



City of Grand Island

Tuesday, January 12, 2010

Council Session

Item I3

#2010-22 - Consideration of Transferring Funds to Golf Course

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, Finance Director

Meeting: January 12, 2010

Subject: Transfer from the General Fund to the Golf Fund

Item #'s: I-3

Presenter(s): Mary Lou Brown, Finance Director

Background

In the City Financial Statements, the Golf Fund is listed as part of the Enterprise Funds. Due to this breakout, it is considered to be a Fund and not a Function. The Community Development and Backflow Funds are really Functions and therefore do not fall under the same budgetary rules as the Golf Fund. These determinations have been verified with the Nebraska State Auditor's office.

At the end of September 30, 2008, the Total Net Assets for the Golf Fund is \$(114,408); this same value at the end of September 30, 2009 is \$(70,708). The Total Net Assets is used to determine if a Fund is negative and not the cash balance according to the Nebraska State Auditor's office. The value of the Total Net Assets has improved due to the positive cash flow during the fiscal year 2008/2009.

The City's audited financials have included a recognition that the City owes itself money. In the Financial Statements and Supplementary Information dated September 30, 2008 and issued by Almquist Maltzahn Galloway & Luth, page 21 includes a "Due to other funds" current liability in the Golf Fund column. An offsetting entry is included in the Governmental Activities column on page 15 as a current receivable in "Due from other funds". This is not readily visible due to other entries; the detail can be found in footnote 8 on page 65 (copies are attached).

Discussion

Potential solutions to the negative Total Net Assets for the Golf Fund include the following:

Fund the negative Total Net Assets balance

The Total Net Assets balance as of 12/31/09 is projected to be \$(127,500). Over the next four months, it is assumed that the golf course will generate negative cash flow of \$42,500. This is based on the net of the average receipts and disbursements for the Golf Fund for the months of January through April for the past three years. It is assumed that the Golf Course will be in

a positive cash flow situation beginning in May. In total, a transfer from the General Fund to the Golf Fund of \$170,000 is required.

Fund the negative Cash balance

The Cash balance as of 12/31/09 is projected to be \$(286,500). As in the previous solution, it is assumed that the golf course will generate negative cash flow of \$42,500. This is based on the net of the average receipts and disbursements for the Golf Fund for the months of January through April for the past three years. Again, it is assumed that the Golf Course will be in a positive cash flow situation beginning in May. In total, a transfer from the General Fund to the Golf Fund of \$329,000 is required.

With either of these solutions, there is resolution with Nebraska Budget Act 13-510 which states, “Whenever during the current fiscal year or biennial period it becomes apparent to a governing body that due to unforeseen emergencies there is temporarily insufficient money in a particular fund to meet the requirements of the adopted budget of expenditures for that fund, the governing body may by a majority vote, unless otherwise provided by state law, transfer money from other funds to such fund.”

Both of these alternatives will create an additional strain on the General Fund cash reserve balance as the transfer will reduce the level of cash that is maintained in the current Fiscal Year. The reduced cash reserve balance will need to be addressed during the Fiscal Year 2010/2011 budget preparation.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

- a) Transfer money from the General Fund (Fund 100) to the Golf Fund (Fund 510) in the amount of \$329,000 to eliminate the negative cash balance; or
- b) Transfer money from the General Fund (Fund 100) to the Golf Fund (Fund 510) in the amount of \$170,000 to eliminate the negative total net assets balance.

Recommendation

City Administration recommends that the Council approve the transfer of \$329,000 from the General Fund (Fund 100) to the Golf Fund (Fund 510) to eliminate the negative cash balance. This is the most conservative resolution.

Sample Motion

Move to approve the transfer of \$329,000 dollars from the General Fund (Fund 100) to the Golf Fund (Fund 510).

