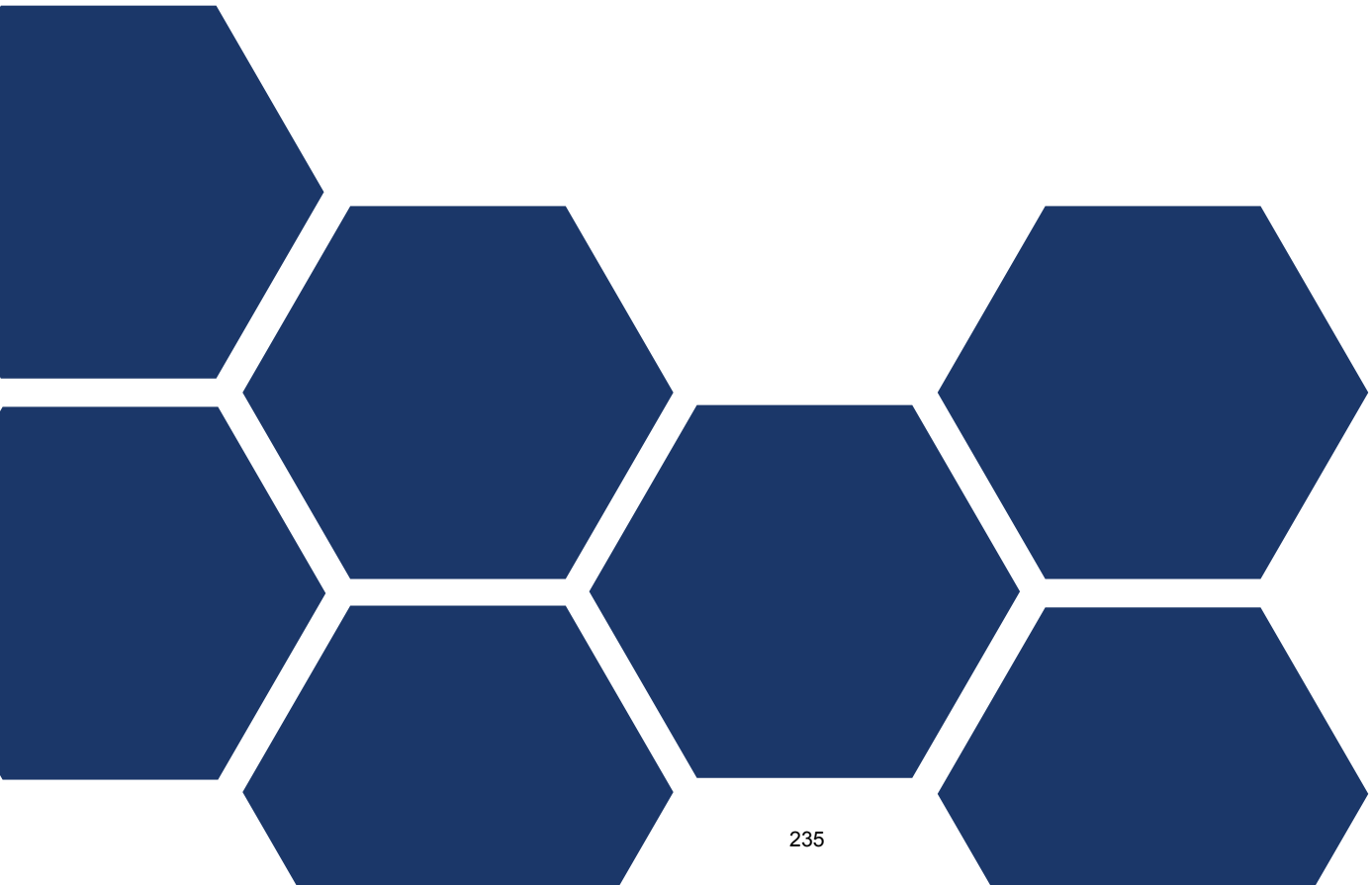


INTERNAL SERVICE FUND





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VEHICLE & EQUIPMENT REPLACEMENT PROGRAM - (VERP) FUND

The City establishes a schedule for the replacement of vehicles and large equipment in a sinking fund. To better plan for the future and level out significant increases in any one year's budget, a funding mechanism accumulates funds utilizing annual payments to the VERP Fund (03). The program calls for the setting aside of funds, on an amortized basis, to pay for expensive equipment that will require replacement in future years. In this way, budget hardships in any given year due to the need to replace a particular piece of expensive equipment can be avoided.

