

Staff Report

Subject: Merge the WWTP fund into the Water & Sewer fund
Author: Mark W. Barnes, Finance Director
Department: Finance Department
Meeting Date: 5/3/22
Item Description: Consideration to merge the Wastewater Treatment Plant fund into the Water & Sewer Operating fund

Summary Recommendation:

Staff is requesting approval to merge the Wastewater Treatment Plant (WWTP) fund into the existing Water & Sewer Operating fund beginning July 1, 2022, and to transfer all WWTP account and fund balances as of June 30, 2022 into the Water & Sewer Operating fund. For the fiscal year beginning July 1, 2022 there will be a single Water & Sewer Operating fund with two budgetary departments: the Water & Sewer department, and the WWTP department.

Executive Summary:

Currently, the County's water system is divided between two accounting funds: the Water & Sewer Operating fund and the WWTP fund. The Water & Sewer Operating fund contains one budgetary department: department 105 Water & Sewer. The WWTP fund contains one budgetary department: department 61 WWTP.

The WWTP fund contains those revenues, expenses, assets, and liabilities that are more directly tied to the plant itself, while the Water & Sewer Operating fund contains the bulk of all other water system items. Each of these two funds is a crucial part of the County's water system – both are essential for service delivery. As of June 30th, 2021 the Water & Sewer Operating fund had more than double the total assets of the WWTP fund.

Since both funds are a necessary component of the overall water system, both must be analyzed simultaneously when stakeholders assess the financial operations of the system. To more clearly represent that reality in our financial statements, staff is requesting that these two funds be combined into one accounting fund and the two departments that already exist will then both be accounted for in that one accounting fund, and remain two distinct departments. If approved, our annual budget document would still continue to show the two departments.

On the bookkeeping side, if approved the finance department would essentially add the WWTP fund's balance sheet into the Water & Sewer Operating fund's balance sheet on July 1, 2022. The WWTP fund bank account balances would be transferred to the Water & Sewer Operating fund bank account, leaving only enough for any checks that are outstanding as of June 30th, 2022 to clear.

Background:

1. The Water & Sewer Operating fund and WWTP fund were both created in 2003.
2. The funds have remained separate and distinct since that time.
3. Recent annual financial statements show operating income for the Water & Sewer Operating fund, but the WWTP fund has operating losses that are larger.

Alternatives for Commission to Consider:

1. Approve to merge the WWTP fund into the Water & Sewer Operating fund effective July 1, 2022 and transfer all June 30, 2022 year-end account balances from the WWTP fund to the Water & Sewer Operating fund
2. Do not approve to merge the WWTP fund into the Water & Sewer Operating fund
3. Approve a combining of these two funds but with a different structure – such as creating an entirely new fund to combine them into
4. Provide Staff with Direction

Recommended Alternative:

Staff recommends Alternative number 1 – Approve to merge the WWTP fund into the Water & Sewer Operating fund, effective July 1, 2022.

Other Alternatives:

N/A

Department Review: *(list departments)*

County Manager, Finance

Funding Source:

No funding required

Attachments:

Example combined Statement of Net Position

Example combined Statement of Revenues, Expenses and Changes in Net Position