

Consolidated Sewer District — In recent years, the Board has adopted sewer fund budgets that over-estimated expenditures, which has resulted in an excessive fund balance. At December 31, 2009, the unreserved, unappropriated fund balance was \$1,237,666 or 171 percent of the ensuing year’s budgetary appropriations of \$723,180.

Consolidated Sewer District					
Fiscal Year End	Total Unreserved Fund Balance	Unreserved Fund Balance Appropriated	Unreserved Fund Balance Unappropriated (UFBU)	Ensuing Year's Budgeted Appropriations (EYBA)	UFBU As Percent of EYBA
12/31/2006	\$849,080		\$849,080	\$638,993	133%
12/31/2007	\$1,168,387		\$1,168,387	\$658,010	178%
12/31/2008	\$1,530,804		\$1,530,804	\$678,409	226%
12/31/2009	\$1,552,769	\$315,103	\$1,237,666	\$723,180	171%

The consolidated sewer fund is financed primarily with real property taxes. Revenues were relatively close to budgeted amounts over the last four years, but expenditures were significantly below budget from 2006 to 2008. For example, actual expenditures were below budgeted estimates by \$145,995 (21 percent) in 2006, by \$150,535 (24 percent) in 2007 and by \$332,617 (51 percent) in 2008. Expenditures were more in line with the original budgetary appropriations in 2009 only because the Town purchased equipment costing about \$190,000 which was not included in the original budget.

During 2008 and 2009, the Town levied real property taxes of \$633,288 and \$661,271, respectively. The Board’s failure to adopt budgets with realistic estimates for expenditures has caused the Town to levy more real property taxes than needed and to accumulate the excess fund balance. The Board has appropriated \$315,103 of this fund balance in the 2010 budget, which is a positive step towards reducing this excessive fund balance and has resulted in a reduction of the taxes levied (\$403,025) for 2010.

Although the consolidated sewer district has an excessive fund balance, the reported cash in this fund was only about \$224,000 at the end of 2009. This is due to the consolidated sewer district loaning its cash to other funds – reporting a net receivable due from other funds amounting to about \$1.5 million at the end of 2009. A large portion of this relates to loans provided to the other funds, including the police fund which does not currently have the ability to immediately repay the sewer district. If Town officials take corrective action by reducing the excessive fund balance in the consolidated sewer district without also addressing the weak financial position of the police fund, the Board may have to resort to issuing short term borrowing, such as revenue anticipation notes, in order to meet its cash flow needs.