

MEMORANDUM

Date: July 14, 2016
 To: Town Board
 From: Tom Kelly, Finance Officer
 Re: Second Quarter 2016 Financial Report

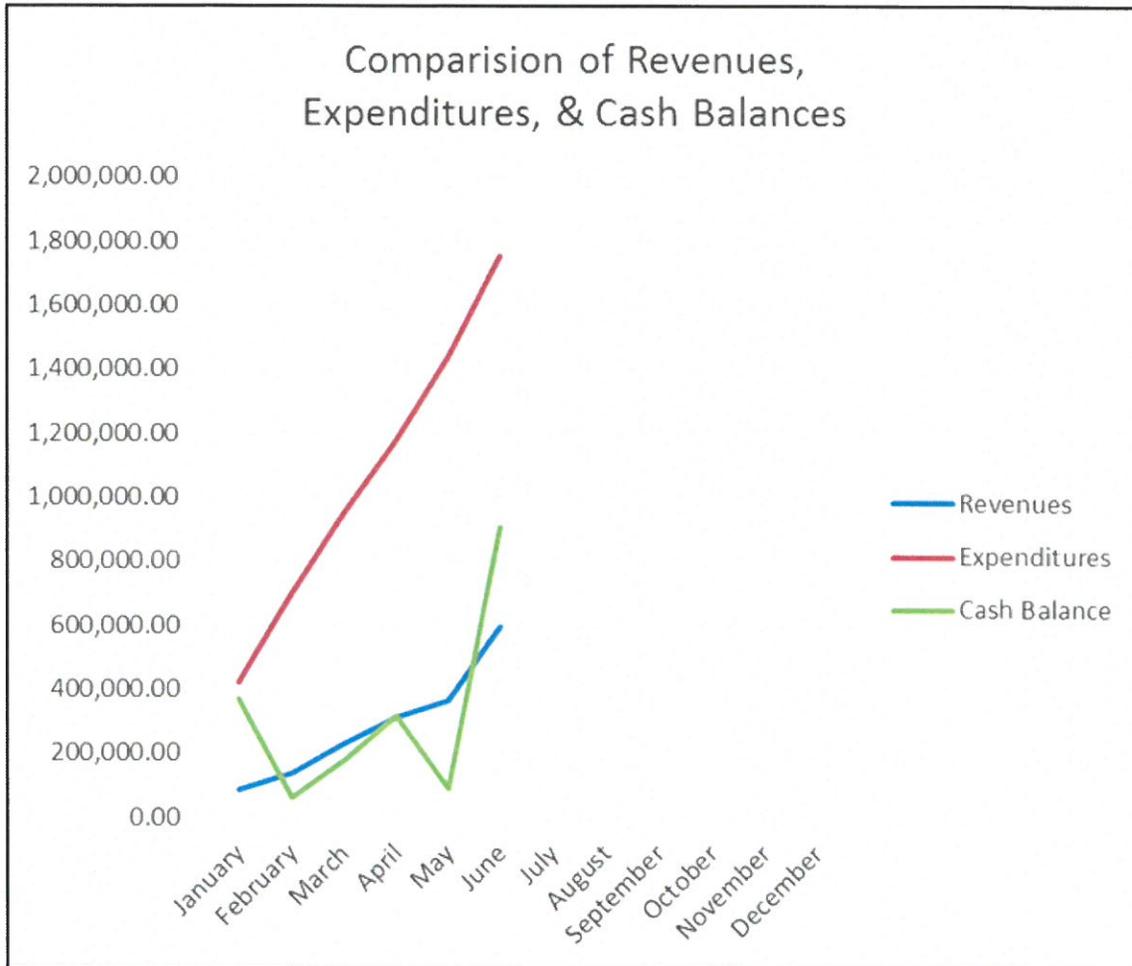
In June the Town received a positive report from the Town's auditors on the Town's 2015 audit, which has been submitted to GFOA for the Certificate of Achievement award and used to generate the 2nd Annual Town Popular Report, which will be mailed with the next utility billing cycle. If the Town is awarded the Certificate of Achievement award, it will be the 20th consecutive year the Town has received the award. It's now July and the second quarter is now complete. The key to the Town's finances are that even though we are 50% through the year, revenues and expenditures don't flow evenly through the year. There are some one time expenditure spent at the beginning of the year which makes the Town look like it will over spend its budget, for example the Debt Service Funds, 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. Also utility billing revenues are only received once a quarter. Last year, Debt Service Fund revenue was 174% due to onetime transfers to fund debt retirements. Below is a chart comparing budget to actual revenue and expenditures for the years 2015 and 2016.

