

## MEMORANDUM

Date: August 11, 2022  
 To: Mayor and City Council  
 From: Tom Kelly, Treasurer  
 Re: Second Quarter 2022 Financial Report

The City's audit is finally complete and the 2<sup>nd</sup> quarter is also over. The year is flying by. The City's revenues are above budget and expenditures are below budget. Part of the reason revenues are above budget is building permit revenue already exceeded their 2022 budget. Also some of the one-time fees such as licenses are paid at the beginning of the year and have been paid. The key to the City's finances are that even though we are 50% through the year, revenues and expenditures do not flow evenly though the year. There are some one-time expenditures, which are spent at the beginning of the year, and expenditures for snow plowing activities, which are spent during the first and fourth quarters of the year, which makes the City look like it may over or under spend its budget, but over the course of the year, will actually be in line with budgeted amounts. Likewise, on the revenue side sewer and water billing revenues are only received once a quarter. Below is a chart comparing budget to actual revenue and expenditures for the years 2021 and 2022.

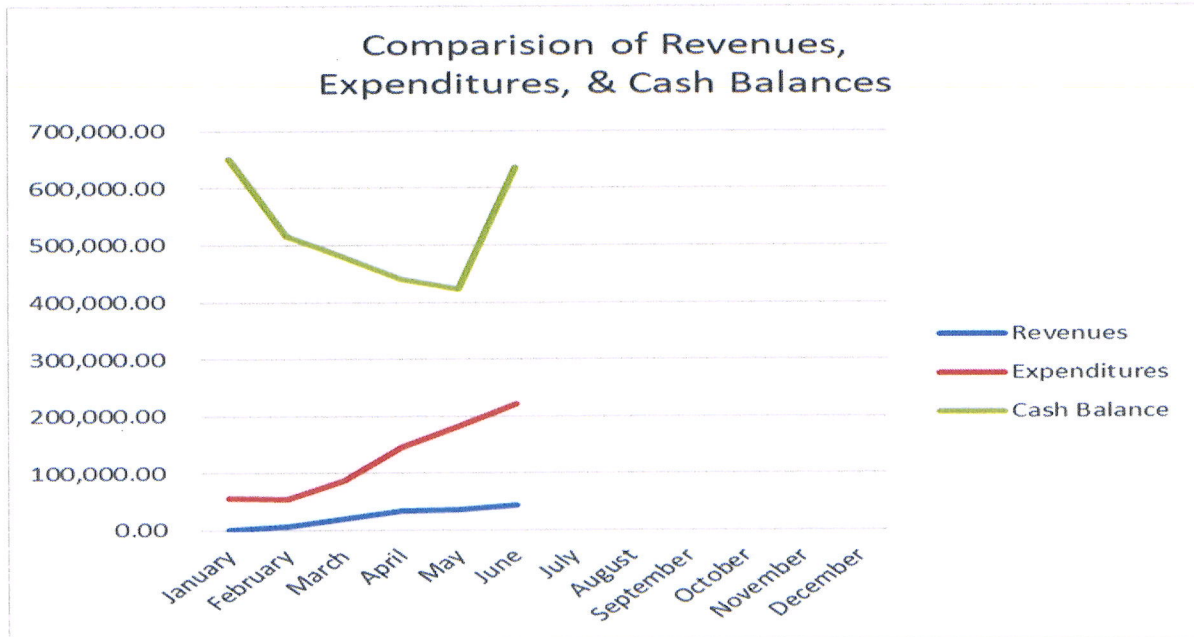
ALL FUNDS						
Revenues	2021	2021	%	2022	2022	%
	Budget	Actual	Received	Budget	Actual	Received
General Fund	23,424.96	25,933.25	110.71%	22,675.02	42,563.45	187.71%
Special Revenue Fds	200.00	123.74	61.87%	200.00	15,237.69	7618.85%
Debt Service Funds	76,160.50	308.08	0.40%	74,016.00	552.26	0.75%
Capital Project Funds	13,500.00	31,666.99	234.57%	30,000.00	21,803.47	72.68%
Enterprise Funds	35,375.00	22,628.97	63.97%	41,670.00	54,951.29	131.87%
<b>Total</b>	<b>148,660.46</b>	<b>80,661.03</b>	<b>54.26%</b>	<b>168,561.02</b>	<b>135,108.16</b>	<b>80.15%</b>
Expenditures	2021	2021	%	2022	2022	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Fund	246,192.48	212,763.09	86.42%	261,639.00	222,061.51	84.87%
Special Revenue Fds	1,000.00	0.00	0.00%	2,500.00	0.00	0.00%
Debt Service Funds	65,632.50	123,065.00	187.51%	64,930.00	121,462.50	187.07%
Capital Project Funds	0.00	15,244.69	0.00%	55,000.00	93,247.63	0.00%
Enterprise Funds	90,045.00	22,297.41	24.76%	91,175.00	57,378.50	62.93%
<b>Total</b>	<b>402,869.98</b>	<b>373,370.19</b>	<b>92.68%</b>	<b>475,244.00</b>	<b>494,150.14</b>	<b>103.98%</b>

