

Undesignated Fund Balance Policy Statement

1. Purpose

The Town of Chebeague Island recognizes the importance of maintaining an appropriate Undesignated Fund Balance to assure financial stability. This policy assures the citizens of the Town of Chebeague Island that a prudent level of reserve funds is available to the town to protect tax payers from current and future risks. The purpose of this policy is to guide the management of those funds.

2. Definitions

Operating Budget – The operating budget is that part of the municipal and education budgets that include normal operating costs but excludes contingency, reserve accounts, long-term assets or liabilities, one-time extraordinary or emergency costs that may be part of an approved budget.

Undesignated Fund Balance – As a fiscal year closes the difference between the actual revenues and actual expenditures is applied to the general fund so becomes “undesignated” or not part of a budget or reserve. This is accounted for separately for the school and municipal accounts. For the purpose of this policy the undesignated fund balance refers to both the school and the municipal accounts combined. Several years of surplus can accrue and become a significant amount of money to manage.

Budget Contingency – A budget contingency account is a specific amount of money raised by the Town to assure against unforeseen costs. It is not considered part of the operating budget for the purpose of calculating the level of the undesignated fund balance.

Budget Reserve Accounts – Reserve accounts in the Town’s annual budget are monies raised for a specific use as part of a long range financial plan. They are considered to be “designated” funds and therefore are not part of the undesignated fund balance. They are also not considered part of the operating budget.

3. Enactment

This policy is enacted upon a majority vote of the Board of Selectmen and may be amended or repealed from time to time by the Selectmen or by Town Meeting.

4. Decision Factors

The factors in this section should be used in the annual review of the current Undesignated Fund Balance with respect to the town’s current and expected economic conditions.