VERP REPLACEMENT

Replacement funding is provided through an annual contribution by each department for the assets used by the department based on the estimated replacement cost and the life cycle. These payments are made to a dedicated fund. It is intended that the City use this method to purchase all of its vehicles, trucks, and heavy equipment replacements.

Basic Funding Assumptions:

1. A fixed amount will be set aside each year for each replacement.
2. The balance set aside grows each year until the accumulated fund balance approximates the amount needed in the year for the replacement.

3. Budget approval by the Council, as part of annual budget adoption, is required before purchase from the VERP.
4. Surplus balances will be used to adjust the VERP contributions in subsequent years.
5. The replacement payment is calculated by factoring in the unit price as delivered, expected service life, residual value, and anticipated inflation to replace the original unit.

The fund balance for each VERP account is managed to ensure that the payments remain fairly level each year, with a positive fund balance.

Basic Guideline for Vehicle Replacement/Lifecycles

Description of Vehicle	Avg. Replacement Cycle
Automobile (excluding police cars)	8 years
Automobile (police admin cars)	7 years
Automobile (patrol cars)	4 years
Pickup Trucks	8 years
Snow Plow Trucks & Equipment	5 years
Heavy Equipment	10 - 15 years

VERP FUND (03)

	2014-15 Actual	2015-16 Actual	2016-17 Adopted	2016-17 Projected	2017-18 Adopted	2018-19 Forecast	2019-2020 Forecast
Fund Balance							
Beginning of Year							
General	511,205	612,320	574,881	580,197	707,564	679,502	675,411
Enterprise	34,676	136,509	144,544	127,137	204,854	191,745	262,418
Parks and Recreation	82,708	109,021	148,004	148,004	192,957	227,056	193,975
Revenue							
Transfers In							
Administration	9,160	9,160	9,160	9,160	9,146	9,801	9,801
Community Development	9,994	11,704	9,047	9,047	9,046	9,046	9,046
Engineering	11,624	11,624	11,624	11,624	11,624	11,624	11,624
Stormwater							
Finance							
Emergency Management	3,936	3,936	3,936	3,936	3,936	3,935	3,935
Police	132,381	132,918	97,466	97,466	98,780	96,210	111,097
Streets	94,018	94,209	96,787	96,787	96,851	97,029	103,182
Water	55,958	49,411	49,411	49,411	49,175	51,913	51,913
Sewer	55,958	49,411	49,411	49,411	49,175	51,913	51,913
Parks	51,460	56,126	56,126	47,619	47,617	50,041	50,041
Total Revenue - General	261,113	263,551	228,020	228,020	229,383	227,645	248,685
Total Revenue - Enterprise	111,916	98,822	98,822	98,822	98,350	103,826	103,826
Total Revenue - Parks and Recreation	51,460	56,126	56,126	47,619	47,617	50,041	50,041
Total Fund Bal & Revenues - General	772,318	875,871	802,901	808,217	936,947	907,147	924,096
Total Fund Bal & Revenues - Enterprise	146,592	235,331	243,366	225,959	303,204	295,571	366,244
Total Fund Bal & Revenues - Parks/Recreation	134,168	165,147	204,130	195,623	240,574	277,097	244,016
Expenditures							
Vehicle Payment							
Administration		-	17,970	17,311	17,500	-	25,621
1 ea. SUV							
Community Development		39,291	-	-	-		22,157
Engineering		-	-	-	-	-	57,751
Emergency Management			-	-	-	-	-
Police	159,998	138,909	92,382	83,341	57,060	111,097	141,076
2 ea. SUV's with equipment							
Streets		117,474	-	-	182,885	120,639	87,455
2 ea. Mowers,							
1 ea. F-550 flatbed w/dump							
1 ea. International 7300 w/ dump							
1 ea. F-350 4X4 Supercab							
Water/Sewer	10,083	108,194	23,813	21,105	111,459	33,153	28,177
1 ea. F-350							
1 ea. F-550 4X4 Supercab							
Parks and Recreation	25,147	17,143	19,271	2,667	13,518	83,122	70,383
1 ea. Mower							
1 ea. Overseeder							
Total Expenditures - General	159,998	295,675	110,352	100,652	257,445	231,736	334,060
Total Expenditures - Enterprise	10,083	108,194	23,813	21,105	111,459	33,153	28,177
Total Expenditures - Parks and Recreation	25,147	17,143	19,271	2,667	13,518	83,122	70,383
Fund Balance - General	612,320	580,197	692,549	707,564	679,502	675,411	590,036
Fund Balance - Enterprise	136,509	127,137	219,553	204,854	191,745	262,418	338,067
Fund Balance - Parks and Recreation	109,021	148,004	184,859	192,957	227,056	193,975	173,633

