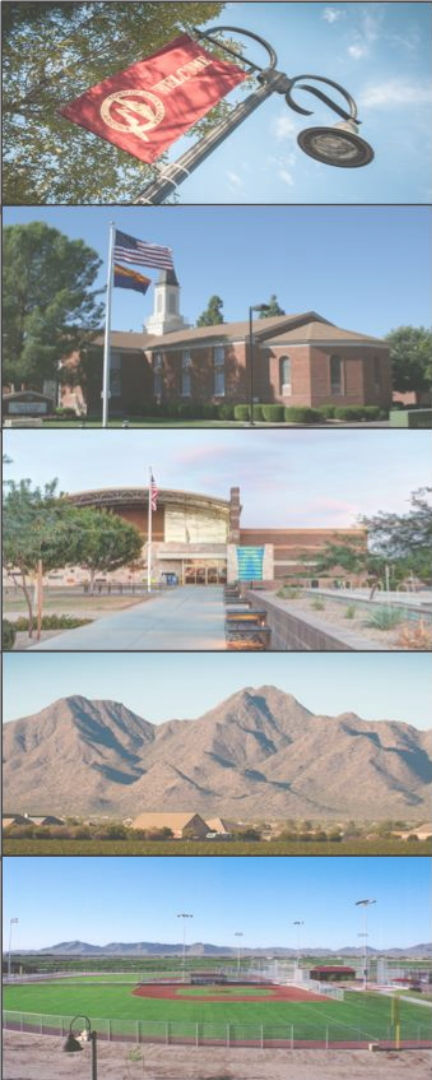


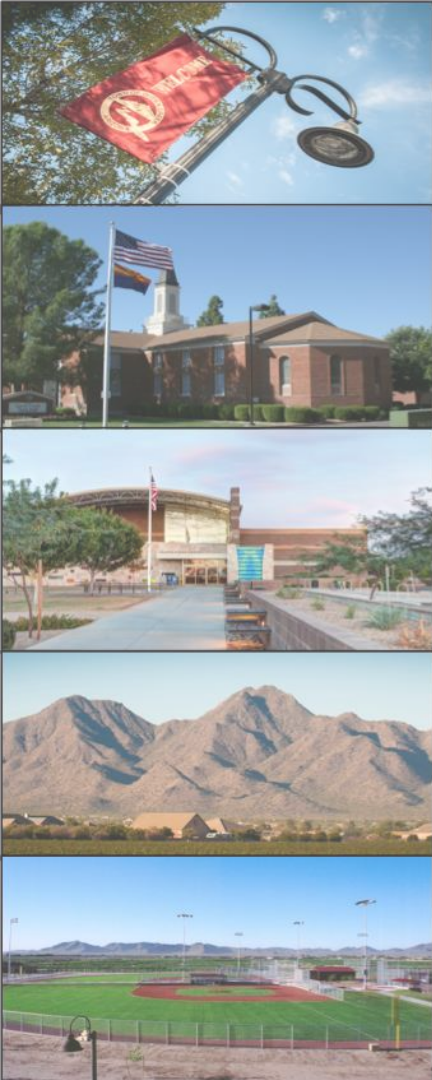
# RECONCILIATION OF CASH BALANCES

Town Council Meeting  
October 3, 2018



# BACKGROUND OVERVIEW

- Completed by Town Staff
  - On Going Continuous Improvements and Implementation of Best Practices
- Reconciled Cash Balances for the 12 Years Prior to FY 2016-17
- Reviewed by Town's Audit Firm
- Does Not Affect Fees Paid by Customers



# ADJUSTMENT OVERVIEW

- 6 Types of Adjustments
- 13 Funds Affected
- Total Adjustments = \$0
  - 7 Fund's Cash Balance Decreased
  - 6 Fund's Cash Balance Increased
- No Financial Losses

# ADJUSTMENT SUMMARY (BY TYPE)



	Amount
1. Fund-to-Fund Transfers	\$18.8M
2. Debt Service Payments	\$7.3M
3. Eligible Expenses Not Paid from Impact and Capacity Fees	\$8.2M
4. Ineligible Expenses Paid from Impact Fees	\$2.1M
5. Wastewater Funds' Reconciliation	\$6.0M
6. Miscellaneous	<u>\$1.1M</u>
<b>TOTAL</b>	<b>\$43.5M</b>

