



SUBJECT: Approval of resolution to authorize Budget Amendment #2022-4

SUBMITTING DEPARTMENT: Finance

BACKGROUND INFORMATION:

The City's annual budget is adopted by the third Monday in May each year and is effective July 1st each year. The budget is adopted at a function level (vs. line item). In accordance with the State Budget Act, budget amendments are completed throughout the fiscal year to reflect the most current information available related to revenue and expenditure budgets. Budget amendments that have a positive or negative impact on fund balance or change the function total are prepared for Council approval. Amendments between line-items within the same budget function (that do not have any impact on fund balance) are managed at the administration level. The amendments are based on actual and projected activity-to-date.

The third quarter budget amendment resolution and budget amendment detail are attached.

GENERAL FUND

The budget amendment proposes a net zero effect to fund balance and keeps the fund within Council set limits. The ending fund balance estimate is \$11,985,677 based on increasing revenues \$557,765 and increasing expenditures by \$557,765. Significant proposed adjustments are discussed below:

Revenues

- **State Shared Revenue** increase in the amount of \$705,515
 - The State of Michigan State Shared Revenue ("SSR") constitutional portion is in part calculated using population. The 2010 census has been used to calculate fiscal year (FY) 2022 SSR through February 2022 payments. Now that the 2020 census has been complete, the State is providing retroactive payments to adjust for the difference in the 2010 population verses the 2020 population of local governments for FY 2022. An additional payment is expected on April 30, 2022 for the FY 2021 and will be included in the next amendment prior to year-end once the amount is received.
- **Property taxes** increase in the amount of \$82,250
 - At the end of each tax year, local governments are reimbursed by the County for any real uncollected property taxes. The County, on behalf of the City, attempts to collect these taxes for two years. To the extent the taxes remain uncollected after two years, the County will "charge back" or bill the City for what was not collectible. The County also attempts to collect all delinquent personal property taxes due to the City for past

years. In the current year, the County was able to collect more taxes than the City had originally budgeted in the amount of \$82,250.

- **Licenses, Permits, and Charges for Services** decrease in the amount of \$75,000
 - Building permits are down approximately 10% in the current year from this quarter end in the prior year and continue to be running less than budget. The City is still seeing the effects of the COVID-19 pandemic on building activities within the City. The industry is seeing spikes in supply costs, shortages in supplies, and shortages in contractors. Finance will continue to monitor the revenue collections and bring forward additional reductions as warranted.
- **Fines and Forfeitures** decrease in the amount of \$30,000
 - Revenue the City receives from the District Court is down approximately \$30,000 from the original budgeted levels and from prior year. Court revenue has been on a steady decline since 2017. The majority of the ticket revenue comes to the City from traffic infractions.
- **Interest Income** decrease in the amount of \$125,000
 - Decrease in interest revenue is to reflect the unpredicted increase in unrealized losses on short-term investments purchased over the last year. The significant rise in rates by the Fed's in the past few months has made the market value on the current investments held fall substantially. The loss reflects the market at this specific point in time. The market has the potential to rebound in the near future. The losses are "unrealized" as no actual loss will be incurred if the City holds the investment to maturity which intends to.

Expenditures

- **Personnel Services** increase of \$323,500
 - The increase in personnel services across the departments in the General Fund is due to changes in health insurance and final accrued compensation payouts (i.e. PTO, sick, vacation). Health insurance renewal changes from one year to the next (January 1 annually) for current employees or a new hire having a more expensive insurance than their predecessor increased the health insurance budget in several departments. In addition, the City had unpredicted retirements and staff leaving employment most noticeably in the police and fire departments. Typically, the City can cover the cost in its current budget for final payouts of PTO, sick, and vacation balances, but this year the balances were larger than expected.
- **Vehicle Maintenance** increase of \$100,000
 - The fire department budgeted for the cost of maintenance to decrease due to the purchase of new vehicles and engines; however, costs continue to be at the levels seen over the last three years. The budget amendment will increase the budget to actual costs seen in fiscal years 2019, 2020, and 2021.

