

RESOLUTION NO. 2021-4

**NEW FREEDOM BOROUGH
YORK COUNTY, PENNSYLVANIA**

WHEREAS, the Borough of New Freedom (Borough) is a duly constituted and incorporated Borough of the Commonwealth of Pennsylvania; and,

WHEREAS, as a duly constituted Borough, the Borough is subject to the Borough Code, Act of February 1, 1996, P. L. (1 965), as amended; and,

WHEREAS, pursuant to The Borough Code, Borough Council has a responsibility to ensure it handles public funds appropriately; and

WHEREAS, the Fund Balance Policy outlines the proper procedure for maintaining an adequate fund balance; and

WHEREAS, the auditing firm for the Borough has recommended that Council adopt a Fund Balance Policy that promotes sound financial management practices designed to meet Council's goals and objectives; and

WHEREAS, the primary objective of the Fund Balance Policy is to secure and maintain investment-grade credit ratings, meet seasonal shortfalls in cash flow, plan for capital improvements, and reduce susceptibility to emergency or unanticipated expenditures and/or revenue shortfall.

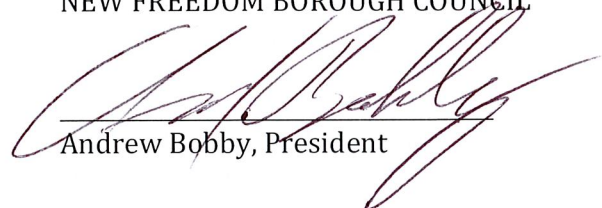
NOW, THEREFORE, BE IT RESOLVED, by the Council of the Borough of New Freedom hereby approves the Fund Balance Policy as submitted and attached hereto as Exhibit A.

IN WITNESS THEREOF, I affix my hand and attach the seal of the Borough of New Freedom, this 10th day of May 2021.

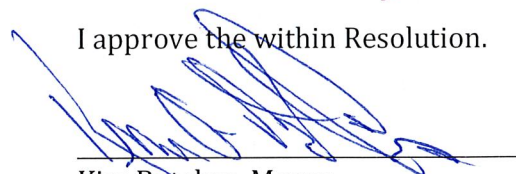
ATTEST:

NEW FREEDOM BOROUGH COUNCIL


Andrew N. Shaffer, Secretary


Andrew Bobby, President

BOROUGH SEAL

I approve the within Resolution.

Kim Butcher, Mayor

Borough of New Freedom - Fund Balance Policy

May 2021

PURPOSE

New Freedom Borough's ("New Freedom" or "the Borough") fund balance policy is adopted in order to secure and maintain investment-grade credit ratings, meet seasonal shortfalls in cash flow, plan for capital improvements and reduce susceptibility to emergency or unanticipated expenditures and/or revenue shortfalls.

The Borough will maintain fund balances in accordance with the Governmental Accounting and Financial Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

DEFINITIONS

FUND BALANCE is the difference between assets and liabilities reported in a fund.

FUND BALANCE CLASSIFICATIONS, as defined by GASB, in descending order of restrictions:

NONSPENDABLE FUND BALANCE is:

- (a) not in spendable form, including items that are not expected to be converted to cash such as inventories and prepaid amounts; and
- (b) legally or contractually required to be maintained intact, such as the principle in a permanent fund.

RESTRICTED FUND BALANCE can be spent only for specific purposes:

- (a) as stipulated by external sources such as creditors, grantors, contributors or laws or regulations of other governments; or
- (b) imposed by law through constitutional provisions or enabling legislation.

COMMITTED FUND BALANCE can be used only for the specific purposes determined by resolution of the New Freedom Borough Council. In contrast to restricted fund balance, the Borough Council retains the ability to change the designation of committed funds by adopting a new resolution to that effect.

ASSIGNED FUND BALANCE includes fund balance amounts established by the Borough Manager and presented annually to the Borough Council that indicate the proposed use in the next budget year or a plan for use in future years for specific purposes that are neither restricted nor committed.

UNASSIGNED FUND BALANCE is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Only the General Fund will have unassigned fund balance.

For planning purposes, New Freedom uses an additional classification:

DESIGNATED FUND BALANCE is the portion of a restricted fund, such as a "transportation improvement fund," that is intended to be used for a specific project.

