

INTRODUCTION

This Quarterly report for the fiscal year ended 2019 uses data from the audit financial statements for the year ended June 30, 2019. This serves as a bridge between 2019 and 2020 by reconciling actual FY2019 amounts with estimates used in the FY2020 budget.

This is vital to determine if the FY2020 budget year opened as anticipated and if there are areas of concern. This report is intended to supplement, not replace the audited financial statements.

EXECUTIVE SUMMARY

Revenues closed **8.0% (\$2,658,613) higher** than estimated; revenue estimates were purposefully flat to protect the Town form over extending expenditures.

Expenditures were **2.3% (\$687,687) higher** than estimated; included \$3mm additional PSPRS.

Transfers out ended the year **9.2% (\$505,141) more** than estimated; driven by Town policy.

Ending operating **fund balance** is **1.4% (\$439,563) higher** than estimated; meeting expectations.

OTHER HIGHLIGHTS

Remaining debt and **unfunded PSPRS liability** balances closed better than expected.

The **expenditure limitation** carryforward increased **capacity by \$1,422,568** or 627% since FY17 and is equivalent to 4.3% of FY2019 spending.

All Town departments ended the year **within** their legally approved operating budgets.

Projects funded with the 2016 excise tax debt proceeds closed well under budget; by contract, excess proceeds were directed to the debt payment fund.

The Capital projects fund has accumulated a cash balance in excess of the Council approved Capital Improvement Plan and will be presented to Council for consideration with the FY2021 budget.

There were 2 audit findings; the Finance Division has implemented a Corrective Action Plan.

No changes are recommended for the FY2020 budget resulting from FY2019 audit.

EXHIBITS & NOTES

This report contains two exhibits.

The FY2019 **Legal Budget** was adopted in June 2019. Though modified throughout the fiscal year this report uses the original budget for comparison purposes to monitor financial performance expectations.

FY2019 **Estimated** year ending balances were estimated in preparing the FY2020 budget and financial forecast. It was primarily based on actual data through January 2019 (7 months into the year) and does not include the final directive from Council to pay an addition \$3,000,000 to the PSPRS if annual expenditure limitation capacity is available.

FY 2019 **Actual** ending balances are audited and the final figures for the year ended June 30, 2019.

OPERATING FUND: Expenditures, Revenue and Changes in Fund Balance

Operating fund Operating statement	Original Budget 7/1/2018	Estimated at 1/31/2019	Actual 6/30/2019	Difference	
				Amount	%
Revenue	\$ 32,879,183	\$ 33,142,020	\$ 35,800,633	\$ 2,658,613	8.0%
Less: Expenditure	30,981,729	29,878,533	30,566,220	687,687	2.3%
Less: Transfer out	7,084,763	5,503,689	6,008,830	505,141	9.2%
Change in fund balnace	(5,187,309)	(2,240,202)	(774,417)	1,465,785	-65.4%
Beginning unassigned FB	30,598,254	33,598,254	32,572,032	(1,026,222)	-3.1%
Ending unassigned FB	25,410,945	31,358,052	31,797,615	439,563	1.4%
PSPRS June 30, 2018	17,736,052	17,736,052	17,736,052	-	0.0%
Paid in 2019 and deferred	(6,000,000)	(6,000,000)	(9,000,000)	(3,000,000)	50.0%
Balance July 1, 2018	\$ 11,736,052	\$ 11,736,052	\$ 8,736,052	\$ (3,000,000)	-25.6%

Actual revenues of \$35.8 million are 8.0% (\$2.7 million) **more than Estimated**. This was driven by a surge in local transaction privilege tax (TPT) collections from construction and investment gains and interest earnings. By Town policy, all construction TPT over \$500,000 are transferred to CIP.

Actual expenditures and **transfers out** closed **more than Estimated** by 2.3% (\$0.7 million) and 9.2% (\$0.5 million), respectively. The higher level of expenditures is from a Council approved additional payment of \$3,000,000 for the PSPRS Unfunded Liability if the Town had expenditure limitation capacity at year end; and higher transfer out due to collection of construction TPT.

Actual fund balance ended the fiscal year within 1.5% of Estimates at \$31,797,615; which is 130% of the subsequent year's estimated operating expenditures.

With Council's approval for an additional payment up to \$3,000,000 at fiscal year-end, **PSPRS liabilities** closed **better than Estimated**.

GOVERNMENTAL FUNDS: Annual Expenditure Limitation Carryforward Balance

Governmental funds Carryforward balance	Audited 2016	Audited 2017	Audited 2018	Audited 2019	% of Exp
Beginning balance, July 1	\$ 7,251,581	\$ 6,939,146	\$ 226,856	\$ 740,055	1.9%
Interest income	296,422	185,141	250,226	1,309,610	3.4%
Interest from grant funds	(18,688)	(16,438)	(14,200)	(11,925)	0.0%
LTAF and HURF	(28,697)	38,330	277,173	(388,316)	-1.0%
Enterprises	(561,472)	-	-	-	-
Carryforward used	-	(6,919,323)	-	-	-
Ending bal, June 30	\$ 6,939,146	\$ 226,856	\$ 740,055	\$ 1,649,424	4.3%
Total under AEL	\$ 977,501	\$ -	\$ 8,333,512	\$ 2,767,675	7.3%
Use of 2016 proceeds	2,409,374	4,268	4,107,440	-	-

The carryforward for FY2019 has increased to \$1,649,424. This is driven by interest earnings and strategic AEL planning. The higher interest earning is a product of a higher interest rates in the fixed income market and the Town's efforts minimizing ideal cash in non-interest bearing accounts.