



# *City of Liberty Lake*

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## *Quarterly Financial Report*

Third Quarter 2011

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November 1, 2011

### **Overview**

The Quarterly Financial Report provides a summary budget to actual comparison of revenues and expenditures for each fund through the end of the most recently completed fiscal quarter. The information contained in this report is prepared on a cash basis.

### **General Fund**

#### **Revenues**

The majority of General Fund revenue collections at the end of third quarter exceeded projections. Revenues for third quarter 2011 totaled \$1,198,267, which is a 1.36% increase compared with third quarter 2010. However, in third quarter 2010 the City received a Grant for Rocky Hill Park totaling \$396,000. This would be an increase of 51% mostly attributable to the utility tax and increase in sale tax.

Sales tax collection for the third quarter 2011 totaled \$587,713. Total year-to-date collections were \$1,447,214 which is 88% of the 2011 budget. It is expected that sales tax collection will be \$1,890,000 for 2011. This is a 14.5% increase compared to the 2011 budget.

Utility tax collected for the third quarter 2011 was \$285,776. Total year-to-date collections were \$884,394 which exceeded the 2011 budget of \$825,000 for utility taxes. Projected revenue for utility taxes for 2011 is \$1,110,000.

The City collected \$61,911 in building permit fees for third quarter 2011, which decreased 7.6% from third quarter 2010.

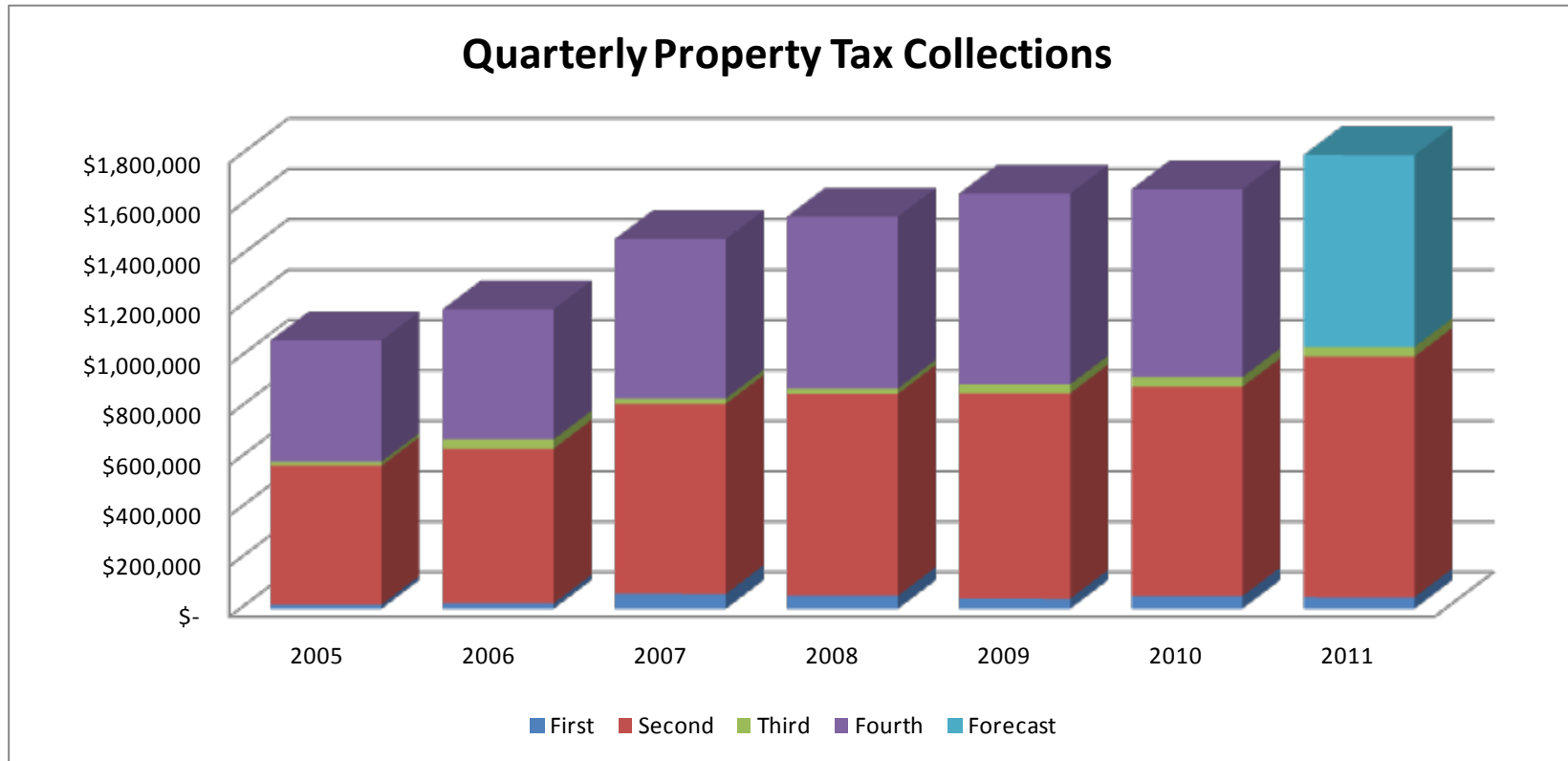
The following table shows budgeted and actual revenues for third quarter 2010 and 2011. The table also shows the percentage of revenues collected and the remaining uncollected balance through September 30, 2011.

