

MEMORANDUM

Date: June 8, 2023
 To: Mayor and City Council
 From: Tom Kelly, Treasurer
 Re: First Quarter 2023 Financial Report

The City's audit for 2022 is complete and the second quarter is almost complete. With that being said, here is a summary of the City's first quarter financial results. The City's revenues are higher than normal, with expenditures where they should be at this point in time. The key to the City's finances are that even though we are 25% through the year, revenues and expenditures do not flow evenly through 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 spend its budget, but over the course of the year, will actually be in line with budgeted amounts. Likewise, on the revenue side the major revenue source is property taxes and special assessments, which are received in July and December. In addition, sewer billing revenues are only received once a quarter. Below is a chart comparing budget to actual revenue and expenditures for the years 2022 and 2023.

ALL FUNDS						
Revenues	2022	2022	%	2023	2023	%
	Budget	Actual	Received	Budget	Actual	Received
General Fund	11,337.51	20,880.58	184.17%	13,715.49	37,126.00	270.69%
Special Revenue Fds	100.00	137.37	137.37%	100.00	605.91	605.91%
Debt Service Funds	37,008.00	337.32	0.91%	35,792.00	1,306.73	3.65%
Capital Project Funds	15,000.00	1,153.83	7.69%	14,250.00	23,982.53	168.30%
Enterprise Funds	20,835.00	19,280.92	92.54%	20,325.00	21,950.25	108.00%
Total	84,280.51	41,790.02	49.58%	84,182.49	84,971.42	100.94%

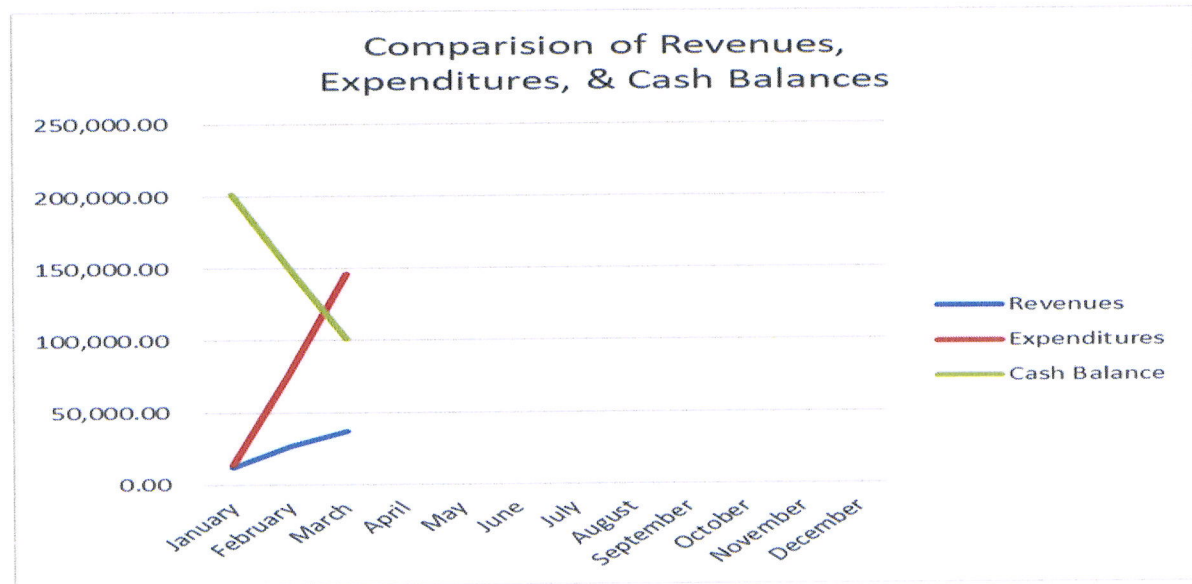
Expenditures	2022	2022	%	2022	2022	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Fund	130,819.50	87,883.14	67.18%	168,707.25	146,507.54	86.84%
Special Revenue Fds	1,250.00	0.00	0.00%	1,250.00	0.00	0.00%
Debt Service Funds	32,465.00	121,462.50	374.13%	34,307.25	120,196.25	350.35%
Capital Project Funds	27,500.00	93,247.63	0.00%	27,500.00	0.00	0.00%
Enterprise Funds	45,587.50	32,767.21	71.88%	40,250.00	9,496.43	23.59%
Total	237,622.00	335,360.48	141.13%	272,014.50	276,200.22	101.54%

It should be noted that the budget amounts are for one quarter of the fiscal year and the actual is year to date actual revenues collected or funds spent. The rest of the report will detail the revenues and expenditures of each of six fund types.