# ADJUSTMENT SUMMARY (NET BY FUND)

Cash Balance Decreasing	Amount	Cash Balance Increasing	Amount
1. Water Capacity Fee	- \$6.6M	1. Water Operating Fund	+ \$6.6M
2. Wastewater Capacity Fee	- \$2.9M	2. Construction Sales Tax	+ \$3.8M
3. Library Impact Fee	- \$2.1M	3. Operating Budget	+ \$2.5M
4. Wastewater Operating	-\$1.0M	4. Parks Development Fee	+ \$0.6M
5. Fire Impact Fee	- \$0.7M	5. Transportation Impact Fee	+ \$0.3M
6. Town Facilities Impact Fee	- \$0.4M	6. Public Safety Development Fee	+ \$0.3M
7. Transportation CIP	- \$0.3M		

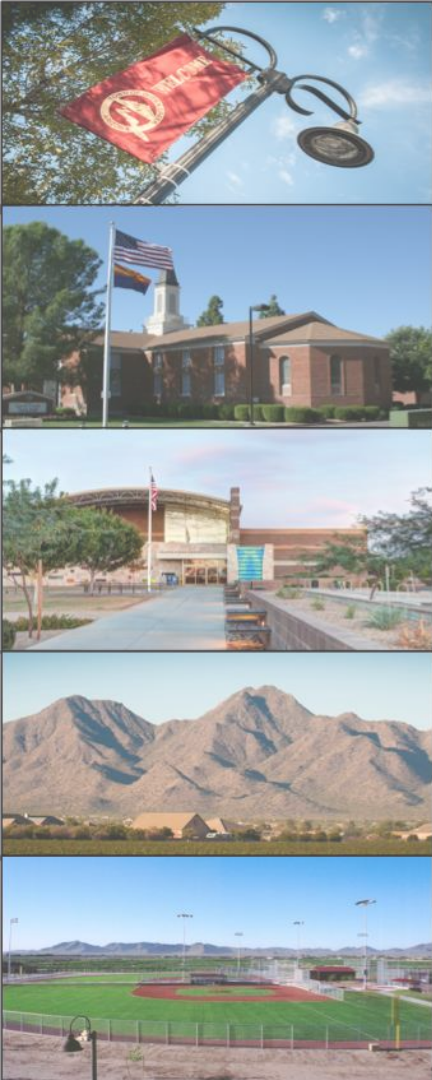
# EXAMPLE: OPERATING BUDGET ADJUSTMENTS



	Amount
1.Fund-to-Fund Transfers	+ \$10.8M
2.Debt Service Payments	- \$7.3M
3. Eligible Expenses Not Paid from Impact and Capacity Fees	+ 0.2M
4. Ineligible Expenses Paid from Impact Fees	- <u>\$1.2M</u>
<b>Net Adjustments</b>	<b>+ \$2.5M</b>

# 1. FUND-TO-FUND TRANSFERS: \$18.8M

- Recorded During the Great Recession Because Debt Service Costs Exceeded Impact and Capacity Fee Revenues
  - Short-Term Cash Flow Issue
  - Debt Service Costs are Fixed
  - Impact and Capacity Fee Revenues Decreased Significantly During the Great Recession



# 1. FUND-TO-FUND TRANSFERS: (CONTINUED)

## Two Issues Requiring Adjustment

1. Incorrectly Recorded as a Transfer – Should Have Been Recorded As a Fund-to-Fund (Interfund) Loan Reflecting the Intention to be Repaid
2. The Budgeted Amount was Recorded as the Actual Amount – Should Have Recorded the Actual Amount



