

MEMORANDUM

Date: May 12, 2017
 To: Town Board
 From: Tom Kelly, Finance Officer
 Re: Fourth Quarter 2016 Financial Report

Another year has flown by. The Town's auditor have been busy reviewing the Town's books and will have the final audit revenue in June for the Board to review. Therefore, this report is based on unaudited financial records. The Town's revenues are higher than expected and expenditures are a little lower than they normally are. However, both revenues and expenditures reflect the operating transfer of \$600,000 from the General Fund (increases expenditures) to other funds (increases revenue) to reduce the General Fund's reserves to 45% of the 2017 operating budget. Below is a chart comparing budget to actual revenue and expenditures for the years 2015 and 2016.

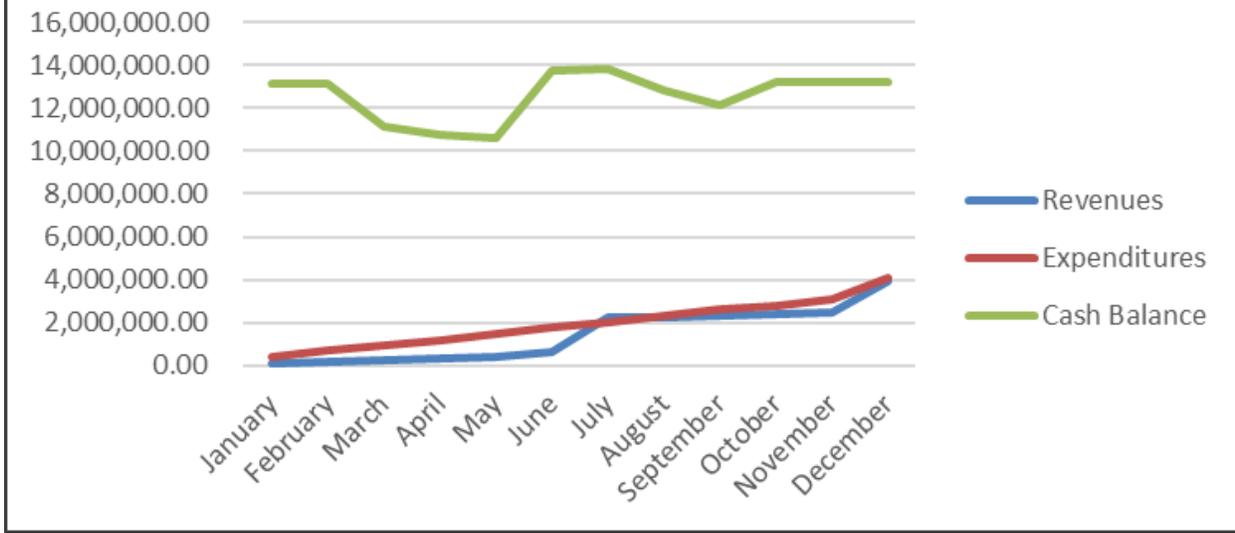
Revenues	2015 Budget	2015 Actual	% Received	2016 Budget	2016 Actual	% Received
General Fund	3,549,609.00	4,000,744.32	112.71%	3,724,485.00	3,917,918.85	105.19%
Special Revenue Fds	39,425.00	50,044.30	126.94%	39,026.00	42,190.63	108.11%
Debt Service Funds	508,936.00	1,172,772.69	230.44%	335,099.00	353,397.41	105.46%
Capital Project Funds	1,128,155.00	1,462,465.20	129.63%	1,013,215.00	1,543,329.58	152.32%
Enterprise Funds	2,881,956.00	3,118,914.07	108.22%	4,514,170.00	3,364,348.93	74.53%
Internal Service Fds	447,167.00	474,901.85	106.20%	504,301.00	673,975.37	133.65%
Total	8,555,248.00	10,279,842.43	120.16%	10,130,296.00	9,895,160.77	97.68%
Expenditures	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
General Fund	3,549,609.00	3,748,464.76	105.60%	3,724,485.00	4,083,420.08	109.64%
Special Revenue Fds	26,000.00	38,848.37	149.42%	26,000.00	18,749.84	72.11%
Debt Service Funds	1,569,877.00	1,692,842.19	107.83%	419,846.00	420,695.98	100.20%
Capital Project Funds	2,201,480.00	871,909.60	39.61%	2,188,380.00	1,748,032.51	79.88%
Enterprise Funds	7,116,839.00	3,955,606.06	55.58%	6,159,620.00	3,683,595.73	59.80%
Internal Service Fds	449,700.00	294,391.75	65.46%	646,810.00	494,993.78	76.53%
Total	14,913,505.00	10,602,062.73	71.09%	13,165,141.00	10,449,487.92	79.37%

The rest of the report will detail the revenues and expenditures of each of six fund types.

