

MEMORANDUM

Date: October 25, 2016
 To: Town Board
 From: Tom Kelly, Finance Officer
 Re: Third Quarter 2016 Financial Report

The third quarter is in the books. The Town's revenues are higher than expected and expenditures are a little lower than they normally are at this point in time. The key to the Town's finances are that even though we are 75% through the year, revenues and expenditures don't flow evenly through the year. Even with some one time expenditures spent at the beginning of the year and the Town having paid all of its 2016 debt payments, expenditures are only 55% spent compared to budget compared to 51% last year at this time. 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. Debt Service Fund revenue is 74% due to onetime transfers to fund debt retirements, of which puts revenue collect at 57% of budget compared to 73% in 2015. 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	2,325,792.27	65.52%	3,724,485.00	2,294,130.31	61.60%
Special Revenue Fds	39,425.00	13,095.53	33.22%	39,026.00	2,754.56	7.06%
Debt Service Funds	508,936.00	1,020,447.91	200.51%	335,099.00	246,711.53	73.62%
Capital Project Funds	1,128,155.00	626,272.58	55.51%	1,013,215.00	598,971.18	59.12%
Enterprise Funds	2,881,956.00	1,850,071.50	64.19%	4,514,170.00	2,065,426.23	45.75%
Internal Service Fds	447,167.00	437,127.72	97.75%	504,301.00	564,054.06	111.85%
Total	8,555,248.00	6,272,807.51	73.32%	10,130,296.00	5,772,047.87	56.98%

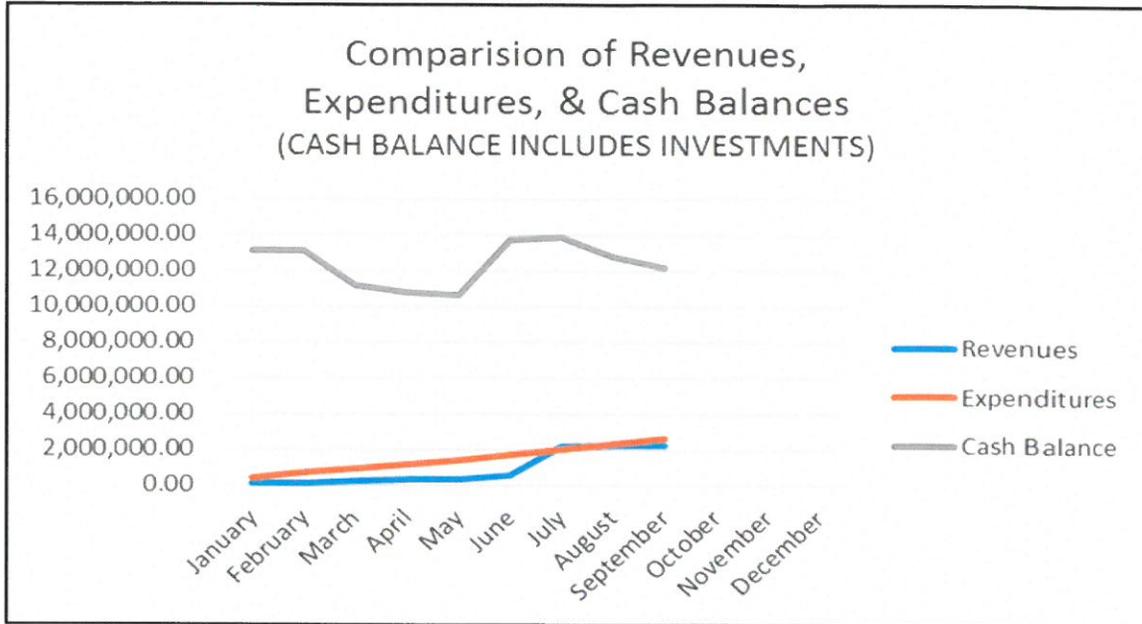
Expenditures	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
General Fund	3,549,609.00	2,424,601.64	68.31%	3,724,485.00	2,614,257.32	70.19%
Special Revenue Fds	26,000.00	36,693.37	141.13%	26,000.00	16,027.34	61.64%
Debt Service Funds	1,569,877.00	1,590,986.48	101.34%	419,846.00	419,745.98	99.98%
Capital Project Funds	2,201,480.00	553,494.17	25.14%	2,188,380.00	1,218,805.25	55.69%
Enterprise Funds	7,116,839.00	2,793,794.72	39.26%	6,159,620.00	2,442,593.99	39.65%
Internal Service Fds	449,700.00	233,980.77	52.03%	646,810.00	495,937.77	76.67%
Total	14,913,505.00	7,633,551.15	51.19%	13,165,141.00	7,207,367.65	54.75%

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.

