



To: Peter Joseph, Town Manager
From: Jessica Maloy, Finance Director
Re: Fund Balance Annual Report
Date: February 28, 2023

According to the Town's Fund Balance policy the Finance Director is to report annually on the Town's General Fund fund balance levels as reported in the financial statements.

As of June 30th, 2022, as stated in Statement 3 (and Exhibit A-1) of the financial statements, the Town had \$6,355,090 in unassigned fund balance. The Town's policy states that the general fund will hold one and-one-half months of the Town, RSU (Town portion), and County (Town portion) in fund balance. If this amount exceeds five percent over the minimum, staff will make recommendations to the Council on what to do with the excess fund balance.

There are six fund balance designations (and their corresponding 6/30/22 balances):

Non-spendable: Cannot be spent due to form (for example: inventory): **\$16,233**

Restricted: Can only be spent by regulations enforced by an external entity (for example: a State agency): **\$0**

Committed: Use is restricted by the highest legislative authority at the Town's level, and restriction must be removed by a similar action (for example: the council setting policy): **\$1,478,122** (\$1 million tax rate stabilization and \$478,122 for future retirement pay)

Committed Reserves: Use is restricted by the highest legislative authority at the Town's level, and restriction must be removed by a similar action (for example: the council setting policy): **\$608,401** (\$492,070 unemployment compensation reserve and \$116,331 miscellaneous smaller reserves)

Assigned: Use is restricted by intended use (for example: the funds that the council appropriates for certain projects but is not spent yet): **\$675,000** (\$675,000 for use in the FY 2023 budget to offset property taxes)

Unassigned: All other fund balance in excess of the above: **\$6,355,090**

As of June 30th, 2022, the calculation of fund balance requirement was as follows:

FY 2023 FUND BALANCE COMPUTATIONS	
TAXING ENTITY	FY 2023 BUDGET
TOWN	\$ 11,976,225
RSU #5	\$ 20,513,345
TRANSIT	\$ 86,170
COUNTY	\$ 1,288,252
SUM OF THE BUDGETS	\$ 33,863,992
1/12TH OF THE BUDGET	\$ 2,821,999
1.5 MONTHS OF BUDGET-Minimum	\$ 4,232,999
Additional 5% Allowed	\$ 211,650
Policy Maximum	\$ 4,444,649
6/30/2022 Requirement	\$ 4,232,999
Audited 6/30/2022 FB	\$ 6,355,090
Amount Fund Balance Exceeds Maximum	\$ 1,910,441

Staff Recommendation:

The Town has \$1,910,441 in fund balance above policy level.

At this time, Staff would recommend that the Town Council transfer the full \$1,910,441 to the capital reserves. Staff recommends funding \$250,000 to the Police Reserve, \$500,000 to the Fire Reserve, \$100,000 to the Public Works Reserve, \$50,000 to the Solid Waste Reserve, and \$1,010,441 to the Comprehensive Town Improvement Reserve to assist with the Downton Visioning Plan and to build reserve account balances to more appropriate levels in comparison to the benchmarks as shown below:

	Unaudited	Benchmarks		Average Mark	Variance
	12/31/2022 Reserve Balances	Low Benchmark	High Benchmark		
Police	338,278	430,400	806,000	618,200	-279,922
Fire	430,516	575,600	1,285,000	930,300	-499,784
Rescue	849,404	648,600	1,060,000	854,300	-4,896
Public Works	941,642	940,400	1,147,000	1,043,700	-102,058
Solid Waste	38,841	60,000	115,000	87,500	-48,659
Comprehensive Town Imp.	1,889,755	2,857,000	5,085,000	3,971,000	-2,081,245
Municipal Facilities	1,165,411	704,900	1,431,000	1,067,950	97,461
Boards & Committees	138,824	0	100,600	50,300	88,524