

TOWN of NEW DURHAM FUND BALANCE GUIDELINE

The purpose of this guideline is to improve the town of New Durham's financial stability by protecting itself against economic downturns and emergencies. This guideline is in accordance with the Governmental Accounting Standards Board Statement # 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The New Durham Board of Selectmen recognizes the following with regards to fund balances:

1. The Town of New Durham shall maintain adequate fund reserves to protect itself against emergencies and economic downturns. Fund reserves are maintained in the following classifications:

Non spendable Fund Balance: Permanent trust funds (non-expendable portion), non-cash assets such as inventories or prepaid items and tax deeded property subject to resale.

Restricted Fund Balance: Funds that are legally restricted for specific purposes such as grants, library, income balance or permanent funds and capital project funds.

Committed Fund Balance: Funds that can only be used for specific purposes pursuant to a formal vote of the Town Meeting such as Capital Reserve Funds, Expendable Trust Funds, non-lapsing appropriations or other special revenue fund that is not listed under the restricted fund balance. The purpose of these funds can only be changed via a vote of the Town Meeting.

Assigned Fund Balance: Funds that the Board intends to use for a specific purpose, for example money encumbered by a contract that has not submitted all requests for payment. All appropriations shall lapse at the end of the fiscal year unless authorized in accordance with RSA 32:7

Unassigned Fund Balance: The residual spendable fund balance after subtracting all the other fund balances. These funds have also been referred to as "unreserved or undesignated fund balance".

2. Spending Priorities:

When expenditures occur that can be paid by either restricted or unrestricted funds they shall be paid from the restricted funds first.

When expenditures occur that can be paid by any of the three unrestricted fund balance categories committed, assigned or unassigned fund balances they shall be paid in the following order:

- #1 Committed Fund Balance
- #2 Assigned Fund balance
- #3 Unassigned Fund Balance

3. The Town shall follow the provision of the State Municipal Budget Law (RSA 32) in emergency situations which may cause an over expenditure of total appropriations.
4. Following the guidelines established by the NH Government Finance Officers Association and as recommended by the NH Department of Revenue Administration the Town of New Durham shall

maintain a level of unassigned fund balance between 5% and 17% of the regular general fund operating expenditures.

5. The Town's goal is to achieve and maintain a level of unassigned fund balance in the amount of 8% of regular general fund operating expenditures, including Town operating, school district, state education, and county expenses.
6. The Board of Selectmen shall review this guideline each year at the same time that the Board reviews the Town's Investment Policy.

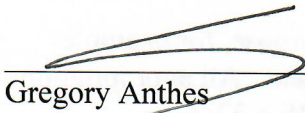
NEW DURHAM BOARD OF SELECTMEN



David Bickford, Chair



David Swenson



Gregory Anthes

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