



Town of Chester Fund Balance Guidelines

SECTION 1. PURPOSE AND SCOPE

The general purpose of these guidelines is to provide adequate financial resources to ensure the continued orderly operation of government, the provision of services to residents, the continued stability of the tax rate structure, and to establish a key element of the financial stability of the Town by setting guidelines for the Town's Unassigned 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 unexpected emergencies, unforeseen revenue fluctuations, unanticipated expenditures, and economic downturns. The maintenance of an adequate Unassigned Fund Balance, consistent with recognized national and State of New Hampshire recommended standards and practices and past experience, is intended to help achieve this objective. The Unassigned Fund Balance also provides cash flow liquidity for the Town's general operations which will reduce interest and other borrowing costs associated with Tax Anticipation Notes.

SECTION 2. DEFINITIONS

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Board of Selectmen recognizes the following with regards to fund balance.

Fund balance must be classified into one or more of the five following categories:

Restricted:

- **Nonspendable Fund Balance:** Permanent trust funds (nonexpendable portion) AND non-cash assets such as inventories or prepaid items.
- **Restricted Fund Balance:** Funds which are legally restricted for specific purposes, such as grants, library, income balance of permanent funds, and capital project fund cannot change purpose.

Unrestricted:

- **Committed Fund Balance:** Amounts that can only be used for specific purposes pursuant to a formal vote at Town Meeting, such as expendable trust (capital reserve), nonlapsing appropriations, and other special revenue funds not listed under restricted can change purpose via vote at Town Meeting. Town Meeting, as the government's highest level of decision-making authority, may authorize special revenue funds in accordance with the provisions of the New Hampshire Revised Statutes Annotated (RSAs) and expendable trust (capital reserve funds).



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- **Assigned Fund Balance:** Amounts intended by the Board for specific purposes. The Board can choose to delegate this authority to the Town Administrator or Finance Director, depending on the situation. Items that would fall under this type of fund balance could be encumbrances. All appropriations shall lapse at the end of the fiscal year unless authorized in accordance with the provision of RSA 32:7.
- **Unassigned Fund Balance:** Residual spendable fund balance after subtracting all of the above amounts.

SECTION 3. SPENDING PRIORITIZATIONS.

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid first from restricted funds unless legal requirements disallow it.

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

- 1) Committed,
- 2) Assigned, and
- 3) Unassigned.

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.

SECTION 4. APPROPRIATE LEVEL OF UNASSIGNED FUND BALANCE.

The Board will maintain an appropriate level of Unassigned Fund Balance following the guidelines established by the New Hampshire Department of Revenue Administration (DRA) and the New Hampshire Government Finance Officers Association (GFOA) that recommends that municipalities retain between 8% and 17% of regular general fund operating revenues. It shall be the goal of the Town of Chester to achieve and maintain an Unassigned Fund Balance of 10% of general fund appropriations as determined by the annual audit of the Town. The Board of Selectmen may appropriate any amount of the unassigned fund balance in excess of the designated percentage for capital improvement projects.

The Board of Selectmen may appropriate funds from the Unassigned Fund Balance for emergency purposes in accordance with RSA 32:11 even if such use decreases the fund balance below the designated percentage. An emergency purpose does not include the offsetting of property taxes or mismanagement of funds.



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Adopted by vote of the Board of Selectmen on this date, the 30th day of January, 2020.

Jeremy Owens, Chairman

Charles Myette

Charles F. Myette, Vice Chairman

Steve D'Angelo

Steve D'Angelo, Selectman

Joseph M. Hagan, Selectman

Stephen Landau

Stephen O. Landau, Selectman

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