:

- What types of assets do we have?
- What is the monetary threshold for assets to be capitalized and depreciated?
- Do we want to track assets below the depreciation threshold?
- What possible disposal or retirement reasons and what protocol will be used?
- Where are the locations?
- Who will decide the criteria to use for asset determination?
- What standards will be used for "useful life"?

Presented herewith is the City's (new) Fixed Asset Policy and Procedures.

The City appropriated \$5,000 in 2007-08 to provide private vendor support to update and modernize the City's infrastructure reporting capabilities. The City plans to continue to updated valuations in the future. Money was requested during the 2008-09 budget to continue with the update, but due to the need for budget reductions the project was postponed for a year.

Asset Definitions

Capital Assets

A capital asset is defined as a piece of equipment, or investment in general infrastructure, that has a value in excess of \$5,000 and has an expected useful life of greater than one year. The Governmental Accounting Standards Board ("GASB") has issued Statement 34, dictating the requirements for the reporting of such assets. The annual value of such assets is reported in the Comprehensive Annual Financial Report as prepared by the Comptroller's Office.

Controllable Assets

Certain purchases made by the City do not meet the criteria established for designation as a capital asset; by their nature, however, should be monitored for proper use and disposal, even though their value does not substantially impact the overall value of City assets. These controllable assets either render a critical function or put the City at risk by their absence (e.g. office equipment). Department heads must make every effort to maintain adequate controls for such controllable assets, and must relay such controls to the purchasing agent.

Fixed Asset Policy (continued)

Capitalization Threshold

All assets with an initial individual cost of \$5,000 or greater shall be recorded as a distinct asset for the purposes of reporting asset values in the City's Comprehensive Annual Financial Report, Financial Statement, and all related reports. The City shall maintain of minimum the following information on such assets: description, acquisition cost, acquisition date, purchase order, asset custodian, location, and condition.

The costs for improvements to current assets are to be added to the cost of the existing asset, where practical (in certain cases, improvements may be identified to be a unique asset). The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Donated capital assets shall be recorded at the estimated fair market value at the date of donation.

Assets shall be assigned to one of the following class groups, for the purposes of reporting in government-wide financial statements: land and land improvements, buildings and building improvements, equipment, construction work in progress, and infrastructure.

Certain assets valued less than \$5,000.00 but considered significant as to warrant the monitoring of their condition and location, shall additionally be tracked but not considered in the reporting of asset values as described in the City's Comprehensive Annual Financial Report or Financial Statement. Such items include but are not limited to computers, printers, minor furnishings, firearms, and general office equipment.

Asset Classes

Land and Land Improvements

Land and land improvements, including easements and rights of way, are assigned a useful life of 100 years; however, no depreciation is applied to land and land improvements.

Construction

Construction includes all buildings and building-related structures. Construction-in-process is considered as a separate type of construction and is tracked as a separate asset until the time of completion, at which point the value is reclassified as either a new building or related structure, or added to the value of the construction renovated.

Construction is divided into the following sub classes, with relevant useful life assigned to each subclass:

300 Construction	40 years
301 Portable Structures	25 years
302 Swimming Pools	50 years
305 Wastewater Treatment Buildings	30 years

Fixed Asset Policy (continued)

Infrastructure

Investment in systems that provide a critical service to a municipality when considered as a system, but not a distinct separate asset, is recorded as infrastructure. By its nature, infrastructure is difficult to define as a separate system, and is difficult to define useful life on a broad basis. The Governmental Accounting Standards Board has recommended, and the City of Bristol has adopted, reporting of infrastructure using the following subclasses and relative useful life for the subclasses:

320 General Infrastructure	65 years
410 Bridges	50 years
415 Tunnels	60 years
420 Streets/alleys – subsurface	0 years
425 Streets/alleys - asphalt	20 years
430 Traffic control signals	10 years
440 Sidewalks and curbing	20 years
455 Dams, Basins, and levees	60 years
480 Street Lighting	15 years
490 Water/sewer collection (piping)	65 years

Machinery and Equipment

Machinery and equipment typically comprises the largest number of assets, but comprises the smallest overall value in relation to other classes. Machinery and equipment are given consideration within the following sub classes, with related useful life:

