



COUNTY OF CARROLL
OFFICE OF THE COMMISSIONERS
Administration Building
95 Water Village Road Box 1
Ossipee, New Hampshire 03864



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| Policy Title: | Fund Balance Policy |
| Effective Date: | December 28 2016 |
| Revision Date: | February 22 2024 |
| Reference (s): | |

POLICY

Carroll County will maintain a 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 County'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 County by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential the County 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 County's general operations.

DEFINITIONS

Non-Spendable Fund Balance

Items that are not in a spendable form such as inventory or prepaid expenses or permanent trust funds (nonexpendable portion)

Restricted Fund Balance

Funds legally restricted for specific purposes stipulated by external resource providers or enabling legislation (Delegation vote). Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation. Items included are grants and capital project funds, as well as income balances of permanent funds.

Committed Fund Balance

Funds that can be used only for the specific purposes determined by a formal action of the County Delegation. Commitments may be changed or lifted only by the Delegation taking the same formal action that imposed the constraint originally. The Delegation's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.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 constraint may be determined in the subsequent period.

Assigned Fund Balance

Funds the County 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". An example is encumbrances. The amount of fund balance designated for use in the next year to reduce taxes is categorized as assigned.

Unassigned Fund Balance

Funds that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is unassigned fund balance. Any deficit fund balance is also classified as unassigned.

SPENDING PRIORITIZATION

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 that qualify for payment from either of the three unrestricted fund categories, it will be applied in the following order: committee, assigned, and unassigned.

MINIMUM LEVEL OF UNASSIGNED FUND BALANCE

The County shall strive to maintain the unassigned fund balance levels with a minimum of 8% to a maximum of 19% of total appropriations. NH DRA's general recommendation is between 5 and 17% unassigned fund balance. On an annual basis, a portion of the fund balance that falls above 8%, at the discretion of the Commissioners and Delegation, can be used to offset the current year's budgeted expenses, to minimize County taxes or aid in bridging gaps of costs in excess of revenues.

As part of the calculation and decision of using the fund balance, the current year activity will be analyzed and reviewed for anomalies that have uncharacteristically inflated or decreased the current year fund balance, prior to designating a portion to offset the following year's budget.

ANNUAL REVIEW

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

Adopted by Carroll County Board of Commissioners on ____ **February 22 2024** _____

Terry McCarthy
Chairman

Chuck McGee
Vice-Chairman

Bill Nelson
Clerk