

**TOWN OF TIMNATH, COLORADO
RESOLUTION NO. 14, SERIES 2012**

**A RESOLUTION ADOPTING CERTAIN POLICIES RELATED TO THE
MANAGEMENT OF THE TOWN'S FINANCIAL MATTERS**

WHEREAS, the Town Council of the Town of Timnath ("Town") pursuant to C.R.S. § 31-15-103, has the power to pass resolutions; and

WHEREAS, pursuant to that power, the Town Council finds it necessary to adopt policies that provide guidance to staff and future decision makers regarding the management of the Town's financial matters; and

WHEREAS, the Town Council has determined that the attached policies for Unrestricted Fund Balance, Capital Depreciation, Capital Reserves and Investments are critical to the proper management of the Town's financial affairs.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF TIMNATH, COLORADO as follows:

The Town Council hereby adopts the attached policies and directs the Town Manager to place them into effect immediately.

INTRODUCED, MOVED, AND ADOPTED BY THE TOWN COUNCIL OF THE TOWN OF TIMNATH, ON JULY 10, 2012,

TOWN OF TIMNATH, COLORADO



Jill Grossman-Belisle, Mayor

ATTEST:



Milissa Peters, Town Clerk



**TOWN COUNCIL ADOPTED POLICY
TOWN OF TIMNATH**

SUBJECT: Unrestricted Fund Balance

CAP#: 10A - 2012

ISSUE DATE

July 10, 2012

EFFECTIVE DATE

July 10, 2012

INTENT

The Town of Timnath (Town) has determined it to be prudent, financial practice to maintain adequate levels of unrestricted fund balance in its General Fund in order to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures as well as to ensure stable tax rates. Moreover, the Town believes that maintaining adequate unrestricted fund balance levels are a critical consideration to the Town's long-term financial planning.

POLICY

The Town has established the following fiscal policy related to its unrestricted fund balance.

Minimum, Maximum and Target Levels

The Town will maintain a minimum unrestricted fund balance of at least two months or 16.7% of the current year's General Fund budgeted operating expenditures. The Town's maximum unrestricted fund balance will not exceed 50% of the General Fund budgeted operating expenditures. In the event that the Town has excess funds over the 50% maximum allowable amount, the Town will document the intended use of any such amounts. Not precluding the aforementioned minimum and maximum percentages, the Town will annually target to achieve and maintain a 25% unrestricted fund balance percentage level as part of its annual budget process.

Use of Funds

While targeting to maintain an annual unrestricted fund balance of 25%, the Town understands that circumstances may arise that could warrant the Town using these funds temporarily. The Town has determined the following circumstances to be permissible instances where it may elect to use these funds:

- An economic downturn in which revenues are under budget
- Unexpected and unappropriated price increases to service and maintain essential Town operations
- Non-budgeted and unexpected emergencies, natural disaster costs, or litigation
- Early retirement of Town debt
- Grant matching and public/private partnership matching
- Provide coverage to other funds due to a shortfall in budgeted revenues
- Capital asset acquisition, construction and improvement projects

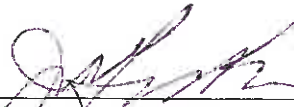
The use of the unrestricted fund balance for the circumstances included above will require an affirmative vote by Town Council.

Terms for Replenishment

In the event the Town elects to use its unrestricted fund balance for the aforementioned instances, the Town will, concurrently in deciding to use its unrestricted fund balance, establish a formal plan for replenishing the unrestricted fund balance to its previous levels. It will be the policy of the Town to replenish the unrestricted fund balance as soon as revenues are available and priority to any future budgeted discretionary spending by Council.

Policy Review

The Town's Finance Director will be responsible for reviewing the Unrestricted Fund Balance Policy semiannually in connection with the Town's annual budgeting process as well as the Town's preparation of year-end financial statements to ensure that the Town is maintaining adequate levels of unrestricted fund balance as set forth in this policy. Furthermore, the Town Manager, in concert with the Town's Finance Director, will review the policy annually in connection with the Town's annual budgeting process and will make recommendations for revisions to the policy as deemed appropriate. Adoption and modifications to this policy will require an affirmative vote by Town Council.