110 Outdoor Equipment	20 years
120 Police and Fire Equipment	10 years
130 Machinery & Tools	15 years
140 Custodial/Kitchen Appliances	15 years
150 Science & Engineering Equipment	10 years
160 Furniture & Accessories	20 years
170 Business Machines	10 years
180 Communications Equipment	10 years
190 Computer Equipment	5 years
200 Computer Software	5 years
210 Audiovisual Equipment	10 years
220 Books & Multimedia	5 years
230 Athletic Equipment	10 years
250 Musical Instruments	10 years
270 Contractor Equipment	10 years
280 Grounds Maintenance Equipment	15 years

The City of Bristol does not engage in the practice of tagging specific equipment; however, all machinery and equipment is monitored by departments on an annual basis.

Fixed Asset Policy (continued)

Vehicles

Consideration is made for vehicles separately from machinery & equipment, in one of the following subclasses:

121 Fire Protection Vehicles	20 years
122 Police Patrol Vehicles	3 years
260 Other Licensed Vehicles	8 years

Please note that equipment such as forklifts, loaders, bulldozers, and backhoes are considered contractor's equipment, and are not defined as a vehicle for purposes of asset reporting.

Property Accounting

Useful Life Assessments

Normal useful life is defined as the physical life, in terms of years, that an asset is expected to endure before it deteriorates to an unusable condition.

Asset classes as defined in this document have been assigned an estimated useful life; a useful life is assigned to each and every asset according to the values listed in the table of classes.

Asset In-Service Dates

An asset's age is typically based on when the asset was acquired, or when the asset underwent its most recent major renovation. The Munis system uses the invoice date for determination of when the asset was acquired.

Fund Designations/Function Designations

Fund Designations

For accounting purposes, assets are associated with a fund type; either governmental or proprietary. Assets associated with governmental funds are intended primarily for general governmental use, serving such uses as public safety or public use. The source of the funds used to acquire these assets is typically, although not exclusively, derived from common collected taxes and fees. Assets associated with proprietary funds are intended primarily for the use of specific self-supporting units; for the City of Bristol, the Water Department is an example of a self-supporting unit. The source of the funds used to acquire these assets is typically, although not exclusively, derived from specific fees associated with direct use of the services offered.

Fixed Asset Policy (continued)

Function Designations

Assets are additionally associated with a function (also referred to as program use). The City of Bristol defines assets as relevant to one of the following functions:

- 10 General Government
- 20 Public Safety
- 30 Public Works
- 40 Health and Social Services
- 50 Education
- 60 Libraries
- 70 Parks and Recreations
- 80 Miscellaneous/Art

Depreciation Considerations

Depreciation shall be applied to all capital assets, assigned on an annual basis. The straight line depreciation method shall be used, according to the following formula:

Original cost less Salvage value, divided by estimated useful life.

Please note that depreciation is not applied to land or land improvements.

Property Control

Department Responsibilities

City departments must maintain all assets that are within their control, in as good condition as may be made in the asset's working environment. Departments shall take adequate care that the working environment for the assets is appropriate and suitable for such assets. City departments must treat all assets in an ethical manner, and must not misuse the assets or use the assets for personal use or benefit. City departments must provide to the Purchasing Department any relevant information or documents (e.g. vehicle titles) for assets within their control. City departments must consult with, and obtain approval of the Purchasing Department, for suitable and appropriate disposal method for assets no longer required by the department. City departments must annually report all additions and deletions of assets for their department, to the Purchasing Department. Such annual report must be made within sixty days of the end of the fiscal year relevant to the annual report.

Purchasing Responsibilities

- The Purchasing Department maintains a full and comprehensive list of capitalized assets possessed by the City. Information on the asset history, location, and appropriate custodial responsibility is retained and managed in such list.
- The Purchasing Department maintains all files relative to vehicle titles and/or certificates of origin.

Fixed Asset Policy (continued)

- The Purchasing Department is responsible for the issuance of RFP's relative to the sale of land parcels, as directed by either the Mayor or the Real Estate Committee of the City Council.
- The Purchasing Department is responsible for the continuing maintenance of asset records in the City's financial records system (i.e. Munis), including maintenance of tables relative to such asset records.
- The Purchasing Department reports asset additions and/or deletions to the Comptroller's Office, for its consideration in the preparation of the Comprehensive Annual Financial Report ("CAFR").

