

## Town of Meredith – Administrative Regulation

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Effective Date: April 1, 2012

Regulation No: 36

Revision Date: April 1, 2012

Supersedes:

Approved by: Phillip L. Warren, Jr., Town Manager

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### **Subject: Fund Balance Policy**

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#### **I. PURPOSE**

To provide guidance to Town of Meredith officials for the determination of unassigned fund balance and the use of the unassigned fund balance.

#### **II. AUTHORITY:**

This investment policy is in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

#### **III. POLICY:**

1. Fund balance must be classified into one or more of the five following categories:
  - a. Nonspendable Fund Balance – permanent trust funds (nonexpendable portion) non-cash assets such as inventories or prepaid items.
  - b. Restricted Fund Balance – funds legally restricted for specific purposes, such as grants, library, income balance of permanent funds, and capital project fund cannot change purpose.
  - c. Committed Fund Balance – amounts that can only be used for specific purposes pursuant to a formal vote at Town Meeting; such as expendable trust (capital reserve), nonlapsing appropriations, and other special revenue funds not listed under restricted can change purpose via vote at Town Meeting.
  - d. Assigned Fund Balance – amounts intended by the Board for specific purposes. The Board can choose to delegate this authority to the Town Manager or the Administrative Services Director, depending upon the situation. Items that would fall under this type of fund balance could be encumbrances.
  - e. Unassigned Fund Balance – residual spendable fund balance after subtracting all of the above amounts.
2. Restricted Fund Balance. Includes library, grants, and capital project funds, as well as income balances of permanent funds.
3. Committed Fund Balance. The Town Meeting, as the government's highest level of decision-making authority, may authorize special revenue funds in accordance with provisions of the New Hampshire Revised Statutes Annotated (RSAs) and expendable trust (capital reserve funds).
4. Assigned Fund Balance – Lapse of Appropriations. All appropriations shall lapse at the end of the fiscal year unless authorized in accordance with provision of RSA 32:7.

## 5. Spending Prioritizations:

- a. When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid first from restricted funds.
  - b. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:
    - 1.) Committed
    - 2.) Assigned
    - 3.) Unassigned.
6. The Town will follow the provisions of the State Municipal Budget Law (RSA 32) in emergency situations which may cause an over expenditure of total appropriations.
7. The Board will maintain an appropriate level of unassigned fund balance following the guidelines established by the NH Government Finance Officers Association (GFOA), which are as follows:
- a. 5% to 15% of regular general fund operating revenues, or
  - b. 8% to 17% of regular general fund operating expenditures, plus
  - c. the School and County Appropriations in accordance with the recommendations of the NH Department of Revenue Administration.
8. Nothing in this policy shall require the Town to exhaust all of its unallocated unassigned fund balance. Allocation of unallocated, unassigned fund balance shall be made after a review of all available information, including the Town's planning tools such as the Capital Improvements Program.
9. Compliance with the provisions of this policy shall be reviewed prior to the setting of the annual tax rate.