

TOWN OF PITKIN
FUND BALANCE/RESERVE POLICY
2021

Purpose

The Town of Pitkin (hereafter referred to as “Town”) has a responsibility to adhere to prudent financial principles to ensure stable operations for the benefit of the Town’s residents and customers. Fund balance reserves are an important component in ensuring the overall financial health of a community.

Background

The Governmental Accounting Standards Board (GASB) developed Statement 54 to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standards established a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used.

Included in the total fund balance are amounts that will be reported as Restricted, Committed, Assigned, or Unassigned. These classifications are defined as follows:

- Restricted – amounts constrained by external parties, constitutional provision or enabling legislation (i.e. TABOR reserves);
- Committed – amounts constrained by a government using its highest level of decision-making authority (i.e. future capital projects);
- Assigned – amounts a government intends to use for a particular purpose (i.e. property acquisitions, contingencies, match money);
- Unassigned – amounts that are not constrained

Policy

Therefore, the Board of Trustees of the Town of Pitkin adopts the following to use as guidelines:

- Provide and maintain a TABOR reserve balance of 3% in the General Fund as well as all other funds, as appropriate;
- Provide and maintain an unassigned fund balance of at least 10%, but not more than 25% of budgeted operating expenditures in the Town’s General Fund;
- The annual budget shall include adequate reserves, as possible, as a “savings” account for future projects, acquisitions, etc.; and
- Each annual proposed budget shall include this benchmark policy.
- The Board of Trustees shall review the amounts in fund balance in conjunction with the annual budget approval, and make adjustments as necessary to meet expected cash-flow needs; and
- The Board of Trustees may consider appropriating (for authorized purposes) a fund balance in excess of the policy level. An example of preferred use of excess fund balance would be for one-time expenditures such as capital expenditures

Procedures

- The Town shall maintain necessary funds in accordance with Town policy;
- Annual financial statements shall be prepared in accordance with generally accepted accounting principles establishing the fund balance at the end of each year;
- The Board of Trustees shall review fund balance and cash-flow needs during the budget process in accordance with this policy; and
- Staff and the Board of Trustees should review the policy periodically, especially if the composition or timing of revenue receipts change.

Responsibility and Authority

Administrative implementation of policies is the responsibility of staff and the Board of Trustees.

Governmental Fund Types

General Fund: Maintain a Fund Balance of 25% of annual expenditures, inclusive of the 3% TABOR reserve requirement.

Capital Fund: 1) Maintain Fund Balance of 3% of fiscal year spending to satisfy the TABOR emergency reserve requirement
2) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose.

Environmental Health Fund: This fund is designed to cover its operating costs and to accumulate reserves for future needs.
1) Maintain Fund Balance of 3% of fiscal year spending to satisfy the TABOR emergency reserve requirement.
2) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose.

Parks and Recreation Fund: This fund is designed to cover its operating costs and to accumulate reserves for future projects and needs.
1) Maintain Fund Balance of 3% of fiscal year spending to satisfy the TABOR emergency reserve requirement.
2) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose.

Special Revenue Funds:
(Conservation Trust) 1) Maintain Fund Balance of 3% of fiscal year spending to satisfy the TABOR emergency reserve requirement.
2) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose.

purpose.

- Streets and Ditches Fund:
- 1) Maintain Fund Balance of 25% of annual expenditures, inclusive of the TABOR 3% emergency reserve requirement.
 - 2) Additional reserves may be accumulated for future projects, which may include bridge repair, street opening, and chipseal.

- Town Hall Fund:
- This fund is designed to cover its operating costs and to accumulate reserves for future projects and needs.
- 1) Maintain Fund Balance of 3% of fiscal year spending to satisfy the TABOR emergency reserve requirement.
 - 2) Maintain \$500.00 for regular expenditures, which include utilities and required annual maintenance.
 - 3) Maintain an additional Fund Balance of \$500 to cover the deductible in case of an insurance claim.

Proprietary Fund Types

- Cemetery Fund:
- This fund is designed to cover its operating costs and to accumulate reserves for future projects and needs.
- 1) Maintain Fund Balance of 3% of fiscal year spending to satisfy the TABOR emergency reserve requirement.
 - 2) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose.
 - 3) Reserves may be accumulated for future projects.

