

Town of Franconia, New Hampshire

Fund Balance Policy

Purpose:

The general purpose of the Policy is to ensure a stable tax rate, an excellent credit rating and to ensure the financial stability of the Town of Franconia (the Town) by protecting the Town against unexpected emergencies, economic downturns, pending litigation, fluctuating revenues and unanticipated expenditures. This Policy also addresses the minimum Unassigned Fund balance reserve, the Town's plan to achieve the target level of Unassigned Fund balance reserve and the allowable uses of Unassigned Fund balance reserves.

Fund Balance Classifications:

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund. The General Fund is used to account for all financial resources not accounted for and reported in another fund.

Governmental Accounting Standards Board (GASB) Statement No. 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

Non-spendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Example of funds include library, grants, capital project funds as well as income balances of permanent funds.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Unassigned – Amounts not contained in other classifications and is the residual classification of the General Fund only. Unassigned amounts are available for any legal purpose.

Order of Expenditure of Funds:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed or unassigned) amounts are available, it shall be the policy of the Town to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Town that committed amounts would be reduced first followed by unassigned amounts.

Unassigned Fund balance Range:

It is the policy of the Town to achieve and maintain an Unassigned Fund balance in the General Fund of not less than 8% and not more than 17% of the regular General Fund operating expenditures as reported in the prior year. Regular General Fund operating expenditures are the sum of municipal, school, county and state expenditures which are locally raised. If the Unassigned Fund balance falls below the minimum, the Town shall develop a restoration plan to achieve and maintain the minimum fund balance. Should the Unassigned Fund balance of the General Fund ever exceed the maximum range, the Town will consider such fund balance surpluses for one-time expenditures that are non-recurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

Fund Target Balance:

The Unassigned Fund balance target level, as more specifically detailed in the Unassigned Fund Balance Procedure, will be achieved by conservatively estimating annual revenues, expenditures and eliminating encumbrances of funds to carry-over to the following year.


Policy Administration:

Annually the Board of Selectmen, with assistance of the Town Administrator, shall review this Policy and conduct an annual risk assessment with criteria established in the corresponding procedure. The Board of Selectmen shall report whether changes in those considerations or additional considerations have been identified that would change the recommended target level of Unassigned Fund balance.

This Policy shall be amended from time to time by the Board of Selectmen to assure continued compliance with Generally Accepted Accounting Procedures (GAAP).

Adoption and Effective Date:

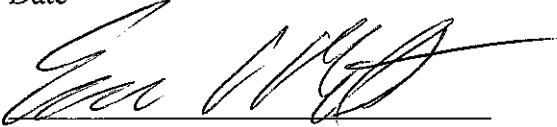
This Policy is effective immediately upon adoption by the Board of Selectmen.



Jill Brewer

September 20, 2021

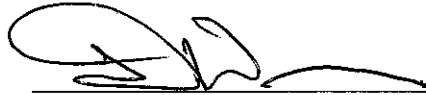
Date



Eric L. Meth

September 20, 2021

Date



Daniel Walker

September 20, 2021

Date