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,825,900	\$ 4,630,914	\$ 8,456,814	\$ 2,037,552
Investments	11,530,072	22,648,339	34,178,411	3,668,474
County treasurer cash	973,318	-	973,318	155,394
Receivables				
Special assessments	1,186,729	1,706,652	2,893,381	3,356
Accounts, net of allowance for doubtful accounts	1,036,474	4,850,166	5,886,640	285,018
Unbilled revenue	-	2,835,950	2,835,950	-
Current portion of notes from redevelopers	-	-	-	148,314
Current portion of capital lease receivable	-	-	-	640,000
Interest	572,137	307,731	879,868	53,015
Property tax	542,349	-	542,349	35,940
Due from other governments	2,728,129	29,378	2,757,507	-
Due from other funds	2,545,003	-	2,545,003	-
Due from Grand Island Facilities Corporation	70,523	-	70,523	-
Prepaid expenses	-	393,650	393,650	-
Inventory	187,168	10,800,865	10,988,033	-
Total current assets	25,197,802	48,203,645	73,401,447	7,027,063
Noncurrent assets:				
Restricted cash and cash equivalents	89,812	809,305	899,117	-
Restricted investments	191,284	9,330,644	9,521,928	2,947,231
Permanently restricted investments	374,491	-	374,491	-
Permanently restricted notes receivable	2,260,242	-	2,260,242	-
Notes from redevelopers	-	-	-	1,203,835
Capital lease receivable - City of Grand Island	-	-	-	5,130,000
Deferred charges	-	4,337,333	4,337,333	-
Prepaid transmission	-	6,015,943	6,015,943	-
Unamortized bond costs	-	700,469	700,469	125,584
Capital assets				
Land, infrastructure, and construction in progress	252,867,088	12,996,471	265,863,559	571,981
Other capital assets, net of depreciation	55,264,355	204,776,953	260,041,308	5,199,544
Net capital assets	308,131,443	217,773,424	525,904,867	5,771,525
Total noncurrent assets	311,047,272	238,967,118	550,014,390	15,178,175
Total assets	336,245,074	287,170,763	623,415,837	22,205,238
LIABILITIES				
Current liabilities:				
Accounts payable	1,070,879	1,967,914	3,038,793	43,409
Due to other funds	-	262,172	262,172	-
Due to the City of Grand Island	-	-	-	70,523
Accrued expenses	3,700,463	3,026,331	6,726,794	49,934
Deferred revenue	522,893	-	522,893	28,565
Current portion of long-term obligations	2,035,000	5,835,000	7,870,000	782,925
Total current liabilities	7,329,235	11,091,417	18,420,652	975,356
Noncurrent liabilities:				
Compensated absences - noncurrent	495,550	485,753	981,303	10,746
Fly ash liability/closure costs payable	-	202,356	202,356	3,026,344
Noncurrent portion of long-term obligations	22,525,000	43,640,000	66,165,000	7,632,921
Total noncurrent liabilities	23,020,550	44,328,109	67,348,659	10,670,011
Total liabilities	30,349,785	55,419,526	85,769,311	11,645,367
NET ASSETS				
Invested in capital assets, net of related debt	283,571,443	179,352,169	462,923,612	4,572,109
Restricted for:				
Debt service	371,225	9,937,593	10,308,818	-
Perpetual care - permanent	374,491	-	374,491	-
Street improvements	1,330,347	-	1,330,347	-
Other purposes	712,891	-	712,891	61,680
Unrestricted	19,534,892	42,461,475	61,996,367	5,926,082
Total net assets	\$ 305,895,289	\$ 231,751,237	\$ 537,646,526	\$ 10,559,871

