



TOWN OF EAST HADDAM
FUND POLICIES

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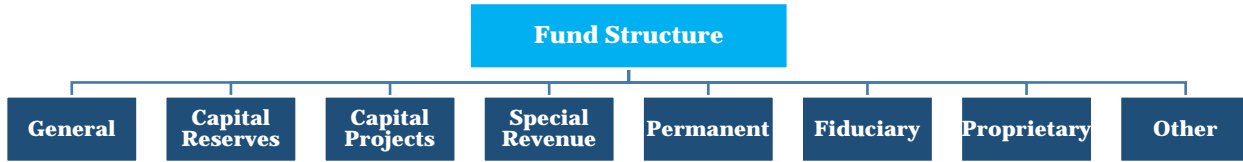
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TOWN OF EAST HADDAM **FUND POLICIES INTRODUCTION**

The Town of East Haddam main fund structure is shown below:



The Fund Policies section of the Board of Finance Financial Policies provides detail for the purpose, conditions and guidance for each fund and the subset of funds to include:

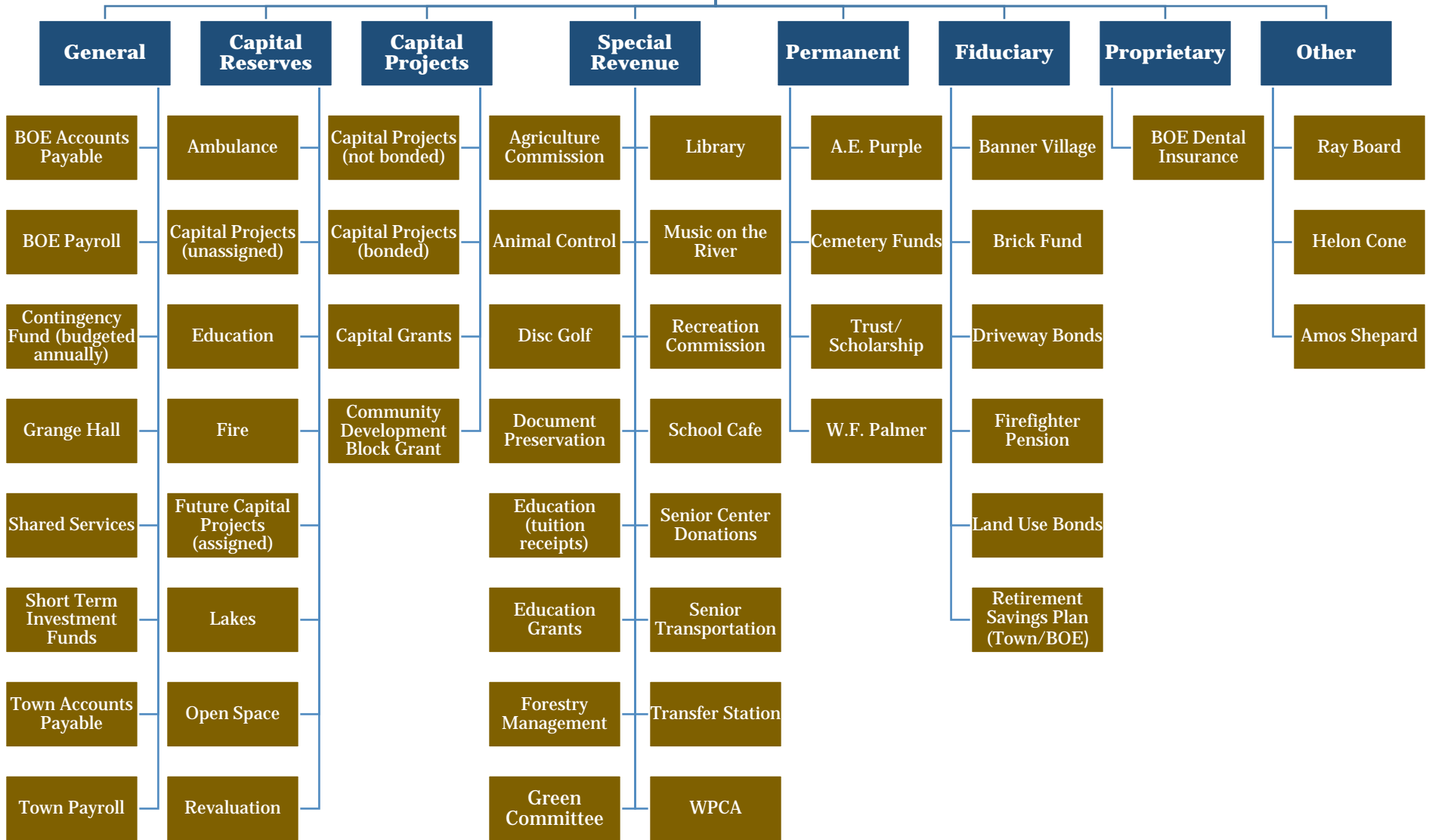
- Fund Name
- Purpose
- Source of Revenue
- General Fund Support
- Eligible Expenditures
- Fund Administration
- Fund Balance Threshold or Deficit Protocol
- Financial Reporting Requirements
- Date of Last Review or Revision

The Board of Finance will review and evaluate the Fund Policies annually or as needed. The Board may authorize the addition or deletion of fund categories as needed.

