

MEMORANDUM

Date: September 15, 2021
 To: Mayor and City Council
 From: Tom Kelly, Treasurer
 Re: Second Quarter 2021 Financial Report

I realized I never provided the City Council with a first quarter financial report, which makes this report all the more important that I keep the Council up to date on the City's financial position. The City's revenues are above budget and expenditures are below budget. Part of the reason revenues are above budget is the utility rate increase and building permit revenue already collecting 55% of their 2021 budget. The key to the City's finances are that even though we are 50% 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 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 2020 and 2021.

ALL FUNDS

Revenues	2020 Budget	2020 Actual	% Received	2021 Budget	2021 Actual	% Received
General Fund	34,024.98	229,921.53	675.74%	23,424.96	25,933.25	110.71%
Special Revenue Fds	45,662.00	317.88	0.70%	200.00	123.74	61.87%
Debt Service Funds	41,192.50	76,554.09	185.84%	76,160.50	308.08	0.40%
Capital Project Funds	33,125.00	22,331.42	67.42%	13,500.00	31,666.99	234.57%
Enterprise Funds	31,165.00	27,116.91	87.01%	35,375.00	22,628.97	63.97%
Total	185,169.48	356,241.83	192.39%	148,660.46	80,661.03	54.26%

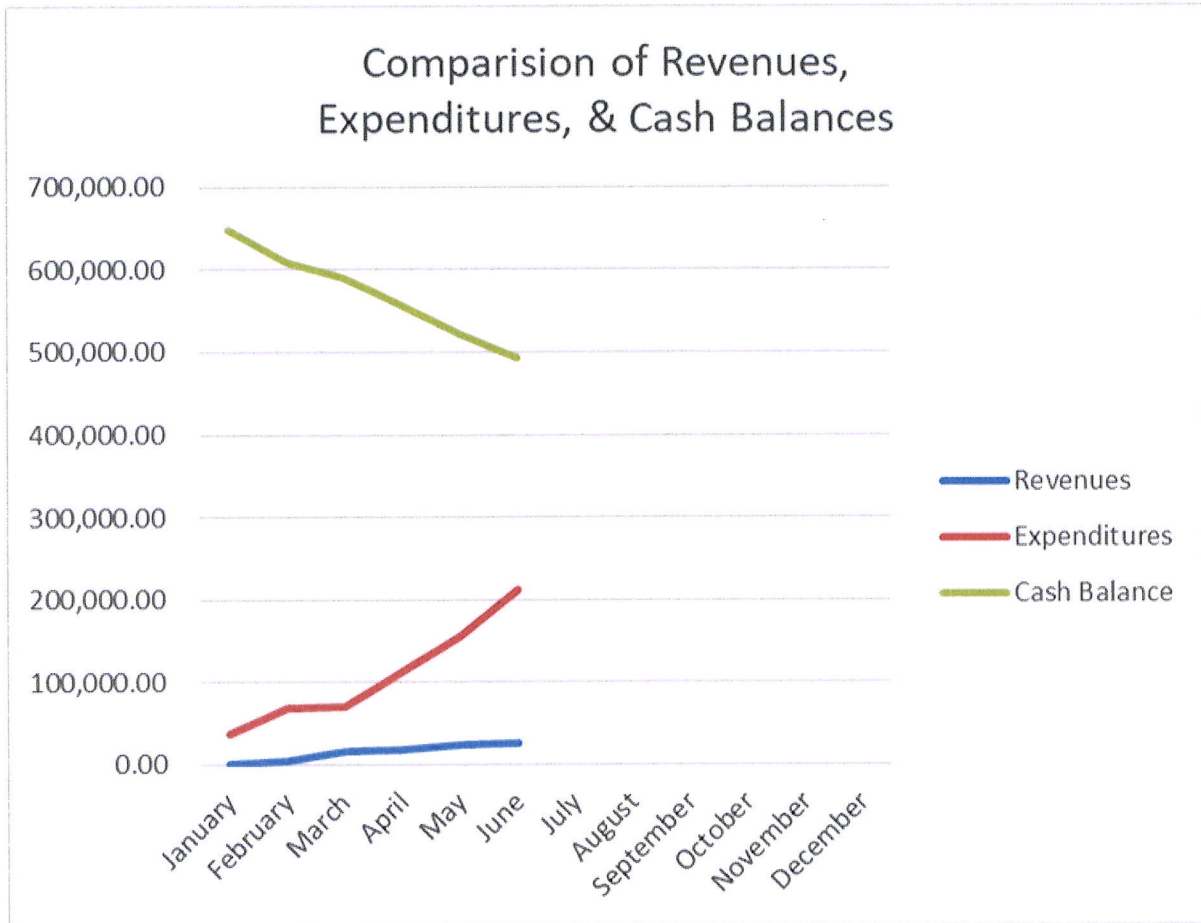
Expenditures	2020 Budget	2020 Actual	% Spent	2021 Budget	2021 Actual	% Spent
General Fund	259,569.00	139,693.63	53.82%	246,192.48	212,763.09	86.42%
Special Revenue Fds	52,500.00	0.00	0.00%	1,000.00	0.00	0.00%
Debt Service Funds	63,732.50	106,862.50	167.67%	65,632.50	123,065.00	187.51%
Capital Project Funds	30,512.00	0.00	0.00%	0.00	15,244.69	0.00%
Enterprise Funds	52,475.00	12,078.24	23.02%	90,045.00	22,297.41	24.76%
Total	458,788.50	258,634.37	56.37%	402,869.98	373,370.19	92.68%

