

Final/Approved

**TOWN OF CHELSEA
FUND BALANCE POLICY
ADOPTED BY BOARD OF SELECTMEN**

The Town of Chelsea recognizes the importance of maintaining an appropriate level of undesignated fund balance. After evaluating the Town's operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risks, and other contingent issues, the Town establishes the following goals regarding the undesignated fund balances of the general fund of the Town of Chelsea, Maine

The level of fund balance that the Town wishes to maintain as undesignated is an amount equal to 16.6% (2/12) of Chelsea's Operating Budget.

Once the Town achieves an undesignated fund balance equal to 16.6% (2/12) of Chelsea's Operating Budget, any excess will be designated for capital needs and toward reducing the tax rate of the Town. By designating any excess for capital improvements, the Town will reduce the amount required to be financed and in turn, the related interest costs.

At year end, capital and certain other budget items, in which appropriated amounts exceed actual expenditures, are to be reviewed to determine if they should be designated to be carried over to the next year. Annually, the Town Manager will prepare a list of items for approval to be designated to be carried forward.

This policy has been established to recognize the importance of a stable and sufficient level of undesignated fund balance. However, the Board of Selectmen with the Town's permission reserves the right to re-appropriate funds from undesignated fund balance for emergencies and other items it feels necessary to be of the Town's best interest.

Adopted by the Chelsea Board of Selectmen on September 21, 2011.

Linda Leotsakos

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