It should be noted that the budget amounts are for half the year's budget and the actual is year to date. The rest of the report will detail the revenues and expenditures of each of six fund types.

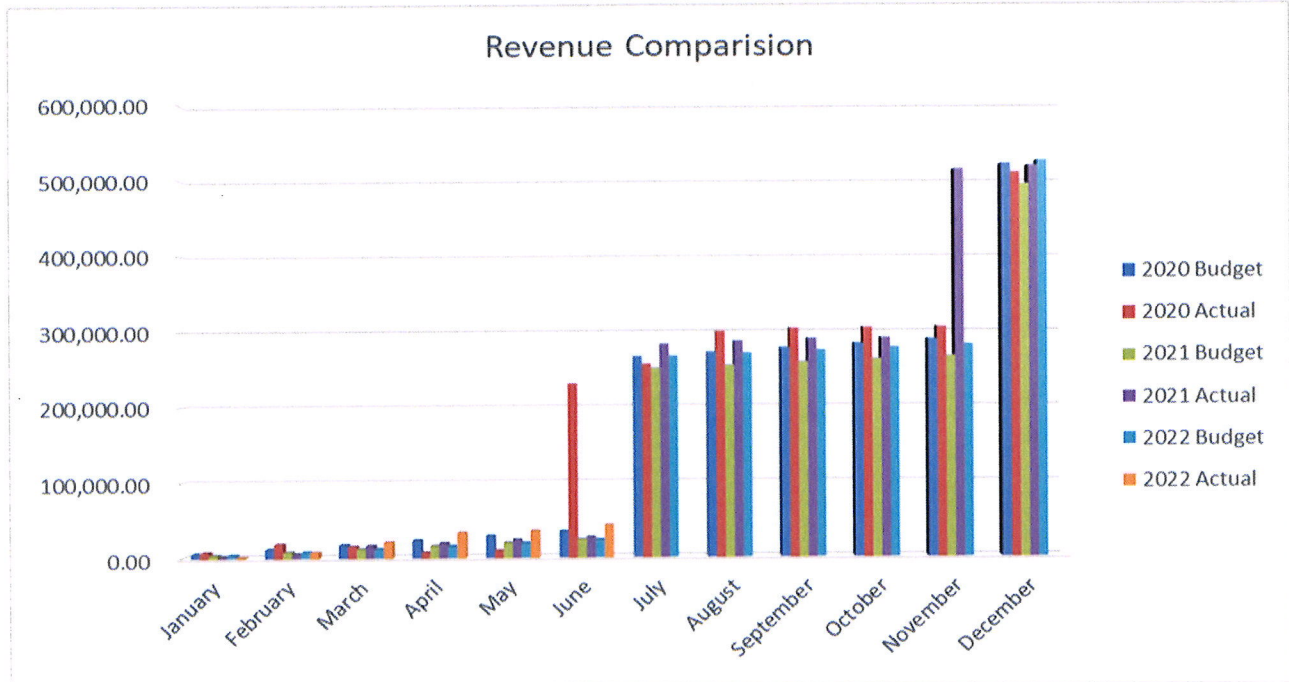
### GENERAL FUND

For the second quarter, revenues are above budget projections and expenditures are below budget, which is show in future charts. However, the chart on the following page shows how revenues are below expenditures levels for the first half of the year, which is typical until the City