Revenues	2015 Budget	2015 Actual	% Received	2016 Budget	2016 Actual	% Received
General Fund	3,549,609.00	286,027.65	8.06%	3,724,485.00	595,456.75	15.99%
Special Revenue Fds	39,425.00	0.00	0.00%	39,026.00	0.00	0.00%
Debt Service Funds	508,936.00	233,873.00	45.95%	335,099.00	146,275.43	43.65%
Capital Project Funds	1,128,155.00	71,151.98	6.31%	1,013,215.00	67,751.24	6.69%
Enterprise Funds	2,881,956.00	428,499.85	14.87%	4,514,170.00	891,954.24	19.76%
Internal Service Fds	447,167.00	414,729.84	92.75%	504,301.00	550,974.00	109.25%
Total	8,555,248.00	1,434,282.32	16.76%	10,130,296.00	2,252,411.66	22.23%
Expenditures	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
General Fund	3,549,609.00	814,480.00	22.95%	3,724,485.00	1,752,946.16	47.07%
Special Revenue Fds	26,000.00	625.00	2.40%	26,000.00	3,240.60	12.46%
Debt Service Funds	1,569,877.00	1,545,353.19	98.44%	419,846.00	394,342.81	93.93%
Capital Project Funds	2,201,480.00	111,595.86	5.07%	2,188,380.00	303,521.56	13.87%
Enterprise Funds	7,116,839.00	849,826.34	11.94%	6,159,620.00	1,759,100.01	28.56%
Internal Service Fds	449,700.00	96,870.13	21.54%	646,810.00	243,387.30	37.63%
Total	14,913,505.00	3,418,750.52	22.92%	13,165,141.00	4,456,538.44	33.85%

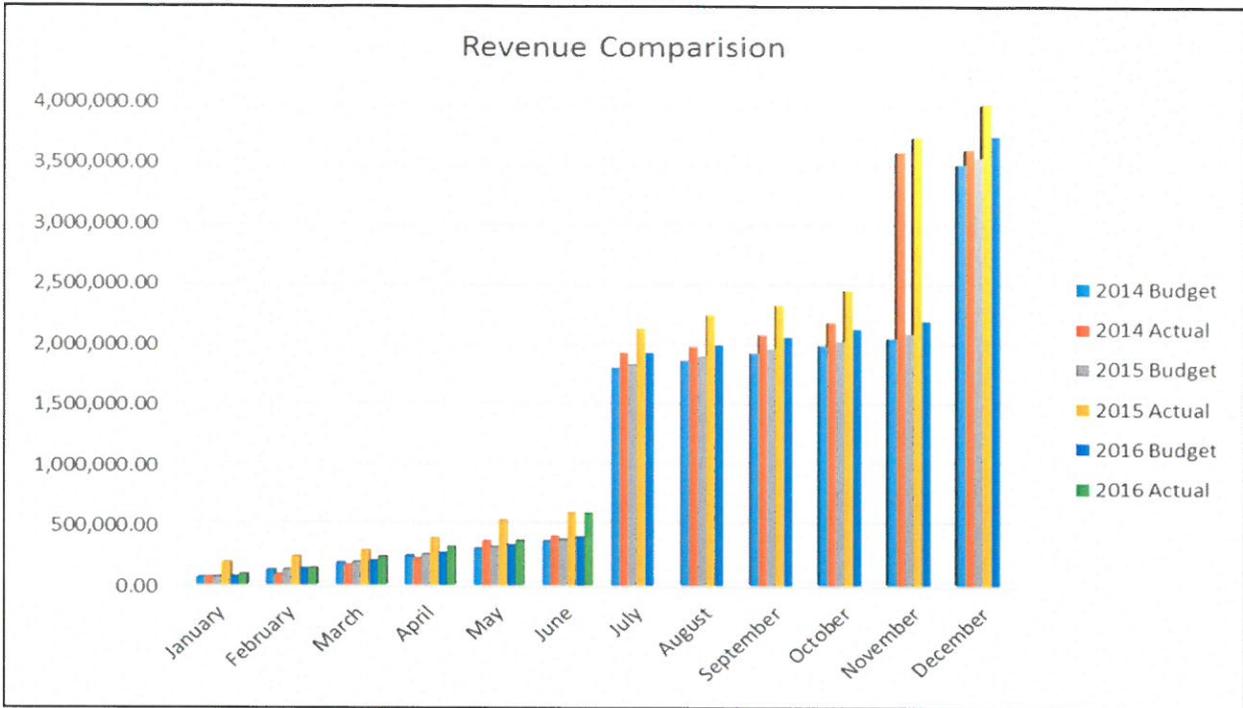
It should be noted that the budget amounts are for the fiscal year and the actual is year to date. The rest of the report will detail the revenues and expenditures of each of six fund types.

