

Town of Seabrook

Fund Balance Policy

PURPOSE

The purpose of this policy is to improve the town of Seabrook's financial stability by protecting itself against economic downturns and emergencies. This policy is designed to help the Town with its day to day continuity of financial operations. This policy is in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting, and Governmental Fund Type Definitions. The Board of Selectmen recognize the following with regards to fund balance.

1. **Nonspendable Fund Balance** – permanent trust funds (nonexpendable portion) non-cash assets such as inventories or prepaid items.
2. **Restricted Fund Balance** – funds legally restricted for specific purposes, such as grants, library, income balance of permanent funds, and capital project funds that cannot change purpose.
 - ◇ includes the library, grants, and capital project funds, as well as income balances of permanent funds.
3. **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), non-lapsing appropriations, and other special revenue funds not listed under restricted can change purpose via vote at Town Meeting.
 - ◇ The Town Meeting, as the government's highest level of decision making authority, may authorize special revenue funds in accordance with the provisions of the new Hampshire Revised Statutes Annotated (RSAs) and expendable trust (capital reserve funds).
4. **Assigned Fund Balance** – amounts intended by the Board for specific purposes. The Board can choose to delegate this authority to the Town Manager or Finance Office Manager, depending on the situation. Items that would fall under this type of fund balance could be encumbrances.
 - ◇ Lapse of Appropriations. All appropriations shall lapse at the end of the fiscal year unless authorized in accordance with the provision of RSA 32:7.
5. **Unassigned Fund Balance** – residual spendable fund balance after subtracting all of the above amounts.

6. Spending Prioritizations:

- a. When expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid first from restricted funds.
- b. When 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.

7. 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.

8. 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

9. The Town will endeavor to continue to maintain the level of unassigned fund balance in the amount of 10% of regular general fund operating expenditures.

10. In compliance with the provisions of this policy, the Selectmen shall review this policy each year as part of the annual budget adoption process.

11. Adoption:

Adopted by Seabrook Board of Selectmen this _____ day of January, 2016

Ella M. Brown, Chairman

Aboul B. Khan, Vice Chairman

Theresa Kyle, Clerk

Seabrook Board of Selectmen