A chart with main fund structure and the subset of funds follows.



Fund Structure



GENERAL FUND

Purpose:

The General Fund is the Town's main operating fund, and it is used for both regular expenses and contingencies.

The General Fund is broken down into the following categories:

- Board of Education Accounts Payable
- Board of Education Payroll
- Contingency Fund
- Grange Hall
- Shared Services
- Short Term Investment Funds
- Town Accounts Payable
- Town Payroll

Conditions:

The General Fund provides working capital, and ensures sufficient cash flow to meet the Town's needs throughout the year. It provides a cushion against unexpected revenue and income interruptions, and provides funding for unexpected expenses. An adequate General Fund Balance generates investment income, avoids unnecessary interest expenses and helps the Town maintain a good standing with credit rating agencies.

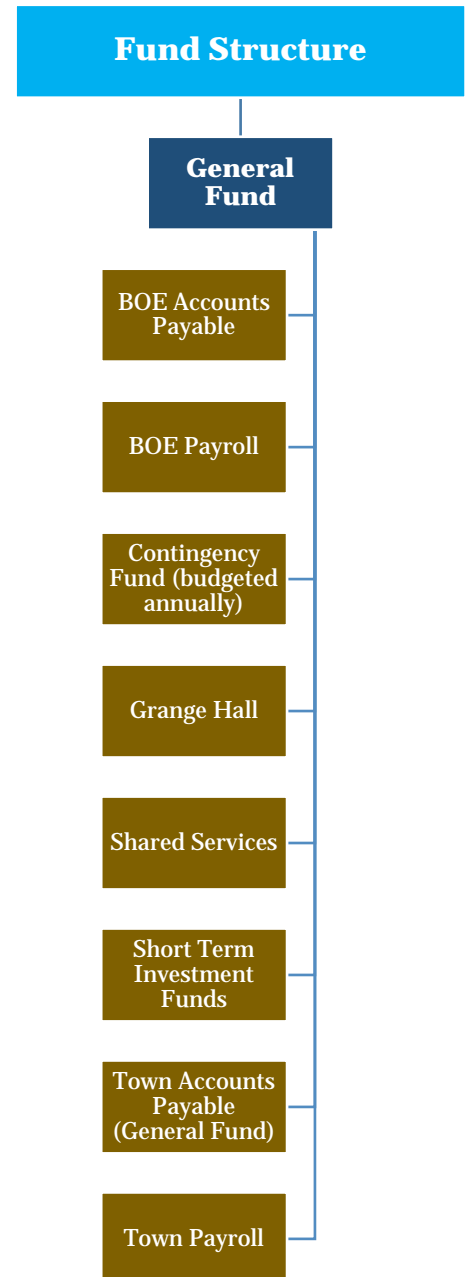
Guidance:

The Town should maintain a General Fund Balance that ranges between 8 and 15 percent of the annual General Fund operating budget.

The Town may use the General Fund to offset the subsequent year's budget appropriations, or make transfers to reserves.

The General Fund Contingency (Contingency) shall be budgeted annually, and maintained at a minimum of 0.5 to 1.0 percent of the Town's General Fund Budget. This account shall be available for unanticipated or unbudgeted expenditures, and will require Board of Finance approval to spend. In accordance with Connecticut State Statutes, use of the General Fund Contingency in excess of \$20,000 also requires approval at a town meeting.

Descriptions, guidelines and policies for each of these funds follows.



| General Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|-------------------------------------|---|--|--|--|--|--|--|---|
| Board of Education Accounts Payable | To process payments for goods, services, supplies, materials, etc. in support of the town's educational system. | General Fund appropriation. | To be determined annually. | Expenditures in accordance with the approved Board of Education budget. | Board of Education | The fund carries no balance. A transfer is made from the Town's General Fund in the amount of the checks issued for each accounts payable issue. | Quarterly reporting to the Board of Education. | Approved: 05-14-18 Revised: MM/DD/YY |
| Board of Education Payroll | To process payroll in support of the town's educational system. | General Fund appropriation. | To be determined annually. | Payroll expenditures in accordance with the approved Board of Education budget. | Board of Education | The fund carries no balance. A transfer is made from the Town's General Fund in the amount of the checks issued for each payroll. | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Contingency Fund | To provide for the Town the ability to account for unanticipated or unbudgeted expenditures. | General Fund appropriation. | To be determined annually. Appropriation should be a minimum of .5 to 1.0 percent of the Town's General Fund Budget. | Expenditures recommended by the Board of Finance. In accordance with Connecticut State Statutes use of the General Fund Contingency in excess of \$20,000 requires approval at Town Meeting. | Board of Finance | N/A | Quarterly reporting to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Grange Hall | To process deposits and reimbursements for Grange Hall rental/usage. | Deposits from groups/individuals seeking to use the Grange Hall. | N/A | Expenditures would be reimbursement of deposits to groups/individuals after use of the Grange Hall. | Selectmen's Office | N/A | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Shared Services | To process payments for goods, services, supplies, materials, staffing, benefits, etc. for Shared Services employees. | General Fund appropriation. | To be determined annually. | Expenditures in accordance with the approved Shared Services budget. | First Selectman and Superintendent of Schools | No threshold has been established. The fund shall not run a deficit balance. | Quarterly reporting to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Short Term Investment Funds | To invest funds beyond what is needed for day-to-day operations to generate investment income. | N/A | N/A | N/A | Treasurer in accordance with Connecticut State Statute | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Town Accounts Payable | To process payments for goods, services, supplies, materials, etc. in support of the operations of the town. | Taxation, grants, fees for services, endowment proceeds and other sources. | To be determined annually. | Expenditures in accordance with the approved Town Government budget. | Boards of Selectmen and Finance | None | Quarterly reporting to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Town Payroll | To process payroll in support of the operations of the town. | Taxation, grants, fees for services, endowment proceeds and other sources. | To be determined annually. | Payroll expenditures in accordance with the approved Town Government budget. | Boards of Selectmen and Finance | None | Quarterly reporting to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |

