



# LOWER PROVIDENCE TOWNSHIP

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## Lower Providence Township Policy

### Title: Fund Balance Policy

<b>Policy:</b> 2022 – 01	<b>Replaces:</b> Resolution #12-131	<b>Distributed for Review:</b> 12/8/2022
<b>Section:</b> Finance <b>Chapter:</b> Fund Balance	<b>Distributed:</b> Board of Supervisors & Township Staff	<b>Approval Date:</b> 12/15/2022

### Purpose:

The Board recognizes that the maintenance of a fund balance is essential to the preservation of financial integrity of the Township and is fiscally advantageous for both the Township and taxpayers. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the Township to mitigate financial risk that can occur from revenue fluctuations, unanticipated expenditures, and similar circumstances.

### Definitions:

**Fund Balance:** Net position of a governmental fund (difference between assets, liabilities, deferred outflows of resources, and deferred inflows of resources).

The Government Accounting Standards Board (GASB) Statement 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Starting with the most restrictive, fund balance amounts will be reported in the following categories:

**Non-spendable Fund Balance-** Amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

**Restricted Fund Balance-** Amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants, donations, bond proceeds).

**Committed Fund Balance-** Amounts that can be used only for the specific purposes determined by a formal action of the Board of Supervisors. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board's commitment in connection with future construction projects).

Assigned Fund Balance- Amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the Board of Supervisors or by a designee (example: Township Manager/Finance Director) to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned Fund Balance – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

**Policy:**

***General Fund:***

It is the goal of the Township to achieve and maintain an unassigned fund balance in the General Fund at fiscal year end of not less than 25% of the next year's operating budget. If unassigned fund balance at the end of the fiscal year falls below the goal, the Township shall develop a restoration plan to achieve and maintain the minimum fund balance.

**Procedure:**

Upon the adoption of the next year's budget, it is the Finance Director's duty to set in place the dollar amounts that agree with this policy. If the Township's fund balance drops below the minimum requirement set by this policy, a plan of action must be developed by the Finance Director/Township Manager and presented to the Board of Supervisors for approval within 90 days.