It should be noted that the budget amounts are for half the year's budget and the actual is year to date. Also the General Fund revenues in 2020 include an advance payment of the July tax settlement due to Covid-19. The rest of the report will detail the revenues and expenditures of each of six fund types.

GENERAL FUND

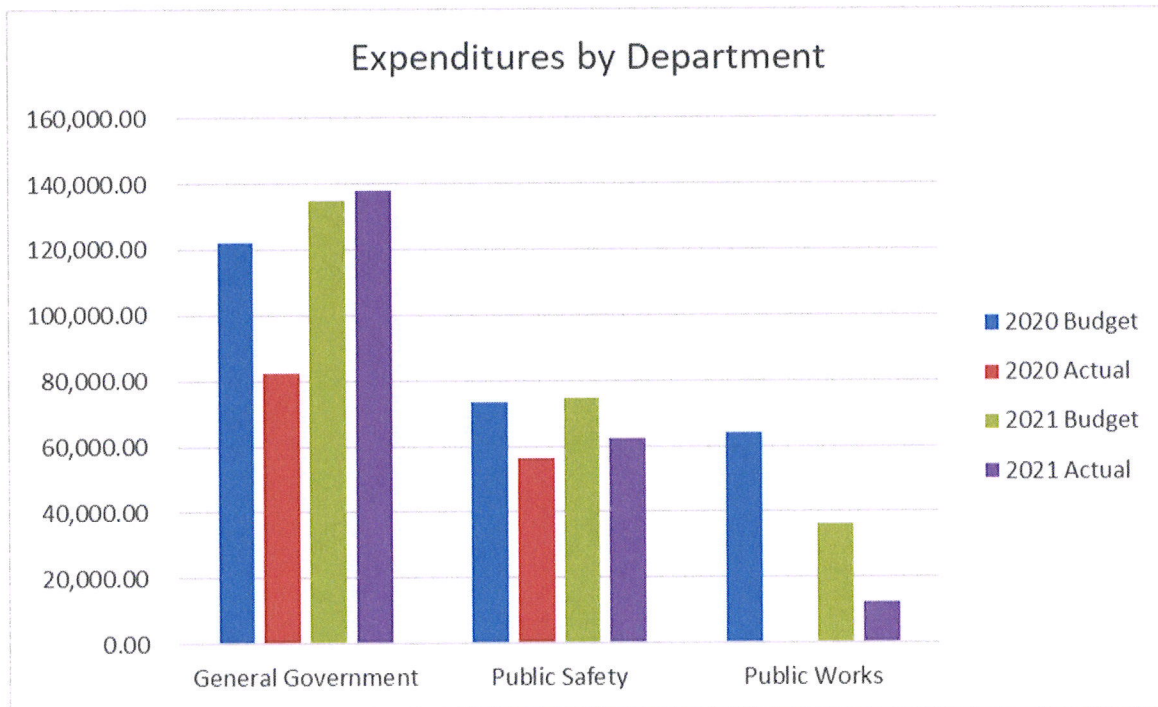
For the second quarter, revenues are above budget projections and expenditures are below budget, which is show in future charts. However, the chart on the following page shows how

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.



