

Town of Hooksett

35 Main Street
Hooksett, NH 03106

FUND BALANCE POLICY

Section 1. Purpose

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 Types Definitions*. This policy shall only apply to the Town's governmental funds. Fund balance shall be composed of nonspendable, restricted, committed, assigned and unassigned amounts.

The general purpose of this policy is to improve the Town of Hooksett's financial stability by protecting itself against emergencies and economic downturns. 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.

Section 2. Definitions

2.1) Nonspendable Fund Balance - includes amounts that are not in a spendable form (such as inventory, tax deeded property subject to resale or prepaid expenses) or are required to be maintained intact (such a principal of an endowment fund).

2.2) Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors) or laws or regulations of other governments or imposed by law through constitutional provisions or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation. Non-lapsing warrant articles, library, income portion of permanent funds and Capital Project funds would be considered restricted.

2.3) 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 Annual Town Meeting. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual obligation. Expendable trust funds and legislative body votes relative to the use of unassigned fund balance at year-end are included in this classification.

2.4) Assigned Fund Balance – includes amounts the Town *intends* to be used for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned". The Town Council expressly delegates this

authority to the Town Administrator. Items that would fall under this type of fund balance would be Police and Fire Detals, Ambulance Fund and Conservation Fund etc. The Town also has assigned funds consisting of encumbrances in the general fund at year-end.

2.5) Unassigned Fund Balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Any deficit fund balance of another governmental fund is also classified as unassigned.

Section 3. Spending Prioritizations

3.1) 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.

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

Section 4. Deficit Fund Balance

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

Section 5. Unassigned Fund Balance – General Fund

As recommend by the New Hampshire Department of Revenue, the Town shall 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).

5.1) Minimum Balance – The Town shall maintain a minimum unassigned fund balance of 5% of the general fund’s annual appropriations of the community.

5.2) Target Balance - The Town shall work toward maintaining an unassigned fund balance of 8% of the general fund’s annual budget, including Town, School and County appropriations.

Section 6. Annual Review

Town Council shall review and approve this policy annually.

Section 7. Policy Approval/Amendments

Town Council approved adoption of the Town of Hooksett's Fund Balance policy at their May 13, 2009 meeting.

Town Council amended the Town of Hooksett's Fund Balance policy at their September 14, 2011 meeting.

Town Council amended the Town of Hooksett's Fund Balance policy at their October 10, 2012 meeting.

Town Council amended the Town of Hooksett's Fund Balance policy at their September 25, 2013 meeting.

Town Council amended the Town of Hooksett's Fund Balance policy at their September 24, 2014 meeting.

Town Council amended the Town of Hooksett's Fund Balance policy at their August 2019 meeting.