

RESOLUTION 30-2016
A RESOLUTION OF THE BOARD OF SUPERVISORS OF WEST VINCENT
TOWNSHIP, CHESTER COUNTY, PENNSYLVANIA ADOPTING
A FUND BALANCE POLICY

WHEREAS, the purpose of this resolution is to set guidelines for fund balance to ensure financial security through the maintenance of a healthy reserve fund by allocating a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one time expenditures; and

WHEREAS, West Vincent Township also seeks to maintain the highest possible credit ratings which are dependent, in part, on the Township's maintenance of a healthy fund balance; and

WHEREAS, the establishment of such 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

NOW, THEREFORE, BE IT RESOLVED that West Vincent Township Board of Supervisors commits to establish a Fund Balance Policy as part of a comprehensive financial policy setting the levels of reserved and unreserved fund balances as follows:

- I. **RESERVED FUND BALANCE** consists of a portion of fund balance restricted to a specific use and not available for appropriation or expenditure. Restricted portions of fund balance include:

- A. **General Fund**

Purpose: Primary operating fund to account for the ongoing revenues and expenditures of the Township. The restricted fund balance includes the portion of funds required for debt service.

- B. **Open Space Fund**

Purpose: To account for reserves and income from dedicated earned income tax for open space. Funds are restricted for debt service payments and open space projects.

- C. **Sewer Fund**

Purpose: To account for funds related to enterprise activities of the Township. Include all income and expenses associated with operating the Township owned sanitary sewer system. Funds are proprietary, and restricted to the operation of the Township's sanitary sewer system.

- D. **Escrow Fund**

Purpose: Township accounts for assets, receipts, and disbursements on a purely custodial basis. Funds are fiduciary, and restricted for the purpose established by each escrow.

E. Liquid Fuels Fund

Purpose: To account for state funds received from gas taxes through the PennDOT Liquid Fuels Program. Funds are restricted to this program and may be used for eligible traffic and road improvement projects.

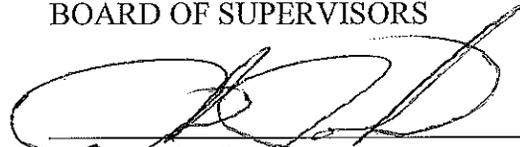
- II. **UNRESERVED FUND BALANCE** is subdivided into “designated” and “undesignated” portions.
 - A. **DESIGNATED** funds shall be defined as funds maintained to account for specific purposes and are not externally restricted. Designated funds shall consist of the *Capital Improvement Program* and the *Road Improvement Program*. The Board of Supervisors may create other reserve funds as they deem advisable. Such reserves shall be created by an appropriation resolve which shall include a statement as to the intent and purpose of the fund, the funding mechanism, and the authority to use and withdraw from the fund.
 - a. *The Capital Improvement Program* shall be funded by an annual General Fund appropriation. It is the goal of West Vincent Township to fund all assets with expected useful lives of fewer than ten years, including vehicles, equipment and minor improvements to buildings and grounds, whenever possible with cash on hand as opposed to utilizing borrowed funds. In order to achieve this goal, the Capital Improvement Program will be seeded with a \$100,000 appropriation in 2017, and will be supplemented to meet or exceed this amount in subsequent years. All proceeds from the sale of fixed assets shall be dedicated to the Capital Reserve for this purpose.
 - b. *The Road Improvement Program* shall be funded by a General Fund appropriation of no less than \$200,000 and serve to supplement annual Penn DOT Liquid Fuels State Allocation. It is the goal of the Board of Supervisors to allocate sufficient funding to maintain safe roadways for its citizens by establishing a target amount; however, it is recognized that extenuating circumstances such as natural disaster, infrastructure failure, or road determination may necessitate a greater appropriation in a given year. In order to achieve this goal, the Road Improvement Program will be seeded with a \$200,000 appropriation in 2017, and will be supplemented with an amount to meet or exceed this amount in subsequent years.
 - B. **UNDESIGNATED** portions of unreserved fund balance represent expendable available financial resources that may be used to meet contingencies and working capital requirements. The General Fund undesignated fund balance shall be maintained at a level sufficient to provide for unforeseen needs of an emergency nature, to permit orderly adjustment to changes resulting from fluctuations of revenue sources as well as the continued stability of the tax structure. It is the goal of West Vincent Township to maintain a minimum of 20% of budgeted General Fund revenues for that budget year, with the target of being no less than 20% of the operating budget (the “target”). Only under the following circumstances may the fund balance be budgeted to fall below 20%:

1. During or immediately following a year in which a federally or state – declared natural disaster or state of emergency has been declared within the Township; or
2. By two thirds vote of the Board of Supervisors as it may at its sole discretion deem to be in the Township's best interest.

In any year in which the General Fund balance falls below the 20%, the fund balance shall be budgeted to replenish the target no later than the second budget following said shortfall through any combination of expenditure cuts and/or tax and/or other fee increases. For example, if the actual 2017 fund balance falls below 20%, the fund balance must be budgeted to return to 20% by the 2019 budget.

ADOPTED AND APPROVED this 19th day of December 2016.

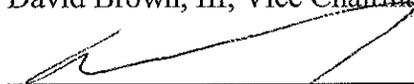
WEST VINCENT TOWNSHIP
BOARD OF SUPERVISORS



John Jacobs, Jr., Chairman

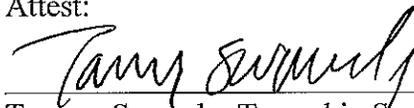


David Brown, III, Vice Chairman



Michael Schneider

Attest:



Tammy Swavely, Township Secretary