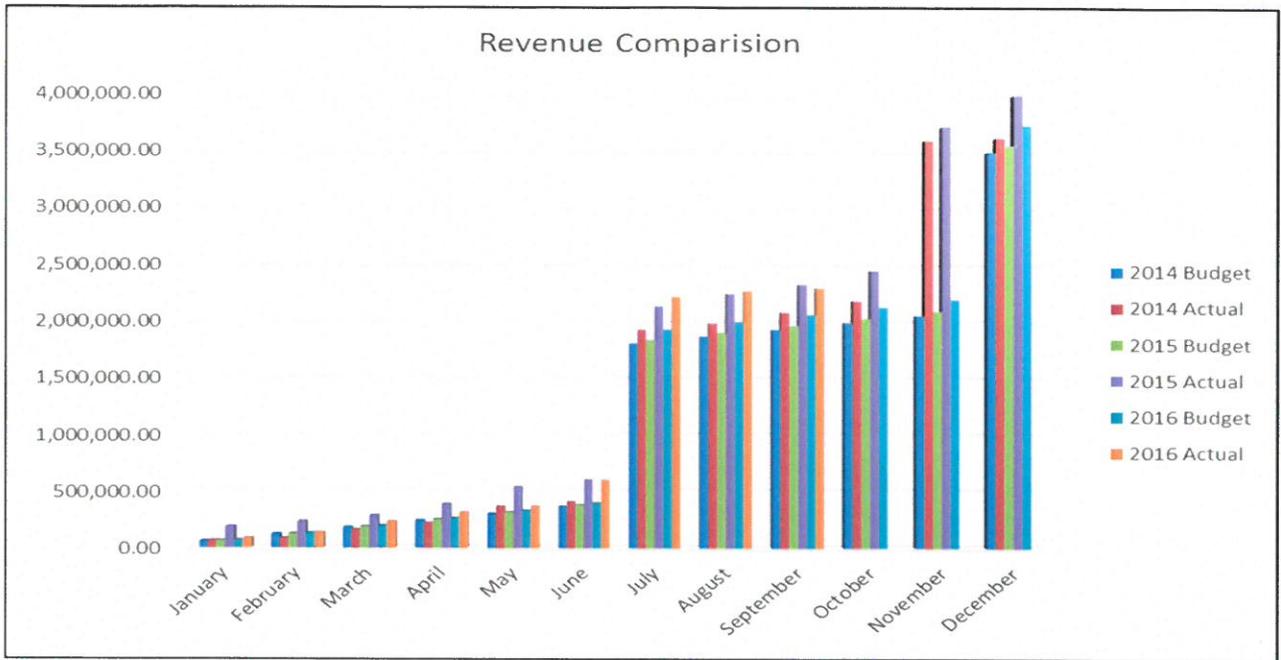
GENEARL FUND

Through the third quarter, revenues are above budget projections and expenditures are slightly below budget, which is shown in future charts. However, the chart on the following page shows how revenues are slightly below expenditures levels for the first three quarters of the year which

is typical. Also one can see how the Town depends on reserves (cash balances) until that tax payments are received.

