

**Town of Cape Elizabeth Fund Balance Policy**  
**Adopted October 12, 2011**

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 general fund shall seek to have an unassigned municipal (excluding schools) fund balance of 8.33% of annual general fund operating revenues. This is equivalent to revenues anticipated in an average one month period

If the unassigned municipal (excluding schools) fund balance target is exceeded, 100% of any excess funds between 100% and 115% 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% 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.

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% of its annual projected income nor less than 25% of its annual projected income. 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.