

RESOLUTION NO. 2642

EAST NORRITON TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

A RESOLUTION OF THE BOARD OF SUPERVISORS OF
EAST NORRITON TOWNSHIP AMENDING ITS FORMAL POLICY
RELATED TO THE APPROPRIATE LEVEL OF FUND BALANCE AND RESERVES

WHEREAS, the Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of fund balance that should be maintained in the general fund and encourages adoption of similar policies for other funds; and

WHEREAS, a Fund Balance Policy improves the municipality's financial stability by maintaining appropriate reserves to withstand economic downturns, emergencies, or natural disasters; and

WHEREAS, a formal Fund Balance and Reserve Policy will strengthen the Township's credit rating with appropriate rating agencies; and

WHEREAS, the Board of Supervisors of East Norriton Township approved resolution #2575 in January 2012 to adopt a formal Fund Balance policy

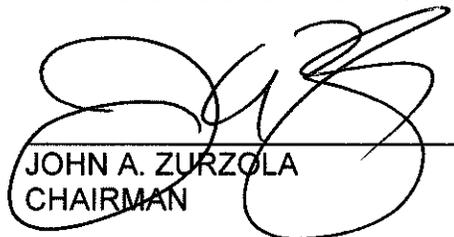
WHEREAS, assembled as follows that the attached Fund Balance and Reserve Policy dated July 2014 amends and replaces resolution #2575 is hereby adopted by East Norriton Township.

RESOLVED this 22nd day of July, 2014 by the Board of Supervisors of East Norriton Township.

Attest:



EAST NORRITON TOWNSHIP
BOARD OF SUPERVISORS



JOHN A. ZURZOLA
CHAIRMAN



DONALD D. DELAMATER
SECRETARY

FUND BALANCE AND RESERVE POLICY July 2014

A. PURPOSE

To establish a fund balance and reserve policy tailored to the needs of East Norriton Township to insure against unanticipated events that would adversely affect the financial condition of the Township and jeopardize the continuation of necessary public services. This policy will ensure the maintenance of an adequate fund balance and reserves to allow East Norriton Township to:

- 1) Provide sufficient cash flow for daily financial operations;
- 2) Secure and maintain investment grade bond ratings;
- 3) Offset significant economic downturns or revenue shortfalls;
- 4) Provide funds for unforeseen expenditures related to emergencies.

B. DEFINITIONS

East Norriton Township classifies fund balance as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses and inventories.

Restricted – includes fund balance amounts that can be spent only for specific purposes stipulated by external parties, through enabling legislation, or constitutional provisions. Fund balance types of this category include amounts for debt service, street lights, fire protection, parks and recreation, capital reserve, liquid fuels, and bond funds.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the East Norriton Board of Supervisors. Commitments may be changed or lifted only by the East Norriton Board of Supervisors through the same formal action that imposed the constraint.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Township Manager and/or Township Finance Director.

Unassigned – includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

C. FUND BALANCE GOALS

- 1) **General Fund** - In the General Fund, the Township's policy goal will be to maintain a fund balance (total sum of assigned fund balance and unassigned fund balance) equal to two months (or 16.7%) of regular General Fund operating expenditures plus transfers out. The minimum fund balance will depend on the economic and budgetary circumstances of the Township. The Township will seek to consistently maintain a minimum General Fund fund balance of 10% of regular General Fund operating expenditures plus transfers out.

For purposes of this calculation, the Township will use its annual financial statements completed by its appointed auditor to calculate the General Fund's fund balance. If warranted, the Township may use budgeted expenditures and transfers out as originally adopted by ordinance in December, or a subsequently amended budget approved by the Board of Supervisors.

- 2) **Special Revenue Funds** - Special revenue funds are created to account for the proceeds of specific revenue sources that are legally restricted to expenditures 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 the individual funds.
- 3) **Debt Service Fund** - Debt service funds are typically subjected to the creation of very specific reserve amounts as part of the ordinance or resolution which authorizes the issuance of the bonds. This policy does not create any specific reservation of fund balance within any Debt Service Fund. Reserve requirements for any outstanding bond issue will be consistent with the ordinance or resolution authorizing the issuance of the bonds.
- 4) **Capital Projects Fund** - The Capital Projects Funds are created to account for resources designated to construct or acquire general fixed assets and major improvements. These projects may extend beyond a single fiscal year. No specific fund balance requirement is established for the Capital Projects Fund. However, at a minimum, the fiscal year end unassigned fund balance, and estimated revenues for the ensuing fiscal year must be sufficient to meet all outstanding fund encumbrances.

D. REPLENISHMENT OF MINIMUM FUND BALANCE LEVELS

If it is anticipated at the completion of any fiscal year that the projected fund balance, will be less than the minimum target of 10% of regular General Fund operating expenditures plus transfers out, then the Township Manager and/or Finance Director shall prepare and submit in conjunction with the proposed budget a plan for expenditure reductions and/or revenue increases necessary to restore the minimum requirements in the subsequent year or as directed by the Board of Supervisors of East Norriton Township.

E. UTILIZATION OF SURPLUS FUND BALANCE

In the event that the fund balance exceeds the target outlined in section C of this resolution, the excess may be utilized for any lawful purpose approved by East Norriton Township. It is Township policy that the first priority would be to fund one-time expenditures which do not result in recurring operating costs.

F. ANNUAL RESERVES

In an effort to strengthen its reserves and improve its overall financial condition East Norriton Township shall maintain a reserve equal to 5% of General Fund revenues. This reserve is separate from the General Fund's fund balance detailed in Section C and shall be budgeted annually. Appropriation from reserves shall only be for one-time expenditures (e.g. capital purchases), to provide funding for unforeseen expenses related to emergencies or natural disasters, or to offset revenue shortfalls.

G. MINIMUM RESERVE REQUIREMENTS

In the event funds are not available to meet the reserve level described in section F, the reserve shall be achieved by adding a designated amount over a period not to exceed five (5) fiscal years. This timeframe may be modified by the Board of Supervisors of East Norriton Township by resolution in response to economic conditions or other circumstances.

H. ANNUAL REVIEW

Compliance with the provisions of this policy shall be reviewed annually with the Board of Supervisors of East Norriton Township.