



MEMORANDUM

DATE: March 11, 2014 Budget Workshop
TO: City Council
FROM: Finance Director Kent Oliven, CPA (koliven@parkridge.us)
RE: **FY14 to FY15 Carryover**

Sometimes at the end of a fiscal year budgeted capital projects are still in progress. Similarly, at the end of a fiscal year budgeted major equipment purchases have not been made or contractual services have not been performed.

If, at the end of a fiscal year, there are capital projects in progress or if there are unspent major purchases or contractual services they should be budgeted again in the next fiscal year using funds carried over from the prior fiscal year¹. "Carryovers" is the term used to "re-request" these large budgeted amounts in the subsequent fiscal year.

These fall into three categories, which are reflected on the fund balance scorecard.

1) Not Yet In FY15 Budget And Will Not Be Spent In FY14

The following items will be added to the FY15 budget and will be reflected on the fund balance scorecard as a reduction in FY14 and an addition to FY15:

- a. **Economic Development (\$30,000; General Fund)**
- b. **SAN and Upgrades (\$45,000; IT Replacement Fund)**

2) Not Yet In FY15 Budget And May Not Be Spent In FY14

Sometimes, because of timing between the end of the budget workshops and the end of the fiscal year, it becomes difficult to know in which fiscal year some larger expenditures will take place. This is especially true this year because of two additional factors: (2) the end of the budget to the end of the fiscal year is even a longer period this year due to this budget workshops being moved up to accommodate the 2014 election, and (2) because of the long, cold winter the 4 foot deep frost line has delayed construction projects and tree plantings.

If there is a timing issue, we will put items requested by the department heads on the carryover memo, after approval by the City Manager. The Finance Department will increase the current year's amount on the fund balance scorecard and decrease a like amount for the budget year, just as was done last year.

However, I have identified a potential internal control issue with this practice. These budgeted items and services need to be purchased by adding them to the next fiscal year's budget, but without creating the possibility that the budgeted amount could be spent each fiscal year, i.e. double spent. Therefore, this year we are instituting a new City-wide internal control procedure to be managed by the Finance Department under the authority granted to me in the City Code. In the first quarter of the budget year (FY15 in this case) the Finance Department will review invoices to determine how much of the carryover amount was spent in the prior fiscal year and will then send a budget amendment to Council to reduce the current year (i.e. budgeted year) budget by a like amount.

What follows is the list of those items in which the timing is unknown and will be added to the FY15 budget. They will be added to fund balance in the fund balance scorecard for FY14 and subtracted in FY15, even though they may be wholly or partially spent in FY14. [We may adjust the carryover down for monies spent in the current year when the final budget is submitted.]

a. Sewer Construction (\$666,779; Sewer Construction Fund)

Given the late winter weather, the entire remaining fund balance of the sewer construction bond fund of \$2,131,612 is being put in the FY15 budget. Since the FY15 budget was originally budgeted for \$1,464,833, that there should be a carryover of \$666,779. When the initial budget was prepared, it was known that some would be needed in FY15 but could be spent in FY14. Therefore, it was over budgeted between the two years by \$819,849. To tighten this up, we are reducing the FY14 expenditures by that amount as well. Note: at the end of FY15 there will be no monies in the Sewer Construction Fund.

b. Water Main Replacement (\$300,000; Water Fund)

c. Sewer Lining (\$297,500; Sewer Fund)

d. Reforestation (\$100,000; General Fund)

e. Prospect/Summit Streetscape (\$TBD; Parking Fund)

There is still some work to be done on this project. However, the State of Illinois has not billed the City for work completed, so we do not yet know how much to carryover. I have put it in the carryover line of the fund balance scorecard, but with TBD.

f. Training Tower (\$40,000; General Fund)

October 2013 budget amendment; Paid for by DCEO Grant; Concrete work dependent on weather.

g. FY13 Audit (\$18,000; General Fund)

Not all FY13 audit work will be completed per materials supplied to Council.

3) Already Reflected in FY15 Budget; Adjustment to FY14 Fund Balance

When we first submitted the budget, we thought that the following items were likely to be purchased in FY15, so we budgeted for them. However, it was possible that they would still be spent in FY14, so they were also in the FY14 forecast. Now knowing that they are FY15 expenditures, they will be additions to FY14 fund balance on the scorecard.

a. PW Engr. Pick Up, Water Utility Truck, & PW Dump Trucks (\$152,000; MERF)

b. Emergency Sirens (\$40,000; General Fund)

ⁱ In accordance with generally accepted accounting principles (GAAP), expenditures/expenses are recorded when goods or services are received. They are not recorded based upon whether there is money still remaining for that item in a prior year's budget, whether there is an encumbrance from a prior year's budget, or when an invoice is paid.