For the year, the City has received 5.27% 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 2.37% of revenues less the advance of the tax settlement. Building permit revenue are up from \$2,300.40 in 2020 to \$4,418.20 in 2021. This increase also affects plan check fees, which are up from \$575.10 in 2020 compared to \$1,151.02 in 2021. Interest earning are down from last year. So far the City has earned \$814.77 in interest compared to \$3,670.65 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.

If expenditures were spent evenly throughout the year, the City should have spent 50% of its budget. The only General Fund activity that is over 50% spent of their budgets after the 2nd quarter is General Government, which is at 51.13% and is due to the one-time transfer of \$25,000 to the improvement funds for future improvements. Also the Clerk/General Government activity expenditures are higher than budget due to the transition to the new clerk. The Public Safety budget is only 41.75% spent so far due to the budget for a code enforcement position not being filled. The public works department at 16.90% is well under their budget through the second quarter, but the City has approved some street patching expenditures and in the 4th 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.

SPECIAL REVENUE FUNDS

The City's only Special Revenue Fund is the Parks and Playgrounds Fund, which has had only interest earnings through the first half of the year.

DEBT SERVICE FUNDS

The City paid its February 1st bond payments of \$95,000.00 of principal and \$17,602.50 of interest at the end of January. The next scheduled debt payment is the interest only payment of \$16,462.50 due August 1st. Funding comes from property taxes, special assessments, which will be received in July and December, and interest earnings. Revenues total \$308.08 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 \$31,666.99, which is from the \$25,000 transfer from the General Fund and interest earnings. For 2021 the expenditures are for the Hoffman Road repaving project.