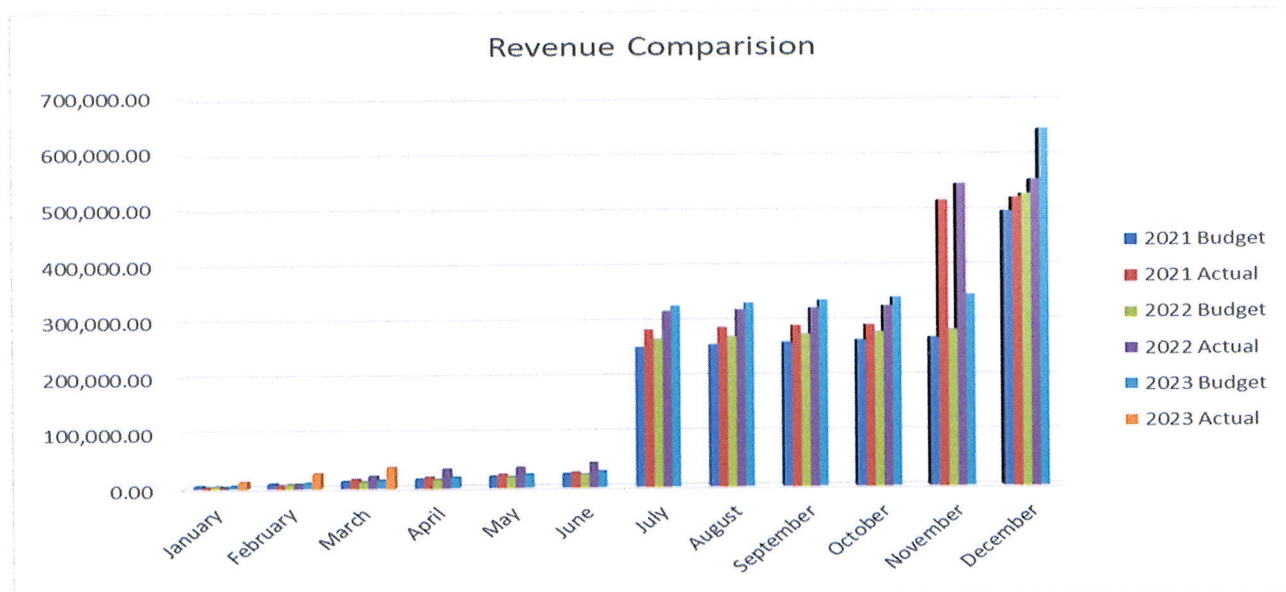
GENERAL FUND

For the first 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 quarter, 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 from the chart below.



