


POLICY ID: <i>FIN-009</i>		TITLE: <i>Capital Projects Fund Policy</i>	
<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> REVISION	APPROVED BY VILLAGE BOARD:		DATE:
EFFECTIVE DATE: Immediate	 Village Clerk		June 24, 2014
APPLIES TO:	<input checked="" type="checkbox"/> FLSA EXEMPT	<input checked="" type="checkbox"/> FLSA NON-EXEMPT	
	<input checked="" type="checkbox"/> REPRESENTED EMPLOYEES	<input checked="" type="checkbox"/> Non-REPRESENTED EMPLOYEES	
<i>This policy applies to all Village of Kronenwetter employees in the categories checked in this section. Provisions within individual personal contracts or a collective bargaining agreement may supersede certain parts of this policy.</i>			

PURPOSE

The purpose of the policy is to ensure that all users (public, village board, staff, creditors) of the village's budget documents and financial statements can easily discern major governmental capital project expenditures from general fund operating expenditures.

POLICY OBJECTIVES

The objectives of the capital projects fund policy are:

- To establish a capital projects fund for the budgeting and financing of major governmental capital projects and acquisitions.
- To provide guidelines on the definition of a major governmental capital project or acquisition.
- To establish funding mechanisms and a fund balance policy for the fund.

BACKGROUND/NEED FOR FUND

Major capital projects and equipment acquisitions budgeted in the general fund can distort comparisons of operating expenditures from year to year as well as distort comparisons of operating expenditures with peer municipalities. It can also make it difficult for rating agencies (and others) to determine if general fund deficits are due to regular operating expenditures, such as salaries and benefits, or if the deficits are due to a strategic spend down of general fund balance for capital projects/equipment.

ESTABLISHMENT

A capital projects fund is hereby established for major governmental capital expenditures.

ITEMS TO BE BUDGETED IN THE FUND

All capital items which meet the following criteria should be budgeted in the capital projects fund:

1. Are governmental in nature.
 - a. Public safety
 - b. Public infrastructure
 - c. Recreational

- d. General government
 - e. Public works
 - f. Etc.
2. Are non-routine (excepting road construction, improvements, etc.).
 3. Exceed \$65,000.

Example items include: Fire trucks, dump trucks, salt sheds, and recreational infrastructure.

ITEMS THAT WILL NOT BE BUDGETED IN THE FUND

All sewer and water capital assets purchased shall be capitalized in the water and sewer funds.

All tax increment capital expenditures shall be recorded in the associated tax increment funds.

Capital projects requiring a segregated capital projects fund for legal or financial management purposes should be budgeted in a stand-a-lone capital projects fund.

Projects being financed with special revenue funds should be budgeted in the associated special revenue funds.

Debt service shall be budgeted in the debt service fund.

REVENUE SOURCES

Sources of revenues for the fund include:

1. Transfers from the general fund or other governmental fund.
2. Transfers from the equipment replacement fund.
3. Direct property tax levy.
4. State shared revenues.
5. Other general revenues.

All revenues dedicated to the capital projects fund require prior board approval via the normal budget/budget amendment process. Unexpected revenues should be deposited in the general fund (or other appropriate fund) and then transferred to the capital projects fund after village board approval.

FUND BALANCE POLICY

It is not expected that the capital projects fund would carry a fund balance beyond the life of the project or acquisition. Unexpended fund balance at the end of the project life should be transferred back to the general fund (or other appropriate fund). The capital projects fund fundamentally differs from the equipment replacement fund in that the capital projects fund is not intended to carry a reserve balance. The capital projects fund is only intended to account for capital expenditures.