

Office of the Selectmen
TOWN OF AUBURN
P O BOX 309
Auburn, NH 03032

FUND BALANCE POLICY

A. Fund Balance Policy

The Town of Auburn hereby establishes and will maintain reservation 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 balances 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 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.

B. Definitions

1. **Non-spendable Fund Balance** – includes items that are not in a spendable form (such as inventory or prepaid expenses) or permanent trust funds (nonexpendable portion).
2. **Restricted Fund Balance** – includes funds legally restricted for specific purposes stipulated by external resource providers or the enabling legislation (Town Meeting/Vote). Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation. Items included are library, grants, capital project funds, as well as income balances of permanent funds.
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 (Town Meeting/Vote). 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 The governing body's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.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.
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 type of fund balance classification are encumbrances, lapse of appropriations. All appropriations shall lapse at the end of the fiscal year unless authorized with the provision of RSA 32:7.
5. **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.

C. Spending Prioritizations

1. When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balances is considered to have been spent first.
2. When expenditures are incurred that qualifies for payment from either of the three unrestricted fund categories, it will be applied in the following order

a) Committed, b) Assigned, and 3) Unassigned

D. Deficit Fund Balance

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

The Town will follow the provisions of the State Municipal Budget Law (RSA 32) in emergency situations which may cause an over expenditure of total appropriations.

E. Minimum Level of Unassigned Fund Balances

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 or 5%-15% of regular general fund operating revenue. The Selectmen have the authority to apply unassigned fund balance in order to balance the budget and to reduce the property tax rates.

F. Annual Review

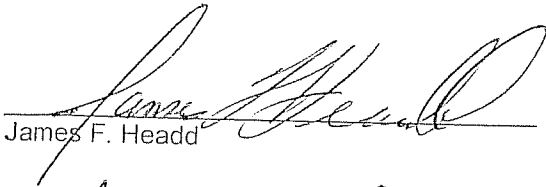
Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process.

Adopted by:

Date: 9/17/2012



Russell C. Sullivan, Chairman



James F. Headd



Paul M. Raiche