Borough of New Freedom - Fund Balance Policy

May 2021

FUND BALANCE POLICY FOR THE GENERAL FUND, INCLUDING RELATED FUNDS

Restricted fund balance.

There is no restricted fund balance within the General Fund. However, there are related funds that are restricted.

The liquid fuels fund is restricted to the annual state grant funded by the state gas tax that funds a portion of the maintenance costs of Borough roads.

Committed fund balance.

- (a) Fund balance may be committed for purposes, including, but not limited to:
 - 1. setting aside funding to meet long-term unfunded liabilities.
 - 2. establishing reserves for emergencies or economic down turns; and/or
 - 3. setting aside amounts for specific pending projects.
- (b) Fund balance will be committed to meet unfunded liabilities, such as for pensions, that are identified in the annual audit.
- (c) Fund balance will be committed for operating reserves equivalent to 16.7% of General Fund budgeted operating revenue. If the annual audit identifies that the committed fund balance has fallen below this threshold, the Borough Manager will submit a plan to the Borough Council to restore the committed fund balance to acceptable levels within two years.
- (d) The appropriation of committed fund balances may be considered in conjunction with the annual budget adoption process or by budget amendment approved by resolution of the Borough Council during the fiscal year.

Assigned fund balance.

- (a) Fund balance may be assigned for purposes, including, but not limited to:
 - 1. setting aside funding for expected capital projects or purchases
 - 2. setting aside funding to be used as matching funds for potential grants; and/or
 - 3. setting aside amounts for specific planned or anticipated projects.
- (b) Fund balance will be assigned to meet the expected the short- and intermediate-term needs for vehicles, equipment, and technology.
- (c) Fund balance will be assigned to support anticipated projects identified in the capital improvement plan.
- (d) Assigned fund balance may be appropriated for expenditure in the subsequent year depending on the timing of the project for which it was assigned.

Borough of New Freedom - Fund Balance Policy

May 2021

FUND BALANCE POLICY FOR THE SEWER FUND AND WATER FUND

The Sewer and Water operating funds are restricted to revenue and expenditures for the operation and maintenance of New Freedom's sanitary sewer and water distribution systems. Within the funds, portions of the fund balance are delegated for planned projects and reserves.

- (a) Fund balance may be delegated for purposes, including, but not limited to:
 - 1. Establishing reserves for emergencies or other anticipated operating needs.
 - 2. Identifying expected funding for capital projects or purchases.
 - 3. Setting aside funding to be used as matching funds for potential grants; and/or
 - 4. Setting aside amounts for specific projects.
- (b) Fund balance will be delegated for operating reserves equivalent to 16.7% of sewer and water fund budgeted operating revenue. If the annual audit identifies that the fund balance has fallen below this threshold, the Borough Manager will submit a plan to the Borough Council to restore the committed fund balance to acceptable levels within two years.
- (c) An additional fund balance of \$50,000 shall be delegated in the Water Fund for emergency repairs.
- (d) An additional fund balance of \$100,000 shall be delegated in the Sewer Fund for emergency repairs.
- (e) Fund balance will be assigned to support anticipated projects identified in the capital improvement plan.
- (f) Fund balance will be delegated to meet the expected short- and intermediate-term needs for vehicles, equipment, and technology.
- (g) The appropriation of delegated fund balances may be considered in conjunction with the annual budget adoption process or by budget amendment approved by resolution of the Borough Council during the fiscal year.

COMPLIANCE

The Borough first uses any available grant or non-Borough revenues to meet its financial obligations. For Borough resources, when both restricted and unrestricted fund balance is available, the Borough will budget for and use restricted amounts first when expenditures are incurred for which restricted amounts could be used. Additionally, the Borough would budget for and use committed fund balance, followed by assigned fund balance, for expenditures that are permitted in those classifications.

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget process, and the amounts of restricted, committed, assigned, and unassigned fund balance shall be determined during this process.

FUND BALANCE POLICY ADOPTION

The Borough of New Freedom Fund Balance Policy shall be adopted by resolution of the Borough Council. The policy shall be reviewed at least annually, and modifications made thereto must be approved by the Borough Council.