### General Fund: Revenues

Revenue Category	Third Quarter Actuals		Budget		% of Revenues Collected through Third Quarter		Balance
	07/01/10 - 9/30/10	07/01/11 - 9/30/11	2010	2011	2010	2011	2011
Sales Tax	383,922	587,713	1,752,079	1,650,000	69.4%	87.9%	217,112
Property Tax	38,696	38,191	1,813,405	1,769,302	50.5%	56.3%	774,728
Utility Tax	-	285,776		825,000	0.0%	99.6%	3,652
Other Taxes	82,972	86,542	207,104	204,650	87.5%	101.1%	-
Licenses and Permits	107,873	110,219	227,350	241,000	45.1%	132.5%	-
Intergovernmental Revenue	484,023	44,189	737,634	129,182	26.8%	140.0%	-
Charges for Services	55,858	26,768	91,000	86,500	55.4%	99.5%	410
Fines and Forfeitures	22,163	15,603	65,000	74,150	82.7%	76.1%	17,660
Miscellaneous Revenues	6,705	3,266	16,600	8,268	42.8%	87.9%	1,000
Other Revenues	-	-	-	-	0.0%	0.0%	-
<b>Total Revenues</b>	<b>1,182,212</b>	<b>1,198,267</b>	<b>4,910,172</b>	<b>4,988,052</b>		<b>93.9%</b>	<b>1,014,562</b>
Non Revenue Sources	21,576	15,464	66,050	79,090		83.2%	13,260
Beginning Fund Balance on July 1st	1,473,183	2,813,683					
<b>Total Resources</b>	<b>2,676,971</b>	<b>4,027,414</b>					

*Taxes*-This category reflects the collection of sales and use taxes; property taxes; utility taxes; public safety; admissions taxes; and leasehold excise taxes.

Of the \$4.4 million projected, \$1.7 million is in the form of property tax. Property tax revenues are typically received during the second and fourth quarters of the year. Through third quarter 2011, the City has collected 56.3% of the property taxes projected. Total property tax collections through the third quarter of 2011 were \$1,000,074. The table below reflects quarterly property tax collections from 2005 to 2011.



The City experienced a 50% increase in retail sales and use tax for third quarter 2011 compared to third quarter 2010. Comparing 2010 with 2011 sales tax collections, the City experienced increases in all business sectors except for Wholesale Trade and All Other Sectors. The City experienced a 10% increase in the retail sector which accounts for approximately 51% of all sales and use tax revenue collected.

Sales tax collections fluctuate from quarter to quarter due to seasonal activity and there is a two month delay from when the tax is collected and when the City receives it. The City typically receives more sales tax revenue in the second half of the year. The following table compares 2010 with 2011 sales tax revenue for third quarter and includes a breakdown by business sector.