receives its first half property tax payment in July. In addition, one can see how the City depends on reserves (cash balances) until that tax payment is received (the City received an advance of its tax settlement of 70% in June, which caused the spike).

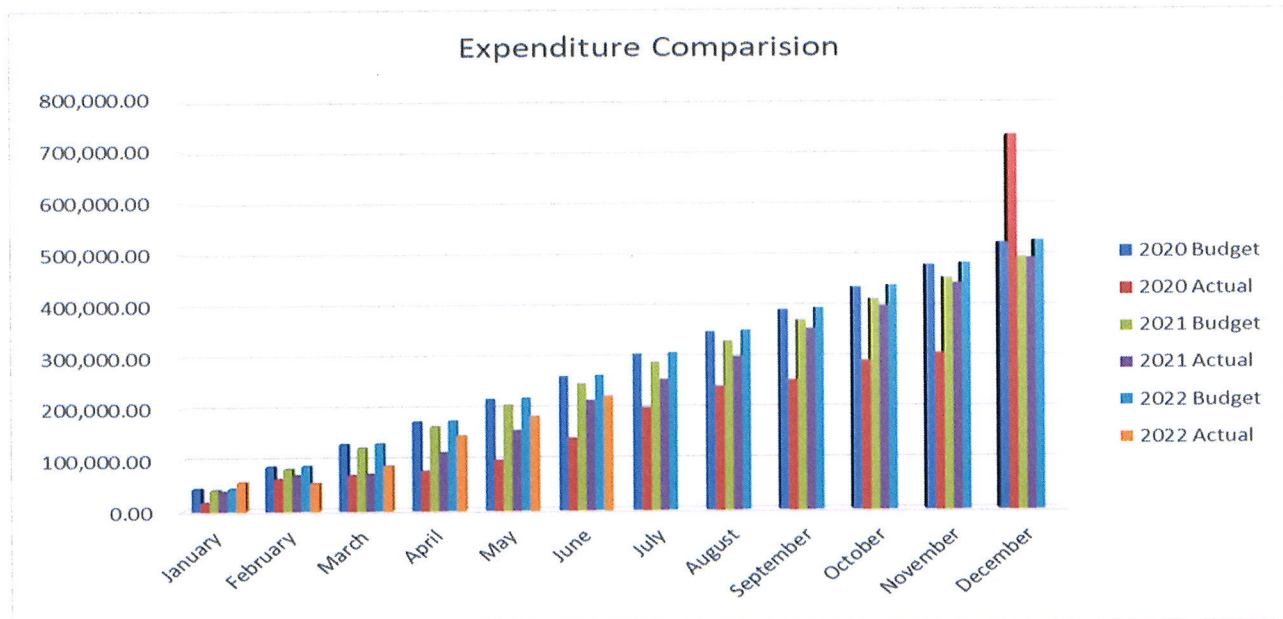


For the year, the City has received 8.13% of the budgeted revenue through the first half of the year, which is above last year at this time when the City had collected only 5.27% of revenues less the advance of the tax settlement. Building permit revenue are up from \$4,418.20 in 2021 to \$9,197.30 in 2022. Other permit revenue are also up from 2021. Interest earnings are up from last year. So far the City has earned \$1,107.11 in interest compared to \$814.77 last year. All other revenues are similar to last year's revenues. The chart on the following page compares budget to actual revenues for the last three years. For this chart, the monthly revenues are 1/12<sup>th</sup> of the total revenue budget with the exception of property taxes, which are included in the July and December budget numbers only.