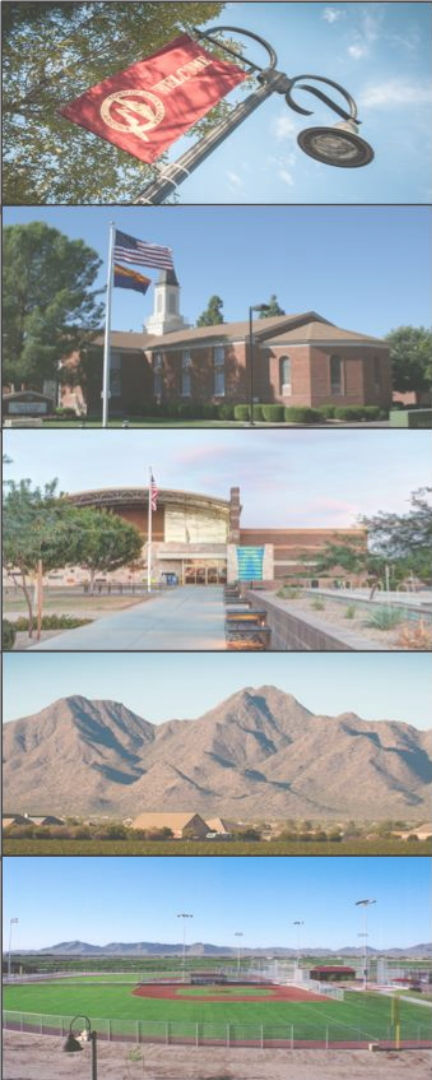


# 1. FUND-TO-FUND

## TRANSFERS (CONTINUED)

### EXAMPLE: WASTEWATER CAPACITY FEE FUND

	Budget	Actual		Adjusted
Capacity Fees	\$1M	\$3M	Capacity Fees	\$3M
Transfer In from WW Operating Fund	<u>\$4M</u>	<u>\$4M</u>	<b><u>Loan</u></b> from WW Operating Fund	<b><u>\$2M</u></b>
Total Sources	\$5M	\$7M	Total Sources	\$5M
Bond Payment for Treatment Facility	-\$5M	-\$5M	Bond Payment for Treatment Facility	-\$5M
Net	\$0M	+\$2M	Net	\$0M



# 1. FUND-TO-FUND TRANSFERS (CONTINUED)

- During this Time Period, \$18.8M was Transferred (Loaned) But Has Not Been Paid Back

Loaning Fund	Amount
Operating Budget	\$10.8M
Wastewater Operating Budget	\$4.1M
Dedicated Transportation Construction Sales Tax Fund	<u>\$3.9M</u>
<b>Total Loans</b>	<b>\$18.8M</b>

# FUND-TO-FUND TRANSFERS (CONCLUDED)

LOANING FUND	Amount
Operating Budget	\$10.8M



BORROWING FUND	Amount
Town Facilities Impact Fee	\$4.4M
Library Impact Fee	\$3.2M
Parks Impact Fee	\$1.5M
Public Safety Impact Fee	\$1.0M
Fire Development Fee	\$0.7M

LOANING FUND	Amount
Wastewater Operating Budget	\$4.1M
Dedicated Transportation Construction Sales Tax Fund	\$3.9M



BORROWING FUND	Amount
Wastewater Capacity Fee	\$8M

## 2. DEBT SERVICE PAYMENTS: \$7.3M

- The Debt Payments Were Not Recorded Based on the Correct Growth and Non-Growth Allocations per the Studies
- Operating Budget Paid Too Little: \$7.3M (Non-Growth Portion)
- Impact Fee Funds Paid Too Much: \$7.3M (Growth Portion)
  - Town Facilities: \$4.1M
  - Library: \$1.1M
  - Parks: \$2.1M



# 2. DEBT SERVICE PAYMENTS

(CONCLUDED)

## EXAMPLE: LIBRARY

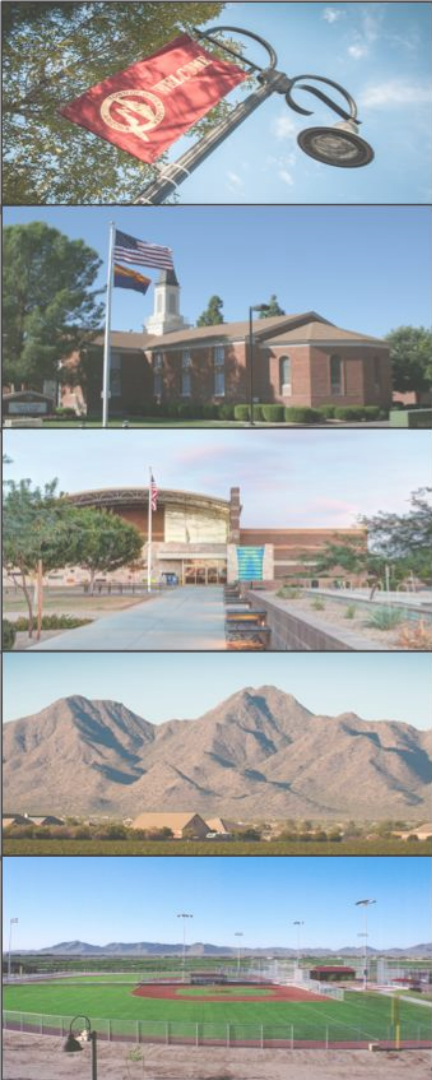
- The Library Debt Costs Paid By Impact Fees Were For the Growth Portion of Entire Building, Which Included the Recreation Center
  - 54% for Library
    - 51% Growth / 49% Non Growth
  - 46% for Recreation Center





### 3. ELIGIBLE EXPENSES NOT PAID BY IMPACT AND CAPACITY FEES: \$8.2M

- \$6.6M of Project and Debt Service Expenses Were Paid by the Water Operating Budget Instead of the Water Capacity Fee Fund
- \$1.0M of Project Expenses Were Paid by the Wastewater Operating Budget Instead of the Wastewater Capacity Fee Fund
- \$0.2M of Project Expenses Were Paid By the Operating Budget Instead of the Fire Impact Fee Fund
- \$0.4M of Project Expenses Were Paid By the Transportation CIP Fund Instead of the Transportation Impact Fee Fund