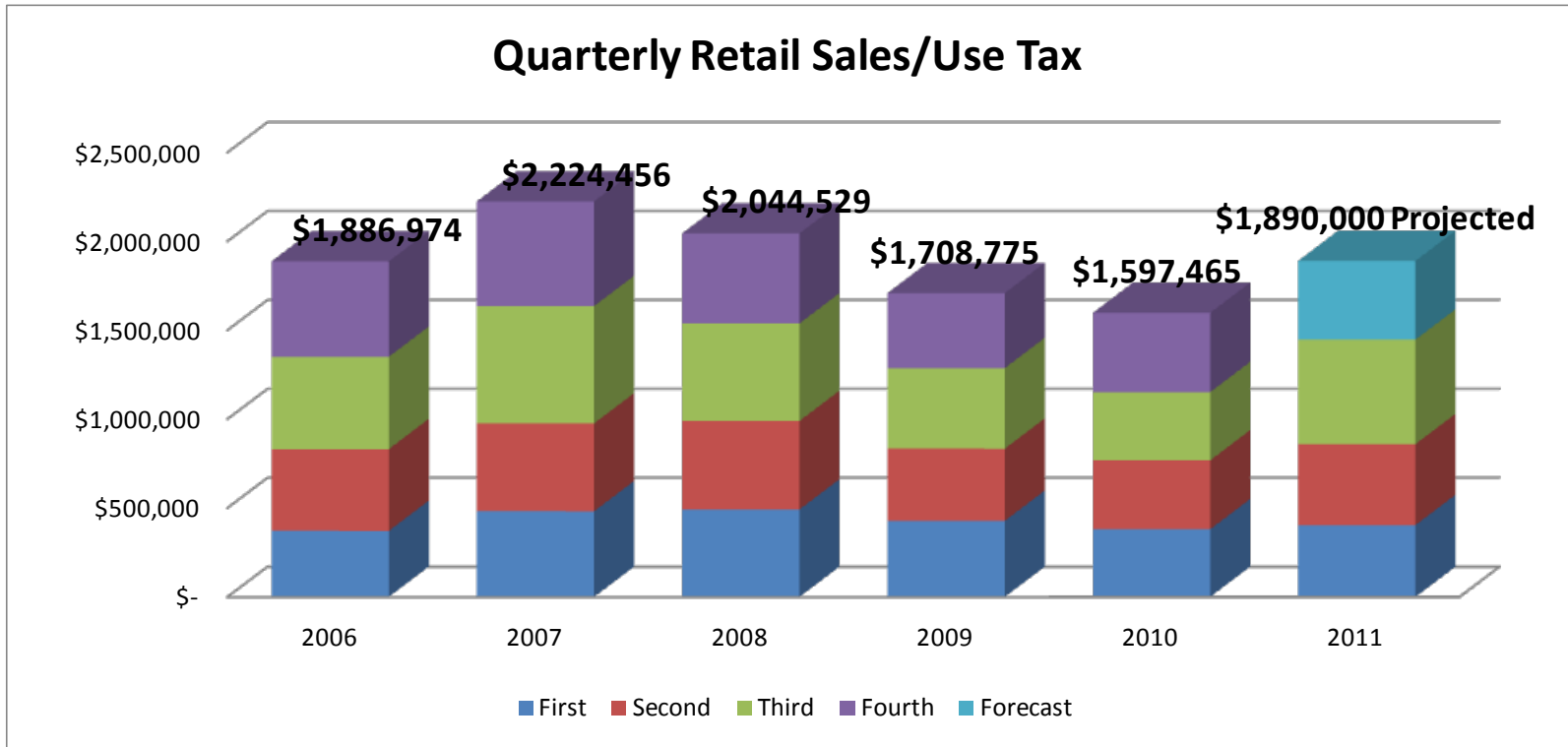
*Third Quarter Retail Sales and Use Tax*

Business Sector	Revenue (Jul - Sept)		% Change	% of Total	
	2010	2011		2010	2011
Construction	\$ 44,382	\$ 56,492	27%	12%	10%
Manufacturing	\$ (108,108)	\$ 15,220	-114%	-28%	3%
Wholesale Trade	\$ 44,540	\$ 35,739	-20%	12%	6%
Retail	\$ 270,090	\$ 297,370	10%	70%	51%
Telecommunications & Other Information Services	\$ 29,130	\$ 56,783	95%	8%	10%
Finance, Insurance, Real Estate, & Administrative Support Services	\$ 17,418	\$ 53,353	206%	5%	9%
Accommodation and Food Service	\$ 31,991	\$ 34,854	9%	8%	6%
All Other Sectors	\$ 54,479	\$ 27,613	-49%	14%	5%
<b>Total</b>	<b>\$ 383,922</b>	<b>\$ 577,424</b>	<b>50%</b>	<b>100%</b>	<b>100%</b>

Note 1: Totals for the quarter listed by sector may slightly differ from the retail sales tax revenue actually received due to adjustments made by the Department of Revenue between the time the detailed sales tax reports are received by the City and when the revenue is actually received.

Note 2: In July of 2010, the City was contacted by the Department of Revenue and was informed a Liberty Lake business was incorrectly paying sales tax on nontaxable manufacturing activities. Therefore, the business was able to recoup all monies collected by the state and distributed to the City from 2001 when Liberty Lake first incorporated through 2010. Approximately \$127,111 was deducted out of the City's sales tax revenue from manufacturing for July 2010 by the state.

The following chart displays the quarterly retail sales and use tax collected since 2006..



## **Business Sector Descriptions**

Construction: The construction industry is divided into three major segments. The *construction of building* segment includes contractors, usually called general contractors, who build residential, industrial, commercial, and other buildings. *Heavy and civil engineering construction contractors* build sewers, roads, highways, bridges, tunnels, and other projects. *Specialty trade contractors* perform specialized activities related to construction such as carpentry, painting, plumbing, and electrical work.

Manufacturing: The establishments in these industries produce a variety of goods, some of which are sold to the consumer, while others are sold as inputs to the manufacture of other products. Goods manufactured include computers and electronics, cabinets, machinery and parts to name a few.

Wholesale Trade: When consumers purchase goods, they usually buy them from a retail establishment, such as a supermarket, department store, gas station, or Internet site. When businesses, government agencies, or institutions, such as universities or hospitals, need to purchase goods, they normally buy them from wholesale trade establishments. Retail establishments purchase goods for resale to consumers, but other establishments purchase equipment, motor vehicles, office supplies, or any other items for their own use. Customers of wholesale trade firms buy goods for use in making other products, as in the case of a bicycle manufacturer that purchases steel tubing, wire cables, and paint. Customers also may purchase items for use in the course of daily operations, as when a corporation buys office furniture, paper clips, or computers.

Retail: In the retail industry, goods or commodities are sold usually in small quantities directly to consumers. Retailing includes the Internet, specialty stores, department stores, supermarkets, as well as auto, boat and RV dealers.