RESTRICTED REVENUE FUND

The FY 2010 Budget established a Restricted Revenue Fund to account for and restrict funds that the City receives for a specific purpose but which might not be spent in that budget year.

The following revenue accounts have been established:

- Municipal Court Cash Bond Interest.
- Police Training Municipal Court Fee.
- 9-1-1 Distributions.
- Transfers from Other Funds.

RESTRICTED EXPENDITURES

- Municipal Court Cash Bond Interest is revenue that comes from cash bonds received from defendants. These funds may be used by the Municipal Court department on items associated with the operation of the court.
- A police training fee is added to fines imposed by the municipal judge. Fees raised may be used only for police training.
- 9-1-1 Distribution funds were used for expenses associated with the upgrade, maintenance and enhancement of the 9-1-1 system. This revenue was eliminated when County voters passed a county-side sales tax for emergency communications in 2012.

Transfers from the General Fund:

- Funds amassed for a Dangerous Buildings Fund, to be used by the Community Development department to abate dangerous buildings that cannot be abated by any other means than City action. An amount of \$20,000 is being maintained in this account, with no contributions from the General Fund in FY 2018.
- The City's Growth Management Plan is updated every 5-10 years. When the update occurs, it is typically expensive. A transfer of \$10,000 per year is made from the General Fund to this fund to save for the cost of new update in the future. Following the approval of this budget the accumulated total will be \$60,000.
- This budget includes a transfer to the Restricted Revenue Fund to establish a sinking fund for a future compensation/class study. A transfer of \$10,000 per year is made from the General Fund to this fund to save for the cost of study in the future. Following the approval of this budget, the accumulated total will be \$20,000.
- This budget includes a transfer to the Restricted Revenue Fund of half the expected cost of the 2019 Citizen Survey. \$7,000 Following the approval of this budget the accumulated total will be \$7,000.

- This budget includes a transfer to the Restricted Revenue Fund to establish a sinking fund for a future comprehensive traffic study. A transfer of \$25,000 per year is made from the Transportation Fund to this fund to save for the cost of study in the future. Following the approval of this budget, the accumulated total will be \$25,000.

SIGNIFICANT BUDGETARY ITEMS

1. It was budgeted in FY 2013 to spend the entirety of the funds collected from the Cass County 9-1-1 Tax, which has been discontinued, on replacement of equipment as part of the Police Department renovation that occurred in FY 2013. The renovation project came in under budget, leaving a balance of \$93,840 to start FY 2014. Communication expenses related to 9-1-1 will continue to be paid out of this fund until all funds have been exhausted. These expenses will then need to be covered by the General Fund. FY 2017 closed out those funds.
2. In FY 2015 the Council set aside \$483,000 to be transferred to the Capital Improvement Fund to provide additional assistance to the pavement management program. The remaining funds are to be transferred as follows: 2018 - \$150,000; 2019 - \$33,000.
3. During City council deliberations, the following items were introduced and approved:
 - Development Priming Initiative Phase I \$25,000
 - Annexation efforts \$75,000

