

BOROUGH OF MILLERSVILLE

Lancaster County, Pennsylvania

RESOLUTION NO. 2025-

A RESOLUTION OF THE COUNCIL OF THE BOROUGH OF MILLERSVILLE, LANCASTER COUNTY, PENNSYLVANIA, TO ESTABLISH A POLICY RELATIVE TO THE MAINTENANCE OF AN ADEQUATE OPERATING FUND BALANCE.

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

WHEREAS, the goal of budgeting in the Borough is to encourage sound operational and financial planning and management, and sufficient resources must be available to provide the level and quality of service as determined by Borough Council; and

WHEREAS, unanticipated fluctuations in expenditures and/or revenues can occur after the budget is adopted and such fluctuations can result in expenditures exceeding revenues; and

WHEREAS, it is essential that the Borough maintain adequate levels of Operating Fund Balance to manage cash flow over the fiscal year, to smooth changes in tax rates from year to year, to achieve the stated financial planning goals of the Borough, and to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures); and

WHEREAS, the Government Finance Officers Association of the United States and Canada (GFOA) recommends that governments establish a formal written policy on the appropriate level of Operating 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 Fund Balance Policy outlines the proper procedure for maintaining an adequate unreserved fund balance; 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 Millersville, Lancaster County, Pennsylvania, as follows:

Section 1. Council hereby approves the Operating Fund Balance Policy as submitted and attached hereto as Exhibit A.

Section 2. In the event any provision, section, sentence, clause, or part of this Resolution shall be held to be invalid, illegal, or unconstitutional by a court of competent jurisdiction, such invalidity, illegality, or unconstitutionally shall not affect or impair the remaining provisions, sections, sentences, clauses, or parts of this Resolution, it being the intent of Borough Council that the remainder of the Resolution shall be and shall remain in full force and effect.

Section 3. This Resolution shall be effective immediately.

DULY ADOPTED this ____ day of _____, 2025, by Council of the Borough of Millersville, Lancaster County, Pennsylvania, in lawful session duly assembled.

BOROUGH OF MILLERSVILLE
Lancaster County, Pennsylvania

Attest: _____
Rebecca DeSantis-Randall
Borough Secretary

By: _____
Joseph Lane
Borough Council President

[BOROUGH SEAL]

EXHIBIT "A"
BOROUGH OF MILLERSVILLE
FUND BALANCE POLICY

PURPOSE

The Borough of Millersville's ["Millersville" 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.

COMMITTED FUND BALANCE can be used only for the specific purposes determined by resolution of the Millersville Borough Council. 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/UNRESERVED FUND BALANCE is the residual classification for the General Fund, the Sewer Operating Fund, and the Solid Waste Operating 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, the Sewer Operating Fund, and the Solid Waste Operating Fund. Only these funds will have unassigned fund balance.

UNASSIGNED FUND BALANCE POLICY FOR THE GENERAL FUND

Unassigned Fund Balance

The general fund unassigned fund balance may only be budgeted by the Borough Council at an amount lower than approximately three months of average fund expenditures under the following circumstances:

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

In any year in which the general fund balance falls below the approximately three months of average fund expenditure, the respective 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 fund balance falls below the defined threshold at the end of a fiscal year, then the fund balance must be budgeted in order to replenish the target of three months of average expenditure by the end of the second fiscal year immediately following the fiscal year of the general fund balance shortfall.

The general fund balance may only be budgeted by the Borough Council at an amount greater than approximately three months of average fund expenditure under the following circumstances:

- (a) 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
- (b) In anticipation of a large capital expense or other significant operating expense occurring within the next five (5) annual fiscal year budget cycles; or
- (c) By motion passed by a majority vote of the Borough Council as it may in its sole discretion be deemed to be in the best interests of the Borough.

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 downturns; 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 for the General Fund will be committed to operating reserves equivalent to approximately six months of average fund expenditure. 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.

FUND BALANCE POLICY FOR THE SEWER OPERATING FUND AND SOLID WASTE FUND

The Sewer and Solid Waste operating funds are restricted to revenue and expenditures for the operation and maintenance of Millersville's sanitary sewer and solid waste 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 approximately three months of average fund expenditure for the sewer and solid waste funds. If the annual audit identifies that the fund operating 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) Fund balance will be assigned to support anticipated projects identified in the capital improvement plan.
- (d) Fund balance will be delegated to meet the expected short- and intermediate-term needs for vehicles, equipment, and technology.
- (e) 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

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 Millersville Fund Balance Policy shall be adopted by resolution of the Borough Council. The policy should be reviewed at least every two years, and modifications made thereto must be approved by the Borough Council.