

AMITY TOWNSHIP, BERKS COUNTY, PENNSYLVANIA

RESOLUTION NO. 2019-17

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
TOWNSHIP OF AMITY, BERKS COUNTY, PENNSYLVANIA,
ADOPTING A SEWER FUND BALANCE POLICY AS REQUIRED BY
GASB 54

WHEREAS, the Governmental Accounting Standards Board ("GASB") has adopted Statement #54 ("GASB 54"), a new standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental fiscal years starting after June 15, 2010, and

WHEREAS, Amity Township wishes to comply with GASB 54 as required beginning with the current January 1, 2019 - December 31, 2019 fiscal year.

NOW THEREFORE BE IT RESOLVED that Amity Township hereby adopts the Sewer Fund Balance Policy attached hereto.

FURTHER RESOLVED, that Amity Township hereby establishes a Budget Stabilization Reserve and funds such Budget Stabilization Reserve with an original principal balance of Five Hundred Thousand Dollars (\$500,000.00) from the Sewer Fund.

FURTHER RESOLVED, that Amity Township hereby establishes a Capital Reserve and funds such Capital Reserve with an original principal balance of Six Hundred Thousand Dollars (\$600,000.00) from the Sewer Fund.

FURTHER RESOLVED, that if any provision, sentence, clause, section, or part of this Resolution shall for any reason be found to be unconstitutional, illegal or invalid, such determination shall not affect or impair any of the remaining provisions, sentences, clauses, sections, or parts of this Resolution, and it is hereby declared to be the intent of the Board of Supervisors of the Township of Amity that this Resolution would have been adopted had such unconstitutional, illegal or invalid provision, sentence, clause, section or part not been included herein.

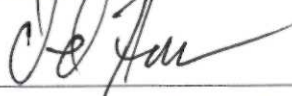
FURTHER RESOLVED, that all Resolutions or parts of Resolutions inconsistent with this Resolution are hereby superseded.

FURTHER RESOLVED, that this Resolution shall become effective immediately.

IN WITNESS WHEREOF, the Amity Township Board of Supervisors has caused this Resolution to be passed this 6th day of November 2019.

BOARD OF SUPERVISORS OF AMITY
TOWNSHIP, BERKS COUNTY, PENNSYLVANIA











Attest: 
Township Secretary

FUND BALANCE POLICY

PURPOSE

Amity Township (Township) believes that sound financial management principles require that sufficient funds be retained by the Township to minimize the need for short-term and long-term borrowing and to provide a stable financial base at all times. To retain this stable financial base, the Township needs to maintain a Sewer Fund balance sufficient to fund all cash flow requirements, to provide financial reserves for capital expenditures, unanticipated expenditures and/or revenue shortfalls of an emergency nature, to provide funds for the disparity in timing between sewer rental charges collection and expenditures, and to secure and maintain investment grade bond ratings. The purpose of this policy is to specify the size and composition of the Township's Sewer Fund reserves, and to specify requirements for replenishing any fund balance reserves utilized. This policy shall be implemented consistent with all of the requirements for budgets and expenditures of funds under the Second Class Township Code.

DEFINITIONS and AUTHORITY

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). One objective of this standard was to improve the usefulness of fund balance information by providing clear fund balance classifications. Defined below are the five GASB 54 classifications together with a description of the how the Fund Balance can be constrained for specified purposes and the Township requirements to replace Fund Balances expended.

1. Non-Spendable Fund Balance amounts are not in a spendable form (e.g. inventory) or are legally or contractually required to be maintained intact (e.g., the principal of an endowment fund).
2. Restricted Fund Balance amounts can be spent only for the specific purposes stipulated by external resource providers (for example, creditors, grantors, contributors, or laws or regulations of other governments), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Restrictions may be changed or lifted only with the consent of the resource provider.
3. Committed Fund Balance amounts can be used solely for the specific purpose designated by the formal adoption of a resolution by the Board of Supervisors. Commitments may be changed or removed only by the Board of Supervisors taking the same formal action that imposed the commitment originally.