CAPITAL RESERVE FUNDS

Purpose:

The Town has established Capital Reserve Funds to save for future capital needs in accordance with the Town's Capital Improvement Plan.

As part of the annual budget process, every attempt should be made to include funding in the General Fund operating budget to transfer to the Capital Reserve Funds in order to offset future Capital needs.

The Capital Reserve Funds are as follows:

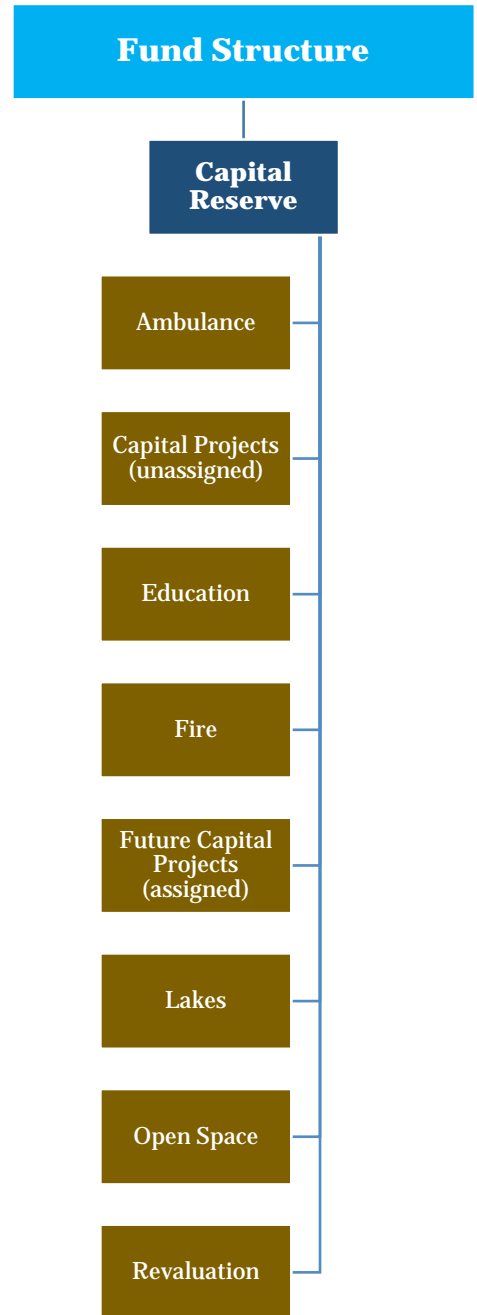
- Ambulance
- Capital Projects (unassigned)
- Education
- Fire
- Future Capital Projects (assigned)
- Lakes
- Open Space
- Revaluation

Conditions:

The Board of Finance will review the long-term needs/plans for each Capital Reserve Funds on an annual basis. The Board of Finance may establish Capital Reserve Funds as they deem necessary.

The decision to transfer funds into Capital Reserve Funds from the General Fund or to use any of these reserves must be approved by the Board of Finance and the legislative body as required by law. All Capital Reserve Funds will have a documented purpose and will be reviewed annually.

Descriptions, guidelines and policies for each of these funds follows.