RESTRICTED REVENUE FUND (04)

	2014-15 Actual	2015-16 Actual	2016-17 Adopted	2016-17 Projected	2017-18 Adopted	2018-19 Forecast	2019-20 Forecast
Fund Balance							
Beginning of Year							
Court Cash Bond Interest		173	219	212	282	352	422
Police Training	12,534	5,816	14,992	6,342	684	5,025	9,367
911 Distribution	58,658	28,837	6,051	6,051	0	0	0
Transfer from Other Funds	1,198,250	2,192,760	629,185	614,000	380,638	393,276	401,914
Revenue							
Court Cash Bond Interest	35	39	46	70	70	70	70
Police Training	4,905	5,095	5,453	4,342	4,342	4,342	4,342
Interest Earnings	5,275	2,672	15,182	10,638	10,638	10,638	10,638
for Future GMP Update	10,000	10,000	10,000	10,000	10,000	10,000	10,000
for Strategic Plan	10,000	10,000					
for 2017 Citizen Survey	7,000	7,000			7,000	-	7,000
For Future Recreation Center/Civic Center for Future Comp/Class Study	500,000	15,490					
For Pavement Management 2016-2019	483,000		10,000	10,000	10,000	10,000	10,000
For Future Comprehensive Traffic Study					25,000	25,000	
For Trees Board Arboretum			10,000	10,000	-		
For Water District Issue		100,000	100,000	100,000			
For Development Priming Initiative Phase I					25,000		
For Annexation Efforts					75,000		
Total Revenue - Court Cash Bond Interest	35	39	46	70	70	70	70
Total Revenue - Police Training	4,905	5,095	5,453	4,342	4,342	4,342	4,342
Total Revenue - 911 Distribution	5,275	4,733	-	-	-	-	-
Total Revenue - Transfer from Other Funds	1,010,000	142,490	145,182	140,638	162,638	55,638	37,638
Total Fund Bal & Revenues - Court Cash Bond Interest	173	212	265	282	352	422	492
Total Fund Bal & Revenues - Police Training	17,439	10,911	20,445	10,684	5,025	9,367	13,709
Total Fund Bal & Revenues - 911 Distribution	63,933	33,570	6,051	6,051	0	0	0
Total Fund Bal & Revenues - Transfer from Other Funds	2,208,250	2,335,250	774,367	754,638	543,276	448,914	439,552
Expenditures							
Court Cash Bond Interest							
Police Training							
7350-1010 Restricted PD Training	11,623	4,569	11,400	10,000			
911 Distribution							
6160-1100 911 Exp/communications	35,096	27,519	6,051	6,051	-	-	-
Dangerous Building Abatement Fund							
Transfer to General Fund - <i>Citizen Survey</i>			14,000	14,000		14,000	
Transfer to the General Fund - <i>Strategic Plan</i>		30,000					
Transfer to Transportation Fund - <i>Pavement Management</i>		150,000	150,000	150,000	150,000	33,000	
Transfer to Capital Improvement Fund	15,490	1,541,250					
Tree Board Arboretum			10,000	10,000			
Water District Issue - Legal			200,000	200,000			
Total Expenditures - Court Cash Bond Interest	-	-	-	-	-	-	-
Total Expenditures - Police Training	11,623	4,569	11,400	10,000	-	-	-
Total Expenditures - 911 Distribution	35,096	27,519	6,051	6,051	-	-	-
Total Expenditures - Transfer to Other Funds	15,490	1,721,250	374,000	374,000	150,000	47,000	-
Fund Balance - Court Cash Bond Interest	173	212	265	282	352	422	492
Fund Balance - Police Training	5,816	6,342	9,045	684	5,025	9,367	13,709
Fund Balance - 911 Distribution	28,837	6,051	-	0	0	0	0
Fund Balance - Transfer - Other Funds	2,192,760	614,000	400,367	380,638	393,276	401,914	439,552
<i>Revenue Over (under) expenditures</i>	958,006	(1,600,981)	(240,770)	(245,001)	17,050	13,050	42,050
<i>Note: Below is the breakdown of the Transfer from Other Funds:</i>							
Fund Balance - Rolling total per subcategory							
for Dangerous Building Abatement	20,000	20,000	20,000	20,000	20,000	20,000	20,000
for Future GMP Update	30,000	40,000	50,000	50,000	60,000	70,000	80,000
for Strategic Plan	20,000	-	-	-	-	-	-
for 2017 Citizen Survey	14,000	21,000	7,000	7,000	14,000	-	7,000
For Future Recreation Center/Civic Center	1,525,760	-	-	-	-	-	-
for Future Comp/Class Study	-	-	10,000	10,000	20,000	30,000	40,000
Other	-	(2,061)	30,367	8,577	19,215	29,853	40,491
for Special District Agreement	100,000	100,000	100,000	100,000	100,000	100,000	100,000
For Pavement Management 2016-2019	483,000	333,000	183,000	183,000	33,000	-	-
For Future Comprehensive Traffic Study	-	-	-	-	25,000	50,000	50,000
For Water District Issue	-	100,000	-	-	-	-	-
For Development Priming Initiative Phase I					25,000	25,000	25,000
For Annexation Efforts					75,000	75,000	75,000
Fund Balance - Transfer - Other Funds	2,192,760	611,939	400,367	378,577	391,215	399,853	437,491

