



Yarnell Fire District
P.O. Box 581 (US Mail)
22558 Looka Way (UPS, FedEx, AirBorne, etc.)
Yarnell, Arizona 85362
(928) 427-6578 (Fax and Phone)



Ron Osterman, Chairman

Dell Smith-Klein, Secretary	Lynn Bellamy, Treasurer
Marilyn Berry, Director	Luther Joy, Director

Date: Fri, 29 Nov 2002 17:34:40 -0700
 To: Peter Andersen <YFDChief@WorldLinkISP.COM>
 From: Lynn Bellamy <YFDTreas@WorldLinkISP.COM>
 Subject: Annual Summary of General, Capital Reserve & Pension Funds (Redacted)
 Cc: "YFD Distribution":YFDChair@WorldLinkISP.COM, YFDSec@WorldLinkISP.COM, YFDTreas@WorldLinkISP.COM, MHorner@W3AZ.net;

Peter, would you please print and distribute the attached PDF files to the Board along with a copy of this email note. Dell, I would like this item included in the Agenda for the Dec/02 Board Meeting.

In summary, although there was a **'0.98 Tax Rate' year** on the books in the YFD, the expenditures that year were basically the same as prior and subsequent years. The District **survived the 0.98 year only** because there was left over money from the prior budget year AND money was borrowed (illegally) from the Capital Reserve Fund to support Operations. As you will see from the data below, this practice began in December 1997.

For the purposes of discussion, the relevant Tax Rates are summarized below.

```

=====
FY 02 / 03 : 1.7500
-----
FY 01 / 02 : 1.7500
-----
FY 00 / 01 : 0.9800
-----
FY 99 / 00 : 2.1207
-----
FY 98 / 99 : 0.9200
=====

```

Annual Summary of General, Capital Reserve & Pension Funds (Redacted)

An analysis of this document shows clearly (*maybe not so clearly!*) the following:

1. At the **end of FY 96/97**, when the Tax Rate was ca. **0.92**, the General Fund balance was **\$19,557**. (*The new 5 person Board took office in **December 1997** or the middle of **FY 97/98**.)*

This balance is often referred to as the '**float**' and is essential to the financial operation of the YFD until the first significant tax revenues are received in **October** and **November** (the remaining tax revenues are received in **April** and **May**).

Note that the '**float**' had decreased to **\$4,081** by the **end of FY 98/99**; thus, the 'float' was clearly being used to **fund 'budget deficits'** or **pay operating expenses** in **FY 97/98** and **FY 98/99**. In fact the '**float**' decreased by **\$4,095** in **FY 97/98**, then by **\$11,382** in **FY 98/99** and again by **\$15,688** in **FY 00/01**.

2. At the **end of FY 98/99**, when the Tax Rate was also ca. **0.92**, the General Fund balance was **\$ 4,081**.

Thus, **\$11,382** of the '**float**' had been used to **pay operating expenses** for **FY 98/99**.

The new Treasurer may want to examine the transactions for **FY 98/99** to determine if any of the **\$ 180,918** transferred **IN** from the General Fund was also used to fund Operations. (Note that the Transfer **OUT** of the Capital Reserve fund of **\$ 175,400** is less than the amount of funds transferred **IN** to the General Fund; thus, there may have been funds transferred **IN** to the General Fund from the P&R Fund or from other YCT accounts. The new Treasurer may want to meet with Board Member Luther Joy and review Luther's "*Red Book*" and get this one sorted out before the Board begins work on the **FY 03/04** Budget.

3. The Tax Rate was **raised** to **2.1207** for **FY 99/00**.

The **FY 99/00** budget had been approved by **July/99**. On **13/Sept/99** Tom Branski joined the Board and soon insisted that the Tax Rate for the next budget year (**FY 99/00**) be reduced to '*something in the neighborhood*' of **\$0.98**. He also wrote a letter 'sanctioning' the Fire Chief which ultimately led to the resignation of the Chief. There is no documentation that I can locate which explains the justification for such a large increase in the Tax Rate for **FY 99/00**. Furthermore, there is also no documentation that I can locate which explains Mr. Branski's assertion that the Tax Rate needed to be reduced to something approximating the **FY 98/99** level. However, *there were the usual rumors at the time that the budget had been increased to accommodate paying the Chief a salary.*

Based on the assumption that the Tax Rate would be reduced next year, every effort was made to **understand, control and justify all expenditures**. The result was that the '**float**' was increased by **\$18,733** which is still somewhat less than the **\$19,557** available in **FY 97/98** prior to the change from the Chief/Secretary governance to the current 5 person Board.

Also note that in **FY 99/00**, even with the increased Tax Rate, it was necessary to transfer **\$ 8,500** from the Capital Reserve Fund to the General Fund; again, this transfer was illegal.

Annual Summary of General, Capital Reserve & Pension Funds (Redacted)

4. The Tax Rate was reduced to **0.98** for **FY 00/01**.

During the Budget Planning Process, based on Mr. Branski's public statements, I felt that the Board should honor his public statements and lower the Tax Rate to \$0.98 for FY 98/99. With only Ron Osterman objecting strenuously at the time, the Board did lower the Tax Rate to \$0.98. At that time I was the newly appointed Treasurer and knew nothing about the budget. *When I accepted the position, I was told that all I had to do was fill out and sign the checks! ;-)* In my now somewhat better informed opinion, I was absolutely wrong to act on Mr. Branski's public statements, particularly since his statements were not formally approved by the Board.

5. By the time the YFD had begun the **FY 01/02** Budget Planning Process, it was abundantly clear to the Board that the **0.98** Tax Rate was **not** adequate to maintain a responsive Fire Department.

Note that during **FY 00/01**, again, as in the past, the 'float' was **reduced** by **\$15,688** and it was also necessary to transfer **\$11,266.22** from the Capital Reserve in **FY 01/02** to again restore the 'float'; these transfers from Capital Reserve were illegal. Thus a total of **26,954.22** of additional funds were required to fund the operation of the Department during **FY 00/01** at the **0.98** Tax Rate. It was also clear that the Board could not continue the 'yo-yo' pattern of tax increases and decreases. Thus, a detailed Budget Planning Process was adopted and the budget was constructed 'from the ground up' which is sometimes referred to as 'zero based budgeting'. Note that expenditures **decreased** from **\$75,424** in **FY 99/00** to **\$65,492** in **FY 00/01**.

6. The Board has approved restoring **\$12,346.73** of the illegally transferred funds to the Capital Reserve Fund this year. In November **\$8,025.37** was transferred and the balance is to be transferred during the month of April when we receive our next major portion of Tax Revenues.

7. Hopefully the Board will finally be able to get this issue sorted out and avoid similar fiascoes; strict adherence to the approved policies and procedures and County as well as State law will ameliorate this type of problem in the future.

Respectfully, Lynn Bellamy
Treasurer, Yarnell Fire District Board