

RESOLUTION NO. 101315

A RESOLUTION OF THE BOROUGH COUNCIL OF THE BOROUGH OF GETTYSBURG ADOPTED FOR THE PURPOSE OF ESTABLISHING CERTAIN FINANCIAL POLICIES OF THE BOROUGH OF GETTYSBURG, ADAMS COUNTY, PENNSYLVANIA.

WHEREAS, by Ordinance No. 1422-14, enacted on December 8, 2014, the Borough Council of the Borough of Gettysburg amended Chapter 1, Part 8, section 802 of the Code of Ordinances of the Borough of Gettysburg to authorize, by resolution, the establishment of financial policies for the management of the fiscal affairs of the Borough of Gettysburg, Adams County, Pennsylvania; and

WHEREAS, the Borough Council of the Borough of Gettysburg desires to adopt a resolution providing guidelines for the management of certain fiscal affairs of the Borough of Gettysburg to include, but not limited to, financial policies relative to the establishment and maintenance of fund balances to include a general fund balance consistent with Governmental Accounting Standards Board Statement No. 54, the use of nonrecurring revenues, the funding of capital expenditures and the annual budget process.

WHEREFORE, BE IT RESOLVED, that the Borough Council of the Borough of Gettysburg, Adams County, Pennsylvania, does hereby adopt the following financial policies (and definitions related thereto) for the management of certain fiscal affairs of the Borough of Gettysburg:

1. Definitions.

ANNUAL BUDGET - a comprehensive financial document of the Borough which sets forth the annual estimates of revenues and expenditures of the Borough for the ensuing fiscal year and is prepared in a manner designated by the Borough Council and is annually adopted by the Borough Council pursuant to Article XIII, section 1301 et seq. of the Borough Code.

ASSIGNED FUND BALANCE - includes spendable fund balance amounts established and assigned by the Borough Manager and the Finance Director, subject to the approval of the Borough Council, that are intended to be used for specific purposes that are neither considered restricted nor committed. The assignment of a fund balance cannot result in a negative unassigned fund balance.

ASSIGNED FUNDS - funds that are intended to be used for specific purposes that are neither designated as restricted funds nor designated as committed funds.

BOROUGH – the Borough of Gettysburg, Adams County, Pennsylvania.

BOROUGH COUNCIL – the Borough Council of the Borough of Gettysburg, Adams County, Pennsylvania.

BOROUGH MANAGER – the Borough Manager of the Borough of Gettysburg, Adams County, Pennsylvania.

CAPITAL PROJECTS FUND - a restricted fund used to account for monies for the acquisition or construction of capital items, including those projects funded by grant money.

CAPITAL RESERVE FUND - an unrestricted fund used to set aside and account for operating fund monies previously approved for specific future capital expenditures, including projects that will receive grant funding reimbursement.

COMMITTED FUND BALANCE - amounts that can be used only for the specific purposes determined by formal action (the enactment of an ordinance or the adoption of a resolution) of the Borough Council. Commitments may be changed or lifted only by the Borough Council taking the same type of formal action (the enactment of an ordinance or the adoption of a resolution) that imposed the constraint originally.

COMMITTED FUNDS - funds that can be used only for the specific purposes determined by formal action (the enactment of an ordinance or the adoption of a resolution) of the Borough Council.

FINANCE DIRECTOR - the Finance Director of the Borough of Gettysburg, Adams County, Pennsylvania.

FISCAL YEAR - coincides with the calendar year, beginning on January 1st and ending on December 31st.

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

GENERAL FUND - the primary operating fund to account for the ongoing revenues and expenditures for Borough services.

NONSPENDABLE FUND BALANCE - amounts that are: (1) not in spendable form; or (2) legally or contractually required to be maintained intact. Not in spendable form includes

items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable.

RESERVATIONS OF FUND BALANCE - reserves authorized and established by the Borough Council (committed fund balances) or established by the Borough Manager and the Finance Director (assigned fund balances) as authorized and approved by the Borough Council.