MUNICIPAL STREET FUND

The budget amendment proposes a net increase to fund balance of \$47,000. Trunkline Maintenance Revenue (revenue received from the County for winter and summer maintenance on the trunkline roads owned by the County) and miscellaneous income was higher than originally budgeted.

PARK, RECREATION AND CULTURAL SERVICES FUND

The budget amendment proposes a net increase to fund balance of \$100,000 by recognizing revenues received related to an increase in program activity. The department is starting to see levels of participation in camps and other program offerings compared to that of pre-COVID levels.

RUBBISH FUND

The proposed budget amendment has a net zero effect on fund balance. Per the final settlement of the City's tax roll with the County, the Rubbish Fund billed approximately \$19,000 less than the original budgeted had expected. In addition, the expenses are \$19,000 less than originally budgeted.

PEG CABLE FUND – Special Revenue Fund

The budget amendment proposes a net decrease to fund balance of \$61,978. The budget amendment recognizes that the remaining fund balance in the PEG Cable Fund will be depleted by year-end. As of September 2019, the revenues related to PEG Cable have been placed into a separate capital projects fund to be used toward planned future capital improvements. The PEG Cable Special Revenue Fund, will be closed and no longer used as of June 30, 2022. Expenditures will be budgeted within the General Fund going forward.

LIBRARY FUND AND LIBRARY CONTRIBUTION FUND

The proposed budget amendment increases the Library Fund fund balance by \$63,936 and decreases the Library Contribution Fund fund balance by \$8,776. The Library Board approved fiscal year-end projections at their board meeting held January 27, 2022. This amendment is needed to bring the City's budget in alignment with the Board's projections.

WATER AND SEWER FUND

The Water and Sewer Fund proposed budget has a net decrease to fund balance of \$220,000. Legal fees in the fund continue to rise as the City faces a class action lawsuit on the legality of its water and sewer rates.

SELF-INSURANCE HEALTHCARE FUND

The City became self-insured for its Health Alliance Plan health insurance in January 2020. Since the inception, the City has experienced an unprecedented two years with the onset of COVID-19 and unusual patterns in health care trends. The proposed budget amendment has a net decrease to fund balance of \$343,000. Additional staff members have moved from other insurance providers to join the HAP plan; therefore, increasing the charges for services to other funds. The additional staff members in the plan, have correspondingly increased its health care costs. The City is also seeing an increase in medical costs as employees are seeking treatments that may have been on hold during the height of the COVID-19 pandemic. Overall, the City is still expecting a favorable experience rate/return for the fiscal year 2022.

RETIREE HEALTH CARE BENEFITS FUND

The budget amendment proposes a net \$620,000 decrease to fund balance. The amendment is due to a decrease in interest revenue during the most recent months as well as realized/unrealized loss on investments.

RECOMMENDED ACTION: Approval of resolution to authorize Budget Amendment #2022-4

RESOLUTION

NOW, THEREFORE BE IT RESOLVED that the following
Budget Amendment# 2022-4 is authorized:

	INCREASE (DECREASE)
GENERAL FUND	
REVENUES	
Property Tax Revenue	82,250
State Sources	705,515
Licenses, Permits, and Charges for Services	(75,000)
Fines and forfeitures	(30,000)
Interest Income	(125,000)
TOTAL REVENUES	\$ 557,765
APPROPRIATIONS	
Finance Department	
Personnel Services	(10,000)
Assessing Department	
Personnel Services	46,000
Treasury Department	
Personnel Services	10,000
Other Services and Charges	10,000
Integrated Solutions - Facility Management	
Other Services and Charges	31,265
Integrated Solutions - FM: Parks Maintenance	
Other Services and Charges	25,000
Human Resources	
Personnel Services	10,500
Other Services and Charges	6,000
Community Relations	
Personnel Services	(30,000)
Police Department	
Personnel Services	225,000
Fire Department	
Personnel Services	45,000
Other Services and Charges	100,000

	INCREASE (DECREASE)
Department of Public Works - Administration	
Personnel Services	20,000
Other Services and Charges	37,000
Department of Public Works - Engineering	
Personnel Services	22,000
Department of Public Works - Field Operations	
Other Services and Charges	25,000
Novi Youth Assistance	
Personnel Services	(15,000)
TOTAL APPROPRIATIONS	<u><u>\$ 557,765</u></u>

