

MEMORANDUM

Date: August 9, 2023
 To: Mayor and City Council
 From: Tom Kelly, Treasurer
 Re: Second Quarter 2023 Financial Report

The City's audit is complete and the 2nd quarter is also over. The year is flying by. The City's General Fund revenues are above budget and expenditures are below budget. Part of the reason revenues are above budget is business and liquor licenses, along with the SCORE Grant and Cable Franchise Fees already exceeding their 2023 budget. The bad news is these are one-time fees 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 2023 and 2022.

ALL FUNDS

Revenues	2022	2022	%	2023	2023	%
	Budget	Actual	Received	Budget	Actual	Received
General Fund	22,675.02	42,563.45	187.71%	27,430.98	40,856.75	148.94%
Special Revenue Fds	200.00	15,237.69	7618.85%	200.00	810.57	405.29%
Debt Service Funds	74,016.00	552.26	0.75%	71,584.00	1,736.39	2.43%
Capital Project Funds	30,000.00	21,803.47	72.68%	28,500.00	25,378.18	89.05%
Enterprise Funds	41,670.00	54,951.29	131.87%	40,650.00	46,942.69	115.48%
Total	168,561.02	135,108.16	80.15%	168,364.98	115,724.58	68.73%

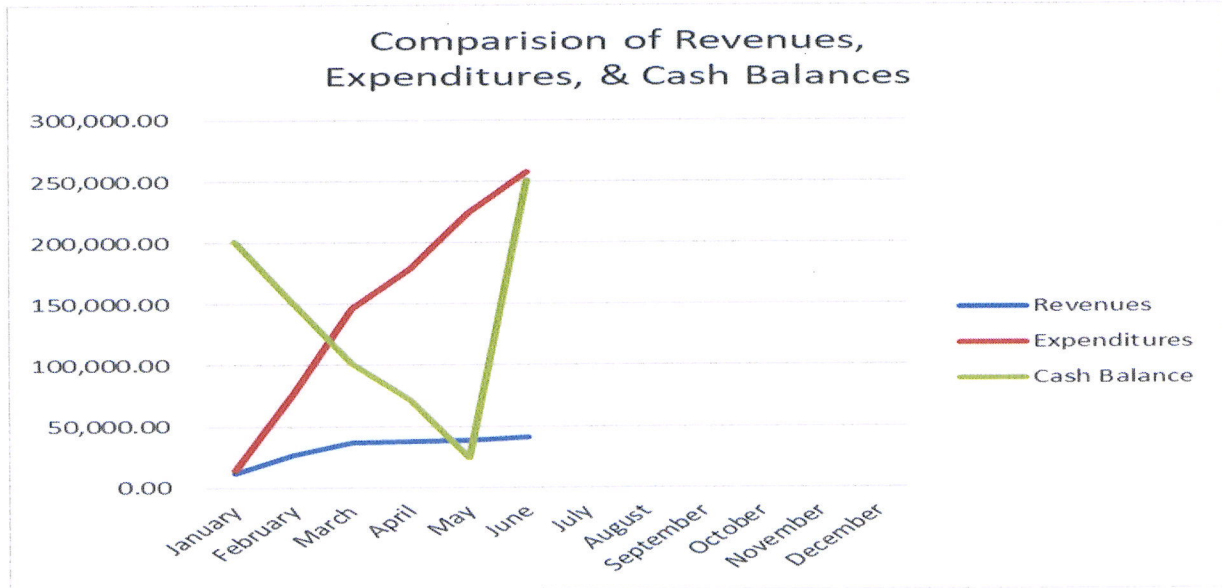
Expenditures	2022	2022	%	2022	2022	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Fund	261,639.00	222,061.51	84.87%	337,414.50	258,143.20	76.51%
Special Revenue Fds	2,500.00	0.00	0.00%	2,500.00	0.00	0.00%
Debt Service Funds	64,930.00	121,462.50	187.07%	68,614.50	134,028.75	195.34%
Capital Project Funds	55,000.00	93,247.63	0.00%	55,000.00	0.00	0.00%
Enterprise Funds	91,175.00	57,378.50	62.93%	80,500.00	14,719.74	18.29%
Total	475,244.00	494,150.14	103.98%	544,029.00	406,891.69	74.79%

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.

