



Mayor's Letter

November 16, 2017

Hello Everyone,

OUR HALLOWEEN HAYRIDE

in November was a sweet success thanks to the work of our many volunteers. We had a record turnout with the four trailers overflowing with children, so apparently the weather delay had no effect on our little ones' appetites for candy. You can't have a hayride without hay and **Mike Fritz** of Pilot Point stepped up and provided it to us at no cost. Councilman **Gary Newsome** ran the operation and acquired the hay, the trailers, and the drivers that successfully completed their mission of uniting children with candy. **Clint Bushong, Chuck Place, Van Freeman, and Gary Schroeder** volunteered to let us use their trailers. **Darrell West, Gary Newsome, Rick Turner, and Chris Cox** volunteered to drive the trailers full of masked superheroes.



One of the best things about the Halloween Hayride is that it is totally a volunteer event. For every other town event, we spend money, but not at Halloween, we don't spend a dime. **It's just volunteers, children, and candy.** It's really

simple. But let me talk for a minute about the volunteers. The hay doesn't just show up, volunteers have to go out to Pilot Point and load by hand fifty hay bales onto a big trailer. On Halloween night volunteers have to move the bales onto the four trailers. Once it's over the hay has to be reloaded, taken back to Pilot Point and unloaded and stacked, by hand. The only requirement is that the hay can't get wet. Because of the rain threat, the volunteers would have had to unload the hay and wrap, tarp, and tape the bales onto the trailers, then undo it when we give it back. That's not fair. That's asking too much. I heard from one of the drivers who said they were worried about driving in the rain. Imagine driving a trailer full of little kids, in the dark, with bulk trash piles of stuff along the edge of the street (which

could be hiding a child). Now suppose it's cold and raining and kids are running on and off the trailers – that's too much. **I appreciate what our volunteers do.** With all the things that we are working on to make the Town great, **I have a special appreciation when others join in.** Most importantly, **I have an obligation** to them to make sure they don't take on unnecessary risks. That's why I made the decision to postpone the hayride until the weather was better. Yes, some of the little ones pooped out before they made it all the way around town, and maybe they didn't make it to too many houses. But, everyone I talked with under the age of eight was happy, and that's the real target audience on Halloween.



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THE INDEPENDENT AUDITORS will be here on November 20-22nd to complete their fieldwork for our 2017 audit. I have already completed my internal audit and prepared our financial statements for the auditors to examine. The 2017 audit will mark my tenth consecutive audit, which coincidentally are the only financial audits the Town has ever performed. I am responsible for writing the M, D & A (Management Discussion and Analysis) in the audit report which details our performance and provides future guidance regarding our finances. **I would like to briefly highlight why 2017 was such a great year for us.** I will talk about the General Fund this month and the Utility Fund next time (no need to have accounting overload).

Back in 2014 when we made the decision to replace the roads, the method of financing the project was my responsibility. After consulting with Ken Guthrie, we made the decision to add debt servicing of \$0.05 to our \$0.25 tax rate. Legally, we could have raised taxes by \$0.21

to cover the entire payment but we agreed to **tough it out, cut expenses, and use some of our reserves.** Raising taxes would be a last resort. Our 2015 budget showed that while we expected to have an \$88,278 operating surplus, we were still going to be \$39,206 short for our bond payment. So we had to dip into our reserves. **In our 2015 audit, the auditors warned us that you could dip into the reserves for only a few years before you would have to raise taxes.**

So, the plan was to temporarily eliminate our discretionary expenses for road repairs and the playground and hopefully grow our revenues through a few new houses each year, property appreciation due to the new roads, and the never-ending constant nagging by the Mayor to use “**75068-Lakewood Village**” for our sales tax collections.

For the first time, in 2017 we are now adding to our reserves instead of using them. Our 2017 operating surplus was \$156,045 easily covering the additional \$135,325 needed for our bond payments. After bottoming out in 2016, our General Fund cash is now increasing and I forecast that it will accelerate. And, this is after we set aside \$25,000 for road repairs and spent money on new playground equipment in 2017. The Table above excludes what we call non-recurring revenues and expenses which are one-time things that are reported separately. So for example we received an insurance check for hail damage, a code enforcement payment of over \$20,000, and we sold our Melody lot. On the expense side we had to use the insurance to pay for the new roof, we paid a legal settlement, and we had to abate some properties. **These are excluded.** Although it was a net positive, we don’t include them in our basic operating results; obviously we can’t sell the Melody lot again this year. **The true test of financial management is whether you operate the town using your basic (continuing) operating revenues without using any accounting gimmicks that rely on unpredictable one-time things.** I would give us an A on that test. We have a solid surplus, our cash is growing, and after next year we can start paying off our bonds early. We did it the hard way. I remember back in 2006, we had no money, bad roads, and the Town secretary was convicted of embezzling our funds. Now we have beautiful concrete streets (more to come), a surplus, and several hundred thousand dollars in the bank. Our future looks great.