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2008

	Enterprise Funds					Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Golf Fund	Total	Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,969,079	\$ 643,900	\$ 2,017,935	\$ -	\$ 4,630,914	\$ 1,251,937
Investments	14,325,185	2,241,725	6,081,429	-	22,648,339	3,772,948
Receivables						
Accounts, net of allowance for doubtful accounts	3,752,479	395,198	702,489	-	4,850,166	426,990
Unbilled revenue	2,235,308	234,178	366,464	-	2,835,950	-
Interest	180,156	19,965	107,610	-	307,731	-
Special assessments	-	346,364	1,360,288	-	1,706,652	-
Due from other funds	-	-	-	-	-	86,650
Due from other governments	-	-	22,903	6,475	29,378	-
Inventory	10,574,652	226,213	-	-	10,800,865	187,168
Prepaid expenses	381,841	11,809	-	-	393,650	-
Total current assets	33,418,700	4,119,352	10,659,118	6,475	48,203,645	5,725,693
Noncurrent assets:						
Restricted cash and cash equivalents	206,913	99,948	502,444	-	809,305	-
Restricted investments	7,008,330	448,722	1,873,592	-	9,330,644	-
Deferred charges	4,337,333	-	-	-	4,337,333	-
Prepaid transmission	6,015,943	-	-	-	6,015,943	-
Unamortized bond costs	166,704	12,472	521,293	-	700,469	-
Capital assets						
Land and improvements	6,201,265	-	49,148,047	867,573	56,216,885	-
Construction in progress	4,104,803	636,321	1,138,815	-	5,879,939	27,500
Distribution and collection systems	260,500,397	44,220,121	5,306,563	-	310,027,081	-
Buildings and equipment	25,131,177	3,203,304	16,103,059	674,317	45,111,857	1,331,953
Less accumulated depreciation	(160,511,515)	(10,329,791)	(27,264,423)	(1,356,609)	(199,462,338)	(855,722)
Net capital assets	135,426,127	37,729,955	44,432,061	185,281	217,773,424	503,731
Total noncurrent assets	153,161,350	38,291,097	47,329,390	185,281	238,967,118	503,731
Total assets	186,580,050	42,410,449	57,988,508	191,756	287,170,763	6,229,424
LIABILITIES						
Current liabilities:						
Accounts payable	1,590,893	135,205	234,086	7,730	1,967,914	224,988
Due to other funds	-	-	-	262,172	262,172	-
Accrued expenses	2,590,321	257,371	151,164	27,475	3,026,331	1,552,903
Deferred revenue	-	-	-	-	-	7,195
Current portion of long-term obligations	4,060,000	305,000	1,470,000	-	5,835,000	-
Total current liabilities	8,241,214	697,576	1,855,250	297,377	11,091,417	1,785,086
Noncurrent liabilities:						
Compensated absences - noncurrent	403,100	34,651	39,215	8,787	485,753	36,827
Fly ash liability	202,356	-	-	-	202,356	-
Noncurrent portion of long-term obligations	34,155,000	1,750,000	7,735,000	-	43,640,000	-
Total noncurrent liabilities	34,760,456	1,784,651	7,774,215	8,787	44,328,109	36,827
Total liabilities	43,001,670	2,482,227	9,629,465	306,164	55,419,526	1,821,913
NET ASSETS						
Invested in capital assets, net of related debt	107,731,107	35,687,427	35,748,354	185,281	179,352,169	503,731
Restricted for:						
Debt service	7,012,887	548,670	2,376,036	-	9,937,593	-
Unrestricted	28,834,386	3,692,125	10,234,653	(299,689)	42,461,475	3,903,780
Total net assets	\$ 143,578,380	\$ 39,928,222	\$ 48,359,043	\$ (114,408)	\$ 231,751,237	\$ 4,407,511

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

8. Interfund Transactions and Balances, continued

Operating transfers, continued:

	<u>Transfers In</u>	<u>Transfers Out</u>
Nonmajor Funds	831,000	4,705,914
Enterprise Funds (payments in lieu of taxes)	-	887,479
Fiduciary Funds:		
Employee Pension Funds	143,299	803,415
Internal Service Fund:		
Capital Projects Fund to Information Technology	<u>39,400</u>	<u>-</u>
Total Internal Service Fund		
Total Operating Transfers	<u>\$ 8,326,261</u>	<u>\$ 8,326,261</u>

Interfund balances relate to negative pooled cash balances in five funds covered by the General Fund and amounts due from the Fire Pension fund for current and prior year pension funding:

Library Trust Fund	\$ 9,145
Backflow Fund	9,586
Community Development Fund	<u>35,629</u>
Total due from governmental funds	54,360
Golf Fund	262,172
Police and Fire Pension Fund	<u>59,005</u>
Total due to General Fund for negative pooled cash	375,537
Fire Pension Fund	<u>2,119,985</u>
Total due to General Fund	<u>\$ 2,495,522</u>

The Fire Pension Fund also owes various Special Revenue and Internal Service Funds a total of \$103,841.

9. Fund Equity

Restricted net assets for other purposes consist of the following:

Federal Projects	\$ 676,603
Housing Loans	<u>36,288</u>
	<u>\$ 712,891</u>

RESOLUTION 2010-22

WHEREAS, the display of the Golf Fund in the audited financials of the City of Grand Island results in the Fund meeting the definition of a Fund for Nebraska Budget Act 13-510; and

WHEREAS, the Golf Fund as of December 31, 2009 is projected to have a negative Total Net Assets balance; and

WHEREAS, Nebraska Budget Act 13-510 allows for the transfer of money from other funds to such fund in which there is temporarily insufficient money to meet the requirements of the adopted budget of expenditures; and

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that:

The Finance Director is hereby authorized and directed to transfer \$329,000 from the General Fund to the Golf Fund to provide adequate money to meet the requirements of the adopted budget of expenditures for that Fund.

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Adopted by the City Council of the City of Grand Island, Nebraska, January 12, 2010.

Peg Gilbert, Council President

Attest:

RaNae Edwards, City Clerk