

FUND BALANCE POLICY

The City of Cherry Hills Village recognizes the importance of maintaining an appropriate level of Undesignated Fund Balance to provide the required resources to meet operating needs and to allow for unforeseen needs of an emergency nature. After evaluating the City's operating characteristics, tax base, non-tax revenue sources, capital needs, local and economic outlooks, emergency and disaster risk and other contingent issues the City establishes the following policy regarding the Undesignated Fund Balances for the City of Cherry Hills Village.

I. Purpose

To establish a fund balance policy tailored to the needs of the City to ensure against unanticipated events that would adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. This policy will ensure the City maintains adequate fund balance to: 1) provide sufficient cash flow for daily financial needs, 2) offset significant economic downturns or revenue shortfalls, and 3) provide for unforeseen expenditures related to emergencies.

II. Definitions

Fund Balance – the cumulative difference of all revenues and expenditures.

Reserved Fund Balance – portion of the Fund Balance that is legally restricted to a specific use or otherwise not available for appropriation or expenditures.

Unreserved Fund Balance – a measure of how much Fund Balance is left over at the end of the current year which can be used for the subsequent year's budget.

III. Policy

It is the policy of the City Council to ensure the fiscal health of the community against unforeseen circumstances by maintaining fund balances at sufficient levels for operations to continue. Use of excess fund balance is intended only for one-time or non-recurring expenditures. Find below the Council's approved reserve policy for each fund of the City of Cherry Hills Village.

IV. Fund Balance Goals

A. General Fund – In the General Fund, there shall be maintained an Unreserved Fund Balance equivalent to a minimum of six months of the current year's expenditures less capital outlay and transfers out budgeted for the fund. For purposes of this calculation, the expenditures shall be the budget as originally

adopted by ordinance in December for the subsequent budget year. This reserve shall be in addition to all other required reserves or designation of fund balance.

B. Conservation Trust Fund – This fund is a special revenue fund created to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. No specific reservation of Fund Balance is created by virtue of enactment of this policy. The amount of any reservation of Fund Balance shall be governed by the legal authority underlying the creation of this fund.

C. Catherine H. Anderson Land Donation Fund – This fund was created to account for resources designated to foster and encourage the preservation of natural open space through financial assistance to residents interested in preserving Village natural areas, but may also be used by the Council for park-related purposes. No specific requirement is established for this fund. However, at a minimum, the year end Reserved Fund Balance, and estimated revenues for the ensuing year must be sufficient to meet all outstanding fund encumbrances.

D. SID #7 Bond Fund – Debt service funds are subjected to the creation of very specific reserve amounts as part of the ordinance which authorizes the issuance of the bonds. This policy does not create any specific reservation of Fund Balance for this fund. Reserve requirements for any outstanding bond issue will be consistent with the ordinance authorizing the issuance of the bonds.

E. Arapahoe County Open Space Fund - This fund is a special revenue fund created to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. No specific reservation of Fund Balance is created by virtue of enactment of this policy. The amount of any reservation of Fund Balance shall be governed by the legal authority underlying the creation of this fund

F. Water and Sewer Fund – This fund is a special revenue fund created to account for all revenue and expenses associated with the consolidation of water and sewer utilities coming under the auspices of the City. No specific reservation of Fund Balance is created by virtue of enactment of this policy.

G. Parks and Recreation Fund – There shall be maintained an Unreserved Fund Balance equivalent to a minimum of three months of current year expenditures less capital outlay and transfers out budgeted for the fund.

V. Utilization of Minimum Reserves

Appropriation from the minimum Unreserved Fund Balance shall require the approval of the City Council and shall be only for one-time expenditures, such as capital purchases, and not for ongoing expenditures unless a viable revenue plan designated to sustain the expenditures is simultaneously adopted.

VI. Replenishment of Minimum Reserve Deficits

If it is anticipated at the completion of any year that the projected or estimated amount of Unreserved Fund Balance, will be less than the minimum requirement, then the City Manager shall prepare and submit in conjunction with the proposed budget a plan for the expenditure or expense reductions and/or revenue increases necessary to restore the minimum requirements in subsequent budget years.

VII. Utilization of Surplus Reserves

In the event that the Unreserved Fund Balance exceeds the minimum requirements, the excess may be utilized for any lawful purpose approved by the City Council. It is recommended that the first priority be given to utilizing the excess within the fund in which it was generated. In order to minimize the long term effect of such use, the excess, shall be appropriated to fund one time expenditures or expenses which do not result in recurring operating costs.

VIII. Annual Review

Compliance with the provisions of this policy shall be reviewed as part of the annual budget adoption process.