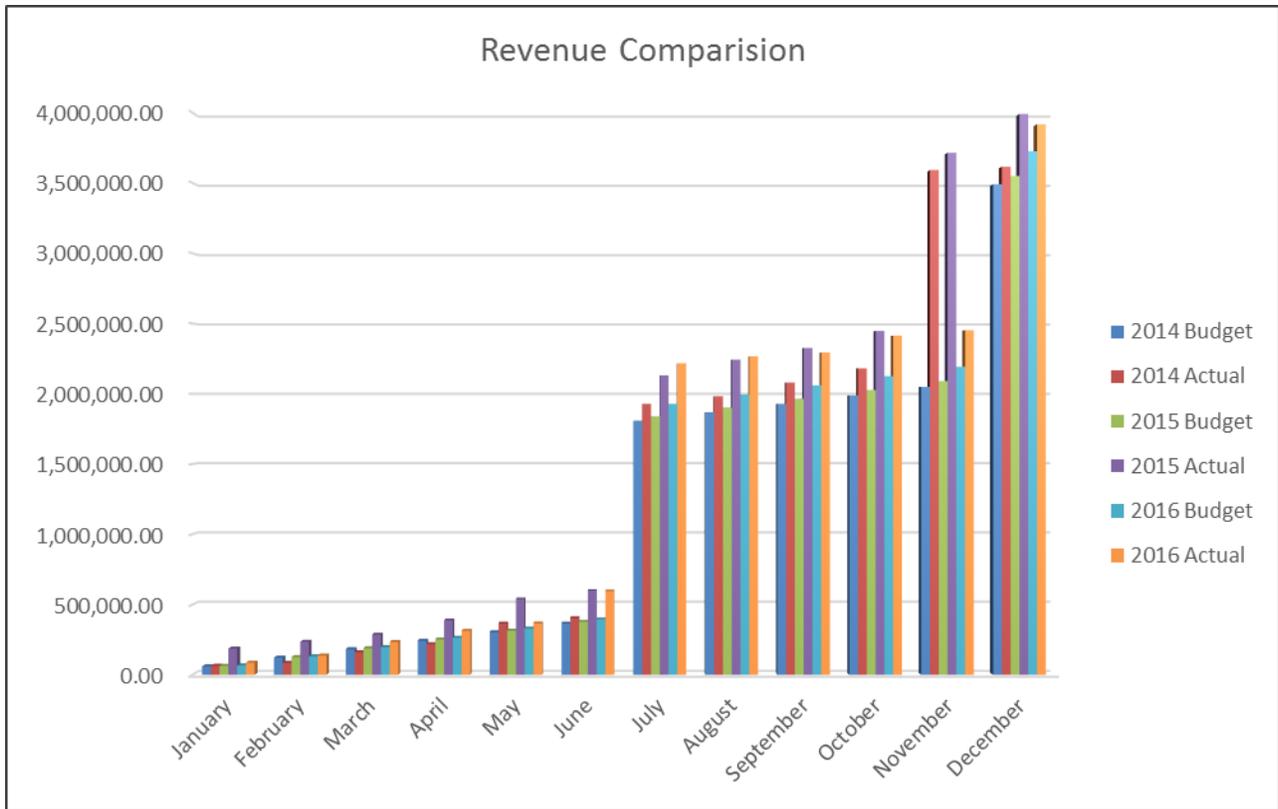
GENEARL FUND

Revenues are above budget projections and expenditures would be below budget if you were to subtract the operating transfers of \$600,000 to other funds to meet the Town's fund balance policy. The chart on the following page shows the how dependent the Town is on property tax revenue both as a major revenue source and to cash flow operations. Cash flows decrease most months except in July and December, when property taxes are received and revenues are generally below expenditure levels except in those two months.