RESTRICTED FUND BALANCE - amounts that can be spent only for specific purposes: (1) stipulated by external resource providers such as creditors, grantors, contributors or as required pursuant to applicable laws or regulations; or (2) imposed by law through federal or state constitutional requirements or enabling legislation.

UNASSIGNED FUND BALANCE - the residual classification for the general fund. This classification represents a fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund. The unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

UNASSIGNED FUNDS - funds that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund.

UNRESTRICTED FUND BALANCE - the total of the committed fund balance, the assigned fund balance and the unassigned fund balance.

2. Fund Balance Policy.

It is the policy of the Borough that the authority to create funds and to assign a fund balance to any fund so created rests with the Borough Council. Once a fund is created and the fund balance is set for such fund, then formal action taken by Borough Council is required in order to make any amendment, revision or modification of a fund or of its fund balance. Compliance with the provisions of a fund, its fund balance and any properly authorized and adopted policy shall be reviewed and considered as a part of the annual budget adoption process by the Borough Council.

3. General Fund Balance Policy - Fund 01.

A. The annual budget of the Borough shall include a current fiscal year ending (as of December 31st) general fund balance which is equivalent to a minimum of eighteen (18%)

percent of budgeted general fund revenues for that fiscal year, with the target being no less than twenty-five (25%) percent of budgeted general fund revenues (hereinafter referred to herein as the “target”). Unassigned funds of the general fund are to be spent before any assigned funds or committed funds for Borough operating expenditures.

B. The general fund balance may only be budgeted by the Borough Council at an amount lower than eighteen (18%) percent of budgeted general fund revenues under the following circumstances:

- (1) During or immediately following a fiscal year in which there has occurred a federal or state declared natural disaster or state of emergency which has caused a significant negative economic impact on the Borough or an emergency involving a significant impact on the health, safety and welfare of the residents and taxpayers of the Borough; or
- (2) By motion passed by a majority vote of the Borough Council as it may in its sole discretion deem to be in the best interests of the Borough.

C. In any year in which the general fund balance actually falls below eighteen (18%) percent, the general fund balance shall be budgeted to replenish the target no later than the second budget adopted by the Borough Council following said shortfall through any combination of expenditure cuts or decreases and/or through tax increases or any other revenue increases. Therefore, if the general fund balance falls below eighteen (18%) percent at the end of a fiscal year, then the general fund balance must be budgeted in order to replenish the target of eighteen (18%) percent by the end of the second fiscal year immediately following the fiscal year of the general fund balance shortfall.

D. The general fund balance may only be budgeted by the Borough Council at an amount greater than twenty-five (25%) percent of budgeted general fund revenues under the following circumstances:

- (1) When a collective bargaining agreement, entered pursuant to Act 111 or Act 195, is scheduled to expire within the next two (2) annual fiscal year budget cycles; or
- (2) In anticipation of a large capital expense or other significant operating expense occurring within the next two (2) annual fiscal year budget cycles; or
- (3) By motion passed by a majority vote of the Borough Council as it may in its sole discretion deem to be in the best interests of the Borough.

4. Debt Service Fund Balance Policy - Fund 23.

A. The annual budget of the Borough shall include a current fiscal year ending (as of December 31st) debt service fund balance which is equivalent to a minimum of fifty (50%) percent of budgeted debt payments for that fiscal year, with transfers being budgeted during the year from the general fund to cover one hundred (100%) percent of the budgeted payments to be made during the fiscal year plus any additional amounts required in order to maintain the said fifty (50%) percent minimum.

