

TOWN OF SEEKONK
BOARD OF SELECTMEN
ADMINISTRATIVE POLICY #59
Financial Administration – General Direction and Fund Balances

It is the policy of the Board of Selectmen that an established program of managing the Town's finances is essential to ensure that all officials and employees act purposefully and consistently as stewards of the public trust. To this end, all agencies of the Town shall pursue the following financial objectives:

- Reinforce the public's confidence in management of their Town's finances by acting with integrity and applying professional knowledge.
- Protect and maintain the Town's capital assets, monetary assets and other fixed assets.
- Minimize financial risk attributable to emergencies, as well as foreseeable events that may place a strain on the Town's resources.
- Protect and enhance the Town's credit rating, and prevent default on any municipal debt.
- Safeguard the reliability and effectiveness of the financial system.
- Comply with financial regulations and standards that are promulgated by entities whose expertise is recognized by the financial community.
- Meet the citizens' needs for public safety, education, and other essential services by operating efficiently.
- Conform to generally accepted accounting principals.

To achieve these objectives, the Board of Selectmen adopts the following policies. The Board of Selectmen will review the policies with the Town Administrator and Director of Finance each year following receipt of the report of the independent auditors of their audit of the Town's financial statements. The Board of Selectmen intends that these policies are the Town's guiding financial principals. It should be noted that the Board of Selectmen will deviate from the policies only when compelled by an analysis, and clear public statement, of the superior value of an alternative action.

General

- 1) The Town shall strive to attain a higher credit rating by practicing prudent financial management, strong budget control, sound cash management, and timely billing and collection. The credit rating is a statement of the Town's overall financial health as a government and as a community. The importance of a strong credit rating, in addition to lower cost of debt, is that the general quality of the Town's financial management is confirmed by the financial community.

- 2) The annual budget for current operating expenses of any agency of the Town, whether appropriated at an annual town meeting or a special town meeting, will be funded by current recurring operating revenues, such as taxes, state aid, local receipts and fees. Revenues and sources of funds that are non-recurring, non-operational, or which fluctuate widely, such as free cash and proceeds of borrowing, shall not be used to fund recurring costs.
- 3) Unexpected or unusual revenues (such as local receipts and state aid that exceed historical trends, legal settlements, and any non-recurring revenues) will be thoroughly evaluated prior to being appropriated. Such funds will first be applied to meeting fund balance targets and financing the capital improvement program.
- 4) New recurring revenues (such as revenue from new or higher fees, and tax revenue from new growth) shall be thoroughly evaluated prior to appropriation to confirm that they are permanently realizable at the new level. In the first year in which such revenues will be received, and until they are predictable and stable, they will be applied to non-recurring items, including meeting fund balance targets and the capital improvement program.

Free Cash

The target level of free cash that is presented to the Department of Revenue for certification shall be 2% of the Town's gross annual budget (including all recurring costs such as debt service and cherry sheet assessments)* of the Town.

Free cash shall not be used to fund recurring operating costs or shortfalls attributable to lower operating revenues or higher operating expenses. Excess free cash (the amount of free cash that exceeds the greater of \$500,000 or 50% of the most recent free cash certified by the Department of Revenue) may be used instead to:

- a) Fund non-recurring, unforeseen expenses;
- b) Fund capital projects;
- c) Fund obligations of prior years, and unfunded liabilities such as post-employment benefits; and,
- d) Increase the balance of the stabilization fund or another reserve fund.

Stabilization Fund

Stabilization funds shall be used only to provide temporary financing of unanticipated, unforeseen, or extraordinary needs of emergency nature (such as costs related to a natural disaster or calamity, or an unexpected liability created by Federal or State legislation or a legal judgment), and opportunities to realize long-term savings that can be confidently forecast.

- a) The Town will strive to maintain a balance of at least \$1,000.000 in the Stabilization Fund. *
- b) Stabilization funds shall not be used to fund recurring budget items.
- c) The Town shall strive to make an annual appropriation to the Stabilization Fund, even if a nominal amount, to demonstrate commitment to reserves and thrift.

- * The stated percentage/amount is a targeted level that implies a range of values within the goal can be satisfied. The Town's financial condition must be determined by evaluating the Town's degree of success in attaining a single target together with the Town's performance on attaining all financial goals stated in these policies.

Date Adopted

John Whelan, Clerk