Comparison of Revenues, Expenditures, & Cash Balances (CASH BALANCE INCLUDES INVESTMENTS)

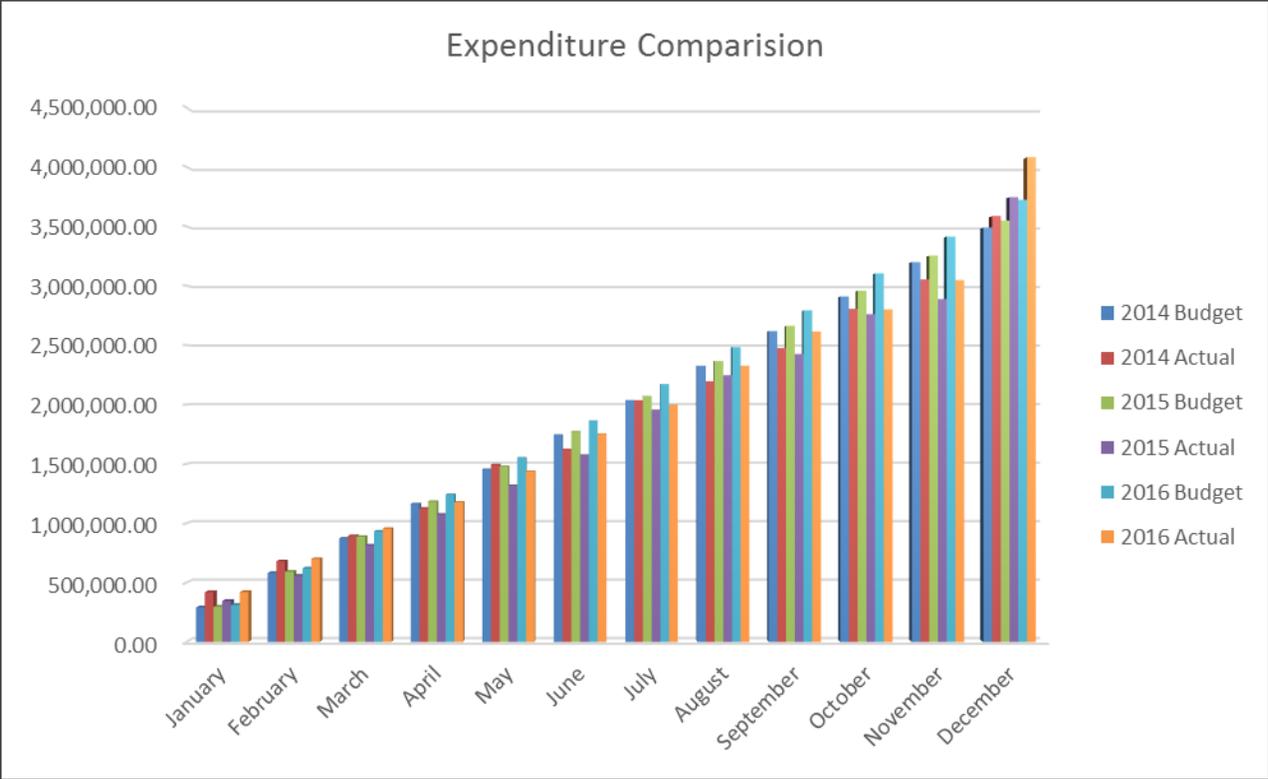


For the year, the Town has received 105% of the budgeted revenue. Almost all revenue categories exceeded their budgets. Licenses and permits have exceeded their budget and collected 141.7% of their budgets. All most of the line items under the licenses & permits category have exceeded their budget amounts for the year lead by building permit revenue, which totaled \$122,176.46 or 143.74% of budget. 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 only 72% of the miscellaneous revenues due to antenna lease revenues, which were included in the budget but allocated to other funds in 2016 and lower than anticipated interest earnings. 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 three years.