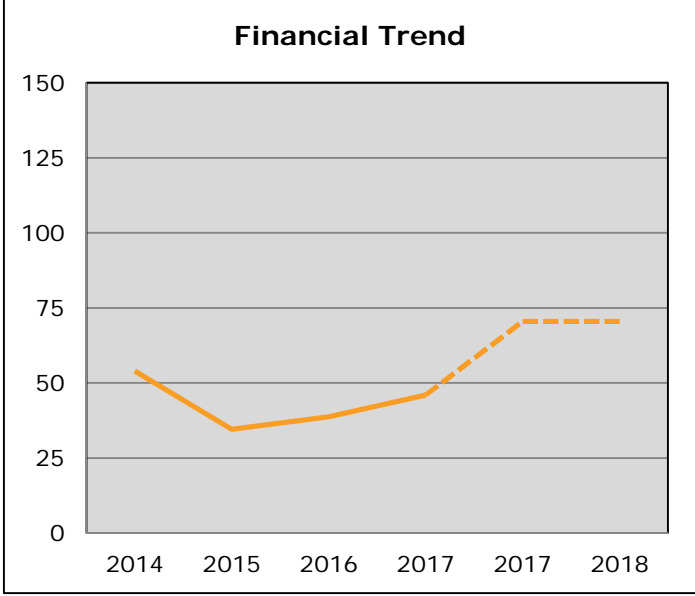
Municipal Court Cash Bond Interest

<p>General Ledger Codes:</p> <p>04-00-4251-0000</p>	<p><u>Legal Authority:</u> Municipal code: Section 130.290 State Statute: 479 & 483.312</p>
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Revenue Description

Municipal Court Cash Bond Interest - The Court maintains a bank account for cash bonds received from defendants that earns interest monthly. The earnings from this account are available for the Court Clerk's discretionary spending.

Fiscal Year	Collection	Annual Percentage Change
2008 Actual	519	-60.15%
2009 Actual	9	-98.23%
2010 Actual	11	17.81%
2011 Actual	2	-78.34%
2012 Actual	19	694.47%
2013 Actual	63	234.87%
2014 Actual	54	-13.71%
2015 Actual	35	-36.00%
2016 Actual	39	12.11%
2017 Budget	46	18.83%
2017 Projected	70	53.13%
2018 Estimated	70	0.00%



