

Reminder – Shut off all  
pagers and cell phones

***City of Medford***  
***Special Meeting Agenda***  
***Council Work Session***

May 22, 2017 6:30 PM  
City Hall



- I. Call meeting to order
- II. Assigning Funds
- III. Adjournment

**MEMORANDUM**

**TO:** Council  
**FROM:** Andy Welti  
City Administrator  
**DATE:** May 2017  
**RE:** Fund Balance

**Background**

Fund Balance as of 12/31/16 according to 2016 Audit

City Funds (Audit):

Prepaid	\$15,601
Water and Sewer Funds	\$1,906,521
Liquor Store	\$150,877
EDA	\$145,637
Bonds	\$153,602
Capital Projects Fund	\$40,502
Veterans	\$12,202
Park Endowment	\$17,830
Municipal Complex	<u>\$105,500</u>
Total:	\$ 2,548,272

Audit's Unassigned Fund Balance	\$570,152	
Truck and Equipment Fund	\$403,038	
Diff between Audit Unassigned Fund Balance and Truck and Equipment Fund		\$167,114

The Truck and Equipment Fund is not currently an assigned fund. Council could assign the Truck and Equipment fund in order for it to be separately designated as an assigned fund. If Council chooses to assign the fund, it will result in an unassigned fund balance of approximately \$167,000. The attached resolution would assign the fund.

**Financial Position and Results of Operations**

Our principal observations and recommendations are summarized below. These recommendations resulted from our observations made in connection with our audit of the City’s financial statements for the year ended December 31, 2016.

**General Fund**

All general governmental functions of the City, which are not accounted for in separate funds are included in the General fund.

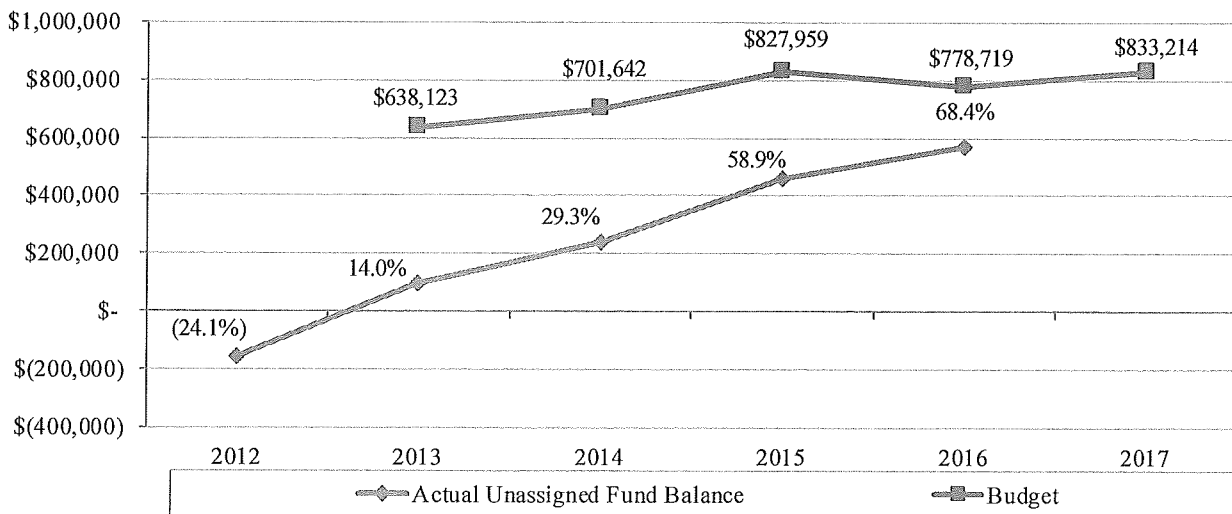
Minnesota municipalities must maintain substantial amounts of fund balance in order to meet their liquidity and working capital needs as an operating entity. That is because a substantial portion of your revenue sources (taxes and intergovernmental revenues) are received in the last two months of each six-month cycle.

As you can see from the following information, it is necessary to maintain fund balance in order to keep pace with the increasing operating budget. *This information is also presented in graphic form below.*

Year	Unassigned Fund Balance December 31	Budget Year	General Fund Budget	Percent of Fund Balance to Budget
2012	\$ (153,495)	2013	\$ 638,123	(24.1) %
2013	98,162	2014	701,642	14.0
2014	242,357	2015	827,959	29.3
2015	458,412	2016	778,719	58.9
2016	570,152	2017	833,214	68.4

The following is an analysis of the General fund’s unassigned fund balance for the past five years compared to the following year’s budget:

**Unassigned Fund Balance / Budget Comparison**



We have compiled peer group average derived from information we have requested from the Office of the State Auditor and the compiled data for Cities of the 4<sup>th</sup> class which have populations of below 2,500. In 2014 and 2015, the total General fund balance as a percentage of budgeted expenditures was 87 percent and 93 percent, respectively. The City’s total General fund balance as a percentage of budgeted expenditures was 90 percent. Based on comparison to the peer groups, the City’s General fund balance is lower than the 2015 average.

