

East Bradford Township Fund Balance Policy DRAFT #4
February 2011

See MPL Work Files – FINANCE file for this document last revised 02-09 11

Page 1

EAST BRADFORD TOWNSHIP
CHESTER COUNTY, PENNSYLVANIA
RESOLUTION NO. 06 -2011



WHEREAS, the establishment of formalized financial policies are recommended practices of the Government Finance Officers Association of the United States and Canada as well as the National Advisory Council on State and Local Budgeting as a means to assist elected officials in framing resource allocation decisions; and

WHEREAS, the establishment of such formalized financial policies are recognized as favorable practices within the public finance sector by the three major bond rating bureaus as well as by both the Township independent auditor and financial advisor; and

WHEREAS, the Board of Supervisors (the "Board") desires to promote future financial health, sustainability, and fostering an efficient and effective provision of public services through the establishment of financial policies specifically addressing fund balance, the use of one-time revenues, and pay-as-you-go capital funding.

NOW, THEREFORE, BE IT RESOLVED, that the Board has reviewed the attached Fund Balance Policy and directs that this Policy be incorporated into both the day to day and long term financial planning of the Township

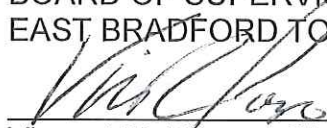
Duly adopted this 03rd day of MARCH, 2011, by the Board of Supervisors of East Bradford Township, Chester County, Pennsylvania, in lawful session duly assembled.

ATTEST:




Michael P. Lynch
Township Secretary

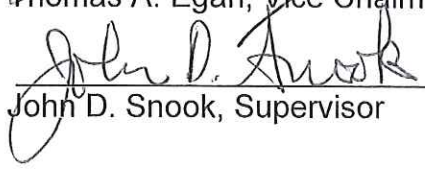
BOARD OF SUPERVISORS
EAST BRADFORD TOWNSHIP



Vincent M. Pompo, Chairman



Thomas A. Egan, Vice Chairman



John D. Snook, Supervisor

East Bradford Township Fund Balance Policy DRAFT #4
February 2011

Page 2

See MPL Work Files – FINANCE file for this document last revised 02-09 11

East Bradford Township

**Fund Balance Policy
including
Nonrecurring Revenues Policy, and
Capital Reserve Funding Policy**

Purpose: To establish policies to ensure the fiscal soundness of the Township by establishing procedures to maintain appropriate balances in the Township General Fund operating accounts while establishing procedures to maintain appropriate funding for the Capital Reserve Fund account.

Section I - Fund Balance Policy:

- A. The annual Township budget prepared and adopted pursuant to Section 3202. of Article XXXII of the Second Class Township Code should include a December 31 General Fund Balance (the "fund balance") that is a minimum of 25 % of budgeted General Fund revenues for that budget year, with the target being no less than 30 % of budget revenues (the "target").

Note: 25% would represent a fund balance of approximately \$750,000 under the 2011 General Fund Budget.

- B. Only under the following circumstances may the General Fund Balance be budgeted to fall below 25 %:

(1) During or immediately following a year in which a federally or state-declared natural disaster or state of emergency has been declared within East Bradford Township; or

(2) By a majority the entire membership of the Board as it may at its sole discretion deem to be in the best interest of the Township.

- C. In any year in which the General Fund Balance actually falls below 25 %, the Board of Supervisors may consider measures to replenish the target within the second budget following said fund condition through any combination of expenditure cuts and/or tax and/or other fee increases (for example, if the actual 2011 fund balance falls below 25 %, the fund balance should be budgeted to return to 30 % by the 2013 budget).

- D. Only under the following circumstances should the fund balance be budgeted to fall above 50 %:

(1) In anticipation of a large capital or other unique operating expense being realized within the next two budget cycles: or,

(2) By a majority vote of the entire membership of the Board.

(3) [left blank pending further BOS consideration]

East Bradford Township Fund Balance Policy DRAFT #4
February 2011

Page 3

See MPL Work Files – FINANCE file for this document last revised 02-09 11

- E. This policy should be reviewed by the Board as part of the annual budget preparation and review process to allow for changes within the public finance environment.

Section II - Nonrecurring Revenues Policy:

- A. It is the policy of East Bradford Township that one-time or limited-term financial resources, such as proceeds from asset sales, debt refinancing, one-time grants, legal settlements, and similar nonrecurring resources, should not be used for current or future ongoing operating expenses.
- B. Appropriate uses of one-time or limited-term resources may include:
- (1) Building and maintaining the fund balances in the General or Capital Reserve Funds;
 - (2) The early retirement of debt, especially long-term bonded debt;
 - (3) Capital improvements or capital maintenance expenditures; and
 - (4) Other nonrecurring expenditures.

The above policy is limited to the General Fund and Capital Reserve Fund and in particular exclusive of the Open Space Fund, Liquid Fuels and Sewer Fund which are proprietary funds.

Section III - Pay-as-You-Go Capital Reserve Funding Policy:

- A. It is the goal of East Bradford Township to fund through the Capital Reserve Fund most assets with expected useful lives of more than ten years, including vehicles, equipment, and minor improvements to buildings and grounds (those less than \$10,000 in costs), whenever possible with cash on hand as opposed to utilizing borrowed funds.
- B. It is the policy of the Township to achieve this goal through the following means:
- (1) Annual fund transfer from the General Fund, with a transfer to be determined during the 4th Quarter based upon General Fund performance (operating revenues in excess of expenditures);
 - (2) The Board, annually during the next-year budget preparation, will consider a minimum budget allocation in the General Fund Budget to the Capital Reserve Fund;
 - (2) All proceeds from the sale of fixed assets from Public Works and other assets purchased with Capital Reserve funds shall be dedicated to the Capital Improvement Fund for this purpose;
 - (3) The Board, at its sole discretion, may levy a tax millage rate on real property that is dedicated to the Capital Reserve Fund for this purpose.

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Page 4