Police Training

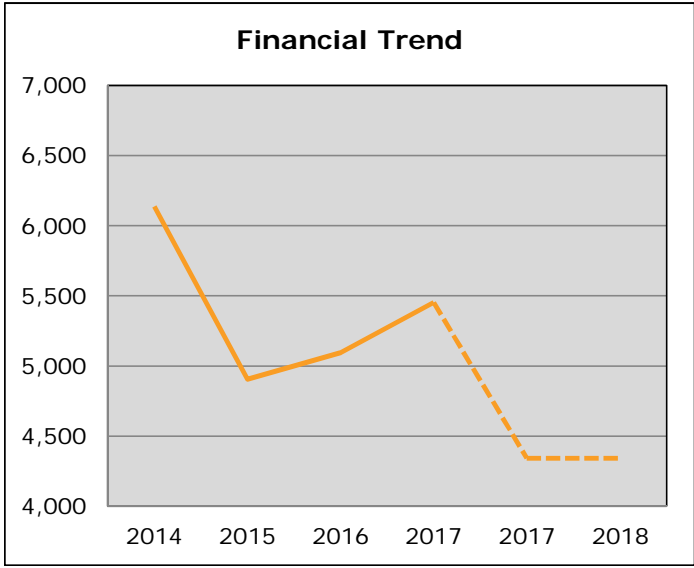
<p>General Ledger Codes:</p> <p>04-00-4255-0000</p>	<p><u>Legal Authority:</u> Municipal Code: Section 130.290 State Statute: Chapters 479 & 483 & 590</p>
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Revenue Description

Police Training Fees - In addition to any fine that may be imposed by the municipal judge there are assessed costs in all cases a Police Training fee of \$2.00. This assists in providing additional funds for training of police officers.

This revenue source has been allocated to the Restricted Revenue Fund (04) since FY 2012.

Fiscal Year	Collection	Annual Percentage Change
2008 Actual	4,022	-8.76%
2009 Actual	5,338	32.72%
2010 Actual	4,065	-23.84%
2011 Actual	4,713	15.94%
2012 Actual	4,606	-2.28%
2013 Actual	6,396	38.86%
2014 Actual	6,138	-4.04%
2015 Actual	4,905	-20.08%
2016 Actual	5,095	3.86%
2017 Budget	5,453	7.03%
2017 Projected	4,342	-20.38%
2018 Estimated	4,342	0.00%



Interest Revenue

<p>General Ledger Codes: 04-00-4350-0000</p>	<p>Legal Authority: State Statute: Chapter 82</p>
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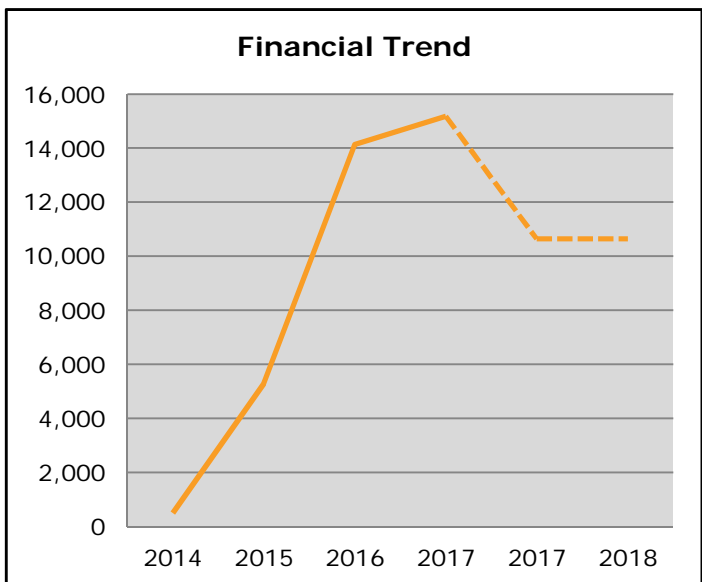
Revenue Description

Interest Revenue - This account is used to record revenues associated with the City's return on investments of idle funds. FY16 revenues were estimated based on historical data and the assumption of no change in interest rates, however, interest rates have risen slightly throughout the year and continue to do so.

