

Unassigned Fund Balance Policy

I. Purpose

The purpose of this policy is to:

- 1) preserve the credit worthiness of the Town for borrowing monies at favorable interest rates;
- 2) provide working capital to meet cash flow needs during the year; and
- 3) attempt to stabilize fluctuations from year to year in property taxes paid by Town taxpayers.

II. Policy Statement

Fund Balance is an important indicator of a community's financial position. It is also a factor in determining a town's credit rating which can have a direct impact on the cost of borrowing for large capital expenses. An adequate fund balance must be maintained to allow the Town to continue to meet its obligations in the event of an economic downturn and/or emergency. Therefore, the Town of Killingworth shall maintain an unassigned general fund balance as of June 30 of each year equal to a minimum of 12% with a targeted maximum of 20% of the subsequent year's total operating revenue.

III. Responsibility for Policy

As part of the annual budget preparation process, the Director of Finance will estimate the surplus or deficit for the current year and prepare a projection of the year-end unassigned general fund balance. Any anticipated balance more than the targeted maximum unassigned fund balance may be budgeted to reduce the ensuing year's property tax levy and/or be transferred to the capital fund.

This Policy will ensure that the Town maintains a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unanticipated one-time expenditures.

Undesignated/ unreserved fund balance -- represents available financial resources that have not been obligated for a specific purpose and serves as a measure of current available financial resources.