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TO: Honorable Mayor, City Council Members and
Ed Lavallee, MPA, City Manager

FROM: Jeff Snyder, CPA, Finance Director

DATE: January 21, 2014

SUBJECT: Financial Management Report

The Finance Department is supplying the first quarter's budget to actual financial management report. This report does not take into account the cyclical nature of many of our revenues and expenditures/expenses; property taxes and capital projects are prime examples. The vast majority of property taxes are collected during the first quarter of the year with the remaining balance collected during the last half. Additionally, many of our expenditures/expenses are not spent evenly throughout the year for instance most capital projects and the City's annual financial audit will be paid as work is completed. We have also included an annual projection for each fund based upon the first quarter's trends.

This management report is more like a cash flow analysis than a report like our Comprehensive Annual Financial Report (CAFR) which is prepared using generally accepted accounting principles. There are no accruals for expenditures/expenses committed but not paid or for revenue earned but not received. It also does not include contractually agreed upon payments which the City will be required to make. These reports are for management only and should not be taken out of context; however I believe they will provide a useful snap shot picture of the operations of our major funds.

The General Fund revenues are projected to be on target with the budget which indicates to me that our revenues are tracking very well with original projections. The unknown in this projection is the grants that the City will receive. If the grants are not awarded to the City then the expenditures will not happen. The good news is the expenditures are projected to be more than $90,000 less than budgeted. Because of the prudent spending practices of the past the City continues to be in a good position to weather the extended economic recession.

The Building Fund continues to perform well. The Building Fund's activities to date appear to indicate that the economy is improving. We continue to project revenues greater than expenditures for the third year in a row since the economic down turn. Senior management anticipates the need to add staff to this fund due to this increased activity. The staff's workload is currently being evaluated and a business plan is being developed to ensure that any additions will be sustainable.

The beginning fund balances are unaudited projections and will change as the Finance Department receives additional information such as; Finance Department reconciliation adjustments, actuarially determined OPEB liability, audit adjustments, etc. You will note that the budget numbers have increased by slightly more than $426,000 due to “rolling over” of encumbrances (obligated by contract or purchase order) for items or services purchased and not received by end of the fiscal year. These items were purchased using appropriation authority from fiscal year 2013 and we are following Generally Accepted Governmental Accounting Standards. There were three major areas that accounted for the vast majority of this amount; Engineering – Community Center generator $125,160, Police – radios and boat motors $110,000, and Fire – radios and equipment $104,853.

The Utilities Fund has definitely ramped up their capital projects. This report indicates that the fund will spend more than they make which is true. What this report does not show is that the majority of these projects will be paid with the bond money we received during fiscal year 2012.

This report is a work in progress which can and will change as we determine what types of information are useful for City Council’s review. Please do not hesitate to contact me with questions, concerns and/or recommendations.