



To: Peter Joseph, Town Manager
From: Jessica Maloy, Finance Director
Re: Fund Balance Annual Report
Date: March 11, 2021

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, 2020, as stated in Statement 3 (and Exhibit A-1) of the financial statements, the Town had \$5,096,893 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 6/30/20 balances):

Non-spendable: Cannot be spent due to form (for example: inventory): **\$11,439**

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): **\$1,522,543** (\$1 million tax rate stabilization and \$522,543 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): **\$582,967** (\$472,640 unemployment compensation reserve and \$110,327 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 2021 budget to offset property taxes)

Unassigned: All other fund balance in excess of the above: **\$5,096,893**

As of June 30th, 2020, the calculation of fund balance requirement was as follows:

FY 2021 FUND BALANCE COMPUTATIONS	
TAXING ENTITY	FY 2021 BUDGET
TOWN	\$ 10,481,981
RSU #5	\$ 19,125,015
TRANSIT	\$ 77,934
COUNTY	\$ 1,243,618
SUM OF THE BUDGETS	\$ 30,928,548
1/12TH OF THE BUDGET	\$ 2,577,379
1.5 MONTHS OF BUDGET-Minimum	\$ 3,866,069
Additional 5% Allowed	\$ 193,303
Policy Maximum	\$ 4,059,372
6/30/2020 Requirement	\$ 3,866,069
Audited 6/30/2020 FB	\$ 5,096,893
Amount Fund Balance Exceeds Maximum	\$ 1,037,521

Staff Recommendation:

The Town has \$1,037,521 in fund balance above policy level.

At this time, Staff would recommend that the Town Council transfer the \$750,000 to the capital reserves and leave the remaining 287,521 in the fund balance to help reduce taxes. Staff recommends funding \$200,000 to the Boards and Committee’s Reserve, \$250,000 to the Municipal Facilities Reserve, \$250,000 to the Comprehensive Town Improvement Reserve, and \$50,000 to the Police Reserve to build reserve account balances to more appropriate levels in comparison to the benchmarks as shown below:

	Unaudited	Benchmarks		Average Mark	Variance
	12/31/2020 Reserve Balances	Low Benchmark	High Benchmark		
Police	350,225	332,800	466,000	399,400	-49,175
Fire	1,284,592	568,800	1,306,000	937,400	347,192
Rescue	763,837	486,000	794,000	640,000	123,837
Public Works	1,104,033	826,600	863,000	844,800	259,233
Solid Waste	167,297	96,500	282,500	189,500	-22,203
Comprehensive Town Imp.	2,259,714	1,896,800	2,714,000	2,305,400	-45,686
Municipal Facilities	640,353	562,900	1,006,500	784,700	-144,347
Boards & Committees	68,309	80,600	225,000	152,800	-84,491