

Readfield Select Board

Undesignated Fund Balance Policy

Section I: Purpose

The purpose of the undesignated fund balance policy shall be to create a guideline to ensure the well being of the Town of Readfield's (hereafter the "Town's") financial administration in a manner that assists in providing for a stable cash flow, reducing short term borrowing costs and meeting the Town's long term capital investment objectives while ensuring that year-to-year fluctuations do not allow accumulation of an excessive undesignated fund balance.

Section II: Definition

The Town's undesignated fund balance as reported in the Annual Financial Report represents potentially supplemental financial resources to the Town which are not designated for specific expenditures. These are funds which have generally accrued through receipt of revenues in excess of those anticipated within a fiscal year, as well as annual operating appropriations which have not been expended, and are carried forward as part of the General Fund to the next fiscal year.

Section III: Objective

The Readfield Select Board recognizes the importance of maintaining an appropriate level of undesignated fund balance, and establishes the following objective for the fund balance:

The level of undesignated fund balance that the Town strives to maintain is an amount equal to sixteen-point-seven percent (16.7%) of the Town's General Fund Budget, i.e., an amount equal to two (2) months operating expenditures from the current operating budget.

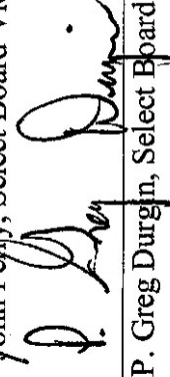
Once the Town achieves its goal of an appropriate level of undesignated fund balance, the Select Board will recommend utilizing funds in excess of the targeted 16.7 percent for other municipal fiscal purposes, including additional capital improvement needs or debt reduction. The Select Board will not recommend using the undesignated fund balance on a routine or one-time basis to lower taxes or to offset normal operating expenditures, unless done as part of a planned draw down with a minimum draw down period of five years, and a draw down limit of no more than 25 percent of the total planned draw down in a single year.

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This policy has been adopted by the Readfield Select Board to recognize the financial importance of a stable and sufficient level of undesignated fund balance. However, the Select Board reserves the right to appropriate funds from the undesignated fund balance for emergencies, as authorized by Town Meeting.

Approved: March 1, 2010

Signed and Dated:

 Kathryn Mills Woodsum, Select Board Chair	<u>3/10/2010</u> Date Signed
 John Perry, Select Board Vice Chair	<u>3/11/2010</u> Date Signed
 P. Greg Durgin, Select Board Member	<u>3/4/10</u> Date Signed
 Amanda Mank, Select Board Member	<u>3/10/10</u> Date Signed
 Stefan Pakulski, Town Manager	<u>3/9/2010</u> Date Signed
 Teresa Shaw, Finance Officer	<u>3/10/2010</u> Date Signed

attested True Copy


Robin L. Lint
Town Clerk