Telecommunications & Other Information Services: The telecommunications industry delivers voice communications, data, graphics, television, and video at ever increasing speeds and in an increasing number of ways. Whereas, wireline telephone communication was once the primary service of the industry, wireless communication services, Internet service, and cable and satellite program distribution make up an increasing share of the industry.

Finance and Insurance, Real Estate, & Professional and Administrative Support Services: This category is very diverse. Under finance and insurance it can include such subcategories as credit intermediation, securities and commodity contracts, funds, trusts and other financial services. Real estate could include general real estate and leasing services. Administrative and support includes general administrative and support services, as well as waste management and remediation services.

Accommodation and Food Service: This industry includes all types of lodging. While many provide simply a place to spend the night, others cater to longer stays by providing food service, recreational activities, and meeting rooms. Food services and drinking places may be the world's most widespread and familiar industry. These establishments include all types of restaurants, from fast-food eateries to formal dining establishments.

All Other Sectors: This category represents sectors not represented by those listed above. In terms of sales and use tax revenue, this category represents a small percentage of the overall revenue collected. All other sectors could include mining, utilities, transportation and warehousing, educational services, ambulatory health care services, and unclassifiable.

*Licenses and Permits*-This revenue source reflects the collection of business licenses; solicitor licenses; cable franchise fees; building permits; and state building code surcharges. Building permit fees and cable franchise fees constitute 94% of the revenue in this category. The City received 92 new business license applications for third quarter.

*Intergovernmental*-Intergovernmental revenues are grants, entitlements, shared revenues and payments for goods and services provided by one government to another. Revenues in this category include state-distributed money to be used for criminal justice purposes; state distributed revenue to counties and cities for the cost of implementation of DUI and other criminal justice statutes; state-distributed taxes on liquor sold at state liquor stores and agencies and on other retail sales of wine; state distributed mitigation payments as part of streamline sales tax; and lastly, state distribution of license and permit fees, penalties, forfeitures, and other income received by the Liquor Control Board.

*Charges for Services*-Charges for Services are revenues generated from the rendering of services for a fee. Charges for services will vary from month to month due to the seasonal activities that take place throughout the year.

*Fines and Forfeits*-Fines and forfeits revenues are received from traffic fines and infractions. Fines and forfeitures vary from month to month due to seasonal fluctuation.

*Miscellaneous Revenues*-This category represents revenues derived from sources not otherwise provided for in other accounts. Miscellaneous revenues primarily reflect interest earned on investments; donations; and private grants awarded to the City.

## **Expenditures**

Comparing total actual to total budgeted expenditures through the third quarter, the General Fund was 24% of the budget which does not include non expenditures and ending balance. Expenditures for third quarter 2011 totaled \$1,125,220.

The Library fund was moved to the General Fund in 2011 due to a new statement initiated by the Governmental Accounting Standards Board (GASB) which puts additional restrictions on the use of special revenue funds. To comply with this new standard, the Liberty Lake City Council amended the 2010 budget to transfer the Municipal Library Fund 101 fund balance as of December 31, 2010, to the General Fund 001 and established the Municipal Library in the General Fund. The Street Light Utility Fund 102 was also moved to the General Fund under General Fund 002 (see Other Funds tables).

The following table shows budgeted and actual expenditures for third quarters 2010 and 2011.

### General Fund 001: Expenditures

Expenditure Category	Third Quarter Actuals		Budget		% Expended Through Third Quarter		Balance
	07/01/10 - 09/30/10	07/01/11 - 09/30/11	2010	2011	2010	2011	2011
General Government Services	156,972	370,073	1,851,155	1,412,689	45.1%	47.7%	738,319
Legislative	9,709	7,295	75,801	65,743	47.0%	30.8%	45,481
Municipal Court	39,594	60,110	152,440	145,000	46.0%	48.4%	74,751
Executive	9,869	12,276	64,311	62,829	39.2%	32.2%	42,575
Legal	12,000	12,000	48,000	48,000	67.5%	66.7%	16,000
Administrative Services	157,598	87,392	545,618	555,761	65.9%	51.0%	272,052
Law Enforcement	408,546	297,780	1,184,596	1,306,007	75.5%	70.3%	395,015
Planning and Building Services	81,360	62,611	351,593	284,148	69.1%	65.3%	98,652
Library (Moved into General Fund in 2011)	-	80,411	-	340,000	0.0%	67.4%	110,788
Recreation & Youth Programs	38,304	47,518	84,527	89,984	75.2%	104.7%	(4,250)
Parks	181,626	64,019	669,022	267,020	61.9%	56.9%	122,974
<b>Subtotal</b>	<b>1,095,578</b>	<b>1,101,485</b>	<b>5,027,063</b>	<b>4,577,181</b>	<b>21.8%</b>	<b>24.1%</b>	<b>1,912,356</b>
Non Expenditures	22,677	23,735	64,750	78,490	61.9%	78.0%	17,293
<b>Total Expenditures</b>	<b>1,118,254</b>	<b>1,125,220</b>	<b>5,091,813</b>	<b>4,655,671</b>	<b>49.6%</b>	<b>58.9%</b>	<b>1,929,648</b>
<b>Ending Balance on Sept 30th</b>	<b>1,557,351</b>	<b>2,902,196</b>					

### Other Fund Revenues

The majority of revenue collections in other funds were on track for the third quarter. Most funds in this category receive revenue through internal transfers from the General Fund 001 including Street Light Utility, Street, Restricted Reserve, Debt Service, Street Capital, Library Capital, and Unemployment. Other Fund Revenues totaled \$721,653 for third quarter 2011. Other Fund Revenues were 44% of the budget for the year.

