

**RESOLUTION 7  
SERIES 2018**

**A RESOLUTION OF THE BOARD OF TRUSTEES OF THE  
TOWN OF RED CLIFF ADOPTING A RESERVE POLICY**

**WHEREAS**, The Board of Trustees of the Town of Red Cliff, Colorado, has determined that a uniform manner of setting aside reserves is necessary; and

**WHEREAS**, the Town of Red Cliff is a statutory municipality within the State of Colorado; and

**WHEREAS**, maintaining an reserve policy is a prudent fiscal management; and

**WHEREAS**, the Board of Trustees of the Town of Red Cliff, Colorado has determined the State requirement for investment of public funds is succinct and acceptable.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTESS FOR  
THE TOWN OF RED CLIFF, STATE OF COLORADO:**

The Board of Trustees is officially adopting the Reserve Policy attached as Exhibit A

This Resolution passed by a vote of the Board of Trustees for the Town of Red Cliff.  
**INTRODUCED, READ, APPROVED AND ADOPTED** this  
5<sup>th</sup> day of November, 2018.

  
\_\_\_\_\_  
Lorenzo Sandoval, Mayor

**ATTEST:**

  
\_\_\_\_\_  
Barb Smith, Town Clerk & Administrator



## EXHIBIT A - RESOLUTION 7, SERIES OF 2018 TOWN OF RED CLIFF FUND BALANCE POLICY

### I. PURPOSE AND NEED FOR POLICY

The Town of Red Cliff understands it has a responsibility to adhere to prudent financial principles to ensure stable operations for the benefit of the Town's Residents and Visitors. Fund balance reserves are an important component in ensuring the overall financial health of a community, by giving the Town a cushion to meet contingency or cash-flow timing needs. Bond rating agencies look favorably on larger fund balances, which protect against contingencies and cash flow needs. The Town has taken many steps with the help of the Department of Local Affairs to understand and comply with requirements as well as helping to secure the Town from emergencies that may cripple the Town's ability to serve their Residents.

### II. BACKGROUND

Fund balance – the difference between assets and liabilities in governmental fund financial statements are among the most widely and frequently used information in local government financial reports. 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.

As determined by Statement 54, fund balance amounts will be reported in the following classifications (in order of most to least binding):

- Restricted – amounts constrained by external parties, constitutional provision or enabling legislation (i.e. TABOR reserves, Bond requirements);
- 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); and
- Unassigned – amounts that are not constrained at all.

### III. POLICY

Therefore, the Town Trustees for the Town of Red Cliff adopts the following to use as guidelines. Authorization for use of any of these accounts is by a majority vote by the Board of Trustees.

- **General Fund Emergency Reserve** 3 % of the General Account operating expenses, as per TABOR requirements, to be deposited into the COLOTrust Fund annually. With a goal of 50% of our operating expenses kept in deposit in the future. This is a restricted account that may be used only for emergencies great enough to report to Eagle County.
- **General Fund Capital Expense Savings** 10% of annual General Account revenue to be deposited into the COLOTrust Fund with a goal of 50% of our general fund annual revenue in (5) five years. The savings to be used for grant matches and capital projects. When used the savings must be replenished within 5 years. Currently the fund is to be retained for the road and bridge project which includes “curb in” defined as curb, gutters, streets with underground conduit and storm water. The fund will also include a 10% match from the Enterprise Account to be used for this project only.

- **Enterprise Fund Emergency Reserve** 5% of income annually with a reserve target of \$150,000 plus the USDA requirement of \$20,000. The use of this fund is for emergencies and grant matching funds if necessary. The USDA reserve of \$20,000 must be replenished by the end of each year.
- **Enterprise Fund Capital Savings** All new tap fees will be deposited into this account at the end of each year. Tap fees are required to be used for upgrades and capital improvements of the W/S systems, not maintenance. After the payoff of the current debts with the exception of the USDA Bonds; 5% of annual revenue up to a balance of 12 months of operating expenses are intended to go into this account.
- **Additional Policy for the Enterprise Fund.** It is the intent of the Board of Trustees to pay all debt of the Enterprise Fund, with the exception of the USDA Bonds, as quickly as possible without raising rates to its' residents. 2018 will see the payoff of the Bank Midwest Loan. Starting in 2019, any additional funds will be paid to the ERWSD loan, then to the Eagle County Loan until all loans are paid. The water and sewer rates will then be revised.

#### **IV. 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.

#### **V. RESPONSIBILITY AND AUTHORITY**

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