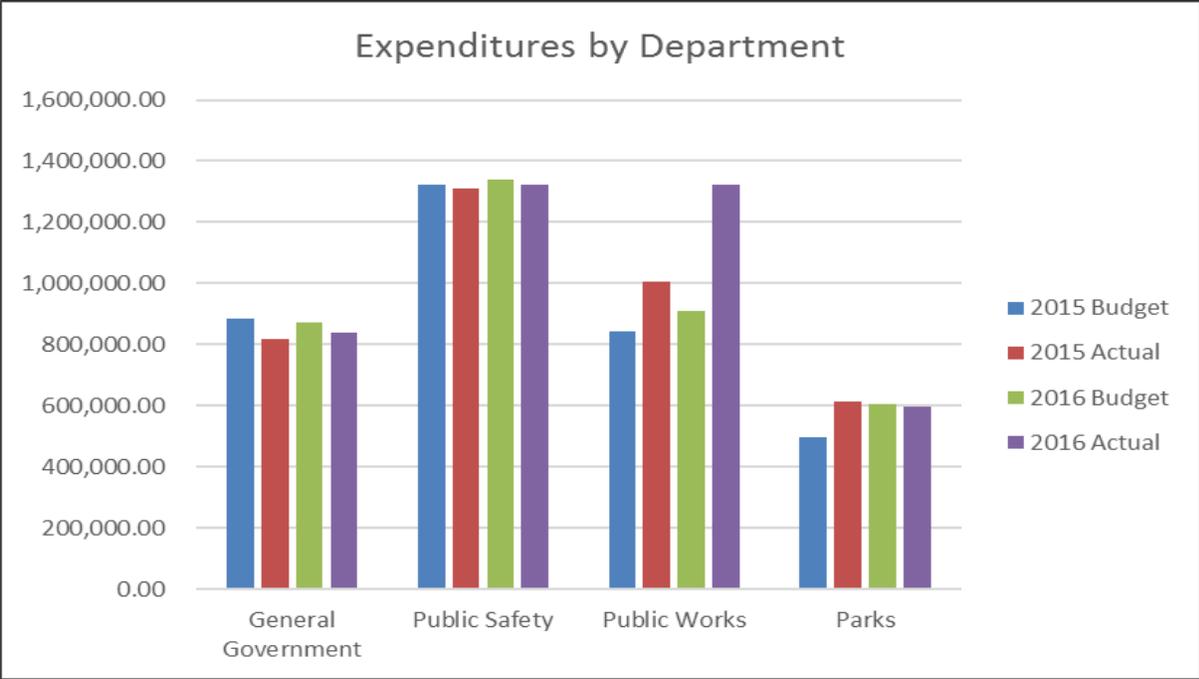


Actual expenditures for the year as state previously are below the 2016 budget and below the 2015 budget and actual amounts if the \$600,000 in operating transfers were removed as shown in the charts below:

	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
General Government	884,900.00	819,288.18	92.59%	873,129.00	840,032.86	96.21%
Public Safety	1,321,223.00	1,310,651.20	99.20%	1,339,545.00	1,323,294.88	98.79%
Public Works	844,914.00	1,006,392.63	119.11%	908,155.00	1,321,141.41	145.48%
Parks	498,572.00	612,132.75	122.78%	603,656.00	598,950.93	99.22%
Total	3,549,609.00	3,748,464.76	105.60%	3,724,485.00	4,083,420.08	109.64%



The only activities over 100% spent of their budgets for the year are elections (110%), Road & Bridge (174%), and Town Buildings (125%). If the transfers to other funds to meet the Town's fund balance policy were removed, the Road & Bridge activity would have spent 89% of their 2016 budget and Town Buildings would have spent 93% of their budget. That would leave only the election activity over budget for 2016 and it was only over spent by \$2,835. Overall, by removing the \$600,000 operating transfer from General Fund expenditures the Town would have under spent it 2016 budget by \$241,065.



Overall, the General Fund is in good shape for the year and for the future.

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 of \$8,934, park dedication fees \$5,756 and an operating transfer into the fund of \$6,960 for total revenues of \$21,650. There were no expenditures for the Park Acquisition Fund in 2016. Township days had expenditures of \$18,750, which were offset by booth rentals of \$1,345 and donations of \$1,790. A transfer from the EDA and General Funds of \$17,500 result in a fund balance of \$1,791, which will be used for expenditures in 2017 prior to revenues sources from this activity coming in.

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 totals \$353,397, come from Water Utility Fund revenues as well as property taxes, special assessments, and tax increments.

CAPITAL PROJECT FUNDS

Revenues are from special assessments, interest earnings, the billboard lease in the Community Park Fund, and transfer from the Town's General Fund for the Town's annual sealcoating project and to meet its fund balance policy. The expenditures are transfers from the Towns EDA Fund to the Debt Service Funds for their share of 2016 bond payments and cost for the Pine Hill Improvement project. In total revenues were 152% of budget at \$1,543,330 with expenditures at \$1,748,033 or 80% of budget.

