

## POLICY: FREE CASH

(Adopted April 28, 2017)

### Background

Free cash refers to the remaining balance of the Town's General Fund determined at the end of the fiscal year to be unreserved and undesignated, and not offset by deficits. Primary sources of Free Cash are year-end revenues in excess of projections and year-end unexpended departmental appropriations. The amount of Free Cash available to the Town for appropriation is certified as of July 1 by the Director of Accounts at the Massachusetts Department of Revenue's Division of Local Services, upon application by the Town, generally annually. Since FY2007, the Town's certified Free Cash has averaged \$279,754.

### Policy

- It is the policy of the Town to strive toward an annual Free Cash level of 5% percent or more of annual General Fund revenues.
- The goals for the use of Free Cash shall be prioritized in the following order: replenish Town stabilization, reduce the tax levy, and invest in capital improvements

*Exceptions to this policy shall be made only under extraordinary circumstances as determined by the Select Board and Finance Committee.*

Avail July 1	Total Budget	Budget minus one-time revenue	Free cash	% of Total Budget
2007	2,859,799	\$2,677,843	429,927	15.03
2008	2,975,235	\$2,545,555	246,001	8.27
2009	3,051,172	\$2,724,495	254,808	8.35
2010	2,949,024	\$2,648,274	209,844	7.12
2011	3,114,037	\$2,666,988	264,805	8.50
2012	3,245,474	\$2,646,525	215,701	6.65
2013	2,971,991	\$2,719,977	347,848	11.70
2014	3,104,311	\$2,668,399	292,863	9.43
2015	3,048,347	\$2,743,347	335,745	11.01
2016	3,441,387	\$3,053,142	199,995	6.44
<b>Average</b>	<b>\$3,076,078</b>	<b>\$2,709,455</b>	<b>\$279,754</b>	<b>9%</b>
<b>High</b>	<b>\$3,441,387</b>	<b>\$3,053,142</b>	<b>\$347,848</b>	<b>15.03%</b>
<b>Low</b>	<b>\$2,859,799</b>	<b>\$2,545,555</b>	<b>\$199,995</b>	<b>6.44%</b>

Source(s): Tax Rate Recap,  
<https://dls.gateway.dor.state.ma.us/gateway/TaxRate/Page2TaxRate>

**Procedures**

- Within 75 days of the close of the fiscal year the accountant should submit the town's Yearend Balance Sheet, Free Cash Checklist, and the Year-end Reporting Checklist to the Department of Revenue/Bureau of Accounts (DOR) for certification.
- Upon certification of Free Cash by the DOR, a copy of the certified balance should be provided to the treasurer, accountant, manager and members of the select board, finance committee and capital planning committee.
- At the time of submittal of the manager's proposed budget for the ensuing fiscal year (spring) the town's Free Cash balances should be included with a recommendation as to retaining Free Cash at certain levels and use of Free Cash.