| Capital Reserve Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|------------------------------------|--|---|---|--|---------------------|--|--|---|
| Ambulance | To reserve funds to purchase an ambulance approximately every (5) years in accordance with an agreement the Town has with the Association. | General Fund appropriation. | To be determined annually. Historically \$40,000 annually | Ambulance and equipment necessary to fully outfit. Expenditures determined by the Board of Finance via annual budget process. Appropriations outside of the budget process require Board of Finance and Town Meeting approval. | Board of Finance | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Capital Projects (Unassigned) | To provide the Town the ability to adapt to unforeseen capital emergencies or for capital projects via the annual budget process. | General Fund appropriation. | To be determined annually. | Capital expenditures determined by the Board of Finance via annual budget process. Appropriations outside of the budget process require Board of Finance and Town Meeting approval. | Board of Finance | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Education | To reserve funds for future Board of Education capital needs. | General Fund appropriation. Educational operating funds remaining at the end of the fiscal year. | To be determined annually. Historically \$100,000 annually. | Capital expenditures determined by the Board of Finance via annual budget process. Appropriations outside of the budget process require Board of Finance and Town Meeting approval. | Board of Finance | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Fire | To reserve funds for future Fire Department capital needs. | General Fund appropriation. | To be determined annually. Historically \$75,910 annually. | Capital expenditures determined by the Board of Finance via annual budget process. Appropriations outside of the budget process require Board of Finance and Town Meeting approval. | Board of Finance | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Future Capital Projects (Assigned) | To reserve funds for major capital projects. | General Fund appropriation. | To be determined annually. As debt is retired, the amount of reduction in debt service is transferred to this fund. | The fund was established by the Board of Finance in 2014 to offset the cost of the four major capital projects—Municipal Office Complex, Town-wide Radio System, Elementary School renovations and Firehouse renovations. | Board of Finance | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Lakes | To reserve funds for future major lake remediation needs. | General Fund appropriation. | To be determined annually. Historically \$5,000 annually. | Capital expenditures determined by the Board of Finance via annual budget process. Appropriations outside of the budget process require Board of Finance and Town Meeting approval. | Board of Finance | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Open Space | To reserve funds to aid in open space acquisition costs. | General Fund appropriation. Grants. | To be determined annually. | There is an Open Space Ordinance that regulates the use of Open Space Reserves. | Board of Finance | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Revaluation | To reserve funds for property revaluation that are mandated every five years by state statutes. | General Fund. | To be determined annually—determined by anticipated revaluation costs. | Revaluation expenditures determined by the Board of Finance via annual budget process. Appropriations outside of the budget process require Board of Finance and Town Meeting approval. | Board of Finance | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |

CAPITAL PROJECTS FUNDS

Purpose:

The Town has established a Capital Projects Funds to distinguish capital activities from operating activities.

Capital Projects Funds are broken down into the following categories:

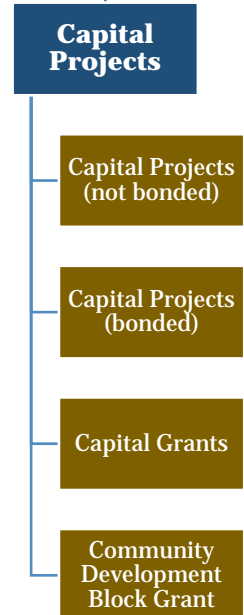
- Capital Projects (not bonded)
- Capital Projects (bonded)
- Capital Grants
- Community Development Block Grant

Conditions:

The Board of Finance will review the need for each Capital Project Fund on an annual basis; usually during the annual budget process. The Board of Finance may establish or eliminate Capital Projects Funds as they deem necessary.

Descriptions, guidelines and policies for each of these funds follows.

Fund Structure



| Capital Projects Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|---------------------------------------|--|--|-----------------------------|---|---------------------------------|---|---|---|
| Capital Projects (not bonded) | To account for capital expenditures and projects. | General Fund appropriation. Grants. | To be determined annually. | Capital expenditures in accordance with the approved Capital Projects budget. | Board of Finance. | None. | Quarterly reporting to the Board of Finance. Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Capital Projects (bonded) | To account for capital projects approved via referendum. | Short-term and long-term issuance of debt. | N/A | Project expenditures in accordance with the projects approved at referendum. | Building Committees | None. | Monthly financial reporting to the Board of Finance. Regular reporting to the Building Committees. Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Capital Grants | To account for capital expenditures that are fully funded by grants and/or donations. | Grants. Donations. | N/A | Capital expenditures in accordance with the terms of the grants and/or donations. | Selectmen's and Finance Office. | N/A | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Community Development Block Grant | To account for and act as the administrative agent of grants for the Oak Grove Senior Housing. | Grant | N/A | Capital expenditures in accordance with the terms of the grant. | Finance Office. | N/A | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |

SPECIAL REVENUE FUNDS

Purpose:

The definition of a Special Revenue Fund is a fund that is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

For the purpose of simplifying policies, the Special Revenue Funds are grouped by their revenue sources.

Donations:

- Disc Golf
- Green Committee
- Libraries
- Music on the River
- Senior Center Donations
- Senior Transportation

Fees Collected/Charges for Services:

- Animal Control (regional)
- Agriculture Commission
- Education (tuition and other receipts)
- Forestry Management
- Recreation Commission
- School Café/Food Services
- Transfer Station
- Water Pollution Control Authority