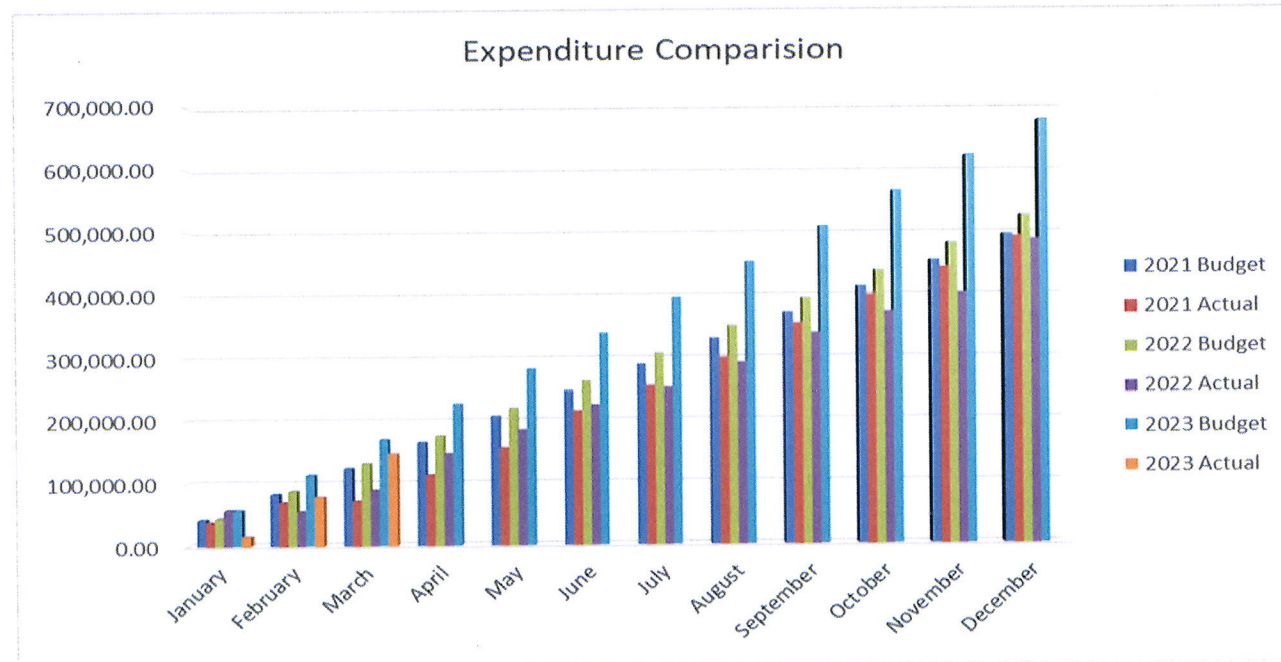
For the year, the City has received 5.8% of the budgeted revenue through the end of the first quarter, which is ahead last year at this time. Building permit revenue is below last year with revenues of \$630.40 in 2022 compared to \$3,231.65 in 2023. Generally, as the weather warms up so does permit activity resulting in increases in those revenue sources. The reason revenues are above 2023 revenues is the result of \$3,390.73 collected for charges for services Fees compared to \$1,425.16 in 2022 and \$13,798.90 in licenses and permits compared to \$5,258.51 in 2022. All other 2023 revenues are similar to 2022 revenues and other prior years. The chart below compares budget to actual revenues for the last three years. For this chart, the monthly revenues are 1/12th of the total revenue budget with the exception of property taxes, which are included in the July and December budget numbers only. One can see that revenues are down compared to previous year for the reasons noted above.



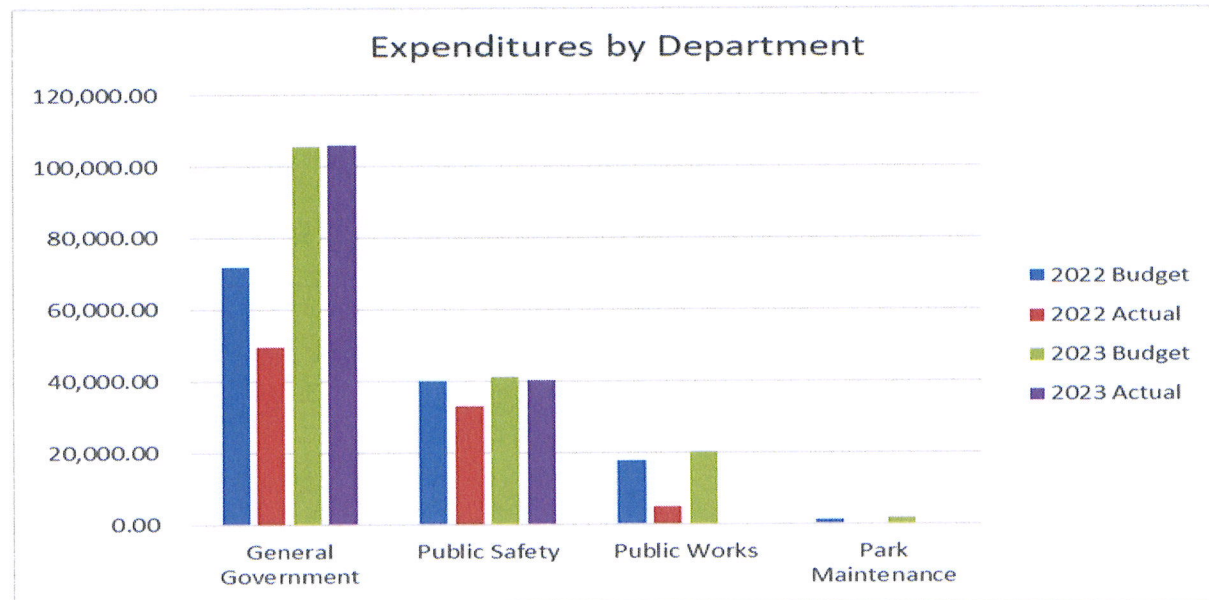
Actual expenditures for the quarter are below the 2023 budget but above the 2022 actual amounts as shown in the charts below:

