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## MEMORANDUM

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TO: Mayor Walker and Councilors  
FROM: M McPherson, City Administrator  
T Peters, Finance Director  
SUBJECT: **Final Budget Wrap**  
DATE: November 30, 2021

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During the budget discussions, a number of questions were raised; we attempt to answer them here.

### Balanced Budgets

Budgets should balance, with the exception of the Liquor which we want to have more revenues than expenses.

### Depreciation

Per the Auditors (BerganKDV), depreciation does not need to be included as a line-item expense in the individual budgets. It does get included in the financial statement as part of the audit whether it is budgeted for or not. Including it as an expense that is levied essentially would "pad" the amount levied and be placed in reserves for future repairs and replacement. The Auditor noted that each city handles depreciation differently, some levy 100%, some do nothing, others do a percentage.

Specific to the airport budget only (enterprise), the proposed depreciation amount was \$190,000. It is unknown how the previous Finance Director calculated and applied depreciation. If it is agreed that the runway investment is \$2 million and the taxiway is \$1 million (in round numbers) for a total of \$3 million, and their useful life is 20 years, a straight depreciation schedule would result in an annual depreciation amount of \$150,000, less than the proposed budget amount. In the case of the airport, many of the improvements are significantly funded by state and federal grant dollars.

Eliminating all of the depreciation from the airport budget and adding in the grant revenue results in the need to transfer in only \$7,598 from the General Fund. If we were to add back in 25% depreciation (of the \$150,000), the total transfer in would be \$45,098; both amounts significantly less than was discussed at the November 23 meeting.

Staff recommends that we continue to levy for a small portion of depreciation; 25% seems to be a sufficient amount.

### Change in Uniform Policy

More information will be provided at the meeting regarding this requested policy change.

### Final Levy Increase

Staff will provide a verbal update regarding this topic at the meeting. Staff is going through the budget worksheets one final time to ensure that nothing was missed and that expenses are in the correct fund and at the correct amounts.