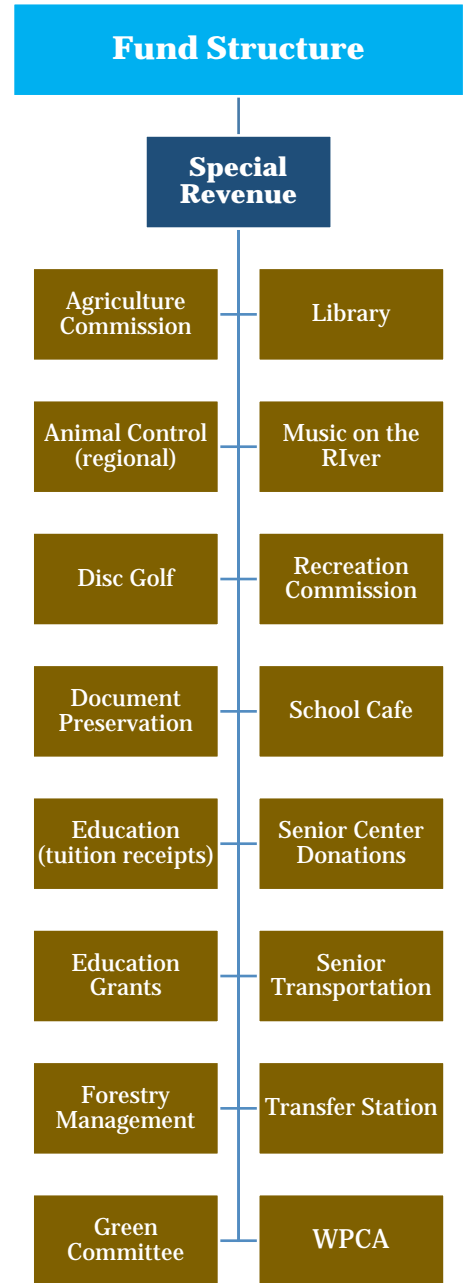
Grants:

- Document Preservation
- Education Grants

Conditions:

The Board of Finance will review the need for each Special Revenue Fund on an annual basis; usually during the annual budget process. The Board of Finance may establish or eliminate Special Revenue Funds as they deem necessary.

Descriptions, guidelines and policies for each of these funds follows.



DONATIONS

| Special Revenue Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|--------------------------------------|---|--|-----------------------------|---|---|--|--|---|
| Disc Golf | To support the Disc Golf course and programs | Fundraising activities, donations, corporate revenue, grant revenue, bequests and/or endowments, user fees charged to individuals to participate in an activity or program | None | Items that promote activities and programs, payment for tournaments, purchase of items related to the use and upkeep of the course or its programs. | Recreation Director and Recreation Commission provide oversight. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Green Committee | To support environmentally friendly practices in our community. | Donations, corporate revenue, grant revenue, bequests and/or endowments. | To be determined annually | Items for the promotion of green practices in our community. | Finance Director provides oversight and coordinates expenditures with the Green Committee. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Libraries | To support the East Haddam Library System. | Fundraising activities, donations from patrons, sponsor or corporate revenue, grant revenue, bequests and/or endowments. Sub-accounts have been created for each specific library. | None | Items for the Library System that are not included in the annual town operating or capital budgets. | Library Director is authorized to spend up to \$5,000 with Library System Finance Committee approval. All expenditures above \$5,000 will require pre-approval by the Library System Board of Trustees. | No threshold has been established. The fund shall not run a deficit balance. | Quarterly financial reports will be submitted to the Library System Board of Trustees. Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Music on the River | To support the Music on the River series. | Fundraising activities, donations, corporate revenue, grant revenue, bequests and/or endowments and collections taken at each concert. | None | Items that promote the series, payment to performers and other vendors to provide the concerts. | Recreation Director and Recreation Commission provide oversight. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Senior Center | To promote the East Haddam Senior Center. | Donations from patrons, sponsor or corporate revenue, grant revenue, bequests and/or endowments. | None | Items for the Senior Center that are not included in the annual town operating or capital budgets. | Senior Center Director and Commission on Aging provide oversight. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Senior Transportation | To support and facilitate transportation for elderly and disabled citizens. | Donations from residents utilizing senior transportation—med car and buses. | None | Items that promote senior transportation, such a matching funds for vehicle grants that are not included in the annual town operating or capital budgets. | Senior Center Director and Commission on Aging provide oversight. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |

FEES COLLECTED/CHARGES FOR SERVICES

| Special Revenue Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|---|---|--|-----------------------------|--|--|--|---|---|
| Animal Control (regional) | To account for the operations of the regional animal control. | Town of East Hampton (and other towns potentially), fines, donations and license fees, sponsor or corporate revenue, grant revenue, bequests and/or endowments and general fund support. | To be determined annually | Items that operate the regional animal control to include payroll, benefits, vehicle operating and upkeep, supplies, utilities, etc. that are not included in the town operating or capital budget. | Finance Director provides day-to-day oversight and coordinates with the Animal Control Officer and the Selectmen's office. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Agriculture Commission | To account for and promote farming and agriculture on designated town-Owned property and throughout the community | Lease of farming plots, donations, sponsor or corporate revenue, grant revenue, bequests and/or endowments and general fund support. | To be determined annually | Items that promote agriculture and that are not included in the annual town operating or capital budgets. | Finance Director provides oversight and coordinates expenditures with the Agriculture Commission. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Education (tuition and other receipts) | To account for receipts and fees for services provided for other school districts. | Revenue received from other communities for educating their students who reside in East Haddam or revenues for educational services and/or programs offered by East Haddam that other communities choose to utilize. | None | Items that support the programs that are generating revenues. If the program needs have been met, excess funds may be used for other educational needs as determined by the Board of Education to include transfers to Capital Reserves for future and/or identified capital needs or maintained against future contingencies. | Board of Education. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved 06/13/16 Revised: MM/DD/YY |
| Forestry Management (Conservation Commission) | To meet stewardship responsibilities with minimal cost to the taxpayers through a self-sustaining Forest Management program via harvesting of trees for marketable timber and firewood where appropriate. | Receipts for sale of firewood and marketable timber, donations, corporate revenue, grant revenue, bequests and/or endowments. | To be determined annually | Items that are directly related to the stewardship of town-owned open space parcels. To include forester services, for inventorying forested parcels for invasive species, crowded, damaged or diseased trees and timber value and that are not included in the annual town operating or capital budgets. | Finance Director provides oversight and coordinates expenditures with Conservation Commission. | No threshold has been established. The fund shall not run a deficit balance. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |

