



## **Town of Newcastle**

### **Undesignated Fund Balance Policy**

**Purpose:** An Undesignated Fund Balance Policy is hereby established to promote and ensure the financial well-being and fiscal stability of the Town of Newcastle. This policy is established to assure the citizens that it will be a primary goal for the Town to accumulate a prudent level of available reserve funds to protect taxpayers from current and future risks to its financial status and well being.

This policy intends to create a financial mechanism for the municipality:

- To lessen the need for borrowing to cover operating expenses;
- To protect and enhance the Town's Bond Rating; and
- To provide the funds necessary to cover emergency expenses.

The Town of Newcastle recognizes the importance of maintaining an appropriate level of Undesignated Fund Balance. After evaluating the Town's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the Town will annually review the level of Undesignated Fund Balance of the General Fund for the Town of Newcastle.

**Policy:** The level of fund balance that the Town will strive to maintain as undesignated is an amount equal to at least 3 months of all operating expenses as accorded by the presently approved fiscal year budget.

Once the Town achieves its goal of an appropriate level of Undesignated Fund Balance, any excess funds may be utilized for the following:

- 1) Appreciable investments such as;
  - a) Land acquisition in the town of Newcastle with a predetermined cause.
  - b) Low risk money market investments.
  - c) Interest bearing bank accounts.
- 2) Professional Planning Services that benefit Newcastle Residents such as;
  - a) Needs analysis.
  - b) Survey work.
  - c) Conceptual design planning.
- 3) Civic infrastructure such as;
  - a) New construction of buildings and other structures.

- b) Utility services that serve civic uses.
- 4) Funding a reserve account for future appreciable use or a benefit to the residents of Newcastle.
- 5) Funding an expense that is reimbursable by the Federal or State Government.
- 6) Community Engagement and Town value awareness.
- 7) Town festivities and entertainment that benefit the residents of Newcastle.

And not acceptable to be used for the following:

- 1) Reduce the annual operating budget either by line item for ongoing expenses or in whole that should otherwise be levied by taxes raised.
- 2) Depreciating assets and durable goods such as;
  - a) Department apparatus.
  - b) Repairs and Maintenance.
- 3) Capital Reserves Budget for Roads and General Infrastructure.

This allocation process will be managed during the annual budgeting process and the amount available for assignment will be dictated by the Town's previous years' audited financial statements and more specifically as identified in the unrestricted (or unassigned) net position.

This policy has been adopted by the Select Board to recognize the financial importance of a stable and sufficient level of the Undesignated Fund Balance. However, the Select Board reserves the right to appropriate funds from the Undesignated Fund Balance for emergencies and other requirements the Select Board believes to be in the best interest of the Town.

**Enactment:** This policy will be implemented upon a majority vote of the Select Board. Any change or amendment to the policy will also require a majority vote by the Select Board.

Date of Adoption: 10-27-08

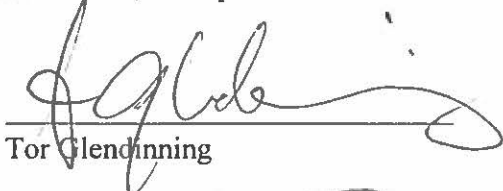
Date of Amendment: 3-11-2024



Karen Paz, Chairperson



Joel Lind, Vice Chair



Tor Glendinning



Thomas Kostenbader



Rufus Percy