B. The debt service fund balance may only be budgeted by the Borough Council at an amount lower than fifty (50%) percent of budgeted debt payments for that fiscal year under the following circumstances:

(1) When there is no outstanding debt service of the Borough. In the event of total debt retirement, and if there is no anticipation of incurring new debt within the next two (2) fiscal year budget cycles, the debt service fund balance may be either:

a. restored to the general fund as unassigned funds; or

b. reclassified by motion passed by a majority vote of the Borough Council;

(2) During or immediately following a fiscal year in which there has occurred a federal or state declared natural disaster or state of emergency which has caused a significant negative economic impact on the Borough or an emergency involving a significant impact on the health, safety and welfare of the residents and taxpayers of the Borough; or

(3) By motion passed by a majority vote of the Borough Council as it may in its sole discretion deem to be in the best interests of the Borough.

C. In any year in which the debt fund balance actually falls below fifty (50%) percent, the debt fund balance shall be budgeted to replenish the target no later than the second budget adopted by the Borough Council following said shortfall through any combination of expenditure cuts or decreases and/or tax or other Borough revenue budgeted increases. Therefore, if the debt fund balance falls below fifty (50%) percent at the end of a fiscal year, then the debt fund balance must be budgeted in order to replenish the target of fifty (50%) percent by the end of the second fiscal year immediately following the fiscal year of the debt fund balance shortfall.

D. The debt fund balance may only be budgeted by the Borough Council at an amount greater than fifty (50%) percent in anticipation of a large capital or other significant operating expense occurring within the next two (2) annual fiscal budget cycles.

E. The Borough Council, in its sole discretion, may assign a portion of its millage rate of its tax levy on real property within the Borough which amount is dedicated to the debt service fund for this purpose.

5. Order of Spending of Fund Balances Policy. The Borough shall first spend, if appropriate and proper under the law, any federal revenues, then any state revenues, and finally any Borough revenues in order to meet its financial obligations. The Borough is to spend restricted amounts first when both restricted and unrestricted fund balances are available unless there are legally binding documents, contracts or agreements that prohibit such action, for example, a grant agreement which requires dollar-for-dollar spending. Additionally, the Borough shall first spend the committed fund balance, then followed by the expenditure of the assigned fund balance and then finally followed by the expenditure of any unassigned fund balance when such expenditures are incurred for purposes for which funds could be expended from any of the unrestricted fund balance classifications.

6. Other Fund Balances Policy.

All other funds of the Borough are legally restricted for specified purposes, either by law or by legally binding documents, contracts or agreements, by another government or non-government entity, or upon establishment by the Borough Council and, therefore, such funds do not have a minimum fund balance. When projects require spending from both restricted and unrestricted funds, the restricted funds should be spent to the amount budgeted before any unrestricted funds are spent unless prohibited by the rules or regulations governing the restricted funds. Such restricted funds are identified as follows:

A. Fire Protection Services Appropriations Fund – Fund 03. This fund was created as a result of the enactment of a Borough tax ordinance and is restricted for the purpose of funding the operations of the fire company or fire companies which provide fire protection services within the Borough. It is funded by a dedicated tax millage which rate is set annually by ordinance of the Borough Council. Funds are collected and administered through the course of each fiscal year. Expenditures may not exceed available funds collected. Any unused balance at the end of a fiscal year is carried forward for proper use and disbursement in subsequent fiscal years.

B. Community Development Block Grants Fund – Fund 04. This fund is comprised of funds from the United States of America through its Department of Housing and Urban Development and administered as grant funds by and through the Pennsylvania Department of Community and Economic Development. Use of these funds is restricted by federal and state regulations promulgated for the administration of the Community Development Block Grant program.

C. Company K Memorial Fund – Fund 05. This fund is comprised of donated funds set aside and restricted for the perpetual care of the Company K Memorial Monument which is located within the Borough.

D. Capital Projects Fund – Fund 18. This fund was established by Borough ordinance in order to account for financial resources to be used for the acquisition or construction of capital items, improvements or projects including those projects funded partially or entirely by grant funds. Grant monies received are governed by the specific grant agreement and by the regulations promulgated for the administration of such grant program. Other monies are either restricted by ordinance as the same are realized from the sale of a capital asset, or are restricted for a specific capital project by Borough Council upon transfer of funds from another fund into the capital projects fund.