FEES COLLECTED/CHARGES FOR SERVICES—continued

| Special Revenue Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|--------------------------------------|--|---|---|--|---|---|--|---|
| Recreation Commission | To account for and promote the recreational programs for the Town of East Haddam. | User fees charged to individuals to participate in an activity or program, donations, corporate revenue, grant revenue, bequests and/or endowments. | To be determined annually | Items that are directly related to providing programs to include, but are not limited to direct payroll, advertising, supplies, instructors, equipment and certain transportation costs. All costs associated with park maintenance, operation and capital are not fund expenditures. | Recreation Director and Recreation Commission provide oversight. Finance Director provides support as needed. | Threshold of \$50,000 was established in 2010. BOF may want to consider option to transfer excess to a capital reserve fund for recreational use. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| School Café/Food Services | To account for the school districts food service program. | Fees charged to students and staff for purchasing meals and other food/beverage items and USDA grants for school lunch programs. | To be determined by the Board of Education annually | Items that are directly related to operating the food service program to include, but are not limited to payroll, benefits, professional services, supplies, non-capital equipment and promotional materials that are not included in the annual Board of Education operating or Town capital budgets. | Board of Education Superintendent and Finance Department provides day-to-day oversight in conjunction with the Food Service Director. | No threshold has been established. The fund has the potential for occasional deficits due to grant reimbursement timing and the requirement to provide food services. | Annual financial reports will be submitted to the Board of Finance and the Board of Education. | Approved: 05-14-18 Revised: MM/DD/YY |
| Transfer Station | To account for receipts at the Transfer Station. | Fees charged for the disposal of demolition, bulky waste, etc. | None | No expenditures. This fund is a pass-through for receipts only. | Public Works Director provides day-to-day oversight. | Account is zeroed out monthly and the proceeds are transferred to the General Fund. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Water Pollution Control Authority | To account for the activities of the Water Pollution Control Authority and the waste treatment facility. | Fees charged to users in the East Haddam Village for the waste treatment facility and grant proceeds as applicable. | To be determined annually | Items that are directly related to operating the waste treatment plant to include capital purchases. | Land Use Administrator provides day-to-day oversight. Clear Water Ops is the contracted firm that is in charge of day-to-day operations and emergency responses. Water Pollution Control Authority is the authority for this fund and plant operations. | Early in the operation of the system, the WPCA set a goal of setting aside 10% of the Operation and Maintenance fees for major repairs. At one time, the fund exceeded \$100,000. Due to costly repairs & DEEP required upgrades the fund has diminished. The fund has the potential for deficits due to emergency issues or grant timing reimbursement | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |

GRANTS

| Special Revenue Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|--------------------------------------|---|---|-----------------------------|--|---|---|---|---|
| Document Preservation | To account for grants and fees for historic document preservation in the Town Clerk's office. | A portion of fees collected by the Town Clerk in accordance with state statute and grant receipts from the Connecticut State Library. | None | Items that are directly related to historic document preservation. | Town Clerk provides day-to-day oversight. | No threshold has been established. The fund shall not run a deficit. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |
| Education Grants | To account for grant funds received by the Board of Education. | Grant proceeds from IDEA, Title I, Title II, Medicaid and other donations. | None | Items that are directly related to the corresponding grant in accordance with grant/donation terms and state and federal statutes. | Superintendent, Director of Pupil Services and the Board of Education Finance Department provide oversight. | No threshold has been established. Monies will be expended in accordance with grant timelines and requirements. | Annual financial reports will be submitted to the Board of Finance. | Approved: 05-14-18 Revised: MM/DD/YY |

PERMANENT FUNDS

Purpose:

To account for endowment/donation funds.