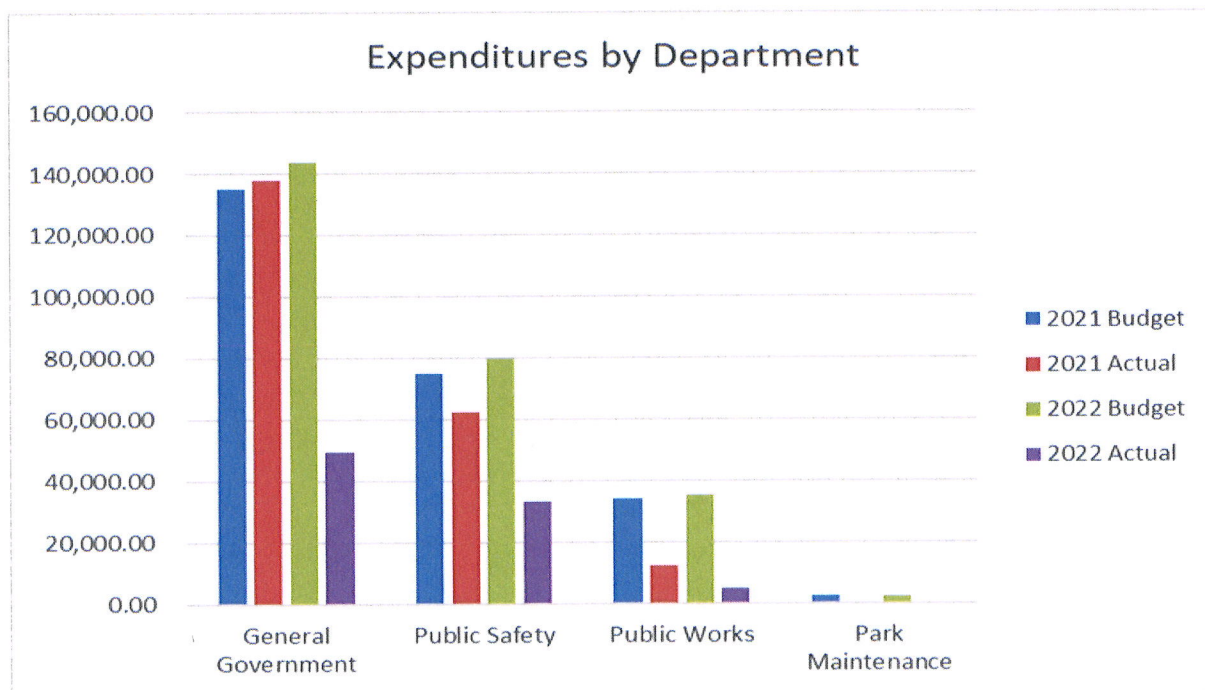
The good news is that actual expenditures for the second quarter remain below the 2022 budget and 2021 budget amounts, but are higher than 2021 actual amounts as shown in the charts below:

Expenditures by Department						
	2021 Budget	2021 Actual	% Spent	2022 Budget	2022 Actual	% Spent
General Government	134,878.00	137,933.59	102.27%	143,678.00	49,666.66	34.57%
Public Safety	74,864.50	62,506.14	83.49%	80,011.00	33,194.09	41.49%
Public Works	33,950.00	12,323.36	36.30%	35,450.00	5,022.39	14.17%
Park Maintenance	2,500.00	0.00	0.00%	2,500.00	0.00	0.00%
<b>Total</b>	<b>246,192.50</b>	<b>212,763.09</b>	<b>86.42%</b>	<b>261,639.00</b>	<b>87,883.14</b>	<b>33.59%</b>





If expenditures were spent evenly throughout the year, the City should have spent 50% of its budget. So far no General Fund activity that is over 50% spent of their budgets after the 2<sup>nd</sup> quarter. The Public Safety budget is only 41.49% spent so far due to the budget for a code enforcement position not being filled. The public works department at 14.17% is well under their budget through the second quarter, but the City could have some street patching expenditures and in the 4<sup>th</sup> quarter there could be some expenditures for salt/sand and snow plowing activities. Second quarter expenditures are shown in the chart below.