A large portion of the interest earnings in FY16 were allocated to the recreation center, as the majority of the earnings were associated with those funds.

FY18 revenues are based on current interest rates being earned.

Fiscal Year	Collection	Annual Percentage Change
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	987	N/A
2011 Actual	1,467	48.72%
2012 Actual	922	-37.17%
2013 Actual	699	-24.14%
2014 Actual	494	-29.33%
2015 Actual	5,275	967.20%
2016 Actual	14,133	167.94%
2017 Budget	15,182	7.42%
2017 Projected	10,638	-29.93%
2018 Estimated	10,638	0.00%



Transfers from General Fund

General Ledger Codes: 04-00-4901-0000	<u>Legal Authority:</u> Municipal Code: n/a
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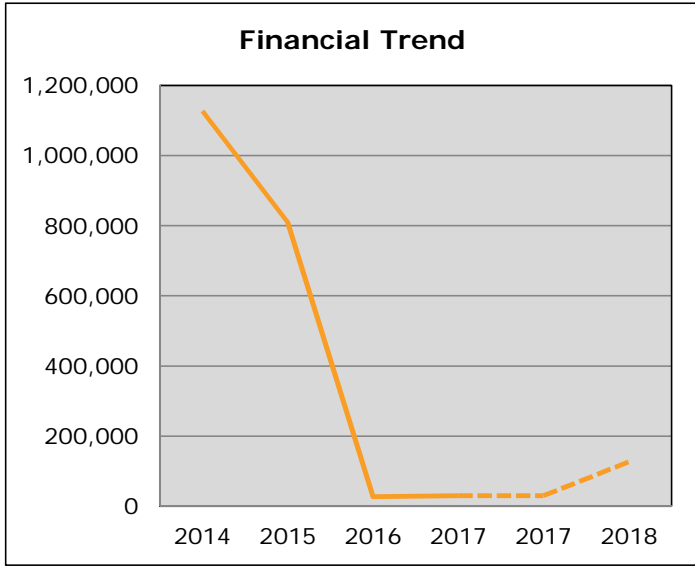
Revenue Description

Transfer from General Fund - This is a transfer from the General Fund of the City to the Restricted Revenue Fund.

Funds are transferred from the General Fund in the following amounts for the following purposes in FY 2018:

* Growth Management Plan Sinking Fund:	\$10,000
* Future Comp/Class Study:	\$10,000
* Future Citizen Survey	\$ 7,000
* Dev. Priming Initiative. Phase I	\$25,000
* Annexation Efforts	<u>\$75,000</u>
	\$127,000

Fiscal Year	Collection	Annual Percentage Change
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	115,814	N/A
2011 Actual	109,666	-5.31%
2012 Actual	0	-100.00%
2013 Actual	10,000	N/A
2014 Actual	1,127,000	11170.00%
2015 Actual	810,000	-28.13%
2016 Actual	27,000	-96.67%
2017 Budget	30,000	11.11%
2017 Projected	30,000	0.00%
2018 Estimated	127,000	-10.00%



Transfers from Transportation Sales Tax Fund

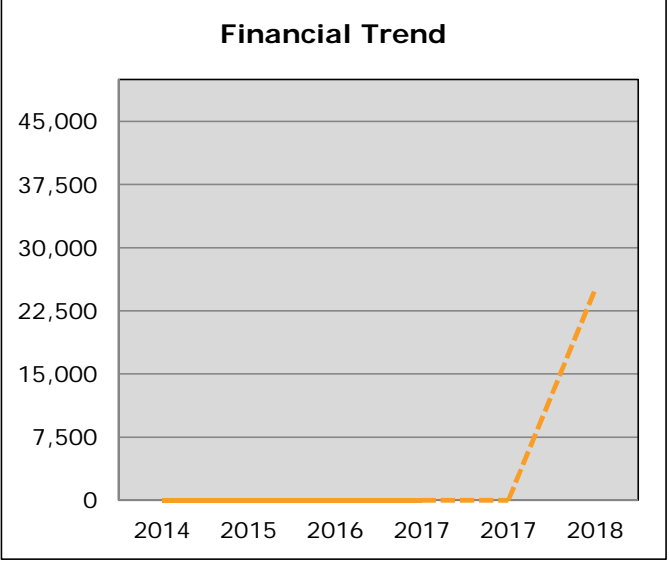
<p>General Ledger Codes: 04-00-4936-0000</p>	<p>Legal Authority: Municipal Code: n/a</p>
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Revenue Description

