

FISCAL YEAR END FYE 2026 PRELIMINARY VIEW

BACKGROUND

Last summer, as the FYE 2025 draft audit was underway, the SB learned about and described the three-year revenue shortfall that resulted from a spreadsheet calculation that impacted FY2024,2025, and 2026.

Several steps were taken to rectify the error and its ramifications. As a result, in the past 10 months::

1. We revised and adopted our 007 General Fund Balance Reserve Fund policy.
 - a. As of June, that Fund is funded as stipulated. In fact, we were able to allocate a small revenue surplus at the end of FY2025 to the 007 fund.
 - b. We will keep a careful eye on the balance as FY2026 expenditures (on which the Fund total is based) are fully executed to determine if any action is necessary this Fall.
2. Our budget process is fully linked to the NEMRC (municipal accounting) system, rather than just feeding data from a spreadsheet into NEMRC.
3. The 010 Highway Surplus Revenue Fund covered the purchase costs of two vehicles and still has a healthy balance of ~\$417,500..
4. We did not need to draw down our 004 Capital Projects Fund. That balance is currently \$645,437.
 - a. We had planned on spending ~\$600,000 for Capital Projects in this FY, but a major portion of those projects was covered by grants and the Highway Reserve Fund so the balance will be applied to FY2027 projects.

LOOKING FORWARD

To avoid, or minimize the chance of, a FYE deficit, the SB delayed executing budgeted transfers to some "savings" funds during this FY2026 until year end revenue and expenses balances can be projected with some degree of confidence.

1. Revenue and Expense balances are derived during the FYE audit and are drafted for SB review in late summer.
2. The SB must transfer funds voted on at Town Meeting: these include transfers to the Green River Covered Bridge Fund, the Guilford Volunteer Fire Department, Social Service agencies, etc.
3. The SB has disbursement discretion over other budgeted transfers, within statutory limits. For example, if our Health Reimbursement account is over-funded, we might transfer less than was budgeted.
4. In planning for a potential deficit recovery, we have confirmed that the SB can defer allocating or reallocating funds until the draft FYE26 audit is in hand. Any reallocation will apply to FY2026, and not impact FY2027

AUDITOR COMMENTS

“..any deficit recovery plan that is approved by the board does not have to be determined prior to, or at, June 30. It is good to make everyone aware that a deficit for the fiscal year may exist, and potentially identify how much it may be as we approach year end, and completely appropriate to develop a plan of how any deficit could be fully or partially recovered in FY26, but it is not an amount that is set in stone.

Any shortfall that exists when June 30th arrives can still change. Additional accruals and year end adjustments can, and will, still be made subsequent to year end, and will be recorded back FY26.

Each balance sheet account needs to be reconciled, additional receivables and payables will be determined after year end, that are applicable to FY26, and will be recorded as such.

There is also the potential that there will be proposed audit adjustments that could also change amounts that exist at year end, and those would be identified when I return to do the audit in August.

Once all of those items are complete we will have a definitive amount that would be a resulting deficit or surplus. In FY25 we anticipated that there would be a shortfall similar to what we are seeing currently, but that year resulted in a very small surplus. I am not by any means indicating that will happen again for FY26, but it will definitely change.”

SUMMARY

While the spreadsheet error complicated the SB’s fiduciary responsibilities, Guilford’s fiscal health is strong and its policies and programs intact, at no additional cost to taxpayers. In the face of budget uncertainty, we do not have to borrow funds, increase taxes, reduce service levels, or delay critical projects.

I want to thank our Treasurer, Elly, her assistant Marlene, our Town Administrator, Erika, and all the SB members for coming together and working through these challenges. We will present the draft FY2026 audit and take any necessary steps indicated by the audit results in September.