GENERAL FUND

Through the second quarter, revenues are above budget projections and expenditures are slightly below budget, which is shown in future charts. However the chart below shows how revenues are below expenditures levels for the first half of the year which is typical until the Town receives its first half property tax payment in July. Also one can see how the Town depends on reserves (cash balances) until that tax payment is received. The increase in cash from April through June is from the sale of investments and receiving an advance payment of the July tax settlement, not from revenues.

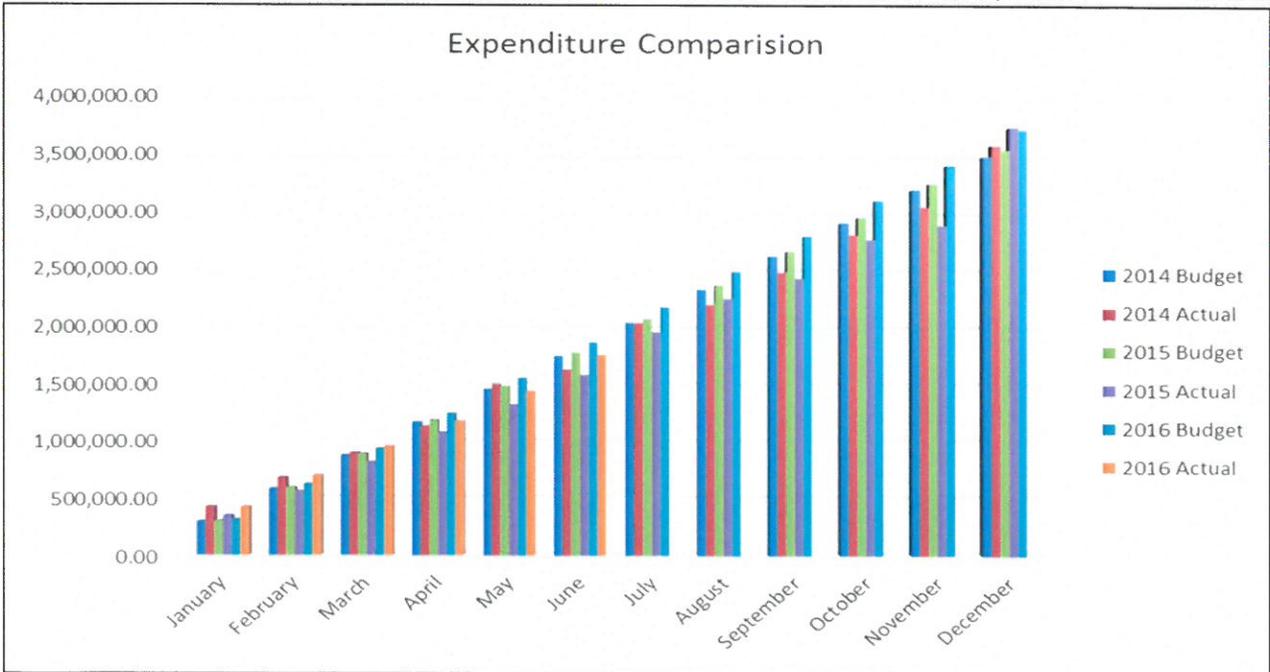


For the year the Town has received 15.99% of the budgeted revenue through the end of June, which is a bit ahead of as last year at this time. Licenses and permits have collected 92.33% of