Gas tax revenues in the Street Fund decreased by 2.5% compared to third quarter 2010. Gas tax revenues totaled \$40,351 for third quarter 2011. This tax is tied to the number of gallons sold, not the price per gallon. The gas tax is collected at the state level and distributed to cities based on percent of population as compared with the state.

Tourism promotion funds (TPF & TPAF) totaled \$23,799 which was an 11% increase compared to the third quarter 2010.

**Other Funds: Revenues**

Revenue Category	Third Quarter Actuals		Budget		% of Revenues Collected Through Third Quarter		Balance
	07/01/10 - 09/30/10	07/01/11 - 09/30/11	2010	2011	2010	2011	2011
Municipal Library (Moved to General Fund 2011)	9,477	-	509,303	-	51.6%	-	-
Street Light Utility Fund	13,462	5,846	25,000	27,500	62.0%	56.7%	11,904
Street Fund	125,784	340,570	851,147	880,726	44.8%	53.2%	412,530
Tourism Promotion Fund	13,536	15,540	36,970	30,400	69.1%	96.0%	1,229
Tourism Promotion Area Fund	7,581	8,259	22,274	25,050	71.2%	71.1%	7,250
Restricted Reserve Fund	1,155	734	8,000	3,300	31.3%	58.2%	1,380
G.O. Bond Debt Service	-	-	67,203	65,610	23.7%	23.0%	50,505
LTGO Redemption Note	42,089	56,090	168,112	168,112	75.0%	75.0%	42,017
City Land LTGO Bond Fund	-	-	161,520	161,521	50.0%	50.0%	80,761
Capital Projects Fund	55,763	31,700	151,000	150,750	83.9%	73.1%	40,514
Special Capital Projects Fund	54,429	31,671	151,000	150,750	81.5%	72.6%	41,334
Street Capital Projects Fund	568	48,580	177,808	550,700	70.0%	8.9%	501,466
Outlet Trail Project	9	6	75	100	30.2%	15.5%	85
Pedestrian/Bicycle Bridge Fund	5	3	50	100	25.0%	8.6%	91
Harvard Road Mitigation Fund	6,476	10,964	32,600	36,300	225.6%	120.5%	(7,431)
Library Capital Fund	10	71	106,936	25	0.0%	500.4%	(100)
City Hall LTGO Bond Fund	-	-	108,086	108,086	50.0%	50.0%	54,044
Stormwater Utility Fund	3,279	1,024	53,919	55,350	61.9%	65.6%	19,061
Golf Course	185,345	165,410	407,800	389,141	104.2%	90.0%	38,812
Unemployment Fund	1,650	5,186	39,100	40,030	4.3%	30.2%	27,931
<b>Total Revenues</b>	<b>520,618</b>	<b>721,653</b>	<b>3,077,903</b>	<b>2,843,551</b>	<b>57.3%</b>	<b>53.5%</b>	<b>1,323,383</b>
July Beginning Fund Balance for All Funds except the General Fund	3,802,165	4,162,407					
<b>Total Resources</b>	<b>4,322,783</b>	<b>4,884,060</b>					

*Hotel/Motel Tax (Tourism Promotion Fund)*-The Hotel/Motel Tax is derived from the sale or charge made for the furnishing of lodging by any hotel, motel, rooming house, tourist court, or trailer camp within the city limits of Liberty Lake for less than 30 consecutive days. In Spokane County, there must be 40 or more units for the tax to apply. The City levies a special excise tax of two percent.

*Tourism Promotion Area (Tourism Promotion Area Fund)*-The City established a tourism promotion area (TPA) that encompasses the entire City of Liberty Lake and has authorized lodging charges within the established area. Lodging businesses in the TPA that have 40 or more units must collect the lodging charge from persons who purchase lodging. The City receives \$1.00 per night of stay for lodging businesses with 40 or more units with lodging revenues exceeding five hundred thousand dollars during the preceding calendar year. The City receives \$.50 per night of stay for lodging businesses with 40 or more units with lodging revenues below five hundred thousand dollars during the preceding calendar year.