Jill Grossman-Belisle
Mayor



Attest: Milissa Peters
Town Clerk

**TOWN COUNCIL ADOPTED POLICY
TOWN OF TIMNATH**

SUBJECT: Capitalization Threshold and Depreciation

CAP#: 10B - 2012

ISSUE DATE

July 10, 2012

EFFECTIVE DATE

July 10, 2012

INTENT

The Town of Timnath (Town) recognizes the importance of being in compliance with generally accepted accounting principals as established by the Governmental Accounting Standards Board (GASB) by reporting capital asset activities in the Town's year-end government-wide financial statements. Reporting capital asset activity accurately and consistently, provides the readers of the Town's audited financial statements an economic measurement focus of the Town's position.

POLICY

The Town has established the following fiscal policy related to capitalization thresholds and capital asset depreciation method.

Capitalization Threshold

The monetary threshold for capitalization purposes will be established for capital assets with an initial, individual cost of more than \$5,000.


Depreciation of Capital Assets

For year-end financial statement purposes, the Town will calculate depreciation expense on its capital assets utilizing the straight line method. Estimated useful lives of capital assets for purposes of allocating depreciation expense to the appropriate periods will be established by the Town's Finance Director in collaboration with appropriate Town staff.


Policy Review

The Town Manager and the Town's Finance Director will review the Capitalization Threshold and Depreciation Policy annually in connection with the Town's year-end financial statements preparation process to ensure that the Town is adhering to the framework outlined in this policy and will make recommendations to revise the policy as needed. Adoption and changes to this policy will require an affirmative vote by Town Council.

Approved on July 10, 2012 CAP# 10B - 2012



Jill Grossman-Belisle
Mayor



Attest: Milissa Peters
Town Clerk

**TOWN COUNCIL ADOPTED POLICY
TOWN OF TIMNATH**

**TOWN COUNCIL ADOPTED POLICY
TOWN OF TIMNATH**

SUBJECT: Capital Planning and Reserves

CAP#: 10C - 2012

ISSUE DATE

July 10, 2012

EFFECTIVE DATE

July 10, 2012

INTENT

The Town of Timnath (Town) has determined that accumulating and maintaining capital reserves as part of its annual budgeting process helps ensure that the Town maintains adequate cash fund balances to help offset costs of future capital replacement and capital outlay needs. The Town believes that establishing and maintaining such reserves will assist the Town to take greater advantage of the “pay as you go” philosophy verses relying entirely or heavily on debt financing. As such, the Town will be able to minimize the costs related to debt borrowing when practical which in turn will make future revenues available for other purposes (i.e., rather than interest payments on debt and other related borrowing cost expenditures).

POLICY

The Town has established the following fiscal policy as it relates to capital reserves.

Capital Projects and Replacement Program

On an annual basis and concurrently with the Town’s budgeting process, the Town’s Finance Director will ensure that ten-year capital projections are compiled by soliciting information from Town staff which reflects significant, contemplated capital projects (both new and replacement), the associated costs, and the projected timeframe for the projects to be completed. When compiling the capital projections, the Town will consider the return on investment of the proposed projects to ensure that the Town’s revenue resources are being optimized and are in accordance with the Town’s strategic vision and goals. Additionally, the Town will assess the associated on-going maintenance costs of all future capital projects in order incorporate any and all of such costs into the Town’s long-term cash projections. The projections will be used for long-term financial planning purposes only and will in no way be intended to obligate the Town in any manner to building or constructing the capital projects included within the projections.

Budgeting for Capital Reserves

Utilizing the ten-year capital projections, the Town will strive to include an assigned capital reserves balance within its current budget that will be equal to at least 10% the amount of the total aggregate, weighted annual average amounts of the projected costs of all of the projects based on the scheduled timing of the projects and estimated costs. In addition to this amount, the Town will add a 5.0% inflation rate for each of the respective years' total to offset construction related inflationary factors.

Use of Funds

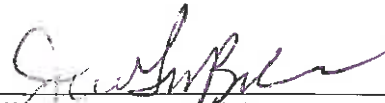
Capital reserves will be utilized by the Town for capital projects as contained within the ten-year capital projections. It is understood that there may be circumstances which may cause the Town to desire to use its capital reserves for unplanned and unanticipated capital purposes. Should the Town use its capital reserves for unplanned and unanticipated capital outlay purposes, the Town will cause any such utilized capital reserves to be replenished within three future budget years from the year the reserves are drawn on.