their budgets so far. Also as shown in the code enforcement reports building permit revenue is up slightly. Engineering fees which are billed to property owners are also above budget. This is mainly due to the Pine Hill project. Intergovernmental revenues include cable TV Franchise Fees, which were collected during the second quarter in the amount of \$146,927.12 when only \$60,000 was budgeted. The chart on the following page compares budget to actual revenues for the last three years. For this chart the monthly revenues are ½ of the total revenue budget with the exception of property taxes which are included in the July and December budget numbers only.



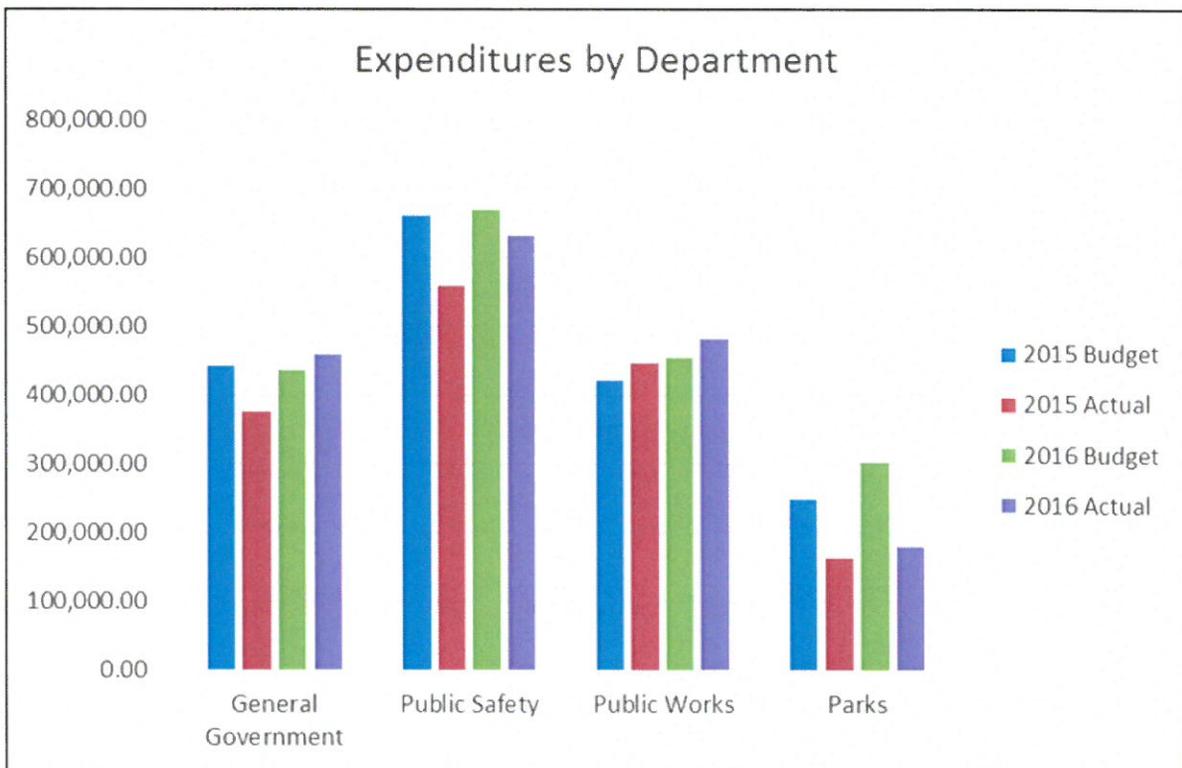
Actual expenditures for the quarter are below the 2016 budget but above 2014 actual amounts as shown in the charts below:

	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
General Government	442,450.00	376,625.98	85.12%	436,564.00	459,221.78	105.19%
Public Safety	660,611.50	558,879.78	84.60%	669,772.00	632,398.43	94.42%
Public Works	422,457.00	446,187.48	105.62%	454,078.00	481,042.96	105.94%
Parks	249,286.50	163,209.57	65.47%	301,828.00	180,282.99	59.73%
Total	1,774,805.00	1,544,902.81	87.05%	1,862,242.00	1,752,946.16	94.13%



If expenditures were spent evenly throughout the year the Town should have spent 50% of its budget, which is the budget amounts in the previous charts. The activities over 50% spent of their budgets after the 2nd quarter are general government and public works. Both are due to one-time expenditures for their equipment rental fee paid to the Town's Capital Equipment Fund and a one-time transfer to the Capital Projects Funds for the Town's annual sealcoat project. These one-time transfers were completed in January.

The bad news is that there are expenditures that occur during the summer months, such as, beach operations and part-time public works summer help, all of which will increase expenditures in the coming months for both public works and parks and already have both departments above actual expenditure for last year at this time as shown in the chart below. As the summer months progress staff will monitor these department to keep within budget levels.



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 while expenditures finish below budget.

SPECIAL REVENUE FUNDS

The Town has two Special Revenue Funds, the Park Acquisition Fund and Township Day's Festival. So far the only activity in the two funds are payments to the Township Day event planner and some advertising at a cost of \$3,240.60 which is typical for the first half of the year.

DEBT SERVICE FUNDS

On February 1st the Town paid its 2016 debt obligations of \$720,000.00 in principal and \$53,357.50 of interest. The Town now has \$4,375,000.00 in outstanding debt. The next scheduled debt payment is the interest only payment of \$45,125.00 due August 1st. Funding

comes from Water Utility Fund revenues as well as property taxes, special assessments, and tax increments which the Town will receive with the first half 2016 property tax settlement in July. The \$146,275.43 in revenues received through the second quarter are from the budgeted transfers from other Town funds for their share of the debt payments, first quarter prepaid special assessments, and first quarter interest earnings.

CAPITAL PROJECT FUNDS

Revenues received are from first quarter prepaid special assessments, first quarter interest earnings, the billboard lease in the Community Park Fund, and a transfer from the Town’s General Fund for the Town’s annual sealcoating project. The expenditures are transfers from the Towns EDA Fund to the Debt Service Funds for their share of 2016 bond payments, engineering fees, and costs related from moving the Town Hall to the park.

ENTERPRISE FUNDS

The Town’s Enterprise Funds second quarter financial information is as follows:

Revenues	2015	2015	% Received	2016	2016	% Received
	Budget	Actual		Budget	Actual	
Water Fund	1,423,997.00	423,499.51	29.74%	1,724,984.00	399,192.35	23.14%
Sanitary Sewer Fund	1,301,162.00	514,894.40	39.57%	2,371,086.00	377,904.74	15.94%
Storm Water Fund	156,797.00	113,359.50	72.30%	418,100.00	114,857.15	27.47%
Total	2,881,956.00	1,051,753.41	36.49%	4,514,170.00	891,954.24	19.76%

Expenditures	2015	2015	% Spent	2016	2016	% Spent
	Budget	Actual		Budget	Actual	
Water Fund	3,187,350.00	904,323.88	28.37%	1,682,926.00	773,558.76	45.97%
Sanitary Sewer Fund	3,484,825.00	993,068.25	28.50%	3,481,738.00	887,873.85	25.50%
Storm Water Fund	444,664.00	95,114.87	21.39%	994,955.00	97,667.40	9.82%
Total	7,116,839.00	1,992,507.00	28.00%	6,159,619.00	1,759,100.01	28.56%

Revenues for the first half of the year are below last year revenues with the exception of the Storm Water Fund which is slightly higher than last year’s revenue due to the rate increase. Expenses for the year are similar to prior year expenses. Keeping in mind that the expense budget for the Enterprise Funds includes depreciation which is not recorded until year-end. Again, nothing is unusual for the first half of the year for the Enterprise Funds.