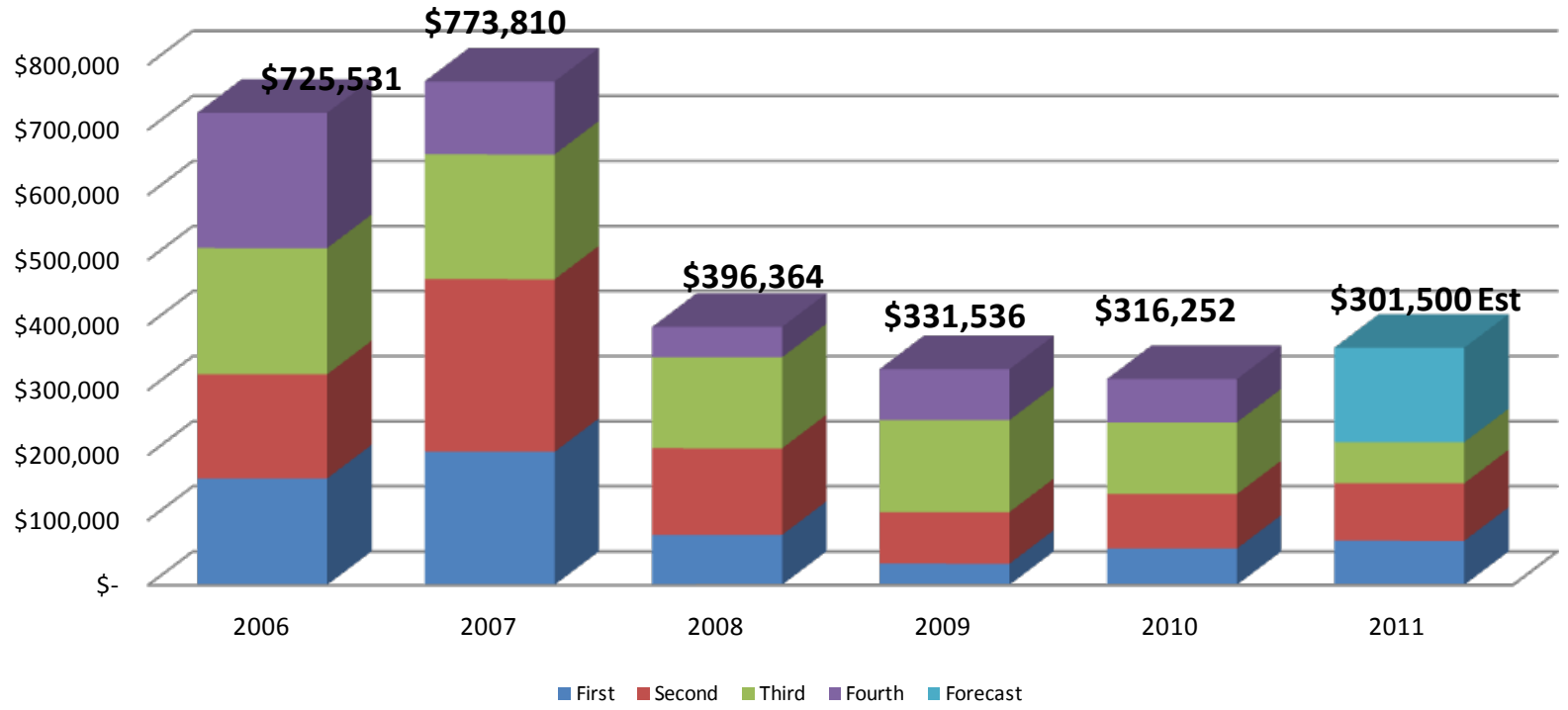
*Restricted Reserve Fund*-The Restricted Reserve Fund is generally maintained at 15% of the General Fund's projected or actual, if known, operating revenues for the fiscal year. Policies for management and use of the Restricted Reserve Fund are laid out in City of Liberty Lake Ordinance No. 107-D.

*REET (Capital Projects Fund & Special Capital Projects Fund)*-Real Estate Excise Tax (REET) of one-quarter of one percent of the selling price is imposed on each sale of property in the City of Liberty Lake. The tax is deposited into the Capital Projects Fund and is restricted to fund any capital purpose identified in a capital improvement plan and local capital improvements including those listed in RCW 35.43.040.

There is an additional one-quarter of one percent on real estate sales within the city limits. According to state law, cities planning under GMA have the authority to levy a second quarter percent tax (REET 2). Funds from REET 2 are placed in a Special Capital Project Fund and used solely for financing capital projects as specified in a capital facilities plan element of the comprehensive plan.

REET collections have declined significantly since 2007. Third quarter REET revenues declined 43% in 2011 compared to the third quarter of 2010. The chart below demonstrates quarterly fluctuations in REET collections since 2006.

### Quarterly REET Revenue



## Other Fund Expenditures

Other fund expenditures typically followed the historic spending pattern. Comparing total actual to total budgeted expenditures through the third quarter, other fund expenditures were 56.4% of the budget through third quarter 2011 which does not include ending fund balance.