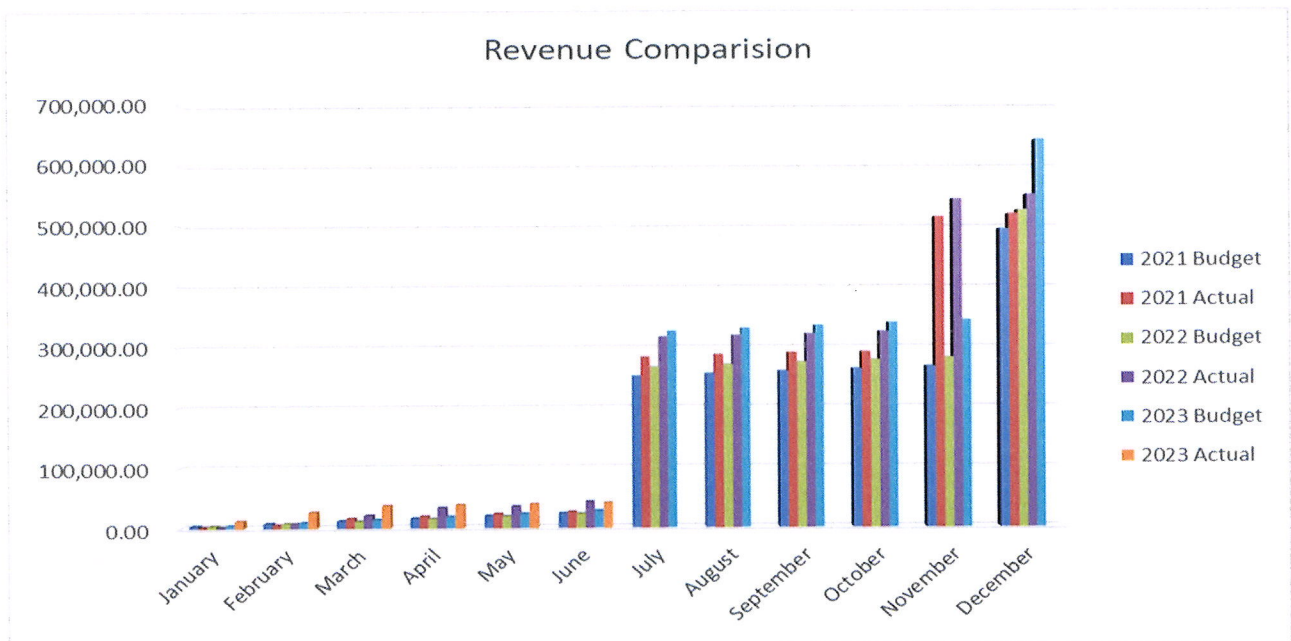
GENERAL FUND

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).



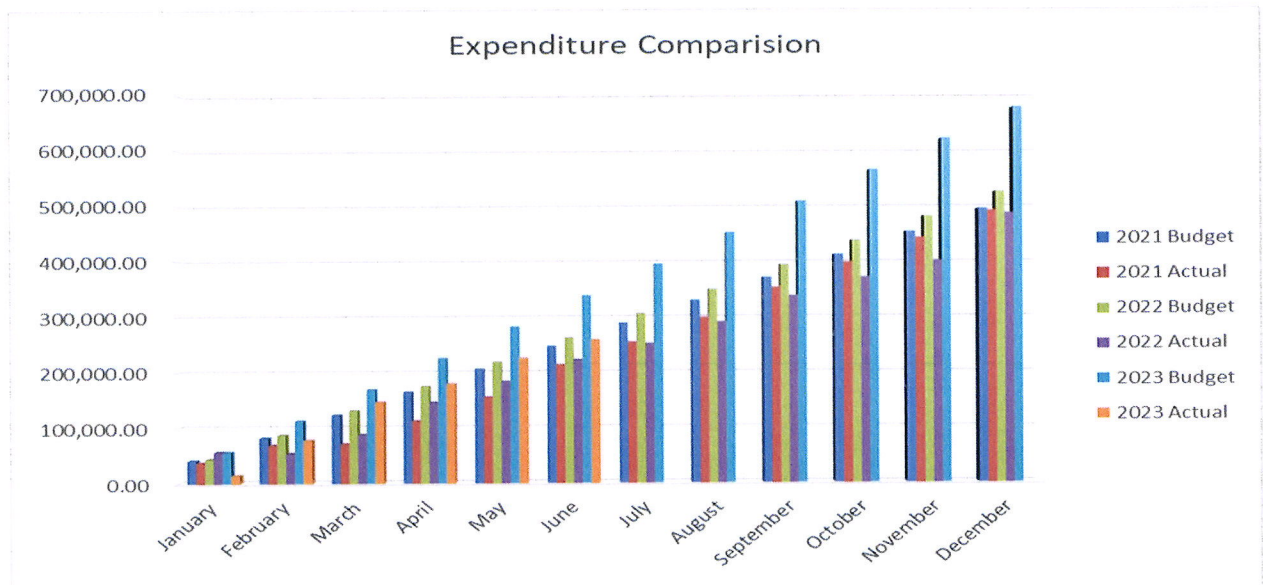
For the year, the City has received 6.39% of the budgeted revenue through the first half of the year, which is above last year at this time when the City had collected only 8.13% of revenues less the advance of the tax settlement. Building permit revenue are down from \$9,197.30 in 2022 to \$3,981.65 in 2023. Other permit revenue are also down from 2022. Interest earning are up from last year. So far the City has earned \$4,161.40 in interest compared to \$1,107.11 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 1/12th of the total revenue budget with the exception of property taxes, which are included in the July and December budget numbers only.



