

**Capital and Non-Recurring
Fund
Policy Statement**

Revised as of January 2003

1. Preamble

The Capital and Non-Recurring Fund (CNRF) was established using funds from the sale of assets in the seventies to provide for small capital purchases and non-recurring expenses which would distort year to year budget comparison. A formal policy for use and reimbursement of this Fund is to be effective with the 1995/96 budgeting year. The use and purpose of the fund is to provide a leveling of budgetary requests to facilitate year to year spending comparisons.

On the advice of auditors and accounting professionals, the State Statutes permit flexibility in charging capital items to current operating expense or to a CNR fund. This policy desires the most conservative fiscal process for use of the fund, so that any annual recurring budget expense (operating or capital) will be charged to the operating budget.

2. Policy

Capital and Non-Recurring Account
General Policy

- All expenditures from the CNR account shall be capital and non-recurring.
- Effective as of July 1, 2003, single or aggregate cost of items that exceed \$10,000 (\$7,500 prior to July 1, 2003) shall be accounted for as expenditure in the capital and non-recurring account (CNR).
- Non-recurring is to mean an expenditure that occurs no more frequently than once in a five-year period.
- The individual departments may be charged, or the budget in total, as the BOE and BOS elects. We would recommend a charge to the individual departments since it reflects a more accountable cost center.
- The unencumbered balance in the CNR shall be an amount that facilitates the cash flow needs of the projected CNR budgets and in accordance with debt policy.

3. Funding

- A. Commencing with the 1995/96 Fiscal Year, on an annual basis, the General Fund will fund the CNR Fund utilizing a charge-back method.
- The charge-back for the 1995/96 and 1996/97 Fiscal Years will be spread out evenly over a three (3) year period.
 - The charge-back for the 1997/98 Fiscal Year and beyond will be spread out evenly over a five (5) year period.
- B. Commencing with the 2003/04 Fiscal Year, on an annual basis, the General Fund will:
- continue to fund the CNR Fund utilizing a five (5) year charge-back method for non-recurring expenditures
 - will now account for all other capital expenditures and will utilize a 100% charge-back method in the year of the appropriation from the respective operating budgets:
 - Board of Education (General Fund Budget)
 - Board of Selectmen (General Fund Budget)
 - Sewer Use Fund
 - Residential Rental Properties Fund
 - Dog Fund
 - Simsbury Farms Fund
- C. The level of expenditure request will be net of any items fully reimbursed from other than property tax revenue.
- D. The level of expenditure will be approved by the Board of Finance as a part of the budgeting process. The balance of undesignated funds in the CNR account at fiscal year end should be a positive.
- Notwithstanding the above policies, the Board of Finance may, by agreement with the BOS or BOE, respectively, purchase through the CNR Account a class of capital equipment items pursuant to an agreed upon schedule which takes into account the total life cycle of the class of equipment, provided the budget revenues presently in the Board's operating budget for said class of equipment is permanently transferred to fund the CNR Account as a CNR revenue.

4. Funding

- E. The Board of Finance may fund the CNR Account by an annual levy not to exceed one mill. (C.G.S.'7-361)