City of Biggs

Agenda Item Staff Report
for the Regular City Council Meeting:
September 20, 2010 6:00PM

DATE: September 16, 2010

TO: Honorable Mayor and Members of the City Council

FROM: Pete Carr, City Administrator

SUBJECT: Fund Balance Analysis (Discussion)

City Administrator/Finance Director will present summary report of recent audit of City special project funds, with balances and recommended adjustments.

Background

City has for many years maintained negative balances on numerous closed or inactive project and program funds. This has been the subject of outside auditor management comments and internal queries as to status, cause and plan to zero-out. Negative interest was regularly applied to deficit funds until 2008. Each fund had a varying start date, purpose, city match, expense plan, reimbursement schedule, and project close-out. Many projects had additional work authorized which was deemed necessary and practical to accomplish at the time but outside the scope of the project budgets.

In May 2010 the city engaged the services of Roy Seiler, CPA, to assist in analysis of all city funds on a project basis and guidance in fiscal processes on an ongoing basis. In closing out the 2009-2010 fiscal year, Mr. Seiler conducted an inspection of each special project and program fund, and has started the same for each enterprise fund. Mr. Seiler was also asked to present a summary of "discretionary funds" depicting their relative level of availability.

This fund analysis has been a team project involving many hours of accounting, engineering and administrative time. Bottomline: some of the old funds have positive balances, most have negative, and the city should now identify a path forward to zero them out and "clean up the books." Mr. Seiler's report is attached.

Where closed-project funds carry a positive balance, the balance should be returned to the General Fund. Where projects carry a negative balance, transfers should be made from the General Fund – in some cases from the Electric Fund via the General Fund – to establish a zero balance and remove the old funds from the books. The result will be a

net transfer of $207,324 from the Electric and General Funds to the special project funds.

On-going projects and program funds do not need adjustment at this time.

"Pass Through" accounts are shown with varying balances but are quite a different situation. The General Plan-related negative balances should be transferred as expenses to the General Plan Fund (214); the others should be audited and their confirmed balances reconciled with the developers.

Water debt service: water revenues were directed to the bond debt service reserve at an accelerated rate. Excess funds are on the books for debt service and bond reserve. We have several options, but it makes the most sense to return funds to the water operating and improvement funds, resume building a reserve at the prescribed rate, and utilize the water funds as originally intended.

Finally, Curb and Gutter Loans need to be resolved. These are not on the City books. Some were made to property owners who are no longer living here or living at all. Some were apparently recorded, some were not. Some were apparently closed, some were not. No payments are being made on any. Staff recommends writing off two, retaining two. Summary of the analysis is attached.

Recommendation
Direct staff as to preferences for addressing the various fund balances, water debt service, and curb and gutter loans; staff will bring back an actionable plan for approval in October.

Fiscal Impact
None as to budgeted expenditures, but changes will result in fund balances.
Transfers do not imply increased or decreased actual spending of City funds, but rather increases and corresponding decreases among City funds.

ROY R. SEILER
CERTIFIED PUBLIC ACCOUNTANT

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September 3, 2010

Pete Carr, City Administrator and
Members of the City Council
City of Biggs, California

The year end process is nearing completion. Thanks to Pete and your great office staff, everything has gone well. I have the following comments and recommendations:

Deficit Fund Balances:

Issue:
Attached is a recap of "project funds" entitled "Review and Status of Project Funds". As you can see, the net deficit balance of completed projects is $<207,324>. It is not usual for a "project fund" to go into a deficit balance. This can be the result of several reasons:

- Matching funds: It is common to "make up" the City match at the end of the project
- Project additions: Often it is cost effective to expand a project while the contractor is already on site.
- Posting entries to the wrong fund.

Note: Ongoing projects often have a negative fund balance as there are "timing" issues to deal with. The main concern with ongoing projects is insuring that they are properly funded and expended and that all "city match" funds have been allocated.

Recommendation:
These "completed" fund projects, or those nearly so, need to "be made whole". Absent of a particular funding source, the general fund would generally make up the deficit.

For Current and ongoing projects, steps need to be taken to insure that the funding sources/city matches are in place.

Discretionary Funds:

I was asked to provide a recap of descretionary fund balances. Attached is that recap as of June 30, 2010.

Water Debt Service Reserve Requirements:

Issue:

The USDA requires a debt service reserve of approximately one year's debt service requirement and allows you to build that reserve at a rate of 10% per year. As of June 30, 2010, the required reserve amount was $58,214.26 and the debt reserve fund (fund 112) had a balance of $184,030.

Recommendation:

I recommend that the City transfer the excess funds, except for the additional amount to be required for 2010/11 (approximately $20,000). Since the monies came from the water operating fund (040), through the water capital improvement fund (110), the monies should be transferred to either of these funds, or perhaps a combination of them.

Water Trust Fund (042)

Question:

Since the construction project is complete, I don't know what the purpose/requirement for this fund is.

Recommendation:

I recommend that we work with the USDA to determine if this fund is still required. If not, since the monies came from the water operating fund (040) the monies should be transferred back to it. If Council wishes, the money may also be transferred into the water improvement fund (110).

