

Office of Selectmen
Town of Moultonborough
6 Holland Street – PO Box 139
Moultonborough, NH 03254
(603) 476-2347

Policy Statement #32

Fund Balance Policy

1.) Authority:

In accordance with RSA 31:39, and its role as the governing body, the Board of Selectmen (the “Board”) has the authority to adopt ordinances and statements of policy to order it’s affairs and guide the administrative functions of the corporate body politic of the Town of Moultonborough and further, as governing body, the Board of Selectmen hereby establishes and will maintain reservations of Fund Balance, as defined herein, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Policy shall only apply to the Town’s governmental funds. Fund balance shall be composed of nonspendable, restricted, committed, assigned and unassigned amounts.

2.) Purpose:

The purpose of this policy is to establish a key element of the financial stability of the Town by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the Town maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance also provides cash flow liquidity for the Town’s general operations.

3.) Administration:

This policy shall be administered by the Town Administrator, in consultation with the Finance & Personnel Director, on behalf of the Town of Moultonborough (the “Town”).

4.) Definitions:

- a.) **Assigned Fund Balance:** Amounts the Town intends to use, as established by the highest level of decision making authority (the Town Meeting) or the body of official designated by that level, for a specific purpose. All appropriations shall lapse at the end of the fiscal year unless authorized with the provisions of RSA 32:7. Items that fall under this type of fund balance classification would be encumbrances with an intent to purchase but not a specific contractual agreement. For all governmental funds, other than the General Fund, any remaining positive amounts are to be classified as “assigned”.

- b.) **Committed Fund Balance:** Amounts that can be used only for the specific purposes imposed by a formal action of the Town's highest level of decision making authority (the Town Meeting) which can only be changed by that level. Amounts such as expendable trust (capital reserve), non-lapsing appropriations, encumbrances with a contractual agreement and other special revenue funds, not listed under restricted, can change purpose via vote at Town Meeting.
- c.) **Excess:** An amount of money above the established Target Level.
- d.) **Nonspendable Fund Balance:** Amounts that are not in a spendable form in the current period (such as inventory or prepaid expenses or assets held for future sale such as tax deeded properties) or are required to be maintained intact (such as principal of an endowment fund).
- e.) **Restricted Fund Balance:** Amounts that can only be spent for the specific purposes stipulated by external resource providers (such as grantors, creditors, contributors) of the limitations imposed by enabling legislation (federal or state laws and regulations). Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.
- f.) **Target Level:** An amount of money, in dollars or as a percentage of a defined base that is considered a prudent level at which to maintain a given fund.
- g.) **Unassigned Fund Balance:** Amounts that are not obligated or specifically designated for a specified use and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another fund is also classified as unassigned.

5.) Policy:

The Town shall subscribe to the following practices and procedures in the prioritization of spending, setting and attaining the desired amount to be maintained in the unassigned fund balance, and spending any amounts in the unassigned fund balance in excess of the set target.

a.) Spending Prioritizations

- i. When expenditures are incurred for purposes for which both a restricted and unrestricted fund balance is available, the restricted fund balance is considered to have been spent first.
- ii. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts shall be reduced first, followed by assigned amounts and then unassigned amounts.

b.) Target Level of Unassigned Fund Balance & Method of Calculation

- i. It is the Town's intent to maintain the Target level of 12.5% of its total gross annual appropriations in the unassigned fund balance in its General Fund. This shall be calculated by dividing the unassigned fund balance at year end of a given fiscal year (i.e. December 31, 2011) by the total of the annual gross appropriations – or levies upon the community – to include the Town, County, School District, and State Wide Education Property Tax (SWEPT) for the current fiscal year (i.e. FY 2012). Amounts above that may be considered excess.

c.) Circumstances for “Spending Down” Excess Unassigned Fund Balance

- i. Emergency Situations: The Town may, when available in accordance with best management practices, use unassigned fund balance in emergency situations which may cause an over-expenditure of total appropriations in accordance with the provisions of RSA 32:11.
- ii. Tax Rate Reduction: The Board may apply a portion of the Town's beginning unassigned fund balance to reduce the property tax rate bearing in mind that any amount so used needs to be sustainable in order to avoid an unintended increase in the tax rate in future years.
- iii. Underfunded Trust funds, Reserves, or Capital Outlay: the Town Administrator shall submit, as part of his recommended budget for the following fiscal year, an amount of funding considered prudent to increase the Town's contribution to trust funds or capital reserves which are underfunded, or to increase capital outlay beyond that normally anticipated.

d.) Actions to Replenish Deficiencies

If the unassigned fund balance drops below the target level, the Town Administrator shall so notify the Board making recommendations as to advisable actions for its consideration, including but not limited to, a spending and/or hiring freeze until the unassigned fund balance has recovered to the target level. If this cannot be accomplished in a prudent manner over a period of three years, the Board shall consider recommended revenue increases in the next budget year.

6.) Evasion of This Policy:

The intent of this policy is to ensure that there will be adequate liquid resources to serve as a financial cushion against the potential shock of unanticipated circumstances and events. It shall be a violation of this policy, and a disciplinary offense, to act in any manner other than prescribed herein.

7.) **Periodic Review and Revisions:**

Annually, at the time of goal setting for the budget, the Town Administrator shall review this policy with staff to determine how effectively it is meeting its purpose. Suggested revisions shall be submitted to the Board of Selectmen for consideration and adoption with the annual budget message submitted by the Town Administrator.

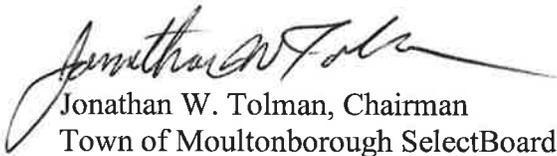
Adoption:

Whereas this fulfills our intent for uniform procedures throughout the organization, we do hereby adopt the provisions of this policy on this 1st day of November, 2012.

Effective Date

This Amended Policy is effective upon adoption and supersedes all previous orders or policies relative to or in conflict with this matter and the procedures described herein.

Approved and adopted this 15th day of January 2015 by a vote 5 in favor and 0 opposed.


Jonathan W. Tolman, Chairman
Town of Moultonborough SelectBoard

Adopted: November 1, 2012
Amended January 15, 2015