Overall, the General Fund appears to be in good shape through the first half of the year. If revenues and expenditures follow previous year collections and expenditure patterns, revenues should finish the year above budget amounts while expenditures should finish below budgeted amounts. In July the City will receive the rest of their first half tax settlement and should also receive the remaining Covid-19 funds.

### **SPECIAL REVENUE FUNDS**

The City's only Special Revenue Fund is the Parks and Playgrounds Fund, which has received a park dedication fee of \$15,000.00 and interest earnings through the first half of the year. No expenditures have taken place this year.

### **DEBT SERVICE FUNDS**

The City paid its February 1<sup>st</sup> bond payments of \$105,000.00 of principal and \$16,462.50 of interest at the end of January. The next scheduled debt payment is the interest only payment of \$15,197.50 due August 1<sup>st</sup>. Funding comes from property taxes, special assessments, which will be received in July and December, and interest earnings. Revenues total \$552.26 for the first half of the year, which is interest earnings. The expenditure activity was the City's first half bond payments.

## **CAPITAL PROJECT FUNDS**

The Capital Project Funds have revenues of \$21,803.47, which is from the \$20,000 transfer from the General Fund and interest earnings. For 2022 the expenditures are for the landslide repair and the storm water study/improvements.

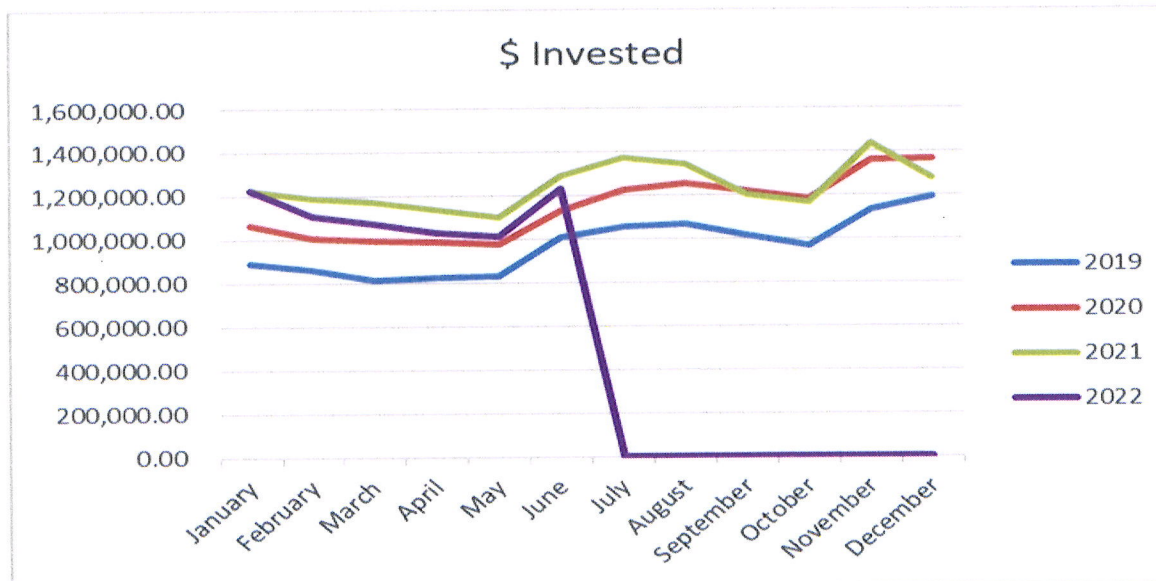
## **ENTERPRISE FUNDS**

The City's Enterprise Funds consist of the Sewer Enterprise Fund and the Water Enterprise Fund. Revenues are above last year revenues and are 65.94% of budgeted revenues. Revenues totaled \$54,951.29 for the first half of 2022 compared to \$22,628.97 last year. The main difference is in 2022 both 1<sup>st</sup> and 2<sup>nd</sup> quarter revenue have been recorded while in 2021 only the 1<sup>st</sup> quarter was recorded. Expenses for the year are above last year's expenses but are only 31.47% of budgeted expenditures. Keeping in mind that the expense budget for the Sewer and Water Enterprise Funds includes depreciation, which is not recorded until year-end. The main expense is the M.C.E.S. charges for sanitary sewer treatment. The City has a budget of \$42,600.00 for these charges and have paid 35.02% or \$14,918.53 for this line item.