ENTERPRISE FUNDS

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

Revenues	2015 Budget	2015 Actual	% Received	2016 Budget	2016 Actual	% Received
Water Fund	1,423,997.00	1,280,639.02	89.93%	1,724,984.00	1,508,795.51	87.47%
Sanitary Sewer Fund	1,301,162.00	1,365,982.76	104.98%	2,371,086.00	1,284,145.02	54.16%
Storm Water Fund	156,797.00	472,292.29	301.21%	418,100.00	571,408.40	136.67%
Total	2,881,956.00	3,118,914.07	108.22%	4,514,170.00	3,364,348.93	74.53%
Expenditures	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
Water Fund	3,187,350.00	1,810,762.31	56.81%	1,682,926.00	1,761,174.51	104.65%
Sanitary Sewer Fund	3,484,825.00	1,957,437.97	56.17%	3,481,738.00	1,724,187.46	49.52%
Storm Water Fund	444,664.00	187,405.78	42.15%	994,955.00	198,233.76	19.92%
Total	7,116,839.00	3,955,606.06	55.58%	6,159,619.00	3,683,595.73	59.80%

Revenues for 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. Again, nothing is unusual for the year for the Enterprise Funds.

INTERNAL SERVICE FUNDS

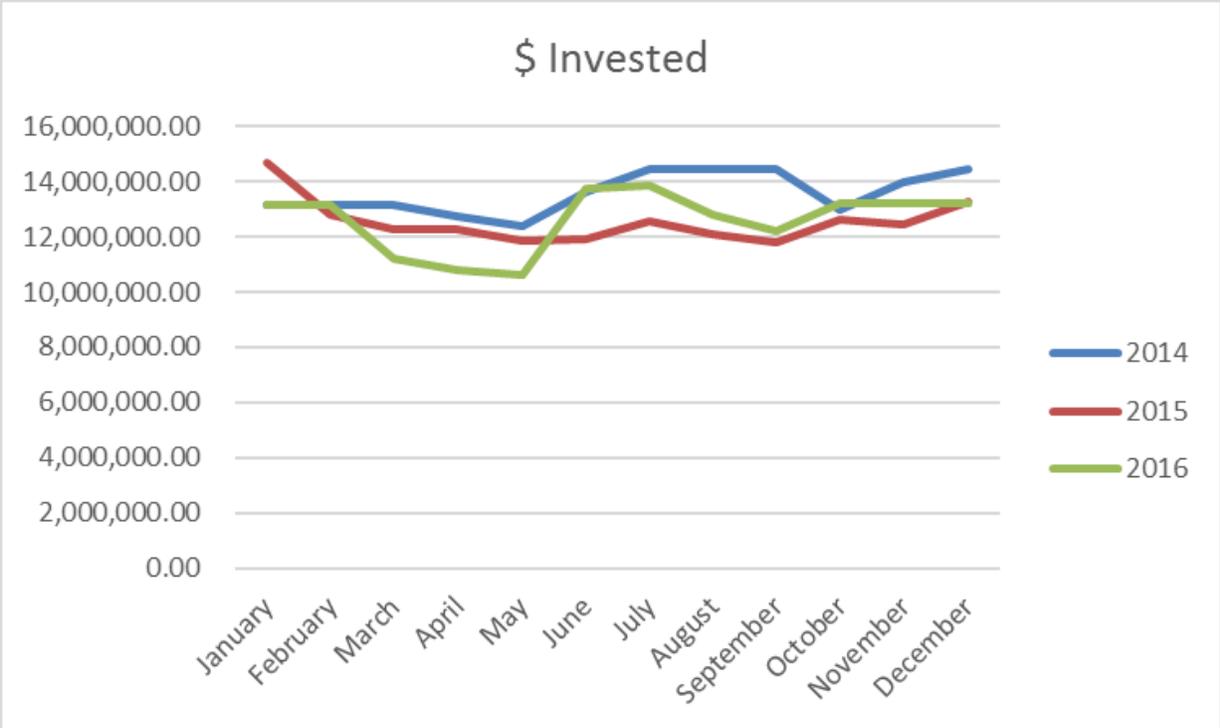
The Town's Town Building, Capital Equipment, and Risk Management Funds collect one-time fees from the General Fund and Enterprise Funds and received some of the operating transfers from the General Fund for 2016.