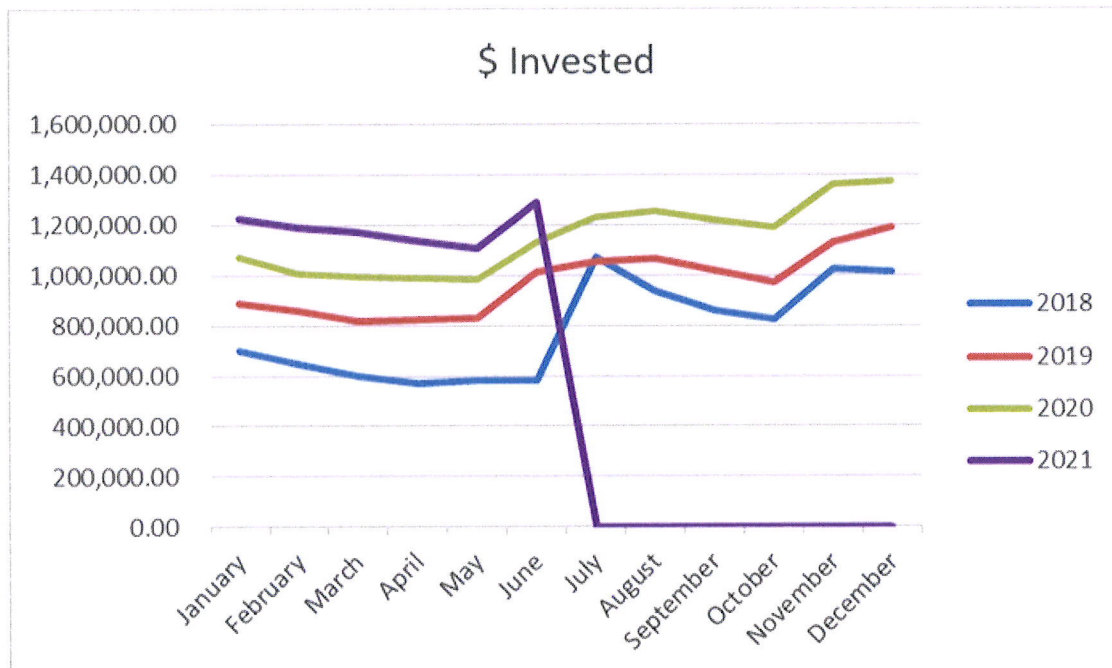
ENTERPRISE FUNDS

The City's Enterprise Funds now consist of the Sewer Enterprise Fund and the Water Enterprise Fund. Revenues are below last year revenues and are 31.98% of budgeted revenues. Revenues totaled \$22,628.97 for the first half of 2021 compared to \$27,116.91 last year. Revenues below last year are SAC and WAC charges on new construction. Expenses for the year are above last year's expenses but are only 12.38% 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 \$38,840 for these charges and have paid 57.28% or \$22,245.90 for this line item.

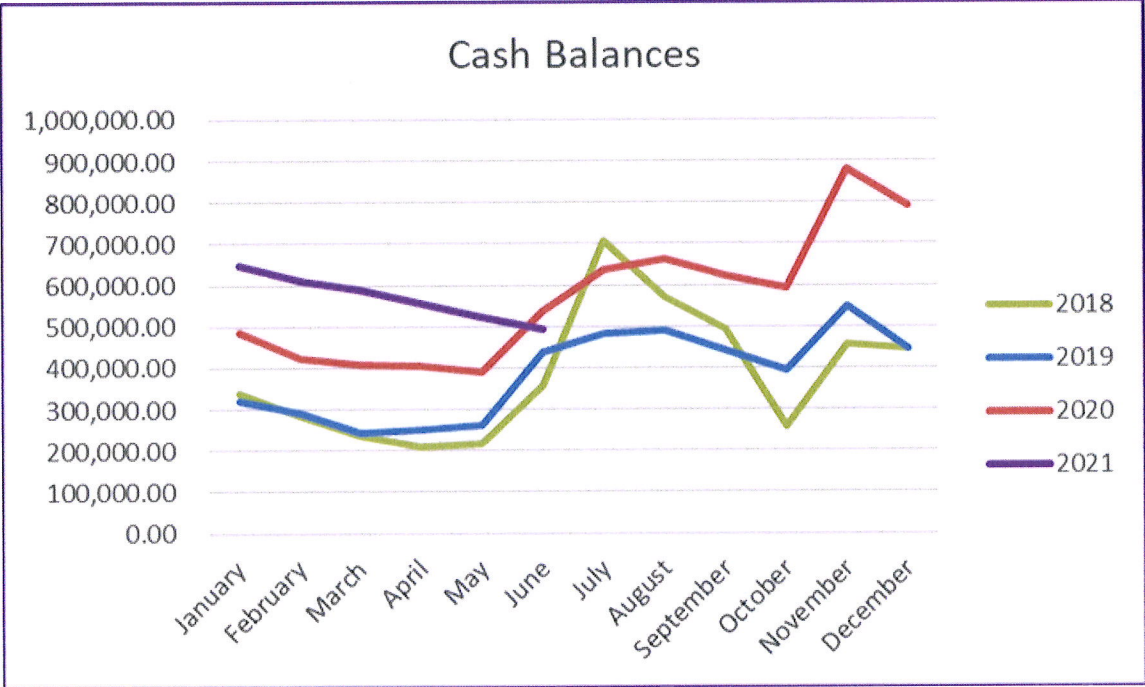
Overall, the sanitary sewer and water funds should finish the year with revenues near budget and expenses below budgeted amounts.

CASH AND INVESTMENTS

Finally, the City had \$1,291,696.39 invested as of June 30st. This compares to \$1,129,752.03 invested last year at this time. The investments had an average interest rate of 1.66% compared to 2.64% last year. Interest rates remain low with the highest interest rate on 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 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 2021.