The Permanent Funds are broken down as follows:

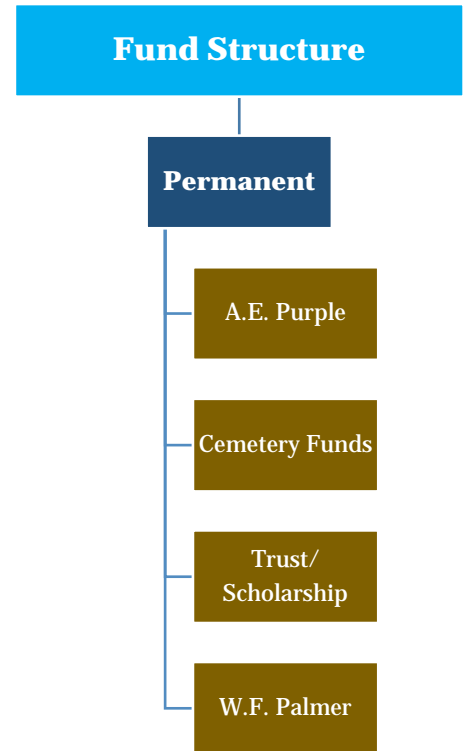
- A.E. Purple
- Cemetery Funds
- Trust/Scholarship
- W.F. Palmer

Conditions:

All permanent funds will be administered in accordance with General Accepted Accounting Principles and in accordance with the terms of their donation and investment policies.

Guidance:

Descriptions, guidelines and policies for each of these funds follows.



| Permanent Fund Categories | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|---------------------------|--|---|----------------------|--|---|--|--|---|
| A.E. Purple Fund | In accordance with the terms of the will of Albert E. Purple the purpose is to support the maintenance of the High School. \$400,000 initial endowment is non-spendable. | A.E. Purple investment income comes directly to the Town. The Investment Committee has established a spending policy calling for an annual payout of four and one half (4 1/2) percent of the average market value of the portfolio based on the twenty (20) rolling quarters through December 31 of the year preceding the beginning of each fiscal year (July). | N/A | Expenditures are made by the Board of Education and Town in support of the High School. | Town School Committee-Investment Committee. | N/A | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Cemetery Funds | The purpose is to provide funding for the upkeep of cemeteries. Comprised of more than one endowment. \$35,587 is non-spendable. | Interest income from cemetery endowment funds. Less than \$3,000 per year. | N/A | Expenditures are made by the Town in support of the upkeep of cemeteries. | Private financial institutions in accordance with the terms of the endowment. | None | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Trust/Scholarship | To account for various donations for trusts and scholarships. | Interest income from funds. | N/A | Expenditures are made in accordance with the terms of the donations—for example small scholarship to High School senior each year or Project Safe Halloween. | Treasurer | N/A | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| W.F. Palmer | In 1952 the Town received twenty (20) shares of International Business Machine stock, said stock was to be held for a period of ten (10) years, together with all interests and dividends. At the end of ten (10) years the accumulated sums were eligible to be used for the cost of permanent road improvements. | W.F. Palmer investment income comes directly to the Town. The Investment Committee has established a spending policy calling for an annual payout of four (4) percent of the average market value of the portfolio based on the last sixteen (16) quarters through December 31 of the year preceding the beginning of each fiscal year. | N/A | Expenditures are made by the Town in support of permanent road improvements. | Investment Committee | N/A | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |

FIDUCIARY FUNDS

Purpose:

To account for funds the Town holds as a trustee or agent on behalf of an outside party.

The Fiduciary Funds are broken down as follows:

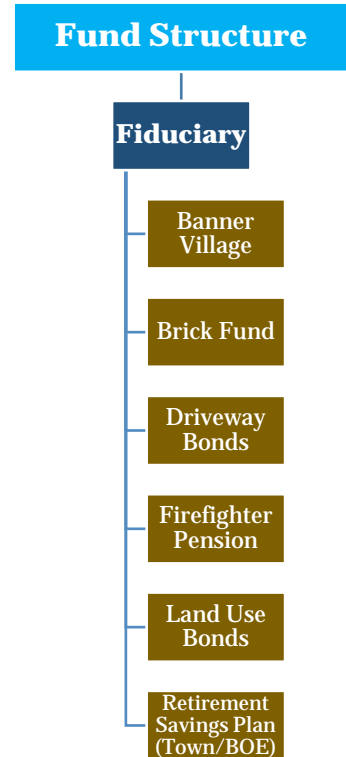
- Banner Village
- Brick Fund
- Driveway Bonds
- Firefighter Pension
- Land Use Bonds
- Retirement Savings Plan (Town/BOE)

Conditions:

The Town cannot use these funds to support the Town's programs.

Guidance:

Descriptions, guidelines and policies for each of these funds follows.



