

## Fund Balance Policy – Adopted

<b>Town of Plymouth</b>		Adopted by: Board of Selectmen
Subject: Fund Balance Policy	Adoption Date: August 28, 2023  Effective Date: August 28, 2023	Supersedes: None

### 1.0 Purpose of the Policy:

The Town of Plymouth (“Town”) through its Selectboard establishes and will maintain reservation of Fund Balance, as defined herein, in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 54, Fund Balance reporting and Governmental Fund Type Definitions. This policy shall only apply to the Town’s governmental funds. In accordance with GASB 54, fund balance shall be composed of nonspendable, 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 risks that can occur from unforeseen revenue fluctuations, unanticipated expenditures, emergencies, and similar circumstances. The fund balance also provides cash flow liquidity for the Town’s general operations.

### 2.0 Definitions:

1. Nonspendable Fund Balance - includes amounts that are not in spendable form (such as inventory or prepaid expenses or assets held for future sale such as tax deeded properties) or are required to be maintained intact (such as principal of an endowment fund).
2. Restricted Fund Balance – includes amounts that can only be spent for the specific purposes stipulated by external resource providers (such as grantors, creditors, contributors) or enabling legislation (Town Meeting or Selectboard action). Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation.
3. Committed Fund Balance – includes amounts that can be used only for specific purposes imposed by a formal action of the Town’s highest level of decision-making authority (**Town Meeting**). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally. The action must be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.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 a subsequent period.

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4. 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.” Items that fall under this classification for the General Fund would be encumbrances properly approved by contract, purchase order, or other such action as required.
5. Unassigned Fund Balance – includes amounts that are not obligated or specifically designated for a specified use and are 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.

### **3.0 Policy:**

#### 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 the 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 the unassigned amounts.

#### Minimum Level of Unassigned Fund Balance

The Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-17% of the total appropriations of the community (this is calculated by adding the municipality’s appropriations, the statewide enhanced education amount, the local school net tax commitment, and the county appropriation). The Selectboard will review this information each year in order to determine the amount, if any, of unassigned fund balance to use to balance the budget and to reduce the property tax rate.

#### Annual Review

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

### **4.0 Severability:**

To the extent that any provisions of this policy conflict with NH Law, then State law shall prevail.