

***A recent audit revealed a sizeable surplus, which has accumulated from previous fiscal years. What are our options for managing this situation?***

The most important thing for the selectboard to remember is that the surplus belongs to the voters, not the board. Voter approval – either at a special or regular meeting – is necessary to determine the appropriate use of these funds. The options before the voters, however, are almost limitless so long as they are legal activities for a municipality to engage in.

From a policy perspective, the national Government Finance Officers Association (GFOA) recommends budgeting so as to maintain or create an unreserved fund balance of at least five to 15 percent of the general fund. Under Vermont law, the best way to do this is to ask the voters to create a “reserve fund,” which may be used for a specific purpose when created or for purposes authorized by the voters at a subsequent meeting. 24 V.S.A. § 2804.

The occasion of an unanticipated surplus presents an opportunity for the voters to debate a wide range of alternatives, including reducing taxes in future years, creating a reserve fund, or directing the funds or a portion thereof to a specific use. Any one of these solutions, or combination of them, is a legitimate use of the funds, so long as the voters authorize them.

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