



## **MEMO**

**To:** Mayor, City Council, City Manager, Department Heads

**From:** Lisa White  
Finance Director

**Date:** October 22, 2015

**RE: Quarterly Report:** Fiscal Year 2016 – 1<sup>st</sup> Qtr. as of September 30, 2015

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### **GENERAL REPORT INFORMATION:**

#### **Quarterly Report Presentation:**

Attached are the Quarterly Fund Financial Statements for the major City Funds. Each page of the attached financial report presents a separate fund statement. Each fund financial statement consists of columns on the left showing that fund's prior fiscal year Budget and Actual revenues and expenditures as of the year end and also as of the applicable quarter of that year. The columns on the right side show the current fiscal year Budget and then the Current year-to-date Actual revenues and expenditures as of the applicable quarter for that fund. The last column on the right shows the year-to-date percentage of revenue collected or budget expended.

#### **How to Interpret Quarterly Reports:**

In most of the funds or types of account categories listed you can compare the percentage of revenues collected or expenditures incurred for each account type or department to the expected benchmark percentage for each quarter to determine where the City stands. (For example 25% is normally expected in the first quarter, as of the end of September, 50%, by the first quarter as of the end of March, 75% and 100% would be expected in June at the end the fiscal year.) However, in some types of accounts the same percentage benchmarks do not apply because the revenues earned may not be received during the same quarter due to normal timing delays or in the case of expenditure lines often non-salary account purchases, especially those for capital items, are not spread evenly throughout the fiscal year. Those account types will be explained in this memo when the percentages normally will not be at a set benchmark.

#### **Questions:**

If you have any questions please do not hesitate to call me at (828)697-3015.

**FUND INFORMATION/OVERVIEW:**

The primary revenue source for the general fund is property taxes. Ad Valorem taxes are levied on July 1, of each year and due and payable on September 1, with penalties and interest assessed the following January 6. The majority of the revenue for property taxes is collected during November and December of each year. This year's tax bills were mailed out in mid-October due to some software issues.

The Other Taxes & Licenses in the General Fund statement includes Rental Vehicle Tax and Beer & Wine Licenses, during the prior year it included the \$381,000 revenue for Privilege License. The new revenue for Business Registration, which is budgeted at \$50,000 does not fit the criteria as a tax or licenses and is recorded in the Permits and Fees Revenue category. (See below).

Unrestricted Intergovernmental Revenues include Local Sales & Use Tax, Beer & Wine Excise Tax, Utility Franchise Tax, Police Court Fees, Telecommunication Sales Tax, and Video Program Fees. Sales and Use Tax is earned monthly and received 12 times per fiscal year. Utility Franchise Tax is received quarterly. This category of revenues cannot be evaluated using the benchmark percentage for the quarter due to the month end and or quarter ending revenues not being recorded as of the end of the period, however each quarter is usually comparable to the revenue received during the same period of the prior year. Roughly half of the revenue for Utility Franchise tax the City receives is based on the actual receipts from electric service and piped natural gas within our municipal boundary and is dependent on weather, however the distribution method for the electricity sales tax, along with that of the sales tax on piped natural gas, changed in FY14-15 due to tax reform in the General Assembly. The law will hold cities harmless and any additional funds received by the state will be distributed to cities on an ad valorem basis. For fiscal year 2016 the Unrestricted Intergovernmental Revenue category includes \$120,000 budgeted revenue from the State for reimbursement of costs for the Tracey Grove Road project.

Restricted Intergovernmental Revenues include the Powell Bill Allocation, School Resource Officer Reimbursement and ABC Law Enforcement Revenues. These revenues are restricted for specific uses. The Powell Bill Allocation from the State is based on two components and rates, the City's population and also the number of street miles within the City. The Powell Allocation is received in two payments during the fiscal year, once in September and another payment in December or January. During the budget process for fiscal year 2016 it was expected that the Powell Bill distributions would be cut by the State, however that funding was restored.

Permits & Fees includes the new Business Registration fee, Vendor Permits, Zoning permits, and other fees collected randomly throughout the year.

Sales and Services Revenues includes Parking Meter Revenue, Cemetery Lot Sales and recreation revenues such as Boyd Park, Patton Pool, and Facilities Rental income.

