

From: [Michael Long](#)
To: [Bradford Flynn](#)
Subject: Request for Bank Statements and Audit Trails
Date: Tuesday, June 25, 2024 12:17:38 PM
Attachments: [Image 0.png](#)

CAUTION: This email originated from outside your organization. Please exercise caution when opening attachments or clicking links.

Mr Flynn,

I am writing to formally request copies of the following documents for the specified time periods:

1. Cleared check image #2579 dated 4/19/2022 drawn on Bank account #0570284141
2. Audit trail and reconciliation for bank account #0570284141 from April 2022 - April 2023
3. Mayor fund bank statements and audit trails for 2017-2024
4. Copies of all deposit slips and related check images for transactions made to general fund account 3107 on 12/19/2019
5. 2019 Audit trail for account line 454.60
6. 2018-2021 audit trail for account line 405.18

I appreciate your prompt attention to this matter and look forward to receiving the requested documents at your earliest convenience.

Thank you for your assistance.

Sincerely,

Michael Long

Your response to my previous request,

You asked for all records showing the inbound transfers to the General Fund 'Cash Unrestricted' account (3107) related to account line 392.00 in the 2019 audit, which shows the full breakdown and sources of the recorded \$64,023.

I am not legally required to provide you with work papers underlying an audit and I will not do so. That said, I am explaining to you how the \$64,023 was determined by the Borough's Auditor. First, the Auditor isolates the Borough's debt servicing real estate millage. For the Auditors to do that, it looks at the total millage rate and the millage rate set aside for debt servicing. The Auditor then divides the total debt millage rate into the total millage rate. The quotient is 0.83333333 (truncated seven spaces after the decimal). This

'rate' is multiplied by the property tax revenue collected. In 2019, the property tax revenue collected was reported as \$768,274.13. The product is \$64,022.84, rounded to the nearest dollar resulting in the reported total of \$64,023.

Derivative

$$1.25 \text{ (Debt Service Millage)} / 15 \text{ (Real Estate Millage)} = 0.83333333$$

$$0.83333333 \text{ (Rate)} \times \$768,274.13 \text{ (R.E. Taxes Collected)} = \$64,022.84$$

\$64,023

The explanation provided appears to be incorrect for the following reasons:

1. **Misclassification of Transfers:** The calculation described involves dividing the debt service millage rate by the total millage rate and then multiplying by the property tax revenue collected. This method is used to allocate property tax revenue to debt service, not to calculate interfund operating transfers. Interfund operating transfers typically involve actual transfers of cash or other resources between different funds within the municipality, not allocations of tax revenue.
2. **Nature of Interfund Transfers:** Interfund operating transfers (line 392.00) should reflect actual movements of funds between different accounts or funds, such as from the General Fund to a Debt Service Fund or a Capital Projects Fund. These transfers are usually budgeted and authorized by the governing body and are recorded as such in the financial records.
3. **Documentation and Authorization:** The correct calculation of interfund operating transfers would involve reviewing the municipality's financial records, including general ledger entries, budget documents, and council or board meeting minutes that authorize these transfers. The explanation provided does not mention any such documentation or authorization.
4. **Purpose of Transfers:** The purpose of interfund operating transfers is to provide financial support from one fund to another, often to cover deficits, support specific projects, or comply with legal or contractual requirements. The method described in your query does not align with this purpose.

Correct Approach to Calculate Interfund Operating Transfers

To correctly determine the amount for line 392.00, the following steps should be taken:

1. **Identify All Transfers:** Review the general ledger and other financial records to identify all transfers made between funds during the fiscal year.
2. **Verify Authorization:** Ensure that each transfer was properly authorized by the governing body and documented in the budget or other official records.
3. **Classify Transfers:** Confirm that the transfers are classified as operating transfers and not as loans, reimbursements, or quasi-external transactions.
4. **Sum the Transfers:** Calculate the total amount of all qualifying interfund operating transfers.

Example of Correct Calculation

If the General Fund transferred \$30,000 to the Debt Service Fund and \$34,023 to the Capital Projects Fund, the total interfund operating transfers would be:

$$\$12,297.66 + \$51,725 = 64,023$$

This total would be reported on line 392.00.

Conclusion

The explanation provided in your response does not correctly describe the calculation of interfund operating transfers. Instead, it describes an allocation of property tax revenue to debt service, which is a different financial activity. For accurate reporting, the focus should be on actual transfers of funds between accounts, supported by proper documentation and authorization.