Comptroller Responsibilities

- The Comptroller's Office is responsible for the presentation of the value of all assets in the Comprehensive Annual Financial Report. Such reporting includes the reporting of assets both by fund and by function.
- The Comptroller's Office is additionally responsible for the calculation and application of all depreciation, and any and all adjustments to the plant asset fund.
- The Comptroller's Office shall provide direction and management in the establishment of appropriate useful lives for asset classes.

Additions and Deletions

All City departments are required to provide detailed information on all assets newly acquired during a fiscal year, no later than sixty (60) days after the last day of the fiscal year. Such information shall include, where possible: asset description, location funding source, acquisition date, purchase order number, serial number, and asset cost.

All City departments are required to provide detailed information on all asset deletions during a fiscal year, no later than sixty (60) days after the last day of the fiscal year. Such deletions shall be within guidelines established by the City regarding appropriate disposition of assets.

Additions and deletions of assets are to be reported directly to the Purchasing Agent, who shall compile a summary of all additions and deletions and present to the Comptroller.

Methods of Asset Disposition

Assets owned by the City may be deleted from the list of assets by the following means:

1. Trade-in – assets may be considered for trade-in at the time of acquisition of replacement assets, subject to normal purchasing bidding guidelines, and written approval by the department head.
2. Surplus Sale - in the event that no other City department has been identified as a potential recipient of surplus property, the Purchasing Department may sell surplus property by soliciting competitive bids. Such sales will be the result of public notice in a locally distributed newspaper, no less than ten days prior to the scheduled sale.

Fixed Asset Policy (continued)

3. Discard/Disposal - a department head, with written approval by the Comptroller's Office, may recommend the disposal of assets that are both no longer in use and have been determined to have no remaining value.

Annual Reporting

The total value of assets is reported in the Comprehensive Annual Financial Report ("CAFR") as prepared by the Comptroller's Office. The value of assets, reported by function, shall include the beginning value, a summary of additions, a summary of retirements, and an ending value for the fiscal year being reported.

Munis Operating Procedures

Creation of New Fixed Assets

To determine relevant records for inclusion as new assets, select menu item "Fixed Asset Work File Maintenance". Click on "Import PO"; a menu asking for search parameters appears. Provide search parameters for the month of activity requested, and press Escape.

A table showing available records is displayed, showing the PO number, vendor, description and cost. Items may be considered for inclusion by pressing the number of the relevant line to select or deselect the record. If more than 10 records exist, press "N" for the next page of records (for "P" for previous page).

Click on "Create" to convert the selected records as temporary fixed asset records. Records selected from the PO Import are created as a temporary record, and not immediately fed as an asset. The records must be updated under the menu item "Fixed Asset Work File Maintenance", in the following fields:

- Class Code as described in Section 3
- Subclass code as described in Section 3
- Location (usually matching department code, already provided)
- Custodian (usually matching department code, already provided)
- Create Fixed Asset Field (change from "N" to "Y")

Once all acceptable temporary records are updated, click on "Create Asset". The records are removed from the list of temporary records, and assets have been created.

Once the asset has been created, the following updates shall be made to the record, under the menu item "New Assets and General Maintenance". Press 6 to update Funding Source; enter the function (or "program") type as described in Section 5.C, and enter 100 in the percent field; click on OK and then click on exit.

To activate the asset, press "U" to update the asset. Change the status code from N ("New") to A ("Active"), and click on OK. .

Fixed Asset Policy (continued)

Retirement of Assets

From the Fixed Assets Processing Menu, click on “Adjustments & Retirements”. Select the asset to be retired.

Click on “Transactions”; four transaction types are available. Press R to select Retirement/Disposal. Press U to update the asset; enter one of the following disposal code values:

- D – Defective
- S – Sold
- T – Trade-in
- P – Past Useful Life

If the asset was either sold or traded in, enter the value of the sale of trade-in as the disposal price. Enter a Retirement Code of R, and press enter.

A window will appear asking for the “GL Effective Date”; the current date will automatically be provided. The GL effective date will be the date used in calculating depreciation.

Please note that an error message reading “No Posting allowed due to Parameter Settings” will appear; accounting links to the Plant Asset Fund and to Depreciation Expense have not been established. When asked to continue with retirement, click on Yes.

