
ACCOUNTING POLICIES

FISCAL YEAR

The City of Bridgeport's Fiscal Year begins July 1 and ends June 30.

BALANCED BUDGET

The Charter of the City of Bridgeport mandates a balanced budget. For the purposes of meeting this requirement, each year a budget is adopted in which the projected expenditures are equal to the projected revenues.

BASIS OF ACCOUNTING

The City of Bridgeport's accounting system is operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources or balances are recorded and segregated to carry on specific activities or attain certain objectives in accordance with specific regulations and limitations. The operations of the general fund are maintained on a modified accrual basis, with revenues recorded when measurable and available and the expenditures recorded when the services or goods are received and liabilities are incurred. In contrast, accounting records for the City's enterprise, pension and nonexpendable trust funds are managed on the accrual basis of accounting. The types of funds utilized by the City are as follows: general; special revenue; capital projects; enterprise; and trust and agency. The type and number of individual funds established is determined by GAAP and sound financial administration.

BUDGET PROCEDURE

The Mayor's annual budget is developed by the City's Office of Policy & Management (OPM). The budget is submitted to the City Council, which in turn makes additions and changes as necessary before turning it over to the Mayor for approval. The City maintains budgetary control through the Office of Policy & Management. The objective of budgetary control is to ensure compliance with the legal provisions embodied in the annual adopted budget approved by the City Council. The level of budgetary control is established by organization, agency, appropriation and object. The City of Bridgeport also utilizes an encumbrance accounting system as one technique for accomplishing budgetary control. Encumbrances reserve appropriations which have been obligated through purchase orders or other contractual documents. Encumbrances are reported as reservations of fund balance at the end of the year. Transfers of certain appropriations between departments require the approval of the City Council. The City of Bridgeport's Capital & General Fund Budgets must be adopted by the City Council and approved by the Mayor.

INTERNAL CONTROLS

The management of the City of Bridgeport is maintained through a control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that cost and that the valuation of costs and benefits requires estimates and judgments be made by management. In addition, the City of Bridgeport has an internal audit staff responsible for monitoring the various City departments in compliance with the City Charter, ordinances, and all other policies and procedures.

As a recipient of Federal, State and local financial assistance, the City of Bridgeport is responsible for ensuring adequate internal control policies and procedures are in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management as well.

GENERAL FUND BUDGET

BUDGET SUMMARY

BUDGET & ACCOUNTING POLICIES

LEGAL DEBT LIMIT

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, or \$1,741,261,410. All long-term debt obligations are retired through General Fund appropriations or user charges. As of June 30, 2009, the City recorded long-term debt of \$658.7million related to Governmental Activities and \$49.9 million related to Business-Type Activities, well below its statutory debt limit. The City's total debt decreased by \$32.9 million during the fiscal year ended June 30, 2008.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for insurable risks of loss except for general liability, workers' compensation and employee health and dental insurance. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the past three years.

The City carries no insurance coverage for losses arising out of workers' compensation claims. These claims are paid from the General Fund. This is accounted for in the governmental activities of the government-wide statements.

The City maintains a group health and dental self-insurance plan to pay for medical claims of current and retired City employees and their covered dependents. Approximately 4,200 active employees and 3,600 retirees receive their health coverage through this plan. Payments related to these claims are made by an outside administrator under an administrative services contract and are accounted for in the Internal Service Fund. The contract requires the City to maintain a \$2,500,000 certificate of deposit which is recorded as restricted cash in the accompanying balance sheet.

The liability for general liability, workers' compensation and group health insurance includes all known claims reported plus a provision for those claims incurred but not reported, net of estimated recoveries. The liability is based on past experience adjusted for current trends and includes incremental claim expenditures. The liability for workers' compensation claims is calculated using actuarial methods. A reconciliation of changes in the aggregate liabilities for claims for the 2001-2009 fiscal years:

	Liability: Start of fiscal year	Current year claims & changes in estimates	Claim Payments	Liability: End of the Fiscal Year
2009	67,301,000	102,263,079	90,691,701	72,277,783
2008	65,740,860	88,167,399	86,607,259	67,301,000
2007	50,070,000	95,669,180	79,998,320	65,740,860
2006	54,076,619	71,379,804	75,386,423	50,070,000
2005	62,045,079	66,036,204	74,004,664	54,076,619
2004	61,964,745	66,974,067	66,893,733	62,045,079
2003	65,787,386	59,776,938	63,599,579	61,964,745
2002	81,968,096	42,867,583	59,048,293	65,787,386
2001	68,979,599	66,977,701	53,989,204	81,968,096

AUDIT

State Statutes require an annual audit conducted by independent certified public accountants. Portions of these audits are included in the City's Comprehensive Annual Financial Report, and these can be accessed through the City's website,

<http://www.bridgeportct.gov/finance/Documents/2009CAFR.pdf>

UNDESIGNATED FUND BALANCE POLICY

PURPOSE

To maintain a balance of funds within the total unreserved, undesignated fund balance to be available for unforeseen contingencies.