Expenditures by Department

	2022 Budget	2022 Actual	% Spent	2023 Budget	2023 Actual	% Spent
General Government	71,839.00	49,666.66	69.14%	105,596.00	106,067.45	100.45%
Public Safety	40,005.50	33,194.09	82.97%	41,086.25	40,213.01	97.87%
Public Works	17,725.00	5,022.39	28.34%	20,275.00	227.08	1.12%
Park Maintenance	1,250.00	0.00	0.00%	1,750.00	0.00	0.00%
Total	130,819.50	87,883.14	67.18%	168,707.25	146,507.54	86.84%



If expenditures were spent evenly throughout the year the City should have spent 25% of its budget, however the City has only spent 21.71% of its 2023 budget so far. The only activity over 25% spent of their budgets after the 1st quarter is general government at 25.11%. This is partly due to the wage increase of the acting city clerk, which was higher than anticipated when adopting the 2023 budget. The weather during the first quarter even cooperated and has the public works spending less than 1% of budget, however, there are large snow plow invoices paid in April for March and April snow events. Therefore, depending on the weather this fall and the need for plowing and sanding, the public works activity appears to be trending at coming in below budget. Public Safety has spent 24.47% of its budget. The chart on the following page demonstrates how actual spending of each activity compares to budget through the first quarter.



Overall, the General Fund appears to be in good shape through the first quarter of the year. If revenues and expenditures follow previous year collections and expenditure patterns revenues should finish the year near or above budget amounts while expenditures should finish below budgeted amounts. Staff will monitor revenues and expenditures through the summer months to see if revenues will still exceed expenditures by year-end or if the City will need to use some of their reserves to pay 2023 expenditures besides the use of reserves to purchase the new software.

SPECIAL REVENUE FUNDS

The City's only Special Revenue Fund is the Parks and Playgrounds Fund, which has had only interest earnings of \$605.91 for revenue activity through the first quarter and no expenditures.

DEBT SERVICE FUNDS

On February 1st the City paid its 2023 debt obligations of \$105,000.00 in principal and \$15,196.25 of interest. The City now has \$855,000.00 in outstanding debt. The next scheduled debt payment is the interest only payment of \$13,832.50 due August 1st. Funding comes from property taxes and special assessments, which the City receives in July. The City did receive first quarter interest earnings of \$1,306.73.

CAPITAL PROJECT FUNDS

The main revenue sources are special assessments, which are received in July and a transfer from the General Fund, which will be done in April. The Capital Project Fund revenue includes interest earnings of \$3,982.53 and the budgeted transfer of \$20,000.00. The has no 2023 expenditures through the first quarter.

ENTERPRISE FUNDS

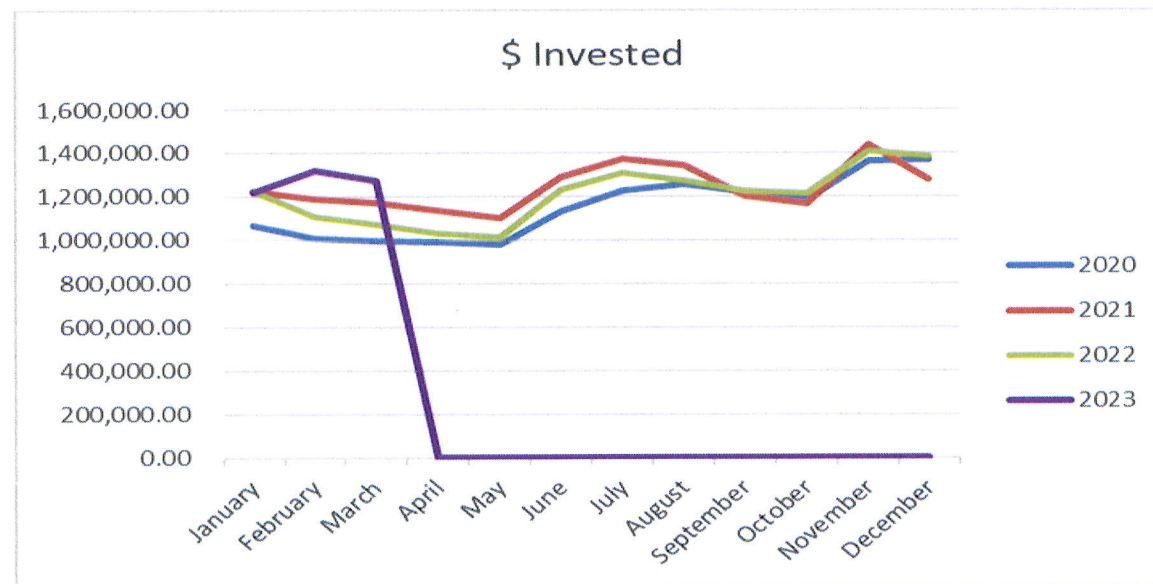
The City's Enterprise Funds include the Sewer and Water Enterprise Funds. Revenues for the first quarter are above last year revenues and are 27.00% of budgeted revenues. Revenues totaled \$21,950.25 for the first quarter of 2023 compared to \$19,280.92 last year. Expenses for the year are below last year's expenses and are just over 5.90% 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 \$53,500.00 for these charges and has paid 8.33% or \$4,457.65 for this line item compared to \$11,369.60 in 2022.

