Free Cash

Applies to:	*All Departments.*
Select Board Original Adoption:	December 02, 2014
Amended on:	--
Last Reviewed by Select Board:	August 22, 2017

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, stabilization, and OPEB funds for the purposes of improving the status of the funds.

Definitions

Free Cash (sometimes referred to as "undesignated Fund balance"): Remaining, unrestricted funds from operations for 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 Descriptions

Annually, after Free Cash Certification:

- At least 35% of the certified free cash will be used to fund the capital budget;
- At least 30% of the certified free cash will be placed into the stabilization fund;
- At least 10% of the certified free cash will be placed into the OPEB account;
- No more than 25% of the certified cash will be used for one-time expenses.

Fiscal conditions may affect the implementation of this policy. The allocations stated in this policy do not mean that additional funds cannot 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 Committee, Town Treasurer, Town Accountant, and Town Administrator 11.25.14