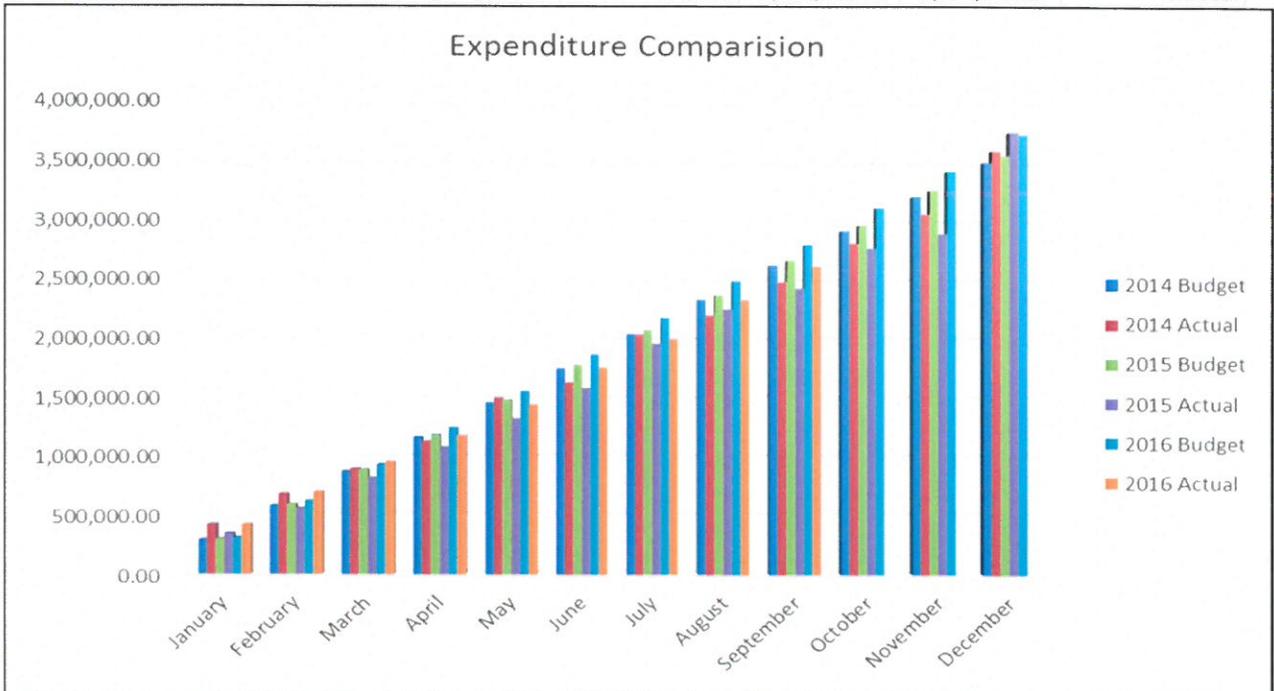


For the year the Town has received 61.60% of the budgeted revenue through the end of September, which is behind last year at this time, which is due to interest earnings on investments, which will be described later in this report. Licenses and permits have exceeded their budget and collected 112.49% of their budgets so far. All most of the line items under the licenses & permits category have exceeded their budget amounts for the year. Engineering and legal fees which are billed to property owners are also above budget and previous year's revenues. This is mainly due to the Pine Hill project. The Town has collected 60% of the miscellaneous revenues due to antenna lease revenues of which one lease is paid yearly in September of each year. Intergovernmental revenues include cable TV Franchise Fees, which were collected during the second quarter in the amount of \$148,295.12 when only \$60,000 was budgeted. The chart on the following page compares budget to actual revenues for the last two years. For this chart the monthly revenues are $\frac{3}{4}$ of the total revenue budget with the exception of property taxes which are included in the July and December budget numbers only.



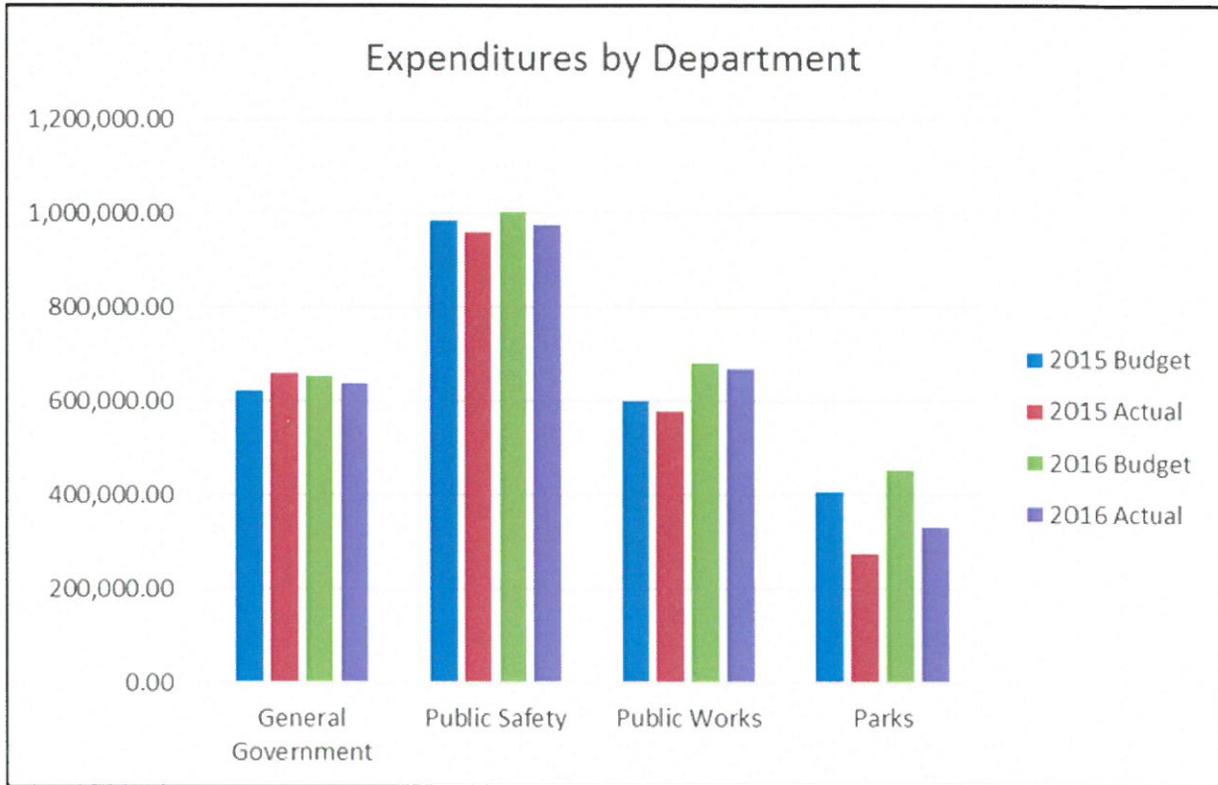
Actual expenditures for the quarter are below the 2016 budget and below the 2015 budget, but higher than 2015 actual amounts as shown in the charts below:

	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
General Government	622,579.50	658,945.34	105.84%	654,846.00	637,572.44	97.36%
Public Safety	986,693.25	961,442.82	97.44%	1,004,658.00	976,504.40	97.20%
Public Works	601,327.50	580,661.58	96.56%	681,117.00	669,627.95	98.31%
Parks	407,499.75	275,665.11	67.65%	452,742.00	330,552.53	73.01%
Total	2,618,100.00	2,476,714.85	94.60%	2,793,363.00	2,614,257.32	93.59%



If expenditures were spent evenly throughout the year the Town should have spent 75% of its budget, which is the budget amounts in the previous charts. A number of activities are over 75% spent of their budgets after the 3rd quarter, which this is mainly due to one-time expenditures for their equipment rental fee paid to the Town's Capital Equipment Fund and a one-time or summer expenditures related to temporary summer help and park improvements, which are completed for the year.

The only bad news is that there are expenditures for snow plowing or sanding activities which will begin before the end of the year. This could increase the road and bridge activity which is currently 76% spent closer to 100% or more.



Overall the General Fund is in good shape through the first three quarters of the year. If revenues and expenditures follow previous year collections and expenditure patterns, revenues should finish the year above budget while expenditures will finish slightly below budget. While revenue appear to be on pace to end the year above expenditures, the excess revenues doesn't appear to be as much as it has been in the past.

SPECIAL REVENUE FUNDS

The Town has two Special Revenue Funds, the Park Acquisition Fund and Township Day's Festival. The Park Acquisition Fund has revenue of interest earnings (loss of \$3,187) and park dedication fees (\$2,878) for total revenues of negative \$309. There have been no expenditures for the Park Acquisition Fund so far into 2016. Township days so far has expenditures of \$16,027, which are offset by booth rentals of \$1,300 and donations of \$1,763. A transfer from the EDA and General Funds in the 4th quarter will result in the fund breaking even for the year.

DEBT SERVICE FUNDS

The Town Debt Service expenditure activity is completed for the year with both the February and August 1st bond payments being made totaling \$419,745.98. The Town now has \$43,375,000.00 in outstanding debt. Funding or revenues, which currently totals \$246,711.53, comes from Water Utility Fund revenues as well as property taxes, special assessments, and tax increments which the Town received the first half property tax settlement in July and will receive the 2nd half in December.

CAPITAL PROJECT FUNDS

Revenues received are from first half (tax settlement) special assessments, 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 Town's EDA Fund to the Debt Service Funds for their share of 2016 bond payments and cost for the Pine Hill Improvement project.

