



## TOWN of WARNER

### Fund Balance Policy

The Town hereby establishes and will maintain reservations of Fund Balance, as defined herein in accordance with Governmental Accounting Standards Board 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 non-spendable, restricted, committed, assigned and unassigned amounts.

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.

#### **Definitions:**

- **Restricted Fund Balance** – includes amounts that can only be spent for the specific purposes stipulated by external resource providers (such as grantors) or the enabling legislation (federal or state law). Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation. Examples are principal of an endowment fund ( Davis Fund), and grant funding
- **Committed Fund Balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (the annual Town meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period. ( funding for the lawn mower for Parks & Recreation)
- **Assigned Fund Balance** – includes amounts the Town intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned". The Selectmen expressly delegates this authority to the Town Administrator. Items that would fall under this type of fund balance classification would be encumbrances.
- **Unassigned Fund Balance** – includes amounts that are not obligated or specifically designated and is 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.

## Spending Prioritizations

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

## Deficit Fund Balance

At year end, if any of the special revenue funds (such as a Revolving Fund) has a deficit unassigned fund balance, the Town Administrator is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

## Minimum Level of Unassigned Fund Balance

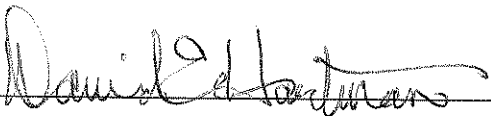
As recommended by the New Hampshire Department of Revenue, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 8-17% of the total annual appropriations of the community (which includes the Town, County, School District, and Precincts). The Board of Selectmen has the authority to apply such amounts of the Town's beginning unassigned fund balance in order to balance the budget and to reduce the property tax rate as it deems appropriate. In applying these amounts, the Selectmen's goal is to maintain the remaining Unassigned Fund Balance at 10% of the total annual appropriations of the community as defined above.

## Annual Review

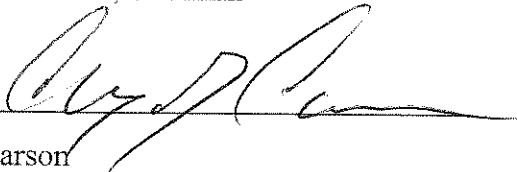
Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process.

Adopted on the 5<sup>th</sup> of February 2015 by:

THE WARNER BOARD OF SELECTMEN

  
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David E. Hartman, Chairman

  
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Clyde Carson

  
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Allan N. Brown