INTERNAL SERVICE FUNDS

The Town’s Town Building, Capital Equipment, and Risk Management Funds have collected their one-time fees from the General Fund and Enterprise Funds, thus they have collected 100% of their revenues, except for interest earnings, for 2016.

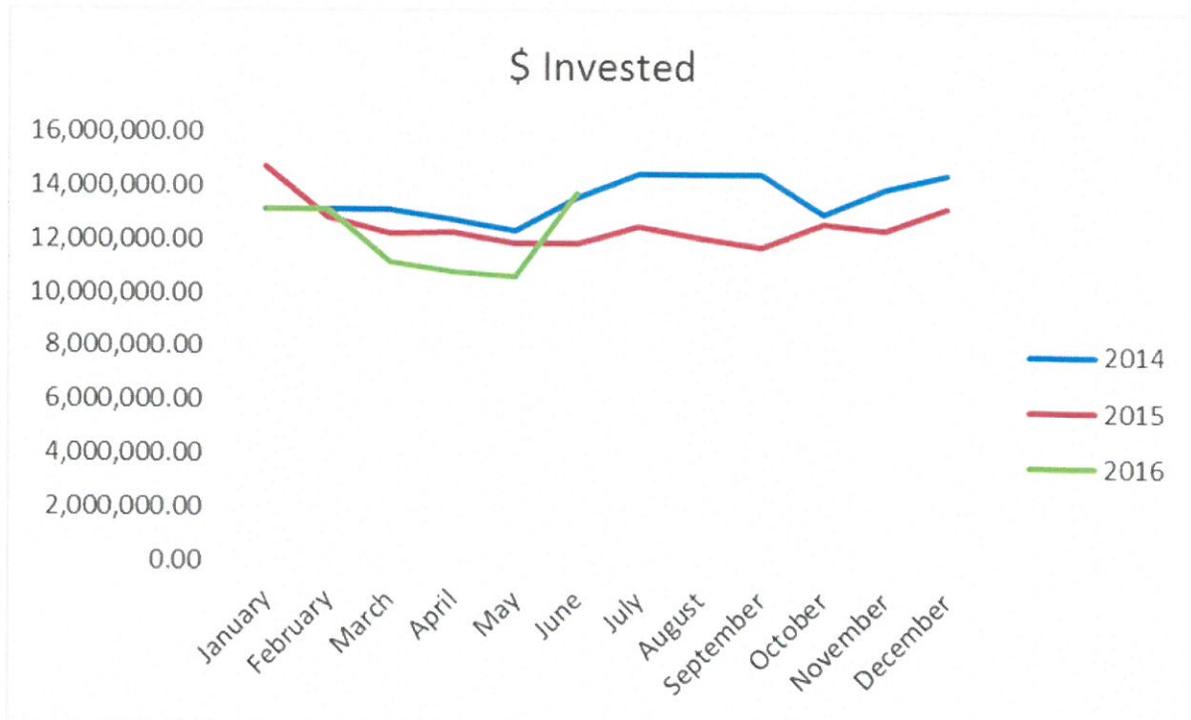
The Town Building Fund has only spent \$1,529.27 any of their budget so far while the Capital Equipment Fund has spent \$110,294.49 or 26.52% of their budget so far.