4. Assigned Fund Balance amounts are designated by the Board of Supervisors or the Township Manager as monies intended to be used by the Township for specific purposes, but are neither non-spendable, restricted nor committed.

The Board of Supervisors shall set aside funds as Assigned Fund Balances by a simple majority vote that shall be recorded in the minutes of a Supervisors meeting. The same action is required to change or remove the assignment. Assigning funds may not cause a deficit in the Township's Unassigned Fund Balance.

All funds thereafter set aside by the Township Manager as Assigned Fund Balances must be reported to the Board of Supervisors at their next regular meeting. The Board of Supervisors has the authority to approve, remove or change the assignment of the funds by the Township Manager with a simple majority vote that shall be recorded in the minutes.

In the Sewer Fund, the Assigned Fund Balance represents the amount that is intended to be used for a specific purpose that is narrower than the general purposes of the Township itself.

5. Unassigned Fund Balance is the residual classification for the Sewer Fund and includes all amounts not contained in the other classifications. The Unassigned balance is technically available for any purpose. There is no minimum Unassigned Fund Balance requirement.

The Unassigned Fund Balance may only be appropriated by resolution adopted by the Board of Supervisors.

It is the intent of the Township to limit use of the Unassigned Sewer Fund balance to address unanticipated, non-recurring needs or known and planned future "pay as you go" capital expenditures. The Unassigned fund balance shall not normally be applied to recurring annual operating expenditures.

Classifying Fund Balance Amounts

The Township Manager or his/her designee is authorized to classify available funds for specific purposes in accordance with GASB 54. It is the policy of the Township that expenditures which could be made from more than one category of funds should be made from funds in the following order of priority: Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

POLICY PROVISIONS

This policy establishes the minimum amounts the Township will strive to maintain in its Sewer Fund Balance, the conditions under which fund balance may be spent, and the method by which fund balances will be restored.

Budget Stabilization Balance — Committed Reserve

The Township will maintain a Committed Fund Balance called the "Budget Stabilization Reserve" with an initial balance \$500,000 of as a Committed Fund Balance, which is established by the Resolution establishing this policy. The Budget Stabilization Balance shall be used to provide the liquidity needed to deal with fluctuations in income and expense cycles and other operating requirements such as prepayment for reimbursable grants. This Committed Fund Balance does not lapse at year's end but rather continues until formally changed by the Board of Supervisors.

Any use of the Budget Stabilization Reserve funds for other than its expressed purpose must be authorized by a resolution adopted by the Board of Supervisors that also includes a repayment plan which shall restore the Budget Stabilization Reserve to a minimum balance of Five Hundred Thousand Dollars (\$500,000.00) within the next fiscal year after the year in which the event occurred. The use of monies in the Committed Budget Stabilization Balance should only be considered after all other funding options are exhausted.

Any amount in excess of the \$500,000 minimum balance established above, shall be transferred annually to the Capital Reserve Fund.

Capital Reserve — Assigned Fund Balance

The Township will maintain an Assigned Fund Balance in the EDU/Capital Reserve Fund with an initial minimum balance of Six Hundred Thousand Dollars (\$600,000.00).

The Capital Reserve is set aside to be used from time to time for the construction, purchase or replacement of or addition to Waste Water Treatment plant, equipment, machinery, motor vehicles, or other capital assets and for the construction, reconstruction and replacement of sewers, sewage systems, sewage treatment facilities, for the purpose of purchasing real property, and the preparation and/or improvement of said lands for any legal purpose. The moneys in the Capital Reserve shall not be used for any other purpose unless the Board of Supervisors declares that conditions in the Township make other expenses more urgent than those for which the Capital Reserve was created.

Any use of the Capital Reserve Fund must be approved by the Board of Supervisors.

In the event that Capital Reserve Funds are used for any purpose, the Township shall strive to restore this Capital Reserve Fund to the minimum \$600,000.00 level within the next two fiscal years following the year in which the event occurred.
