

Regarding the Water “Debt” Due to Other Funds:

From what we can see in the Caselle accounting software, the Water fund’s Due to Other Funds dates back to fiscal year 2002. The Due to Other Funds is an automatic function of the accounting system when one fund’s (in this case the Water fund) expense is paid for out of another fund’s cash account. Because the Town was not fully utilizing pooled cash in the past, and maintained separate checking accounts one for the governmental funds (General and Capital Projects), another for the Water Fund, and a third for the Sewer Fund, there were many instances over the years where the Water and Sewer funds should have reimbursed the main general checking account for their respective expenses. Over time, the Sewer Fund’s Due to Other Funds remained minimal and has been addressed over the past few years. The Water Fund’s Due to Other Funds grew quite quickly in Fiscal Year’s 2005 (~\$50,000), 2008 (~\$100,000), 2010 (~\$60,000), 2011 (~\$30,000), and so on. From what we can tell in looking back at the information in Caselle, is that there appears to be some larger repairs, or capital costs that were not ultimately reimbursed by the Water Fund, and therefore, the Due to Other Fund “debt” continued to increase.

From when we were first engaged to assist the Town in their accounting function, the Due to Other Funds balance has not significantly increased, which means that the Water Fund has reimbursed the General Fund for any payments made on its behalf, for the most part. Currently, the Town’s processes include at least quarterly evaluation of interfund transactions and to reimburse, or otherwise, transfer necessary cash balances going forward.

During the last few fiscal years, discussions continued regarding what to do with the large Due to Other Funds balance in the Water fund. As mentioned previously, it is normal to have temporary interfund due to/due from balances, however, with a large amount that has not significantly changed over the last several years, this needs to be addressed. The Government Accounting Standards Board (which is the authoritative standard-setter for accounting for governmental entities), requires that if significant interfund balances are not anticipated to be repaid, it should be treated as a transfer and remove the interfund balance. As a result, the Town has essentially three options: 1) Consider the interfund balance a transfer; 2) Determine, and follow, repayment terms to gradually pay down the outstanding balance; or 3) some combination of the previous two.

We are happy to discuss all options, the related logistics, and potential ramifications of those options with the Council and Staff, and we will work with Staff to implement the Council’s decisions.