



To: Peter Joseph, Town Manager
From: Jessica Maloy, Finance Director
Re: Fund Balance Annual Report
Date: December 3, 2019

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, 2019, as stated in Statement 3 (and Exhibit A-1) of the financial statements, the Town had \$5,057,027 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 6/30/19 balances):

Non-spendable: Cannot be spent due to form (for example: inventory): **\$10,100**

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): **\$1,457,340** (\$1 million tax rate stabilization and \$457,340 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): **\$563,189** (\$456,710 unemployment compensation reserve and \$106,479 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): **\$600,000** (\$600,000 for use in the FY 2020 budget to offset property taxes)

Unassigned: All other fund balance in excess of the above: **\$5,057,027**

As of June 30th, 2019, the calculation of fund balance requirement was as follows:

FY 2020 FUND BALANCE COMPUTATIONS	
TAXING ENTITY	FY 2020 BUDGET
TOWN	\$ 10,410,637
RSU #5	\$ 18,818,939
COUNTY	\$ 1,192,404
SUM OF THE BUDGETS	\$ 30,421,980
1/12TH OF THE BUDGET	\$ 2,535,165
1.5 MONTHS OF BUDGET-Minimum	\$ 3,802,748
Additional 5% Allowed	\$ 190,137
Policy Maximum	\$ 3,992,885
6/30/2019 Requirement	\$ 3,802,748
Audited 6/30/2019 FB	\$ 5,057,027
Amount Fund Balance Exceeds Maximum	\$ 1,064,142

Staff Recommendation:

The Town has \$1,064,142 in fund balance above policy level.

At this time, Staff would recommend that the Town Council transfer the \$1,064,142 to the capital reserves, with \$264,142 to the Fire Equipment Reserve and \$800,000 to the Comprehensive Town Improvement Reserve, to build account balances to more appropriate levels in comparison to the benchmarks as shown below:

	Unaudited	06/30/2018 Benchmarks		Average Mark	Variance
	12/31/2018 Reserve Balances	Low Benchmark	High Benchmark		
Police	429,106	310,000	314,400	312,200	116,906
Fire	738,304	615,000	770,600	692,800	45,504
Rescue	764,722	422,200	560,000	491,100	273,622
Public Works	921,586	635,000	875,400	755,200	166,386
Solid Waste	161,144	112,400	272,000	192,200	-31,056
Comprehensive Town Imp.	762,904	1,642,000	1,910,000	1,776,000	-1,013,096
Municipal Facilities	832,731	581,810	997,050	789,430	43,301