The Risk Management Fund has paid the worker’s compensation premiums and the majority of the 2016 insurance premiums, so its expense activity is almost completed for the year. Premiums are anticipated to cost the Town \$140,460, which is an increase of \$14,860 from 2015. All of 2016 the worker’s compensation premiums were paid in the amount of \$51,254.60 compared to \$43,481.00 in 2015 and \$32,442.00 for 2014. The increase is due to increases in

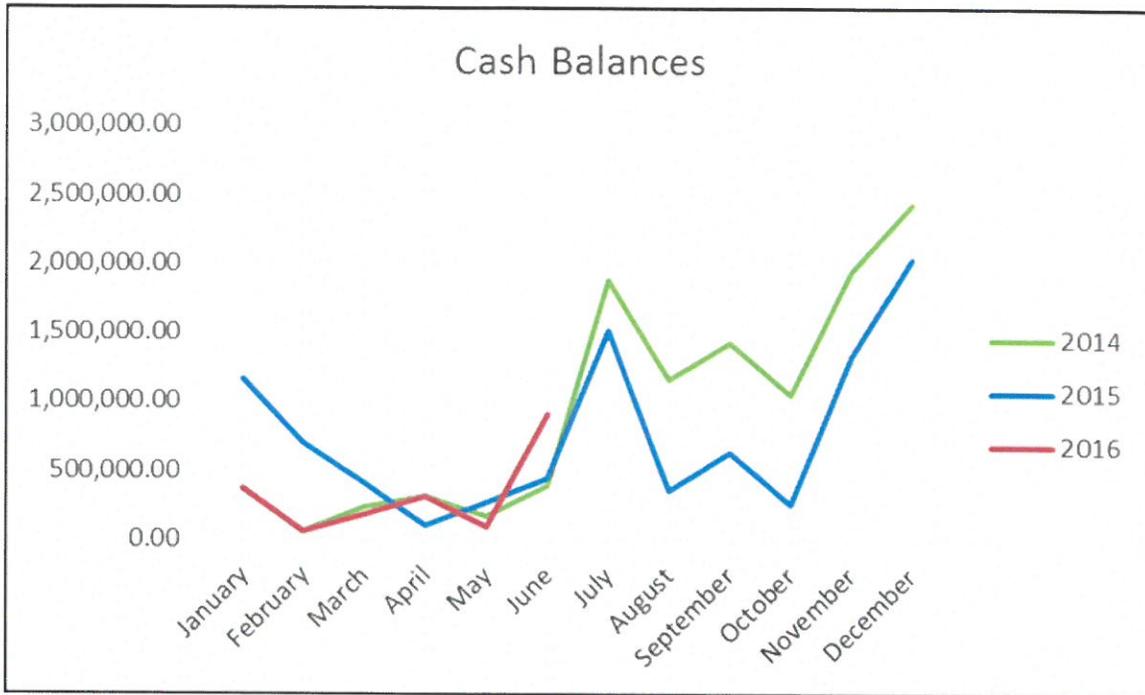
claims which results in a higher experience modification factor. Overall the Risk Management fund has spent 93.67% of its 2016 budget.

CASH AND INVESTMENTS

Finally, the Town had \$13,754,226.33 invested as of June 30st. This compares to \$11,902,449.99 invested last year at this time. The investments had an average interest rate of 2.757% compared to 2.027% last year. Interest rates have move up slightly from last year. The chart below shows the Town's invested funds for the last three years.



The other factor and equally important as funds invested is the Town's cash in the bank. These are the funds the Town uses to pay its bills each month. Since the Town receives the majority of its money in July and December from tax settlements, it's not unusual for the Town 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 Town may draw on its investments to help meet its cash needs, as was the case during the second quarter of 2016. The chart on the following page demonstrates the cash flow for the Township.



CONCLUSION

The Township had a typical first half of the year financially. Through the second quarter it appears revenues could finish the year above budgeted amounts for most revenue sources, while expenditures may end near or slightly below budgeted amounts. The exception to this could be the Enterprise Funds where revenues are lower than anticipated due to a wet spring and water conservation. The Township has sufficient cash and investments to meet its obligations until the Township receives its first tax settlement in July, however investment earnings remains low. So it would appear the Township is in good financial shape for 2016.