Transfer from Transportation Sales Tax Fund - This is a transfer from the Transportation Sales Tax Fund of the City to the Restricted Revenue Fund.

FY 2018 funds are transferred for a future comprehensive traffic study .

Fiscal Year	Collection	Annual Percentage Change
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	0	N/A
2011 Actual	0	N/A
2012 Actual	0	N/A
2013 Actual	0	N/A
2014 Actual	0	N/A
2015 Actual	0	N/A
2016 Actual	0	N/A
2017 Budget	0	N/A
2017 Projected	0	N/A
2018 Estimated	25,000	N/A



Transfers from Capital Improvement Sales Tax Fund

<p>General Ledger Codes: 04-00-4945-0000</p>	<p>Legal Authority: Municipal Code: n/a</p>
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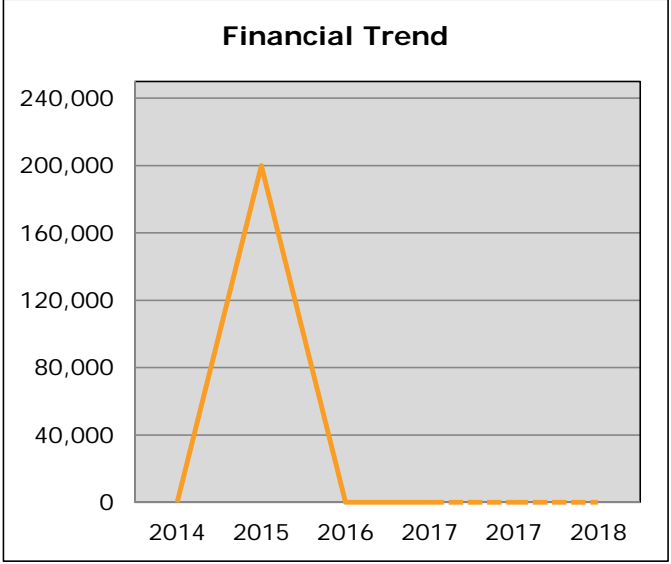
Revenue Description

Transfer from CIST Fund - This is a transfer from the Capital Improvement Sales Tax Fund of the City to the Restricted Revenue Fund.

The FY 2015 funds were transferred from the CIST for a future civic center.

No transfers are budgeted for FY 2018 at this time.

Fiscal Year	Collection	Annual Percentage Change
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	0	N/A
2011 Actual	0	N/A
2012 Actual	0	N/A
2013 Actual	0	N/A
2014 Actual	0	N/A
2015 Actual	200,000	N/A
2016 Actual	0	-100.00%
2017 Budget	0	N/A
2017 Projected	0	N/A
2018 Estimated	0	N/A



Transfers from Enterprise Fund

<p>General Ledger Codes: 04-00-4950-0000</p>	<p>Legal Authority: Municipal Code: n/a</p>
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Revenue Description

Transfer from Enterprise Fund - This is a transfer from the Enterprise Fund of the City to the Restricted Revenue Fund.

Funds are transferred from the Enterprise Fund to create a reserve of funds for a pending water district issue.

No transfers are budgeted for FY 2018 at this time.

Fiscal Year	Collection	Annual Percentage Change
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	0	N/A
2011 Actual	0	N/A
2012 Actual	0	N/A
2013 Actual	0	N/A
2014 Actual	0	N/A
2015 Actual	0	N/A
2016 Actual	100,000	N/A
2017 Budget	100,000	0.00%
2017 Projected	100,000	0.00%
2018 Estimated	0	N/A

