

Fund Balance Overview:

- 1) What is fund balance and what is it used for?
 - Fund balance is the town's savings account used for emergencies and to cover when expenditures are higher than expected and/or revenues are lower than expected – it is hard to predict mid-year where the actual fund balance is as it is still to be seen where the annual expenditures and revenues will land
 - Our fund balance policy states that "the objective is to maintain an unrestricted fund balance between 15% to 20% of the current year's total budget"
- 2) What is our current fund balance – see attached sheet prepared by our accountant
 - The best mid-year estimate we can do is to take the 12/31/25 fund balance, subtract the amount we allocated in the 2026 operating budget, subtract any amounts we know we are under budgeted on expenses or over budgeted on revenues and that is what Brian has done on this handout
- 3) Where are we with fund balance and how did we get here?
 - We are solvent and can pay our bills – we are not in an emergency situation but we do need to adjust how we use fund balance moving forward
 - In the past, historically the TB has allocated a not to exceed amount of fund balance into the operating budget and at the end of the year between expenses coming in under budget and revenues coming in over budget, we ended up not actually needing to utilize the fund balance allocated in the budget – in the past 3 years that trend has shifted and we have had our expenses and revenues coming in at the levels budgeted which means we have used the fund balance allocated in the operating budget
 - In the last 3 year we have had many larger purchases such as highway equipment that have not been budgeted and the TB authorized via budget amendments to spend from fund balance
 - We were previously significantly under estimating sales tax revenue in the \$100s of thousands of dollars – based on information learned at training, we adjusted sales tax revenues to closer to their actual numbers which means that we were allowed to increase expenses for things like staff raises, inflation, etc. without raising taxes – it also means we didn't have the same revenue overage at the end of the operating year to add to our fund balance
 - Inflation is out of control and some of the increases in electric bills and fuel costs could not be predicted
 - We did not increase taxes over 6 years which is not a sustainable model – all costs are increasing and we need to increase revenues (aka property taxes) to match the increased expenses
 - Costs like highway sand and attorney fees were underbudgeted and needed budget amendments from fund balance

- In the current year operating budget we have a loss of revenue from interest earnings that the TB decided to take from fund balance instead of decreasing expenses – we also have a deficit of at least \$100K (not sure exact number yet) for unauthorized highway garage improvements that were done but not covered by the insurance that we will need to pay for somehow – we also have another year of underbudgeted expenses like highway sand and attorney fees – we also had a harsh winter and costs are higher than expected

4) How do we get back to a healthy fund balance?

- My recommendation is that we freeze spending of fund balance unless there is an actual emergency and we do not allocate any fund balance in the 2027 operating budget – this means if all expenses and revenues stay the same in 2027 as they were in 2026 (they won't because of inflation), we would be going into the budget with a shortfall of \$182,605 (the amount of fund balance we allocated in the 2026 budget)
- I believe we should look to cut any unnecessary expenses for the 2027 budget
- I believe we will need to increase property tax revenues for the 2027 budget (no tax increase for 6 years is not sustainable and we need to be increasing taxes gradually to keep up with inflation)
- I believe we need to look at 2026 expenditures that are going over budget like the attorney line and put a limit on it for the remainder of the year and ask the attorney to only do that much work each month – this may pause projects like the intensive FOIL he is working on
- We can also take part or all of the \$625,000 landfill reimbursement funds and add it to fund balance or utilize it as a revenue as needed – the Town Board should decide how much, if any, we are going to put back into a reserve account for ongoing landfill monitoring and how much, if any, we are going to put into fund balance or other expenditures (the TB has already voted to use around \$62,000 of this for the water filter that summer camp needed, the heating system the highway garage needed, and the estimated revenue loss from interest earnings) – we should adopt a written resolution that defines how much we are reserving and what the long term plan is to cover the monitoring costs (as an example – we could reserve \$225,000 and invest in high yield accounts then add an expenditure line to the operating budget to bring in \$10,000 a year from the high yield accounts and \$10,000 a year from property taxes to cover the monitoring costs)

GENERAL FUND

12/31/25 FUND BALANCE @ 12/31/2025

22066672

FROM ADOPTED 2026 BUDGET: APPROPRIATED FUND BALANCE

<9260500>

UNAPPROPRIATED FUND BALANCE 1/1/2026

138061

THIS \$138,061 IS WHAT THE GENERAL FUND WOULD HAVE IN THE BANK AS CASH OR ON BOOKS AS SHORT TERM RECEIVABLES AT 12/31/2026 IF OUR ACTUAL REVENUES AND EXPENSES CAME OUT EXACTLY AS BUDGETED

BUT: WE ALREADY KNOW "AD2401 INTEREST" WILL BE AT LEAST \$25,000 LESS THAN BUDGETED

<25000>

THAT REDUCTION IN INTEREST ALONE BRINGS OUR PROTECTED ENDING FUND BALANCE FOR 2026 DOWN TO

113061

ANY OVERAGES IN BUDGETED EXPENDITURES OR SHORTFALLS IN BUDGET REVENUES WILL REDUCE THAT PROTECTED FUND BALANCE EVEN MORE.

HIGHWAY FUND

12/31/25 FUND BALANCE @ 12/31/2025

18629439

FROM ADOPTED 2026 BUDGET: APPROPRIATED FUND BALANCE

<10000000>

UNAPPROPRIATED FUND BALANCE 1/1/2026

86294

INTEREST INCOME REDUCTION: SAME AS GENERAL

<13000>

73294