Net Increase (Decrease) to Fund Balance \$ -

Ending Fund Balance	\$11,985,677
Fund Balance as a % of total annual expenditures	30%

MUNICIPAL STREET FUND

REVENUES	
Other Revenue	47,000
TOTAL REVENUES	<u><u>\$ 47,000</u></u>

Net Increase (Decrease) to Fund Balance \$ 47,000

Ending Fund Balance	\$945,572
Fund Balance as a % of total annual expenditures	10%

PARKS, RECREATION, & CULTURAL SERVICES FUND

REVENUES	
Program Revenue	100,000
TOTAL REVENUES	<u><u>\$ 100,000</u></u>

Net Increase (Decrease) to Fund Balance \$ 100,000

Ending Fund Balance	\$902,571
Fund Balance as a % of total annual expenditures	31%

**INCREASE
(DECREASE)**

RUBBISH COLLECTION FUND

REVENUES

Licenses, Permits, and charges for services	(18,740)
Interest Income	(260)
TOTAL REVENUES	<u>\$ (19,000)</u>

APPROPRIATIONS

Other Services and charges	(19,000)
TOTAL APPROPRIATIONS	<u>\$ (19,000)</u>

Net Increase (Decrease) to Fund Balance	<u><u>\$ -</u></u>
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PEG CABLE FUND

REVENUES

Interest Income	(2,300)
TOTAL REVENUES	<u>\$ (2,300)</u>

APPROPRIATIONS

Personnel Services	57,118
Other Services and Charges	1,500
Supplies	1,060
TOTAL APPROPRIATIONS	<u>\$ 59,678</u>

Net Increase (Decrease) to Fund Balance	<u><u>\$ (61,978)</u></u>
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COMMUNITY DEVELOPMENT BLOCK GRANT FUND

REVENUES

Federal Grants	34,812
TOTAL REVENUES	<u>\$ 34,812</u>

Net Increase (Decrease) to Fund Balance	<u><u>\$ 34,812</u></u>
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FORFEITURE FUND

EXPENDITURES

Capital Outlay	(49,243)
TOTAL REVENUES	<u>\$ (49,243)</u>

Net Increase (Decrease) to Fund Balance	<u><u>\$ (49,243)</u></u>
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**INCREASE
(DECREASE)**

LIBRARY FUND

REVENUES

Property tax revenue	80,303
State sources	(8,784)
Other revenue	75,401
Fines and forfeitures	(37,224)
Donations	(3,300)

TOTAL REVENUES	<u>\$ 106,396</u>
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APPROPRIATIONS

Personnel Services	(25,300)
Supplies	84,731
Other Services and Charges	(22,671)
Capital Outlay	5,700

TOTAL APPROPRIATIONS	<u>\$ 42,460</u>
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Net Increase (Decrease) to Fund Balance	<u><u>\$ 63,936</u></u>
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LIBRARY CONTRIBUTION FUND

REVENUES

Donations	(9,276)
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TOTAL REVENUES	<u>\$ (9,276)</u>
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APPROPRIATIONS

Supplies	(500)
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TOTAL APPROPRIATIONS	<u>\$ (500)</u>
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Net Increase (Decrease) to Fund Balance	<u><u>\$ (8,776)</u></u>
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2008 LIBRARY CONSTRUCTION DEBT FUND

REVENUES

Property Tax Revenue	44,000
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TOTAL REVENUES	<u>\$ 44,000</u>
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APPROPRIATIONS

Debt Service	500
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TOTAL APPROPRIATIONS	<u>\$ 500</u>
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Net Increase (Decrease) to Fund Balance	<u><u>\$ 43,500</u></u>
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**INCREASE
(DECREASE)**

GUN RANGE FACILITY FUND

REVENUES

Licenses, Permits, and Charges for Services	50,000
TOTAL REVENUES	\$ 50,000

Net Increase (Decrease) to Fund Balance	\$ 50,000
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ICE ARENA FUND