### Other Funds: Expenditures

Expenditure Category	Third Quarter Actuals		Budget		% Expended Through Third Quarter		Balance
	07/01/10 - 09/30/10	07/01/11 - 09/30/11	2010	2011	2010	2011	2011
	Municipal Library (Moved to General Fund in 2011)	97,528	-	469,934	-	60.7%	0.0%
Street Light Utility Fund	13,462	5,846	25,000	27,500	62.0%	57.0%	11,904
Street Fund	130,932	310,356	896,682	818,213	38.0%	65.2%	284,591
Tourism Promotion Fund	16,500	20,346	60,000	60,000	42.8%	45.3%	27,154
Tourism Promotion Area Fund	-	5,311	22,274	28,050	0.0%	48.9%	31,136
Restricted Reserve Fund	-	-	1,200	-	13.3%	0.0%	-
G.O. Bond Debt Service	-	-	67,203	65,610	23.7%	23.0%	50,505
LTGO Redemption Note	42,089	56,090	168,112	168,112	75.0%	75.0%	42,017
City LL Land LTGO Bond Fund	-	-	161,520	161,521	50.0%	50.0%	80,761
Capital Projects Fund	58,563	19,469	172,920	33,111	75.3%	97.3%	907
Special Capital Projects Fund	58,562	19,519	172,920	33,110	75.3%	97.3%	906
Street Capital Projects Fund	-	48,112	-	314,000	0.0%	15.3%	265,888
Outlet Trail Project	-	-	-	9,790	0.0%	0.0%	9,790
Pedestrian/Bicycle Bridge Fund	-	-	-	5,502	0.0%	0.0%	5,502
Harvard Road Mitigation Fund	-	-	-	-	0.0%	0.0%	-
Municipal Library Capital Fund	-	-	-	-	0.0%	0.0%	-
City Hall LTGO Bond Fund	-	-	108,086	108,086	50.0%	50.0%	54,044
Stormwater Utility Fund	11,903	40,753	55,000	55,000	29.5%	79.4%	11,344
Golf Course	143,858	117,218	446,702	354,418	74.7%	72.4%	97,675
Unemployment Fund	1,646	5,186	39,000	40,000	31.1%	47.5%	21,010
<b>Expenditures</b>	<b>575,042</b>	<b>648,206</b>	<b>2,866,553</b>	<b>2,282,023</b>	<b>54.7%</b>	<b>56.4%</b>	<b>995,134</b>
<b>Ending Fund Balance for Other Funds on Sept 30th</b>	<b>3,722,929</b>	<b>4,235,854</b>					

## **Investment Summary**

All investments of the City of Liberty Lake are made in compliance with federal and state laws and in accordance with applicable legal interpretation. Primary objectives of the City of Liberty Lake investment activities are as follows:

Safety: Investments of the City are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity: The City's investments remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.

Return on Investment: The City's investments are designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow characteristics.

### **Investments on 09/30/2011**

Total Invested: \$6,586,667.43

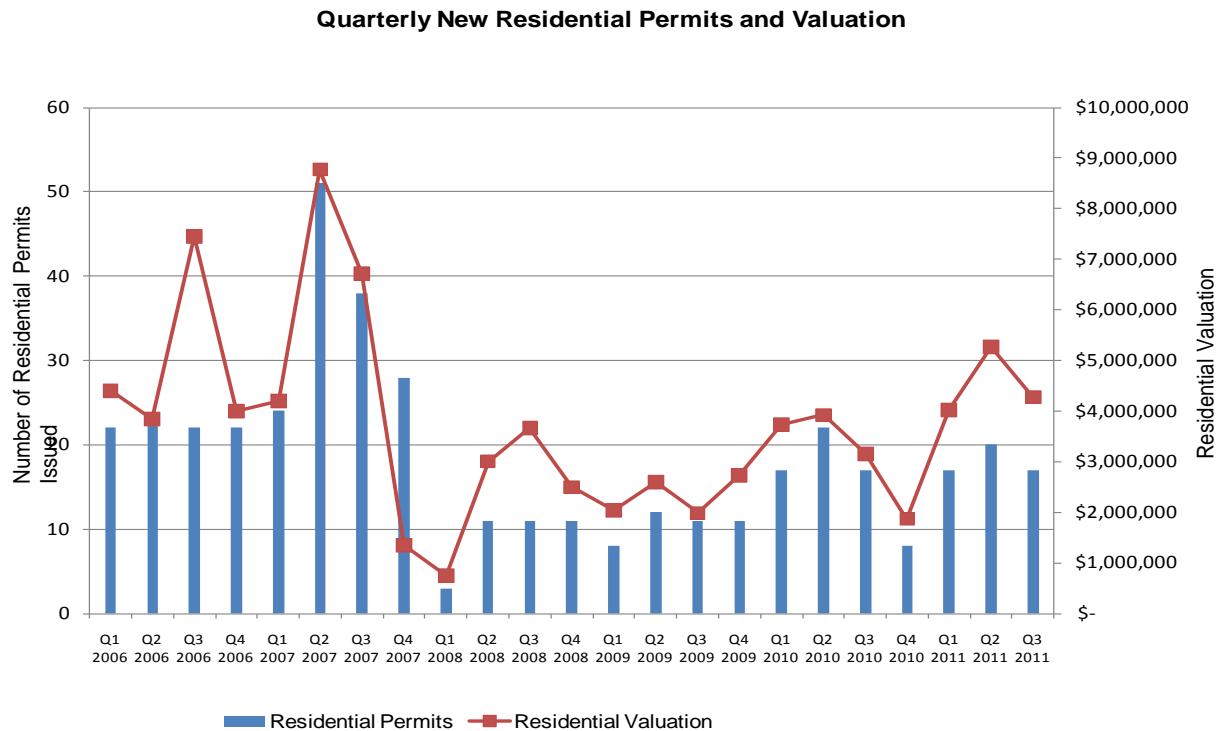
Total Interest Earnings for Third Quarter 2011: \$4,016.04