Investing Capital Reserve Balances

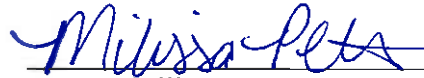
As established in this policy, the Town acknowledges that it will be accumulating capital reserve balances that may or will not be used for an extended period of time. In order to maximize the Town's investment earnings, the Town's Finance Director will periodically, but no less than annually, analyze the capital reserves balances and recommend to Council various investment options available to the Town. Any and all recommendations made will adhere to state statutes regarding investments permitted by governmental entities as well as the Town's adopted Investment Policy. Investment revenue earned on capital reserve balances will be used for costs projected and incurred under this policy.

Policy Review

The Town's Finance Director will be responsible for reviewing the Capital Reserves Policy on an annual basis in connection with the Town's annual budgeting process to ensure that the Town is maintaining appropriate capital reserves in accordance with this policy. Furthermore, on an annual basis and in concert with the annual budgeting process, the Town Manager, in collaboration with the Town's Finance Director, will review this policy and will make recommendations for revisions to the policy as deemed appropriate. Adoption and changes to this policy will require an affirmative vote by Town Council.



Jill Grossman-Belisle
Mayor



Attest: Milissa Peters
Town Clerk

**TOWN COUNCIL ADOPTED POLICY
TOWN OF TIMNATH**

SUBJECT: Investments

CAP#: 10D - 2012

ISSUE DATE

July 10, 2012

EFFECTIVE DATE

July 10, 2012

INTENT

The Town of Timnath (Town) recognizes the need to adopt an investment policy to establish parameters and guidelines for the efficient management of the Town's funds and for the purchase and sale of investments. This policy applies to the investments of all funds of the Town. Except for funds held in trust or special funds that are otherwise specifically provided for, the Town will consolidate the balances from all funds to maximize investment earnings and meet the liquidity requirements of the Town subject to the primary objective of providing security of principal.

POLICY

The Town has established the following fiscal policy related to investments.

Objectives

It is the policy of the Town to invest idle public funds in a manner to meet the daily cash flow demands of the Town with the primary objectives, in priority order, being: a) Safety of Principal b) Liquidity and c) Return on Investments.

A.) Safety of Principal

Safety of principal is the foremost objective of the Town's investment activities. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. The objective will be to mitigate the following risks:

1.) Credit Risk

The Town will minimize credit risk, which is the risk of loss due to the failure of the investment issuer or backer. As such, the Town shall place reliance upon nationally recognized credit rating agencies in evaluating credit risk of obligations not issued by the U. S. government and Federal Instrumentality's (Agencies and Government Sponsored Enterprises). Credit risk shall be limited by restricting the credit ratings on securities that

may be purchased and through diversification in order to reduce exposure to any one security type or issuer.

2.) Interest Rate Risk

The Town will minimize its interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to the changes in market interest rates, by structuring the portfolio to meet the cash requirements of the Town's ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

3.) Concentration Risk

The Town will minimize concentration of credit risk, which is the risk of loss due to having a significant portion of resources invested in a single issuer, by diversifying its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

B.) Liquidity

The investment portfolio shall remain sufficiently liquid to meet all of the Town's operating requirements that may be reasonably anticipated. Investments shall be managed in order to avoid, although not prohibit, the sale of securities before their respective maturities to meet anticipated cash flow needs. Since all possible cash demands cannot be anticipated, the investment portfolio should contain a significant quantity of active secondary or resale markets. As such, at least ten percent (10%) of the investment portfolio will be invested in overnight instruments, money market funds, Colorado local government pools, or in marketable securities which can be sold to raise cash within one day's notice.

C.) Return on Investments

The investment portfolio shall be designed and managed with the objective of attaining a market rate of return throughout interest rate cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety of principal and liquidity. The core investments are limited to relatively low risk securities in anticipation of earning a fair, albeit lower, return relative to the risk being assumed.

Delegation of Authority

Authority to oversee and manage the Town's investment program is granted to the Town's Finance Director. Responsibility for the operation of the investment portfolio may be delegated to an investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction expect

as provided under the terms of this policy along with the procedures established by the investment officer. The investment officer will be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the activities of any subordinate officials.