Definition: Unreserved, undesignated fund balance is the remaining balance available following the reduction for "resources not available for spending" or "legal restrictions" (reservation) and "management's intended future use of resources" (designation).

POLICY

The sum of all components identified for the undesignated fund balance level will be set at no less than 8.00% of annual operating expenditures and other financing uses (transfers out) of the prior audited fiscal year with the annual approval by the City Council. In the event that the undesignated fund balance exceeds 12.00%, the amount exceeding this percentage may be available for appropriation at the discretion of the Mayor with the approval of City Council.

RATIONALE

The City of Bridgeport recognizes the importance of maintaining an appropriate level of undesignated fund balance on a Generally Accepted Accounting Principles (GAAP) basis to withstand short-term financial emergencies. After evaluating the City's operating characteristics, its overall financial health, the diversity and flexibility of its tax base, the reliability of non-property tax revenues sources, the City's working capital needs, the impact of state policies regarding tax exempt properties and PILOT reimbursements on City revenues, Brownfield policies, the national, state and local economic outlooks, emergency and disaster risks, other contingent issues and the impact on the City bond ratings of all these factors, the City of Bridgeport hereby establishes goals regarding the appropriate handling and funding of the undesignated fund balance.

The City of Bridgeport's formal undesignated fund balance policy shall be to maintain adequate unencumbered reserves to accomplish the following objectives:

- (1) Have sufficient funds available for appropriation for unforeseen expenditures or unforeseen shortfalls in revenue after adoption of the annual budget ; and
- (2) Avoid unexpected spikes in the mill rate caused by non-reoccurring revenues.

REPLENISHMENT OF SHORTFALL

The undesignated fund balance of the General Fund may fall below the approved minimum level due to fluctuations between planned and actual revenues and expenditures, other financial emergencies or catastrophic events of an unforeseen nature. When an audited shortfall is reported in the Comprehensive Annual Financial Report (CAFR), it must be rebuilt during the following ensuing fiscal years. This will be achieved by adding an annual appropriation, during the budgeting process of a minimum of 10% of the difference between the fund balance policy level and the undesignated fund balance presented in the latest audited statements.

When dealing with the unanticipated sale of municipal assets, no less than 50% of the "gain on sale of city asset" must be deposited toward the undesignated fund balance until the 12.00% goal has been achieved.

The maintenance of undesignated levels is not to be construed as surpluses or over-taxation by the City. Rather, it is an element of sound fiscal management required for sustaining a high credit rating and financial management flexibility. See page 544 in the appendix of this document for fund balance changes.

GENERAL FUND BUDGET

BUDGET SUMMARY

BUDGET & ACCOUNTING POLICIES

DESCRIPTION OF FUND STRUCTURE

The accounts of the City of Bridgeport are organized on the basis of funds and account groups, utilizing a fund structure in which fund activities are aggregated for specific purposes. A fund is a combination of related accounts used to maintain control & accountability of resources that are dedicated to specific activities or objectives. The City of Bridgeport, like other state & local governments, uses fund accounting to ensure appropriate fiscal control and to demonstrate our compliance with accepted accounting principles set forth by the Governmental Accounting Standards Board.

Detailed financial schedules for all of the funds described below are *not* contained within this budget document. This document includes information on the General Fund, as well as some detail on Special Revenue Funds, the Internal Service Fund, and Capital Project Funds. Of these funds, only the General Fund is subject to appropriation. Detail on the other funds described below can be found in the City's Comprehensive Annual Financial Report, prepared by the Finance Department, and can be accessed through the City's website, <http://www.bridgeportct.gov/finance/Documents/2009CAFR.pdf>. Grateful acknowledgement of the assistance of the Finance Department in providing certain schedules and detail from the 2009 CAFR is noted here, and we have provided attribution for these throughout the budget book, as is applicable.

GOVERNMENTAL FUNDS

The City of Bridgeport maintains 27 individual governmental funds. The major funds of these 27 are discussed below.

THE GENERAL FUND is the primary operating fund of the city. It is the largest fund which encompasses traditional governmental services, and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is primarily supported by the property tax. General Fund revenues are displayed by type in the Revenue Summary section of this budget and by department in the Budget Detail section. Appropriations are also listed by department in the Budget Detail section. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

SPECIAL REVENUE FUNDS are used to account for revenues dedicated for a specific purpose. These funds are prescribed by Federal or State program guidelines regarding the distribution or use of revenues.

THE DEBT SERVICE FUND is used for the accumulation of resources for, and the payment of, general long term bonded debt to be issued in future years.

BOARD OF EDUCATION FUND This fund accounts for the operations of the Board of Education, except for those required to be accounted for in another fund.

CAPITAL PROJECT FUNDS are for various construction projects as well as the purchase of the City's fleet inventory. Capital Project Funds are used to account for the proceeds of general obligation bonds and other financing sources for the planning, acquisition and construction or improvement of major capital facilities such as new schools and urban renewal projects.