APPROPRIATIONS

Capital Outlay	32,000
TOTAL APPROPRIATIONS	\$ 32,000

Net Increase (Decrease) to Fund Balance	\$ (32,000)
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WATER & SEWER FUND

REVENUES

Operating Revenue	315,000
Capital Contributions	(315,000)
TOTAL REVENUES	\$ -

APPROPRIATIONS

Other Services and Charges	220,000
TOTAL APPROPRIATIONS	\$ 220,000

Net Increase (Decrease) to Fund Balance	\$ (220,000)
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SELF INSURANCE - HEALTH CARE FUND

REVENUES

Licenses, permits, and charges for services	167,000
TOTAL REVENUES	\$ 167,000

APPROPRIATIONS

Personnel Services	510,000
TOTAL APPROPRIATIONS	\$ 510,000

Net Increase (Decrease) to Fund Balance	\$ (343,000)
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	INCREASE (DECREASE)
RETIREE HEALTH CARE BENEFITS FUND	
REVENUES	
Interest Income	(500,000)
TOTAL REVENUES	<u>\$ (500,000)</u>
APPROPRIATIONS	
Personnel Services	120,000
TOTAL APPROPRIATIONS	<u>\$ 120,000</u>
Net Increase (Decrease) to Fund Balance	<u>\$ (620,000)</u>

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a regular meeting held on April 25, 2022

Cortney Hanson
City Clerk

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
General Fund			
Revenues			
101-000.00-403.001	Property Tax Revenue- County Chargebacks	Property tax revenue	\$ 82,250
101-000.00-574.000	State revenue sharing	State Sources	705,515
101-000.00-478.000	Building permits	Licenses, Permits, & Charges for services	(75,000)
101-000.00-655.000	Court fees and fines	Fines and forfeitures	(30,000)
101-000.00-664.000	Interest on Investments	Interest Income	(125,000)
			\$ 557,765
Expenditures			
101-201.00-719.000	Unemployment Insurance	Personnel Services	\$ (10,000)
101-209.00-704.250	Final Payout	Personnel Services	13,000
101-209.00-704.000	Permanent Salaries	Personnel Services	7,000
101-209.00-716.000	Insurance	Personnel Services	26,000
101-253.00-716.000	Insurance	Personnel Services	10,000
101-253.00-802.100	Bank Service Charges	Other Services and charges	10,000
101-265.00-816.044	Construction Analysis - 2nd Floor PD Renovation	Other Services and charges	31,265
101-265.10-941.208	Water Tower Park project (Grounds Maint - Parks)	Other Services and charges	25,000
101-270.00-716.000	Insurance	Personnel Services	10,500
101-270.00-850.000	Internal Technology	Other Services and charges	6,000
101-295.00-704.000	Permanent salaries	Personnel Services	(30,000)
101-301.00-704.250	Final Payout	Personnel Services	125,000
101-301.00-716.000	Insurance	Personnel Services	100,000
101-337.00-704.250	Final Payout	Personnel Services	45,000
101-337.00-935.000	Vehicle Maintenance	Other Services and charges	100,000
101-442.00-716.000	Insurance	Personnel Services	20,000
101-442.00-922.000	Electricity	Other Services and charges	37,000
101-442.10-716.000	Insurance	Personnel Services	22,000
101-442.20-924.000	Street Lighting Operations	Other Services and charges	25,000
101-665.00-705.000	Temporary salaries	Personnel Services	(15,000)
			\$ 557,765
Net Increase (decrease) to fund balance			\$ -

Ending Fund Balance	\$11,985,677
Fund Balance as a % of total annual expenditures	30%

Municipal Street Fund			
Revenues			
204-000.00-665.000	Miscellaneous income	Other Revenue	\$ 15,705
204-000.00-665.030	Trunkline Maintenance Revenue	Other Revenue	31,295
			\$ 47,000
Net Increase (decrease) to fund balance			\$ 47,000

Ending Fund Balance	\$945,572
Fund Balance as a % of total annual expenditures	10%

Parks, Recreation, and Cultural Services Fund			
Revenues			
208-000.00-653.999	Program Revenues	Program Revenues	\$ 100,000
			\$ 100,000
Net Increase (decrease) to fund balance			\$ 100,000

