

CITY OF GOLDEN
FUND BALANCE / RESERVE POLICY
September 2012

Purpose

To establish a formally adopted fund balance/reserve policy for all funds of the City in addition to the City Council adopted policy for the General Fund as part of the Long Range Budgetary Policies. Included in the total fund balance are amounts that are either Nonspendable, Restricted, Committed, Assigned, or Unassigned. These classifications, as defined in GASB Statement 54, comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints for the specific purposes that amounts can be spent in the governmental funds. This policy establishes appropriate levels of reserves, or fund balance, for each fund within the City's operations, recognizing the unique needs and differing situations for the various funds.

Governmental Fund Types

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| General Fund: | Maintain Fund Balance of 10-20% of annual expenditures per Resolution 1606, "Adopting Long Range Budgetary Policies", and subsequent revisions. |
| Capital Project Funds:
(Sales & Use Tax)
(Capital Programs)
(Open Space) | 1.) In general, no minimum reserve requirement. These funds can be spent to a zero balance annually.
2.) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose (i.e. bond proceeds, grants or donations). |
| Special Revenue Funds:
(Conservation Trust)
(GDGID) | 1.) In general, no minimum reserve requirement. These funds can be spent to a zero balance annually.
2.) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose. |

Proprietary Fund Types – Enterprise Funds

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| Water Fund | For Operations, reserve of 10-20% of annual operating expenditures is desirable. For Capital, reserves should accumulate for future debt service payments and in anticipation of future capital needs, but Capital Reserves may be spent to a zero balance annually if deemed appropriate. Note that a portion of operating revenues may be used for Capital on an annual basis as current customers |
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have an obligation for future capital improvements and replacements.

Wastewater Fund

For Operations, reserve of 10-20% of annual operating expenditures is desirable. For Capital, reserves should accumulate for future debt service payments and in anticipation of future capital needs, but Capital Reserves may be spent to a zero balance annually if deemed appropriate. A capital reserve of \$2 million should be maintained in anticipation of the City's share of future improvements to the Coors treatment plant. Note that a portion of operating revenues may be used for Capital on an annual basis as current customers have an obligation for future capital improvements and replacements.

Drainage Fund

In general, Drainage Fund revenue consists of Drainage Fees and interest income (and bond proceeds on occasion). Priority for the revenue is as follows:

- 1.) Annual debt service payments
- 2.) Operating expenses
- 3.) Capital projects
- 4.) Accumulation of reserves in anticipation of future needs. A specific reserve level is not required. If reserves are greater than anticipated future needs and continuing to accumulate, a potential reduction of the drainage fee shall be evaluated.

Community Center Fund

This Fund is subsidized annually by the General Fund for operations and the SUT Fund for capital needs. The SUT Fund subsidy should be spent each year on capital and should not accumulate. Recognizing that reserves in this fund are a result of General Fund subsidy and thus take interest earnings away from the General Fund, the reserves should be kept to a minimum. However, some reserve is necessary to cover unexpected situations without placing an undue burden on the General Fund for an unanticipated or unbudgeted subsidy.

Therefore, year end reserves shall be between \$50,000 and \$100,000. If year end reserves exceed \$100,000, transfers from the General Fund shall be reversed to achieve this reserve level. If reserves go below \$50,000, additional subsidy shall be made no later than the following budget year to bring the reserve back to the desired range.

Splash Aquatic Park Fund This Fund is designed to cover its operating costs, with capital needs to be paid directly by the appropriate capital projects or special revenue fund. In some years, this fund may be subsidized by the General Fund. When reserves in this fund are a result of General Fund subsidy, interest earnings are taken away from the General Fund. In these situations, the reserves should be kept to a minimum. However, some reserve is necessary to cover unexpected situations without placing an undue burden on the General Fund for an unanticipated or unbudgeted subsidy.

Therefore, year end reserves shall be between \$10,000 and \$25,000. If year end reserves are below \$10,000, then a transfer from the General Fund shall occur. Reserves may accumulate in excess of \$25,000 as a result of operations. If reserves exceed \$50,000, funds may be used to cover capital needs if deemed appropriate.

Fossil Trace Golf Club Fund The golf course fund is not subsidized and covers all capital and debt service costs. Reserves will fluctuate based on the time of year, as most revenue is generated from April – September. There are no restrictions on reserves for this fund. The accumulation of reserves is necessary to cover the potential for declining revenues as the course ages, the need to pay the escalating debt costs through 2023, and the need for capital repair and replacement.

Rooney Road Sports Complex Fund This fund is designed to cover all operating costs through user fees and to accumulate reserves for future capital needs - replacement of the existing fields and possible expansion of the complex. Capital reserves may not be used to cover operating costs.