Overall, the sanitary sewer and water funds should finish the year with revenues near budget and expenses below budgeted amounts.

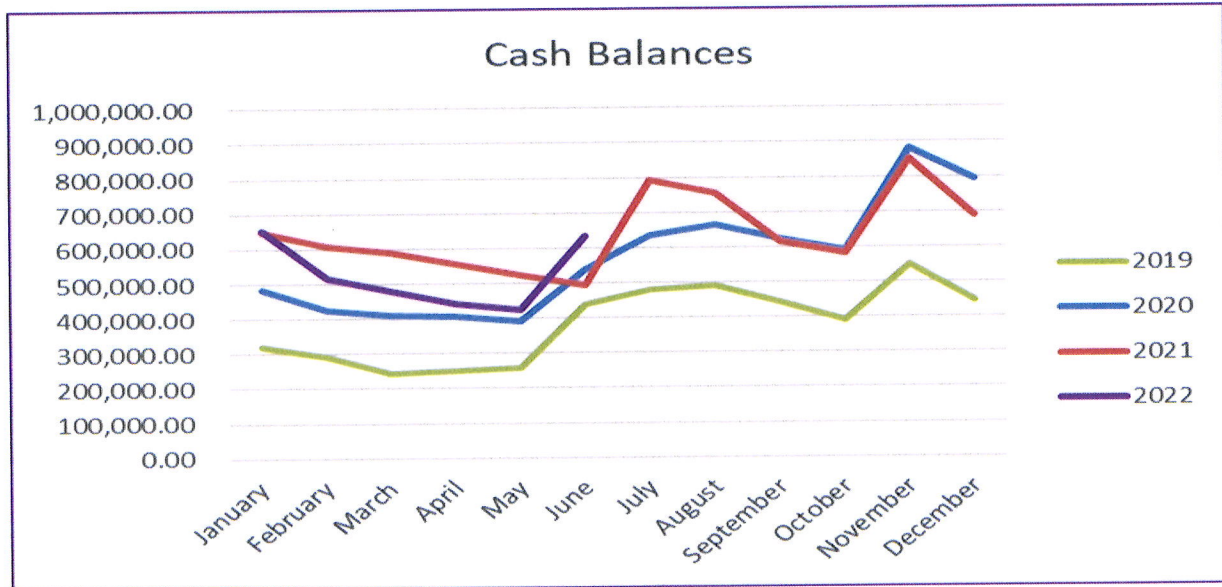
## **CASH AND INVESTMENTS**

Finally, the City had \$1,230,172.28 invested as of June 30<sup>st</sup>. This compares to \$1,291,696.39 invested last year at this time. The investments had an average interest rate of 1.62% compared to 1.66% last year. Interest rates remain low with the highest interest rate on a municipal bond of 3.73%. The chart below shows the City's invested funds for the last four years.



The other factor and equally important as funds invested is the City's cash in the bank. These are the funds the City uses to pay its bills each month. Since the City receives the majority of its money in twice a year from tax settlements, it is not unusual for the City to have a large amount of cash available in the middle of the year and the end of the year with the funds being drawn

down in the proceeding months. Depending on expenditures and other revenues collect the City may draw on its investments to help meet its cash needs. The chart below demonstrates the cash flow for the City.



**CONCLUSION**

The City had a typical first half of the year financially. Through the second quarter, it appears revenues could finish the year near or above budgeted amounts for most revenue sources, while expenditures may end near or slightly below budgeted amounts. The City has sufficient cash and investments to meet its obligations, however investment earnings remains low. Therefore, it would appear the City is in good financial shape for 2022.