



Town of Brookfield, New Hampshire
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FUND BALANCE POLICY DEVELOPED FOR GASB 54

Purpose

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the District and is fiscally advantageous for both the District and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the District to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances.

Definitions

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

GASB Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

1. **Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory, or tax deeded property subject to resale) or are legally or contractually required to be maintained intact.
2. **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

3. **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the legislative body (Town Meeting). Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
4. **Assigned fund balance** – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.
5. **Unassigned fund balance** – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 5%-15% of operating revenues or 8%-17% of general fund operating expenditures.

ADOPTED BY THE TOWN OF BROOKFIELD

10/4/2022
Date


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