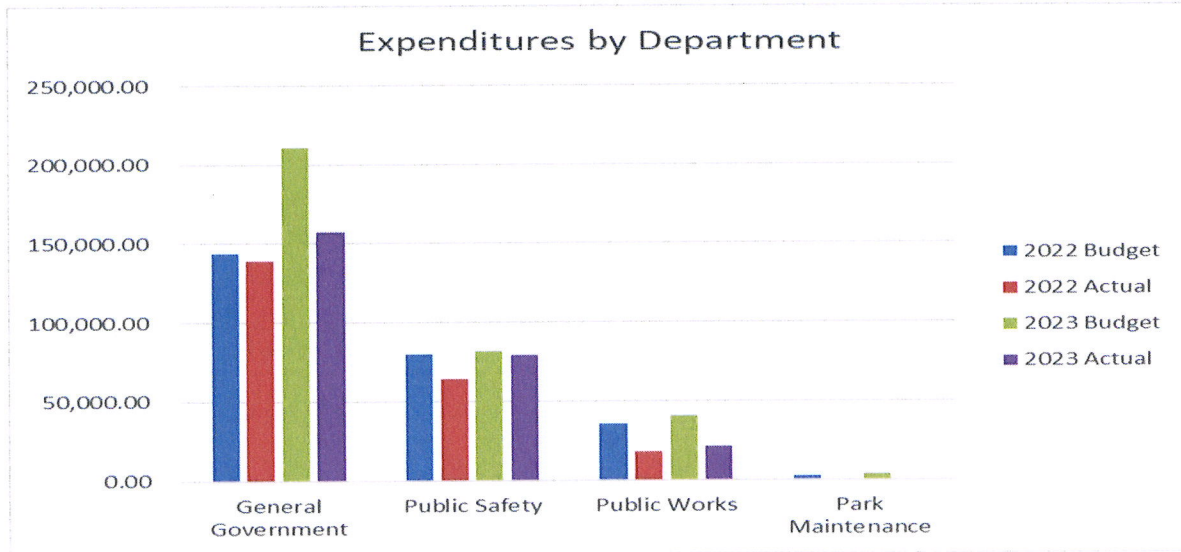
The good news is that actual expenditures for the second quarter remain below the 2023 budget and 2022 budget amounts, but are higher than 2022 actual amounts as shown in the charts below:

Expenditures by Department

	2022 Budget	2022 Actual	% Spent	2023 Budget	2023 Actual	% Spent
General Government	143,678.00	139,403.99	97.03%	211,192.00	157,400.36	74.53%
Public Safety	80,011.00	64,403.32	80.49%	82,172.50	79,283.52	96.48%
Public Works	35,450.00	18,254.20	51.49%	40,550.00	21,459.32	52.92%
Park Maintenance	2,500.00	0.00	0.00%	3,500.00	0.00	0.00%
Total	261,639.00	222,061.51	84.87%	337,414.50	258,143.20	76.51%



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 2nd quarter. The Public Safety budget is only 48.24% spent so far and is the activity closest to 50% spent. The public works department at 26.46% is well under their budget through the second quarter, but the City could have some street patching expenditures and in the 4th quarter there could be some expenditures for salt/sand and snow plowing activities. The general government activity is 37.26% spent. Finally, the City budgeted \$7,000 for park maintenance (maintenance around the trail in the Villas) and so far has not spent any of these funds. The second quarter expenditures are shown in the chart on the following page.



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 received the rest of their first half tax settlement, which was just over 50% of budgeted tax revenue.

SPECIAL REVENUE FUNDS

The City's only Special Revenue Fund is the Parks and Playgrounds Fund, which has received interest earnings of \$810.57 through the first half of the year. No expenditures have taken place this year against the budget of \$5,000.00.

DEBT SERVICE FUNDS

The City paid all its bond payments of \$105,000.00 of principal and \$29,028.75 of interest. The next scheduled debt payment is the principal and interest payment of \$118,832.50 due February 1, 2024. The City has outstanding debt of \$855,000.00. Funding comes from property taxes, special assessments, which will be received in July and December, and interest earnings. Revenues total \$1,736.39 for the first half of the year, which is interest earnings.

CAPITAL PROJECT FUNDS

The Capital Project Funds have revenues of \$25,375.18, which is from the \$20,000 transfer from the General Fund and interest earnings. For 2023 there has been no expenditures so far.

ENTERPRISE FUNDS

The City's Enterprise Funds consist of the Sewer Enterprise Fund and the Water Enterprise Fund. Revenues are below last year revenues and are 57.74% of budgeted revenues. Revenues totaled \$46,942.69 for the first half of 2023 compared to \$54,951.29 last year. The main difference is water usage. Expenses for the year are also below last year's expenses and are only 9.14% 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 have paid 8.33% or \$4,457.65 for this line item.

CONCLUSION

The City had a typical first half of the year financially. Through the second quarter, it appears revenues should finish the year near or above budgeted amounts for most revenue sources, while expenditures will 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 2023.