Ending Fund Balance	\$902,571
Fund Balance as a % of total annual expenditures	31%

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
Rubbish Collection Fund			
Revenues			
226-000.00-607.000	Charges for Services - Rubbish Collection	Licenses, Permits, & Charges for services	\$ (18,740)
226-000.00-664.500	Unrealized gain (loss) on investment	Interest Income	(260)
			\$ (19,000)
Expenditures			
226-226.00-808.100	Rubbish Monthly	Other Services and Charges	\$ (19,000)
			\$ (19,000)
		Net Increase (decrease) to fund balance	\$ -
PEG Cable Fund			
Revenues			
263-000.00-664.000	Interest on investments	Interest Income	\$ (2,300)
			\$ (2,300)
Expenditures			
263-295.00-704.000	Permanent salaries	Personnel services	\$ 38,318
263-295.00-716.000	Insurance	Personnel services	18,800
263-295.00-850.000	Internal Technology	Other Services and Charges	1,500
263-295.00-740.000	Operating Supplies	Supplies	1,060
			\$ 59,678
		Net Increase (decrease) to fund balance	\$ (61,978)
Community Development Block Grant Fund			
Revenues			
264-000.00-502.100	HCD Programs Reimbursement	Federal grants	\$ 34,812
			\$ 34,812
		Net Increase (decrease) to fund balance	\$ 34,812
Forfeiture Fund			
Expenditures			
266-266.00-983.100	Vehicles - Federal Forfeitures	Capital outlay	\$ (49,243)
			\$ (49,243)
		Net Increase (decrease) to fund balance	\$ (49,243)

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
Library Fund			
Revenues			
268-000.00-403.000	Tax Revenue - Current Levy	Property tax revenue	\$ 80,303
268-000.00-567.000	State Aid	State sources	(8,784)
268-000.00-633.100	Insurance Reimbursement	Other revenue	89,231
268-000.00-657.000	Library book fines	Fines and forfeitures	(40,000)
268-000.00-658.000	State penal fines	Fines and forfeitures	2,776
268-000.00-665.100	Copier	Other revenue	(800)
268-000.00-665.289	Adult Programming	Donations	(2,000)
268-000.00-665.290	Library Fundraising	Other revenue	2,000
268-000.00-665.300	Meeting Room	Other revenue	(15,000)
268-000.00-665.400	Gifts and donations	Donations	(1,300)
268-000.00-665.404	Novi Township Assessment	Other revenue	(30)
			\$ 106,396
Expenditures			
268-000.00-704.210	Vacation Payout (Oct 2021)	Personnel Services	\$ (2,500)
268-000.00-705.000	Temporary Salaries	Personnel Services	(15,000)
268-000.00-715.000	Social Security	Personnel Services	(2,000)
268-000.00-716.000	Insurance	Personnel Services	(3,000)
268-000.00-718.200	Pension - Defined Contribution	Personnel Services	(1,900)
268-000.00-720.000	Workers' Comp	Personnel Services	(900)
268-000.00-727.000	Office supplies	Supplies	(3,000)
268-000.00-728.000	Postage	Supplies	(1,500)
268-000.00-734.500	Computer supplies equip	Supplies	109,231
268-000.00-740.000	Operating supplies	Supplies	(10,500)
268-000.00-742.000	Library Books	Supplies	(6,500)
268-000.00-742.010	Library Books - Lending	Supplies	(3,000)
268-000.00-801.925	Public Information (cable)	Other services and charges	200
268-000.00-802.000	Data Processing - OnBase	Other services and charges	35
268-000.00-802.100	Bank Services	Other services and charges	(1,500)
268-000.00-803.000	Independent Audit	Other services and charges	300
268-000.00-804.000	Medical Service	Other services and charges	500
268-000.00-806.000	Legal Fees	Other services and charges	7,500
268-000.00-808.100	Rubbish Monthly	Other services and charges	(1,300)
268-000.00-817.000	Custodial Services	Other services and charges	(3,000)
268-000.00-818.000	TLN Central Services	Other services and charges	(50)
268-000.00-861.000	Gasoline and oil	Other services and charges	(1,100)
268-000.00-862.000	Mileage	Other services and charges	100
268-000.00-880.268	Library Programming	Other services and charges	(13,000)
268-000.00-880.271	Adult Programming	Other services and charges	(4,000)
268-000.00-910.000	Property & Liability Insurance	Other services and charges	1,444
268-000.00-922.000	Electricity	Other services and charges	1,500
268-000.00-923.000	Water and Sewer	Other services and charges	(1,000)
268-000.00-935.000	Vehicle Maintenance	Other services and charges	(200)
268-000.00-942.100	Records storage	Other services and charges	(100)
268-000.00-956.000	Conferences & Workshops	Other services and charges	(9,000)
268-000.00-976.100	Parking lot improvements	Capital Outlay	5,700
			\$ 42,460
Net Increase (decrease) to fund balance			\$ 63,936