<b>Investment</b>	<b>Percent of Total Investments</b>	<b>Yield</b>
Washington State Local Government Investment Pool (LGIP)	100%	.10%

# Local Building Activity

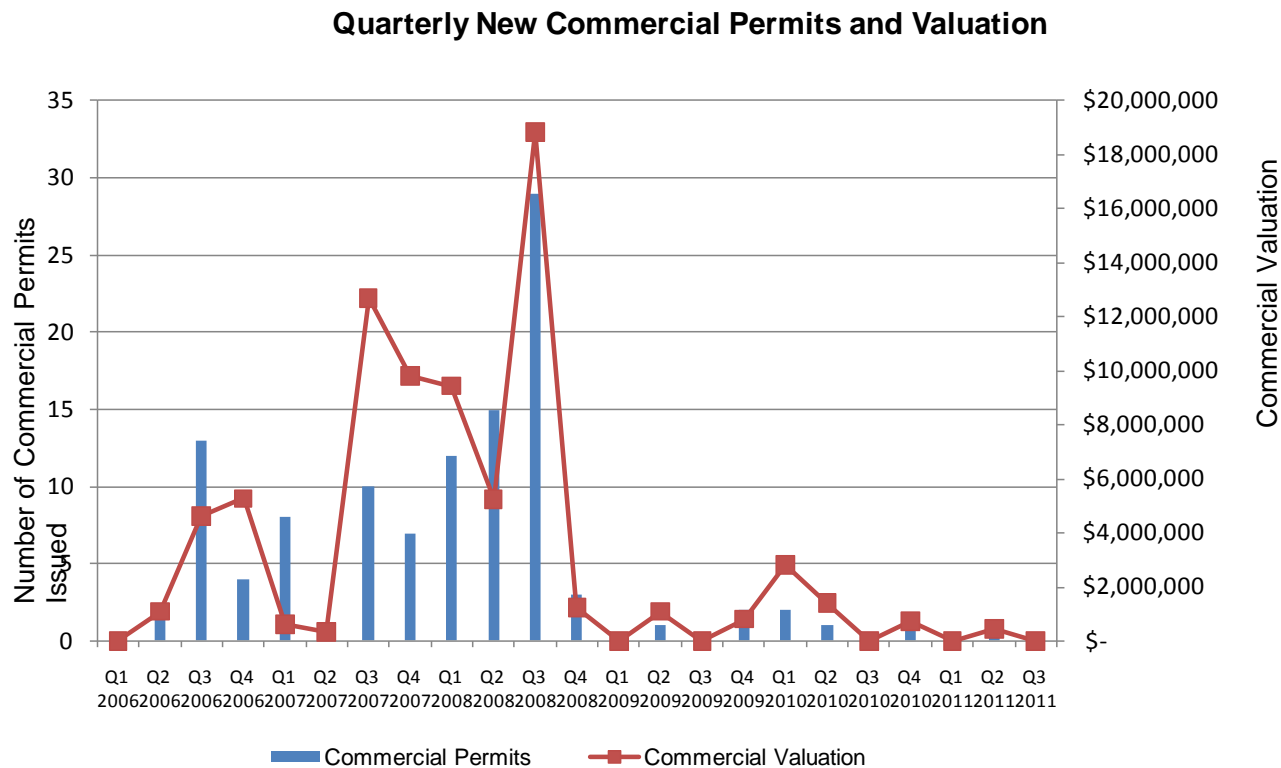
## Residential

In third quarter 2011, 17 new single family home building permits were issued which is similar to the number of permits issued in 2010. The residential valuation in 2011 increased from 2010 by over \$1 million which may equate to higher priced homes being constructed. There were 28 other residential permits issued in third quarter 2011 compared to 32 issued in 2010. The chart below reflects quarterly new residential permits and valuation since 2006. Residential building activity fluctuates from quarter to quarter due to seasonal activity.



## Commercial

For third quarter 2011 and 2010, there were no new commercial permits issued. There were 23 other commercial permits (ie: tenant improvements, grading, etc.) issued in third quarter 2011, which is a 10% decrease compared to third quarter 2010. Total commercial valuation from other commercial permits in third quarter 2011 was \$712,507. The chart below represents quarterly new commercial permits and new commercial valuation since 2006. Commercial building activity fluctuates from quarter to quarter due to seasonal activity.



## **Summary**

*For more information.* If you have any questions about this report, please call RJ Stevenson, Finance Director at (509) 755-6702.