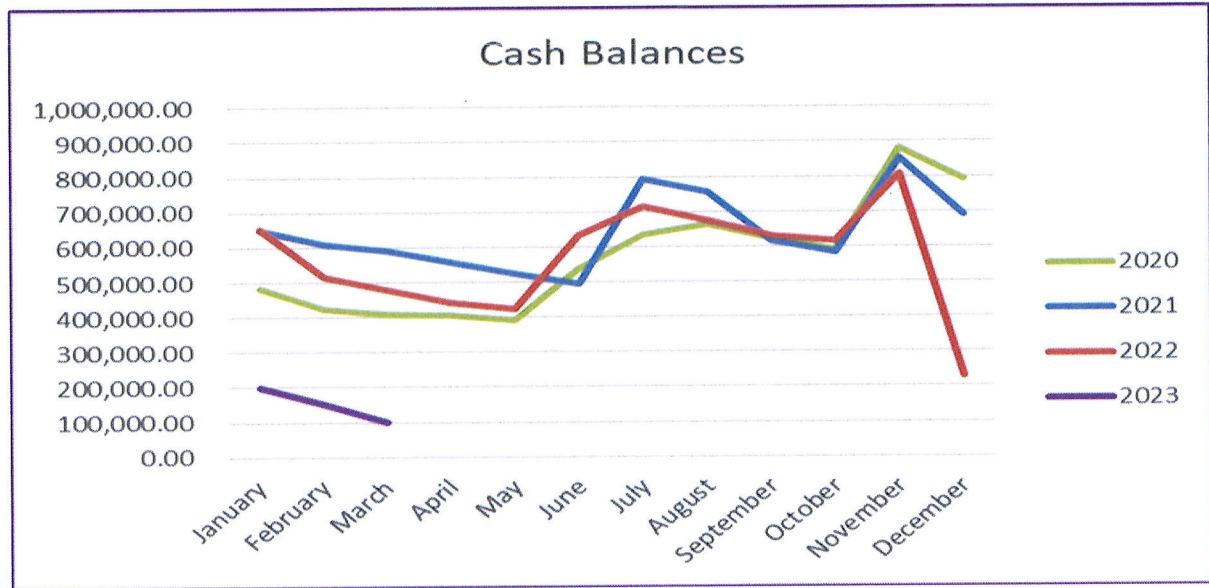
Overall the Sanitary Sewer and Water Funds should finish the year with revenues exceeding budget and expenses should be near budget amounts, resulting in revenues exceeding expenses or breaking even.

CASH AND INVESTMENTS

Finally, the City had \$1,272,526.96 invested as of March 31st. This compares to \$1,070,792.40 invested last year at this time. The increase in investments is due to the City having a small surplus at the end of 2022 and 2023 revenues being better than expected and expenditures being lower than expected. The investments had an average interest rate of 1.93%, which is better than the 1.66% last year. 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 July and December from tax settlements, it is not unusual for the City to have a large amount of cash available in those months 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 on the following page demonstrates the cash flow for the City.



CONCLUSION

The City had a better than normal first quarter of the year financially. Through the first quarter, it appears revenues should finish the year 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 until the City receives its first tax settlement in July, however investment earnings remains low. Therefore, it would appear the City is in good financial shape for 2023.