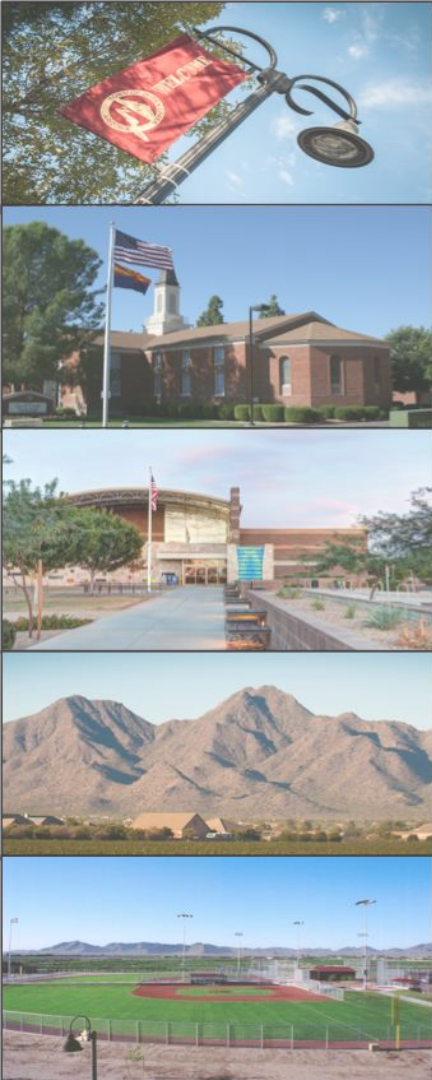


## 4. INELIGIBLE EXPENSES PAID BY IMPACT FEES: \$2.1M

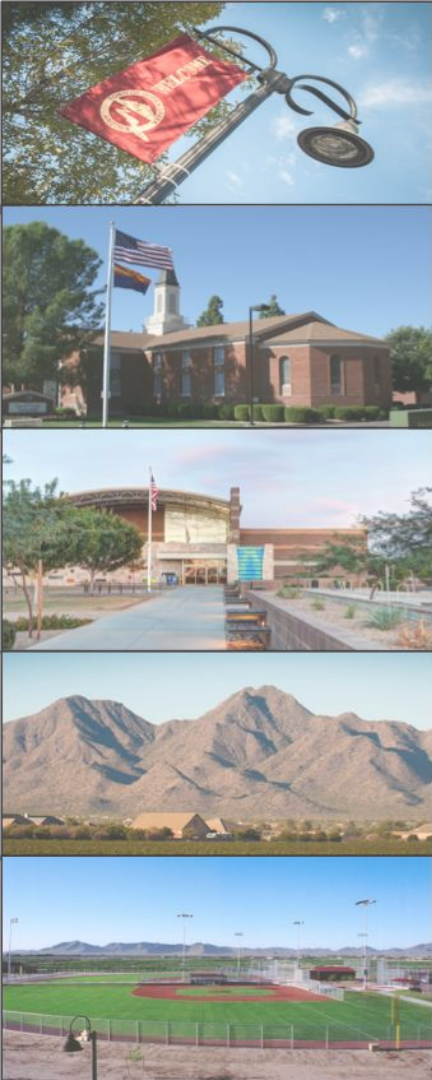
- \$2.1M Was Paid By Impact Fee Funds Instead of the Operating Budget
  - Public Safety Impact Fee Fund: \$1.2M for MCSO Contract Expenses
  - Transportation Impact Fee Fund: \$0.8M for Project Costs
  - Fire Impact Fee Fund: \$0.1M for Project Costs

## 5. WASTEWATER FUNDS' RECONCILIATION: \$6M

- From FY 2005-06 through FY 2013-14, \$6M of Wastewater Transactions Were Not Recorded Appropriately In the Operating, Capital, Debt Service and Capacity Fee Funds
  - One Fund Used Instead of Four Funds







## 6. MISCELLANEOUS: \$1.1M

- \$0.8M for Transportation Projects Were Paid From the Dedicated Transportation Sales Tax Fund Instead of the Drainage and Transportation Fund
- \$0.3M for Water Projects Were Paid From the Water Operating Fund Instead of the Water Capital Fund



# STAFF RECOMMENDATION

Approve Resolution No. 1230-18 Authorizing Transfers Between Funds Related to Activity from Prior Years



# QUESTIONS AND COMMENTS