**RESOLUTION 2017 – 25**  
**A RESOLUTION ASSIGNING \$403,038 OF THE UNASSIGNED**  
**GENERAL FUND BALANCE AS OF JAN. 1, 2017, TO THE FIRE**  
**DEPARTMENT TRUCK AND EQUIPMENT FUND**

**WHEREAS**, the need exists to assign funds so they are designated to be spent on the intended purpose;

**NOW, THEREFORE, BE IT RESOLVED**, by the Medford City Council that \$403,038 of the unassigned general fund balance as of Jan. 1, 2017, be assigned to the Fire Department Truck and Equipment Fund to be spent on vehicles, equipment and other capital expenditures to support the Medford Fire Department operations.

Passed and adopted on this 22<sup>nd</sup> day of May, 2017, with the following votes:

	AYE	NAY	ABSTAIN	ABSENT
Lois M Nelson	_____	_____	_____	_____
Keith Maas	_____	_____	_____	_____
Matt Dempsey	_____	_____	_____	_____
Chad Merritt	_____	_____	_____	_____
Marie Sexton	_____	_____	_____	_____

\_\_\_\_\_  
LOIS M NELSON  
MAYOR

ATTEST:

\_\_\_\_\_  
ELIZABETH JACKSON  
CITY CLERK



## MEMORANDUM

**TO:** Council  
**FROM:** Andy Welti  
City Administrator  
**DATE:** May 2017  
**RE:** Fund Balance

### Background

In the past, Medford City Clerks created a spreadsheet to track accrued interest of funds that former City Councils had designated. Some of these designations were made decades ago. The funds were never officially assigned to be reflected as assigned funds in the City's audit.

No matter whether Council chooses to assign the Truck and Equipment Fund, decreasing the unassigned fund balance, I recommend Council consider taking official action through a motion and designate the following funds as unassigned general funds (see attached spreadsheet):

101-10403	Public Safety Fund
101-10404	Christmas Decorations Fund
101-10406	Park Improvements
101-10407	Capital Improvements
101-10408	Straight River Bridge Fund **
101-10409	Street Lights Improvements
101-10410	Truck & Equipment

\*\* Former Mayor Pat Merritt requested the Straight River Bridge Fund be deposited into the Park Endowment.

In the future, Council may want to consider leaving the general fund unassigned. If special projects or unexpected expenses arise throughout the year, take official action to pay for the special projects or unexpected expenses out of the unassigned fund.

City of Medford  
Interest Allocation  
2/28/2017

	Balance 1/30/2017	Balance 2/28/2017	Average Balance	Average Balance	Interest Allocated
101-10401	399,379.08	399,569.49	399,474.29	399,474.29	197.05
101-10403	36,553.35	36,570.78	36,562.07	36,562.07	18.03
101-10404	4,265.84	4,267.87	4,266.86	4,266.86	2.10
101-10406	1,266.25	1,266.85	1,266.55	1,266.55	0.62
101-10407	42,607.11	42,627.42	42,617.27	42,617.27	21.02
101-10408	1,993.42	1,994.37	1,993.90	1,993.90	0.98
101-10409	10,756.45	10,761.58	10,759.02	10,759.02	5.31
101-10410	30,155.87	30,170.25	30,163.06	30,163.06	14.88
101-10414	11,702.41	12,457.94	12,080.18	12,080.18	5.96
205-10405	141,029.26	141,950.80	141,490.03	141,490.03	69.79
301-10401	76,405.40	76,441.83	76,423.62	76,423.62	37.70
304-10401	5,282.64	5,285.16	5,283.90	5,283.90	2.61
305-10401	65,632.06	65,663.35	65,647.71	65,647.71	32.38
376-10401	705.43	705.77	705.60	705.60	0.35
401-10401	40,501.93	40,521.24	40,511.59	40,511.59	19.98
601-10401	745,250.35	745,605.61	745,427.98	745,427.98	367.69
602-10401	649,713.63	650,023.36	649,868.50	649,868.50	320.55
	<u>2,263,200.48</u>	<u>2,265,883.67</u>	<u>2,264,542.08</u>	<u>2,264,542.08</u>	<u>1,117.01</u>

Before  
January  
2005

Interest Amount 1,117.01

NOTE: FUNDS WITH ZERO CASH BALANCES ARE DUE TO THE FACT THAT THESE FUNDS WOULD HAVE  
NEGATIVE AVE. CASH BALANCES AND THEREFORE NO INTEREST EARNINGS HAVE BEEN  
ALLOCATED.