CHRISTMAS IN THE VILLAGE. This year Santa will be at Town Hall on December 10th from 3 to 5pm. Pictures with the man in the red suit, crafts, food and drinks will all be available. There might even be some sweets which look suspiciously like Halloween candy.

INVITATIONS TO THE LWV APPRECIATION DINNER. are on the way. This is a new tradition that we started last year to recognize all of the volunteers, workers, and staff that help to make the village such a great place to live. As I’ve said before, if we don’t do it, often it doesn’t get done. **This is our chance to recognize the efforts of those who help get it done.** The dinner will be on December 16th. We think we have everyone on our list, but if you volunteered and we miss you, please let Summer know.

	2015 Budget	2017 Budget	2017 Actual
Property Taxes	\$194,000	\$218,800	\$220,467
Sales Taxes	\$25,000	\$30,000	\$38,672
Permits and Fees	\$80,400	\$117,700	\$119,090
Recurring Revenues	\$299,400	\$366,500	\$378,229
Operating Expenses	(\$211,122)	(\$200,225)	(\$222,184)
Operating Surplus	\$88,278	\$166,275	\$156,045
Bond Payment	\$166,084	\$173,925	\$173,925
less: \$0.05 debt tax	(\$38,600)	(\$43,800)	(\$38,600)
Remaining Payment	\$127,484	\$130,125	\$135,325
less: surplus	(\$88,278)	(\$130,125)	(\$135,325)
Reserves used	\$39,206	N/A	N/A
GF Cash - End of Year	\$175,331		\$204,811

ON A SIDE NOTE, I would like to clear up one issue. There are actually several different types of accounting. These include financial accounting, government accounting, tax accounting, and my specialty, **managerial accounting**, which I teach to executives both in the U.S. and Internationally. Simply, managerial accounting is the collection and use of information to make decisions on running the business. Managerial accounting systems use **very disaggregated** data to help analyze issues. So for example you might record the utility expense for each individual piece of equipment in the factory, whereas the financial accountants only care about the total expense.

When I created our current accounting system in 2007, it was critical to create a managerial accounting system. The town was in poor financial shape and we had to find out why. Our accounting system currently tracks well over one-hundred separate categories. **Not for budgeting purposes, but for managerial purposes.** Following the GASB rules, our financial statements add them all up and only report four or five category totals. But that isn't helpful to answer how many times do we call animal control each year, how many times did town hall get rented, how much do we spend on street lights ? I didn't create separate lines for these because the \$200 expense is a key part of our \$400,000 budget – **it is economically irrelevant.** It's so that we can make informed decisions like should we contract out for regular animal control sweeps, should town hall rental be free, is it economical to replace our street lights, etc. **We get one bill from CoServ.** Linda is required to break down the bill into how much is Town Hall, street lights, lift stations, the water wells, and the sewer plant. We use this information to be able to diagnose problems with the equipment and measure our efficiency improvements. But, now in the accounting system instead of one "electricity" expense we now have five. When I prepare the annual budget I make the most accurate estimates I can. Sometimes I am a little high and sometimes a little low, but in the end they all cancel each other out. In 2016 I budgeted \$200 for postage, we spent \$46. I budgeted \$100 for 2017, we spent \$276. **My bad.** Did we do a budget amendment ? Of course not. We track over one-hundred categories including pet registrations which are \$5, we aren't going to do a budget amendment because fluffy has kittens.

COUNCIL ACTIONS. After reconsideration the Council authorized road repairs for Carrie and Highridge. I expect those to start soon. The council approved an updated fence ordinance (the original from 2003 was out of date).

<u>Council Vote on Consideration Items</u>			
Road repairs for Carrie Lane and Highridge Drive	Reed, Newsome, Bushong, Shields	Tantalo	
CAPX for hydrants, sewer plant and lift-stations	Reed, Newsome, Bushong	Tantalo, Shields	
Fence Ordinance	Reed, Newsome, Bushong, Shields	Tantalo	
Budget Amendment	Reed, Newsome, Bushong	Tantalo, Shields	

The changes were administrative, there were no changes to the basic fence rules. The council approved my request for the **2018 CAPX projects which included completing the fire hydrant project, improving the Stowe and Carrie lift-stations, and making sewer plant improvements.** The council approved amending the 2017 budget which incorporated the unforeseen, non-recurring items mentioned earlier. The Council also engaged in a discussion (no action) on water and sewer impact fees.

KEY FIGURES: For the first half of November:

Average daily water production was 63,200 gallons or 21% of our maximum production.
At the sewer plant, the average daily flow was 30,080 gallons or 30% of our capacity.

Everyone have an enjoyable and happy Thanksgiving. It's never been a better time to be in Lakewood Village.

Dr. Mark E. Vargus
Mayor

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