Investment Earnings are receipts of interest earned on idle cash held or invested at financial institutions. Miscellaneous Income includes collections from various sources, the largest usually being Insurance settlements which are received as a result of property damage claims, primarily vehicle accidents. This revenue is offset in the expenditure sections by the use of the settlement to repair the vehicle along with the insurance deductible costs.

**General Fund - Quarterly Results:**

## Revenues:

The revenues for the first quarter of the year are always low in the General Fund. Tax revenues start coming in usually during November and peak during December. Also there is a lag in receiving the quarterly payments from the State for Utility Franchise Tax and other revenues.

## Expenditures:

The General Fund expenditures are at right on track at 25% in total for the fiscal year. However, several major expenditures have occurred in some departments, which is offset by lower percentages in other departments. Powell Bill paving is completed for the year and all of the Special Appropriations have been distributed during the first quarter of the fiscal year. The Governing Body percentage spent year to date is higher due to the large payment for NCLM annual dues paid during the first quarter of the year.

When comparing the current fiscal year to the prior fiscal year you will note that the Administration department budgeted and actual expenditures are significantly higher in fiscal year 2015 due to the purchase of the Wingate property.

Beginning in fiscal year 2016, the Planning and Zoning departments have been combined into one department called the Developmental Assistance Department.

**General Fund- Fund Balance:**

After the deductions for restricted fund balance, the available General Fund balance is at 48% as of the end of fiscal year 2015.

**Capital Reserve Fund:**

The Capital Reserve Fund had \$661,527 in reserved fund balance as of June 30, 2015. These funds are held to pay the remaining debt on the City Hall Renovation note, which has \$884,654 of payments due over the next four years. Additional sources of funding will need to be identified in order to complete the remaining payments in fiscal years 2018 and 2019.

***FUND REVENUE INFORMATION/OVERVIEW:***

The City collects revenue from water sales from approximately 26,700 residential and commercial accounts. This source represents 60% of the revenues for the Water and Sewer fund. Sewer charges account for 30% of the funds revenue.

**W&S Fund Quarterly Results:**

Water Sales revenue is higher than budgeted and higher than the collections for the first quarter of the prior year in part due to the collection of \$52,000 in late fees.

The Water & Sewer fund expenditures appear reasonable for the first quarter. Several departments are under the targeted first quarter expenditure percentage because there are large Capital Expenditures budgeted for the departments which have not been purchased as of the first quarter. Annual Debt Service payments on several bonds are paid during the first quarter of the fiscal year.

**Water & Sewer Retained Earnings:**

The Water & Sewer Fund had an ending total retained earnings of \$19,665,178 as of the end of the prior fiscal year 2015.

**ENVIRONMENTAL SERVICES FUND****AS OF SEPTEMBER 30, 2015****ESF Fund Quarterly Results:**

The Environmental Services Fund revenues and expenditures appear to be on track for the first quarter. There is an increase in the Base Charges Revenue due to the increase in the fee from \$1.00 to \$2.00 monthly per account.

**DOWNTOWN FUND****AS OF SEPTEMBER, 2015****FUND INFORMATION/OVERVIEW:**

The Downtown fund financial report is formatted to show revenues and expenditures by event. This may be helpful to gauge how each event is doing, however, due to the fiscal year ending in June, some of the events span over the fiscal year cut off so the expenditures may have been in last fiscal year and the revenues collected in the next fiscal year. Benchmark percentages will not be helpful to analyze performance in this fund.

**Downtown Fund Quarterly Results:**

The Downtown Fund, like the General Fund, does not collect much revenue during the first quarter of each year. For the first quarter of fiscal year 2016 both revenues and expenditures are comparable to the prior year for the same period.

The budget for the current year includes debt proceeds of \$79,000 to provide for the purchase of 7 parking kiosks.

**Downtown Fund- Fund Balance:**

The ending fund balance of \$81,701 as of the prior year end is 15% of budgeted expenditures with \$7,531 budgeted to be used during fiscal year 2016.

**7<sup>th</sup> Ave Fund Quarterly Results:**

The first quarter has minimal activity in the fund.

**7<sup>th</sup> Ave Fund- Fund Balance:**

The Seventh Ave Fund only has \$3,045 of remaining fund balance at the end of the fiscal year.

The HSAD 501(3) c Non-Profit currently has approximately \$30,000 of its own funds.