ENTERPRISE FUNDS

The Town's Enterprise Funds third quarter financial information is as follows:

Revenues	2015	2015	%	2016	2016	%
	Budget	Actual	Received	Budget	Actual	Received
Water Fund	1,423,997.00	833,266.60	58.52%	1,724,984.00	1,034,794.54	59.99%
Sanitary Sewer Fund	1,301,162.00	836,922.03	64.32%	2,371,086.00	799,772.03	33.73%
Storm Water Fund	156,797.00	179,882.87	114.72%	418,100.00	230,859.66	55.22%
Total	2,881,956.00	1,850,071.50	64.19%	4,514,170.00	2,065,426.23	45.75%
Expenditures	2015	2015	%	2016	2016	%
	Budget	Actual	Spent	Budget	Actual	Spent
Water Fund	3,187,350.00	1,181,637.85	37.07%	1,682,926.00	1,049,577.86	62.37%
Sanitary Sewer Fund	3,484,825.00	1,479,391.63	42.45%	3,481,738.00	1,260,167.75	36.19%
Storm Water Fund	444,664.00	132,765.24	29.86%	994,955.00	132,848.38	13.35%
Total	7,116,839.00	2,793,794.72	39.26%	6,159,619.00	2,442,593.99	39.65%

Revenues for the first three quarters of the year are above last year revenues with the exception of the Sanitary Sewer Fund which is lower than last year's revenue due to the water usage in the winter quarter of the year and new rates. 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 three quarters of the year for the Enterprise Funds.

INTERNAL SERVICE FUNDS

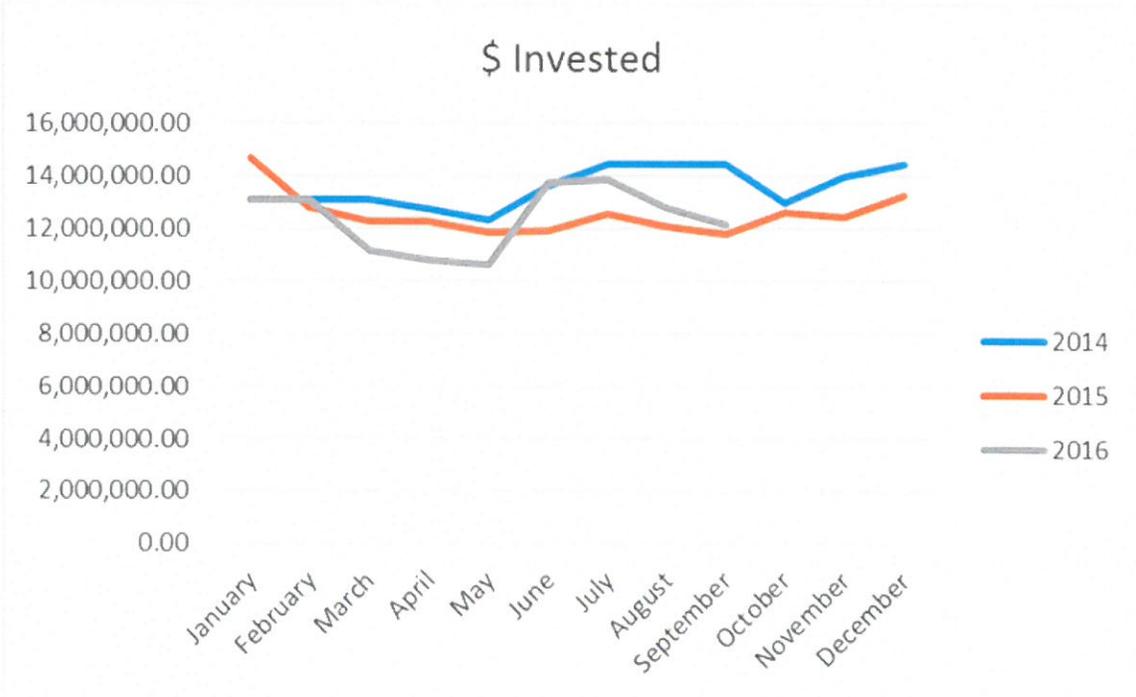
The Town's Town Building, Capital Equipment, and Risk Management Funds have collected their one-time fees from the General Fund and Enterprise Funds, thus they have collected 100% of their revenues, except for interest earnings, for 2016.

The Town Building Fund has spent only 1.69% of their budgeted items as some of the larger items budgeted have been delayed until sometime in the future and the funds will not be spent in 2016. On the other hand, the Capital Equipment Fund has spent 87.11% of their budget for small tools, furniture, large dump truck, computer equipment and software, and miscellaneous equipment.