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 were not spent in 2016. On the other hand, the Capital Equipment Fund has spent 91% of their budget for small tools, furniture, large dump truck, computer equipment and software, and miscellaneous equipment.

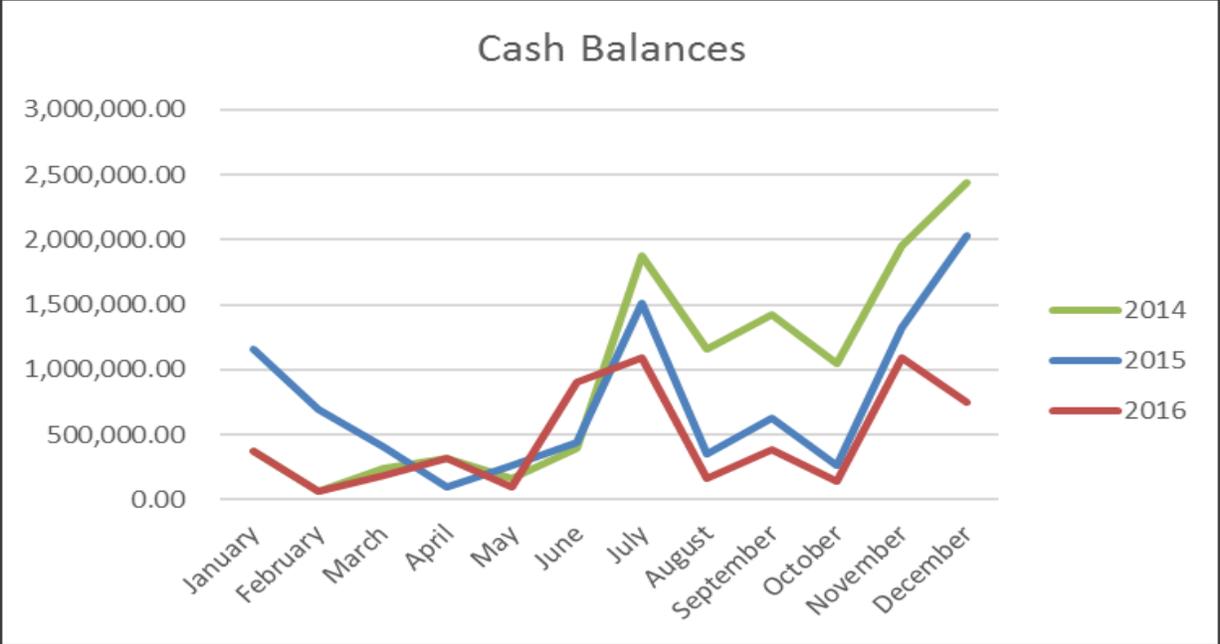
The Risk Management Fund has paid the worker's compensation premiums and the 2016 insurance premiums. Premiums cost the Town \$114706, which is a decrease of \$9,483 from 2015. All of 2016 the worker's compensation premiums were paid for \$34,397.00 compared to \$51,834.00 for all of 2015. The decrease is due to decreases in claims, which results in a lower experience modification factor, and increasing the Town's deductible from \$500 to \$1,000. Overall, the Risk Management fund has spent 82% of its 2016 budget.

CASH AND INVESTMENTS

Finally, the Town had \$13,236,025.40 invested as compared to \$13,258,982.08 invested last year at this time. Having less funds invested compared to last year is due to bond retirements, and internal funding of capital projects. 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 as premium costs are offset against interest. The investments had an average interest rate of 2.999% compared to 2.133% last year. Again because of the premiums paid the Town's yield to maturity is only 2.587% compared to 1.944% in 2015. The chart on the following page 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 has been the case during the most of 2016. The chart below demonstrates the cash flow for the Township the last three years.



CONCLUSION

The Township had a good year financially. Revenues finished the year above budgeted amounts for most revenue sources, while expenditures were below budgeted amounts before operating transfers were made. 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 above budget amounts and expenditures below budget amounts would ended the year with a very large surplus resulting in the transfer of \$600,000 to fund other projects in other funds. The Township has sufficient cash and investments to meet its obligations, however investment earnings remains low. Therefore, the Township is in good financial shape for 2016. The auditors will be at the June Executive Meeting to present their findings on the Town's 2016 finances, which may result in some minor changes to the information provided above.