

Town of Cape Elizabeth
Fund Balance Policy
Amended May 10, 2021

The Town of Cape Elizabeth shall comply with GASB 54 standards for reporting fund balances.

The fund balance shall be reported in five categories:

- Non-spendable: Funds that cannot be spent because they are either illiquid or legally or contractually required to be maintained intact.
- Restricted: Funds that are constrained with either externally imposed constraints or mandated to be reserved by law.
- Committed: Funds that can only be used for certain purposes per a formal action of the Town Council.
- Assigned: Funds that are constrained by the Town Council's intent of use for a certain purpose, but are neither restricted nor committed.
- Unassigned: The residual classification for the general fund.

The unassigned municipal fund balance shall seek to have a target balance equal to 12.50% of annual general fund operating revenues for the most recent fiscal year. This is equivalent to average revenues received in a one and one-half month period.

If the actual unassigned municipal fund balance exceeds the target fund balance of any excess funds between 100.00% and 115.00% of the target shall be used to reduce the tax commitment in the next budget to be considered by the Town Council. Any amount over 115.00% of the target may be committed or assigned for any capital need or unanticipated expenditure or may be placed in an assigned fund for future property tax relief.

The Town Council may supplementally appropriate the excess fund balance if the excess amount is determined after the start of the fiscal year.

If the unassigned fund balance falls below its target level, an interim objective is to increase as a percentage of operating revenues the unassigned fund balance every year. The balance shall not be used to support the annual budget or for capital needs to a degree that the unassigned fund balance will be a lower percentage of operating revenues than in the previous year.

Museum at Portland Head Light Fund

The Museum at Portland Head Light Fund is an independent 501C entity under the control of a board of directors consisting of the members of the Cape Elizabeth Town Council.

The Museum at Portland Head Light Fund shall have an unassigned fund balance of not more than 100.00% nor less than 25.00% of actual operating revenues for the most recent fiscal year. Any excess greater than the unassigned fund balance target shall be used for improvements to the property and for operating expenses as provided in the by-laws of the Museum at Portland Head Light in the next budget year. The Town Council may supplementally appropriate the excess fund balance in the current fiscal year if the excess amount is determined after the start of the fiscal year.

Adopted: October 12, 2011
Amended: May 10, 2021