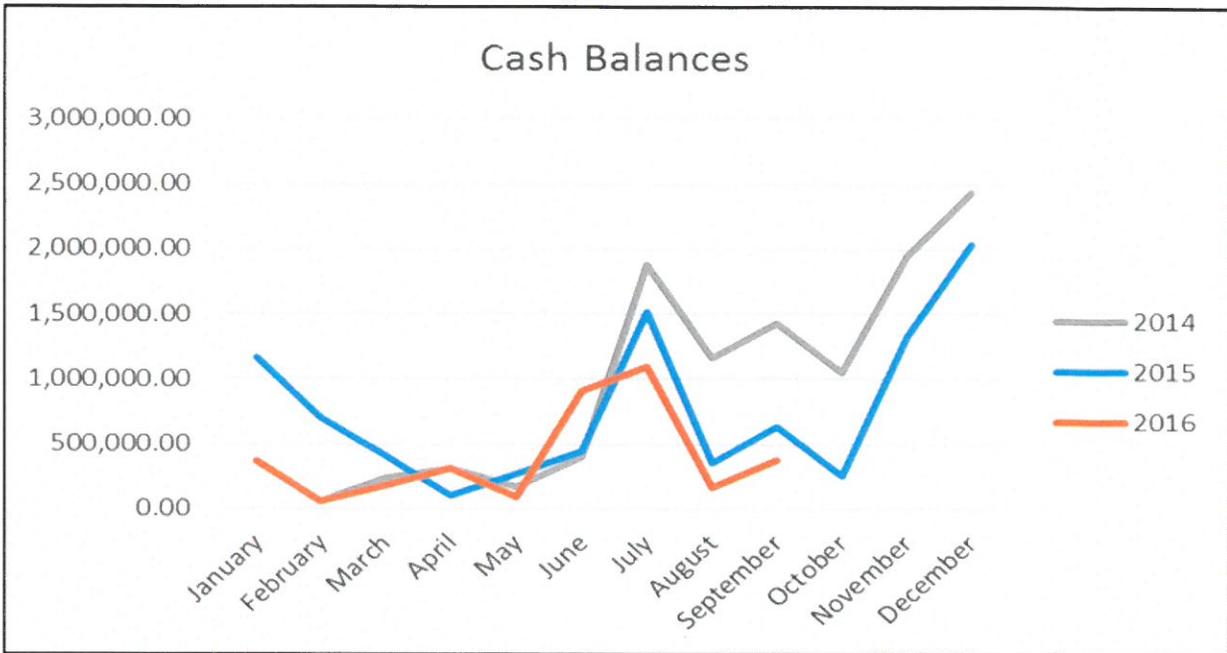
The Risk Management Fund has paid the worker's compensation premiums and the majority of the 2016 insurance premiums, so its expense activity is almost completed for the year. Premiums are anticipated to cost the Town \$132,143, which is an increase of \$6,543 from 2015. All of 2016 the worker's compensation premiums were paid in the amount of \$51,834.00 compared to \$43,481.00 for all of 2015. The increase is due to increases in claims which results in a higher experience modification factor. Overall the Risk Management fund has spent 94.08% of its 2016 budget.

CASH AND INVESTMENTS

Finally, the Town had \$12,180,584.25 invested as of September 30st. This compares to \$11,794,780.15 invested last year at this time. Having more funds invested compared to last year is moving the Town in a positive direction, but interest rates remain low. These low interest rates have cause the Town to reinvest its fund when possible in government bonds, which have been purchased at a premium. The payment of premiums results in negative interest earning for the year so far as premium costs are offset against interest. The investments had an average interest rate of 2.909% compared to 2.075% last year. Again because of the premiums paid the Town's yield to maturity is only 2.525% compared to 1.760% in 2015. The chart below shows the Town's invested funds for the last two 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 has been the case during the first three quarters of 2016. The chart following page demonstrates the cash flow for the Township the last three years.



CONCLUSION

The Township had a good first three quarters of the year financially. Through the third 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 exceptions to this could be the Sanitary Sewer Fund where revenues are lower than anticipated due to lower than anticipated water usage during the winter quarter along with the new rates and expenses with anticipated capital expenses. The General Fund which has revenues slightly above budget amounts and expenditures near budget amounts should end the year with a same surplus but nothing like past surpluses. The Township has sufficient cash and investments to meet its obligations until the Township receives its second tax settlement in December, however investment earnings remains low. So it would appear the Township is in good financial shape for 2016.