

**Hatfield Township
Montgomery County, PA**

Resolution #12-01

A Resolution of the Board of Commissioners of Hatfield Township Establishing Fund Balance Policies as Required by GASB 54; Repealing inconsistent resolutions; providing a severability clause; and providing an effective date.

WHEREAS, Hatfield Township wishes to comply with GASB 54 as required beginning with the current January 1, 2012 – December 31, 2012 calendar year; additionally these policies shall be retroactively applied to the December 31, 2011 ending fund balances;

NOW, THEREFORE, BE IT RESOLVED, that Hatfield Township hereby adopts the following policy:

FUND BALANCE POLICY

A. Fund Balance Policy

The Township hereby establishes and will maintain reservations of Fund Balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Policy shall only apply to the Township's governmental funds. Fund Balance shall be composed of non-spendable, restricted, committed, assigned and unassigned amounts.

B. Definitions

Non-spendable Fund Balances are those amounts that can't be spent because they are not in spendable for or they are legally or contractually required to be kept intact. Examples of "not in spendable form" include inventory and prepaid assets.

Restricted Fund Balances are amounts restricted for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balances are amounts that are set aside for a specific purpose by the township's highest level of decision making authority. Formal action must be taken prior to the end of the calendar year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balances are those amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

C. Classification of Fund Balances

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

D. Authority to Commit Funds

The Township's Board of Commissioners has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by the Board of Commissioners. The passage of a resolution must take place prior to December 31st of the applicable calendar year. If the actual amount of the commitment is not available by December 31st, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

E. Authority to Assign Funds

Authority is given to the Township's Finance Director to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the Township's Board of Commissioners. The Township's Board of Commissioners has the authority to remove or change the assignment of funds with a majority vote.

F. Minimum Level of Unassigned Fund Balance

The Township has set a 5% minimum Fund Balance.

G. Stabilization Arrangement (for funds that are to be used as "rainy day" funds for operations) – A General Fund Reserve fund is to be established. The money to establish this fund will be any excess money that is higher than a 5% reserve balance in the General Fund at years end. The fund use is to stabilize the General Fund from unexpected expenditure greater than \$50,000, an overall revenue decrease of 3%, or increase in expenses of 3%. The fund may be used for tax anticipation or grant anticipation; however it is to be repaid when monies are received.

H. General Fund (Fund #1 – Unassigned) – All General Fund Income that is unrestricted can be spent according to a budget approved by the Board of Commissioners. Income

shall include Taxes on Real Property, Local Enabling Taxes, Licenses and Permits, Fines, Interest, Intergovernmental Revenues, Charges for Services, Department Revenues, Donations, and Interfund Transfers. Expenditures include General Government, Public Safety, Public Works, Open Space, and Interfund Transfers.

- I. General Fund Reserve (Fund #2 – Assigned)** – Rainy Day fund as described by the Stabilization Agreement.
- J. Fire Fund (Fund #3 Assigned)**– All tax money collected through real estate taxes dedicated to the fire companies.
- K. Fire Fund Reserve (Fund #4 – Assigned)** – Money dedicated by the Board of Supervisors from the income earned on the real estate fire tax is to be used solely on the purchase of fire equipment to be used within the township.
- L. Impact Fees (Fund #5 – Assigned)** – Income collected through development within the township for the strict purpose of improving the township.
- M. Debt Service Fund (Fund #6 – Assigned)** - All income is to be collected and paid on long term debt issued by the township. Excess balance can be used for paying down debt or paying debt cost.
- N. Capital Reserve Fund (Fund #14 Assigned)** – Income is from 10% of the Local Services Tax collected under the General Fund. Expenditures are strictly for capital purchase.
- O. Community Pool Fund (Fund #15 Assigned)** – All income and expenses are to be used for daily maintenance of the community pool. Income committed is pool memberships, daily fees, rentals, program fees, and snack bar profits. Fees collected for Capital Fees shall be transfer to the Pool Reserve Fund.
- P. Pool Reserve Fund (Fund #16 Assigned)** – Income is from the Capital Fees collected by the Community Pool Fund or proceeds from the township fundraisers. Expenditures are to be for capital projects or long term maintenance of the pool.
- Q. Park and Recreation Fund (Fund #18 Assigned)** – All Park and Recreation Fund income, that is not otherwise externally restricted, shall be committed for the purposes of funding Park and Recreation Operations. Income to be committed shall include program fees, donations, and grants. Proceeds from the annual township outing can be designated for specific purposes outside the fund. Proceeds from programs are to funded to the Park and Recreation Reserve Fund.
- R. Park and Recreation Reserve Fund (Fund #19 Assigned)** - Income is from proceeds of the Park and Recreation Fund programs. Expenditures can be used on capital projects with in the Park and Recreation Program.

- S. State Aid (Fund #35 – Assigned)** - All money received from the State, aka Penn Dot, shall be committed for cost of road improvements, bridge improvements, public works vehicle purchases, signage, and specific debt payments related to future State Aid Payments.
- T. Recycling Fund (Fund #36 – Assigned)** All revenue received from the North Montgomery Recycling Commission is to be designated for community recycling projects. Expenses paid by this fund include leaf pickup, branch pickup, and the recycling center.
- U. Escrow Fund – (Fund #37 – restricted)** All funds are designated by the township for outside vendors to fund escrows for engineering, construction, and property maintenance.
- V. Uniform Pension Plan - (Fund #40 – restricted)** All funds are property of the members belonging to the uniform pension plan. The township is responsible for designating a pension board to oversee the fund and its operations.
- W. Non-Uniform Pension Plan - (Fund #41 – restricted)** All funds are property of the members belonging to the non-uniform pension plan. The township is responsible for designating a pension board to oversee the fund and its operations.
- X. North Penn DUI Checkpoint Fund (Fund #42 – restricted)** - All grant money collected by the fund is strictly for reimbursement of municipality overtime cost associated with the North Penn DUI Checkpoint.
- Y. North Penn Recycling Commission (Fund #43 – restricted)** – All grant money collected by the commission is to be reimbursed to all members of the commission minus the overhead cost associated on compliance issues on the grant.

Z. Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed, presented and discussed as part of the year end financial reporting process of the Township, and the amounts of non-spendable, restricted, committed, assigned, and unassigned fund balances shall be reported.

The above Resolution is adopted by the Board of Commissioners of Hatfield Township this 25th day of January 2012.

ATTEST:

BOARD OF COMMISSIONERS
HATFIELD TOWNSHIP

Andrew S. Haines, Secretary

Thomas C. Zipfel, President