PROPRIETARY FUNDS

ENTERPRISE FUNDS are used to report activities that are financed and operated in a manner similar to a private business enterprise. In the case of the City of Bridgeport, the Water Pollution Control Authority or WPCA, is one such fund which accounts for the activities of the City's two sewage treatment plants, sewage pumping stations, and collection systems

GENERAL FUND BUDGET

BUDGET SUMMARY

BUDGET PROCESS

for the City of Bridgeport. These funds are covered in the Finance Department's Annual Financial Report, but not in this document.

THE INTERNAL SERVICE FUND was established by Ordinance to account for self-insured health benefit activities of the City, Board of Education (BOE) and all other departments. Governmental Accounting Standards allow for the use of Internal Service Funds for risk financing activities. The Internal Service Fund is a proprietary type fund, which utilizes the accrual basis of accounting. The use of a separate fund for self insured benefit activities can help smooth the impact of severe claims fluctuations which can now occur in the General Fund. Funding will be provided through the annual General Fund Budget which will separately identify the City, BOE, BOE Grants and Nutrition portions. The amount budgeted will be the amount transferred to the Internal Service Fund. Contributions will be also be made by the WPCA and Grants. Employee contributions will be made directly to the Internal Service Fund. Interest and investment income earned by the fund will be used to pay expenses of the fund. Investment of available funds will be made by the City Finance Director and Treasurer in accordance with Connecticut General Statutes.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in government-side financial statements because the resources contained within these funds are not available to provide services for the City's constituents. The City of Bridgeport has four pension trust funds that support the pensions of City employees. The accounting used for fiduciary funds is much like that used for proprietary funds, and again, is covered in some detail in the Finance Department's Annual Financial Report, but not in this document.

THE BUDGET PROCESS

MAYOR RECOMMENDED PREPARATION

City departments begin preparation and documentation processes for the budget in January. The Office of Policy & Management reviews all submitted department requested documents; verifies contractual obligation thresholds, calculates all formula-driven data, and presents a draft budget to the Mayor and selected staff. In accordance with the City Charter, Chapter 9, Section 5(c) the Mayor, no later than the first Tuesday in April of each year, must present to the City Council a proposed budget for the ensuing fiscal year as prescribed in that same section.

CITY COUNCIL PROCESS

The City Council's Budget and Appropriations Committee, under City Council rules, will set a schedule for budget deliberations and in accordance with City Charter, shall hold at least one public hearing before taking final action on the proposed budget and mill rate. The City Council Budgets & Appropriations Committee reports its changes to the Council as a whole in the form of a budget amendment resolution. The City Council has the power to reduce or delete any item in the budget recommended by the Mayor by a majority vote of the council members present and voting. It shall have the power to increase any item in said budget or add new items to said budget only on a two-thirds (2/3) affirmative vote of the entire membership of the council. The budget adopted by the City Council shall be submitted to the Mayor not later than the second Tuesday in May of each year. The Mayor shall sign the adopted budget or within fourteen days after adoption of the budget, the Mayor may veto any action taken by the City Council. The veto power of the Mayor shall be that of line item veto only, and any such veto may be overridden by a two-thirds (2/3) vote of the entire membership of the City Council. If the Mayor shall disapprove any action of the City Council, he shall, no later than the close of business of the fourteenth day, return the proposed budget to the City Council with a statement of objections. Thereupon, the President of the City Council shall call a meeting to be held no later than seven days after the receipt of the Mayor's veto. If the City Council fails to adopt a budget by the second Tuesday in May of any year, the proposed budget of the Mayor shall become the budget of the City for the ensuing year.

BUDGET TIMETABLE

FISCAL YEAR 2010 - 2011

<u>Dates :</u>	<u>Day</u>	<u>Actions</u>
Feb. 12, 2010 <i>Feb 12 - Feb 19</i>	Friday	Departments submit requested budgets to OPM <i>OPM inputs initial data into templates.</i> <i>Finance submits revenue estimates to OPM.</i>
Feb. 22, 2010 <i>Feb 23 - Mar 12</i>	Monday	OPM Submits Recommended Budget to the Mayor <i>Mayor holds meetings regarding budget with various departments</i>
March 02, 2010 (no later than) <i>Mar 12 - Mar 29</i>	Tuesday	Mayor Submits Capital Budget to the City Council <i>Mayor formulates General Fund Budget. Budget goes to final production.</i>
April 06, 2010 (no later than)	Tuesday	Per City Charter, Mayor Submits Proposed Budget to the City Council
TBD		Tentative Scheduled Public Hearing for all City Departments Budgets
May 04, 2010 (no later than)	Tuesday	Capital Improvement Program is adopted and Submitted to Departments Directors.
May 11, 2010 (no later than)	Tuesday	City Council Submits Adopted Budget to the Mayor
May 25, 2010 (no later than)	Tuesday	Last day for the Mayor to Veto the City Council's Adopted Budget
June 1, 2010 (no later than)	Tuesday	Last day for the City Council to vote on the Mayor's veto of the City Council's Adopted Budget.
June 8, 2010 (no later than)	Tuesday	City Council sets mill rate. <i>(mill rate is set no later than seven days after action on the budget is complete) This may be a vote necessary no later than June 1st.</i>