E. Capital Reserve Fund – Fund 30. This fund was created by ordinance for the accumulation and holding of funds for future capital acquisitions of the Borough earmarked and restricted upon transfer by Borough Council from surplus operating funds in the general fund. These monies may be used for the acquisition or construction of capital assets including as a source for local financial match money needed in the application for and use of certain capital grants.

F. Liquid Fuels Fund – Fund 35. This fund is governed by state law and regulation. This fund accounts for the Borough's share of state funds from the gasoline tax in order to pay for the maintenance of Borough streets and bridges.

G. Revolving Loan Fund – Fund 40. This fund is comprised of funds received from the Pennsylvania Department of Community and Economic Development for the purpose of making low cost loans for community development purposes within the Borough.

H. Eichelberger-Stahle Trust Fund – Fund 66. A private purpose trust fund set up by private sources and administered pursuant to a trust agreement. The income from this fund is distributed annually by the Borough pursuant to the provisions of the trust agreement.

6. Nonrecurring Revenues Policy.

A. It is the policy of the Borough that any one-time or limited-term financial resources, such as proceeds from asset sales, debt refinancing, grants, legal settlements, and any similar nonrecurring resources shall not be used for general operating expenditures of the Borough.

B. Appropriate uses of such one-time or limited-term financial resources shall include:

- (1) Growing, maintaining or restoring the fund balances in the general fund or in the capital projects fund;
- (2) The early retirement of Borough debt, especially any long-term debt incurred by the Borough through borrowing secured by the issuance of municipal bonds;
- (3) Borough capital improvements or capital maintenance expenditures; or
- (4) Other nonrecurring Borough expenditures.

7. Pay-As-You-Go Capital Funding Policy.

A. It is the financial policy and goal of the Borough to fund the purchase of any assets with an expected useful life of fewer than ten (10) years, including the purchase of vehicles or equipment or the making of minor improvements (those improvements requiring the expenditure of less than \$25,000.00 of Borough funds) to buildings and grounds of the Borough whenever possible by use of cash on hand and not by borrowing or utilizing borrowed funds for the purchase of such assets or for the making of such minor improvements.

B. It is the policy of the Borough to achieve this goal by and through the following means:

- (1) The annual fund transfer from the general fund to the capital reserve fund to be budgeted to commence in fiscal year 2016 with the transfer of a minimum of \$10,000 from the general fund to the capital reserve fund. Thereafter, the Borough Council shall consider budgeting an increase for each annual fund transfer of a minimum of \$20,000 until the total funds transferred from the general fund to the capital reserve fund meets or exceeds \$100,000.00;

(2) All proceeds from the sale of fixed assets shall be dedicated to the capital reserve fund; and

(3) The Borough Council, in its sole discretion, may assign a portion of its millage rate of its tax levy on real property within the Borough which amount is dedicated to the capital reserve fund for this purpose.

8. Posting of Financial Polices. A copy of this resolution adopting financial policies of the Borough shall be conspicuously posted at the Borough municipal offices at 59 East High Street, Gettysburg, Pennsylvania 17325.

9. Inconsistent Resolutions Amended. All other resolutions or the financial policies contained in such resolutions inconsistent herewith are hereby amended and revised to be consistent with this resolution.

10. Effective Date. The financial policies set forth in this resolution shall take effect upon adoption.

THIS RESOLUTION DULY ADOPTED according to law on this 13th day of October, 2015 at a duly advertised general monthly business meeting of the Borough Council of the Borough of Gettysburg, Adams County, Pennsylvania.

BOROUGH OF GETTYSBURG

By: Michael J. Birkner
Michael J. Birkner
President of Borough Council

Attest:

Sara L. Stull
Sara L. Stull, Secretary