

Town of Newcastle

Fund Balance Policy

Purpose: A 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 Tow 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 help lessen the need for borrowing;
- To protect and enhance the Town's Bond Rating; and
- To provide the funds necessary to meet the Town's operating obligations.

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 establish the 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 1/12th or 8% of the Town's General Fund Budget but less than 15%.

Once the Town achieves its goal of an appropriate level of Undesignated Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, including, without limitation, additional capital improvement needs or tax rate stabilization or reduction purposes. For example, by utilizing excess fund balances

for capital improvements, the Town will reduce the need to incur long-term debt and will avoid creating an operating funding gap for subsequent fiscal years.

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

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

Date of Adoption: 10-27-08

Ellen McFarland _____
Chairperson

Robert Plourde _____
Vice Chair

Patricia Hudson _____

Lee Straw _____

Art Mayers _____