Authorized Investments

The Town's authorized investments shall consist of the following:

- 1.) U.S. government obligations, U.S. government agency obligations and U.S. government instrumentality obligations that have a liquid market with a readily determinable market value.
- 2.) Any U.S. dollar denominated corporate or bank debt issued by a corporation or bank which is organized and operated with the United States and has a net worth in excess of two hundred fifty million dollars; except that the notes evidencing the debt must mature within three years from the date of settlement and, at the time of purchase, the debt must carry at least two credit ratings from any of the nationally recognized credit agencies and must not be rated below "AA- or Aa3" by any credit rating agency. These may comprise of up to 30% of the book value of the Town's investments at the time of purchase, with no more than 5% of the book value concentrated in any single obligor regardless of investment type.
- 3.) Commercial paper rated A-1, P-1, or their equivalent by any nationally recognized credit rating agencies. Commercial paper shall not exceed 50% of the book value of the Town's investment portfolio with no greater than 7.5% exposure to any single issuer at the time of purchase.
- 4.) Bankers Acceptances, the issuers of which are banks organized under U.S. laws or their parent companies, are rated A-1, P-1 or their equivalent by any nationally recognized credit rating agencies. Bankers acceptances shall not exceed 50% of the total par value of the Town's investment portfolio.
- 5.) Repurchase Agreements and Reverse Repurchase Agreements may be done only with approved dealers with whom the Town has signed a master agreement governing such transactions, and must mature within 90 days. U.S. Treasury, agency, or instrumentality securities must collateralize any such transactions, the market value of which shall be at least 102% of the funds invested in the transaction at inception, and not less than 100% of the funds invested during its life. Securities collateralizing such transactions shall be delivered to the purchaser or their securities' custodian.
- 6.) General Obligations of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any such governmental entities. No security may be purchased pursuant to this paragraph unless, at the time of purchase, the security is rated in one of the three highest rating categories by any

nationally recognized organization that regularly rates such obligations. General obligations shall not exceed 50% of the total par value of the Town's investment portfolio.

- 7.) Guaranteed Investment Contracts of domestically-regulated insurance companies having a claims-paying ability rating AA or its equivalent by any nationally recognized credit rating agencies.
- 8.) Money Market Mutual Funds and Local Government Investment Pools as permitted by Colorado statute, provided that such funds are either registered with the SEC or rated AAA by any nationally recognized credit rating agency.

Interest Earnings

Investment income will be allocated to the various funds based on the respective participation of capital in the overall investment portfolio.

Investment Limitations

The Town will adhere to the following investment limitations:

A.) Diversification

The Town's investments shall be diversified by:

- 1.) Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities)
- 2.) Limiting investment in securities with higher credit risks
- 3.) Investing in securities with varying maturities, and
- 4.) Continuously investing a portion of the Town's investment portfolio in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet the Town's ongoing obligations

B.) Maturity

To the extent possible, the Town shall attempt to match its investments with anticipated cash flow needs. Unless matched to a specific cash flow, the Town will not directly invest in securities with maturities of more than three (3) years from the date of purchase.

C.) Sale of investments prior to maturity

Investments may be sold prior to their maturity date if the investment official determines that it is in the best interest of the Town to do so. Sales shall not be made to speculate upon future market trends. It is the Town's intent to purchase and hold securities until maturity;

however, from time to time, it may become necessary to sell a security at a loss in order to meet cash flow requirements or to take advantage of certain exchange advantages.

D.) Derivatives


Securities which derive their value from an underlying asset, group of assets, reference rate, or index value are not permitted as an authorized investment under this policy.

Reporting of Investments

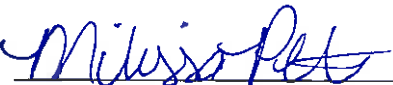
A report containing current investment activity and balances will be provided to Town Council on a monthly basis.

Policy Review

The Town's Finance Director will review the Investment Policy annually in concert with the preparation of the Town's year-end financial statements to ensure that the Town is adhering to the framework outlined in this policy and will make recommendations to revise the policy as needed. Adoption and changes to this policy will require an affirmative vote by Town Council.



Jill Grossman-Belisle
Mayor



Attest: Milissa Peters
Town Clerk