Library Contribution Fund			
Revenues			
269-000.00-665.046	Makerspace (iCube)	Donations	\$ (2,000)
269-000.00-665.229	Raising a Reader	Donations	(2,500)
269-000.00-665.230	Collections/Materials Revenue	Donations	549
269-000.00-665.231	Buildings/Ground/Furniture Revenue	Donations	675
269-000.00-665.232	Programming Revenue	Donations	(4,000)
269-000.00-665.233	Technology Library Revenue	Donations	(1,500)
269-000.00-665.234	Undesignated Misc. Donations	Donations	(500)
			\$ (9,276)
Expenditures			
269-000.00-742.229	Raising a Reader	Supplies	\$ (500)
			\$ (500)
Net Increase (decrease) to fund balance			\$ (8,776)

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
Library Construction Debt Fund			
Revenues			
317-000.00-403.001	Property Tax Revenue - county chargebacks	Property tax Revenues	\$ 44,000
			\$ 44,000
Expenditures			
317-000.00-995.000	Interest Expense	Debt Service	\$ 500
			\$ 500
		Net Increase (decrease) to fund balance	\$ 43,500
Gun Range Facility Fund			
Revenues			
402-000.00-632.200	Police-firearms range rental	Licenses, permits, and charges for services	\$ 50,000
			\$ 50,000
		Net Increase (decrease) to fund balance	\$ 50,000
Ice Arena Fund			
Expenditures			
590-000.00-969.051	Emergency Repair - Cold Floor Pumps (3)	Capital Outlay	\$ 32,000
			\$ 32,000
		Net Increase (decrease) to fund balance	\$ (32,000)
Water and Sewer Fund			
Revenues			
592-000.00-410.000	Sewer Service Charges	Operating Revenue	\$ 215,000
592-000.00-411.000	Water Sales	Operating Revenue	100,000
592-000.00-666.002	Sewer tap connection fees	Capital Contributions	(100,000)
592-000.00-666.003	Water tap connection fees	Capital Contributions	(215,000)
			\$ -
Expenditures			
592-592.00-806.200	Legal fees - W&S rates	Other Services & charges	\$ 220,000
			\$ 220,000
		Net Increase (decrease) to fund balance	\$ (220,000)
Self Insurance - Health Care Fund			
Revenues			
677-000.00-613.000	Insurance - charges for services	Licenses, permits, & charges for services	\$ 167,000
			\$ 167,000
Expenditures			
677-677.00-837.000	Health Insurance Claims	Personnel Services	\$ 450,000
677-677.00-837.001	Pharmacy Claims	Personnel Services	20,000
677-677.00-837.007	Stop Loss Insurance	Personnel Services	30,000
677-677.00-869.001	Administration - HAP	Personnel Services	10,000
			\$ 510,000
		Net Increase (decrease) to fund balance	\$ (343,000)
Retiree Health Care Benefits Fund			
Revenues			
710-000.00-664.000	Interest on Investments	Interest Income	\$ (500,000)
			\$ (500,000)
Expenditures			
710-000.00-716.000	Insurance	Personnel Services	\$ 120,000
			\$ 120,000
		Net Increase (decrease) to fund balance	\$ (620,000)