

Free Cash Policy

Issue date: Approved by BoS February 28, 2011

Type of policy: New (x) Amendment ()

Effective date: February 28, 2011

Level: Department ()

Town Wide (x)

Policy Statement

This policy sets forth guidelines and formulae for determining the use of certified free cash in the operating and capital budgets and the stabilization fund. It is intended to reduce the dependence upon the use of free cash in the operating budget and to maximize the investment of free cash into the capital and stabilization funds for the purposes of improving the status of the funds.

References

None.

Definitions

Free Cash (sometimes referred to as "Undesignated Fund Balance"): Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the Town Accountant. Important: free cash is not available for appropriation until certified by the Department of Revenue.

Policy Description

Annually, after Free Cash Certification:

- At least 25% of the certified free cash will be used to fund the capital budget;
- At least 25% of the certified free cash will be placed in to the Stabilization Fund;

Fiscal conditions may affect the implementation of this policy. The allocations stated in this policy do not mean that additional funds can not be allocated to the Stabilization Fund from Free Cash. It means that these are minimum amounts recommended for the certified Free Cash.

Recommended by the Finance and Advisory Board 12.15.10

Approved by the Board of Selectmen 2.28.11