

**Town of Stoneham**  
**General Fund Policy**  
12/18/2007

1.0 Purpose

The purpose of this policy is to establish and provide for the sound financial management of the Town's various designated reserves and to establish procedures for undesignated fund balance. This policy is intended to provide for such needs as economic uncertainties, unplanned requirements, emergency events funding, and coverage of cash flow requirements.

2.0 Definitions

- 2.1 Designated Funds: These funds/accounts are allocated solely for the intended use covered under the articles at the annual town meeting by the "carry the balance" motions or by State Statutes. Expenditures, receipts, and balances for a designated account cannot be applied, transferred, or otherwise diverted to another account without town approval and which will violate State Statutes.
- 2.2 Undesignated Fund Balances: The Town's undesignated fund balances are those accounts which annual appropriations and/or revenues have exceeded the annual expenditures by the town's year-end accounting close. Such undesignated fund balances at year-end close will be transferred to the town's General Fund account and will be available for the following fiscal year's expenditure requirements.
- 2.3 General Fund Balance: The Town's General Fund balance is the account containing unapplied funding throughout the current fiscal year and all unexpended undesignated fund balances following the town's year-end close.
- 2.4 Cash Flow: The amount of required expense funding compared to the town's revenue and account balances.
- 2.5 Anticipated Cash Flow: The cumulative amount of undesignated general fund balance, starting with the first fiscal month of the fiscal year in question, plus undesignated revenues less undesignated appropriated expenditures over a period of consecutive months.
- 2.6 Positive Cash Flow: The occurrence at the end of a fiscal period where the Undesignated Revenues exceeds the Undesignated Expenditures.

3.0 Policies

- 3.1 The Town shall develop an ensuing year's budget such that:
  - 3.1.1 The General Fund Balance is sufficient to cover the anticipated cash flow requirements until a positive cash flow is met and sustained.
  - 3.1.2 The General Fund Balance shall not exceed the maximum of any ten (10) consecutive monthly cash flow requirements.
- 3.2 The town, as an alternative to the calculation of the above for General Fund Balance criteria, may use develop an ensuing year's budget such that the General Fund balance is no less than 33.3% of the total appropriations for the year and no more than 50% of the total appropriations.

Approved:

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Revision History

\_\_\_\_\_ Original Policy

\*\*\* End-of-Policy \*\*\*