

**Town of Mashpee Board of Selectmen
Policy 071**

Fund Balance Policy

I. OBJECTIVE

To mitigate risks associated with unforeseen revenue and expenditure changes. The unrestricted fund balance provides liquidity in cash flow for internal borrowing and general operating purposes.

II. RATIONALE

Credit agencies note that prudent financial management dictates that unrestricted fund balance should remain above 10 percent of the total annual budget. A declining unrestricted fund balance level is used in their justification to downgrade a municipality.

The Government Finance Officers Association (GFOA) recommends that municipalities maintain an unrestricted general fund balance of no less than two months of regular general fund operating expenses.

III. POLICY

The Town of Mashpee will strive to maintain an unrestricted general fund balance equal to 10 percent of its annual operating budget. The Town will consider any trend in a declining unrestricted fund balance as a cause for concern of fiscal health, and will take any necessary action to avoid such circumstances. The School Department is considered part of the Town's general operations and is included in its fund balance calculation.

The general stabilization fund balance will be included in calculating the unrestricted general fund balance. It is the policy of the Town to attain a general stabilization fund balance of no less than 5% of the annual operating budget. The Town may transfer a portion of the certified free cash or overlay surplus into the general stabilization fund. The Town Manager may recommend to the Board of Selectmen, as part of the annual budget, to use a portion of the general stabilization funds for non-recurring capital needs proposed in the ensuing fiscal year. A two-thirds vote at Town Meeting will be required to increase or expend from the general stabilization fund.

For the purposes of this policy, the general fund unrestricted fund balance will be the balance at the end of each fiscal year.

IV. PROCEDURE

The Town Manager and Financial Team will ensure compliance with this policy, which will be reviewed during the annual budget process.

V. REFERENCES

Appropriate Level of Unrestricted Fund Balance in the General Fund, Government Finance Officers Association Best Practices, September 2015.

Fund Balance Reporting and Governmental Fund Type Definitions, Governmental Accounting Standards Board Statement No. 54, February 2009.

***Adopted by the
Mashpee Board of Selectmen
January 9, 2017***