Cemetery Fund This Fund is designed to cover its operating costs and normal capital needs, with major capital projects to be paid directly by the SUT Fund. In some years, this fund may be subsidized by the General Fund and the Cemetery Perpetual Care Fund. When reserves in this fund are a result of subsidies, interest earnings are taken away from the General Fund and the Perpetual Care Fund. In these situations, the reserves should be kept to a minimum. However, some reserve is necessary to cover unexpected situations without placing an undue burden on other funds for an unanticipated or unbudgeted subsidy.

Therefore, year end reserves shall be between \$50,000 and \$100,000. If year end reserves are below \$50,000, then a transfer from the General Fund and/or Perpetual Care Fund shall occur. Reserves may accumulate in excess of \$100,000 as a result of operations. If reserves exceed \$100,000, funds may be used to cover major capital needs if deemed appropriate.

Museum Fund

This Fund is subsidized annually by the General Fund for operations. Recognizing that reserves in this fund are a result of General Fund subsidy and thus take interest earnings away from the General Fund, the reserves should be kept to a minimum. However, some reserve is necessary to cover unexpected situations without placing an undue burden on the General Fund for an unanticipated or unbudgeted subsidy.

Therefore, year end reserves shall be between \$30,000 and \$50,000. If year end reserves exceed \$50,000, transfers from the General Fund shall be reversed to achieve this reserve level. If reserves go below \$30,000, additional subsidy shall be made no later than the following budget year to bring the reserve back to the desired range.

Proprietary Fund Types – Internal Service Funds

Fleet Management Fund

This Fund is designed to cover its operating costs annually through charges for service to the user departments, with vehicle replacement needs met through annual fleet lease charges.

Reserves shall be accumulated to cover projected replacement costs through lease charges to departments over the useful life of the current vehicles and equipment.

Reserves for future vehicle and equipment replacements will fluctuate from year to year based on the replacement schedule, but the reserve shall not be reduced to cover operating expenses.

Because of potential fluctuations in operating costs for fuel and unexpected repairs, etc., an operating reserve of approximately 5% (~\$50,000) shall be maintained

I.T. Fund

This Fund is designed to cover its operating and capital costs annually through charges for service to the user departments.

Reserves shall be maintained between \$100,000 and \$200,000 to allow for emergencies or unanticipated technology needs. Reserves shall be replenished through subsequent charges to the appropriate user departments.

Insurance Fund

This Fund is designed to cover the premiums, claims, deductibles, and other operating expenses related to property and casualty insurance coverage. User departments and/or operating funds are charged appropriately to cover these costs.

It is the City's intent to maintain large deductibles to reduce the cost of insurance premiums and earn interest on reserves.

Reserves shall be maintained between \$600,000 and \$1,000,000 to allow for emergencies and numerous or large claims. Reserves shall be replenished through subsequent charges to the appropriate user departments.

Medical Benefits Fund

This Fund is designed to cover the premiums, claims, and other operating expenses related to City's self-funded plan to provide employee medical and dental insurance. Expenses related to the City's wellness program are also covered in this fund. Employees and user departments are charged appropriately to cover these costs.

Reserves shall be maintained at 70-80% of the 3-year average of annual expenditures for the fund (currently +/- \$1,000,000) to allow for emergencies and numerous or large claims. Reserves shall be replenished through the appropriate combination of increasing premiums to employees and/or user departments, or cutting claims expenses through increased co-pays and deductibles.

Workers Comp/
Unemployment Fund

This Fund is designed to cover the premiums, claims, and other operating expenses related to workers compensation and unemployment insurance coverage. User departments are charged appropriately to cover these costs.

It is the City's intent to maintain large deductibles to reduce the cost of insurance premiums and earn interest on reserves.

Reserves shall be maintained between \$500,000 and \$700,000 to allow for emergencies and numerous or large claims. Reserves shall be replenished through subsequent charges to the appropriate user departments.

Trust and Agency Funds

Cemetery Perpetual
Care Fund

This fund is designed to accumulate funds sufficient to maintain the Cemetery in perpetuity once it is at capacity. Reserves accumulate from perpetual care fees charged at the time of purchase of a plot and from interest earnings. Interest earnings may be used to subsidize the operations of the Cemetery Fund when needed. Perpetual Care fees are restricted and may never be spent.

Volunteer Firefighters
457 Fund

This fund is designed to accumulate funds contributed annually by the City to individual volunteer firefighters based on years of service to the department, and interest earnings allocated to the individual accounts.

Funds are restricted and may only be used to pay the account balance to the volunteer upon the separation of service to the department.