| Fiduciary Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revisions |
|------------------------------------|--|---|--|--|-------------------------------|---|--|---|
| Banner Village | To account for Certificate of Occupancy funds collected at Banner Village. Banner Village has a DEEP approved septic system. The East Haddam WPCA is the back-up agency in case of failure and lack of response by owners. | A \$500 Certificate of Occupancy Fee is collected at Banner Village per unit at the time of purchase. | N/A | Emergency repairs and short-term operation and maintenance of the septic system. | Land Use Administrator | N/A | Reviewed annually by auditors. Not contained in the Town's annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Brick Fund | To account for funds collected for engraved bricks (and other potential needs) at the Nathan Hale-Ray Middle School. | Bricks were purchased by individuals, organizations, etc. for the donor engraved bricks at the Nathan Hale-Ray Middle School. | N/A | Original expenditures were for the purchase and installation of bricks. Future expenditures may include other school related items—such as playground equipment. | Finance Director | N/A | Reviewed annually by auditors. Not contained in town's annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Driveway Bonds | To account for bonds held to ensure town roads are not damaged and paved aprons are installed after new home construction | Property owner/builder at the time of the Zoning and Building applications. | N/A | Repair of damaged roads, installation of aprons. | Public Works Director | N/A | Reviewed annually by auditors. Not contained in town's annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Firefighter Pension | To account for pension funds for defined benefit and defined contribution plans for volunteer firefighters. | General Fund. | To be determined annually, based on actuarial evaluation. | Pension payments and administrative fees for investment consultant | Firefighter Pension Committee | N/A | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Land Use Bonds | To account for bonds held for public improvements such as new roads, drainage systems, erosion control, etc. | Developer/builder prior to construction. | N/A | Completion of unfinished public improvements. | Land Use Administrator | N/A | Reviewed annually by auditors. Not contained in town's annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Retirement Savings Plan (Town/BOE) | To account for retirement savings funds for Town and Board of Education employees. | General Fund and employee match. | To be determined annual based on wages and employee participation. | Benefit payments and administrative fees for investment consultant | Finance Office | N/A | Annual financial reporting via the annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |

OTHER FUNDS

Purpose:

To acknowledge funds that benefit the Town of East Haddam.

The Other Funds are broken down as follows:

- Ray Board
- Helon Cone
- Amos Shepard

Conditions:

The Town has no oversight of these funds.

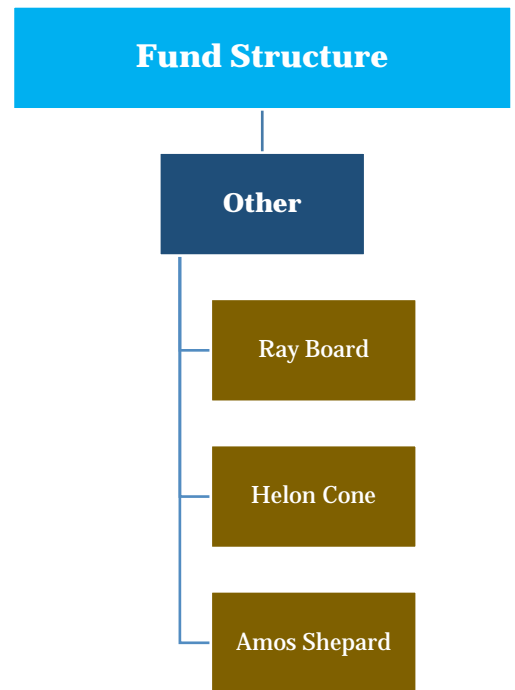
Guidance:

The purpose of each of these funds is as follows:

Helon Cone Fund: The Estate of Helon Cone established a trust which purpose is the support of core teachers at the High School. The Town receives an annual appropriation from the income of the trust.

Ray Board: Every year during the month of December, school officials meet with a group known as the Ray School Corporation. The nine members of this Group, referred to as the Ray Board, are charged with managing a trust which was set up through the will of Frederick L. Ray. In 1926 Mr. Ray left the sum of \$536,000 with a purpose of improving vocational education in the Town of East Haddam. There is an annual appropriation to the General Fund as well as a Ray Board account that funds programs at the Nathan Hale-Ray High School.

Amos Shepard. Mr. Shepard left funds for the purpose of college scholarships for Nathan Hale-Ray High School students in the arts.



| Other Fund Category | Purpose | Source of Revenue | General Fund Support | Eligible Expenditures | Fund Administration | Fund Balance Threshold or Deficit Protocol | Financial Reporting Requirements | Date of Approval or Revision |
|-------------------------------|--|--|-----------------------------|--|----------------------------|---|---|---|
| Ray Board | The Ray Board (Ray School) fund was established through a trust which was set up through the will of Frederick L. Ray, a wealthy and successful East Haddam business man. When Mr. Ray died in 1926 he left \$536,000 to the town. His wish was that the monies be used to improve vocational education in the Town of East Haddam. This continues to be the focus more than 80 years after Mr. Ray's death. | Ray School Trust. Distribution is determined by Ray Board. | N/A | Expenditures are made directly to support operations vocational education at the High School. There is an annual payment made directly to the Town for the support of vocational education as well | Ray Board | N/A | The Town has no oversight over these funds. Not contained in town's annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Helon Cone | The estate of Helon Cone established a trust which purpose is the support of core teachers at the High School. | Helon Cone trust income. | N/A | Expenditures are made in support of core teachers at the High School. | Third Party Administrator. | N/A | The Town has no oversight over these funds. Not contained in town's annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |
| Amos Shepard Scholarship Fund | The estate of Amos Shepard established a trust for the purpose of college scholarships for Nathan Hale-Ray High School students in the arts. | Amos Shepard trust income. | N/A | Scholarships are given to High School seniors. | Third Party Administrator. | N/A | The Town has no oversight over these funds. Not contained in town's annual audit. | Approved: 05-14-18 Revised: MM/DD/YY |