Housing Loans:

It appears that interest is accruing based on the original balance only and not compounded. I followed this method for 2009-10. Before loan "calls" are answered, the determination as to whether this is correct needs to be made.

Curb and Gutter Loans:

Marlee as records for loans made for Curb and Gutters. These loans are not on record in the general ledger. There needs to be some action to recognize them on the records, and either make efforts to collect them or write them off.

ROY R. SEILER, CPA

City of Biggs
Review and Status of Project Funds
6/30/2010

Fund No	Fund Name	Balance <Deficit>	Comments
COMPETED PROJECTS			
075	SRTS, Cycle 4	16,538	Appears to be a combination of excess transfers in and excess expenditures out
076	TEA	(577)	
078	SRTS, Cycle 5	(88,523)	Appears to be a combination of deficit transfers in and excess expenditures out
085	Proposition 1B	17,678	Appears to be remaining funds. Unable to locate a project binder
095	2005-TEA	(22,508)	Appears to be a combination of deficit transfers in and excess expenditures out
125	2004- HOME	(53,259)	Appears to be expenditures in excess of State contractual amounts.
172	Downtown Visual Master Plan	289	Appears to be mostly misc. income. PROJECT COMPLETE
173	Waste Water Fac. Plan	-	
175	Housing Element	(472)	
196	01 STBG 1797	(42,508)	
197	2005 Storm Drain	(33,982)	
	TOTALS/NET	(207,324)	
ON GOING PROJECTS			
131	6th Street Bridge	(32,804)	This Project is On Going
174	Planning and Tech. Assist.	(6,278)	This Project is On Going
176	ADA Design for City Library	(4,888)	This Project is On Going
177	Vets Hall Rehab.	5,064	This Project is On Going
	Grand Totals/Net	(246,230)	
"Pass Through" accounts			
202	4th street	5,938	
204	JTS	20,687	
205	West Side Develop	(5,154)	
207	SunWest	(6,172)	
210	Betzler/Summit	8,578	
211	Dunmore Comm	244	
217	E McCaIN/CHIP	(74)	
	Total/Net	24,047	

While some of the pass through accounts are on going, many have been inactive for a long time.

I have compiled this fund report, for the City of Biggs, as of June 30, 2010. This statement was compiled in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants

A compilation is limited to presenting in the form of financial statements, information that is the representation of management. I have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or any other form of assurance on it.

Ray R. Seiler, CPA
September 3, 2010

City of Biggs
Recap of Discretionary Funds

Fund No.	Fund Name		Unaudited Balance as of 6/30/2010	
010	General Fund		234,979.00	
214	General Plan Update		(201,157.00)	
011	Building and Equipment Reserve		77,141.00	
012	Fire Engine Replacement Reserve		54,051.00	
013	Bridge Replacement Reserve		70,362.00	
014	Regional Detention Basin Reserve		16,309.00	
015	Equipment Replacement		38,559.00	
145	1939 Fire Engine Restoration Reserve		3,355.00	
165	CDBG Miscellaneous		46,010.00	
	Subtotal		339,609.00	
Completed "project funds" with Positive Fund Balances				
075	SR2S, Four		16,538.00	
085	Prop 1B		17,678.00	May decide to "reallocate" some 09-10 expenses to the Prop 1B Fund
177	Downtown Visual Master Plan		289.00	
Completed "project funds" with Negative Fund Balances				
076	TEA	(577.00)		
078	SR2S, Five	(88,523.00)		
095	2005 TEA	(22,508.00)		
125	2004 HOME Grant	(53,259.00)		
175	Housing Element	(472.00)		
196	01-STBG-1797	(42,508.00)		
197	2005 CDBG Storm Drain	(33,982.00)	(241,252.00)	
	Net Deficit Discretionary Funds		132,862.00	

"Bottom Line": there are more monies "reserved" than there is money available to "reserve"

Note there are several on going projects, some of which have negative fund balances at June 30, 2010
This may be due to timing, underfunding or other "issues".
At June 30, 2010, the fund balances of "on going projects" totaled <39955>.

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September 3, 2010

CURB AND GUTTER LOANS AND LIENS

September 2010 Summary Analysis

C&G zero-interest loans offered to property owners 1981, again 1994-6.
Some paid within 36 mos, received release.
Some became recorded liens.
Most liens have been paid and released.
Some loans were released due to incomplete or unsatisfactory work.
Some have moved away or passed away.
Range was $725-$3026 each.
Not on city books, never audited internally; handled case-by-case.

Outstanding loans for properties still owned by loanees

Address	Year Made	Original Amount	Amount Owing	Recorded	Status	Recommendation
3114 Sixth	1995	$ 870.00	$ 870.00	Yes	Half-done, disrepair	Write off
468 F	1995	$2,920.20	$ 2,822.86	Yes	Corner lot, grade issue on F, lacks asphalt.	Write off
3066 Fifth	1995	$ 870.00	$ 870.00	Yes	Excellent condition, city recently added sidewalk	Maintain loan and lien
2942 Sixth	1996	$2,204.00	$ 2,204.00	Yes	Sq curb, missing section, good condition, excellent DI.	Maintain loan and lien